

## REAL ESTATE LEASE AGREEMENT

THIS LEASE AGREEMENT (“Lease”) is made this \_\_\_\_ day of October 2018, by and between THE CITY OF FREEPORT, an Illinois municipal corporation (“Lessor”), and HERITAGE AERO, LLC, an \_\_\_\_\_ limited corporation (“Lessee”).

WHEREAS, Lessor is the owner of the real property commonly known as 1255 E. Airport Road, Freeport, IL 61032 which is improved with a municipal airport (the real property, structures and building located thereon, are collectively referred to herein as the “Property”); and

WHEREAS, Lessor desires to lease a portion of the Property to the Lessee and Lessee desires to lease said portion of the Property from the Lessor; and

WHEREAS, the portion of the Property to be leased to Lessee consists of Hangar-O, Units 1,2,&3 hangars and hangar M-9. Said portion of the Property being leased to Lessee is more fully described in Exhibit A, attached hereto and incorporated herein (the “Premises”); and

WHEREAS, Lessor and Lessee have reached an accord as to the terms and conditions upon which the Lessor will lease the Premises to the Lessee and have memorialized the same herein.

NOW, THEREFORE, in consideration of the mutual covenants and promises herein contained and other good and valuable consideration the receipt and sufficiency of which is acknowledged, the parties, intending to be legally bound, agree, represent and warrant as follows:

- 1) Recitals. The above recitals are incorporated herein and made a part hereof.
- 2) Leased Premises. Lessor hereby leases to Lessee, and Lessee hereby leases and rents from Lessor, the Premises (and buildings and structures located thereon) which is described in Exhibit A, attached hereto.
- 3) Term.
  - 3.1 The term of this Lease with regards to the hangars shall commence on 1 January, 2019, and shall continue for ten (10) year thereafter expiring on December 31, 2029 (“Hangar Term”). Lessee shall have the option to renew this Lease with regards to the hangars for one (1) additional ten-year term upon giving the Lessor at least 90 days prior notice of Lessee’s intent to renew this Lease and the Parties will memorialize the terms and conditions of such renewal in writing.
  - 3.2 In the event this Lease is not renewed with regards to the hangars and if Lessee holds over and continues in possession of the Premises after expiration of the Hangar Term of this Lease, Lessee will be deemed to be occupying the Premises on the basis of a month-to-month tenancy, subject

to all of the terms and conditions of this Lease as they were in effect immediately prior to the expiration of the Hangar Term, except however that the Rent payable by Lessee for its possession during the holdover tenancy provided for under this Section 3.2 shall be double the Rent that was in effect immediately prior to the expiration of the Hangar Term.

- 3.3 Upon expiration of the Hangar Term of this Lease, or upon any earlier termination of this Lease, Lessee shall surrender the Premises to Lessor in at least substantially as good a condition as the Premises existed upon occupancy, ordinary wear and tear excepted, with all areas cleaned to broom clean condition, and with all personal property of Lessee removed from the Premises.
- 3.4 The term of this Lease with regards to the hangar M-9 shall commence on January 1st, 2019, and shall continue on a month-to-month basis thereafter ("T-Hangar Term"). Either party may terminate the T-hangar portion of this Lease upon providing the other party with at least 30 day notice of its intent to terminate the T-Hangar Term. Upon expiration of the T-Hangar Term of this Lease, or upon any earlier termination of this Lease, Lessee shall surrender the Premises to Lessor in at least substantially as good a condition as the Premises existed upon occupancy, ordinary wear and tear excepted, with all areas cleaned to broom clean condition, and with all personal property of Lessee removed from the Premises.
- 4) Rent. The rent payable hereunder for the hangars shall be Six Hundred and No/100ths Dollars (\$600.00) per month during the first year of the Hangar Term of this Lease and Seven Hundred and No/100<sup>th</sup> Dollars (\$700.00) per month for every year thereafter during the remainder of the Hangar Term of this Lease. Such yearly rent shall be payable in advance of the 1<sup>st</sup> day of January for each year during the Hangar Term of this Lease. If rent is not received by the Lessor on or before the fifth day of each Month, Lessee shall pay to the Lessor a late fee of \$50.00. The late fee is not a grace period and the Lessor is entitled to make written demand for any rent unpaid on the second day of the rental period.

The rent payable hereunder for the T-hangar shall be One Twenty Five and No/100ths Dollars (\$125.00) per month during the first year of the T-Hangar Term of this Lease and Two Hundred and Five and No/100<sup>th</sup> Dollars (\$205.00) per month for every month thereafter during the Hanger Term of this Lease. Such monthly payments shall be payable in advance of the 1st day of January 2019 and continuing on the 1st day of each month thereafter during the T-Hanger Term of this Lease. If rent is not received by the Lessor on or before the fifth day of each month, Lessee shall pay to the Lessor a late fee of \$50.00. The late fee is not a grace period and the Lessor is entitled to make written demand for any rent unpaid on the second day of the rental period.

All rent Payments shall be made payable to the “City of Freeport” and mailed or delivered to 314 W. Stephenson Street, Freeport, IL 61032, or any other address that Lessor may designate from time to time in writing to Lessee.

- 5) Deposit. Upon signing of this Lease, Lessee shall pay to Lessor a security deposit in the amount of Two Months rent (\$1,200). Lessor acknowledges that such amount was previously deposited by the Lessee as a term and condition of the Prior Lease and the Parties agree that such amount shall continue to be held by the Lessor as the security deposit under this Lease. Lessor may apply all or any portion of the security deposit in payment of any amounts due Lessor from Lessee, and upon Lessor’s demand, Lessee shall in such case during the Term of this Lease promptly deposit with Lessor such additional amounts as may then be required to bring the Security Deposit up to the full stated amount. Upon termination of the Lease, full performance of all matters and payment of all amounts due by Lessee, so much of the Security Deposit as remains unapplied shall be returned to the Lessee. Where all or a portion of the Security Deposit is applied by Lessor as compensation for property damage, Lessor, when and as required by law, shall provide to Lessee an itemized statement of such damage and of the estimated or actual costs of repairing the same. Lessor may pursue a cause of action to recover damages in excess of the Security Deposit.
- 6) Real Estate Taxes. The Parties acknowledge that the Property is currently exempt from real estate taxes. However, should the Lessor ever become responsible for real estate taxes on the Property which are imposed as a result of or in connection with this Lease, Lessee shall be responsible for paying the amount of such real estate taxes to the Lessor within 30 days of written demand by the Lessor.
- 7) Utilities. Lessee shall be responsible for paying any and all utilities to the Premises, including, but not limited to: gas, water, garbage removal, sewer, telephone service and electricity. Any other monthly utility expenses not described in the preceding sentence, including, but not limited to, internet service and security system, shall be the responsibility of the Lessee and shall be paid as and when due by Lessee.
- 8) Maintenance and Repair.
  - 8.1 Lessee, throughout the Term of this Lease, shall at its own expense be responsible for any and all maintenance and repair to the Premises, including, but not limited to, plumbing fixtures, electrical fixtures; windows; equipment; other fixtures of a general nature to a commercial building, doors, interior walls, floors, outside landscaping, yard maintenance, and snow removal. Notwithstanding the foregoing, Lessor shall be responsible for any necessary repairs to the roof; HVAC system, roof, plumbing system (with the exception of plumbing fixtures), and electrical system (with the exception of electrical fixtures) of the Premises. Lessee shall, at a minimum, maintain the Premises in substantially the same condition as the Premises existed upon the occupancy of the Premises, ordinary wear and tear excepted.

8.2 Lessee shall be responsible for all repairs, maintenance, or replacements relating roof, HVAC system and parking lot of the Premises that are made necessary by the negligent or intentional acts of Lessee or its employees, agents, or invitees.

9) Lessee's Improvements. Lessee will not make any alterations, installations, improvements or changes to the Premises at any time, for any reason, without the prior written approval of Lessor.

9.1 Lessee shall not permit any lien or claim for lien of any mechanic, laborer or supplier or any other lien to be filed against the Property, or any part thereof arising out of work performed, or alleged to have been performed by, or at the direction of, or on behalf of Lessee. If any such lien or claim for lien is filed, Lessee, within thirty (30) days thereafter, either shall have such lien or claim for lien released of record or Lessee shall deliver to Lessor either: (i) a bond in form, content, amount, and issued by surety, satisfactory to Lessor, indemnifying Lessor against all costs and liabilities resulting from such lien or claim for lien and the foreclosure or attempted foreclosure thereof, or (ii) endorsements to the title policies of Lessor and Lessor's mortgagee "insuring over" such liens satisfactory to Lessor and Lessor's mortgagee respectively. If Lessee fails to have such lien or claim for lien so released or to deliver such bond or title endorsement to Lessor, Lessor, without after reasonably investigating the validity of such lien, and upon at least thirty (30) days' prior written notice to Lessee, may pay or discharge the same and Lessee shall reimburse Lessor within ten (10) days for the amount so paid by Lessor, including Lessor's expenses and attorneys' fees.

10. Lessor's Improvements. Lessor agrees to make the following improvements prior to the commencement of this Lease, unless otherwise specified:

- A. Install double door fire door in the hangar in the O Hangers.
- B. Install heater O-2 Hanger.
- C. Finish bathroom O-1 Hanger.
- D. Run water to all hangars O 1,2,3 and connect bathroom.
- E. Connect sewer to bathroom.
- F. Install electric in O 1,2,3 hangars.
- G. Provide 3 phase converter.
- H. Install deep sink next to bathroom.
- I. Complete build out of conference room within 18 months of Lessee occupying Premises.
- J. Install 10 spoke gravel parking lot and fence. The location of the parking lot and fence are generally depicted in Exhibit B, attached hereto and incorporated herein. The gravel parking lot will be paved in the Spring of 2019.

11. Insurance. Lessee, during the entire term of this Lease agreement, shall keep the Premises insured for the protection of the Lessor (and the Lessor shall be so named as an insured in any such policies), by maintaining general public liability and property damage insurance against claims for bodily injury or death and property damage

occurring upon the Premises and areas adjacent thereto, to the extent of not less than \$1,000,000.00 for bodily injury or death to any person, and to the extent of not less than \$1,000,000.00 for bodily injury or death to any number of persons arising out of the same accident or disaster, and to the extent of \$1,000,000.00 for property damage. Lessee shall be responsible to insure any part of the Premises, including the building, against loss due to property damage or casualty. Lessee shall be responsible to insure its personal property located on the Premises.

Unless otherwise agreed upon by the Parties in writing, in the event the Premises is damaged, in whole or in part, by fire or other casualty, Lessee shall proceed to rebuild, repair or restore the Premises to a similar condition as existed prior to damage, regardless of whether or not Lessee has sufficient insurance coverage or proceeds, and this Lease shall remain in full force and effect. Lessee shall begin repairs within two (2) months from casualty, diligently pursue and complete repairs within twelve (12) months. Said dates shall be deferred for a like period due to any delay caused by labor controversy, act of God, other casualty, governmental regulations, insurance adjustment, or causes beyond the Lessee's control. Lessee's Rent and other charges payable by Lessee shall not abate as a result of any damage or destruction to the Premises that results in the suspension of business in the Premises. If Lessee fails to begin or complete the repairs within the times and in the manner provided for herein, then, provided Lessor has given Lessee thirty (30) business days' prior notice and the right to cure; 1) Lessor may rebuild, repair and restore the Premises and 2) Lessee shall be liable to Lessor for actual costs, plus a 10% management fee, in addition to any other remedies and damages the Lessor may have.

12. Indemnification. Lessee assumes liability for and shall indemnify, protect, save and hold harmless Lessor from and against any and all losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements including attorneys' fees and expenses and court costs incurred by Lessor in defending claims of whatsoever kind and nature imposed upon, incurred by or asserted against the Lessor in any way relating to or arising out of this Lease and from the possession, use, operation and maintenance of the Premises by the Lessee. The indemnities contained in this paragraph shall continue in full force and effect, notwithstanding the termination of this Lease.
13. Inspection and Exhibition of Premises. Lessee, upon paying Rent and performing the covenants and agreements of this Lease, shall quietly have, hold and enjoy the Premises and all rights granted to Lessee in this Lease. Lessor or any agent of Lessor may enter the Premises at all reasonable times and upon reasonable notice to inspect the Premises. When conveniently possible, Lessor shall give prior notice before such entry. Lessor may retain at all times keys to Premises. In the event of an apparent or actual emergency, Lessor may enter the Premises at any time without notice. Lessor shall have the right to place signage on the Premises for the purposes of advertising to prospective tenants, purchasers or others. Lessor shall not be liable to Lessee in any manner for any such action nor shall the exercise of such right be deemed an eviction or disturbance of Lessee's use or possession. Lessor shall at all times, and in its sole discretion, have full and complete access to the municipal well and appurtenances thereto.

14. Use of Premises. The Premises shall be used by Lessee for aircraft hangar purposes, and for such other purposes for which the Lessor may from time to time consent to in writing. Lessee shall use and maintain the Premises in a clean, sanitary, safe, careful and proper manner. Lessee shall comply with all applicable laws, ordinances and regulations as to the use, occupancy, maintenance and condition of the Premises. Lessee will not allow the Premises to be used for any purposes or in any manner that will damage the reputation of, increase the rate of insurance, increase the hazard of fire, or otherwise be injurious to Premises. The Lessee shall keep the Premises free of rodents, insects, pest and any obnoxious or noxious odors. The Premises shall not be used for any extra hazardous use. Lessee shall dispose of all rubbish, trash, garbage and other waste in a clean and sanitary manner from the Premises. Lessee shall properly use and operate all appliances, electrical, gas and plumbing fixtures and shall not destroy, deface, damage, impair nor remove any part of the building, equipment or appurtenances thereto. Lessee shall not permit any of its agents, employees, representatives, guests or invitees to violate any of Lessee's obligations under this Lease.

Lessee has examined the Premises and appurtenances, prior to and as a condition precedent to its acceptance and execution of this Lease, and is satisfied with the physical condition thereof, and Lessee's taking possession shall be conclusive evidence of its receipt thereof in good order and repair. LESSEE AGREES THAT NO REPRESENTATIONS OR WARRANTIES AS TO HABITABILITY, SUITABILITY, CONDITION OR REPAIR HAVE BEEN MADE BY LESSOR OR ITS REPRESENTATIVES, OFFICERS, OR AGENTS WHICH ARE NOT HEREIN EXPRESSED IN THE ADDITIONAL COVENANTS AND THAT NO OTHER PROMISE TO DECORATE, ALTER, REPAIR OR IMPROVE, EITHER BEFORE OR AT THE EXECUTION HEREOF, NOT CONTAINED HEREIN, HAS BEEN MADE BY LESSOR OR ITS REPRESENTATIVES, OFFICERS OR AGENTS.

15. Lessee's Default and Lessor's Remedies.

15.1 The occurrence of any one or more of the following events constitutes a default by Lessee under this Lease:

- a. Lessee's failure to pay any installment of rent, or any other amounts due from Lessee under this Lease as and when due;
- b. Lessee's failure to observe or comply with any covenant with respect to assignment and subletting set forth in this Lease;
- c. Lessee's failure to cure, within two (2) days after receipt of notice from Lessor, any hazardous condition which Lessee has created or permitted to exist on the Premises in violation of law or this Lease;

- d. Lessee's failure to observe or perform any other covenant, agreement, condition or provision of this Lease, if such failure shall continue for fifteen (15) calendar days after notice thereof from Lessor to Lessee;
- e. Lessee admits in writing its inability to pay its debts as they mature, or Lessee makes an assignment for the benefit of creditors, or Lessee applies for or consents to the appointment of a trustee or receiver for Lessee or for substantially all of Lessee's assets;
- f. A trustee or receiver is appointed, voluntarily or involuntarily, for Lessee or for substantially all of its assets and is not discharged within sixty (60) days after such appointment;
- g. Bankruptcy, reorganization, insolvency or liquidation proceedings, or other proceedings for relief under any bankruptcy law or similar law for the relief of debtors, are instituted either (i) by Lessee, or (ii) against Lessee and are allowed against it or are consented to by it or are not dismissed within sixty (60) days after such institution; and/or
- h. Lessee abandons the Premises. For purposes of this Lease, abandonment shall be deemed to have occurred upon Lessee failing to operate its business on the Premises for a period of thirty (30) days.

15.2 If a default by Lessee occurs under this Lease, Lessor shall have the right to pursue any and all rights and remedies it may have available to it at equity or at law, including, but not limited to, the following remedies, which shall be cumulative (and not exclude any other remedy) and exercisable in the Lessor's discretion, without the necessity of any further notice other than that which may be required in any given case by the provisions of the Illinois Forcible Entry and Detainer Act, 735 ILCS 5/9-101 *et seq.*, or any successor law thereto, and shall be entitled to recover reasonable court costs and attorneys' fees:

- a. Lessor may enforce the provisions of this Lease and Lessor's rights by suit or suits in equity or at law for specific performance of any covenant or agreement, or for enforcement of any other legal or equitable remedy, including, without limitation, injunctive relief and recovery of moneys due or becoming due from Lessee hereunder;
- b. Lessor may terminate Lessee's right to possession of the Premises, in which case this Lease shall terminate and Lessee shall immediately and peaceably surrender possession of the Premises to Lessor. In such event, Lessor shall have the immediate right to re-enter and remove all persons and property remaining on the Premises. Lessor shall also have the right, whether or not Lessee peaceably surrenders possession, to obtain an order of possession and judgment for unpaid rent, additional rent, and reasonable court costs and attorneys' fees pursuant to the provisions of the Illinois Forcible Entry and

Detainer Act (or any successor law thereto), in which case Lessor shall also have the right to remove all persons and property remaining on the Premises. Whether the Lessor obtains possession of the Premises peaceably or by judicial process, any property remaining on the Premises at the time Lessor takes possession may, at Lessor's election, either (a) be discarded, destroyed, or disposed of, (b) be sold by Lessor, or (c) be removed from the Premises and stored by Lessor at the cost of, at the risk of, and for the account of Lessee; in each event without Lessor being deemed guilty of trespass, conversion or any other tort, or becoming liable for any loss or damage that may be occasioned thereby;

- c. In the event that Lessor should elect to terminate the Lessee's right to possession pursuant to the provisions of Section 15.2(b), Lessor may relet the Premises and execute any new lease as lessor in its own name. Lessee shall have no right or authority whatsoever to collect any rent or other charge from such new lessee. The proceeds arising from any such reletting for the period of the reletting that coincides with the term of this Lease agreement shall be a credit toward the amounts due from Lessee as follows:
  - i. First, to the payment of any indebtedness or other obligation other than rent due hereunder from Lessee to Lessor, including without limitation storage charges or brokerage commissions owing from Lessee to Lessor as a result of such reletting;
  - ii. Second, to the payment of the costs and expenses of reletting the Premises, including alterations and repairs that Lessor, in its sole and absolute discretion deems reasonably necessary and advisable and reasonable attorneys' fees incurred by Lessor in connection with the retaking of such Premises and such reletting;
  - iii. Third, to the payment of rent, and other charges due and unpaid under this Lease; and
  - iv. Fourth, to the payment of future rent and other damages payable by Lessee under this lease.
- d. It is expressly agreed by Lessee that after service of notice or commencement of a suit or after final judgment for possession of the Premises, Lessor may receive and collect any rent due and the payment of said rent shall not waive or affect said notice, said suit or said judgment.

16) Waiver. No party shall be deemed to have waived any right, power or privilege under this Lease, unless such waiver shall have been executed in writing and expressly acknowledged by the parties to be charged with such waiver.



17) No Assignment or Sublease. Lessee shall not enter into a sublease for the Premises or in any other way assign its rights under this Lease without the express written consent of Lessor which consent may be withheld for any reason in the sole discretion of Lessor.

18) Surrender of Leased Premises. At the expiration or earlier termination of the Lease, Lessee shall immediately and peaceably surrender the Premises, together with alterations, installations and improvements to the Premises, to Lessor. Lessee shall surrender the Premises to the Lessor in as good condition as when the Lease commenced, ordinary wear and tear excepted, and shall then return all keys/means of access to Lessor and provide Lessor with Lessee's forwarding address.

19) Notices to Parties. Any notices, demands or other communications required or permitted hereunder shall be in writing and delivered to the other party or the other party's authorized agent, either in person or by United States Certified Mail, Return Receipt Requested, postage fully prepaid, to the address set forth hereinafter, or to such other addresses as either party may designate in writing and deliver as herein provided:

LESSOR:  
City of Freeport  
Attn: City Manager  
314 W. Stephenson Street  
Freeport, IL 61032

LESSEE:  
Heritage Aero, LLC  
Attn: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

20) Construction and Venue. The interpretation and validity of this Lease shall be governed by the laws of the State of Illinois, without giving effect to that state's principles of conflicts of law or choice of law. The Parties further consent to and submit to the exclusive jurisdiction and venue with respect to any matters pertaining to this Lease in and by the state and federal courts sitting in Stephenson County, Illinois.

21) Entire Agreement. This Lease, and the Exhibits attached hereto contain the entire agreement between Lessor and Lessee concerning the Property and Premises and there are no other agreements, either oral or written.

22) Binding Effect. This Lease shall be binding upon and inure to the benefits of Lessor and Lessee and their respective heirs, legal representatives, successors and permitted assigns, but this provision shall not operate to permit any transfer, assignment, mortgage, encumbrance, lien, charge or subletting contrary to the provisions of this Lease.

23) Use of Headings: The clause headings appearing in this Lease have been inserted for the purpose of convenience and ready reference. They do not purport to, and shall not be deemed to, define, limit or extend the scope or intent of the clauses to which they pertain.

- 24) Amendments and Modifications: Except as otherwise provided for herein, this Lease may not be amended, modified, or terminated, nor may any obligation hereunder be waived orally, and no such amendment, modification, termination, or waiver shall be effective for any purpose unless it is in writing, and bears the signatures of all of the Parties hereto.
- 25) Counterparts: This Lease may be signed in any number of counterparts, each of which shall be an original, with the main effect as if the signatures thereto and hereto were upon the same instrument.
- 26) Severability: In the event any provision of this Lease is declared to be illegal or unenforceable, the remaining portions of this Lease shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound, have executed this Lease the day and year first above written.

**LESSOR:**

**CITY OF FREEPORT, ILLINOIS**

By: \_\_\_\_\_  
Jodi Miller, Mayor

**ATTEST:**

By: \_\_\_\_\_  
Dovie L. Anderson, City Clerk

**LESSEE:**

**HERITAGE AERO, LLC**

By: \_\_\_\_\_

**Exhibit A**

**Description of Premises**

**EXHIBIT B**

**Parking Lot and Fence**