

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF DENTON APPROVING AN ASSIGNMENT OF AIRPORT LEASE FROM 3KAM REAL ESTATE, LLC TO DTO 4858 LLC OF AN AIRPORT LEASE COVERING PROPERTY AT 4858 LOCKHEED LANE, DENTON, TEXAS AT THE DENTON ENTERPRISE AIRPORT; AMENDING THE EXISTING AIRPORT LEASE; AUTHORIZING THE CITY MANAGER TO EXECUTE THE ASSIGNMENT OF AIRPORT LEASE; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, on May 7, 2019, the City of Denton, a Texas home-rule municipal corporation (hereinafter the “City”), entered into that certain Airport Lease Agreement – Commercial Operator (the “Lease”) with 3KAM Real Estate, LLC covering property located at 4858 Lockheed Lane, Denton, Texas, as more fully described in the Lease (the “Property”), at the Denton Enterprise Airport (“Airport”), which Lease was approved by the City pursuant to Ordinance No. 19-394; and

WHEREAS, Assignor has agreed to assign its interest in the Lease, including certain improvements thereon, to DTO 4858 LLC (“Assignee”); and

WHEREAS, Assignee has requested certain changes to the Lease to be incorporated into the proposed assignment to which City staff recommends approval; and

WHEREAS, the Lease requires the written consent of the City for the proposed assignment to be effective, and Assignor has requested the City give such consent; and

WHEREAS, at the June 8, 2022 meeting of the Airport Advisory Board, the Board recommended that the City approve the Assignment of Airport Lease for the Property by a vote of 4 to 0; and

WHEREAS, the City Council deems it in the public interest to enter into an Assignment of Airport Lease giving consent to the assignment contemplated above; NOW, THEREFORE,

THE COUNCIL OF THE CITY OF DENTON HEREBY ORDAINS:

SECTION 1. The findings and recitations contained in the preamble of this ordinance are incorporated herein by reference.

SECTION 2. The Assignment of Airport Lease for the Property in the form attached hereto as Exhibit A is hereby approved and made a part of this ordinance for all purposes.

SECTION 3. The City Manager, or their designee, is hereby authorized to execute the approved Assignment of Airport Lease.

SECTION 4. This ordinance shall become effective immediately upon its passage and approval.

The motion to approve this Ordinance was made by _____ and seconded by _____. This ordinance was passed and approved by the following vote [___ - ___]:

	Aye	Nay	Abstain	Absent
Mayor Gerard Hudspeth:	_____	_____	_____	_____
Vicki Byrd, District 1:	_____	_____	_____	_____
Brian Beck, District 2:	_____	_____	_____	_____
Jesse Davis, District 3:	_____	_____	_____	_____
Alison Maguire, District 4:	_____	_____	_____	_____
Brandon Chase McGee, At Large Place 5:	_____	_____	_____	_____
Chris Watts, At Large Place 6:	_____	_____	_____	_____

PASSED AND APPROVED this the _____ day of _____, 2022.

GERARD HUDSPETH, MAYOR

ATTEST:
ROSA RIOS, CITY SECRETARY

BY: _____

APPROVED AS TO LEGAL FORM:
MACK REINWAND, CITY ATTORNEY

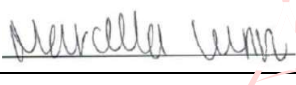
BY: 
 Digitally signed by Marcella Lunn
 DN: cn=Marcella Lunn, o,
 ou=City of Denton,
 email=marcella.lunn@cityofdenton.com, c=US
 Date: 2022.06.02 15:14:23 -05'00'

Exhibit A

ASSIGNMENT OF AIRPORT LEASE DENTON ENTERPRISE AIRPORT

DATE: _____, 2022 (the "Assignment Effective Date")

ASSIGNOR: 3KAM Real Estate, LLC

ASSIGNEE: DTO 4858 LLC

LANDLORD: City of Denton, a Texas home-rule municipal corporation

LEASE: Attachment 1 - Airport Lease Agreement – Commercial Operator, dated May 9, 2019; City of Denton Approval Ord. 19-394, as amended herein. (the "Lease")

PREMISES: 1.704 acres, along with certain leasehold improvements, located at 4858 Lockheed Lane, Denton, TX, Denton Enterprise Airport, all as described in the Lease

Effective as of the Assignment Effective Date, Assignor hereby assigns to Assignee its interest in the Lease by the execution of this document (this "Assignment").

A. Assignee agrees to:

1. Assume Tenant's obligations under the Lease.
2. Accept the Premises in their present "as is" condition.
3. Complete all obligations of transfer and purchase from Assignor prior to this Assignment becoming effective.

B. Landlord consents to this Assignment:

1. Landlord agrees that following assignment, it shall look solely to Assignee for fulfillment of the Lease obligations.

C. Assignor agrees that:

1. Assignor confirms that the Lease with respect to the Premises is to be transferred to DTO 4858 LLC.
2. On or before the date of this Assignment, Assignor will pay or will cause the Assignee to pay to Landlord a \$1,000 transfer fee.

D. The Lease is hereby amended as follows:

1. Section 1.2.A of the Lease is amended to delete the phrase "in common with others so authorized of passage, upon the Public Area," and to replace it with "in common with others so authorized of passage, upon the City road system (the

“Public Area”),”

2. Section 8.1.A of the Lease is amended to delete the phrase “As a condition of obtaining such consent, the transferee receiving any such right shall be required to execute a new lease agreement provided by City.” and to replace it with the following “As a condition of obtaining such consent, the City reserves the right to require the transferee receiving any such rights from Lessee to execute a new lease agreement provided by City.”
3. Section 9.2 of the Lease is amended to delete the following:

3KAM Real Estate LLC
Attn: J. Mike Riley
2412 Fort Worth Drive
Denton, Texas 76205

and to replace it with:

DTO 4858 LLC
Attn: Jon Wenrich
8507 NW Pacific Street
Portland, OR 97220
E-mail: Jon.Wenrich@fbocap.com

- E. Capitalized terms not defined in this Assignment shall have the meaning ascribed to them in the Lease.
- F. Except as amended by this Assignment, the provisions of the Lease shall remain in full force and effect.

[Signatures on following page]

Assignee:
DTO 4858 LLC


Name, Title

STATE OF WASHINGTON

COUNTY OF King

This instrument was acknowledged before me on the 25th day of MAY, 2022, by JON WENGLER, as MANAGER of DTO 4858 LLC, as an act of said company.


[SEAL]



Notary Public, State of WASHINGTON

My Commission Expires 01.01.2026
(or Notary Stamp)

Assignor:
3KAM Real Estate, LLC

7574 member
Name, Title

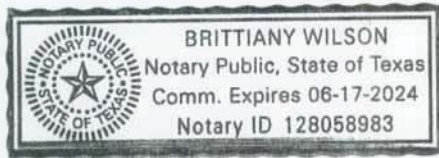
STATE OF Texas

COUNTY OF Denton

This instrument was acknowledged before me on the 26 day of May, 2022, by Kent Ky, as member of 3KAM Real Estate, LLC, as an act of said company.

Brittiany Wilson

[SEAL]



Notary Public, State of Texas

My Commission Expires 6-17-24
(or Notary Stamp)

Consent:
Landlord:
City of Denton

Sara Hensley, City Manager

Approved as to Legal Form

DocuSigned by:
Marcella Lunn
4B070831B4AA438...

Mack Reinwand, City Attorney

ATTEST:

Rosa Rios, City Secretary

THIS AGREEMENT HAS BEEN
BOTH REVIEWED AND APPROVED
as to financial and operational
obligations and business terms.

DocuSigned by:
Scott Gray
By: _____
A79499140F7443A...
Scott Gray
Director – Airport, Facilities

Date Signed: 6/3/2022

AIRPORT LAND LEASE AGREEMENT

between

CITY OF DENTON

and

3KAM REAL ESTATE LLC

dated as of

May 7, 2019

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LAND LEASE AGREEMENT

THIS LAND LEASE AGREEMENT (this “Agreement”) effective as of this 7th day of May, 2019, by and between the CITY OF DENTON, TEXAS, a municipal corporation, (“City”), and 3KAM Real Estate, LLC, a Texas limited liability company (the “Lessee” and, together with City, the “Parties” and each a “Party”).

RECITALS

WHEREAS, City is the owner and operator of the Denton Enterprise Airport in the City of Denton, Texas (the “Airport”);

WHEREAS, City has the right, title and interest in and to the real property on the Airport, together with the facilities, easements, rights, licenses, and privileges hereinafter granted, and has full power and authority to enter into this Agreement in respect thereof;

WHEREAS, City owns that certain real property located within the Airport legally described as Tract One on **Exhibit A** attached hereto and made part hereof which consists of 74,226.24 square feet or 1.704 acres (such real property, together with all rights, privileges, easements and appurtenances benefiting such real property, are collectively referred to herein as the “Leased Premises”);

WHEREAS, City desires to continue to have and further develop the Leased Premises for exclusively aeronautical purposes beneficial to the City and the general public;

WHEREAS, Lessee is qualified, ready, willing and able to undertake such commercial development and/or use; and


WHEREAS, the Parties hereto wish to memorialize their agreement herein and they agree as follows:

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing Recitals, which by this reference are hereby incorporated into this Agreement, and the mutual covenants contained in this Agreement, the Parties hereto hereby agree as follows:

**ARTICLE I
LEASE OF LEASED PREMISES; TERM**

Section 1.1 Lease of Leased Premises. City hereby leases to Lessee, and Lessee hereby rents from City for its exclusive use the Leased Premises, all herein described rights incident thereto, for and during the Lease Term and upon and subject to the terms, provisions and conditions herein set forth.


CITY


LESSEE

Section 1.2 Lease Premises.

A. Tract One being 74,226.24 square feet or 1.704 acres, as described on **Exhibit "A"**, such attachment being incorporated herein by reference (the "Leased Premises"), together with the right of ingress and egress to the Leased Premises and the right in common with others so authorized of passage, upon the Public Area, subject to reasonable regulations by the City of Denton and such rights shall extend to Lessee's employees, passengers, patrons and invitees. For purposes of this Lease Agreement, the term "Leased Premises" shall mean all property described as Tract One located within the metes and bounds described in **Exhibit "A"**, including all Lease Improvements (as defined below) constructed or assumed by the Lessee.

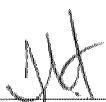
B. So long as Lessee is in compliance with all construction requirements pertaining to Lessee's Improvements on the land described in **Exhibit "A"** as set forth in Section 1.2. A. above and is not in default of any term or condition of this Lease Agreement, Lessee shall have a right of first refusal (the "Right of First Refusal") to lease Tract Two being 66,951.72 square feet or 1.537 acres, which is generally depicted in **Exhibit "A"**, to which Lessor receives a written offer to lease (the "Offer to Lease") at a rate per square foot equal to the Rent for Tract One as adjusted in accordance with Section 2.1. The Right of First Refusal shall be effective for a period of five (5) years after the Commencement Date of this Lease Agreement (the "Option Period").

Should Lessor receive an Offer to Lease from a third party during the Option Period that Lessor has an interest in consummating, Lessor shall give Lessee a written notice of such Offer to Lease along with a copy of said Offer to Lease (the "Notice"). If Lessee desires to exercise its Right of First Refusal it shall no later than 45 days after the receipt of the Notice tender to Lessor a signed written lease with identical terms and conditions as are contained in this Lease Agreement (the "Deadline"). If Lessee fails to meet the Deadline, the Right of First Refusal will be null and void and of no further force and effect.

Section 1.3 Lease Term. The term of this Agreement (the "Lease Term") shall be for a period of thirty (30) years commencing on March 19, 2019 (the "Commencement Date"), and unless sooner terminated pursuant to the provisions of this Agreement, shall terminate on March 18, 2049. The Lease Term may be extended by two (2) optional renewals consistent with Fair Market Value as determined by the Lessor at Lessors expense by a property appraisal, each for an additional five (5) years. The granting of such extension shall be in the sole discretion of City upon a written request by Lessee to be provided to City not less than ninety (90) days prior to the termination. No further extensions shall be granted by City. However, the foregoing shall not preclude the Parties from entering into a new lease to be effective after the expiration of Lease Term.

Section 1.4 Holding Over; Rights at Expiration.

A. If Lessee retains all or any portion of the Leased Premises after the termination of the Lease Term by lapse of time or otherwise, such holding over shall constitute the creation of a tenancy at will with respect to such retained portion, terminable by City at any time upon thirty (30) days prior written notice to Lessee. Under such tenancy at will, Lessee agrees to pay to City as liquidated damages, and not as a penalty, 150 percent of the last monthly rental rate under this

 CITY

 LESSEE

agreement for each month of holdover. All provisions of this Agreement shall remain in full force and effect during such holdover period.

B. Lessee further agrees that upon the expiration of the Lease Term, the Leased Premises will be delivered to City in as good as condition as when this Agreement began, reasonable wear and tear and matters covered by insurance excepted.

C. As set forth elsewhere herein, Lessee shall have no rights with respect to any improvements made to the Leased Premises during the Lease Term that are not otherwise required to be removed by City.

Section 1.5 Inspection of Leased Premises; Access to Books and Records. City, through its duly authorized agents, shall have at any reasonable time the full and unrestricted right to enter the Leased Premises for the purpose of periodic inspection for fire protection, maintenance and to investigate compliance with the terms of this Agreement; provided, however, that except in the case of emergency, such right shall be exercised upon reasonable prior notice to Lessee and with an opportunity for Lessee to have an employee or agent present, and will not interfere with Lessee's construction or operations. Lessee agrees to provide any documents that may be requested by City to determine compliance with this Agreement within thirty (30) days of such request.

Section 1.6 Ownership of Leased Premises. City and Lessee intend and hereby agree that the Leased Premises shall be and remain the property of City during the entire term of this Agreement and thereafter.

ARTICLE II

RENTAL

Section 2.1 Rent.

A. In consideration for the use of the Leased Premises herein granted, Lessee shall pay to City the following rental amounts (the "Rent"). The monthly rent shall be in the sum of \$0.33 per net square foot, as determined and provided in **Exhibit A**, said sum being stipulated herein as Twenty Four Thousand, Four Hundred and Ninety-Four Dollars and Sixty-Six Cents (\$24,494.66) (sales tax included), payable in twelve equal monthly installments of Two Thousand, Forty-One Dollars and Twenty-Two Cents (\$2,041.22). Prior to the Commencement Date, Lessee shall deposit with City, a sum equal to the first and last months' Rent. All subsequent rental payment will be due in advance on the first of each calendar month thereafter. City will mail a courtesy statement on or about the fifteenth of each month. Failure to receive the statement in a timely manner does not absolve Lessee from making rental payment on the first of each month.

B. The Rent shall begin at the earlier of the issuance of a building permit or the first day of the third month following the Commencement Date.

C. The Rent for the Leased Premises shall be readjusted at the end of each two (2) year period during the Lease Term, starting on the Commencement Date month and every two (2) years

 CITY

 LESSEE

thereafter, on the basis of the proportion that the then current United States Consumer Price Index for all urban consumers ("CPI-U") for the Dallas-Fort Worth Bureau of Labor Statistics (1982-84 = 100) bears to that of the Commencement Date month.

Section 2.2 Late Charge. There shall be an extra charge of Thirty Dollars (\$30.00) on any check returned by the bank for insufficient funds or account not existing. Any rental payment not received within ten (10) days of its due date shall carry an additional charge of one and one-half percent (1.5%) as a late penalty fee.

Section 2.3 Time and Place of Payments. The Rent, as well as all other charges hereunder, shall be payable in equal monthly installments in advance on or before the first business day of each calendar month of the Lease Term at City's offices of the Customer Service Department of the City of Denton, 601 E. Hickory St., Denton, Texas, 76205, unless otherwise designated in writing by the City..

Section 2.4 Delinquent Rent. In the event Rent due pursuant to Section 2.1 or any other amounts payable by Lessee hereunder shall not be paid by Lessee on the due date thereof, Lessee shall pay to City as additional Rent, an interest charge of five percent (5%), or the maximum percentage allowed by law, whichever is greater, of the amount due for each full calendar month of delinquency, computed as simple interest. No interest shall be charged until payment is thirty (30) days overdue, but any such interest assessed thereafter shall be computed from the due date.

ARTICLE III

OCCUPANCY, USE AND CONDITIONS OF LEASED PREMISES

Section 3.1 Condition of Leased Premises. Lessee accepts the Leased Premises in their present "as is" condition. Lessee releases City and holds it and its officers, directors, employees, and agents harmless for any claims arising out of any condition of the Leased Premises.

Section 3.2 Construction of Improvements and Ownership of Building and Structures.

A. The Parties agree that this Agreement is specifically with the understanding that Lessee will build, construct, complete, and furnish a building, generally described as: Phase 1 consisting of one (1), 100' x 100' corporate hangars along the west side of the premise; Phase 2 consisting of one (1), 100' x 100' corporate hangars immediately adjacent to Phase 1, along with automobile parking on the south side; and Phase 3 (Future Build) on Tract One shall consist of two (2), 100' x 100' corporate hangars and depicted in **Exhibit B** attached hereto, at its own expense in accordance to Plans and Specifications, as defined in Section 5.1. Any and all buildings, structures, fixtures, appurtenances, site work, site utilities, or other improvements, including tenant improvements, to be located or constructed on the Leased Property Lessee shall be known as "Improvements" and Lessee agrees to complete construction of the Improvements as follows and to complete the construction of the Improvements in accordance with all governmental requirements and the Plans and Specifications and to obtain a Certificate of Occupancy.

(a) Complete construction of Phase 1 and obtain a Certificate of Occupancy within 180 days of issuance of a building or grading permit. Lessee may request an extension of

 CITY

 LESSEE

time with sufficient justification as to the necessity for such extension. No such requested extensions shall extend this requirement by more than a total of 90 days. The Lessee must receive written approval of the requested extension from the Lessor for any extension to be valid.

(b) Phase 2 shall commence construction within 365 days of the completion of Phase 1 and shall obtain a Certificate of Occupancy within 180 days of issuance of a building or grading permit. Lessee may request an extension with sufficient justification as to the necessity for such extension. No such requested extensions shall extend this requirement by more than a total of 90 days. The Lessee must receive written approval of the requested extension from the Lessor for any extension to be valid.


(c) Phase 3 (Future Build) shall commence construction within four years of the Commencement Date. Failure to meet this requirement shall result in the automatic reduction of Premises of the unused portion of the Tract One and the automatic termination of the Right of First Refusal defined in Section 1.2.

B. Notwithstanding anything contained in the Lease Agreement to the contrary, a failure to complete the Improvements within the construction period and any City approved extensions described in Section 3.2, may at the sole option and discretion of the Lessor, result in the immediate termination and cancellation of this Lease Agreement upon 30 days written notice of cancellation to Lessee. In such case Lessee's rights under this Lease Agreement will immediately cease and be forfeited, and all Improvements shall immediately become the property of Lessor at no cost, expense or other compensation paid by Lessor to Lessee; and Lessee shall immediately vacate the Premises.

C. The Parties agree that the use of the Improvements shall be enjoyed by Lessee during the term hereof without additional rental therefore, but such Improvements shall become the property of City upon the completion of the construction and no compensation will be paid by City for any Improvements. All personal property of Lessee which can be removed by Lessee without material damage to the Leased Premises shall remain the personal property of Lessee and may be removed by Lessee at any time during and at the end of the Lease Term. Lessee shall, in removing any such property, repair all damage to the Leased Premises caused by such removal.

D. The Lessee shall be responsible to have a Condition Assessment on all Improvements beginning on the 25th anniversary and each subsequent 5 years anniversary of the lease agreement Commencement Date. Said Condition Assessment shall be conducted by a licensed commercial building inspector, whom shall be approved in writing by the City. The Condition Assessment, which shall be at the Lessee's sole expense, shall examine the buildings structural components, electrical, plumbing, heating and cooling systems, roof, asphalt and/or concrete paving, etc. The Condition Assessment shall be provided to the Lessor within 30 days of the anniversary date. Any deficiencies noted in the Condition Assessment Report shall be repaired, at the Lessee's sole expense, within 90 days of the anniversary date. Lessee may request an extension in writing justifying the need for additional time to complete repairs. The request must be approved in writing by the Lessor.

Section 3.3 Access. City agrees that if Lessee is not in breach of this Agreement, Lessee and Lessee's employees, officers, directors, sublessees (that are approved by City pursuant to this


CITY


LESSEE


Agreement), contractors, subcontractors, suppliers, agents, invitees, and other representatives (“Lessee’s Associates”) are authorized to ingress and egress across the common areas of the Airport (in the areas designated by City, for the purposes for which they were designed, and as permitted by applicable Laws and Regulations as defined in Section 3.4) on a non-exclusive basis and to the extent reasonably necessary for Lessee’s use, occupancy, and operations at the Leased Premises. Lessee agrees to comply with the required driver training program (“Driver Training Program”). Lessee further agrees to ensure that Lessee’s Associates shall comply with the Driver Training Program. During special events at the Airport, Lessee acknowledges that the standard operation procedure at the Airport may be altered such that egress and ingress to the Leased Premises may be altered by City. City will notify Lessee in writing of any special events or closures that will impede Lessee’s use of the Leased Premises. Lessee’s failure to comply with the altered procedure is a default of this Agreement, and City may proceed to terminate this Agreement.

Section 3.4 Use of Leased Premises and Compliance with all Laws and Regulations. Lessee shall use the Leased Premises only for aeronautical purposes and Lessee and Lessee’s Associates shall comply at all times, at Lessee’s sole cost, with any and all laws and regulations (as amended or otherwise modified from time to time) that are applicable to Lessee’s business and Lessee’s construction of the Improvements, including those pertaining to the construction of buildings on public property, and Lessee’s use, occupancy, or operations at the Leased Premises or the Airport (the “Laws and Regulations”), which include, but are not limited to, all laws, statutes, ordinances, regulations, rules, orders, writs, judgments, decrees, injunctions, directives, rulings, guidelines, standards, codes, policies, common law, and other pronouncements of any kind having the effect of law that may be applicable at any time during the term of this Agreement including, but not limited to, the Airport Rules and Regulations, Minimum Operating Standards, master plans and zoning codes, and all Laws and Regulations pertaining to the environment (the “Environmental Laws”); any and all plans and programs developed in compliance with such requirements (including, but not limited to, any Airport Security Plan); and all lawful, reasonable, and nondiscriminatory Airport policies and other requirements. Lessee shall provide all required notices under the Laws and Regulations. Upon a written request by City, Lessee will verify, within a reasonable time frame, compliance with any Laws and Regulations. Further, in its use of the Leased Premises, Lessee shall comply with the following:

- A. Address. Lessee shall file with the Airport Manager and keep current its mailing addresses, telephone numbers, and contacts where it can be reached in an emergency.
- B. List of Sublessee and Aircraft. At least quarterly, Lessee shall file with the Airport Manager and keep current a list of its sublessees and a list of all aircraft hangered or tied down on the Leased Premises within the previous four (4) month period.

Section 3.5 No Unauthorized Use. Lessee and Lessee’s Associates shall use the Leased Premises and the Airport only for purposes that are expressly authorized by this Agreement and shall not engage in any unauthorized use of the same. Unauthorized uses include, but are not limited to, restricting access on any road or other area that Lessee does not lease; placing waste materials on the Airport or disposing of such materials in violation of any Laws and Regulations; any use that would constitute a public or private nuisance or a disturbance or annoyance to other Airport users; driving a motor vehicle in a prohibited Airport location; the use of automobile


CITY



LESSEE

parking areas in a manner not authorized by City; any use that would interfere with any operation at the Airport or decrease the Airport's effectiveness (as determined by City in its sole discretion); and any use that would be prohibited by or would impair coverage under either Party's insurance policies or would cause an increase in the existing rate of insurance upon the Leased Premise.

Section 3.6 Permits and Licenses. Lessee shall obtain and maintain in current status all permits and licenses that are required under any Laws and Regulations in connection with Lessee's construction of Improvements and the use, occupancy, or operations at the Leased Premises or the Airport. Those permits and licenses include, but are not limited to, (i) all contractors doing work on the Leased Premises must be licensed by the State of Texas, (ii) prior to commencement of any Improvements, a permit must be obtained from the City of Denton and a copy of the permit must be furnished to the Airport Manager, and (iii) if applicable, clearance must be obtained from the responsible health department or other agency. In the event that Lessee receives notice from any governmental entity that Lessee lacks, or is in violation of, any such permit or license, Lessee shall provide City with timely written notice of the same.

Section 3.7 Payment of Taxes. Lessee shall pay (before their respective due dates) all taxes, fees, assessments, and levies that relate to Lessee's use, occupancy, or operations at the Leased Premises or the Airport and all other obligations for which a lien may be created relating thereto (including, but not limited to, utility charges and work for any Improvements). Lessee shall be responsible for any and all taxes generated by the Denton County Tax Assessor / Collector.

Section 3.8 No Liens. No liens may be placed upon the Leased Premises except for a Leasehold Mortgage as defined in Section 8.4 on the leasehold and improvements that complies with the provisions of Section 8.5. Within thirty (30) days, Lessee shall pay all lawful claims made against City and discharge all liens filed or which exist against the Leased Premises or any other portion of the Airport (other than Lessee's trade fixtures or trade equipment) to the extent such claims arise out of or in connection with, whether directly or indirectly, the failure to make payment for work done or materials provided by Lessee its contractors, subcontractors, or materialmen. However, Lessee shall have the right to contest the amount or validity of any such claim or lien without being in default under this Agreement upon furnishing security in form acceptable to City, in an amount equal to one hundred percent (100%) of such claim or lien, which insures that such claim or lien will be properly and fully discharged forthwith in the event that such contest is finally determined against Lessee or City. City shall give timely notice to Lessee of all such claims and liens of which it becomes aware. When contracting for any work in connection with the Leased Premises, Lessee shall include in such contract a provision prohibiting the contractor or any subcontractor or supplier from filing a lien or asserting a claim against City's real property or any interest therein. Lessee is solely responsible for ensuring that all requirements are met such that such lien waivers are effective and enforceable (such as filing such contracts, if necessary). Furthermore, when completed, the Improvements on the Leased Premises shall be free from all construction liens.


CITY


LESSEE

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

Section 4.1 Representations by City. City represents and warrants that it has the right, power, and legal capacity to enter into and perform its obligations under this Agreement, has duly executed and delivered this Agreement, and that this Agreement constitutes a legal, valid, and binding obligation of City.

Section 4.2 Representations by Lessee. Lessee represents and warrants that it has the right, power, and legal capacity to enter into and perform its obligations under this Agreement, has duly executed and delivered this Agreement, and that this Agreement constitutes a legal, valid, and binding obligation of Lessee.


ARTICLE V

OBLIGATIONS OF LESSEE

Section 5.1 Plans and Specifications. With respect to any Improvements, Lessee shall select qualified architects and engineers to prepare, prior to construction or on a phased basis during construction, the architectural, site, structural, mechanical, and/or electrical drawings and specifications for the Improvements in the form and content required by the appropriate local planning and zoning authorities and pursuant to all applicable Laws and Regulations and this Agreement, which shall be approved in writing by City (collectively, the "Plans and Specifications").

Section 5.2 Operations and Maintenance. Lessee shall maintain the Leased Premises and all Improvements in a condition that is clean, free of debris, safe, sanitary, and in good repair and shall not accumulate or permit the accumulation of any trash, refuse, debris, or of anything that is unsightly, which creates a fire hazard, nuisance, or causes inconvenience to adjoining properties. Lessee shall at its own expense create, execute, and maintain a comprehensive landscaping and irrigation plan for the Leased Premises in accordance with relevant local landscaping codes. Lessee shall perform all work in accordance with Laws and Regulations and in a good and workmanlike manner. Lessee shall promptly remedy any condition that fails to meet this standard. Without limiting the foregoing obligations, Lessee shall not store on the Leased Premises any inoperable equipment, discarded or unsightly materials, or materials likely to create a hazard; shall not use areas outside of enclosed buildings for storage; and shall store trash in covered metal receptacles. Any substance or material that is regulated by any Environmental Law ("Hazardous Materials") shall be governed by Section 5.7. In addition, Lessee agrees to comply with all applicable provisions of City's Texas Pollution Discharge Elimination Multi-Sector General Permit.

Section 5.3 Utilities. Lessor represents that there are water, sewer, and 3-phase electrical lines accessible within the general vicinity of the Leased Premises. Lessee shall be responsible, at Lessee's sole cost and expense, for obtaining all utility connections at or for the Leased Premises. Further, Lessee shall pay for telephone, gas, light bulbs, electricity, water, sewer, and garbage and trash removal used by Lessee and shall make such deposits as are required

 CITY

 LESSEE

to secure service. Lessee shall be responsible for any water or sewer impact fees incurred by their use of the Leased Premises. Any repairs of the utility lines other than those which are not the responsibility of the utility service are the responsibility of Lessee. If utilities are billed to a common meter, Lessee shall pay to City the pro-rated amount based on square footage leased.

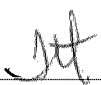
Section 5.4 Signs. No signs, posters, or other similar devices (“Signage”) shall be placed on the exterior of the Lease Improvements or on any portion of the Leased Premises or Airport property without the prior written approval of Lessor. Lessee, at its sole expense, shall be responsible for the creation, installation and maintenance of all such Signage. Lessee shall pay to Lessor any and all damages, injuries, or repairs resulting from the installation, maintenance or repair of any such Signage. Any Signage placed on the Leased Premises shall be maintained at all times in a safe, neat, sightly and good physical condition. All signage shall be removed from the Leased Premises by Lessee immediately upon receipt of instructions for removal of same from Lessor, including without limitation, upon expiration or termination of this Lease Agreement. If Lessee fails to remove the Signage then Lessor may do so at the sole cost and expense of Lessee. Subject to approval by Lessor as provided herein, Lessee may place two wall signs, no greater than thirty-two square feet each, identifying the commercial hangar operation. Notwithstanding anything contained herein to the contrary, all signage shall comply with all applicable City of Denton ordinances, including the City of Denton sign ordinance.


Section 5.5 Security. Lessee is responsible to comply (at Lessee’s sole cost) with all security measures that City, the United States Transportation Security Administration, the United States Department of Homeland Security (“Homeland Security”), the United States Federal Aviation Administration (“FAA”), or any other governmental entity having jurisdiction may require in connection with the Airport, including, but not limited to, any access credential requirements, any decision to remove Lessee’s access credentials, and any civil penalty obligations and other costs arising from a breach of security requirements caused or permitted by Lessee or Lessee’s Associates. Lessee agrees that Airport access credentials are the property of City and may be suspended or revoked by City for security-related reasons in its sole discretion at any time. Lessee shall pay all fees associated with such credentials, and Lessee shall immediately report to the Airport Manager any lost credentials or credentials that Lessee removes from any employee or any of Lessee’s Associates. Lessee shall protect and preserve security at the Airport. Lessee acknowledges that FAA, Homeland Security, or a subdivision of either may enact laws or regulations regarding security at general aviation airports such that City may not be able to comply fully with its obligations under this Agreement, and Lessee agrees that City will not be liable for any damages to Lessee or Lessee’s personal property that may result from said noncompliance.

Section 5.6 Obstruction Lights. Lessee shall, at its expense, provide and maintain obstruction lights on any structure on the Leased Premises if required by City or FAA regulations. Any obstruction lights so required shall comply with the specifications and standards established for such installations by City or FAA.

Section 5.7 Hazardous Materials.

A. No Violation of Environmental Laws. Lessee shall not cause or permit any Hazardous Materials to be used, produced, stored, transported, brought upon, or released on, under, or about the Leased Premises or the Airport by Lessee or Lessee’s Associates in violation of

 CITY

 LESSEE

applicable Environmental Laws. Lessee is responsible for any such violation and applicable remedies as if the violation occurred under Section 7.

B. Response to Violations. Lessee agrees that in the event of a release or threat of release of any Hazardous Material by Lessee or Lessee's Associates at the Airport, Lessee shall provide City with prompt notice of the same. Lessee shall respond to any such release or threat of release in accordance with applicable Laws and Regulations. If City has reasonable cause to believe that any such release or threat of release has occurred, City may request, in writing, that Lessee conduct reasonable testing and analysis (using qualified independent experts acceptable to City) to show that Lessee is complying with applicable Environmental Laws. City may conduct the same at Lessee's expense if Lessee fails to respond in a reasonable manner. Lessee shall cease any or all of Lessee's activities as City determines necessary, in its sole and absolute discretion, in connection with any investigation, cure, or remediation. If Lessee or Lessee's Associates violate any Environmental Laws at the Airport (whether due to the release of a Hazardous Material or otherwise), Lessee, at Lessee's sole expense, shall have the following obligations, which shall survive any expiration or termination of this Agreement: (i) promptly remediate such violation in compliance with applicable Environmental Laws; (ii) submit to City a written remediation plan, and City reserves the right to approve such plan (which approval shall not be unreasonably withheld) and to review and inspect all work; (iii) work with City and other governmental authorities having jurisdiction in connection with any violation; and (iv) promptly provide City copies of all documents pertaining to any environmental concern that are not subject to Lessee's attorney-client privilege.

C. Obligations upon Termination and Authorized Transfers. Upon any expiration or termination of this Agreement or any change in possession of the Leased Premises authorized by City, Lessee shall demonstrate to City's reasonable satisfaction that Lessee has removed any Hazardous Materials and is in compliance with applicable Environmental Laws. Such demonstration may include, but is not limited to, independent analysis and testing to the extent that facts and circumstances warrant analysis and testing, such as evidence of past violations or specific uses of the Leased Premises. If the site is contaminated during Lessee's possession, Lessee shall bear all costs and responsibility for the required clean up, and shall hold City harmless therefrom. Notwithstanding anything to the contrary, the obligations of this Section 5.8 shall survive any termination of this Agreement.

Section 5.8 Trash, Garbage, and Other Refuse. Lessee shall pick up, and provide for a complete and proper arrangement for the adequate sanitary handling and disposal, away from the Airport through the City or any other licensed refuse hauler. Lessee shall provide and use suitable covered metal receptacles for all such garbage, trash, and other refuse on the Leased Premises. Lessee shall not pile boxes, cartons, barrels, pallets, debris, or similar items in an unattractive or unsafe manner, on or about the Leased Premises.


CITY


LESSEE

ARTICLE VI

INDEMNIFICATION AND INSURANCE

Section 6.1 Insurance. Regardless of the activities contemplated under this Lease Agreement, Lessee shall maintain continuously in effect at all times during the term of this Lease Agreement, at Lessee's sole expense, the following minimum insurance coverage:

A. Lessee agrees to purchase general liability insurance covering the Lessee and Lessee's Associates, and its operations on the Airport as described in Section 3.4 in an amount not less than \$1,000,000 per occurrence and provide coverage for premises/operations and contractual liability AND where exposure exists in the opinion of Lessor, coverage for: products/completed operations; explosion, collapse and underground property damage; and environmental impairment.

B. All risk property insurance on a one-hundred percent (100%) replacement cost basis covering loss or damage to all facilities and improvements located on the Leased Premises, either as a part of this Lease Agreement or erected by the Lessee subsequent to this Lease Agreement. Under no circumstances shall the Lessor be liable for any damages to fixtures, merchandise or other personal property of the Lessee or its sub-lessees.

C. Additional insurance requirements may be necessary as identified in the Airport Minimum Operations Standards for specific aeronautical uses.

D. Coverage Requirements

(a) All liability policies shall be endorsed to include the City of Denton, and its officers and employees as an Additional Insured. All all-risk property policies shall be endorsed to name the City of Denton as a loss payee. All required insurance policies shall provide for a minimum of 30 days written notice to the City of any cancellation or material change to the policy.


(b) All insurance required by this Lease Agreement must be issued by a company or companies of sound and adequate financial responsibility and authorized to do business in the State of Texas. All policies are subject to the examination and approval of the City's office of Risk Management for their adequacy as to content, form of protection and providing company.

(c) Required insurance naming the City as an additional insured must be primary insurance and not contributing with any other insurance available to the City whether from a third party liability policy or other. Said limits of insurance shall in no way limit the liability of the Lessee hereunder.

(d) The Lessor shall be provided with a copy of all such policies and renewal certificates. Failure of Lessee to comply with the minimum specified amounts or types of insurance as required by Lessor shall constitute Lessee's default of this Lease Agreement.

(e) During the Lease Term, or any extension thereof, Lessor herein reserves the right to, with one hundred twenty (120) days' notice, adjust or increase the liability insurance amounts required of the Lessee, and to require any additional rider, endorsement, provisions, or

 CITY

 LESSEE

certificates of insurance, and Lessee hereby agrees to provide any such insurance requirements as may be required by Lessor.

Section 6.2 Lessee's Indemnification and Duty to Pay Damages.

A. Lessee shall indemnify, defend, and hold City exempt and harmless, to the extent allowed by law, from and against any and all claims, demands, suits, judgments, costs, and expenses asserted by any person or persons (including agents or employees of City, Lessee, or sublessee) by reason of death or injury to persons or loss of or damage to property resulting from Lessee's operations, or anything done or omitted by Lessee under this Agreement except to the extent that such claims, demands, suits, judgments, costs, and expenses may be attributed to the sole intentional acts or omissions of City, its agents, or employees.

B. City shall not be liable to Lessee for any damage by or from any act or negligence of any co-tenant or other occupant of the same building, or by any owner or occupant of adjoining or contiguous property.

C. Lessee agrees to pay for all damages of Leased Premises, its apparatus, improvements, or appurtenances caused by Lessee's misuse or neglect thereof.

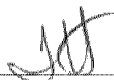
D. Lessee shall be responsible and liable for the conduct of Lessee's Associates in and around the Leased Premises.

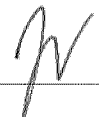
ARTICLE VII

DEFAULT AND REMEDIES

Section 7.1 Lessee's Default. The occurrence of any of the following events shall constitute a default by Lessee under this Agreement unless cured within thirty (30) days following written notice of such violation from City: (i) Lessee fails to timely pay any Rent; (ii) Lessee or Lessee's Associates violate any requirement under this Agreement (including, but not limited to, abandonment of the Leased Premises); (iii) Lessee assigns or encumbers any right in this Agreement, delegates any performance hereunder, or subleases any part of the Leased Premises (except as expressly permitted in this Agreement); (iv) Lessee files a petition in bankruptcy or has a petition filed against Lessee in bankruptcy, insolvency, or for reorganization or appointment of a receiver or trustee which is not dismissed within sixty (60) days; (v) Lessee petitions for or enters into an arrangement for the benefit of creditors, or suffers this Agreement to become subject to a writ of execution and such writ is not released within thirty (30) days; (vi) Lessee defaults in constructing any Improvements that are required to be constructed under this Agreement; or (vii) Lessee dissolves or dies.

Section 7.2 Default by City. City shall not be in default under this Agreement unless City fails to perform an obligation required of City under this Agreement within thirty (30) days after written notice by Lessee to City. If the nature of City's obligation is such that more than thirty (30) days are reasonably required for performance or cure, City shall not be in default if City commences performance within such thirty (30) day period and thereafter diligently prosecutes the same to completion.


CITY


LESSEE

Section 7.3 Remedies for Failure to Pay Rent. If any Rent required by this Agreement shall not be paid when due and such default in payment continues after the provision of notice of Lessee's default and the expiration of applicable cure period hereunder, City shall have the option to:

A. Terminate this Agreement, resume possession of the Leased Premises for his own account, and recover immediately from Lessee the differences between the Rent and the fair rental value of the property for the term, reduced to present worth, or

B. Terminate this Agreement, resume possession, re-lease the Leased Premises for the remainder of the term for the account of Lessee, and recover from Lessee, at the end of the term or at the time each payment of Rent comes due under this Agreement as City may choose, the difference between the Rent and the rent received on the re-leasing or renting.

In either event, City shall also recover all expenses incurred by reason of breach, including reasonable attorney's fees.

Section 7.4 Remedies for Breach of Agreement. If Lessee shall fail to perform or breach any provision of this Agreement other than the agreement of Lessee to pay Rent, City shall provide written notice to Lessee specifying the performance required. Thirty (30) days after such notice is provided under this Section 7.4, City may terminate this Agreement or take any such action it is legally entitled to take, including instituting litigation to compel performance of this Agreement. Should litigation be filed by City and it is the prevailing party in that litigation, Lessee shall be liable for all expenses related to such litigation, including City's attorney's fees.

Section 7.5 Survival. The provisions of this Article VII and the remedies and rights provided in this Article VII shall survive any expiration or termination of this Agreement.

ARTICLE VIII

ASSIGNMENT AND SUBLEASING

Section 8.1 Assignment by Lessee.

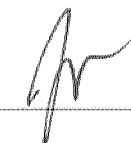
A. Lessee shall not assign any of its rights under this Agreement, including, but not limited to, rights in any Improvements, (whether such assignment is voluntarily or involuntarily, by merger, consolidation, dissolution, change in control, or any other manner), and shall not delegate any performance under this Agreement, except with the prior written consent of City to any of the same, in City's sole discretion. As a condition of obtaining such consent, the transferee receiving any such right shall be required to execute a new lease agreement provided by City. Regardless of City's consent, Lessee shall not be released from any obligations for matters arising during the time when this Agreement was in effect. Any purported assignment or delegation of rights or delegation of performance in violation of this section is void.

B. Upon the termination of this Agreement, Lessee hereby assigns, transfers, and conveys to City, without warranty, the following:

 CITY

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3KAM Real Estate LLC Lease Agreement

 LESSEE

- Lessee;
- (a) The right to the use of the Plans and Specifications to the extent owned by Lessee;
 - (b) Any copyright interests in the Plans and Specifications held by Lessee; and
 - (c) The right to enforce, in Lessee's own name as a proper party, (i) any subcontracts related to the Improvements or other maintenance or services contracts in force with respect to the Leased Premises or Improvements and any warranties arising under any of them or in connection with the performance thereof, as the case may be.

Section 8.2 Assignment by City. City shall have the right, in City's sole discretion, to assign any of its rights under this Agreement (and in connection therewith, shall be deemed to have delegated its duties), and upon any such assignment, Lessee agrees that Lessee shall perform its obligations under this Agreement in favor of such assignee.


Section 8.3 Encumbrances. Lessee shall not encumber or permit the encumbrance of any real property at the Airport. Except for a Leasehold Mortgage as defined in Section 8.4, Lessee shall not encumber or permit the encumbrance of any of Lessee's rights under this Agreement without City's prior written consent, in City's sole discretion. Lessee shall not record this Agreement or any document or interest relating thereto. Any purported encumbrance of rights in violation of this Section 8.3 is void.

Section 8.4 Leasehold Mortgage. Absent written permission by City, Lessee shall not have the right to mortgage or collaterally assign its interest in this Agreement or the Improvements to a bank or other similar institutional lender.

Section 8.5 Leasehold Mortgage - Non-exhaustive List of Preconditions.

Notwithstanding the above Section 8.4, Lessee may mortgage or collaterally assign its interest in this Agreement to a commercial bank (a "Lender") solely in order to secure financing for the construction of the Improvements, provided that any such leasehold mortgage or collateral assignment shall be subject, subordinate, and inferior at all times to the rights of City hereunder and subject to written approval by the City (a "Leasehold Mortgage"). In connection with a Leasehold Mortgage or City's written consent to any other encumbrance, at a minimum, City shall require the following:

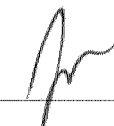
- i. Lender shall certify in writing to City that it has reviewed this Agreement and accepts the provisions of this Section 8.5 and all other provisions that may affect the Lender and that no loan requirements conflict with or materially erode any provisions of this Agreement.
- ii. Lender agrees that City must approve any encumbrance proposed to be placed upon the Improvements or this Agreement and that in no event shall any encumbrance be placed upon the Leased Premises.


CITY


LESSEE

- iii. Lender agrees that City may, in its sole discretion, require the inclusion of certain provisions in lending documents that are defined to protect City and/or comply with federal law, rules, or regulations.
- iv. Lender agrees that its security interest in the Improvements, the Leasehold Mortgage, the related loan agreement, and this Agreement is subordinate to the provisions of any existing or future agreements between City and the United States of America, relative to the operation and maintenance of the Airport, the terms and execution of which have been or may be required as a condition precedent to the expenditure or reimbursement to City of federal funds for the development of the Airport ("Grant Assurances") and that Lender further agrees that in the event that the Leasehold Mortgage, the related loan agreement, or anything in this Agreement, either on its own terms or by any other reason, conflicts with or violates any such Grant Assurances, City has the right to amend, alter, or otherwise modify the terms of this Agreement in order to resolve such conflict or violation.
- v. Lender agrees to maintain current contact information with City and provide City with concurrent copies of any notices or communications regarding a default under the loan agreement or Leasehold Mortgage.
- vi. Lender agrees that in the event of a default under the loan agreement or Leasehold Mortgage, Lender shall promptly inform the City of such default.
- vii. Lender agrees that upon any default under the loan agreement or Leasehold Mortgage, City shall have a lien with first priority on all Lessee-owned property at the Leased Premises.
- viii. Lender agrees that, in the event that Lender takes actual or de facto control of the Improvements and/or Lessee's interests in this Agreement, it shall immediately notify the City of that event ("Lender Control"). If the Lender forecloses on the Leased Premises as a result of exercising its rights under the Leasehold Mortgage, the Lender may become the owner of all of Lessee's rights under the Lease, with City's consent. Lender will have no more than 180 days to (i) obtain a replacement tenant that is acceptable to the City, in City's sole discretion, or (ii) initiate action to secure the City's consent. Provided, if the Lender desires to sell or otherwise transfer its leasehold interest in the Leased Premises to a third party (either at or after foreclosure), the Lender must comply with Section 8.1.
- ix. Lender agrees that any use by Lender, assignee, or any other party, will be limited to those uses that have been authorized by City (namely, the hangaring of aircraft) and that in no event shall the Improvements be used for a non-aeronautical purpose.
- x. The Leasehold Mortgage and any other encumbrances shall terminate prior to the expiration or termination of this Agreement and Lender agrees to promptly remove such encumbrance when the obligation that it secures has been satisfied.


CITY


LESSEE

- xi. **Lender agrees to hold City, its officers, employees, and agents harmless for all claims arising after the date that Lender assumes control of the Leased Premises until such time an acceptable replacement tenant is in place.**
- xii. **Lessee agrees to release and hold City, its officers, employees, and agents harmless for all claims related to City's consent, non-consent, or any other act or omission related to encumbering the Improvements and/or this Agreement.**
- xiii. City shall have no obligation to provide any notices to Lender and City shall have no liability of any kind to Lender or other lienholder other than as provided in the Consent to Collateral Assignment Agreement, executed by City, Lender, and Lessee.
- xiv. In the event City would agree to a Lessee-requested termination of this lease, Lender shall have a right to exercise Lender Control as defined by Section 8.5(viii).

Section 8.6 Subleasing. Any sublease of Improvements shall be for aviation-related purposes only. Any sublease agreement for the purposes of conducting commercial aeronautical activities as identified in the Airport Minimum Operating Standards will require an approved Airport Business Permit prior to commencing operation. All sublease agreements shall be provided to the Lessor at the time of execution.

ARTICLE IX

MISCELLANEOUS PROVISIONS

Section 9.1 Waiver of Exemption. Any constitutional or statutory exemption of Lessee of any property usually kept on the Leased Premises, from distress or forced sale, is waived.

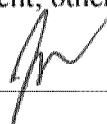
Section 9.2 Addresses. All notice given under this Agreement to City shall be to the Airport Manager at 5000 Airport Road, Denton, Texas 76207, with a copy to the City Attorney at 215 E. McKinney, Denton, Texas 76201, or such other place as City shall specify in writing. All notices given under this Agreement to Lessee shall be sent to:

3KAM Real Estate LLC
 Attn: J. Mike Riley
 2412 Fort Worth Drive
 Denton, Texas 76205

All notices given under this Agreement to the Mortgagee shall be sent to the address provided by Mortgagee to City. Any notice properly mailed by registered mail, postage and fee prepaid, shall be deemed delivered when mailed, whether received or not.

Section 9.3 No Waiver. The waiver by City of any breach of any term, covenant, or condition herein contained shall not be deemed to be a waiver of such term, covenant, or condition or any subsequent breach of the same or any other term, covenant, or condition herein contained. The subsequent acceptance of rent hereunder by City shall not be deemed to be a waiver of any preceding breach by Lessee of any term, covenant, or condition of this Agreement, other than the

 CITY

 LESSEE

failure of Lessee to pay the particular rental so accepted, regardless of City's knowledge of such preceding breach at the time of acceptance of such rent.

Section 9.4 Lessee's Subordination. Lessee hereby subordinates and makes this Agreement inferior to all existing and future mortgages, trust indentures or other security interest of City or City's successor in interest. Lessee shall execute and deliver any documents required to evidence and perfect such subordination.

Section 9.5 Additional Charges as Rent. Any charges against Lessee by City for services or for work done on the Leased Premises by order of Lessee or otherwise accruing under this Agreement shall be considered as Rent due.


Section 9.6 Subordination to Grant Assurances. This Agreement shall be subordinate to the Grant Assurances. In the event that this Agreement, either on its own terms or by any other reason, conflicts with or violates any such Grant Assurances, City has the right to amend, alter or otherwise modify the terms of this Agreement in order to resolve such conflict or violation.

Section 9.7 Non-Interference with Operation of the Airport. Lessee expressly agrees for itself, its successors, and assigns that Lessee will not conduct operations in or on the Leased Premises in a manner that in the reasonable judgment of City, (i) interferes or might interfere with the reasonable use by others of common facilities at the Airport, (ii) hinders or might hinder police, fire fighting, or other emergency personnel in the discharge of their duties, (iii) would or would be likely to constitute a hazardous condition at the Airport, (iv) would or would be likely to increase the premiums for insurance policies maintained by City unless such operations are not otherwise prohibited hereunder and Lessee pays the increase in insurance premiums occasioned by such operations, (v) is contrary to any applicable Grant Assurance; (vi) is in contradiction to any rule, regulation, directive, or similar restriction issued by agencies having jurisdiction over the Airport including FAA, Homeland Security, Transportation Security Administration and Customs, and Border Patrol, or (vii) would involve any illegal purposes. In the event this covenant is breached, City reserves the right, after prior written notice to Lessee, to enter upon the Leased Premises and cause the abatement of such interference at the expense of Lessee. In the event of a breach in Airport security caused by Lessee, resulting in fine or penalty to City of which Lessee has received prior written notice, such fine or penalty will be charged to Lessee.

Section 9.8 Emergency Closures. During time of war or national emergency, City shall have the right to enter into an agreement with the United States Government for military or naval use of part or all of the landing area, the publicly-owned air navigation facilities and/or other areas or facilities of the Airport. If any such agreement is executed, the provisions of this Agreement, insofar as they are inconsistent with provisions of the agreement with the Government, will be suspended.

Section 9.9 Interpretation.

A. References in the text of this Agreement to articles, sections, or exhibits pertain to articles, sections, or exhibits of this Agreement, unless otherwise specified.


CITY


LESSEE

B. The terms “hereby,” “herein,” “hereof,” “hereto,” “hereunder,” and any similar terms used in this Agreement refer to this Agreement. The term “including” shall not be construed in a limiting nature, but shall be construed to mean “including, without limitation.”

C. Words importing persons shall include firms, associations, partnerships, trusts, corporations, and other legal entities, including public bodies, as well as natural persons.

D. Any headings preceding the text of the articles and sections of this Agreement, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Agreement, nor shall they affect the meaning, construction or effect of this Agreement.

E. Words importing the singular shall include the plural and vice versa. Words of the masculine gender shall be deemed to include correlative words of the feminine and neuter genders.

Section 9.10 Force Majeure. No act or event, whether foreseen or unforeseen, shall operate to excuse Lessee from the prompt payment of rent or any other amounts required to be paid under this Agreement. If City (or Lessee in connection with obligations other than payment obligations) is delayed or hindered in any performance under this Agreement by a force majeure event, such performance shall be excused to the extent so delayed or hindered during the time when such force majeure event is in effect, and such performance shall promptly occur or resume thereafter at the expense of the Party so delayed or hindered. A “force majeure event” is an act or event, whether foreseen or unforeseen, that prevents a Party in whole or in part from performing as provided in this Agreement, that is beyond the reasonable control of and not the fault of such Party, and that such Party has been unable to avoid or overcome by exercising due diligence, and may include, but is not limited to, acts of nature, war, riots, strikes, accidents, fire, and changes in law. Lessee hereby releases City from any and all liability, whether in contract or tort (including strict liability and negligence) for any loss, damage, or injury of any nature whatsoever sustained by Lessee, its employees, agents, or invitees during the Lease Term, including, but not limited to, loss, damage, or injury to the aircraft or other personal property of Lessee that may be located or stored in the Leased Premises due to a force majeure event.

Section 9.11 Governing Law and Venue. This Agreement has been made in and will be construed in accordance with the laws of the State of Texas. In any action initiated by one Party against the other, exclusive venue and jurisdiction will be in the appropriate state courts in and for Denton County, Texas.

Section 9.12 Amendments and Waivers. No amendment to this Agreement shall be binding on City or Lessee unless reduced to writing and signed by both Parties. No provision of this Agreement may be waived, except pursuant to a writing executed by the Party against whom the waiver is sought to be enforced.

Section 9.13 Severability. If any provision of this Agreement is determined to be invalid, illegal, or unenforceable, the remaining provisions of this Agreement shall remain in full force and effect if both the economic and legal substance of the transactions that this Agreement contemplates are not affected in any manner materially adverse to any Party. If any provision of this Agreement is held invalid, illegal, or unenforceable, the Parties shall negotiate in good faith


CITY


LESSEE

to modify this Agreement to fulfill as closely as possible the original intents and purposes of this Agreement.

Section 9.14 Merger. This Agreement constitutes the final, complete, and exclusive agreement between the Parties on the matters contained in this Agreement. All prior and contemporaneous negotiations and agreements between the Parties on the matters contained in this Agreement are expressly merged into and superseded by this Agreement. In entering into this Agreement, neither Party has relied on any statement, representation, warranty, nor agreement of the other Party except for those expressly contained in this Agreement.


Section 9.15 Relationship of Parties. This Agreement does not create any partnership, joint venture, employment, or agency relationship between the Parties. Nothing in this Agreement shall confer upon any other person or entity any right, benefit, or remedy of any nature.


Section 9.16 Further Assurances. Each Party shall execute any document or take any action that may be necessary or desirable to consummate and make effective a performance that is required under this Agreement.

Section 9.17 Required Federal Clauses. Lessee and Lessee's Associates shall comply with all Laws and Regulations, including all of the required federal clauses in this Section 9.17.

A. During the performance of this contract, Lessee, for itself, its assignees, and successors in interest (hereinafter collectively referred to as the "Lessee") agrees as follows:

1. Compliance with Regulations: Lessee will comply with the Title VI List of Pertinent Nondiscrimination Acts And Authorities, as they may be amended from time to time, which are herein incorporated by reference and made a part of this Agreement.
2. Non-discrimination: Lessee, with regard to the work performed by it or use of the Leased Premises during the Lease Term, will not discriminate on the grounds of race, color, or national origin in the selection and retention of contractors, including procurements of materials and leases of equipment. Lessee will not participate directly or indirectly in the discrimination prohibited by the Nondiscrimination Acts and Authorities, including employment practices when the contract covers any activity, project, or program set forth in Appendix B of 49 CFR Part 21.
3. Solicitations for Contracts, including Procurements of Materials and Equipment: In all solicitations, either by competitive bidding, or negotiation made by Lessee for work to be performed under a contract, including procurements of materials, or leases of equipment, each potential contractor or supplier will be notified by Lessee of Lessee's obligations under this Agreement and the Nondiscrimination Acts and Authorities on the grounds of race, color, or national origin.
4. Information and Reports: Lessee will provide all information and reports required by the Acts, the Regulations, and directives issued pursuant thereto and will permit access to its books, records, accounts, other sources of information, and its


CITY



LESSEE

facilities as may be determined by the sponsor or the Federal Aviation Administration to be pertinent to ascertain compliance with such Nondiscrimination Acts and Authorities and instructions. Where any information required of Lessee is in the exclusive possession of another who fails or refuses to furnish the information, Lessee will so certify to City or the Federal Aviation Administration, as appropriate, and will set forth what efforts it has made to obtain the information.

5. Sanctions for Noncompliance: In the event of Lessee's noncompliance with the non-discrimination provisions of this contract, City will impose such sanctions as it or the Federal Aviation Administration may determine to be appropriate, including, but not limited to cancelling, terminating, or suspending the Lease, in whole or in part.
6. Incorporation of Provisions: Lessee will include the provisions of paragraphs one through six of this Section 9.17(A) in every contract, including procurements of materials and leases of equipment, unless exempt by the Acts, the Regulations, and directives issued pursuant thereto. Lessee will take action with respect to any contract or procurement as City or the Federal Aviation Administration may direct as a means of enforcing such provisions including sanctions for noncompliance. Provided, that if Lessee becomes involved in, or is threatened with litigation by a contractor, or supplier because of such direction, Lessee may request City to enter into any litigation to protect the interests of City. In addition, Lessee may request the United States to enter into the litigation to protect the interests of the United States.

B. Lessee for itself, its heirs, personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land that in the event facilities are constructed, maintained, or otherwise operated on the property described in this Agreement for a purpose for which a Federal Aviation Administration activity, facility, or program is extended or for another purpose involving the provision of similar services or benefits, Lessee will maintain and operate such facilities and services in compliance with all requirements imposed by the Nondiscrimination Acts and Regulations listed in the Pertinent List of Nondiscrimination Authorities (as may be amended) such that no person on the grounds of race, color, or national origin, will be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities.


C. Lessee for itself, its heirs, personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land that (1) no person on the ground of race, color, or national origin, will be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities, (2) that in the construction of any improvements on, over, or under such land, and the furnishing of services thereon, no person on the ground of race, color, or national origin, will be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination, and (3) that Lessee will use the Leased Premises in compliance with all other requirements imposed by or pursuant to the List of discrimination Acts And Authorities.


CITY


LESSEE

D. During the performance of this contract, the contractor, for itself, its assignees, and successors in interest (hereinafter referred to as the “contractor”) agrees to comply with the following non-discrimination statutes and authorities; including but not limited to:

- i. Title VI of the Civil Rights Act of 1964 (42 USC § 2000d *et seq.*, 78 stat. 252) (prohibits discrimination on the basis of race, color, national origin);
- ii. 49 CFR part 21 (Non-discrimination in Federally-assisted programs of the Department of Transportation—Effectuation of Title VI of the Civil Rights Act of 1964);
- iii. The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, (42 USC § 4601) (prohibits unfair treatment of persons displaced or whose property has been acquired because of Federal or Federal-aid programs and projects);
- iv. Section 504 of the Rehabilitation Act of 1973 (29 USC § 794 *et seq.*), as amended (prohibits discrimination on the basis of disability); and 49 CFR part 27;
- v. The Age Discrimination Act of 1975, as amended (42 USC § 6101 *et seq.*) (prohibits discrimination on the basis of age);
- vi. Airport and Airway Improvement Act of 1982 (49 USC § 471, Section 47123), as amended (prohibits discrimination based on race, creed, color, national origin, or sex);
- vii. The Civil Rights Restoration Act of 1987 (PL 100-209), (broadened the scope, coverage and applicability of Title VI of the Civil Rights Act of 1964, the Age Discrimination Act of 1975 and Section 504 of the Rehabilitation Act of 1973, by expanding the definition of the terms “programs or activities” to include all of the programs or activities of the Federal-aid recipients, sub-recipients and contractors, whether such programs or activities are Federally funded or not);
- viii. Titles II and III of the Americans with Disabilities Act of 1990, which prohibit discrimination on the basis of disability in the operation of public entities, public and private transportation systems, places of public accommodation, and certain testing entities (42 USC §§ 12131 – 12189) as implemented by U.S. Department of Transportation regulations at 49 CFR parts 37 and 38;
- ix. The Federal Aviation Administration’s Nondiscrimination statute (49 USC § 47123) (prohibits discrimination on the basis of race, color, national origin, and sex);
- x. Executive Order 12898, Federal Actions to Address Environmental Justice in Minority Populations and Low-Income Populations, which ensures nondiscrimination against minority populations by discouraging programs,

 CITY

 LESSEE

policies, and activities with disproportionately high and adverse human health or environmental effects on minority and low-income populations;

- xi. Executive Order 13166, Improving Access to Services for Persons with Limited English Proficiency, and resulting agency guidance, national origin discrimination includes discrimination because of limited English proficiency (LEP). To ensure compliance with Title VI, you must take reasonable steps to ensure that LEP persons have meaningful access to your programs (70 Fed. Reg. at 74087 to 74100);
- xii. Title IX of the Education Amendments of 1972, as amended, which prohibits you from discriminating because of sex in education programs or activities (20 USC 1681 *et seq.*).

E. Lessee and its transferee agree to comply with pertinent statutes, Executive Orders, and such rules as are promulgated to ensure that no person shall, on the grounds of race, creed, color, national origin, sex, age, or disability be excluded from participating in any activity conducted with or benefiting from Federal assistance. This provision obligates Lessee or its sublessee for the period during which Federal assistance is extended to the Airport through the Airport Improvement Program. In cases where Federal assistance provides, or is in the form of personal property; real property or interest therein; structures or improvements thereon, this provision obligates the party or any transferee for the longer of the following periods: (i) the period during which the property is used by the City or any transferee for a purpose for which Federal assistance is extended, or for another purpose involving the provision of similar services or benefits; or (ii) the period during which the airport sponsor or any transferee retains ownership or possession of the property.

F. In the event of breach of any of the above Nondiscrimination covenants, City will have the right to terminate the Lease and to enter, re-enter, and repossess said lands and facilities thereon, and hold the same as if the Lease had never been made or issued.

G. This Agreement incorporates by reference the provisions of 29 CFR Part 201, the Federal Fair Labor Standards Act ("FLSA"), with the same force and effect as if given in full text. The FLSA sets minimum wage, overtime pay, recordkeeping, and child labor standards for full and part time workers. Lessee has full responsibility to monitor compliance to the referenced statute or regulation. Lessee must address any claims or disputes that arise from this requirement directly with the U.S. Department of Labor – Wage and Hour Division.

H. This Agreement incorporates by reference the requirements of 29 CFR Part 1910 with the same force and effect as if given in full text. Lessee must provide a work environment that is free from recognized hazards that may cause death or serious physical harm to the employee. Lessee retains full responsibility to monitor its compliance and any sublessee's compliance with the applicable requirements of the Occupational Safety and Health Act of 1970 (20 CFR Part 1910). Lessee must address any claims or disputes that pertain to a referenced requirement directly with the U.S. Department of Labor – Occupational Safety and Health Administration.

I. Lessee agrees that it shall insert the above eight provisions (Section 9.17(A) through Section 9.17(H)) in any agreement by which said Lessee grants a right or privilege to any

 CITY

 LESSEE

person, firm, or corporation to render accommodations and/or services to the public on the Leased Premises herein leased or owned.

J. Lessee agrees to furnish service on a fair, equal, and not unjustly discriminatory basis to all users thereof, and to charge fair, reasonable, and not unjustly discriminatory prices for each unit or service; provided that Lessee may be allowed to make reasonable and nondiscriminatory discounts, rebates, or other similar types of price reductions to volume purchasers. (Grant Assurance 22)

K. It is hereby specifically understood and agreed that nothing herein contained shall be construed to grant or authorize the granting of an exclusive right to provide aeronautical services to the public as prohibited by the Grant Assurances, and City reserves the right to grant to others the privilege and right of conducting any one or all activities of an aeronautical nature. (Grant Assurance 23)


L. City reserves the right to further develop or improve the landing area of the Airport as it sees fit, regardless of the desires or view of Lessee, and without interference or hindrance. (FAA Order 5190.6B)


M. City reserves the right, but shall not be obligated to Lessee, to maintain and keep in repair the landing area of the Airport and all publicly-owned facilities of the Airport, together with the right to direct and control all activities of Lessee in this regard. (FAA Order 5190.6B)

N. This Agreement shall be subordinate to the provisions of and requirements of any existing or future agreement between City and the United States, relative to the development, operation, or maintenance of the Airport. (FAA Order 5190.6B)

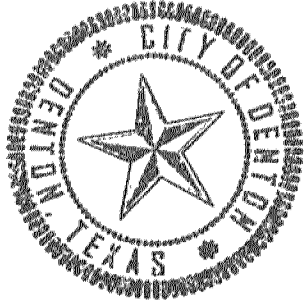
O. Lessee agrees to comply with the notification and review requirements covered in Part 77 of the Federal Aviation Regulations in the event any future structure or building is planned for the Leased Premises, or in the event of any planned modification or alteration of any present or future building or structure situated on the Leased Premises. (FAA Order 5190.6B)

P. It is clearly understood by Lessee that no right or privilege has been granted which would operate to prevent any person, firm, or corporation operating aircraft on the Airport from performing any services on its own aircraft with its own regular employees (including but not limited to, maintenance and repair) that it may choose to perform. (Grant Assurance 22(f))


CITY


LESSEE

IN WITNESS WHEREOF, the Parties have set their hands and seals this 7th day of May, 2019.



CITY OF DENTON, TEXAS, LESSOR

By: Todd Hileman
Todd Hileman, City Manager

ATTEST:
Rosa Rios, City Secretary

By: Rosa Rios

APPROVED AS TO LEGAL FORM:
Aaron Leal, City Attorney

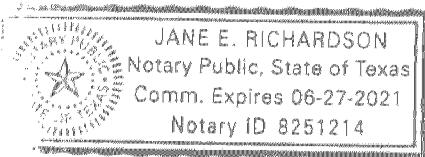
By: Aaron Leal

ACKNOWLEDGMENT

THE STATE OF TEXAS §

COUNTY OF DENTON §

This instrument was acknowledged before me on the 7th day of May, 2019, by Todd Hileman, City Manager of the City of Denton, Texas, on behalf of said municipality.



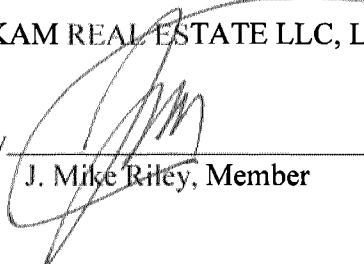
Jane E. Richardson
NOTARY PUBLIC, STATE OF TEXAS

JAH
CITY

3KAM Real Estate LLC Lease Agreement

[Signature]
LESSEE

3KAM REAL ESTATE LLC, LESSEE

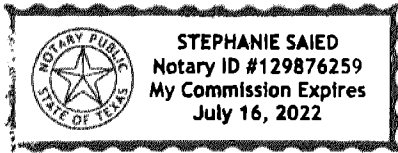
By 
J. Mike Riley, Member

LESSEE NOTARY

THE STATE OF TEXAS §

COUNTY OF DENTON §

This instrument was acknowledged before me on the 17 day of April, 2019,
by J. Mike Riley, on behalf of said company.



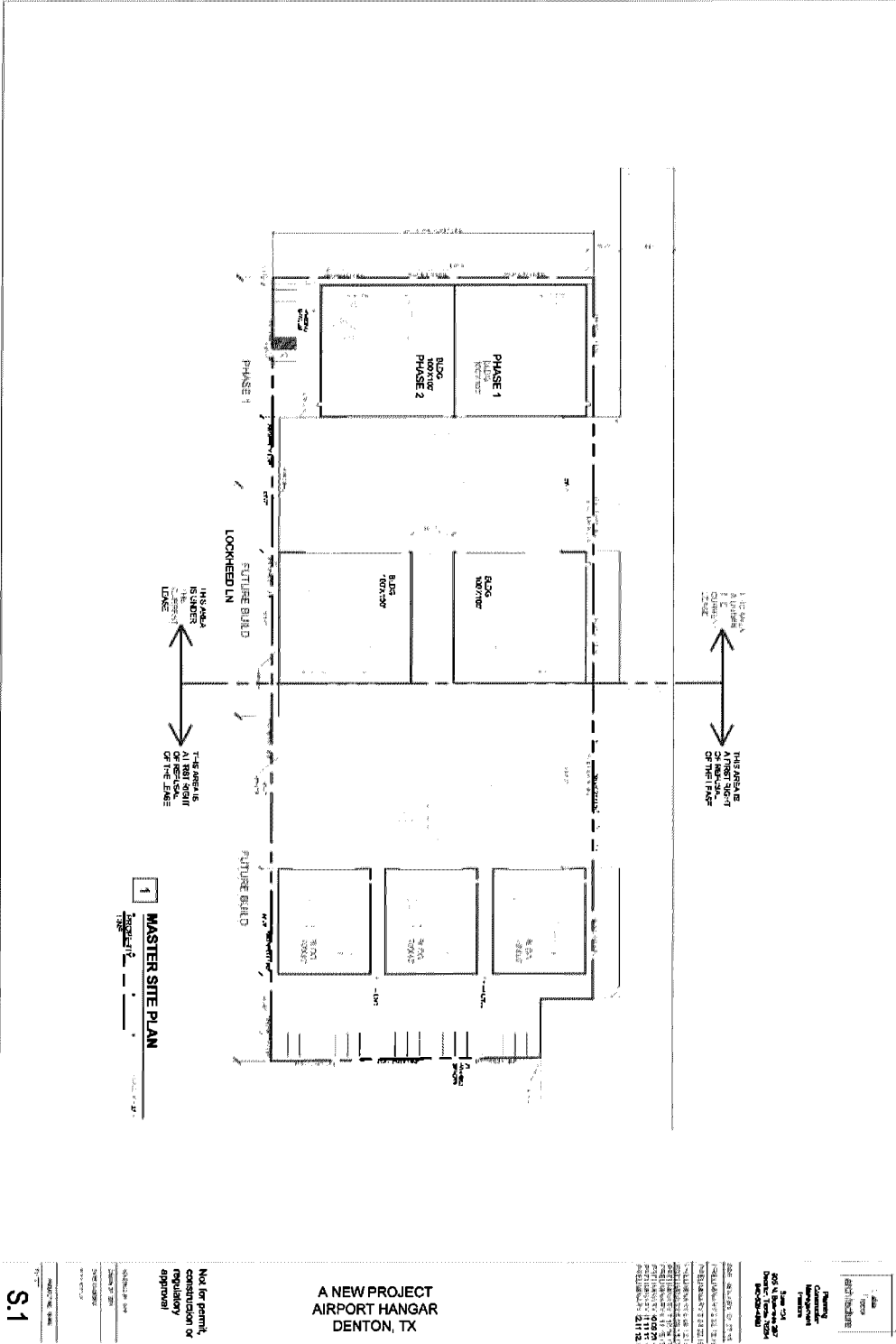

NOTARY PUBLIC, STATE OF TEXAS

 CITY

3KAM Real Estate LLC Lease Agreement

 LESSEE

EXHIBIT B



A NEW PROJECT
AIRPORT HANGAR
DENTON, TX

Not for permit,
construction or
regulatory
approval

DATE: 01/12/18
PROJECT: AIRPORT HANGAR
DRAWN BY: [Name]
CHECKED BY: [Name]
SCALE: AS SHOWN

S.1

[Handwritten signature]