



City of Denton

City Hall
215 E. McKinney St.
Denton, Texas 76201
www.cityofdenton.com

Meeting Agenda

Airport Advisory Board

Wednesday, November 13, 2024

3:00 PM

Airport Terminal Meeting Room

After determining that a quorum is present, the Airport Advisory Board of the City of Denton, Texas will convene in a Regular Meeting on Wednesday, November 13, 2024, at 3:00 p.m. in the Meeting Room at the Denton Enterprise Airport Terminal Building, 5000 Airport Road, Denton, Texas, at which the following items will be considered:

1. PLEDGE OF ALLEGIANCE

- A. U.S. Flag
- B. Texas Flag

“Honor the Texas Flag – I pledge allegiance to thee, Texas, one state under God, one and indivisible.”

2. PRESENTATIONS FROM MEMBERS OF THE PUBLIC

Citizens may complete one Request to Speak “Public Comment” card per night for the “Presentations from Members of the Public” portion of the meeting and submit it to the Airport Staff. Presentations from Members of the Public time is reserved for citizen comments regarding items not listed on the agenda. No official action can be taken on these items. Presentations from Members of the Public is limited to five speakers per meeting with each speaker allowed a maximum of three (3) minutes.

3. ITEMS FOR CONSIDERATION

- A. [AAB24-040](#) Consider approval of the minutes of October 9, 2024.

Attachments: [Exhibit 1 - Agenda Information Sheet](#)
[Exhibit 2 - Draft Minutes – October 9, 2024](#)

- B. [AAB24-043](#) Receive a report, hold a discussion, and provide recommendation to City Council regarding the approval of an Airport Master Land Lease Agreement and related Parcel Land Lease Agreements between the City of Denton, Texas and HC Aviation Property Holdings, Inc, at the Denton Enterprise Airport; authorizing the City Manager to execute the Airport Lease Agreement; and providing an effective date.

Attachments: [Exhibit 1 - Agenda Information Sheet](#)
[Exhibit 2 - Location Map](#)
[Exhibit 3 - Master Lease Agreement and related Parcel Agreements](#)

- C. [AAB24-044](#) Receive a report, hold a discussion, and provide recommendation to City Council regarding the approval of Assignment Airport Lease from First Financial Resources, Inc. to DSR-Cherokee 180, LLC covering property at 910 Aeronca Lane, Denton, Texas at the Denton Enterprise Airport; authorizing the City Manager to execute the Assignment of Airport Lease; and providing an effective date.

- Attachments: [Exhibit 1 - Agenda Information Sheet](#)
 [Exhibit 2 - Location Map](#)
 [Exhibit 3 - Consent to Lease Assignment](#)

4. WORK SESSION

- A. [AAB24-045](#) Receive a report and hold a discussion regarding airport rates and fees.

- Attachments: [Exhibit 1 - Agenda Information Sheet](#)
 [Exhibit 2 - General Aviation Fee Study](#)
 [Exhibit 3 - Presentation](#)

- B. [AAB24-041](#) Staff Reports:
 1. Monthly Operations Report - November 2024
 2. Monthly Construction Report - November 2024
 3. Airport Advisory Board-City Council Airport Related Items Matrix - November 2024

- Attachments: [Monthly Operations Report - November 2024](#)
 [Monthly Construction Report - November 2024](#)
 [Airport Advisory Board-City Council Airport Related Items Matrix - November 20](#)

5. CONCLUDING ITEMS

A. Under Section 551.042 of the Texas Open Meetings Act, respond to inquiries from the Airport Advisory Board or the public with specific factual information or recitation of policy, or accept a proposal to place the matter on the agenda for an upcoming meeting AND under Section 551.0415 of the Texas Open Meetings Act, provide reports about items of community interest regarding which no action will be taken, to include: expressions of thanks, congratulations, or condolence; information regarding holiday schedules; an honorary or salutary recognition of a public official, public employee, or other citizen; a reminder about an upcoming event organized or sponsored by the governing body; information regarding a social, ceremonial, or community event organized or sponsored by an entity other than the governing body that was attended or is scheduled to be attended by a member of the governing body or an official or employee of the municipality; or an announcement involving an imminent threat to the public health and safety of people in the municipality that has arisen after the posting of the agenda.

NOTE: The Airport Advisory Board reserves the right to adjourn into a Closed Meeting on any item on its Open Meeting agenda consistent with Chapter 551 of the Texas Government Code, as amended, or as otherwise allowed by law.

Following the completion of the Regular Meeting, the Airport Advisory Board will convene in a Work Session at which the following items will be considered:

CERTIFICATE

I certify that the above notice of meeting was posted on the official website (<https://tx-denton.civicplus.com/242/Public-Meetings-Agendas>) and bulletin board at City Hall, 215 E. McKinney Street, Denton, Texas, on November 6, 2024, in advance of the 72-hour posting deadline, as applicable, and in accordance with Chapter 551 of the Texas Government Code.

 OFFICE OF THE CITY SECRETARY

NOTE: THE CITY OF DENTON'S DESIGNATED PUBLIC MEETING FACILITIES ARE ACCESSIBLE IN ACCORDANCE WITH THE AMERICANS WITH DISABILITIES ACT. THE CITY WILL PROVIDE ACCOMMODATION, SUCH AS SIGN LANGUAGE INTERPRETERS FOR THE HEARING IMPAIRED, IF REQUESTED AT LEAST 48 HOURS IN ADVANCE OF THE SCHEDULED MEETING. PLEASE CALL THE CITY SECRETARY'S OFFICE AT 940-349-8309 OR USE TELECOMMUNICATIONS DEVICES FOR THE DEAF (TDD) BY CALLING 1-800-RELAY-TX SO THAT REASONABLE ACCOMMODATION CAN BE ARRANGED.



City of Denton

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215 E. McKinney St.
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Legislation Text

File #: AAB24-040, Version: 1

AGENDA CAPTION

Consider approval of the minutes of October 9, 2024.



City of Denton

City Hall
215 E. McKinney Street
Denton, Texas
www.cityofdenton.com

AGENDA INFORMATION SHEET

DEPARTMENT: Denton Enterprise Airport

ACM: Frank Dixon

DATE: November 13, 2024

SUBJECT

Consider approval of the minutes of October 9, 2024.

BACKGROUND

The draft minutes from the Airport Advisory Board meeting of October 9, 2024, are attached for the Board's consideration and approval.

EXHIBITS

1. Agenda Information Sheet
2. Draft Minutes – October 9, 2024

Respectfully submitted:
Leanne Alexander, A.C.E.
Airport Analyst

MINUTES
AIRPORT ADVISORY BOARD
October 9, 2024

After determining that a quorum was present, the Airport Advisory Board of the City of Denton, Texas convened in a Regular Meeting on Wednesday, October 9, 2024, at 3:00 p.m. in the Meeting Room at the Denton Enterprise Airport Terminal Building, 5000 Airport Road, Denton, Texas.

PRESENT: Chair Robert Tickner, Vice Chair Rick Woolfolk, Members Ed Ahrens, David Smith, Davis Bird, Ann Patterson, and Brownie Stonecipher.

ABSENT: None

1. PLEDGE OF ALLEGIANCE

Members conducted the U.S. and Texas pledge of allegiance.

2. PRESENTATION FROM MEMBERS OF THE PUBLIC

None

3. ITEMS FOR CONSIDERATION

A. Consider approval of the minutes of September 11, 2024. (AAB24-038)

The item was presented, and discussion followed.

Vice Chair Woolfolk moved to approve the item as presented. Member Smith seconded the motion. Motion carried.

AYES (7): Chair Tickner, Vice Chair Woolfolk, and Members Ahrens, Smith, Bird, Patterson, and Stonecipher

NAYS (0): NONE

ABSENT (0): NONE

B. Receive a report, hold a discussion, and provide recommendation to City Council regarding the approval of an Airport Land Lease Agreement between the City of Denton, Texas and US Trinity Aviation, LLC, at the Denton Enterprise Airport; authorizing the City Manager to execute the Airport Lease Agreement; and providing an effective date. (AAB24-039)

The item was presented, and discussion followed. US Trinity Aviation, LLC representative Damon Ward was present at the meeting to answer questions regarding the project and business goals.

Vice Chair Woolfolk moved to approve the item as presented. Member Stonecipher seconded the motion. Motion carried.

AYES (7): Chair Tickner, Vice Chair Woolfolk, and Members Ahrens, Smith, Bird, Patterson, and Stonecipher
NAYS (0): NONE
ABSENT (0): NONE

4. WORK SESSION

A. Staff Reports: (AAB24-037)

- 1. Monthly Operations Report – October 2024**
- 2. Monthly Construction Report – October 2024**
- 3. Airport Advisory Board-City Council Airport Related Items Matrix – October 2024**

The items were presented, and discussion followed. There was no direction provided as the items were for presentation/discussion purposes only.

5. CONCLUDING ITEMS

The next scheduled Airport Advisory Board meeting is November 13, 2024, at 3:00 p.m.

Chair Tickner requested a Loop 288 and FM 1515 phasing update from Capital Projects.

Vice Chair Woolfolk requested a electric signage update.

With no further business, the meeting was adjourned at 3:37 p.m.

X

Bob Tickner
Chairman

X

Leanne Alexander
Recording Secretary

MINUTES APPROVED ON: _____



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Legislation Text

File #: AAB24-043, Version: 1

AGENDA CAPTION

Receive a report, hold a discussion, and provide recommendation to City Council regarding the approval of an Airport Master Land Lease Agreement and related Parcel Land Lease Agreements between the City of Denton, Texas and HC Aviation Property Holdings, Inc, at the Denton Enterprise Airport; authorizing the City Manager to execute the Airport Lease Agreement; and providing an effective date.



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AGENDA INFORMATION SHEET

DEPARTMENT: Denton Enterprise Airport

ACM: Frank Dixon

DATE: November 13, 2024

SUBJECT

Receive a report, hold a discussion, and provide recommendation to City Council regarding the approval of an Airport Master Land Lease Agreement and related Parcel Land Lease Agreements between the City of Denton, Texas and HC Aviation Property Holdings, Inc, at the Denton Enterprise Airport; authorizing the City Manager to execute the Airport Lease Agreement; and providing an effective date.

BACKGROUND

The airport staff has initiated negotiations with HC Aviation Property Holdings, Inc to lease a 1.026-acres or 44,679 square feet for a four (4) site hangar storage development. The lease is proposed with a master land lease agreement for the development phase and once completed will be pieced out into four individual parcel land lease agreements. Each parcel land lease will have no less than 4,550 gross square feet of hangar to be utilized as hangar storage. Additionally, there will be off-street vehicular parking with capacity to meet or exceed local building regulations taking into consideration permitted use at peak demand.

The capital investment for the overall leased premises shall be a minimum of \$2,700,000.00. The overall capital investment meets the leasing investment requirements to receive a forty (40) year term lease. The lease will revert back to the City at the lease's end. The tenant shall be responsible for conducting a condition assessment report on their facilities during the term of the lease (the "Condition Assessment"). This shall be conducted in 5-year increments beginning at the 10th anniversary of the lease agreement.

STAFF RECOMMENDATION

Airport Staff recommends approval of the Ordinance (**Exhibit 3**).

FISCAL INFORMATION

The capital investment in the Improvements on the Leased Premises shall be a minimum of \$2,700,000.00, upon the completion of Improvement construction. The lease for this 1.026-acre parcel will be established for a term of forty (40) years. The initial annual lease rate will be set at \$0.38 per square foot, amounting to \$16,978.02. Commencing on the second anniversary of the approved lease and every two years thereafter, the lease rate will be adjusted in accordance with any increases in the Consumer Price Index for All Urban Consumers (CPI-U) as published by the U.S. Department of Labor Bureau of Labor Statistics, in accordance with the lease terms.

EXHIBITS

1. Agenda Information Sheet
2. Location Map
3. Master Lease Agreement and related Parcel Agreements

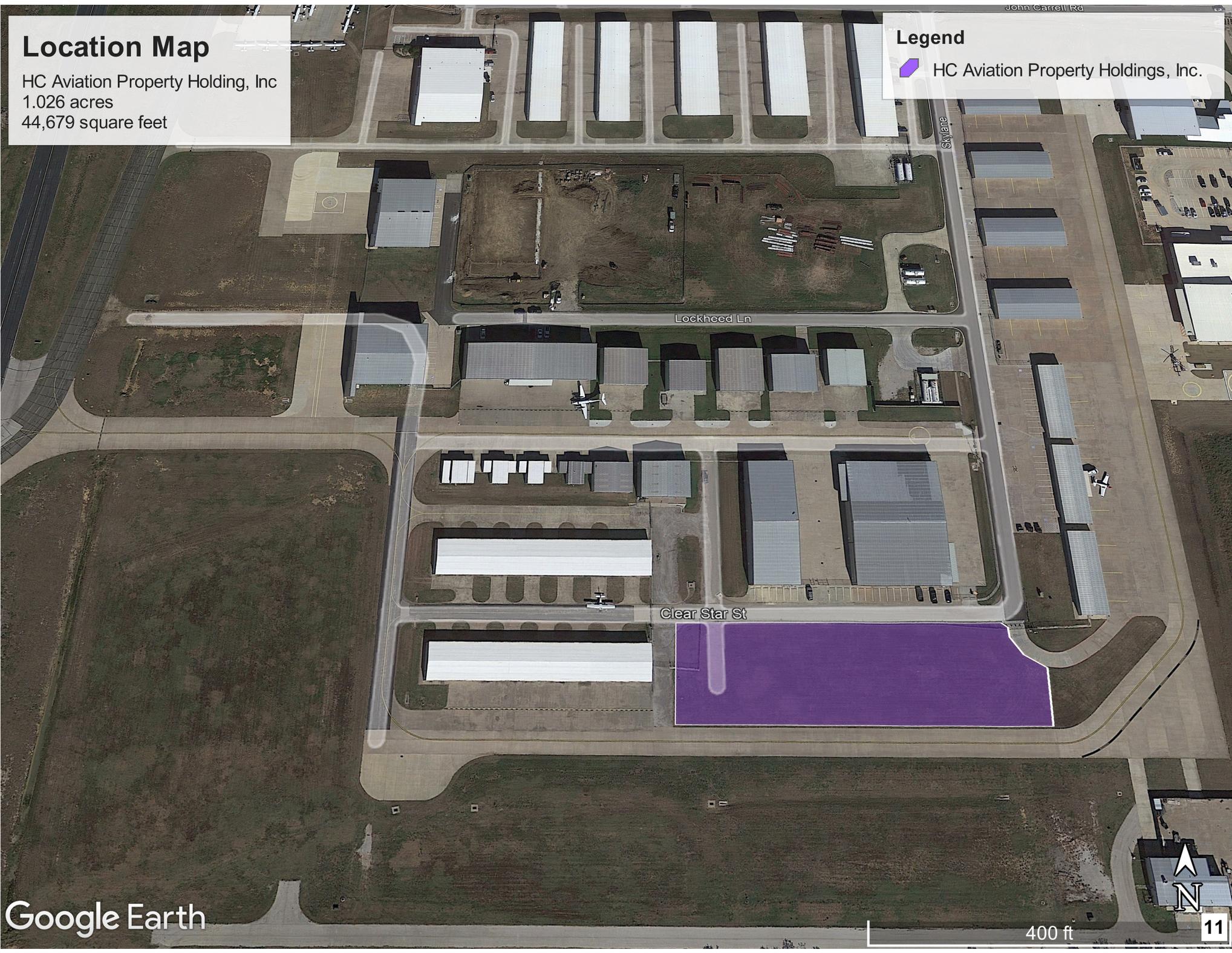
Respectfully submitted:
Leanne Alexander, A.C.E.
Airport Analyst

Location Map

HC Aviation Property Holding, Inc
1.026 acres
44,679 square feet

Legend

 HC Aviation Property Holdings, Inc.



MASTER LEASE AGREEMENT

between

CITY OF DENTON

and

HC Aviation Property Holdings Inc

dated as of

_____, 2024

MASTER LEASE AGREEMENT

THIS MASTER LEASE AGREEMENT (this “Agreement”) effective as of this _____ day of _____, 2024 (the “Effective Date”), by and between the CITY OF DENTON, a Texas home-rule municipal corporation (“City”), and **HC Aviation Property Holdings Inc**, a Texas Corporation with principal place of business located at 2320 Seaborn Road, Building #15, Ponder, Texas (“Developer” and, together with City, the “Parties” and each a “Party”).

RECITALS

WHEREAS, the City owns fee simple title in and to the real property more particularly described on **Exhibit A**, attached hereto and made part hereof, consisting of four sites located on Airport Property referred to on **Exhibit A** as Site Ten and Parcels One, Two, Three and Four, that together total approximately 44,679 square feet or 1.026 acres, together with the facilities, rights, and privileges hereinafter granted (such real property, together with all rights, privileges, easements and appurtenances benefiting or encumbering such real property and all preexisting improvements, as hereafter defined or defined in the underlying Lease Agreements, as defined below, are collectively referred to herein as the “Leased Property”); and

WHEREAS, City desires to permit the development and aeronautical use of the Leased Property for the benefit of the airport, including the replacement of vacant airport land with quality aeronautical facilities and the associated increases in lease and other revenues;

WHEREAS, Developer is a company interested in developing four (4) separate hangars on Site 10 to be leased separately on the Leased Property;

WHEREAS, Developer’s overall capital investment as set forth in Article 1 meets the leasing investment requirements to receive a forty (40) year term lease and the City has determined that this overall investment is sufficient for the underlying Lease Agreements to have the same lease term that is equivalent to the lease term allowable for the overall capital investment amount;

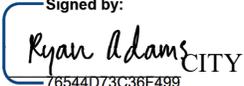
WHEREAS, Developer is qualified, willing and able to undertake such commercial development and use, and the City is willing to lease the Leased Property to Developer for such activities; and

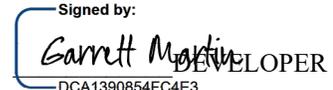
WHEREAS, the Parties hereto wish to memorialize their agreement with respect to the Leased Property herein.

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, and for other good and valuable consideration, the sufficiency of which is acknowledged by the Parties, the Parties hereto agree as follows:

ARTICLE I CAPITAL INVESTMENT IN LEASED PROPERTY

Section 1.1 Capital Investment. The capital investment in the Improvements as defined in the Lease Agreements on the Leased Property shall be a minimum of \$2,700,000.00 for the

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combined parcels and \$675,000.00 for each parcel, upon the completion of all phases of Improvement construction as defined in the Lease Agreements. At the completion of all phases, all four (4) sites shall each include:

A. No less than 4,550 gross square feet of hangar size.

B. Off-street vehicular parking with capacity to meet or exceed local building regulations taking into consideration permitted use at peak demand.

Section 1.2 The Developer shall use the Leased Property for the following aeronautical uses: Aircraft Storage. Any changes in aeronautical use must be approved in writing by the Director of Airport or designee.

Section 1.3 The Developer will be required to undertake the construction of the Improvements as further set out in the Lease Agreements before such Lease Agreements can be assigned. The City reserves the right to withhold its consent to assignment until such time as the Improvements are constructed as required by the Lease Agreements.

**ARTICLE II
CONSIDERATION FOR CAPITAL INVESTMENT**

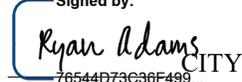
Section 2.1 Underlying Lease Agreements. In consideration of the capital investment set forth in Section 1.1, City agrees to provide four (4) lease agreements (the "Lease Agreements") for each of the four (4) sites on the Leased Property.

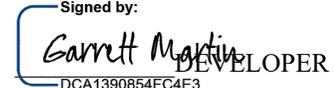
Section 2.2 Lease Agreements Control. The Lease Agreements shall control in the event of any conflict between this Agreement and the Lease Agreements.

**ARTICLE III
REPRESENTATIONS AND WARRANTIES**

Section 3.1 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 3.2 Representations by Developer. Developer 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 Developer.

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**ARTICLE IV
OBLIGATIONS OF DEVELOPER**

**ARTICLE V
INSURANCE**

Section 5.1 Insurance.¹ Developer agrees to purchase at their own cost and maintain in full force and effect for the duration of its engagement with the CITY and any extension hereof the minimum insurance coverage as provided below. The insurance terms in the Lease Agreements will cover the requirements for each of the four (4) sites individually; however, this Section sets out minimum insurance coverage for the Developer. Developer shall provide satisfactory certificate(s) of insurance, including any applicable endorsements to the City no less than thirty (30) days prior to the scheduled program date.

- A. Each policy shall be issued by a company authorized to do business in the State of Texas with an A.M. Best Company rating of at least **A- or better**.
- B. Each policy shall be primary and noncontributory with any other coverage elsewhere afforded or available to the City, as well as provide primary coverage for all losses and damages caused by the perils covered thereby related to or arising from the Lessee’s use of the property and shall not require the exhaustion of any other coverages afforded or available to the City.
- C. General Liability Insurance: General Liability insurance with combined single limits of not less than \$1,000,000.00 shall be provided and maintained by the Developer. The policy shall be written on an occurrence basis, either in a single policy or in a combination of underlying and umbrella or excess policies. If the Commercial General Liability form (ISO Form CG 0001 current edition) is used:
 - Coverage A shall include premises, operations, products, and completed operations, independent contractors, contractual liability covering this contract and broad form property damage coverage.
 - Coverage B shall include personal injury.
 - Coverage C, medical payments, is not required. If the Comprehensive General Liability form (ISO Form GL 0002 Current Edition and ISO Form GL 0404) is used, it shall include at least:
 - Bodily injury and Property Damage Liability for premises, operations, products and completed operations, independent contractors and property damage resulting from explosion, collapse or underground (XCU) exposures.
 - Broad form contractual liability (preferably by endorsement) covering this contract, personal injury liability and broad form property damage liability.
- D. Workers’ Compensation and Employers Liability Insurance: Workers’ Compensation within the regulations of the Texas Workers’ Compensation Act. The minimum policy limits for Employers Liability are:

¹ Note: Subject to review by Developer’s insurance company.

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Ryan Adams CITY
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Garrett Martin
DEVELOPER
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- Bodily Injury by Accident: \$100,000 Each Accident
 - Bodily Injury by Disease: \$100,000 Each Employee
 - Bodily Injury by Disease: \$100,000 Policy Limit
- E. Business Automobile Liability Insurance: Business Automobile Liability Insurance covering owned, hired, and non-owned vehicles, with a minimum combined single limit for bodily injury (including death) and property damage limit of \$1,000,000 per occurrence.
- F. All Risk Property Insurance: All Risk Property Insurance covering LESSOR’S buildings, including improvements and betterments with insured value equal to 100% replacement cost. Covered perils shall include, but not be limited to, Fire, Extended Coverage, and Vandalism & Malicious Mischief. The City of Denton will be shown as a loss payee, as their interest may appear.
- G. Construction Insurance: Prior to the commencement of renovation of existing buildings/improvements or construction of any permanent building/improvement, LESSEE shall purchase and maintain, or require LESSEE’S contractor to purchase and maintain, until final completion and acceptance of all work, insurance coverage written by companies approved by the State of Texas and acceptable to the LESSOR in the following types and amounts:
- i. **Workers’ Compensation** within the regulations of the Texas Workers’ Compensation Act. The minimum policy limits for **Employers Liability** are:
 - Bodily Injury by Accident: \$100,000 Each Accident
 - Bodily Injury by Disease: \$100,000 Each Employee
 - Bodily Injury by Disease: \$500,000 Policy Limit
 - ii. **Business Automobile Liability Insurance** covering owned, hired, and non-owned vehicles, with a minimum combined single limit for bodily injury (including death) and property damage limit of \$1,000,000 per occurrence.
 - iii. **Commercial General Liability Insurance** including, but not limited to, Premises/Operations, Personal & Advertising Injury, Products/Completed Operations, Independent Contractors and Contractual Liability with minimum combined bodily injury (including death) and property damage limits of \$1,000,000 per occurrence, \$1,000,000 products/completed operations aggregate, \$2,000,000 general aggregate. The policy shall include coverage extended to apply to products/completed operations and Explosions, Collapse and Underground (XCU) hazards.
 - iv. **All Risk Builder’s Risk Insurance**, if the project involves complete construction of new buildings, or, **Installation Floater**, if the project involves materials and supplies needed for additions, renovations or remodeling of an existing building, with an insured value equal to 100% of replacement cost, if Builder’s Risk, or 100% of the contract cost, if Installation Floater.

Liability policies shall be endorsed to provide the following:

- Name as Additional Insured the City of Denton, its Officials, Agents, Employees, and Volunteers.
- That such insurance is primary to any other insurance available to the Additional Insured with respect to claims covered under the policy and that this insurance applies

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separately to each insured against whom claim is made or suit is brought. The inclusion of more than one insured shall not operate to increase the insurer's limit of liability.

- Provide a Waiver of Subrogation in favor of the City of Denton, its officials, agents, employees, and volunteers.

Notice of Cancellation, Material Change, and Non-Renewal: All insurance required herein shall be endorsed to provide a 30-day notice of cancellation, material change, and non-renewal to the City to the extent commercially available. If this endorsement cannot be provided, Developer will immediately provide written notice to the City should any of the insurance policies required herein be canceled, limited in scope, or not renewed upon expiration. Said notice must be provided no later than 30-days prior (except 10 days for nonpayment of premium) to any such action being taken. Developer agrees to purchase general liability insurance in the amount of \$1,000,000.00 combined single limit to cover Developer's operations as described in Section 3.4. Insurance coverage shall include City as an additional named insured, providing fifteen (15) days' notice of cancellation. Developer shall submit Certificate(s) of Insurance to City within ten (10) working days after the effective date of this Agreement, and yearly thereafter.

**ARTICLE VI
MISCELLANEOUS PROVISIONS**

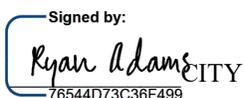
Section 6.1 Waiver of Exemption. Any constitutional or statutory exemption of Developer of any property usually kept on the Leased Property, from distress or forced sale, is waived.

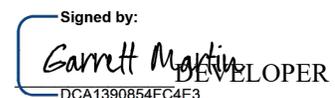
Section 6.2 Addresses. All notices given under this Agreement to City shall be sent to the Airport Manager at 5000 Airport Road, Denton, Texas 76207, with a copy to the City Attorney at 215 E. McKinney, Denton, Texas 76201, or such other place as City shall specify in writing. All notices given under this Agreement to Lessee shall be sent to:

HC Aviation Property Holdings Inc.
2320 Seaborn Road #200
Ponder Texas 76259
(469)-684-4465
Garrett@hcdbuild.com

Notices given under this Agreement to the Lenders, if any, shall be sent to the address provided by the Lenders to City in writing. Any notice properly mailed by registered mail, postage and fee prepaid, shall be deemed delivered when mailed, whether received or not, and all notices sent via overnight delivery service or email shall be deemed delivered when received.

Section 6.3 No Waiver. The waiver by either party in writing 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 Developer of any term, covenant, or condition of this Agreement, other than the failure of Developer to pay the particular Rent so accepted, regardless of City's knowledge of such preceding breach at the time of acceptance of such Rent.

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Section 6.4 Additional Charges as Rent. Any charges assessed against Developer by City for services or for work done on the Leased Property or the Improvements by order of Developer or otherwise accruing under this Agreement shall be considered as Rent due.

Section 6.5 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.

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.

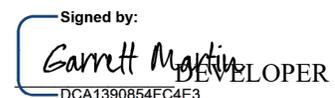
E. Words importing the singular shall include the plural and vice versa. Words of the masculine gender shall be deemed to include correlative words of the feminine and neuter genders.

F. Capitalized terms in this Agreement that are used throughout this Agreement and in any Annexes, Exhibits and Schedules hereto shall have the meaning or definition ascribed to it herein. Absent such meaning or definition in this Agreement, such term shall have the meaning or definition ascribed to it in the underlying Lease Agreements between the Parties.

Section 6.6 Force Majeure. No act or event, whether foreseen or unforeseen, shall operate to excuse Developer from the prompt payment of rent or any other amounts required to be paid under this Agreement. If City (or Developer 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, epidemics, pandemics, viruses, diseases, quarantines, acts of government, public health emergencies and changes in law. Developer hereby releases City and City’s officers, elected and appointed officials, employees, and agents 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 Developer, its employees, agents, or invitees during the Lease Term, including, but not limited to, loss, damage, or injury to the Leased Property or the personal property of Developer that may be located or stored in, on or under the Leased Property or the Improvements due to a force majeure event.

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Section 6.7 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 6.8 Amendments and Waivers. No amendment to this Agreement shall be binding on City or Developer 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 6.9 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 to modify this Agreement to fulfill as closely as possible the original intents and purposes of this Agreement.

Section 6.10 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 6.11 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 6.12 Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original, but all of which, together, shall constitute one and the same instrument. A signed copy of this Agreement delivered by facsimile, e-mail, or other means of electronic transmission (including pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000, e.g., www.docusign.com) shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

Section 6.13 Prohibition on Contracts with Companies Boycotting Certain Energy Companies. Developer acknowledges that in accordance with Chapter 2274 of the Texas Government Code, City is prohibited from entering into a contract with a company for goods or services unless the contract contains written verification from the company that it (1) does not boycott energy companies; and (2) will not boycott energy companies during the term of the contract. The terms “boycott energy company” and “company” shall have the meanings ascribed to those terms in Section 809.001 of the Texas Government Code. By signing this agreement, Developer certifies that Developer’s signature provides written verification to the City that Developer: (1) does not boycott energy companies; and (2) will not boycott energy companies during the term of the agreement. Failure to meet or maintain the requirements under this provision will be considered a material breach.

Section 6.14 Prohibition on Contracts with Companies Boycotting Certain Firearm Entities and Firearm Trade Associations. Developer acknowledges that in accordance with Chapter

Signed by:
Ryan Adams
CITY
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Signed by:
Garrett Martin
DEVELOPER
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2274 of the Texas Government Code, City is prohibited from entering into a contract with a company for goods or services unless the contract contains written verification from the company that it (1) does not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association; and (2) will not discriminate during the term of the contract against a firearm entity or firearm trade association. The terms “discriminate against a firearm entity or firearm trade association,” “firearm entity” and “firearm trade association” shall have the meanings ascribed to those terms in Chapter 2274 of the Texas Government Code. By signing this agreement, Developer certifies that Developer’s signature provides written verification to the City that Developer: (1) does not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association; and (2) will not discriminate during the term of the contract against a firearm entity or firearm trade association. Failure to meet or maintain the requirements under this provision will be considered a material breach.

Section 6.15 Prohibition On Contracts With Companies Doing Business with Iran, Sudan, or a Foreign Terrorist Organization. Sections 2252 and 2270 of the Texas Government Code restricts CITY from contracting with companies that do business with Iran, Sudan, or a foreign terrorist organization. By signing this agreement, Developer certifies that Developer’s signature provides written verification to the City that Developer, pursuant to Chapters 2252 and 2270, is not ineligible to enter into this agreement and will not become ineligible to receive payments under this agreement by doing business with Iran, Sudan, or a foreign terrorist organization. Failure to meet or maintain the requirements under this provision will be considered a material breach.

Section 6.16 Termination Right for Contracts with Companies Doing Business with Certain Foreign-Owned Companies. The City of Denton may terminate this Agreement immediately without any further liability if the City of Denton determines, in its sole judgment, that this Agreement meets the requirements under Chapter 2274, and Developer is, or will be in the future, (i) owned by or the majority of stock or other ownership interest of the company is held or controlled by individuals who are citizens of China, Iran, North Korea, Russia, or other designated country (ii) directly controlled by the Government of China, Iran, North Korea, Russia, or other designated country, or (iii) is headquartered in China, Iran, North Korea, Russia, or other designated country.

[SIGNATURE PAGES FOLLOW]

Signed by:
Ryan Adams
CITY
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Signed by:
Garrett Martin
DEVELOPER
DCA1390854FC4E3...

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the _____ day of _____, 2024.

CITY OF DENTON

By: _____
Sara Hensley, City Manager

ATTEST:
Lauren Thoden, City Secretary

By: _____

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

Signed by:

Ryan Adams

76544D73C36F499...

Signature
Director of Airport

Title
Airport

Department

Date Signed: 10/25/2024

APPROVED AS TO LEGAL FORM:
Mack Reinwand, City Attorney

By: ^{DocuSigned by:} *Marcella Lunn*
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HC Aviation Property Holdings Inc.
DEVELOPER

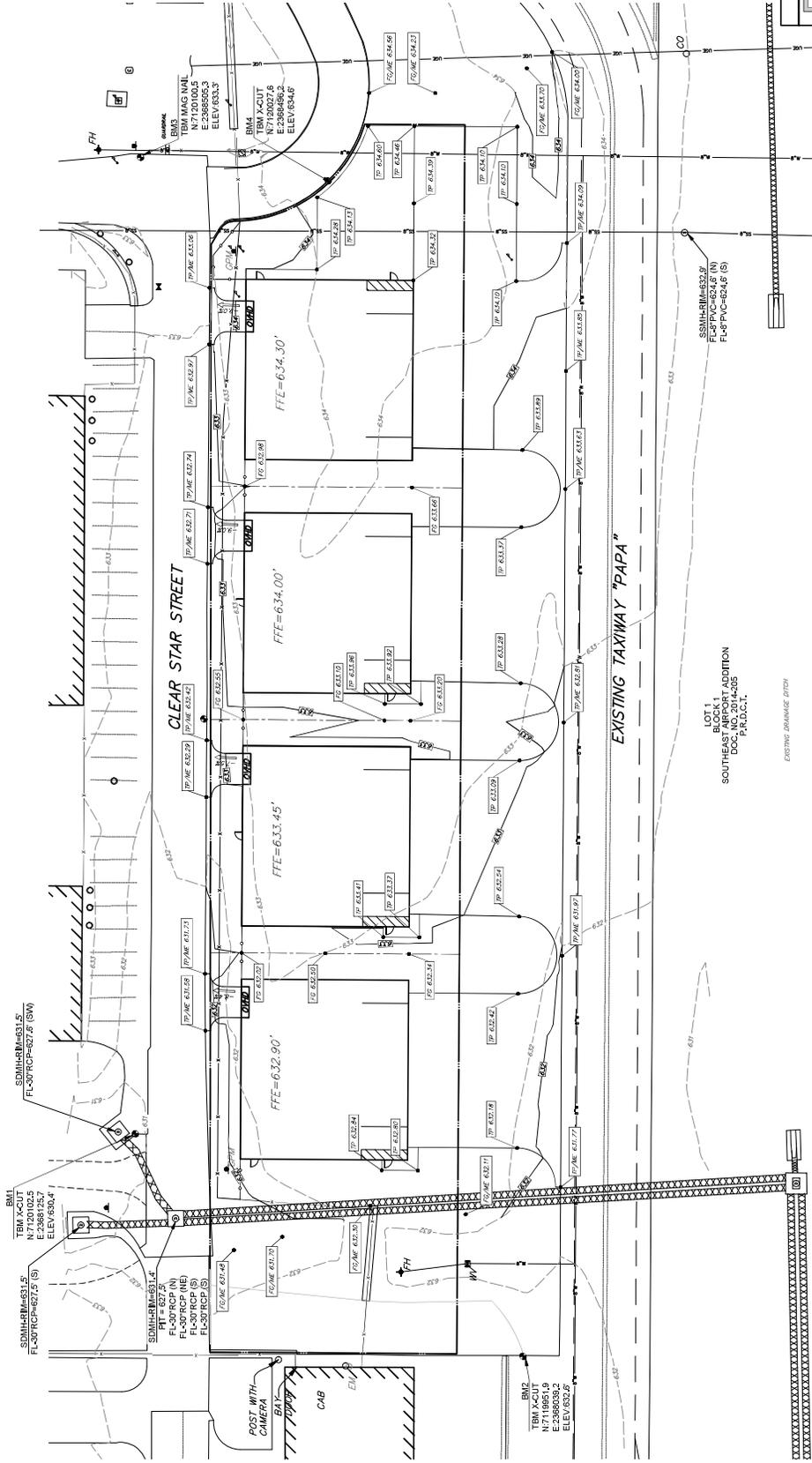
By: ^{Signed by:} *Garrett Martin*
DCA1390854FC4E3...

Name: Garrett Martin

Title: Director

Exhibit A Leased Property

LOT 1
BLOCK 1
SOUTHEAST AIRPORT ADDITION
DOC. NO. 2014-205
P.D.C.T.



- LEGEND**
- EXISTING CONTOUR LINE
 - PROPOSED CONTOUR LINE
 - TOP OF PAVEMENT ELEVATION
 - TOP OF PAVEMENT/MATCH EXISTING ELEVATION
 - FINISHED GRADE ELEVATION
 - FINISHED GRADE MATCH EXISTING ELEVATION

ZCP XX-XXXX	CEP XX-XXXX
RLG CONSULTING ENGINEERS	
10091 N. CENTRAL EXPRESSWAY FARM, DALLAS, TX 75243 5801 WINDING HOLLOW, DALLAS, TX 75243	
GRADING PLAN	
DENTON ENTERPRISE AIRPORT	
5000 AIRPORT ROAD, DENTON, TX 76207	
CITY OF DENTON, DENTON COUNTY, TEXAS	
REVIEW	DATE
FILE NUMBER	SHEET
RLG	09/22/2024
2443	012
	C05.00

ACKNOWLEDGMENTS

PROPERTY OF DENTON ENTERPRISE AIRPORT

ISSUED: 09/10/2024

THIS DRAWING IS THE PROPERTY OF RLG CONSULTING ENGINEERS. IT IS TO BE USED ONLY FOR THE PROJECT AND SITE SPECIFICALLY IDENTIFIED HEREIN. NO PART OF THIS DRAWING IS TO BE REPRODUCED OR TRANSMITTED IN ANY FORM OR BY ANY MEANS, ELECTRONIC OR MECHANICAL, INCLUDING PHOTOCOPYING, RECORDING, OR BY ANY INFORMATION STORAGE AND RETRIEVAL SYSTEM, WITHOUT THE WRITTEN PERMISSION OF RLG CONSULTING ENGINEERS.

REVISIONS

NO.	DATE	DESCRIPTION
1	09/10/2024	ISSUED FOR PERMIT

NOTES

1. ALL DIMENSIONS ARE TO FACE UNLESS OTHERWISE NOTED.

2. ALL ELEVATIONS ARE TO FINISHED GRADE UNLESS OTHERWISE NOTED.

3. ALL UTILITIES SHOWN ARE AS SHOWN ON THE ATTACHED UTILITY DRAWING.

4. ALL CONSTRUCTION SHALL BE IN ACCORDANCE WITH THE LATEST EDITIONS OF THE TEXAS CONSTRUCTION CODES AND THE CITY OF DENTON SPECIFICATIONS.

AIRPORT LEASE AGREEMENT

between

CITY OF DENTON

and

HC Aviation Property Holdings Inc

dated as of

_____, 2024

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AIRPORT LEASE AGREEMENT

THIS AIRPORT LEASE AGREEMENT (this “Agreement”) effective as of this _____ day of _____, 2024, by and between the CITY OF DENTON, TEXAS, a Texas home-rule municipal corporation (“City”), and HC Aviation Property Holdings Inc., a Texas Corporation (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 on **Exhibit A**, as Site Ten Parcel One, attached hereto and made part hereof which consists of 14,965 square feet or 0.344 acres (such real property, together with all rights, privileges, easements, and appurtenances benefiting such real property and all Preexisting Improvements, as hereafter defined, are collectively referred to herein as the “Leased Premises”);

WHEREAS, the 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.

A. 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. All improvements existing in, on, or under the Leased Premises as of the Commencement Date, as hereafter defined, shall be referred to herein as “Preexisting Improvements”. All improvements constructed by or on

Signed by:

CITY
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Signed by:

LESSEE
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behalf of the City from and after the Commencement Date, as hereafter defined, shall be referred to herein as “City Improvements”. The “Leased Premises” shall be deemed to include the Preexisting Improvements and the City Improvements, as hereafter defined.

Section 1.2 Lease Term. The term of this Agreement (the “Lease Term”), shall be for a period of forty (40) years commencing on _____, 2024 (the “Commencement Date”), and unless sooner terminated pursuant to the provisions of this Agreement, shall terminate on _____, 2064.

Section 1.3 Extension of Lease Term. No further extensions shall be granted by the City. However; the foregoing shall not preclude the Parties from entering into a new lease to be effective after the expiration of the Lease Term.

Section 1.4 Holding Over; Rights at Expiration.

A. If Lessee retains all or any portion of the Leased Premises after the expiration or 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 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 or termination of the Lease Term, the Leased Premises will be delivered to City in as good a condition as when this Agreement began, reasonable wear and tear and matters covered by insurance excepted and the Improvements, as hereafter defined, will be delivered to City in as good a condition as when such Improvements were constructed, located, installed, placed or erected in, upon or under the Leased Premises, reasonable wear and tear and matters covered by insurance excepted.

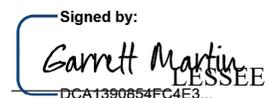
C. Except as otherwise expressly set forth elsewhere herein, Lessee shall have no rights with respect to any improvements made to the Leased Premises during the Lease Term that are not otherwise required to be removed by the City.

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 and the Improvements, as hereafter defined, 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.

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ARTICLE II

RENTAL; SECURITY DEPOSIT

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 \$ 0.38 per net square foot, as determined and provided in Exhibit A, said sum being stipulated herein as Five Thousand Six Hundred and Eighty-Six Dollars and Seventy Cents (\$5,686.70) (sales tax included), payable in twelve equal monthly installments of Four Hundred and Seventy-Three Dollars and Eighty-Nine Cents (\$473.89). 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 first 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 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 Insufficient Funds 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.

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 Finance Department of the City of Denton, 215 E. McKinney, Denton, Texas, 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 City and City's officers, directors, elected

Signed by: Ryan Adams CITY 76544D73C36F499...

Signed by: Garrett Martin LESSEE DCA1390854FC4E3...

and appointed officials, employees, and agents harmless for any claims arising out of or related to any condition of the Leased Premises.

Section 3.2 Construction and Ownership of Improvements.

A. The Parties agree that this Agreement is entered into specifically with the understanding that Lessee will build, construct, complete, and furnish one building, generally described as: Parcel one, consisting of one 65' x 70' building, 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 to be located or constructed on the Leased Property by Lessee during the Lease Term in accordance with the Plans and Specifications 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 Parcel 1 and obtain a Certificate of Occupancy within 365 days (one year) of issuance of a building or grading permit. Lessee may request an extension of time with sufficient justification as to the necessity for such an extension. No such requested extension shall extend this requirement more than a total of 90 days. The Lessee must receive written

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 capital investment in the Improvements on the Leased Premises shall be a minimum of Six Hundred Seventy-Five Thousand (\$675,000.00), upon the completion of all parcels of Improvement construction. The Improvements, at the completion of all phases of construction, shall include:

- a. No less than 4,550 gross square feet of hangar size.
- b. Off-street vehicular parking with the capacity to meet or exceed local building regulations taking into consideration permitted use at peak demand.

D. The Lessee shall use the Leased property for the following aeronautical uses: Aircraft Storage. Any changes in aeronautical use must be approved in writing by the Airport Director or designee.

E. Lessee will own the Improvements during the Lease Term only. Effective upon the expiration or termination of this Agreement, the Improvements shall become the property of

Signed by:
Ryan Adams CITY
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Signed by:
Garrett Martin LESSEE
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City, without the payment by City of any compensation or other consideration for any Improvements, and title to the Improvements shall merge with the title of, or be otherwise considered and deemed a part of, the real property of City, free and clear of any claim of Lessee and any persons or entities claiming under or through Lessee including, without limitation, the trustee, beneficiary or holder of any mortgage or deed of trust. Any other personal property of Lessee that can be removed by Lessee without material damage to the Leased Premises or to the Improvements may remain the personal property of Lessee and may be removed by Lessee at any time on or before the end of the Lease Term. Lessee shall, by removing any such personal property, repair all damage to the Leased Premises and Improvements caused by such removal. The City shall have the option to have the tenant remove any or all Improvements at the end of the term if the Improvements have not been maintained in accordance with the Lease or, based on the most recent Condition Assessment, have reached the end of their useful life.

F. The tenant shall be responsible for conducting a condition assessment report on their facilities during the term of the lease (the "Condition Assessment"). This shall be conducted in 5-year increments beginning at the 10th anniversary of the lease agreement. The engineering/inspection shall be hired by the tenant at the tenant's expense but must be approved in writing by the City. The Condition Assessment shall examine the building's structural components, electrical, plumbing, heating and cooling systems, roof, etc. Additionally, any pavement (asphalt or concrete) within the leasehold area shall also be examined and reported on. The Condition Assessment shall be provided to the lessor within thirty (30) days of the Condition Assessment due date. The Lessee shall within ninety (90) days provide to the Lessor a plan to correct any deficiencies identified in the Condition Assessment within one (1) year, unless extended in writing by the Airport Director, or designee.

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 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 any driver training program or guidelines established by the Lessor. Lessee further agrees to ensure that Lessee's Associates shall comply with such program guidelines. 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 the City. The 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 agrees that it shall use the Leased Premises and the Improvements 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

Signed by:

 Ryan Adams CITY
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Signed by:

 Garrett Martin
 LESSEE
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operations at the Leased Premises, the Improvements 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 and the Improvements, Lessee shall comply with the following:

A. Address. Lessee shall file with the Airport Director 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 Director and keep current a list of its sublessees and a list of all aircraft hangared 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, the Improvements, 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 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, the Improvements, or the Airport. Those permits and licenses include but are not limited to, (i) all contractors doing work on the Leased Premises, including work on or for the Improvements, must be licensed by the State of Texas, (ii) prior to commencing construction 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.

Signed by:
Ryan Adams
CITY
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Signed by:
Garrett Martin
LESSEE
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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, the Improvements, 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. 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 a form acceptable to the 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. The 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 or the Improvements, 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. The 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.

Section 3.9 Compliance with 2252.909 of Texas Government Code.

A. In connection with Lessee’s construction, alteration, or repair of the Improvements or any other construction on the Leased Property, Lessee shall require their contractor to:

(a) execute a payment bond that conforms to Subchapter I, Chapter 53, Property Code; and

(b) execute a performance bond in an amount equal to the amount of the contract for the protection of the City and conditioned on the faithful performance of the contractor’s work in accordance with the plans, specifications, and contract documents.

B. Lessee shall provide the Lessor with a notice of commencement of construction no later than ninety (90) days prior to the commencement of construction, alteration, or repair of any improvement to the Leased Property (“Notice of Commencement”), which will materially conform with the requirements under Texas Local Government Code 2252.909.

C. Notice of Commencement must:

(a) identify the public property where the work will be performed;

(b) described the work to be performed;

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Garrett Martin
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- (c) state the total cost of the work to be performed;
- (d) include copies of the performance and payment bonds required; and
- (e) include a written acknowledgment signed by the contractor stating that copies of the required performance payment bonds will be provided to all subcontractors not later than the fifth day after the date a subcontract is executed.

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 Appraisal at Conclusion of Construction. Lessee shall, at its own expense, conduct an appraisal of the property within ninety (90) days of the conclusion of the construction of Improvements described in Section 3.2. The appraisal shall confirm the investment of capital by the Lessee due to the construction of the Improvements at the level required by Section 3.2. The appraiser selected by the Lessee shall be approved in writing by the Airport Director, or designee.

Section 5.3 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

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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 or any other receptacles approved in writing by the Airport Director, or designee. Any substance or material that is regulated by any Environmental Law (“Hazardous Materials”) shall be governed by Section 5.8. In addition, Lessee agrees to comply with all applicable provisions of City’s Texas Pollutant Discharge Elimination Multi-Sector General Permit.

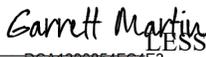
Section 5.4 Utilities. Lessor represents that there are water, sewer, and 3-phase electrical lines accessible within the general vicinity of the Leased Premises. Lessee shall be responsible, at Lessee’s sole cost and expense, for obtaining all utility connections at or for the Leased Premises and the Improvements. Further, Lessee shall pay for telecommunications, television, internet, gas, light bulbs, electricity, water, sewer, and garbage and trash removal services provided to or used by Lessee and shall make such deposits as are required 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 the responsibility of the utility service, are the responsibility of Lessee. If utilities are billed to a common meter, the Lessee shall pay to City the pro-rated amount based on the square footage leased.

Section 5.5 Signs. Lessee shall not place, or cause to be placed, any sign or signs on the Leased Premises or the Improvements unless otherwise agreed to in writing by City. Lessee, at its sole expense, shall be responsible for the creation, installation, and maintenance of all such Signage. Lessee shall pay to the lessor any and all damages, injuries, or repairs resulting from the installation, maintenance or repair of any such signage. Any Signage placed on the Lease premises shall be maintained at all times in a safe, neat, sightly, and good physical condition. All signage shall be removed from the lease 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. 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 5.6 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

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 Garrett Martin LESSEE
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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 5.7 Obstruction Lights. Lessee shall, at its expense, provide and maintain obstruction lights on any structure on the Leased Premises, including the Improvements, 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 5.8 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 applicable Environmental Laws. Lessee is responsible for any such violation as provided by 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, its officers, elected and appointed officials, employees, and agents harmless therefrom. Notwithstanding

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anything to the contrary, the obligations of this Section 5.8 shall survive any termination of this Agreement.

Section 5.9 Trash, Garbage, and Other Refuse. Lessee shall pick up and provide for a complete and proper arrangement for adequate sanitary handling and disposal, away from the Airport through the City or any other licensed refuse hauler. Lessee is responsible for contacting the Master Refuse Hauler and arranging for disposal and payment of such services. Lessee shall provide and use suitable covered metal receptacles, or any other receptacles approved by the Airport Director, or designee, 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.

ARTICLE VI

INDEMNIFICATION AND INSURANCE

Section 6.1 Insurance. Lessee agrees to purchase general liability covering the Lessee and Lessee’s Associates, and its operations on the Airport as described in Section 3 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 the Lessor, coverage for: products/completed operations; explosions, collapse, and underground property damage; and environmental impairment.

A. 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 Lease premises, either as a part of this Lease Agreement or erected by the Lessee subsequent to this Lease Agreement. Covered perils shall include, but not be limited to, Fire, Extended Coverage, and Vandalism & Malicious Mischief. Under no circumstances shall the Lessor be liable for any damages to fixtures, merchandise, or personal property of the Lessee or its sub-lessees. The City of Denton will be shown as a loss payee, as their interest may appear.

B. Additional Insurance requirements may be necessary as identified in the Airport Minimum Operating Standards for specific aeronautical uses.

C. 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 the 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.

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c. Required insurance naming the City as an additional insured much 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 the Lessee hereunder.

d. The Lessor shall be provided with a copy of all such policies and renewal certificates. Failure to 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 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 HOLD CITY AND CITY’S OFFICERS, ELECTED AND APPOINTED OFFICIALS, EMPLOYEES, AND AGENTS 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 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 TO THE LEASED PREMISES, THE IMPROVEMENTS, ITS APPARATUS, OR APPURTENANCES CAUSED BY LESSEE’S MISUSE OR NEGLIGENCE THEREOF.

D. LESSEE SHALL BE RESPONSIBLE AND LIABLE FOR THE CONDUCT OF LESSEE’S ASSOCIATES IN, ON 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

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(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.

Section 7.3 Remedies for Failure to Pay Rent. If any Rent required by this Agreement shall not be paid when due, City shall have the option to:

A. Terminate this Agreement, take possession of the Improvements, resume possession of the Leased Premises for its 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, take possession of the Improvements, resume possession of the Leased Premises, 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.

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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 City reserves the right to require the transferee receiving any such rights from Lessee 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 expiration or termination of this Agreement, Lessee hereby assigns, transfers, and conveys to City, without warranty, the following:

- (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 8.5, 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 the prior written consent of City, Lessee shall not have the right to mortgage or collaterally assign its interest in this Agreement, the Leased Premises 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 the prior written consent of 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:

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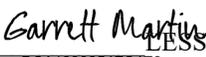
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- i. Lender shall certify in writing to City that it has reviewed this Agreement and accepts the provisions of this Agreement, including but not limited to the provisions of this Section 8.5, and that no loan requirements conflict with or materially 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.
- 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 and Lessee agree that any event of a default under the loan agreement or Leasehold Mortgage shall be a default of this Agreement.
- viii. 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.
- ix. 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”), Lender will have no more than 180 days to obtain a replacement tenant that is acceptable to the City, in City’s sole discretion. In the event that more than 180 days elapses after the beginning of Lender Control, the Lender’s security, mortgage, and all other interests in the Improvements, this Agreement or anything else related to the Leased Premises terminates.

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- x. 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.
- xi. 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 upon the earlier of (1) such termination of the Leasehold Mortgage or other encumbrance, or (2) the date when the obligation that the Leasehold Mortgage or other encumbrance secures has been satisfied.
- xii. Lender agrees to hold City, its officers, elected and appointed officials, employees, and agents harmless for all claims arising after the date that Lessee was in default under its loan agreement(s) with the Lender.**
- xiii. Lessee agrees to release and hold City, its officers, elected and appointed officials, 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.**
- xiv. 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.

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 notices given under this Agreement to City shall be sent 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:

HC Aviation Property Holdings Inc.
 2320 Seaborn Road #200
 Ponder Texas 76259
 (469)-684-4465
Garrett@hcdbuild.com

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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 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 or the Improvements 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 or the Improvements 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 the Improvements 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

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Garrett Martin
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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.

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 and City’s officers, elected and appointed officials, employees, and agents 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, on or under the Leased Premises or the Improvements 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.

Signed by:
Ryan Adams
CITY
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Signed by:
Garrett Martin
LESSEE
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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 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 during the term of this Agreement, 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.

Signed by:

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Signed by:

LESSEE
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3. **Solicitations for Agreements, 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 subcontract, 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 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 LESSOR 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, LESSOR 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 Agreement, in whole or in part.
6. **Incorporation of Provisions:** Lessee will include the provisions of paragraphs one through six of this Exhibit B, Section (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 LESSOR 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 LESSOR to enter into any litigation to protect the interests of LESSOR. In addition, Lessee may request the United States to enter into the litigation to protect the interests of the United States.

B. Real Property Acquired or Improved Under the Airport Improvement Program. 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.

Signed by:

 Ryan Adams CITY
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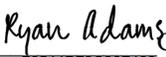
Signed by:

 Garrett Martin
 LESSEE
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C. Construction/Use/Access to Real Property Acquired Under the Activity, Facility or Program. 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 furnish its services in compliance with all other requirements imposed by or pursuant to the List of Nondiscrimination Acts And Authorities.

D. Title VI List of Pertinent Nondiscrimination Acts and Authorities. During the performance of this Agreement, Lessee, 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 U.S.C. § 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 U.S.C. § 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 U.S.C. § 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 U.S.C. § 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

Signed by:

 CITY
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Signed by:

 LESSEE
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certain testing entities (42 U.S.C. §§ 12131 – 12189) as implemented by Department of Transportation regulations at 49 CFR Parts 37 and 38;

- ix. The Federal Aviation Administration’s Non-discrimination statute (49 U.S.C. § 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 non-discrimination against minority populations by discouraging programs, 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); and
- 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 U.S.C. 1681 et seq).

E. General Civil Rights Provision. Lessee agrees 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 (including gender identity), age, or disability be excluded from participating in any activity conducted with or benefiting from Federal assistance. If Lessee transfers its obligation to another, the transferee is obligated in the same manner as Lessee. This provision obligates Lessee for the period during which the property is owned, used or possessed by Lessee and the airport remains obligated to the Federal Aviation Administration. This provision is in addition to that required by Title VI of the Civil Rights Act of 1964.

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

G. Subcontracts. Lessee agrees that it shall insert the above six provisions (Section (A) through Section (F)) in any agreement by which Lessee grants a right or privilege to any person, firm, or corporation to render accommodations and/or services to the public under this Agreement.

H. 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)

Signed by:

CITY
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Signed by:

LESSEE
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I. 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)

J. 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)

K. 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)

L. 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)

M. 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)

N. 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))

[SIGNATURE PAGES FOLLOW]

Signed by:

CITY
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Signed by:

LESSEE
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IN WITNESS WHEREOF, the Parties have set their hands and seals this _____ day of _____, 20__.

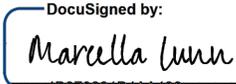
CITY OF DENTON, TEXAS, LESSOR

By: _____
Sara Hensley, City Manager

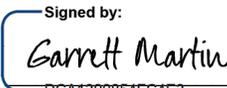
ATTEST:
Lauren Thoden, City Secretary

By: _____

APPROVED AS TO LEGAL FORM:
Mack Reinwand, City Attorney

By:  _____
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HC Aviation Property Holdings Inc., Lessee

By:  _____
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Garrett Martin, Director

AIRPORT LEASE AGREEMENT

between

CITY OF DENTON

and

HC Aviation Property Holdings Inc

dated as of

_____, 2024

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AIRPORT LEASE AGREEMENT

THIS AIRPORT LEASE AGREEMENT (this “Agreement”) effective as of this _____ day of _____, 2024, by and between the CITY OF DENTON, TEXAS, a Texas home-rule municipal corporation (“City”), and HC Aviation Property Holdings Inc., a Texas Corporation (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 on **Exhibit A**, as Site Ten Parcel Two, attached hereto and made part hereof which consists of 8,797 square feet or 0.202 acres (such real property, together with all rights, privileges, easements, and appurtenances benefiting such real property and all Preexisting Improvements, as hereafter defined, are collectively referred to herein as the “Leased Premises”);

WHEREAS, the 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.

A. 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. All improvements existing in, on, or under the Leased Premises as of the Commencement Date, as hereafter defined, shall be referred to herein as “Preexisting Improvements”. All improvements constructed by or on

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Signed by:

LESSEE
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behalf of the City from and after the Commencement Date, as hereafter defined, shall be referred to herein as “City Improvements”. The “Leased Premises” shall be deemed to include the Preexisting Improvements and the City Improvements, as hereafter defined.

Section 1.2 Lease Term. The term of this Agreement (the “Lease Term”), shall be for a period of forty (40) years commencing on _____, 2024 (the “Commencement Date”), and unless sooner terminated pursuant to the provisions of this Agreement, shall terminate on _____, 2064.

Section 1.3 Extension of Lease Term. No further extensions shall be granted by the City. However; the foregoing shall not preclude the Parties from entering into a new lease to be effective after the expiration of the Lease Term.

Section 1.4 Holding Over; Rights at Expiration.

A. If Lessee retains all or any portion of the Leased Premises after the expiration or 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 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 or termination of the Lease Term, the Leased Premises will be delivered to City in as good a condition as when this Agreement began, reasonable wear and tear and matters covered by insurance excepted and the Improvements, as hereafter defined, will be delivered to City in as good a condition as when such Improvements were constructed, located, installed, placed or erected in, upon or under the Leased Premises, reasonable wear and tear and matters covered by insurance excepted.

C. Except as otherwise expressly 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 the 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 and the Improvements, as hereafter defined, 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.

Signed by:

CITY
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Signed by:

LESSEE
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ARTICLE II

RENTAL; SECURITY DEPOSIT

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 \$ 0.38 per net square foot, as determined and provided in Exhibit A, said sum being stipulated herein as Three Thousand Three Hundred and Forty-Two Dollars and Eighty-Six Cents (\$3,342.86) (sales tax included), payable in twelve equal monthly installments of Two Hundred and Seventy-Eight Dollars and Fifty-Seven Cents (\$278.57). 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 first 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 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 Insufficient Funds 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.

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 Finance Department of the City of Denton, 215 E. McKinney, Denton, Texas, 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 City and City’s officers, directors, elected

Signed by:
Ryan Adams
CITY
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Signed by:
Garrett Martin
LESSEE
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and appointed officials, employees, and agents harmless for any claims arising out of or related to any condition of the Leased Premises.

Section 3.2 Construction and Ownership of Improvements.

A. The Parties agree that this Agreement is entered into specifically with the understanding that Lessee will build, construct, complete, and furnish one building, generally described as: Parcel one, consisting of one 65' x 70' building, 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 to be located or constructed on the Leased Property by Lessee during the Lease Term in accordance with the Plans and Specifications 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 Parcel 1 and obtain a Certificate of Occupancy within 365 days (one year) of issuance of a building or grading permit. Lessee may request an extension of time with sufficient justification as to the necessity for such an extension. No such requested extension shall extend this requirement more than a total of 90 days. The Lessee must receive written

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 capital investment in the Improvements on the Leased Premises shall be a minimum of Six Hundred Seventy-Five Thousand (\$675,000.00), upon the completion of all parcels of Improvement construction. The Improvements, at the completion of all phases of construction, shall include:

- a. No less than 4,550 gross square feet of hangar size.
- b. Off-street vehicular parking with the capacity to meet or exceed local building regulations taking into consideration permitted use at peak demand.

D. The Lessee shall use the Leased property for the following aeronautical uses: Aircraft Storage. Any changes in aeronautical use must be approved in writing by the Airport Director or designee.

E. Lessee will own the Improvements during the Lease Term only. Effective upon the expiration or termination of this Agreement, the Improvements shall become the property of

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Garrett Martin LESSEE
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City, without the payment by City of any compensation or other consideration for any Improvements, and title to the Improvements shall merge with the title of, or be otherwise considered and deemed a part of, the real property of City, free and clear of any claim of Lessee and any persons or entities claiming under or through Lessee including, without limitation, the trustee, beneficiary or holder of any mortgage or deed of trust. Any other personal property of Lessee that can be removed by Lessee without material damage to the Leased Premises or to the Improvements may remain the personal property of Lessee and may be removed by Lessee at any time on or before the end of the Lease Term. Lessee shall, by removing any such personal property, repair all damage to the Leased Premises and Improvements caused by such removal. The City shall have the option to have the tenant remove any or all Improvements at the end of the term if the Improvements have not been maintained in accordance with the Lease or, based on the most recent Condition Assessment, have reached the end of their useful life.

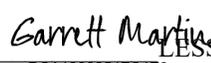
F. The tenant shall be responsible for conducting a condition assessment report on their facilities during the term of the lease (the "Condition Assessment"). This shall be conducted in 5-year increments beginning at the 10th anniversary of the lease agreement. The engineering/inspection shall be hired by the tenant at the tenant's expense but must be approved in writing by the City. The Condition Assessment shall examine the building's structural components, electrical, plumbing, heating and cooling systems, roof, etc. Additionally, any pavement (asphalt or concrete) within the leasehold area shall also be examined and reported on. The Condition Assessment shall be provided to the lessor within thirty (30) days of the Condition Assessment due date. The Lessee shall within ninety (90) days provide to the Lessor a plan to correct any deficiencies identified in the Condition Assessment within one (1) year, unless extended in writing by the Airport Director, or designee.

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 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 any driver training program or guidelines established by the Lessor. Lessee further agrees to ensure that Lessee's Associates shall comply with such program guidelines. 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 the City. The 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 agrees that it shall use the Leased Premises and the Improvements 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

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operations at the Leased Premises, the Improvements 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 and the Improvements, Lessee shall comply with the following:

A. Address. Lessee shall file with the Airport Director 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 Director and keep current a list of its sublessees and a list of all aircraft hangared 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, the Improvements, 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 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, the Improvements, or the Airport. Those permits and licenses include but are not limited to, (i) all contractors doing work on the Leased Premises, including work on or for the Improvements, must be licensed by the State of Texas, (ii) prior to commencing construction 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.

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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, the Improvements, 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. 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 a form acceptable to the 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. The 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 or the Improvements, 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. The 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.

Section 3.9 Compliance with 2252.909 of Texas Government Code.

A. In connection with Lessee’s construction, alteration, or repair of the Improvements or any other construction on the Leased Property, Lessee shall require their contractor to:

(a) execute a payment bond that conforms to Subchapter I, Chapter 53, Property Code; and

(b) execute a performance bond in an amount equal to the amount of the contract for the protection of the City and conditioned on the faithful performance of the contractor’s work in accordance with the plans, specifications, and contract documents.

B. Lessee shall provide the Lessor with a notice of commencement of construction no later than ninety (90) days prior to the commencement of construction, alteration, or repair of any improvement to the Leased Property (“Notice of Commencement”), which will materially conform with the requirements under Texas Local Government Code 2252.909.

C. Notice of Commencement must:

(a) identify the public property where the work will be performed;

(b) described the work to be performed;

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- (c) state the total cost of the work to be performed;
- (d) include copies of the performance and payment bonds required; and
- (e) include a written acknowledgment signed by the contractor stating that copies of the required performance payment bonds will be provided to all subcontractors not later than the fifth day after the date a subcontract is executed.

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 Appraisal at Conclusion of Construction. Lessee shall, at its own expense, conduct an appraisal of the property within ninety (90) days of the conclusion of the construction of Improvements described in Section 3.2. The appraisal shall confirm the investment of capital by the Lessee due to the construction of the Improvements at the level required by Section 3.2. The appraiser selected by the Lessee shall be approved in writing by the Airport Director, or designee.

Section 5.3 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

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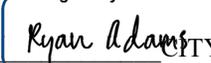
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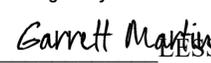
in a good and workmanlike manner. Lessee shall promptly remedy any condition that fails to meet this standard. Without limiting the foregoing obligations, Lessee shall not store on the Leased Premises any inoperable equipment, discarded or unsightly materials, or materials likely to create a hazard; shall not use areas outside of enclosed buildings for storage; and shall store trash in covered metal receptacles or any other receptacles approved in writing by the Airport Director, or designee. Any substance or material that is regulated by any Environmental Law (“Hazardous Materials”) shall be governed by Section 5.8. In addition, Lessee agrees to comply with all applicable provisions of City’s Texas Pollutant Discharge Elimination Multi-Sector General Permit.

Section 5.4 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 and the Improvements. Further, Lessee shall pay for telecommunications, television, internet, gas, light bulbs, electricity, water, sewer, and garbage and trash removal services provided to or used by Lessee and shall make such deposits as are required 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 the responsibility of the utility service, are the responsibility of Lessee. If utilities are billed to a common meter, the Lessee shall pay to City the pro-rated amount based on the square footage leased.

Section 5.5 Signs. Lessee shall not place, or cause to be placed, any sign or signs on the Leased Premises or the Improvements unless otherwise agreed to in writing by City. Lessee, at its sole expense, shall be responsible for the creation, installation, and maintenance of all such Signage. Lessee shall pay to the lessor any and all damages, injuries, or repairs resulting from the installation, maintenance or repair of any such signage. Any Signage placed on the Lease premises shall be maintained at all times in a safe, neat, sightly, and good physical condition. All signage shall be removed from the lease 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. 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 5.6 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

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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 5.7 Obstruction Lights. Lessee shall, at its expense, provide and maintain obstruction lights on any structure on the Leased Premises, including the Improvements, 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 5.8 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 applicable Environmental Laws. Lessee is responsible for any such violation as provided by 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, its officers, elected and appointed officials, employees, and agents harmless therefrom. Notwithstanding

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Ryan Adams CITY
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anything to the contrary, the obligations of this Section 5.8 shall survive any termination of this Agreement.

Section 5.9 Trash, Garbage, and Other Refuse. Lessee shall pick up and provide for a complete and proper arrangement for adequate sanitary handling and disposal, away from the Airport through the City or any other licensed refuse hauler. Lessee is responsible for contacting the Master Refuse Hauler and arranging for disposal and payment of such services. Lessee shall provide and use suitable covered metal receptacles, or any other receptacles approved by the Airport Director, or designee, 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.

ARTICLE VI

INDEMNIFICATION AND INSURANCE

Section 6.1 Insurance. Lessee agrees to purchase general liability covering the Lessee and Lessee’s Associates, and its operations on the Airport as described in Section 3 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 the Lessor, coverage for: products/completed operations; explosions, collapse, and underground property damage; and environmental impairment.

A. 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 Lease premises, either as a part of this Lease Agreement or erected by the Lessee subsequent to this Lease Agreement. Covered perils shall include, but not be limited to, Fire, Extended Coverage, and Vandalism & Malicious Mischief. Under no circumstances shall the Lessor be liable for any damages to fixtures, merchandise, or personal property of the Lessee or its sub-lessees. The City of Denton will be shown as a loss payee, as their interest may appear.

B. Additional Insurance requirements may be necessary as identified in the Airport Minimum Operating Standards for specific aeronautical uses.

C. 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 the 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.

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c. Required insurance naming the City as an additional insured much 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 the Lessee hereunder.

d. The Lessor shall be provided with a copy of all such policies and renewal certificates. Failure to 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 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 HOLD CITY AND CITY’S OFFICERS, ELECTED AND APPOINTED OFFICIALS, EMPLOYEES, AND AGENTS 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 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 TO THE LEASED PREMISES, THE IMPROVEMENTS, ITS APPARATUS, OR APPURTENANCES CAUSED BY LESSEE’S MISUSE OR NEGLIGENCE THEREOF.

D. LESSEE SHALL BE RESPONSIBLE AND LIABLE FOR THE CONDUCT OF LESSEE’S ASSOCIATES IN, ON 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

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(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.

Section 7.3 Remedies for Failure to Pay Rent. If any Rent required by this Agreement shall not be paid when due, City shall have the option to:

A. Terminate this Agreement, take possession of the Improvements, resume possession of the Leased Premises for its 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, take possession of the Improvements, resume possession of the Leased Premises, 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.

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Ryan Adams
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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 City reserves the right to require the transferee receiving any such rights from Lessee 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 expiration or termination of this Agreement, Lessee hereby assigns, transfers, and conveys to City, without warranty, the following:

- (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 8.5, 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 the prior written consent of City, Lessee shall not have the right to mortgage or collaterally assign its interest in this Agreement, the Leased Premises 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 the prior written consent of 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:

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- i. Lender shall certify in writing to City that it has reviewed this Agreement and accepts the provisions of this Agreement, including but not limited to the provisions of this Section 8.5, 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.
- 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 and Lessee agree that any event of a default under the loan agreement or Leasehold Mortgage shall be a default of this Agreement.
- viii. 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.
- ix. 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”), Lender will have no more than 180 days to obtain a replacement tenant that is acceptable to the City, in City’s sole discretion. In the event that more than 180 days elapses after the beginning of Lender Control, the Lender’s security, mortgage, and all other interests in the Improvements, this Agreement or anything else related to the Leased Premises terminates.

Signed by:

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Signed by:

LESSEE
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- x. 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.
- xi. 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 upon the earlier of (1) such termination of the Leasehold Mortgage or other encumbrance, or (2) the date when the obligation that the Leasehold Mortgage or other encumbrance secures has been satisfied.
- xii. Lender agrees to hold City, its officers, elected and appointed officials, employees, and agents harmless for all claims arising after the date that Lessee was in default under its loan agreement(s) with the Lender.**
- xiii. Lessee agrees to release and hold City, its officers, elected and appointed officials, 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.**
- xiv. 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.

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 notices given under this Agreement to City shall be sent 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:

HC Aviation Property Holdings Inc.
 2320 Seaborn Road #200
 Ponder Texas 76259
 (469)-684-4465
Garrett@hcdbuild.com

Signed by:

 CITY
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Signed by:

 LESSEE
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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 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 or the Improvements 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 or the Improvements 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 the Improvements 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

Signed by:
Ryan Adams
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Signed by:
Garrett Martin
LESSEE
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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.

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 and City’s officers, elected and appointed officials, employees, and agents 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, on or under the Leased Premises or the Improvements 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.

Signed by:

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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 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 during the term of this Agreement, 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.

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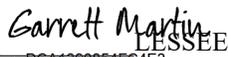
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3. **Solicitations for Agreements, Including Procurements of Materials and Equipment:** In all solicitations, either by competitive bidding, or negotiation made by Lessee for work to be performed under a subcontract, including procurements of materials, 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 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 LESSOR 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, LESSOR 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 Agreement, in whole or in part.
6. **Incorporation of Provisions:** Lessee will include the provisions of paragraphs one through six of this Exhibit B, Section (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 LESSOR 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 LESSOR to enter into any litigation to protect the interests of LESSOR. In addition, Lessee may request the United States to enter into the litigation to protect the interests of the United States.

B. Real Property Acquired or Improved Under the Airport Improvement Program. 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.

Signed by:

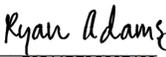
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C. Construction/Use/Access to Real Property Acquired Under the Activity, Facility or Program. Lessee for itself, its heirs, personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and 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 furnish its services in compliance with all other requirements imposed by or pursuant to the List of Nondiscrimination Acts And Authorities.

D. Title VI List of Pertinent Nondiscrimination Acts and Authorities. During the performance of this Agreement, Lessee, 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 U.S.C. § 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 U.S.C. § 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 U.S.C. § 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 U.S.C. § 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

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certain testing entities (42 U.S.C. §§ 12131 – 12189) as implemented by Department of Transportation regulations at 49 CFR Parts 37 and 38;

- ix. The Federal Aviation Administration’s Non-discrimination statute (49 U.S.C. § 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 non-discrimination against minority populations by discouraging programs, 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); and
- 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 U.S.C. 1681 et seq).

E. General Civil Rights Provision. Lessee agrees 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 (including gender identity), age, or disability be excluded from participating in any activity conducted with or benefiting from Federal assistance. If Lessee transfers its obligation to another, the transferee is obligated in the same manner as Lessee. This provision obligates Lessee for the period during which the property is owned, used or possessed by Lessee and the airport remains obligated to the Federal Aviation Administration. This provision is in addition to that required by Title VI of the Civil Rights Act of 1964.

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

G. Subcontracts. Lessee agrees that it shall insert the above six provisions (Section (A) through Section (F)) in any agreement by which Lessee grants a right or privilege to any person, firm, or corporation to render accommodations and/or services to the public under this Agreement.

H. 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)

Signed by:

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Signed by:

LESSEE
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I. 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)

J. 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)

K. 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)

L. 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)

M. 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)

N. 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))

[SIGNATURE PAGES FOLLOW]

Signed by:

CITY
76544D73C36F499...

Signed by:

LESSEE
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IN WITNESS WHEREOF, the Parties have set their hands and seals this _____ day of _____, 20__.

CITY OF DENTON, TEXAS, LESSOR

By: _____
Sara Hensley, City Manager

ATTEST:
Lauren Thoden, City Secretary

By: _____

APPROVED AS TO LEGAL FORM:
Mack Reinwand, City Attorney

By: DocuSigned by:
Marcella Lunn
4B070831B4AA438... _____

HC Aviation Property Holdings Inc., Lessee

By: Signed by:
Garrett Martin
DCA1390854FC4E3... _____
Garrett Martin, Director

AIRPORT LEASE AGREEMENT

between

CITY OF DENTON

and

HC Aviation Property Holdings Inc

dated as of

_____, 2024

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AIRPORT LEASE AGREEMENT

THIS AIRPORT LEASE AGREEMENT (this “Agreement”) effective as of this _____ day of _____, 2024, by and between the CITY OF DENTON, TEXAS, a Texas home-rule municipal corporation (“City”), and HC Aviation Property Holdings Inc., a Texas Corporation (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 on **Exhibit A**, as Site Ten Parcel Three, attached hereto and made part hereof which consists of 8,843 square feet or 0.203 acres (such real property, together with all rights, privileges, easements, and appurtenances benefiting such real property and all Preexisting Improvements, as hereafter defined, are collectively referred to herein as the “Leased Premises”);

WHEREAS, the 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.

A. 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. All improvements existing in, on, or under the Leased Premises as of the Commencement Date, as hereafter defined, shall be referred to herein as “Preexisting Improvements”. All improvements constructed by or on

Signed by:

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Signed by:

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behalf of the City from and after the Commencement Date, as hereafter defined, shall be referred to herein as “City Improvements”. The “Leased Premises” shall be deemed to include the Preexisting Improvements and the City Improvements, as hereafter defined.

Section 1.2 Lease Term. The term of this Agreement (the “Lease Term”), shall be for a period of forty (40) years commencing on _____, 2024 (the “Commencement Date”), and unless sooner terminated pursuant to the provisions of this Agreement, shall terminate on _____, 2064.

Section 1.3 Extension of Lease Term. No further extensions shall be granted by the City. However; the foregoing shall not preclude the Parties from entering into a new lease to be effective after the expiration of the Lease Term.

Section 1.4 Holding Over; Rights at Expiration.

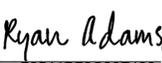
A. If Lessee retains all or any portion of the Leased Premises after the expiration or termination of the Lease Term by lapse of time or otherwise, such holding over shall constitute the creation of a tenancy at will with respect to such retained portion, terminable by City at any time upon thirty (30) 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 agreement for each month of holdover. All provisions of this Agreement shall remain in full force and effect during such holdover period.

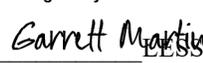
B. Lessee further agrees that upon the expiration or termination of the Lease Term, the Leased Premises will be delivered to City in as good a condition as when this Agreement began, reasonable wear and tear and matters covered by insurance excepted and the Improvements, as hereafter defined, will be delivered to City in as good a condition as when such Improvements were constructed, located, installed, placed or erected in, upon or under the Leased Premises, reasonable wear and tear and matters covered by insurance excepted.

C. Except as otherwise expressly 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 the 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 and the Improvements, as hereafter defined, 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.

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ARTICLE II

RENTAL; SECURITY DEPOSIT

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 \$ 0.38 per net square foot, as determined and provided in Exhibit A, said sum being stipulated herein as Three Thousand Three Hundred and Sixty Dollars and Thirty-Four Cents (\$3,360.34) (sales tax included), payable in twelve equal monthly installments of Two Hundred and Eighty Dollars and Three Cents (\$280.03). 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 first 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 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 Insufficient Funds 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.

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 Finance Department of the City of Denton, 215 E. McKinney, Denton, Texas, 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 City and City's officers, directors, elected

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and appointed officials, employees, and agents harmless for any claims arising out of or related to any condition of the Leased Premises.

Section 3.2 Construction and Ownership of Improvements.

A. The Parties agree that this Agreement is entered into specifically with the understanding that Lessee will build, construct, complete, and furnish one building, generally described as: Parcel one, consisting of one 65' x 70' building, 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 to be located or constructed on the Leased Property by Lessee during the Lease Term in accordance with the Plans and Specifications 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 Parcel 1 and obtain a Certificate of Occupancy within 365 days (one year) of issuance of a building or grading permit. Lessee may request an extension of time with sufficient justification as to the necessity for such an extension. No such requested extension shall extend this requirement more than a total of 90 days. The Lessee must receive written

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 capital investment in the Improvements on the Leased Premises shall be a minimum of Six Hundred Seventy-Five Thousand (\$675,000.00), upon the completion of all parcels of Improvement construction. The Improvements, at the completion of all phases of construction, shall include:

- a. No less than 4,550 gross square feet of hangar size.
- b. Off-street vehicular parking with the capacity to meet or exceed local building regulations taking into consideration permitted use at peak demand.

D. The Lessee shall use the Leased property for the following aeronautical uses: Aircraft Storage. Any changes in aeronautical use must be approved in writing by the Airport Director or designee.

E. Lessee will own the Improvements during the Lease Term only. Effective upon the expiration or termination of this Agreement, the Improvements shall become the property of

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City, without the payment by City of any compensation or other consideration for any Improvements, and title to the Improvements shall merge with the title of, or be otherwise considered and deemed a part of, the real property of City, free and clear of any claim of Lessee and any persons or entities claiming under or through Lessee including, without limitation, the trustee, beneficiary or holder of any mortgage or deed of trust. Any other personal property of Lessee that can be removed by Lessee without material damage to the Leased Premises or to the Improvements may remain the personal property of Lessee and may be removed by Lessee at any time on or before the end of the Lease Term. Lessee shall, by removing any such personal property, repair all damage to the Leased Premises and Improvements caused by such removal. The City shall have the option to have the tenant remove any or all Improvements at the end of the term if the Improvements have not been maintained in accordance with the Lease or, based on the most recent Condition Assessment, have reached the end of their useful life.

F. The tenant shall be responsible for conducting a condition assessment report on their facilities during the term of the lease (the "Condition Assessment"). This shall be conducted in 5-year increments beginning at the 10th anniversary of the lease agreement. The engineering/inspection shall be hired by the tenant at the tenant's expense but must be approved in writing by the City. The Condition Assessment shall examine the building's structural components, electrical, plumbing, heating and cooling systems, roof, etc. Additionally, any pavement (asphalt or concrete) within the leasehold area shall also be examined and reported on. The Condition Assessment shall be provided to the lessor within thirty (30) days of the Condition Assessment due date. The Lessee shall within ninety (90) days provide to the Lessor a plan to correct any deficiencies identified in the Condition Assessment within one (1) year, unless extended in writing by the Airport Director, or designee.

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 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 any driver training program or guidelines established by the Lessor. Lessee further agrees to ensure that Lessee's Associates shall comply with such program guidelines. 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 the City. The 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 agrees that it shall use the Leased Premises and the Improvements 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

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operations at the Leased Premises, the Improvements 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 and the Improvements, Lessee shall comply with the following:

A. Address. Lessee shall file with the Airport Director 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 Director and keep current a list of its sublessees and a list of all aircraft hangared 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, the Improvements, 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 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, the Improvements, or the Airport. Those permits and licenses include but are not limited to, (i) all contractors doing work on the Leased Premises, including work on or for the Improvements, must be licensed by the State of Texas, (ii) prior to commencing construction 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.

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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, the Improvements, 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. 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 a form acceptable to the 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. The 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 or the Improvements, 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. The 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.

Section 3.9 Compliance with 2252.909 of Texas Government Code.

A. In connection with Lessee’s construction, alteration, or repair of the Improvements or any other construction on the Leased Property, Lessee shall require their contractor to:

(a) execute a payment bond that conforms to Subchapter I, Chapter 53, Property Code; and

(b) execute a performance bond in an amount equal to the amount of the contract for the protection of the City and conditioned on the faithful performance of the contractor’s work in accordance with the plans, specifications, and contract documents.

B. Lessee shall provide the Lessor with a notice of commencement of construction no later than ninety (90) days prior to the commencement of construction, alteration, or repair of any improvement to the Leased Property (“Notice of Commencement”), which will materially conform with the requirements under Texas Local Government Code 2252.909.

C. Notice of Commencement must:

(a) identify the public property where the work will be performed;

(b) described the work to be performed;

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- (c) state the total cost of the work to be performed;
- (d) include copies of the performance and payment bonds required; and
- (e) include a written acknowledgment signed by the contractor stating that copies of the required performance payment bonds will be provided to all subcontractors not later than the fifth day after the date a subcontract is executed.

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 Appraisal at Conclusion of Construction. Lessee shall, at its own expense, conduct an appraisal of the property within ninety (90) days of the conclusion of the construction of Improvements described in Section 3.2 The appraisal shall confirm the investment of capital by the Lessee due to the construction of the Improvements at the level required by Section 3.2. The appraiser selected by the Lessee shall be approved in writing by the Airport Director, or designee.

Section 5.3 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

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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 or any other receptacles approved in writing by the Airport Director, or designee. Any substance or material that is regulated by any Environmental Law (“Hazardous Materials”) shall be governed by Section 5.8. In addition, Lessee agrees to comply with all applicable provisions of City’s Texas Pollutant Discharge Elimination Multi-Sector General Permit.

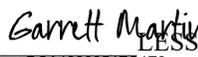
Section 5.4 Utilities. Lessor represents that there are water, sewer, and 3-phase electrical lines accessible within the general vicinity of the Leased Premises. Lessee shall be responsible, at Lessee’s sole cost and expense, for obtaining all utility connections at or for the Leased Premises and the Improvements. Further, Lessee shall pay for telecommunications, television, internet, gas, light bulbs, electricity, water, sewer, and garbage and trash removal services provided to or used by Lessee and shall make such deposits as are required 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 the responsibility of the utility service, are the responsibility of Lessee. If utilities are billed to a common meter, the Lessee shall pay to City the pro-rated amount based on the square footage leased.

Section 5.5 Signs. Lessee shall not place, or cause to be placed, any sign or signs on the Leased Premises or the Improvements unless otherwise agreed to in writing by City. Lessee, at its sole expense, shall be responsible for the creation, installation, and maintenance of all such Signage. Lessee shall pay to the lessor any and all damages, injuries, or repairs resulting from the installation, maintenance or repair of any such signage. Any Signage placed on the Lease premises shall be maintained at all times in a safe, neat, sightly, and good physical condition. All signage shall be removed from the lease 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. 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 5.6 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

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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 5.7 Obstruction Lights. Lessee shall, at its expense, provide and maintain obstruction lights on any structure on the Leased Premises, including the Improvements, 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 5.8 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 applicable Environmental Laws. Lessee is responsible for any such violation as provided by 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, its officers, elected and appointed officials, employees, and agents harmless therefrom. Notwithstanding

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anything to the contrary, the obligations of this Section 5.8 shall survive any termination of this Agreement.

Section 5.9 Trash, Garbage, and Other Refuse. Lessee shall pick up and provide for a complete and proper arrangement for adequate sanitary handling and disposal, away from the Airport through the City or any other licensed refuse hauler. Lessee is responsible for contacting the Master Refuse Hauler and arranging for disposal and payment of such services. Lessee shall provide and use suitable covered metal receptacles, or any other receptacles approved by the Airport Director, or designee, 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.

ARTICLE VI

INDEMNIFICATION AND INSURANCE

Section 6.1 Insurance. Lessee agrees to purchase general liability covering the Lessee and Lessee’s Associates, and its operations on the Airport as described in Section 3 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 the Lessor, coverage for: products/completed operations; explosions, collapse, and underground property damage; and environmental impairment.

A. 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 Lease premises, either as a part of this Lease Agreement or erected by the Lessee subsequent to this Lease Agreement. Covered perils shall include, but not be limited to, Fire, Extended Coverage, and Vandalism & Malicious Mischief. Under no circumstances shall the Lessor be liable for any damages to fixtures, merchandise, or personal property of the Lessee or its sub-lessees. The City of Denton will be shown as a loss payee, as their interest may appear.

B. Additional Insurance requirements may be necessary as identified in the Airport Minimum Operating Standards for specific aeronautical uses.

C. 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 the 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.

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c. Required insurance naming the City as an additional insured much 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 the Lessee hereunder.

d. The Lessor shall be provided with a copy of all such policies and renewal certificates. Failure to 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 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 HOLD CITY AND CITY’S OFFICERS, ELECTED AND APPOINTED OFFICIALS, EMPLOYEES, AND AGENTS 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 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 TO THE LEASED PREMISES, THE IMPROVEMENTS, ITS APPARATUS, OR APPURTENANCES CAUSED BY LESSEE’S MISUSE OR NEGLIGENCE THEREOF.

D. LESSEE SHALL BE RESPONSIBLE AND LIABLE FOR THE CONDUCT OF LESSEE’S ASSOCIATES IN, ON AND AROUND THE LEASED PREMISES.

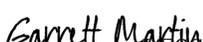
ARTICLE VII

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

Signed by:

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(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.

Section 7.3 Remedies for Failure to Pay Rent. If any Rent required by this Agreement shall not be paid when due, City shall have the option to:

A. Terminate this Agreement, take possession of the Improvements, resume possession of the Leased Premises for its 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, take possession of the Improvements, resume possession of the Leased Premises, 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.

Signed by:
Ryan Adams
CITY
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Signed by:
Garrett Martin
LESSEE
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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 City reserves the right to require the transferee receiving any such rights from Lessee 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 expiration or termination of this Agreement, Lessee hereby assigns, transfers, and conveys to City, without warranty, the following:

- (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 8.5, 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 the prior written consent of City, Lessee shall not have the right to mortgage or collaterally assign its interest in this Agreement, the Leased Premises 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 the prior written consent of 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:

Signed by:

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- i. Lender shall certify in writing to City that it has reviewed this Agreement and accepts the provisions of this Agreement, including but not limited to the provisions of this Section 8.5, 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.
- 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 and Lessee agree that any event of a default under the loan agreement or Leasehold Mortgage shall be a default of this Agreement.
- viii. 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.
- ix. 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"), Lender will have no more than 180 days to obtain a replacement tenant that is acceptable to the City, in City's sole discretion. In the event that more than 180 days elapses after the beginning of Lender Control, the Lender's security, mortgage, and all other interests in the Improvements, this Agreement or anything else related to the Leased Premises terminates.

Signed by:

CITY
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LESSEE
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- x. 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.
- xi. 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 upon the earlier of (1) such termination of the Leasehold Mortgage or other encumbrance, or (2) the date when the obligation that the Leasehold Mortgage or other encumbrance secures has been satisfied.
- xii. **Lender agrees to hold City, its officers, elected and appointed officials, employees, and agents harmless for all claims arising after the date that Lessee was in default under its loan agreement(s) with the Lender.**
- xiii. **Lessee agrees to release and hold City, its officers, elected and appointed officials, 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.**
- xiv. 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.

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 notices given under this Agreement to City shall be sent 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:

HC Aviation Property Holdings Inc.
 2320 Seaborn Road #200
 Ponder Texas 76259
 (469)-684-4465
Garrett@hcdbuild.com

Signed by:

 CITY
 76544D73C36F499...

Signed by:

 LESSEE
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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 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 or the Improvements 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 or the Improvements 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 the Improvements 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

Signed by:
Ryan Adams
CITY
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Signed by:
Garrett Martin
LESSEE
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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.

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 and City’s officers, elected and appointed officials, employees, and agents 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, on or under the Leased Premises or the Improvements 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.

Signed by:
Ryan Adams CITY
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Signed by:
Garrett Martin LESSEE
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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 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 during the term of this Agreement, 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.

Signed by:

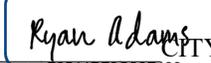
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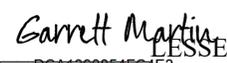
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3. **Solicitations for Agreements, Including Procurements of Materials and Equipment:** In all solicitations, either by competitive bidding, or negotiation made by Lessee for work to be performed under a subcontract, including procurements of materials, 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 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 LESSOR 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, LESSOR 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 Agreement, in whole or in part.
6. **Incorporation of Provisions:** Lessee will include the provisions of paragraphs one through six of this Exhibit B, Section (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 LESSOR 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 LESSOR to enter into any litigation to protect the interests of LESSOR. In addition, Lessee may request the United States to enter into the litigation to protect the interests of the United States.

B. Real Property Acquired or Improved Under the Airport Improvement Program. 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.

Signed by:

 Ryan Adams
 CITY
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Signed by:

 Garrett Martin
 LESSEE
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C. Construction/Use/Access to Real Property Acquired Under the Activity, Facility or Program. 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 furnish its services in compliance with all other requirements imposed by or pursuant to the List of Nondiscrimination Acts And Authorities.

D. Title VI List of Pertinent Nondiscrimination Acts and Authorities. During the performance of this Agreement, Lessee, 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 U.S.C. § 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 U.S.C. § 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 U.S.C. § 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 U.S.C. § 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

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certain testing entities (42 U.S.C. §§ 12131 – 12189) as implemented by Department of Transportation regulations at 49 CFR Parts 37 and 38;

- ix. The Federal Aviation Administration’s Non-discrimination statute (49 U.S.C. § 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 non-discrimination against minority populations by discouraging programs, 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); and
- 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 U.S.C. 1681 et seq).

E. General Civil Rights Provision. Lessee agrees 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 (including gender identity), age, or disability be excluded from participating in any activity conducted with or benefiting from Federal assistance. If Lessee transfers its obligation to another, the transferee is obligated in the same manner as Lessee. This provision obligates Lessee for the period during which the property is owned, used or possessed by Lessee and the airport remains obligated to the Federal Aviation Administration. This provision is in addition to that required by Title VI of the Civil Rights Act of 1964.

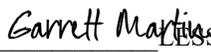
F. Right of Re-entry. In the event of breach of any of the above Nondiscrimination covenants, LESSOR will have the right to terminate the Agreement and to enter, re-enter, and repossess said lands and facilities thereon, and hold the same as if the Agreement had never been made or issued.

G. Subcontracts. Lessee agrees that it shall insert the above six provisions (Section (A) through Section (F)) in any agreement by which Lessee grants a right or privilege to any person, firm, or corporation to render accommodations and/or services to the public under this Agreement.

H. 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)

Signed by:

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Signed by:

LESSEE
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I. 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)

J. 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)

K. 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)

L. 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)

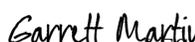
M. Lessee agrees to comply with the notification and review requirements covered in Part 77 of the Federal Aviation Regulations in the event any future structure or building is planned for the Leased Premises, or in the event of any planned modification or alteration of any present or future building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

N. 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))

[SIGNATURE PAGES FOLLOW]

Signed by:

CITY
76544D73C36F499...

Signed by:

LESSEE
DCA1390854FC4E3...

IN WITNESS WHEREOF, the Parties have set their hands and seals this _____ day of _____, 20__.

CITY OF DENTON, TEXAS, LESSOR

By: _____
Sara Hensley, City Manager

ATTEST:
Lauren Thoden, City Secretary

By: _____

APPROVED AS TO LEGAL FORM:
Mack Reinwand, City Attorney

By: DocuSigned by:
Marcella Lunn
4B070831B4AA438... _____

HC Aviation Property Holdings Inc., Lessee

By: Signed by:
Garrett Martin
DCA1390954FC4E3... _____
Garrett Martin, Director

AIRPORT LEASE AGREEMENT

between

CITY OF DENTON

and

HC Aviation Property Holdings Inc

dated as of

_____, 2024

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AIRPORT LEASE AGREEMENT

THIS AIRPORT LEASE AGREEMENT (this “Agreement”) effective as of this _____ day of _____, 2024, by and between the CITY OF DENTON, TEXAS, a Texas home-rule municipal corporation (“City”), and HC Aviation Property Holdings Inc., a Texas Corporation (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 on **Exhibit A**, as Site Ten Parcel Four, attached hereto and made part hereof which consists of 12,074 square feet or 0.277 acres (such real property, together with all rights, privileges, easements, and appurtenances benefiting such real property and all Preexisting Improvements, as hereafter defined, are collectively referred to herein as the “Leased Premises”);

WHEREAS, the 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.

A. 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. All improvements existing in, on, or under the Leased Premises as of the Commencement Date, as hereafter defined, shall be referred to herein as “Preexisting Improvements”. All improvements constructed by or on

Signed by:
Ryan Adams
CITY
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Signed by:
Garrett Martin
LESSEE
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behalf of the City from and after the Commencement Date, as hereafter defined, shall be referred to herein as “City Improvements”. The “Leased Premises” shall be deemed to include the Preexisting Improvements and the City Improvements, as hereafter defined.

Section 1.2 Lease Term. The term of this Agreement (the “Lease Term”), shall be for a period of forty (40) years commencing on _____, 2024 (the “Commencement Date”), and unless sooner terminated pursuant to the provisions of this Agreement, shall terminate on _____, 2064.

Section 1.3 Extension of Lease Term. No further extensions shall be granted by the City. However; the foregoing shall not preclude the Parties from entering into a new lease to be effective after the expiration of the Lease Term.

Section 1.4 Holding Over; Rights at Expiration.

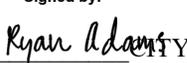
A. If Lessee retains all or any portion of the Leased Premises after the expiration or termination of the Lease Term by lapse of time or otherwise, such holding over shall constitute the creation of a tenancy at will with respect to such retained portion, terminable by City at any time upon thirty (30) 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 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 or termination of the Lease Term, the Leased Premises will be delivered to City in as good a condition as when this Agreement began, reasonable wear and tear and matters covered by insurance excepted and the Improvements, as hereafter defined, will be delivered to City in as good a condition as when such Improvements were constructed, located, installed, placed or erected in, upon or under the Leased Premises, reasonable wear and tear and matters covered by insurance excepted.

C. Except as otherwise expressly 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 the 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 and the Improvements, as hereafter defined, 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.

Signed by:

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Signed by:

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ARTICLE II

RENTAL; SECURITY DEPOSIT

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 \$ 0.38 per net square foot, as determined and provided in Exhibit A, said sum being stipulated herein as Four Thousand Five Hundred and Eighty-Eight Dollars and Twelve Cents (\$4,588.12) (sales tax included), payable in twelve equal monthly installments of Three Hundred and Eighty-Two Dollars and Thirty-Four Cents (\$382.34). 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 first 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 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 Insufficient Funds 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.

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 Finance Department of the City of Denton, 215 E. McKinney, Denton, Texas, 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 City and City's officers, directors, elected

Signed by: Ryan Adams CITY 76544D73C36F499...

Signed by: Garrett Martin LESSEE DCA1390854FC4E3...

and appointed officials, employees, and agents harmless for any claims arising out of or related to any condition of the Leased Premises.

Section 3.2 Construction and Ownership of Improvements.

A. The Parties agree that this Agreement is entered into specifically with the understanding that Lessee will build, construct, complete, and furnish one building, generally described as: Parcel one, consisting of one 65' x 70' building, 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 to be located or constructed on the Leased Property by Lessee during the Lease Term in accordance with the Plans and Specifications 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 Parcel 1 and obtain a Certificate of Occupancy within 365 days (one year) of issuance of a building or grading permit. Lessee may request an extension of time with sufficient justification as to the necessity for such an extension. No such requested extension shall extend this requirement more than a total of 90 days. The Lessee must receive written

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 capital investment in the Improvements on the Leased Premises shall be a minimum of Six Hundred Seventy-Five Thousand (\$675,000.00), upon the completion of all parcels of Improvement construction. The Improvements, at the completion of all phases of construction, shall include:

- a. No less than 4,550 gross square feet of hangar size.
- b. Off-street vehicular parking with the capacity to meet or exceed local building regulations taking into consideration permitted use at peak demand.

D. The Lessee shall use the Leased property for the following aeronautical uses: Aircraft Storage. Any changes in aeronautical use must be approved in writing by the Airport Director or designee.

E. Lessee will own the Improvements during the Lease Term only. Effective upon the expiration or termination of this Agreement, the Improvements shall become the property of

Signed by:

CITY
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Signed by:

LESSEE
DCA1390854FC4E3...

City, without the payment by City of any compensation or other consideration for any Improvements, and title to the Improvements shall merge with the title of, or be otherwise considered and deemed a part of, the real property of City, free and clear of any claim of Lessee and any persons or entities claiming under or through Lessee including, without limitation, the trustee, beneficiary or holder of any mortgage or deed of trust. Any other personal property of Lessee that can be removed by Lessee without material damage to the Leased Premises or to the Improvements may remain the personal property of Lessee and may be removed by Lessee at any time on or before the end of the Lease Term. Lessee shall, by removing any such personal property, repair all damage to the Leased Premises and Improvements caused by such removal. The City shall have the option to have the tenant remove any or all Improvements at the end of the term if the Improvements have not been maintained in accordance with the Lease or, based on the most recent Condition Assessment, have reached the end of their useful life.

F. The tenant shall be responsible for conducting a condition assessment report on their facilities during the term of the lease (the "Condition Assessment"). This shall be conducted in 5-year increments beginning at the 10th anniversary of the lease agreement. The engineering/inspection shall be hired by the tenant at the tenant's expense but must be approved in writing by the City. The Condition Assessment shall examine the building's structural components, electrical, plumbing, heating and cooling systems, roof, etc. Additionally, any pavement (asphalt or concrete) within the leasehold area shall also be examined and reported on. The Condition Assessment shall be provided to the lessor within thirty (30) days of the Condition Assessment due date. The Lessee shall within ninety (90) days provide to the Lessor a plan to correct any deficiencies identified in the Condition Assessment within one (1) year, unless extended in writing by the Airport Director, or designee.

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 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 any driver training program or guidelines established by the Lessor. Lessee further agrees to ensure that Lessee's Associates shall comply with such program guidelines. 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 the City. The 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 agrees that it shall use the Leased Premises and the Improvements 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

Signed by:

76544D73C36F499...
CITY

Signed by:

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LESSEE

operations at the Leased Premises, the Improvements 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 and the Improvements, Lessee shall comply with the following:

A. Address. Lessee shall file with the Airport Director 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 Director and keep current a list of its sublessees and a list of all aircraft hangared 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, the Improvements, 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 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, the Improvements, or the Airport. Those permits and licenses include but are not limited to, (i) all contractors doing work on the Leased Premises, including work on or for the Improvements, must be licensed by the State of Texas, (ii) prior to commencing construction 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.

Signed by:

 CITY
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 LESSEE
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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, the Improvements, 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. 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 a form acceptable to the 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. The 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 or the Improvements, 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. The 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.

Section 3.9 Compliance with 2252.909 of Texas Government Code.

A. In connection with Lessee’s construction, alteration, or repair of the Improvements or any other construction on the Leased Property, Lessee shall require their contractor to:

(a) execute a payment bond that conforms to Subchapter I, Chapter 53, Property Code; and

(b) execute a performance bond in an amount equal to the amount of the contract for the protection of the City and conditioned on the faithful performance of the contractor’s work in accordance with the plans, specifications, and contract documents.

B. Lessee shall provide the Lessor with a notice of commencement of construction no later than ninety (90) days prior to the commencement of construction, alteration, or repair of any improvement to the Leased Property (“Notice of Commencement”), which will materially conform with the requirements under Texas Local Government Code 2252.909.

C. Notice of Commencement must:

(a) identify the public property where the work will be performed;

(b) described the work to be performed;

Signed by:
Ryan Adams
CITY
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Signed by:
Garrett Martin
LESSEE
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- (c) state the total cost of the work to be performed;
- (d) include copies of the performance and payment bonds required; and
- (e) include a written acknowledgment signed by the contractor stating that copies of the required performance payment bonds will be provided to all subcontractors not later than the fifth day after the date a subcontract is executed.

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 Appraisal at Conclusion of Construction. Lessee shall, at its own expense, conduct an appraisal of the property within ninety (90) days of the conclusion of the construction of Improvements described in Section 3.2. The appraisal shall confirm the investment of capital by the Lessee due to the construction of the Improvements at the level required by Section 3.2. The appraiser selected by the Lessee shall be approved in writing by the Airport Director, or designee.

Section 5.3 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

Signed by:
Ryan Adams CITY
76544D73C36F499...

Signed by:
Garrett Martin LESSEE
DCA1390854FC4E3...

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 or any other receptacles approved in writing by the Airport Director, or designee. Any substance or material that is regulated by any Environmental Law (“Hazardous Materials”) shall be governed by Section 5.8. In addition, Lessee agrees to comply with all applicable provisions of City’s Texas Pollutant Discharge Elimination Multi-Sector General Permit.

Section 5.4 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 and the Improvements. Further, Lessee shall pay for telecommunications, television, internet, gas, light bulbs, electricity, water, sewer, and garbage and trash removal services provided to or used by Lessee and shall make such deposits as are required 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 the responsibility of the utility service, are the responsibility of Lessee. If utilities are billed to a common meter, the Lessee shall pay to City the pro-rated amount based on the square footage leased.

Section 5.5 Signs. Lessee shall not place, or cause to be placed, any sign or signs on the Leased Premises or the Improvements unless otherwise agreed to in writing by City. Lessee, at its sole expense, shall be responsible for the creation, installation, and maintenance of all such Signage. Lessee shall pay to the lessor any and all damages, injuries, or repairs resulting from the installation, maintenance or repair of any such signage. Any Signage placed on the Lease premises shall be maintained at all times in a safe, neat, sightly, and good physical condition. All signage shall be removed from the lease 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. 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 5.6 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

Signed by:
Ryan Adams
CITY
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Signed by:
Garrett Martin
LESSEE
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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 5.7 Obstruction Lights. Lessee shall, at its expense, provide and maintain obstruction lights on any structure on the Leased Premises, including the Improvements, 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 5.8 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 applicable Environmental Laws. Lessee is responsible for any such violation as provided by 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, its officers, elected and appointed officials, employees, and agents harmless therefrom. Notwithstanding

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 Ryan Adams CITY
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 Garrett Martin LESSEE
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anything to the contrary, the obligations of this Section 5.8 shall survive any termination of this Agreement.

Section 5.9 Trash, Garbage, and Other Refuse. Lessee shall pick up and provide for a complete and proper arrangement for adequate sanitary handling and disposal, away from the Airport through the City or any other licensed refuse hauler. Lessee is responsible for contacting the Master Refuse Hauler and arranging for disposal and payment of such services. Lessee shall provide and use suitable covered metal receptacles, or any other receptacles approved by the Airport Director, or designee, 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.

ARTICLE VI

INDEMNIFICATION AND INSURANCE

Section 6.1 Insurance. Lessee agrees to purchase general liability covering the Lessee and Lessee’s Associates, and its operations on the Airport as described in Section 3 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 the Lessor, coverage for: products/completed operations; explosions, collapse, and underground property damage; and environmental impairment.

A. 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 Lease premises, either as a part of this Lease Agreement or erected by the Lessee subsequent to this Lease Agreement. Covered perils shall include, but not be limited to, Fire, Extended Coverage, and Vandalism & Malicious Mischief. Under no circumstances shall the Lessor be liable for any damages to fixtures, merchandise, or personal property of the Lessee or its sub-lessees. The City of Denton will be shown as a loss payee, as their interest may appear.

B. Additional Insurance requirements may be necessary as identified in the Airport Minimum Operating Standards for specific aeronautical uses.

C. 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 the 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.

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Ryan Adams CITY
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Garrett Martin LESSEE
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c. Required insurance naming the City as an additional insured much 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 the Lessee hereunder.

d. The Lessor shall be provided with a copy of all such policies and renewal certificates. Failure to 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 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 HOLD CITY AND CITY’S OFFICERS, ELECTED AND APPOINTED OFFICIALS, EMPLOYEES, AND AGENTS 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 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 TO THE LEASED PREMISES, THE IMPROVEMENTS, ITS APPARATUS, OR APPURTENANCES CAUSED BY LESSEE’S MISUSE OR NEGLIGENCE THEREOF.

D. LESSEE SHALL BE RESPONSIBLE AND LIABLE FOR THE CONDUCT OF LESSEE’S ASSOCIATES IN, ON 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

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(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.

Section 7.3 Remedies for Failure to Pay Rent. If any Rent required by this Agreement shall not be paid when due, City shall have the option to:

A. Terminate this Agreement, take possession of the Improvements, resume possession of the Leased Premises for its 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, take possession of the Improvements, resume possession of the Leased Premises, 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.

Signed by:
Ryan Adams CITY
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Signed by:
Garrett Martin LESSEE
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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 City reserves the right to require the transferee receiving any such rights from Lessee 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 expiration or termination of this Agreement, Lessee hereby assigns, transfers, and conveys to City, without warranty, the following:

- (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.

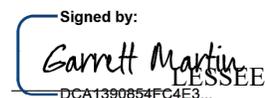
Section 8.3 Encumbrances. Lessee shall not encumber or permit the encumbrance of any real property at the Airport. Except for a Leasehold Mortgage as defined in Section 8.5, Lessee shall not encumber or permit the encumbrance of any of Lessee’s rights under this Agreement without City’s prior written 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 the prior written consent of City, Lessee shall not have the right to mortgage or collaterally assign its interest in this Agreement, the Leased Premises 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 the prior written consent of 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:

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- i. Lender shall certify in writing to City that it has reviewed this Agreement and accepts the provisions of this Agreement, including but not limited to the provisions of this Section 8.5, 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.
- 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 and Lessee agree that any event of a default under the loan agreement or Leasehold Mortgage shall be a default of this Agreement.
- viii. 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.
- ix. 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”), Lender will have no more than 180 days to obtain a replacement tenant that is acceptable to the City, in City’s sole discretion. In the event that more than 180 days elapses after the beginning of Lender Control, the Lender’s security, mortgage, and all other interests in the Improvements, this Agreement or anything else related to the Leased Premises terminates.

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- x. 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.
- xi. 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 upon the earlier of (1) such termination of the Leasehold Mortgage or other encumbrance, or (2) the date when the obligation that the Leasehold Mortgage or other encumbrance secures has been satisfied.
- xii. Lender agrees to hold City, its officers, elected and appointed officials, employees, and agents harmless for all claims arising after the date that Lessee was in default under its loan agreement(s) with the Lender.**
- xiii. Lessee agrees to release and hold City, its officers, elected and appointed officials, 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.**
- xiv. 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.

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.

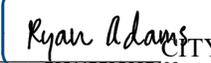
ARTICLE IX

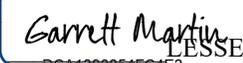
MISCELLANEOUS PROVISIONS

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 notices given under this Agreement to City shall be sent 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:

HC Aviation Property Holdings Inc.
 2320 Seaborn Road #200
 Ponder Texas 76259
 (469)-684-4465
Garrett@hcdbuild.com

Signed by:

 Ryan Adams
 CITY
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Signed by:

 Garrett Martin
 LESSEE
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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 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 or the Improvements by order of Lessee or otherwise accruing under this Agreement shall be considered as Rent due.

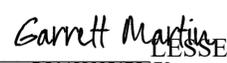
Section 9.6 Subordination to Grant Assurances. This Agreement shall be subordinate to the Grant Assurances. In the event that this Agreement, either on its own terms or by any other reason, conflicts with or violates any such Grant Assurances, City has the right to amend, alter or otherwise modify the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

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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.

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.

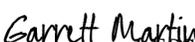
E. Words importing the singular shall include the plural and vice versa. Words of the masculine gender shall be deemed to include correlative words of the feminine and neuter genders.

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 and City’s officers, elected and appointed officials, employees, and agents 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, on or under the Leased Premises or the Improvements 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.

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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 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.

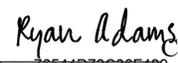
Section 9.15 Relationship of Parties. This Agreement does not create any partnership, joint venture, employment, or agency relationship between the Parties. Nothing in this Agreement shall confer upon any other person or entity any right, benefit, or remedy of any nature.

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 during the term of this Agreement, 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.

Signed by:

CITY
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Signed by:

LESSEE
DCA1390854FC4E3...

3. **Solicitations for Agreements, 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 subcontract, 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 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 LESSOR 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, LESSOR 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 Agreement, in whole or in part.
6. **Incorporation of Provisions:** Lessee will include the provisions of paragraphs one through six of this Exhibit B, Section (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 LESSOR 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 LESSOR to enter into any litigation to protect the interests of LESSOR. In addition, Lessee may request the United States to enter into the litigation to protect the interests of the United States.

B. Real Property Acquired or Improved Under the Airport Improvement Program. 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.

Signed by:

 CITY
 76544D73C36F499...

Signed by:

 LESSEE
 DCA1390854FC4E3...

C. Construction/Use/Access to Real Property Acquired Under the Activity, Facility or Program. 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 furnish its services in compliance with all other requirements imposed by or pursuant to the List of Nondiscrimination Acts And Authorities.

D. Title VI List of Pertinent Nondiscrimination Acts and Authorities. During the performance of this Agreement, Lessee, 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 U.S.C. § 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 U.S.C. § 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 U.S.C. § 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 U.S.C. § 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

Signed by:

 CITY
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Signed by:

 LESSEE
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certain testing entities (42 U.S.C. §§ 12131 – 12189) as implemented by Department of Transportation regulations at 49 CFR Parts 37 and 38;

- ix. The Federal Aviation Administration’s Non-discrimination statute (49 U.S.C. § 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 non-discrimination against minority populations by discouraging programs, 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); and
- 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 U.S.C. 1681 et seq).

E. General Civil Rights Provision. Lessee agrees 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 (including gender identity), age, or disability be excluded from participating in any activity conducted with or benefiting from Federal assistance. If Lessee transfers its obligation to another, the transferee is obligated in the same manner as Lessee. This provision obligates Lessee for the period during which the property is owned, used or possessed by Lessee and the airport remains obligated to the Federal Aviation Administration. This provision is in addition to that required by Title VI of the Civil Rights Act of 1964.

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

G. Subcontracts. Lessee agrees that it shall insert the above six provisions (Section (A) through Section (F)) in any agreement by which Lessee grants a right or privilege to any person, firm, or corporation to render accommodations and/or services to the public under this Agreement.

H. 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)

Signed by:
Ryan Adams CITY
76544D73C36F499...

Signed by:
Garrett Martin LESSEE
DCA1390854FC4E3...

I. 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)

J. 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)

K. 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)

L. 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)

M. 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)

N. 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))

[SIGNATURE PAGES FOLLOW]

Signed by:
Ryan Adams
CITY
76544D73C36F499...

Signed by:
Garrett Martin
LESSEE
DCA1390854FC4E3...

IN WITNESS WHEREOF, the Parties have set their hands and seals this _____ day of _____, 20__.

CITY OF DENTON, TEXAS, LESSOR

By: _____
Sara Hensley, City Manager

ATTEST:
Lauren Thoden, City Secretary

By: _____

APPROVED AS TO LEGAL FORM:
Mack Reinwand, City Attorney

By: ^{DocuSigned by:} Marcella Lunn
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HC Aviation Property Holdings Inc., Lessee

By: ^{Signed by:} Garrett Martin
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Garrett Martin, Director



City of Denton

City Hall
215 E. McKinney St.
Denton, Texas 76201
www.cityofdenton.com

Legislation Text

File #: AAB24-044, Version: 1

AGENDA CAPTION

Receive a report, hold a discussion, and provide recommendation to City Council regarding the approval of Assignment Airport Lease from First Financial Resources, Inc. to DSR-Cherokee 180, LLC covering property at 910 Aeronca Lane, Denton, Texas at the Denton Enterprise Airport; authorizing the City Manager to execute the Assignment of Airport Lease; and providing an effective date.



City of Denton

City Hall
215 E. McKinney Street
Denton, Texas
www.cityofdenton.com

AGENDA INFORMATION SHEET

DEPARTMENT: Airport
ACM: Frank Dixon
DATE: November 13, 2024

SUBJECT

Receive a report, hold a discussion, and provide recommendation to City Council regarding the approval of Assignment Airport Lease from First Financial Resources, Inc. to DSR-Cherokee 180, LLC covering property at 910 Aeronca Lane, Denton, Texas at the Denton Enterprise Airport; authorizing the City Manager to execute the Assignment of Airport Lease; and providing an effective date.

BACKGROUND

The lease agreement is a 20-year agreement, dated January 12, 2012, effective January 12, 2012, to January 12, 2032. The lease will revert at the end of term. The .508-acre parcel includes one, 8,000 square foot building.

DSR-Cherokee 180, LLC is a current tenant of the City and is interested in acquiring the hangar to expand their Flight Training and Rental services. The proposed assignment does not include renegotiated terms or conditions.

RECOMMENDATION

Airport Staff recommends approval of the Consent to Lease Assignment (**Exhibit 4**)

PRIOR ACTION/REVIEW (Council, Boards, Commissions)

Council approved the lease agreement on January 12, 2012, Ordinance 2012-012.
Council approved a first amendment on January 4, 2022, Ordinance 21-2740.

FISCAL INFORMATION

This property lease is for .508 acre of land for a current annual lease rate of \$17,289.61. The annual lease rate is subject to a Consumer Price Index (CPI) increase, every two years, with the next adjustment to occur on January 13, 2026.

A transfer fee of \$1000 have been received from Assignee.

EXHIBITS

1. Agenda Information Sheet
2. Location Map
3. Consent to Lease Assignment

Respectfully submitted:
Leanne Alexander, A.C.E.
Airport Analyst

Location Map

910 Aeronca Lane

Assignor: First Financial Resources, Inc.
Assignee: DSR-Cherokee 180, LLC

Legend

 DSR-Cherokee 180, LLC

Google Earth

300 ft



137

**ASSIGNMENT OF AIRPORT LEASE
DENTON ENTERPRISE AIRPORT**

DATE: _____, 2024

ASSIGNOR: First Financial Resources, Inc.

ASSIGNEE: DSR-Cherokee 180, LLC

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

LEASE: January 12, 2012, Lease Agreement, Ordinance 2012-012
January 4, 2022, Lease Amendment, Ordinance 21-2740

PREMISES: 0.508-acre parcel, along with certain leasehold improvements, located at 910 Aeronca Lane, Denton, TX, Denton Enterprise Airport, all as described in the Lease

Assignor assigns to Assignee its interest in the Lease.

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 of Airport Lease becoming effective.

B. Landlord consents to this Assignment of Airport Lease:

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 DSR-Cherokee 180, LLC.
2. On or before the date of this Assignment of Airport Lease, Assignor will pay or will cause the Assignee to pay to Landlord a \$1,000 transfer fee.

[Signatures on following pages]

Assignor:
First Financial Resources, Inc.
a Delaware Subchapter "S" Corporation

Signed by:
Byron L. Hart

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Byron L. Hart, President

Assignee:
DSR-Cherokee 180, LLC

DocuSigned by:
Sherman Gardner

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Sherman Gardner, Managing Partner

Consent:
Landlord:
City of Denton

Sara Hensley, City Manager

Approved as to Legal Form

DocuSigned by:
Marcella Lunn

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Mack Reinwand, City Attorney

ATTEST:

Lauren Thoden, City Secretary



City of Denton

City Hall
215 E. McKinney St.
Denton, Texas 76201
www.cityofdenton.com

Legislation Text

File #: AAB24-045, **Version:** 1

AGENDA CAPTION

Receive a report and hold a discussion regarding airport rates and fees.



AGENDA INFORMATION SHEET

DEPARTMENT: Denton Enterprise Airport

ACM: Frank Dixon

DATE: November 13, 2024

SUBJECT

Receive a report and hold a discussion regarding airport rates and fees.

BACKGROUND

This update aims to provide a transparent look at the airport's financial health, the outcomes of the General Aviation Fee Study, and the proposed adjustments that could help the airport remain competitive while ensuring long-term financial sustainability.

The airport has experienced notable growth over the past 20 years, marked by an increase in General Aviation (GA) activities and a corresponding expansion in infrastructure. Key growth areas include the addition of hangars and leased spaces, as well as improvements to taxiways, taxiways, and runways to accommodate increasing air traffic and ensure safety.

Airport Financial Condition

Economic factors such as inflation and other budgetary considerations will be presented as well as an overview of Airport revenue and financial trends. A summary of the Airport's current and projected financial health will also be provided.

General Aviation Fee Study Overview

The General Aviation Fee Study, conducted by Aviation Management Consulting Group (AMCG), will be discussed in detail. This includes information on the purpose of the study, its scope of work, and its timeline. A comprehensive comparison with other competitive airports, both regionally and nationally, will be included to assess the airport's fee structure relative to industry standards.

Key Findings and Alternatives

The study's significant findings will be outlined, including the consultant's rate alternatives. A breakdown of each revenue stream will be provided, highlighting the current versus recommended rates based on the study's analysis.

A comparison of alternative rate options will be presented, examining potential adjustments in the areas such as:

- Fuel Flowage Fees
- Landing Fees
- Percentage of Gross Receipts Fees
- Aeronautical Permit Fees
- Airport Access Fees

A draft proforma will show the impact of the alternative fee adjustments.

Next Steps

Staff is not currently seeking a recommendation from the Airport Advisory Board, but desires initial feedback based on the presentation and study alternatives.

The process moving forward will involve two (2) public meetings to gather stakeholder feedback, followed by a review and recommendation from the Airport Advisory Board (AAB), scheduled for December. Afterward, the Airport Rates and Fees schedule will be presented to the City Council in a January Work Session. Final consideration of updated rates and fees is scheduled for January.

EXHIBITS

1. Agenda Information Sheet
2. General Aviation Fee Study
3. Presentation

Respectfully submitted:
Ryan Adams
Airport Director



Aviation Management
Consulting Group

General Aviation Fee Study

City of Denton

Denton Enterprise Airport



November 12, 2024

Ryan Adams
Director of Airport
5000 Airport Road
Denton, Texas 76207

RE: General Aviation Fee Study

Dear Ryan:

In accordance with your request and authorization, Aviation Management Consulting Group (AMCG) has prepared a summary report for the *General Aviation Fee Study* for the Denton Enterprise Airport for your review and consideration. It is AMCG's recommendation that the City of Denton establish general aviation fees utilizing a cost recovery-based approach or methodology, not a market-based approach.

Based on the type of general aviation fees selected by Airport management for implementation, AMCG has provided a recommendation for the fee amounts and developed a *General Aviation Fee Schedule*.

AMCG is pleased to have been called on to conduct this General Aviation Fee Study. Please contact me if you have any questions pertaining to this analysis or the recommendations provided.

Helping your aviation management excellence,

A handwritten signature in blue ink that reads "D.C. Benner".

David C. Benner, C.M.
Managing Principal
Aviation Management Consulting Group

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I. EXECUTIVE SUMMARY

Airport: Denton Enterprise Airport
5000 Airport Road
Denton, Texas 76207

Scope of Work: The City has engaged Aviation Management Consulting Group (AMCG) to prepare a *General Aviation Fee Study* for the Denton Enterprise Airport. Based on the type of general aviation fees selected by Airport management for implementation, AMCG has provided a recommendation for the fee amounts and developed a *General Aviation Fee Schedule*.

Date of Report: November 12, 2024

Methodology: AMCG recommends that the City establish general aviation fees utilizing a cost recovery-based approach or methodology, not solely a market-based approach.

Fee Recommendations: The following table identifies the recommended general aviation fees for the Airport.

Type of Fee	Fee
Fuel Flowage Fee (Commercial)	\$0.22 per gallon
Fuel Flowage Fee (Non-Commercial)	\$0.27 per gallon
Landing Fee	\$2.50 per 1,000 lbs. MGLW
Percentage of Gross Receipts	12% for existing agreements
Aeronautical Permit Fees	\$500 - \$1,500 per year
Airport Access Fee	\$25

II. INTRODUCTION

A. Scope of Work

The City of Denton (City) has engaged Aviation Management Consulting Group (AMCG) to prepare a *General Aviation Fee Study* for the Denton Enterprise Airport (Airport). Based on the type of general aviation fees selected by Airport management for implementation, AMCG has provided a recommendation for the fee amounts and developed a *General Aviation Fee Schedule* for the Airport.

To achieve this objective, AMCG identified current industry practices for establishing general aviation fees including identification of the types of fees that are generally charged and the measures that are generally utilized in the industry.

The results of this analysis, AMCG's recommendations for the structure of a general aviation fee program, and the methodology for determining the general aviation fees are outlined in this summary report.

B. Project Approach

To achieve the scope of work, AMCG completed the following work program:

- identified the elements of the existing general aviation fee program at the Airport,
- identified current industry practices,
- obtained and analyzed general aviation fees (and related information) from comparable airports and competitive airports identified, and
- provided recommendations to Airport management for the methodology and types of the general aviation fees.

Based on the structure of the general aviation fees selected by Airport management, AMCG has provided recommendations for the fee amounts.

C. General Aviation Fee Summary

Table 1 provides a brief overview of general aviation fees typically charged by airports, the current situation, industry practices, and recommendations for the City's consideration.

It is important to note that additional fees may be imposed by the City or commercial aeronautical operators at the Airport. However, this analysis is focused solely on general aviation fees charged by the City, as the airport sponsor, for the aeronautical use of the airport. Each of the fees below are addressed in detail in this report.

Table 1 - General Aviation Fee Summary

Type of General Aviation Fee	Current Situation	Industry Practices	Recommendation
Fuel Flowage Fee	Yes	Most common	Yes
Landing Fee	No	Moderately common	Yes
Aircraft Parking Fees	No	Moderately common	No
Percentage of Gross Receipts	Yes	Less common	Yes
Aeronautical Permit Fees	Yes	Moderately common	Yes
Based Aircraft Fee	No	Less common	No
Through-the-Fence Fee	No	Less common	No
Airport Access Fee	Yes	Moderately common	Yes

D. Current Situation

It is AMCG’s understanding that the City currently charges the following general aviation fees at the Airport.

1. Fuel Flowage Fee

The Airport charges a fuel flowage fee (i.e., aviation fuel delivery fee) for the Fixed Based Operator (FBO) of \$0.17 per gallon and \$0.29 per gallon for non-commercial self-fueling. The fuel flowage fee is charged based on the number of gallons delivered to the fuel storage facility.

2. Percentage of Gross Receipts Fee

Based on discussions with Airport management, AMCG understands the FBO lease agreement includes a 12% fee for the gross receipts related to hangar and tiedown used on the FBO’s leased premises by transient customers.

3. Aeronautical Permit Fee

The Airport charges an aeronautical permit fee (i.e., lease development application fee) of \$1,000 for any development application, regardless of the type of activity.

4. Airport Access Fee

The Airport charges an airport access fee (i.e., access card fee) of \$25.00 for a new or replacement card without a renewal fee.

III. INDUSTRY PRACTICES

Based on industry experience and supported by the information contained in AMCG's proprietary industry database (which is utilized to track, monitor, and analyze general aviation fee data and trends), AMCG has identified current industry practices for establishing general aviation fees. A summary of these findings which, in AMCG's opinion, are representative of current industry practices for establishing general aviation fees is outlined in this section.

A. Fuel Flowage Fees

Commonality – Fuel flowage fees are currently the most common general aviation fee implemented by airport sponsors.

Methodology – When a fuel flowage fee is charged by an airport sponsor, fueling entities (both commercial and non-commercial) are typically required to collect and/or pay a fuel flowage fee for each gallon of fuel sold or dispensed at the airport through a lease agreement. Fuel flowage fees are typically paid on a “cents per gallon” basis and range from \$0.05 per gallon to \$0.40 per gallon. Typically, airports served by air carriers exempt these entities from fuel flowage fees since air carriers pay landing fees under agreement with the airport sponsor. Also, government aircraft may be exempt from fuel flowage fees.

Collection – Fuel flowage fees are typically collected directly by the airport sponsor on a monthly or annual basis.

B. Landing Fees

Commonality – Historically, landing fees have not been charged by airport sponsors to general aviation aircraft operators. Due to advancements in technology, more airports are beginning to charge landing fees as an alternative to, or in addition to, fuel flowage fees.

Methodology – When charged, landing/departure fees are commonly based on aircraft weight and a “cents per 1,000 pounds” approach using historic airport costs and the gross landed weight for all aircraft using the airport. In the alternative, landing/departure fees can be charged in accordance with an established schedule (i.e., aircraft within designated weight ranges pay the same fee) and a minimum fee may be specified. In some cases, based aircraft and/or aircraft under a specified weight (e.g., 5,000 pounds max gross landed weight) are exempt from landing/departure fees.

Collection – Landing fees may be collected directly by the airport sponsor, or the airport sponsor may have an agreement with a commercial operator to collect and remit landing fees. The agreement may allow the commercial operator to retain a portion of the landing fees collected as compensation for services rendered by the commercial operator. The amount retained is often referred to as an administrative fee.

C. Aircraft Parking Fees

Commonality – Aircraft parking fees are typically charged for the use of airport sponsor owned ramp areas for transient aircraft parking. While fees may be charged for day use, most common fees are charged for overnight use.

Methodology – Typically, aircraft parking fees are charged in accordance with an established schedule (i.e., aircraft within designated weight and/or size ranges pay the same fee) and a minimum fee may be specified. In the alternative, aircraft parking fees may be charged on a “cents per 1,000 pounds” approach and a minimum fee may be specified.

Collection – Aircraft parking fees may be collected directly by the airport sponsor, or the airport sponsor may have an agreement with a commercial operator to collect and remit aircraft parking fees. The agreement may allow the commercial operator to retain a portion of the aircraft parking fee collected as compensation for services rendered by the commercial operator. The amount retained is often referred to as an administrative fee.

D. Percentage of Gross Receipts

Commonality – Over the years, a percentage of gross receipts fee has become less common. In those instances where a percentage of gross receipts is charged, fuel sales are typically exempt from inclusion, especially when fuel flowage fees are charged by the airport sponsor. In addition, other general aviation sales (e.g., aircraft sales, parts, and accessories) may also be exempt due to the product (as opposed to service) nature and the high dollar amounts typically involved. According to the Airport Development Acceleration Act (Anti-Head Tax Act) of 1973, a percentage of gross receipts cannot be charged for aircraft charter activities since such activities are subject to a ticket or segment tax.

Methodology – The amount of the fee and any exceptions or exemptions is typically stipulated in the lease agreement between the airport sponsor and the commercial operator.

Collection – Percentage of gross receipts fees are typically collected directly by the airport sponsor on a monthly or annual basis.

E. Aeronautical Permit Fees

Commonality – Historically, aeronautical permit fees have not been charged by airport sponsors. However, these types of fees are becoming more common. When charged, aeronautical permit fees are typically charged on a monthly or annual basis depending on the type of aeronautical activity being conducted.

Methodology – Aeronautical permit fees are typically based on a flat amount that must be paid to obtain a permit to operate a commercial business at the airport. The operating permit typically expires on an annual basis, thus requiring aeronautical permit fees to be paid annually for renewal.

Collection – Aeronautical permit fees are typically collected directly by the airport sponsor on a monthly or annual basis.

F. Based Aircraft Fee

Commonality – Historically, based aircraft fees have not been charged by airport sponsors to based aircraft. However, more airports are beginning to consider based aircraft fees to augment landing fees if based aircraft are exempt from the landing fee.

Methodology – When charged, based aircraft fees are commonly charged on a “cents per 1,000 pounds” approach (similar to landing fees). In the alternative, based aircraft fees can be charged in accordance with an established schedule (i.e., aircraft within designated weight and/or size ranges pay the same fee).

Collection – Based aircraft fees may be collected directly by the airport sponsor, or the airport sponsor may have an agreement with a commercial operator to collect and remit based aircraft fees. The agreement may allow the commercial operator to retain a portion of the based aircraft fees collected as compensation for services rendered by the commercial operator. The amount retained is often referred to as an administrative fee.

G. Through-the-Fence Fee

Commonality – Historically, there has been significant variability in the basis and implementation of through-the-fence fees charged by airport sponsors to aeronautical users directly accessing the Airport through adjacent properties. However, in conjunction with guidance from the FAA and Airport Cooperative Research Program (ACRP) Report 114 *Guidebook for Through-the-Fence Operations*, more airport sponsors are reconsidering the basis and implementation of a through-the-fence fee.

Methodology – When charged, through-the-fence fees can be a monthly, annual, or a payment per event, with the fee based on an appropriate rental rate if such property was located on the airport.

Collection – Through-the-fence fees are typically collected directly by the airport sponsor through a through-the-fence access agreement.

H. Airport Access Fees

Commonality – Historically, airport access fees have not been charged by airport sponsors to general aviation users. However, more airports are implementing security measures and beginning to charge airport access fees.

Methodology – Typically, airport access fees are charged in accordance with an established schedule on a monthly or annual basis. Depending on the approach and infrastructure, the airport access fee may be charged for individual access (for an airport badge, gate card, keys, or other instrument) or for vehicle access (vehicle permit or other instrument).

Collection – Airport access fees are typically collected directly by the airport sponsor upon issuance of the badge, gate card, keys, permit, and/or other instrument. Additionally, airport access fees are typically collected on an annual basis.

IV. SIGNIFICANT FINDINGS

Consistent with the project approach, general aviation fees at comparable and competitive airports were analyzed.

A. Comparable Airports

The first step in identifying comparable airports is developing an accurate profile of the Airport. The profile was developed based on data available from various sources, including the FAA. The Airport profile provided the basis for establishing the criteria and parameters for identifying comparable airports.

The selection of comparable airports was based on aeronautical activity and infrastructure criteria including the following:

- The Airport is utilized solely by the general aviation segment of the market. As such, airports with significant air carrier operations were not considered comparable.
- The Airport has 2 runways, one of which is 7,002 feet long. Airports with at least one runway that is 5,000 feet or longer were considered comparable.
- The Airport consists of 929 acres of land. Airports having total acreage between 600 and 1,350 acres were considered comparable.
- The Airport is classified as a Reliever airport in the FAA NPIAS. As such, only Reliever airports were considered comparable.
- The Airport is classified as a National airport in the FAA General Aviation Airport Asset Study. As such, only National airports were considered comparable.
- The Airport does have a control tower and precision approach. As such, airports with a control tower and a precision approach were considered comparable.
- For the 12-month period ending December 31, 2023 (as reported by the FAA Master Record 5010), general aviation itinerant operations at the Airport totaled 83,653. As such, the range for general aviation itinerant operations was established at 40,000 to 120,000.
- For the 12-month period ending December 31, 2023 (as reported by the FAA Master Record 5010), total operations at the Airport totaled 196,034. As such, the range for total operations was established at 90,000 to 300,000.
- The number of based aircraft at the Airport as of December 31, 2023 (as reported by the FAA Master Record 5010) was 420. As such, the range for based aircraft was established at 200 to 600.

While a total of 10 airports were considered comparable to the Airport, general aviation fees and related information from 9 airports¹ were obtained and analyzed, as shown in Table 2.

¹ Relevant and useable information was not available from Kissimmee Gateway Airport (ISM).

Table 2 – Comparable Airports Summary

Comparable Airports	Fuel Flowage Fees	Landing Fees	Aircraft Parking Fees	Percentage of Gross Receipts	Aeronautical Permit Fees	Based Aircraft Fees	Through-the-Fence	Airport Access Fees
Denton Enterprise Airport	Yes	No	No	Yes ²	Yes	No	No	Yes
Chino Airport	Yes	No	Yes	Yes	Yes	No	N/A	Yes
Dallas Executive Airport ³	Yes	No	No	No	No	No	No	No
Orlando Executive Airport	No	No	No	Yes	Yes	No	No	No
McKinney National Airport* ³	No	No	Yes	Yes	Yes	No	No	Yes
North Las Vegas Airport*	Yes	N/A	Yes	No	Yes	No	No	Yes
Hillsboro Airport	Yes	Yes	Yes	No	No	No	No	No
San Marcos Regional Airport	Yes	No	Yes	Yes	No	No	No	No
Spirit of St. Louis Airport	No	No	No	No	No	No	No	No
Tulsa Riverside Airport	Yes	No	N/A	N/A	Yes	No	N/A	N/A

N/A indicates relevant and usable information was not available

*Denotes sponsor operated FBO

Significant findings follow (excluding the Airport):

- Fuel flowage fees
 - 6 airports charge fuel flowage fees
 - The fuel flowage fees range from \$0.065 to \$0.10 per gallon (a mean of \$0.085 per gallon)
- Landing fees
 - 1 airport charges landing fees
 - The landing fee is \$3.68 per 1,000 pounds maximum gross landed weight (MGLW)
- Aircraft parking fees
 - 5 airports charge aircraft parking fees
 - 1 of the 5 airports charge daily aircraft parking fees ranging from \$5.00 to \$10.00 per day (a mean of \$7.50 per day) depending on type of aircraft
- Percentage of gross receipts fee
 - 4 airports charge percentage of gross receipts fees
 - The percentage of gross receipts fees range from 1.0% to 5.5%
- Aeronautical permit fees
 - 5 airports charge aeronautical permit fees

² Applies to FBO only

³ Identified as a competitive and comparable airport. Fees and related information will be included in the competitive and comparable airport data which is reflective of the relative proximity and aeronautical comparability.

- The aeronautical permit fees range from \$50.00 to \$750.00 (a mean of \$325.00)
- Based Aircraft Fee
 - No pertinent information obtained
- Through-the-Fence Fee
 - No pertinent information obtained
- Airport access fees
 - 3 airports charge airport access fees
 - The airport access fees ranging from \$25.00 to \$50.00 (a mean of \$38.00)

B. Competitive Airports

Typically, an airport is considered competitive if located in proximity to the Airport and serves a similar market. Each airport identified is then compared to the Airport based on (1) infrastructure and (2) available products, services, and facilities.

For the purposes of this study, airports within 45 nautical miles of the Airport were identified as being potentially competitive airports. While a total of 9 airports were considered competitive to the Airport, general aviation fees and related information from 9 competitive airports were obtained and analyzed, as shown in Table 3.

Table 3 – Competitive Airports Summary

Competitive Airports	Fuel Flowage Fees	Landing Fees	Aircraft Parking Fees	Percentage of Gross Receipts	Aeronautical Permit Fees	Based Aircraft Fees	Through-the-Fence	Airport Access Fees
Denton Enterprise Airport	Yes	No	No	Yes ⁴	Yes	No	No	Yes
Addison Airport	Yes	No	No	No	No	No	Yes	Yes
Arlington Municipal Airport*	Yes	No	Yes	N/A	No	No	No	No
Dallas Executive Airport	Yes	No	No	No	No	No	No	No
Fort Worth Meacham International Airport	Yes	No	Yes	No	No	No	No	Yes
Fort Worth Spinks Airport	Yes	N/A	Yes	No	No	No	No	Yes
Fort Worth Alliance Airport	Yes	No	Yes	No	No	No	Yes	Yes
McKinney National Airport*	No	No	Yes	Yes	Yes	No	No	Yes
Mesquite Metro Airport*	Yes	No	Yes	No	Yes	No	No	No
North Texas Regional Airport	Yes	N/A	Yes	No	No	No	No	No

N/A indicates relevant and usable information was not available
 *Denotes sponsor operated FBO

⁴ Applies to FBO only

Significant findings follow (excluding the Airport):

- Fuel flowage fees
 - 8 airports charge fuel flowage fees
 - The fuel flowage fees range from \$0.07 to \$0.35 per gallon (a mean of \$0.21 per gallon)
- Landing fees
 - No pertinent information obtained
- Aircraft parking fees
 - 7 airports charge aircraft parking fees
 - The aircraft parking fees range from \$40.00 to \$2,250 dependent upon aircraft weight
- Percentage of gross receipts fee
 - 1 airport charges a percentage of gross receipts fee. The amount is negotiated
- Aeronautical permit fee
 - 2 airports charge an aeronautical permit fee.
 - The aeronautical permit fees range from \$150 to \$250.00 (a mean of \$200.00)
- Based Aircraft Fee
 - No pertinent information obtained
- Through-the-Fence Fee
 - 2 airports charge through-the-fence fees
 - 1 airport charges a through-the-fence fees of \$0.094 per square foot per year for commercial aviation use, \$881.68 per year for recreational/incidental use and \$352.00 per year for non-aeronautical use
 - 1 airport charges a through-the-fence fee of \$650 per month for general aviation or small aircraft user
- Airport access fee
 - 5 airports charge airport access fees
 - The airport access fees range from \$20.00 to \$40.00 (a mean of \$26.50)

It is important to note that airports must consider numerous factors when considering which fees to enact. These factors include but are not limited to the financial ability of the users to pay such fees, the current political climate, the airport sponsor's approach to business operations, as well as the goals and vision of the airport. Each airport's unique circumstances also contribute to the amount and type of fee charged. For example, an airport that has a limited number of operations may not find it beneficial to charge landing fees.

V. RECOMMENDATIONS

A. Cost Center Approach

Regardless of the type of general aviation fees the City ultimately decides to implement, AMCG suggests (consistent with a best practices approach) that the costs being incurred by the City relating to the planning, development, operation (including maintenance and repair), management, and marketing of the Airport that are not being covered by federal or state Airport Improvement Programs (AIP) be identified and quantified to the greatest extent possible.

This would include, but would not necessarily be limited to, the capital and operating costs being incurred by the City (or portion thereof), as follows:

- Airport planning projects not funded through AIP,
- Airport development projects not funded through AIP,
- Airport vehicles and equipment not funded through AIP,
- Airport reserve accounts to provide funding for future planning and development projects and vehicles and equipment that would not be eligible for AIP funding, and
- all other operating costs (e.g., personnel, insurance, utilities, etc.).

Once this is accomplished, general aviation revenues (including rents) should be quantified, and all capital and operating costs should be deducted which results in the cost recovery gap. Consistent with a best practices approach, the City should implement a general aviation fee program designed to close the gap between general aviation related revenues and the associated capital and operating costs.

If the general aviation fees necessary to close the gap are unreasonable or not within the bounds of the market, AMCG recommends that an appropriate portion (or percentage) of the gap should be targeted (cost recovery target).

B. Fees Recommended

1. Fuel Flowage Fee

AMCG recommends the City continue to charge a fuel flowage fee (i.e., aviation fuel delivery fee) at the Airport and analyze existing agreements to ensure fuel flowage fee payments are correct.

Generally, airport sponsors, aviation businesses, and aircraft operators believe a fuel flowage fee is an acceptable way of recovering airport costs. In comparison to other fees, fuel flowage fees are relatively easy to administer as fuel flowage fees are typically collected and remitted (or paid directly) by the fueling entity (commercial and non-commercial) to the airport sponsor.

The most significant downfall with charging fuel flowage fees is that only those aircraft operators who purchase (or dispense) fuel at the airport pay the fuel flowage fee. Therefore, aircraft operators who use the airport, but do not purchase (or dispense) fuel, make no contribution to cover the airport costs through payment of fuel flowage fees.

Further, fuel flowage fees are typically paid on the honor system. In most cases, fueling entities report fuel volumes without audit or there is no requirement to verify or reconcile the amount of fuel sold (or dispensed) by a fueling entity with the amount of fuel delivered. If the City continues charging a fuel flowage fee at the Airport, AMCG suggests fueling entities continue to be required to pay this fee for all gallons delivered to the fuel storage facility (as reported by the fuel supplier) as opposed to basing the fee based on gallons sold (or dispensed).

AMCG recommends the City require fueling entities report all fuel purchased (by type), delivered to the fuel storage facility (by type), and sold (or dispensed) at the Airport (by type and category). This approach provides a mechanism for the City to reconcile the gallons delivered with the gallons dispensed at the Airport.

Additionally, in the case of a discrepancy between the amount of fuel delivered to the fuel storage facility and the amount of fuel sold (or dispensed) at the Airport, the greater amount shall prevail and the fueling entities shall promptly pay all additional fees due the City, plus annual interest on the unpaid balance at the maximum rate allowable by law from the date originally due.

2. Landing Fee

AMCG recommends the City implement a landing fee at the Airport. AMCG believes a landing fee provides the most equitable, cost-recovery, mechanism for the City and a general aviation fee program which includes a landing fee is consistent with a best practices approach. While a fuel flowage fee is only paid by those aircraft operators purchasing (or dispensing) fuel at the Airport, the landing fee is paid by all aircraft operators using the Airport.

AMCG suggests the landing fee be applicable to all aircraft operators (based and transient) using the Airport exceeding 5,000 pounds MGLW (excluding military aircraft). Additionally, AMCG suggests the landing fee apply to all aircraft operators based on a “cents per 1,000 pounds” of MGLW approach (with an established minimum fee) and paid on a per landing basis unless a different weight classification is agreed to in writing by the City.

The City could collect landing fees directly from aircraft operators utilizing systems available to record aircraft registration numbers which, in turn, can be used to generate and send an invoice directly to the aircraft operator.

3. Percentage of Gross Receipts Fees

AMCG recommends the City continue to charge a percentage of gross receipts fee in conjunction with the existing FBO lease agreement.

While this fee has become less common in the industry, the advantage of charging a percentage of gross receipts fee is this provides the City with the opportunity to participate in the success of the FBO (i.e., obtain a percentage of the revenue generated) without taking any additional risk. As revenues increase, the payment to the City increases (i.e., the City participates in the upside). However, the inverse is also true in that as revenue decreases, the payment to the City decreases. This fee can also be viewed as punitive to successful business and could result in similarly situated aeronautical operators paying significantly different fees.

However, the current operating environment of the Airport (i.e., one FBO) and the structure of the percentage of gross receipts fee (i.e., transient hangar and tiedown only) insulates the City and FBO from some of the downsides of the percentage of gross receipts fee.

The City should conduct an annual audit of the FBO lease agreement to ensure the percentage of gross receipts fee paid by the FBO is reflective of the transient hangar and tiedown fees collected by the FBO.

4. Aeronautical Permit Fee

AMCG recommends the City expand the lease development application fee by implementing an aeronautical permit fee. While the lease development application fee is applicable to any development proposal, the aeronautical permit fee is based on the type of aeronautical activity (commercial and non-commercial) being conducted at the Airport.

FBOs and Specialized Aviation Service Operators (SASOs) and operators providing temporary or special activities at the Airport would be charged a commercial aeronautical permit fee for engaging in commercial aeronautical activities at the Airport. A self-fueling entity would be charged a non-commercial aeronautical permit fee for engaging in self-fueling activities at the Airport.

5. Airport Access Fees

AMCG recommends the City modify the airport access fee at the Airport to an annual fee basis.

Individuals approved for access to the Airport will be charged an airport access fee. The access fee is charged based on the issuance of a gate card or key permitting access to the airfield.

C. Fees Not Recommended

1. Aircraft Parking Fees

With regard to recovering the costs associated with the aircraft parking areas at the Airport, AMCG believes that the City has two primary options, as follows:

- The City could lease the aircraft parking areas to commercial operators and/or non-commercial tenants and charge market rent (Option 1).
- The City could allow transient aircraft to use aircraft parking areas and charge a transient parking fee for such use (Option 2).

Based on a review of the current FBO lease agreement and historical lease practices, AMCG understands the City has implemented Option 1 for all available aircraft parking areas. As such, a separate aircraft parking fee is not necessary.

2. Based Aircraft Fee

AMCG does not recommend the City implement a based aircraft fee in conjunction with the landing fee. If implemented, the based aircraft fee, applicable to all based aircraft at the Airport, would be paid on an annual basis, rather than on a per landing basis. However, given the significant variability in utilization of based aircraft, AMCG believes a landing fee program applicable to based and transient aircraft is most appropriate.

3. Through-the-Fence Fee

AMCG understands through-the-fence activities are not occurring at the Airport. As such, a through-the-fence fee is not necessary. However, if the City does allow future through-the-fence access, AMCG recommends the through-the-fence access agreement and related fee are based on an appropriate rental basis for all adjacent off-Airport property with aeronautical-related access.

D. Adjustment of Fees

AMCG recommends the general aviation fees be reviewed annually based on the prior year's financial statements and next year's budget for the Airport. Any deficits should be carried forward and considered when updating the fees in the future and that any surplus be: (1) used for non-AIP funded Airport planning or development projects (including capital expenditures relating to non-AIP funded Airport improvements, vehicles, and equipment), (2) set aside in reserve accounts for future non-AIP funded planning or development projects, or (3) carried forward for consideration in establishing fees for the following period.

Also, and equally important, general aviation fees should not be imbedded in future lease agreements with commercial operators or non-commercial tenants. Conversely, general aviation fees should be established in a separate general aviation fee schedule. AMCG suggests a provision be included in all applicable lease agreements and lease amendments to the effect of: “To recover the costs being incurred by the City relating to the planning, development, operation (including maintenance and repair), management, and marketing of the Airport (that are not being covered by federal or state AIP funds), the lessee agrees to pay the general aviation fees set forth in the Airport’s General Aviation Fee Schedule.”

If it is necessary to include general aviation fees in a lease agreement, language should be included in the lease agreement stipulating that the City may, at the City’s discretion, adjust general aviation fees from time to time and the lessee agrees to pay such general aviation fees to help recover the costs incurred by the City relating to the planning, development, operation (including maintenance and repair), management, and marketing of the Airport (that are not being covered by federal or state AIP funds).

VI. GENERAL AVIATION FEES

A. Fees Selected

Airport management has selected the following fees for the Airport, which are subject to the City’s approval prior to being implemented at the Airport:

- Fuel Flowage Fee
- Landing Fee
- Percentage of Gross Receipts Fee
- Aeronautical Permit Fee
- Airport Access Fee

B. Financial Analysis

AMCG recast the financial statements for the Airport to determine the gap between the Airport revenues and costs being incurred by the City based on *Fiscal Year 2023*. The financial recast (Table 4 and Table 5) identifies (1) all revenues generated by the Airport, (2) all costs incurred by the City related to the planning, development, operation (including maintenance and repair), management, and marketing of the Airport that are not covered by federal or state AIP, and (3) capital expenses related to historical, current, and reserves for future development projects. Table 5 reflects an operating income of \$45,756. This is before a Capital Project reserve of \$250,000. This reserve is for future capital projects not eligible for AIP funding or the City’s AIP match. Including this reserve results in a \$204,244 deficit.

Table 4 – Financial Analysis Summary (Revenues)

Operating Revenues	Airport	
	% of Total	Amount
Aeronautical Rent		
Land Rent	51.26%	\$ 777,020
Ramp Rent	16.04%	\$ 243,145
Hangar Rent	10.39%	\$ 157,544
Percentage of Gross Receipts	-16.03%	\$ (243,034)
<i>Total Revenue</i>		\$ 934,675
<i>% of Total Revenue</i>		61.67%
Fees		
Fuel Flowage Fees	20.24%	\$ 306,706
Percentage of Gross Receipts	16.03%	\$ 243,034
<i>Total Fees Revenue</i>		\$ 549,740
<i>% of Total Revenue</i>		36.27%
Other Income		
Agricultural Leases	0.46%	\$ 6,993
Other Revenues	1.60%	\$ 24,300
<i>Total Other Income Revenue</i>		\$ 31,293
<i>% of Total Revenue</i>		2.06%
Summary		
TOTAL REVENUE		\$ 1,515,708
GROSS MARGIN		\$ 1,515,708

It is important to note the revenue generated by the existing general aviation fee program of \$549,740 are included in Table 4 and Table 5 but removed when determining the total cost recovery amount.

Table 5 – Financial Analysis Summary (Expenses)

Operating Expenses	Airport	
	% of Total	Amount
Operating Expenses		
Bad Debts	0.13%	\$ 1,899
Communications and Connectivity	0.18%	\$ 2,585
Dues/Subscriptions	0.25%	\$ 3,739
Employee Benefits	6.78%	\$ 99,693
Insurance	2.82%	\$ 41,513
License, Fees, and Business Taxes	0.02%	\$ 282
Maintenance	-0.33%	\$ (4,780)
Marketing and Public Relations	0.02%	\$ 323
Payroll	37.31%	\$ 548,487
Payroll Taxes	2.55%	\$ 37,542
Professional Services	3.01%	\$ 44,202
Supplies and Materials	0.55%	\$ 8,022
Training	0.21%	\$ 3,064
Travel, Meals, and Entertainment	0.10%	\$ 1,537
Utilities	3.84%	\$ 56,507
Vehicle/Equipment Operations	2.12%	\$ 31,129
Pension Expense	8.89%	\$ 130,637
Admin Transfers	30.99%	\$ 455,497
Bond Sales Expense	0.55%	\$ 8,074
OPERATING EXPENSES		\$ 1,469,952
OPERATING INCOME (EBITDA)		\$ 45,756
Capital Expenditure		
Capital Projects Funding/Reserves	100.00%	\$ (250,000)
Deficit		\$ (204,244)

C. Establishment of Fees

As indicated previously, regardless of the types of general aviation fees the City ultimately decides to charge, AMCG suggests (consistent with a best practices approach) that all costs relating to the planning, development, operation (including maintenance and repair), management, and marketing of the Airport (not covered by federal or state AIP) be identified and quantified to the greatest extent possible.

Once this is accomplished, revenues should be deducted from costs to determine the gap and the City should establish a general aviation fee program that closes the gap (if reasonable, 100% of the gap should be targeted by the City).

As identified in Table 5, the deficit is \$204,244. AMCG eliminated the existing general aviation fee revenue (\$549,740) to determine the annual full cost recovery total of \$753,984 for Fiscal Year 2024.

1. Fee Calculation Analysis

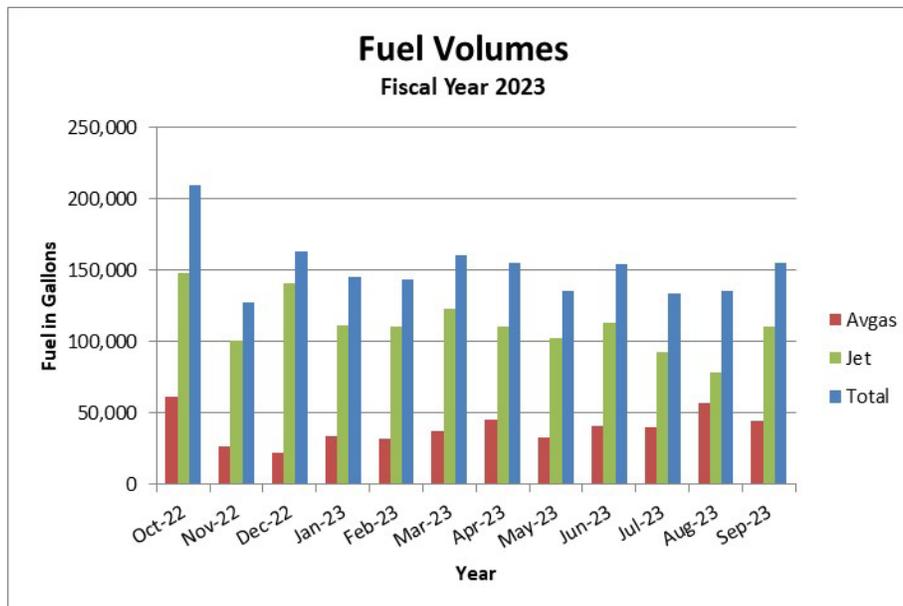
Based on the full cost recovery total, AMCG calculated the rate for each of the general aviation fees selected by Airport management. Table 6 outlines the fee calculations, the recommended fee structure, and the resulting rate calculated for each general aviation fee.

The following key underlying assumptions were utilized in development of the general aviation fees:

a. Key Underlying Assumptions

- General aviation fuel volumes based on Fiscal Year 2023 actual fuel volumes.

Figure 1 – General Aviation Fuel Volumes



- Percentage of Gross Receipts based on Fiscal Year 2023 revenue consistent with current lease agreements.
- Landing Fee based on analysis of Virtower aircraft operations from January 1, 2024 – June 30, 2024.

Figure 2 – Non-Based Aircraft Arrivals

Landing Fees	Total Arrivals (6 Months)	Arrivals (6 Months)	Percent of Arrivals	Arrivals (12 Months)	Average MGLW (per arrival)	Average MGLW (per 1,000 lbs.)
Non-Based Aircraft Operations						
Light Sport	25,450	45	0.18%	90	Less than 5,000	N/A
Piston Single-Engine		23,417	92.01%	46,834	Less than 5,000	N/A
Turbine Single-Engine		243	0.95%	486	8,250	8.25
Piston Multi-Engine		593	2.33%	1,186	5,485	5.49
Turbine Multi-Engine		514	2.02%	1,028	13,185	13.19
Business Jet		453	1.78%	906	22,125	22.13
Helicopter		155	0.61%	310	Less than 5,000	N/A
Other/Military		30	0.12%	60	N/A	N/A

- Aeronautical Permit Fee based on existing number of aeronautical operators.
- Airport Access Fee is based on the current number of access media issued.

Utilizing a cost recovery approach with consideration given to the findings from the comparable and competitive airports, AMCG calculated the rate for each fee selected by Airport management. The calculated rates are conveyed in the *Aeronautical Fee Schedule* provided in Section VII.

Table 6 – Fee Calculation

General Aviation Fee Calculation		Assumptions		Fee	Revenue
Fuel Flowage Fee		Gallons (CY 2022)		Fee (per gallon)	Revenue
Avgas (Commercial)		476,312		\$0.22	\$104,789
Jet (Commercial)		1,344,331		\$0.22	\$295,753
Avgas/Jet (Non-Commercial)		0		\$0.34	\$0
Percentage of Gross Receipts				Percentage	Revenue
Hangar/Tiedown				12%	\$243,034
Landing Fee		Number of Annual Arrivals	Average MGLW (per 1,000 lbs.)	Fee	Total
All Non-Based Aircraft					
<i>Light Sport</i>		90	Less than 5,000	\$0.00	\$0
<i>Piston Single-Engine</i>		46,834	Less than 5,000	\$0.00	\$0
<i>Turbine Single-Engine</i>		486	8.25	\$1.75	\$7,017
<i>Piston Multi-Engine</i>		1,186	5.49	\$1.75	\$11,394
<i>Turbine Multi-Engine</i>		1,028	13.19	\$1.75	\$23,729
<i>Business Jet</i>		906	22.13	\$1.75	\$35,087
<i>Helicopter</i>		310	Less than 5,000	\$0.00	\$0
<i>Other/Military</i>		60	N/A	N/A	N/A
Aeronautical Permit Fee		Number of Operators		Fee (Annual)	Revenue
Fixed Base Operator		1		\$1,500.00	\$1,500
Aircraft Maintenance Operator		5		\$750.00	\$3,750
Avionics or Instrument Maintenance Operator		3		\$750.00	\$2,250
Aircraft Rental or Flight Training Operator					
<i>Small (10 or less aircraft)</i>		1		\$500.00	\$500
<i>Medium (11-25 aircraft)</i>		2		\$750.00	\$1,500
<i>Large (more than 25 aircraft)</i>		2		\$1,000.00	\$2,000
Aircraft Charter or Aircraft Management Operator		4		\$750.00	\$3,000
Aircraft Sales Operator		3		\$750.00	\$2,250
Aircraft Storage Operator		6		\$750.00	\$4,500
Other Commercial Aeronautical Activities		4		\$750.00	\$3,000
Independent Operator		2		\$500.00	\$1,000
Non-Commercial Flying Club		2		\$750.00	\$1,500
Self-Fueling Permittee		0		\$500.00	\$0
Training Facility		2		\$750.00	\$1,500
Airport Access Fee		Number of Applicants		Fee	Revenue
Annual Renewal		450		\$25.00	\$11,250

2. Projected Fee Revenue

Table 7 summarizes the revenue projected based on the findings of Table 6 for each of the fees selected by Airport management, identifies the City’s revenue potential (predicated on the underlying assumptions), and a cost recovery target of 100%.

It is important to note that while the general aviation fees are cost recovery based, general aviation fees should be within the bounds of the market to minimize an overly negative impact on airport activity and overall demand.

Table 7 – Projected General Aviation Fee Revenue

Projected General Aviation Fee Revenue	Total	Percent of Goal
Fuel Flowage Fee	\$400,541	52.68%
Percentage of Gross Receipts Fee	\$243,034	31.97%
Landing Fee	\$77,227	10.16%
Aeronautical Permit Fee	\$28,250	3.72%
Airport Access Fee	\$11,250	1.48%
Potential Fees Revenue	\$760,303	
Full Cost Recovery Total	\$753,984	
Cost Recovery Target (Percent)	100%	
Cost Recovery Target (Amount)	\$753,984	
Cost Recovery Reconciliation	\$6,319	

The projected fee revenue is predicated on the below implementation:

- The Fuel Flowage Fee program will be modified to \$0.22 per gallon (commercial) and \$0.27 (non-commercial).
- The Percentage of Gross Receipts Fee will continue in a manner consistent with existing lease agreements.
- A Landing Fee for aircraft over 5,000 pounds MGLW (excluding military aircraft) will be implemented.
- An Aeronautical Fee for different types of operators will be implemented.
- Airport Access Fee will be modified to an annual basis.

VII. GENERAL AVIATION FEE SCHEDULE

TYPE OF FEE	FEE
Fuel Flowage Fee	
<i>Avgas (Commercial)</i>	\$0.22
<i>Jet (Commercial)</i>	\$0.22
<i>Avgas/Jet (Non-Commercial)</i>	\$0.34
Percentage of Gross Receipts	
<i>Hangar/Tiedown</i>	12% for existing agreements
Landing Fee	
All Non-Based Aircraft	
<i>Light Sport</i>	\$0.00
<i>Piston Single-Engine</i>	\$0.00
<i>Turbine Single-Engine</i>	\$1.75 per 1,000 MGLW
<i>Piston Multi-Engine</i>	\$1.75 per 1,000 MGLW
<i>Turbine Multi-Engine</i>	\$1.75 per 1,000 MGLW
<i>Business Jet</i>	\$1.75 per 1,000 MGLW
<i>Helicopter</i>	\$0.00
<i>Other/Military</i>	N/A
Aeronautical Permit Fee	
<i>Fixed Base Operator</i>	\$1,500.00
<i>Aircraft Maintenance Operator</i>	\$750.00
<i>Avionics or Instrument Maintenance Operator</i>	\$750.00
<i>Aircraft Rental or Flight Training Operator</i>	
<i>Small (10 or less aircraft)</i>	\$500.00
<i>Medium (11-25 aircraft)</i>	\$750.00
<i>Large (more than 25 aircraft)</i>	\$1,000.00
<i>Aircraft Charter or Aircraft Management Operator</i>	\$750.00
<i>Aircraft Sales Operator</i>	\$750.00
<i>Aircraft Storage Operator</i>	\$750.00
<i>Other Commercial Aeronautical Activities</i>	\$750.00
<i>Independent Operator</i>	\$500.00
<i>Non-Commercial Flying Club</i>	\$750.00
<i>Self-Fueling Permittee</i>	\$500.00
<i>Training Facility</i>	\$750.00
Airport Access Fee	
<i>Annual Renewal</i>	\$25.00
Other Fees	
<i>Aircraft Waitlist Fee</i>	\$100.00

VIII. RENTAL RATE COMMENTS

In addition to the cost-recovery general aviation fee analysis, Airport management requested input on the current rental rates for Airport property consisting of land and hangars. Based on the current *Airport Rates and Charges Schedule* and an appraisal report conducted by *Airport & Aviation Appraisals, Inc.* (dated November 27, 2022), AMCG understands the following:

- Rent for aeronautical land range from \$0.33 to \$0.41 per square foot per year
- Rent for Small T-Hangars (961 sf) is \$350 per unit per month
- Rent for Medium T-Hangars (1,132 square feet) is \$400 per unit per month
- Rent for Large T-Hangars (1,332 square feet) is \$600 per unit per month
- Rent for Box Hangars (1,287 square feet) is \$4.90 per square foot per year

Consistent with FAA guidance, AMCG recommends rent for airport land and improvements be established through a market-based approach (based on similar land and improvements at comparable and competitive airports), rather than a cost-recovery approach. The appraisal report conducted by *Airport & Aviation Appraisals, Inc.* utilizes a market-based approach, and the conclusions are reasonable and within the market. While there is room within the market to increase the rental rates, the current rental rates do not appear to be unreasonably low for the Airport or market.

AMCG recommends conducting a market-based analysis at least every five years with an index-based adjustment (e.g., consumer price index) adjustment on an annual basis.



Airport Rates and Fees

Ryan Adams

Airport Director

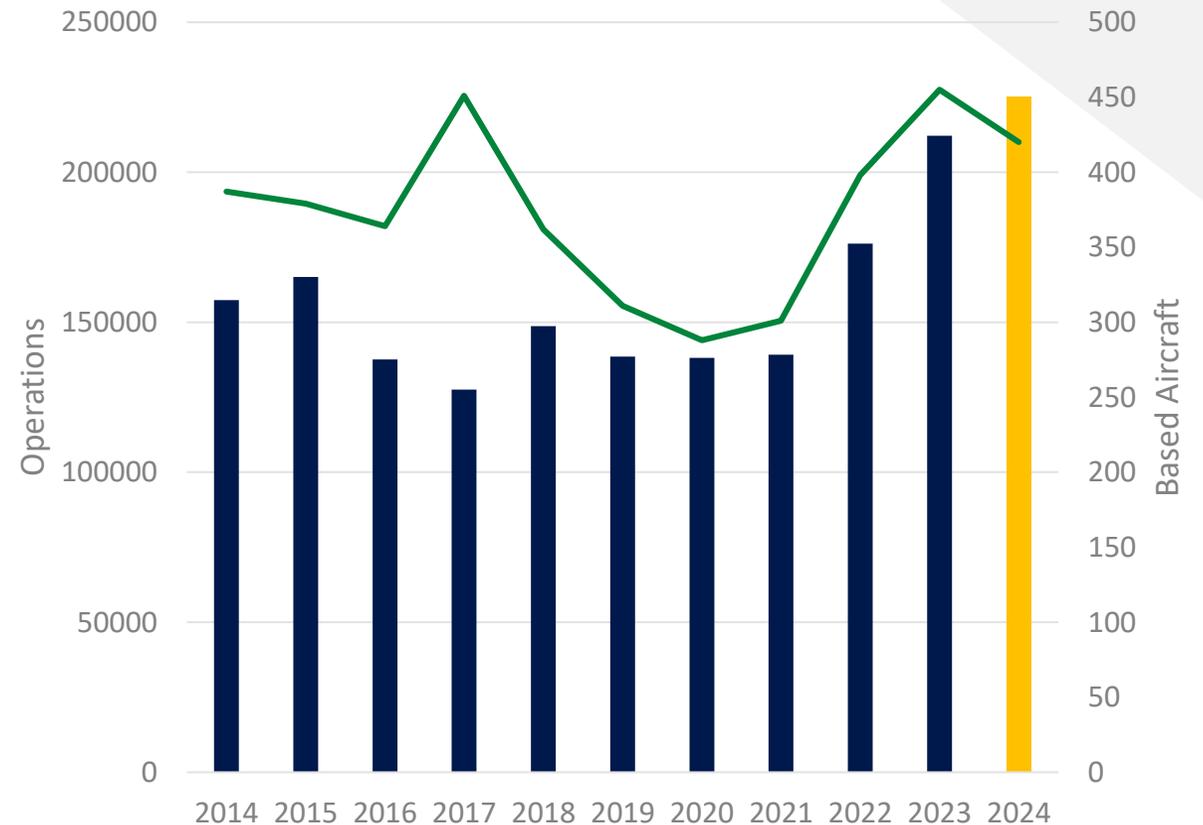
Contents

- Background
- Airport Financial Condition
- General Aviation Fee Study Scope and Analysis
- Fee Study Alternatives
- Next Steps

Background

- Substantial growth since 2014
 - Based Aircraft
 - Operations
 - Parallel runway and Main Runway
- 20-year aviation demand to increase:
 - Based Aircraft
 - 2029: 475
 - 2034: 546
 - 2044: 717
 - Operations
 - 2029: 243,279
 - 2034: 267,752
 - 2044: 323,995

Operations and Based Aircraft History



Background

- Future infrastructure needs will increase:
 - Taxiway/taxilane rehabilitation
 - Vehicular roadway maintenance
 - Tower rehabilitation/replacement
 - Drainage/Stormwater

2021 Pavement Study (10-year needs)

- 29 segments needing rehabilitation or reconstruction (\$22M+)
- 22 segments needing significant maintenance (\$1.5M+)

General Economic Conditions

- In addition to growth, Airport financial condition and rate planning are driven by:
 - General Economic Conditions
 - Rising Inflation/Costs of goods
 - Increased borrowing rates
 - Increased cost of labor/services
 - Airport status as an enterprise operation
 - Revenues should be sufficient to cover costs
 - i.e. costs are borne by airport users, not the general taxpayer
 - FAA Grant Assurance 24
 - Addresses Fees and Rental Structures
 - Sponsor will strive to be as **self-sustaining** as possible

5-Year Inflation Rates

	2019	2020	2021	2022	2023	2024
CPI	2.3	1.4	7.0	6.5	3.4	3.3

Selected Construction Supply Costs

	2019	2020	2021	2022	2023	2024
Roadway Supplies	1.4	1.8	19.8	7.2	2.5	2.1
Concrete	3.1	2.2	8.6	14.8	6.9	5.0
Steel	-16.0	5.2	128.0	-29.8	-3.3	-13.8

Airport Revenues

- Major Sources of Airport Revenue

- Ground Lease Rent
- Aviation Fuel Flowage Fee*
- Hangar and Tie Down Fees**
- Gas Well Royalties

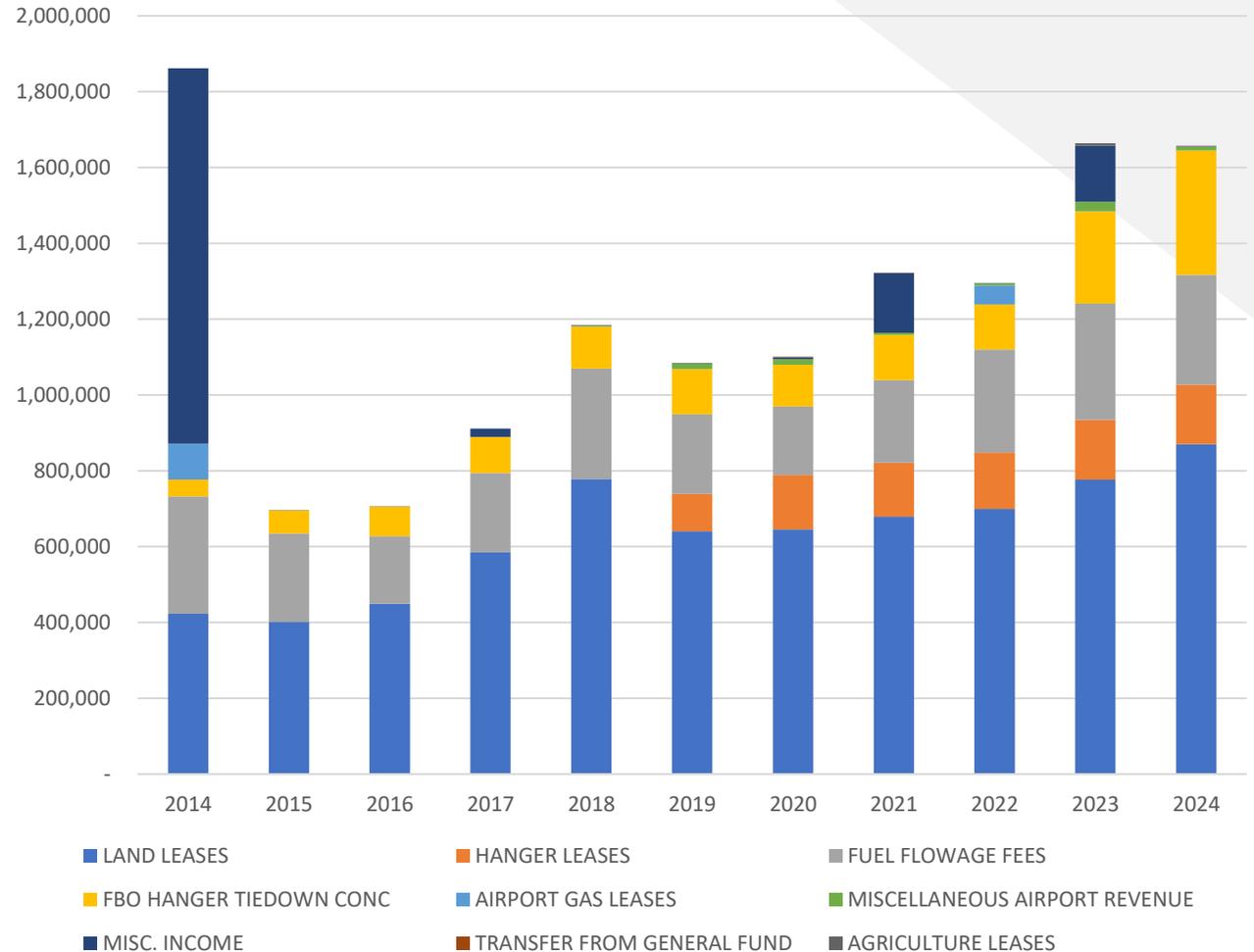
- Takeaways:

- Steady growth in revenues driven by lease revenue, hangar rentals, tiedown fees.
- Fuel Flowage revenues have remained flat and highly variable

*Primarily assessed on Fixed Base Operators (FBOs)

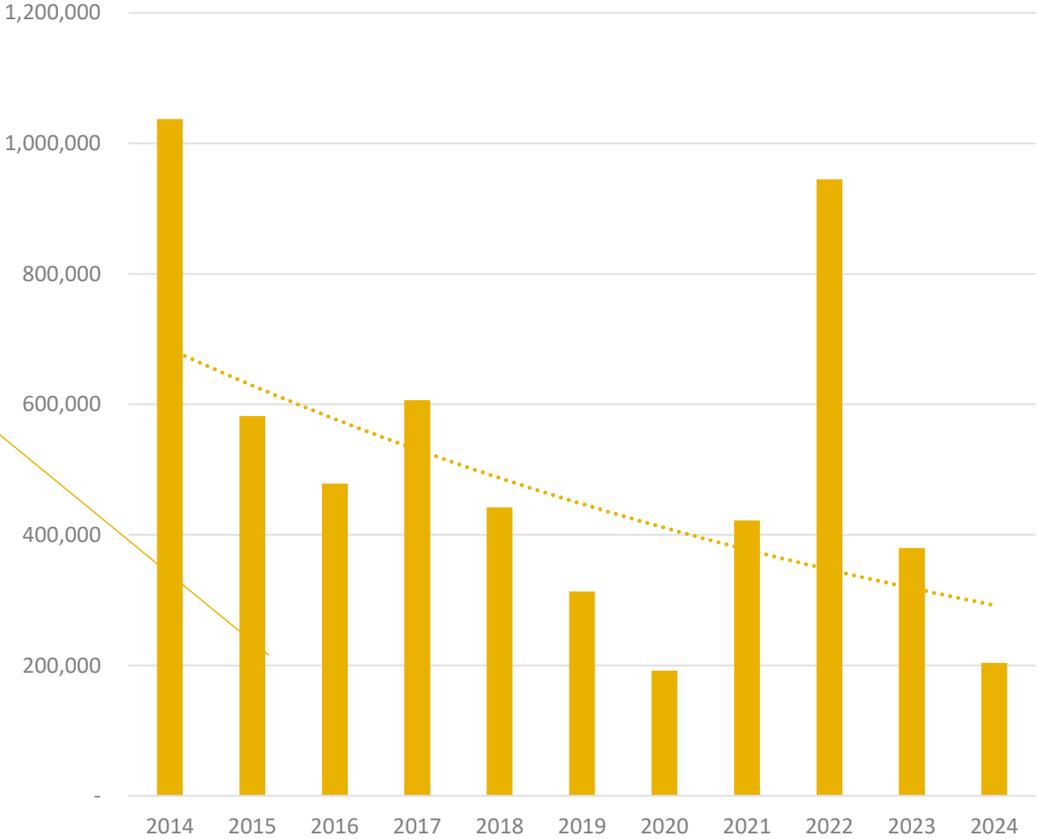
**Only assessed on FBOs

Operational Revenues

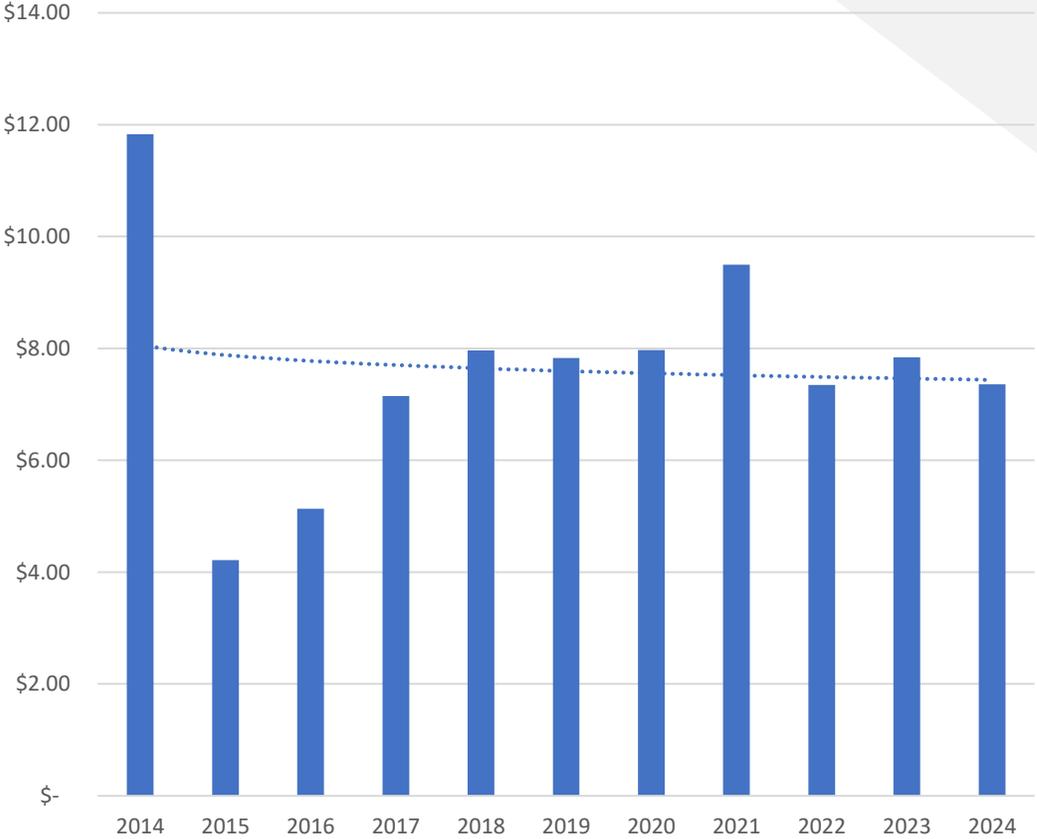


Airport Revenues

Airport Gas Lease Revenue



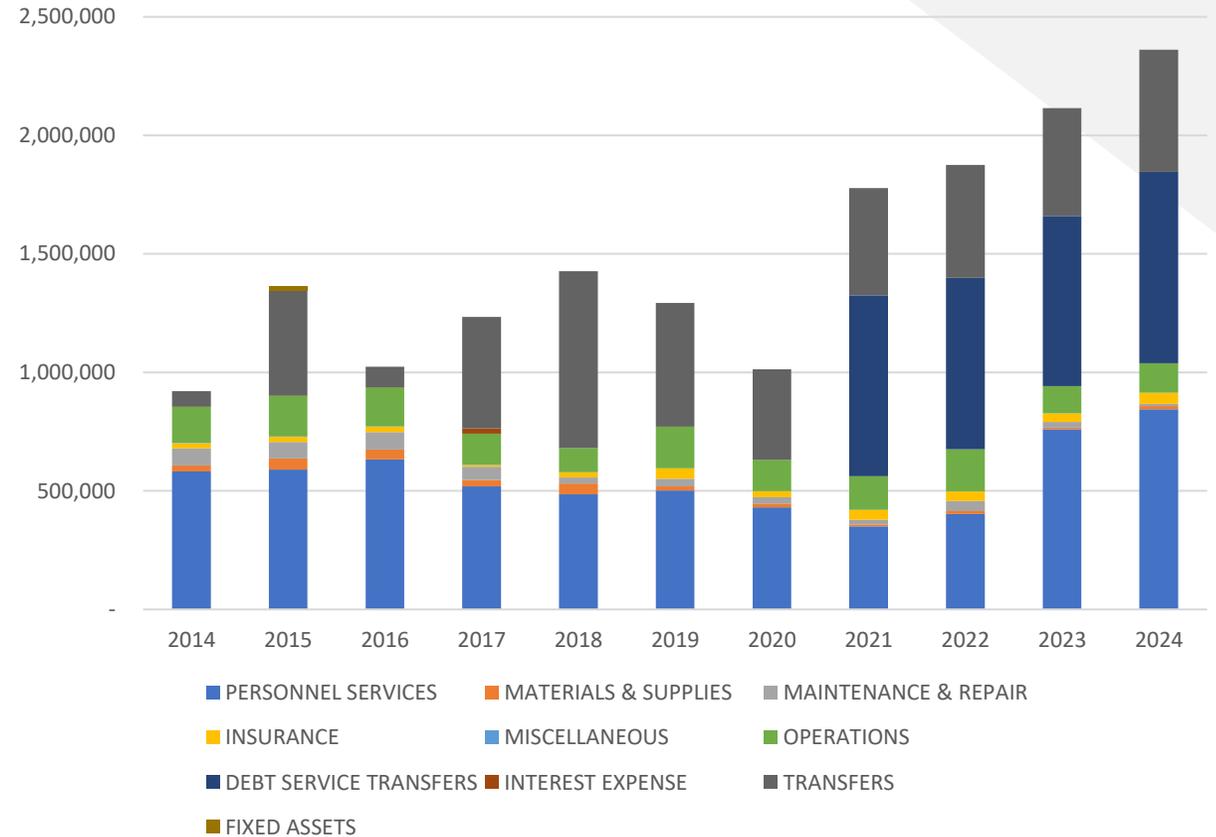
Revenue per Operation



Airport Expenditures

- Expenditures include:
 - Personnel
 - Operational and Supply Costs
 - Cost of Service payments
 - Debt Service
- Takeaways:
 - Infrastructure project-related debt is a key expenditure driver moving forward
 - Operational costs have remained relatively stable
 - Revenues cannot sustain current and future expense increases

Airport Operational Expenses



	FY 2022-23 Actual	FY 2023-24 Budget	FY 2023-24 Actual	FY 2024-25 Preliminary	FY 2025-26 Projected	FY 2026-27 Projected	FY 2027-28 Projected	FY 2028-29 Projected
Beginning Fund Balance	\$ 2,899,720	\$ 3,144,635	\$ 3,284,052	\$ 3,098,380	\$ 2,552,725	\$ 1,962,549	\$ 1,360,696	\$ 715,034
Land Leases	777,020	710,104	870,328	800,331	812,336	824,521	836,889	849,442
Hangar Leases	157,544	157,200	157,065	170,400	170,400	170,400	170,400	170,400
Fuel Flowage Fees	306,706	260,000	264,295	260,000	267,800	275,834	284,109	292,632
FBO Hangar/Tiedown Commissions	243,145	275,000	300,306	275,000	283,250	291,748	300,500	309,515
Miscellaneous Revenues	24,300	2,000	10,390	2,000	2,060	2,122	2,185	2,251
Agriculture Leases	6,993	2,331	2,331	2,331	2,331	2,331	2,331	2,331
Gas Well Royalties & Leases	380,440	450,000	179,627	350,000	339,500	329,315	319,436	309,852
Other Revenue	384,545	157,115	345,997	196,509	178,691	137,378	95,249	-
Transfers From General Fund	-	-	-	-	-	-	-	-
Total Revenues	\$ 2,280,693	\$ 2,013,750	\$ 2,130,339	\$ 2,056,571	\$ 2,056,368	\$ 2,033,649	\$ 2,011,099	\$ 1,936,424
Use of Reserves	\$ -	\$ 533,921	\$ 231,028	\$ 545,655	\$ 590,176	\$ 601,853	\$ 645,662	\$ 764,862
Total Resources	\$ 2,280,693	\$ 2,547,671	\$ 2,361,368	\$ 2,602,226	\$ 2,646,544	\$ 2,635,502	\$ 2,656,761	\$ 2,701,286
Personnel Services	759,691	835,274	845,090	851,660	872,952	894,775	917,145	940,073
Materials & Supplies	7,436	17,520	12,770	18,720	19,094	19,476	19,866	20,263
Maintenance & Repair	23,839	60,100	8,868	60,100	61,302	62,528	63,779	65,054
Insurance	36,509	46,874	46,874	49,984	51,484	53,028	54,619	56,257
Operations	114,648	215,054	124,915	263,899	271,816	279,970	288,370	297,021
Cost of Service - General Fund	238,111	276,423	276,423	284,716	293,257	302,055	311,117	320,450
Cost of Service - Other	217,386	239,648	239,648	316,492	325,987	335,766	345,839	356,215
Debt Service	717,980	806,778	806,779	751,655	745,650	682,900	651,025	640,950
Supplemental Requests	-	-	-	5,000	5,000	5,000	5,000	5,000
Subtotal Operating	2,115,601	2,497,671	2,361,366	2,602,226	2,646,542	2,635,500	2,656,759	2,701,284
Gas Well Capital	-	-	-	-	-	-	-	-
Gas Well - Other	50,000	50,000	-	-	-	-	-	-
Total Expenditures	\$ 2,165,603	\$ 2,547,673	\$ 2,361,368	\$ 2,602,226	\$ 2,646,544	\$ 2,635,502	\$ 2,656,761	\$ 2,701,286
Ending Fund Balance	\$ 3,014,810	\$ 2,610,712	\$ 3,053,024	\$ 2,552,725	\$ 1,962,549	\$ 1,360,696	\$ 715,034	\$ (49,828)
Change in Fund Balance	\$ 115,090	\$ (533,923)	\$ (231,028)	\$ (545,655)	\$ (590,176)	\$ (601,853)	\$ (645,662)	\$ (764,862)
Fund Balance as % of Total Expenditures	139.21%	102.47%	129.29%	98.10%	74.16%	51.63%	26.91%	-1.84%

Summary of Financial Condition

1. Substantial operational growth over the previous 10 years and into the future
2. There are significant infrastructure needs that must be addressed
3. Increasing costs and declining gas well revenues have created an unsustainable financial outlook
 - Revenues are not sufficient to meet expenditures, particularly project debt
 - The Airport is using its limited fund balance to make up the difference
4. The Airport Fund will deplete its reserve in FY 2028-29
 - Operations and safety will be impacted
 - Potential violations of FAA grant assurances
5. Status quo is not an option

General Aviation Fee Study

- Agreement approved on Dec. 12, 2023
- Cost: \$54,250
- Airport Management Consulting Group (AMCG)
- Supports and informs the concurrent Airport Master Plan project
- Scope:
 - General Aviation Fee Study
 - Airport Financial Allocation Analysis (with fee recommendations)
 - Economic Impact Analysis



General Aviation Fee Study

City of Denton

Denton Enterprise Airport

July 12, 2024

General Aviation Fee Study

- Approach:

1. Identify the elements of the existing fees at the Airport
2. Identify current industry practices
3. Analyze fees and information from comparable and competitive airports
4. Provide recommendations regarding methodologies and types of fees
5. Provide recommendations regarding fee amounts

Comparable Airports

- Chino
- Dallas Executive
- Orlando Executive
- McKinney
- North Las Vegas
- Hillsboro
- San Marcos
- Spirit of St. Louis
- Tulsa Riverside

Competitive Airports

- Addison
- Arlington Municipal
- Dallas Executive
- Meacham International
- Spinks
- Alliance
- McKinney
- Mesquite metro
- NT Regional

General Aviation Fee Study Findings

- Fuel flowage fees are most commonly charged
 - Competitive airports range from \$0.07 to \$0.35 per gallon (mean of \$0.21)
- Percentage of gross receipts and Aircraft parking fees are also common
- Significant revenue sources not currently utilized by the airport:
 - Aeronautical Permit Fees
 - Airport Access Fees
 - Landing Fees (not widely adopted)
- A **cost-center approach** is a best practice
 - Costs are recovered by those users/operations that drive the cost

General Aviation Fee Study Recommended Alternatives

- Increase:
 - Fuel Flowage Fee
- Implement:
 - Landing Fee (larger aircraft)
 - Aeronautical Permit Fee (annual)
 - Airside Access Fee
 - Hangar Waitlist Fee
- No Change:
 - Hangar/Tie Down Fee
- Further Evaluation
 - City-Owned Hangar Rental Rates

TYPE OF FEE	FEE
Fuel Flowage Fee	
<i>Avgas (Commercial)</i>	\$0.22
<i>Jet (Commercial)</i>	\$0.22
<i>Avgas/Jet (Non-Commercial)</i>	\$0.34
Percentage of Gross Receipts	
<i>Hangar/Tiedown</i>	12% for existing agreements
Landing Fee	
All Non-Based Aircraft	
<i>Light Sport</i>	\$0.00
<i>Piston Single-Engine</i>	\$0.00
<i>Turbine Single-Engine</i>	\$1.75 per 1,000 MGLW
<i>Piston Multi-Engine</i>	\$1.75 per 1,000 MGLW
<i>Turbine Multi-Engine</i>	\$1.75 per 1,000 MGLW
<i>Business Jet</i>	\$1.75 per 1,000 MGLW
<i>Helicopter</i>	\$0.00
<i>Other/Military</i>	N/A
Aeronautical Permit Fee	
<i>Fixed Base Operator</i>	\$1,500.00
<i>Aircraft Maintenance Operator</i>	\$750.00
<i>Avionics or Instrument Maintenance Operator</i>	\$750.00
<i>Aircraft Rental or Flight Training Operator</i>	
<i>Small (10 or less aircraft)</i>	\$500.00
<i>Medium (11-25 aircraft)</i>	\$750.00
<i>Large (more than 25 aircraft)</i>	\$1,000.00
<i>Aircraft Charter or Aircraft Management Operator</i>	\$750.00
<i>Aircraft Sales Operator</i>	\$750.00
<i>Aircraft Storage Operator</i>	\$750.00
<i>Other Commercial Aeronautical Activities</i>	\$750.00
<i>Independent Operator</i>	\$500.00
<i>Non-Commercial Flying Club</i>	\$750.00
<i>Self-Fueling Permittee</i>	\$500.00
<i>Training Facility</i>	\$750.00
Airport Access Fee	
<i>Annual Renewal</i>	\$25.00
Other Fees	
<i>Aircraft Waitlist Fee</i>	\$100.00

Updated Proforma

- Includes
 - Additional Ground Lease Revenue for Sites 7B, 9, 10, and 11
 - Anticipated proceeds from sale of Loop 288 Right of Way
 - Increase of City-owned hangar rental rate of 25%
 - Increased Fuel Delivery Fee of \$0.05/gal
 - Access Fee Revenue (\$6,000), Permit Fee (\$26,000), Waitlist (\$5,000)
- Does not Include:
 - Landing Fee (staff is unable to implement this fee in FY 2025)
- Not a staff recommendation, but a demonstration of the impact of the fees.

	FY 2022-23 Actual	FY 2023-24 Budget	FY 2023-24 Actual	FY 2024-25 Budget	FY 2024-25 Estimate	FY 2025-26 Projected	FY 2026-27 Projected	FY 2027-28 Projected	FY 2028-29 Projected
Beginning Fund Balance	\$ 2,899,720	\$ 3,144,635	\$ 3,284,052	\$ 3,098,380	\$ 3,053,024	\$ 2,790,052	\$ 3,685,679	\$ 3,755,609	\$ 3,840,311
Land Leases	777,020	710,104	870,328	800,331	875,331	1,055,331	1,071,161	1,087,228	1,103,537
Hangar Leases	157,544	157,200	157,065	170,400	190,150	213,000	213,000	213,000	213,000
Fuel Flowage Fees	306,706	260,000	264,295	260,000	416,435	489,650	504,340	519,470	535,054
FBO Hangar/Tiedown Commissions	243,145	275,000	300,306	275,000	275,000	283,250	291,748	300,500	309,515
Miscellaneous Revenues	24,300	2,000	10,390	2,000	33,500	34,505	35,540	36,606	37,705
Agriculture Leases	6,993	2,331	2,331	2,331	2,331	2,331	2,331	2,331	2,331
Gas Well Royalties & Leases	380,440	450,000	179,627	350,000	350,000	339,500	329,315	319,436	309,852
Other Revenue	384,545	157,115	345,997	196,509	196,509	1,124,604	257,998	262,893	268,822
Transfers From General Fund	-	-	-	-	-	-	-	-	-
Total Revenues	\$ 2,280,693	\$ 2,013,750	\$ 2,130,339	\$ 2,056,571	\$ 2,339,256	\$ 3,542,171	\$ 2,705,432	\$ 2,741,464	\$ 2,779,815
Use of Reserves	\$ -	\$ 533,921	\$ 231,028	\$ 545,655	\$ 262,972	\$ -	\$ -	\$ -	\$ -
Total Resources	\$ 2,280,693	\$ 2,547,671	\$ 2,361,368	\$ 2,602,226	\$ 2,602,228	\$ 3,542,171	\$ 2,705,432	\$ 2,741,464	\$ 2,779,815
Personnel Services	759,691	835,273	845,090	851,660	851,660	872,952	894,775	917,145	940,073
Materials & Supplies	7,436	17,520	12,770	18,720	18,720	19,094	19,476	19,866	20,263
Maintenance & Repair	23,839	60,100	8,868	60,100	60,100	61,302	62,528	63,779	65,054
Insurance	36,509	46,874	46,874	49,984	49,984	51,484	53,028	54,619	56,257
Operations	114,648	215,055	124,915	263,899	263,899	271,816	279,970	288,370	297,021
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Debt Service	717,980	806,778	806,779	751,655	751,655	745,650	682,900	651,025	640,950
Supplemental Requests	-	-	-	5,000	5,000	5,000	5,000	5,000	5,000
Subtotal Operating	2,115,601	2,497,671	2,361,366	2,602,226	2,602,226	2,646,542	2,635,500	2,656,759	2,701,284
Gas Well Capital	-	-	-	-	-	-	-	-	-
Gas Well - Other	50,000	50,000	-	-	-	-	-	-	-
Total Expenditures	\$ 2,165,603	\$ 2,547,671	\$ 2,361,368	\$ 2,602,226	\$ 2,602,228	\$ 2,646,544	\$ 2,635,502	\$ 2,656,761	\$ 2,701,286
Ending Fund Balance	\$ 3,014,810	\$ 2,610,714	\$ 3,053,024	\$ 2,552,725	\$ 2,790,052	\$ 3,685,679	\$ 3,755,609	\$ 3,840,311	\$ 3,918,841
Change in Fund Balance	\$ 115,090	\$ (533,921)	\$ (231,028)	\$ (545,655)	\$ (262,972)	\$ 895,627	\$ 69,930	\$ 84,703	\$ 78,530
Fund Balance as % of Total Expenditures	139.21%	102.47%	129.29%	98.10%	107.22%	139.26%	142.50%	144.55%	145.07%

Next Steps

- Two Public Hearings:
 - Wednesday, Nov. 20
 - Wednesday, Dec. 4
- AAB Recommendation on Dec. 11
- Staff Report to City Council on Jan. 10
- City Council Work Session on Jan. 14
- City Council Consideration on Feb. 11
- Rate Schedule Effective on April 1



www.discussdenton.com/airport



City of Denton

City Hall
215 E. McKinney St.
Denton, Texas 76201
www.cityofdenton.com

Legislation Text

File #: AAB24-041, Version: 1

AGENDA CAPTION

Staff Reports:

1. Monthly Operations Report - November 2024
2. Monthly Construction Report - November 2024
3. Airport Advisory Board-City Council Airport Related Items Matrix - November 2024

MONTHLY OPERATIONS REPORT November 2024

The following tables provide details on operations, fueling, based aircraft, alerts, incidents, and wildlife management efforts. Historical Airport Operations, **Exhibit 1**, and Historical Fuel Flowage, **Exhibit 2**, provides airport historical operations and fuel flowage data from 2014-2024.

OPERATIONS (Calendar Year)						
Operation Type	Oct-23	Oct-24	% Change	2023 YTD	2024 YTD	% Change
IFR Itinerant	987	974	-1.3%	7,679	10,061	31.0%
VFR Itinerant	7,452	10,334	38.7%	69,388	87,999	26.8%
Local	9,923	12,567	26.6%	98,296	90,359	-8.1%
Total	18,362	23,875	30.0%	175,363	188,419	7.4%
FUELING (Fiscal Year)						
Type	Sep-23	Sep-24	% Change	2023 YTD	2024 YTD	% Change
AvGas	44,820	58,281	30.0%	476,312	609,222	27.9%
Jet A	110,451	86,916	-21.3%	1,344,331	1,090,654	-18.9%
Total	155,271	145,197	-6.5%	1,820,643	1,699,876	-6.6%

ALERTS		
Date	Type	Description
10/10/2024	Alert II	A pilot in a single-engine aircraft reported engine trouble over Lake Ray Roberts. The aircraft was able to land safely at the airport and taxi to the FBO without further incident.
10/14/2024	Alert I	A Cessna 172 had a flat tire after hours on RWY 36R at A4. Airport Ops and Fire 9 both received the Alert and Fire 9 was able to help push the aircraft back to the ramp without further incident.
10/23/2024	Alert III	After takeoff on Rwy. 18L, the pilot of a Stearman reported that the engine began running rough and coughed. At that point he decided to do a 180 and return to the departure end of the runway opposite direction, 36R. The aircraft landed on the runway and immediately scraped both wings and breaking the left main gear rim before coming to rest in the grass just South of A4. No injuries were reported. The incident was reported to the FAA and the aircraft was removed without further incident. The incident investigation is still ongoing.
10/27/2024	Alert II	The pilot in a Marchetti S211 reported engine trouble but was able to land safely and taxi to parking without further incident.

INCIDENTS	
Date	Description
10/30/2024	The pilot in a Piper Cherokee reported engine trouble holding short on Rwy. 18L at A1. The pilot shut down the engine and the FBO was able to tug the aircraft to parking without further incident.



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MONTHLY CONSTRUCTION REPORT November 2024

The following provides a status update on the capital improvement projects that are in progress at the Airport:

RWY 18L-36R Reconstruction (Updated)

The project has now reached substantial completion. The final walk-through was completed on Tuesday, October 29th. The flight check for the PAPIs has been completed along with the striping and miscellaneous electrical work. The contractor will be spreading more fertilizer and grass seed in the coming weeks to assist in the vegetation growth between the runways and taxiways. All of this work will be completed without requiring any additional runway closures, and we anticipate it to be complete sometime in mid-November.

Airport Advisory Board/City Council Airport Related Items				
**Council Airport Committee – Dissolved 09/28/2021				
***Legal Review				
	Airport Advisory Board		City Council	
Description	Date	Action	Date	Action
Pending Items				
HC Commercial – Lease Agreement – Site 10	11/13/2024	Pending	11/19/2024	Pending
First Financial Resources – Lease Assignment	11/13/2024	Pending	11/19/2024	Pending
Airport Financial Analysis	11/13/2024	Work Session	01/28/2025	Work Session
Chapter 3 Amendment	Pending	Pending	Pending	Pending
GKY Holdings 1, LLC – Lease Agreement (7B/Tract 2)	Pending	Pending	Pending	Pending
Completed Items with Airport Advisory Board and City Council				
Airport Leasing and Development Policy	09/11/2024	Approved 6-0	10/15/2024	Approved 7-0
US Trinity Aviation, LLC – Lease Agreement – Site 9	10/09/2024	Approved 7-0	10/15/2024	Approved 7-0
GKY Holdings 1, LLC – Lease Amendment	08/14/2024	Approved 5-0	09/17/2024	Approved 7-0
Airport Master Plan	03/20/2024	Approved 5-0	04/02/2024	Approved 7-0
Airport Financial Update	03/20/2024	Work Session	N/A	N/A
Roanoke Air and Auto, Inc – Lease Agreement	03/20/2024	Approved 5-0	04/02/2024	Approved 7-0
Hangar 10 Flying Museum – Lease Assignment	02/14/2024	Approved 6-0	02/20/2024	Approved 7-0
GKY Holdings 1, LLC – Lease Amendment	12/06/2023	Approved 4-0	12/12/2023	Approved 6-0
Financial Analysis	12/06/2023	Approved 4-0	12/12/2023	Approved 6-0
Nebrig Properties, LP – Lease Assignment	12/06/2023	Approved 4-0	12/12/2023	Approved 6-0
TxDOT – Primary Runway Reconstruction Project	10/11/2023	Approved 4-0	10/24/2023	Approved 6-0
Victory Aviation Supplies, LLC – Consent to Subsublease	09/13/2023	Approved 4-0	09/26/2023	Approved 7-0
Ronald J. Gowan – Lease Assignment	09/13/2023	Approved 4-0	09/26/2023	Approved 7-0
Petersen Hangars, LLC – Lease Assignment	09/13/2023	Approved 4-0	09/26/2023	Approved 7-0
Dave Austin – Lease Assignment	08/09/2023	Approved 5-0	08/15/2023	Approved 7-0
DTO 4858, LLC – Lease Assignment	08/09/2023	Approved 5-0	08/15/2023	Approved 7-0

Airport Advisory Board/City Council Airport Related Items				
**Council Airport Committee – Dissolved 09/28/2021				
***Legal Review				
Description	Airport Advisory Board		City Council	
	Date	Action	Date	Action
US Trinity – Lease Assignment	02/23/2023	Approved 4-0	03/07/2023	Approved 6-0
TxDOT – Runway Rehabilitation Project	12/14/2022	Approved 7-0	1/10/2023	Approved 5-0
THP Air, LLC – Lease Amendment	12/14/2022	Approved 7-0	1/10/2023	Approved 5-0
Sykes-Vaughan Investments, LLC – Lease Assignment x 6	11/9/2022	Approved 6-0	12/15/2022	Approved 7-0
Airport Rates and Fees Schedule	9/14/2022	Approved 5-0	9/27/2022	Approved 7-0