



EXECUTIVE DIRECTOR

3237 Arnold Ave.
Salina, Kansas 67401

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DATE: February 19, 2019
TO: SAA Board of Directors
FROM: Tim Rogers and Shelli Swanson
SUBJECT: **February 20, 2019 Regular Board Meeting – Amended Agenda**

Enclosed is an amended agenda for your review prior to Wednesday's meeting. Also enclosed is a draft termination agreement and promissory note with AAL Organic Matters, LLC (AAL) The documents will be considered under **Agenda Item #9**.

AAL leased building B713 located at 1935 Beechcraft Rd on September 20, 2017. During 2018 the company fell behind in rent payments. For the lessee's failure to pay rent, the Airport Authority delivered a **Notice of Lease Termination of Lease and Notice to Leave Premises Pursuant to K.S.A. 61-3803** on February 1, 2019.

The company is a supplier of recycling services to the Schwan's Food Company, Salina plant. The proposed termination agreement and promissory note will provide AAL the means to change its method of delivering recycling services to Schwan's and pay all past due rental and unamortized broker fees.

The attached documents are in draft form. The final versions will be presented for your consideration at the board meeting.

Please contact me if you have any questions.

SALINA AIRPORT AUTHORITY REGULAR BOARD MEETING

Hangar H600, Second Floor Conference Room

2720 Arnold Court

February 20, 2019 – 8:00 AM

AGENDA

Action Items

1. Call to order and determine a quorum is present. (Weisel)
2. Recognition of guests. (Weisel)
3. Additions to the agenda and agenda overview (Rogers)
4. Approval of the minutes of the January 16, 2019 regular board meeting. (Weisel)
5. Review of airport activity and financial reports for the month ending January 31, 2019. (Rogers & Swanson)
6. Review of prospect activity for Salina Regional Airport hangar space and review of aviation company recruitment priorities. (Rogers and Swanson)
7. Consideration of proposed agreement with the Salina Area Chamber of Commerce for economic development services. (Rogers)
8. Review of the Coffman Associates scope of work for completing a FAA funded terminal building requirements study. (Rogers)
9. Consideration of a termination agreement with AAL Organic Matters, LLC and associated promissory note. (Swanson and Bengtson)

Directors' Forum (Weisel)

Staff Reports (Rogers)

- Report on the International Aerobatic Club U.S. National Aerobatic Championships scheduled for September 21 – 29, 2019 (Rogers and Swanson)
- Review of the results of the annual FAA Airport Certification Inspection. (Rogers and Bieker)
- Report on airfield snow removal and deicing measures and associated costs (Rogers)
- Review of the concept layout for new T-Hangar construction. (Rogers and Bieker)
- Report on the schedule for hangar H409 lobby improvements. (Bieker)
- March 20, 2019 SAA board meeting agenda preview. (Rogers)

Announcements and Fly SLN Marketing (Windhorst)

- Review of the Fly Salina marketing campaign. (Windhorst)
- Update on SAA staffing plan. (Windhorst)

Executive Session (Bengtson)

10. Consideration of a motion for an executive session (Weisel)

“I move that the Airport Authority board of directors recess into an executive session for twenty (20) minutes to discuss the subject of anticipated mediation with representatives of the U.S. Department of Justice and U.S. Army Corps of Engineers associated with pending litigation in U.S. District Court with legal counsel based upon the need for consultation with an attorney for the public body which would be deemed privileged in the attorney-client relationship pursuant to K.S.A. 45-7319(b)(2). The open meeting will resume in this room at _____ AM.”

Adjournment (Weisel)

**SHORT-TERM LEASE AGREEMENT FOR THE RELINQUISHMENT OF
POSSESSION**

This Short-Term Lease Agreement (the “Short-Term Lease”) is made and entered into this ____ day of February, by and between the **SALINA AIRPORT AUTHORITY, a Kansas public corporation**, of Salina, Saline County, Kansas, (the “Authority”), and **AAL ORGANIC MATTERS, LLC**, a Limited Liability Company, authorized to do business in Kansas, with principal offices located at 975 CR 356, Dublin, Texas, (“Lessee”).

RECITALS

- A. The Lessee and Authority entered into a Lease Agreement dated September 20, 2017 (the “Lease), for 1935 Beechcraft Road, Building No. 713, Salina, Kansas 67401 (the “Leased Premises”).
- B. For Lessee’s failure to pay rent, the Authority notified Lessee of the termination of the Lease in the February 1, 2019 Notice of Termination of Lease and Notice to Leave Premises Pursuant to K.S.A. 61-3803.
- C. The Lessee has requested, and the Authority is amenable to providing Lessee this Short-Term Lease for the Relinquishment of Possession to allow Lessee time to remove its property and leave the Leased Premises.
- D. In consideration of the Short-Term Lease, the Lessee, as outlined below, will remit to the Authority the sum of money for the unpaid rentals and unamortized broker fees under the Lease.

The Parties agree as follows:

1. **Property Description.**

- 1.1. **Legal Description of Leased Tract.** The Authority, in consideration of the rents, covenants, agreements, and conditions hereinafter agreed to be paid and performed by the Lessee, leases unto the Lessee the following described real estate:

Bldg. 713, commonly known as 1935 Beechcraft Road, containing 42,649 sq. ft. +/- of warehouse and light manufacturing space, all located on Lot 3, Block 4, Schilling Subdivision No. 5 to the City of Salina, Saline County, Kansas.

together with any improvements constructed or to be constructed thereon and the appurtenances thereunto belonging, as depicted on the attached Exhibit A (the “Premises”).

2. Term, Effective Date and Holdover.

2.1. Term and Effective Date of Lease. This Lease shall be for a term of Sixty (60) days commencing effective February 15, 2019 (“Effective Date”), and terminating on April 15, 2019.

2.2. Holdover. If the Lessee remains in possession of all or any part of the Premises after the expiration of this Lease, without the express or implied consent of the Authority, such occupancy shall be considered to be a “Holdover Tenancy” from month-to-month only, and not a renewal or extension of this Lease for any further term. In such case, the Basic Rent for such Holdover Tenancy shall be payable in the amount of \$9,370 per month. Such Holdover Tenancy shall be subject to every other provision, covenant and agreement contained herein. The foregoing provisions of this Subsection are in addition to and do not affect the right of re-entry or any right of the Authority hereunder or as otherwise provided by law and in no way shall such provisions affect any right which the Authority may have otherwise to recover damages, to the extent permissible by applicable law, from Lessee for loss or liability incurred by the Authority resulting from the failure by Lessee to surrender the Premises, or for any other reason. Nothing contained in this Subsection shall be construed as consent by Authority to any holding over by Lessee and the Authority expressly reserves the right to require Lessee to surrender possession of the Premises to Authority as provided in this Lease, and to the extent permissible by applicable law, upon the expiration of this Lease.

3. Option to Renew. N/A

4. Rent.

4.1. Past Unpaid Rent. In consideration of this Short-Term Lease, the Lessee agrees to pay the Authority the sum of Twenty-eight Thousand, Four Hundred and Forty-nine dollars and 65/100 (\$28,449.65) according to the terms and conditions of the Installment Note and Agreement for Past Due Obligations attached herewith as Exhibit B.

4.2. Additional Rental. In addition to the Basic Rent, Lessee covenants and agrees that it will be responsible for Additional Rent, which shall include the following components:

4.2.1. Taxes. N/A

4.2.2. Late Charge. If the rental amount due hereunder is not received by the Authority within five (5) days of due date, a late charge of six percent (**6%**) of the total amount due and currently owing, or Seventy-Five Dollars (**\$75.00**), whichever is greater, will be assessed against the Lessee. Failure to pay the rent and the late charge within twenty (20) days shall be grounds for termination of this Lease, solely at the discretion of the Authority, and not as a termination right for Lessee, in addition to recovery of the unpaid rent and the late charge.

4.2.3. Security Deposit. N/A

4.2.4. Keys. All keys issued to Lessee by the Authority must be returned to the Authority by 12:00 P.M., Noon, on the date this Lease expires or is terminated. If all keys are not returned or if Lessee loses a key during the term of the Lease or any extension thereof, a fee will be charged for each key lost and for each building interior and exterior lock change. The charge per key and lock change will be according to the current rates and charges schedule as adopted annually in the Authority's fiscal year budget.

4.3. Rental Renegotiations. N/A

5. Insurance.

5.1. Lessee's Liability Insurance. Lessee shall purchase from and maintain in a company or companies lawfully authorized to do business in the State of Kansas such insurance as will protect Lessee from claims set forth below which may arise out of or result from Lessee's operations and for which Lessee may be legally liable, whether such operations be by Lessee or by its independent contractors or by anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable.

5.1.1. Claims under workers' compensation, disability benefit and other similar employee benefit acts, which are applicable to Lessee's operations;

5.1.2. Claims for damages because of bodily injury, occupational sickness or disease, or death of Lessee's employees;

5.1.3. Claims for damages because of bodily injury, sickness or disease, or death of any person other than Lessee's employees;

5.1.4. Claims for damages insured by usual personal injury liability coverage;

5.1.5. Claims for damages, other than the leased property, because of injury to or destruction of tangible property, including loss of use resulting there from;

- 5.1.6. Claims for damages because of bodily injury including death of a person, or property damage arising out of the ownership, maintenance or use of a motor vehicle;
 - 5.1.7. Claims for bodily injury or property damage arising out of products liability and/or completed operations; and
 - 5.1.8. Claims involving contractual liability insurance applicable to Lessee's obligations under Section 17.1 of this Lease.
- 5.2. The insurance required by Section 5.1 and Section 5.2 shall be written for not less than the limits of liability specified below or as required by law, whichever coverage is greater. Coverages, whether written on an occurrence or claims-made basis, shall be maintained without interruption from date of commencement of this Lease. All insurance policies must be issued by an insurance carrier which has a Best's general policyholder's rating (as published in the most recent issue of Best's Key Rating Guide, Property-Casualty) of not less than A- and a financial size category of V or greater (which equates to an adjusted policyholders' surplus of \$4-\$25 million). Coverage from Lloyd's of London and Industrial Risk Insurance (IRI) is also acceptable only if there is 100% reinsurance with an acceptably rated company. The reinsurance agreement must have a total value (100 percent) assumption of liability endorsement. In addition, reinsurance agreements must have at least 90-days prior notice of cancellation provisions.

5.2.1. Commercial General Liability, which is no more restrictive than ISO Form CG0001 1/96 or any revision thereof with minimum limits of liability of:

\$ 2,000,000	General Aggregate
\$ 2,000,000	Products-Completed Operations Aggregate
\$ 1,000,000	Personal & Advertising Injury
\$ 1,000,000	Each Occurrence
\$ 100,000	Fire Damage (Any one fire)
\$ 5,000	Medical Expense (Any one person)

The policy shall be endorsed to provide the required limits on a "per location" basis.

- 5.2.2. Comprehensive Auto Liability for owned, non-owned and hired vehicles with combined single limits of liability of \$1,000,000 per occurrence.
- 5.2.3. Workers' Compensation with statutory limits.

5.2.4. Employer's Liability coverage with limits of at least:

\$ 500,000	Each Accident
\$ 500,000	Disease-Policy Limit
\$ 500,000	Disease-Each Employee

5.2.5. Commercial Umbrella / Excess Liability providing excess coverage with limits no less than \$5,000,000 each occurrence / \$5,000,000 annual aggregate.

5.2.6. such other coverage as is appropriate to the operations of Lessee's business, e.g., hangarkeeper's legal liability, pollution liability, etc.

5.3. Certificates of Insurance acceptable to the Authority shall be filed with the Authority prior to commencement of this Lease. These certificates and the insurance policies required by this Section 5 shall contain a provision that coverages afforded under the policies will not be canceled or allowed to expire until at least 30 days' prior written notice has been given to the Authority. Information concerning reduction of coverage on account of revised limits or claims paid under the General Aggregate, or both, shall be furnished by Lessee with reasonable promptness in accordance with Lessee's information and belief.

5.4. Lessee agrees that its insurance policies will be amended to be primary without right of contribution from the Authority or its insurance policies, that Lessee's insurance policies will be amended to state that its insurer agrees to waive its right of subrogation against the Authority and that the above insurances will not be invalidated for the Authority by any action, inaction or negligence of the insured. All amounts of claims, losses or damages resulting from deductible clauses or self-insured retentions shall be for the account of the Lessee.

5.5. Lessee agrees that all liability policies, except workers' compensation, will be amended to name the Authority, its subsidiaries, parent, affiliates, executive officers, directors and employees as additional insureds.

5.6. All independent contractors hired by Lessee will be held to the same insurance requirements as the Lessee. The Authority will be named as an additional insured on independent contractors' policies, and Lessee will provide the Authority, upon request, with copies of such independent contractors' Certificates of Insurance.

5.7. The requirement of Lessee to purchase and maintain insurance shall not, in any manner, limit or qualify the liabilities and obligations otherwise assumed by Lessee under this Lease.

5.8. Claims Made Insurance

5.8.1. Lessee shall, to the extent reasonably possible, obtain the liability insurance required hereunder on an occurrence basis. If any insurance required herein is to be issued or renewed on a claims made basis, the retroactive date of such insurance shall be no later than the commencement date of this Lease and shall provide that in the event of cancellation or non-renewal of the insurance, the discovery period for insurance claims (tail coverage) shall be for a period of not less than two years.

5.9. Authority's Liability Insurance

5.9.1. The Authority shall be responsible for purchasing and maintaining the Authority's usual liability insurance.

5.10. Property Insurance

5.10.1. The Authority shall secure and maintain in force at all times during the term of this Lease or any extensions thereof, Commercial Property Insurance with Special Clause of Loss Perils coverage on the buildings and improvements owned by the Authority which are located on the Premises in an amount of not less than 100% of the full replacement cost of the Improvements, as determined by the Authority on an annual basis, using Boeckh, Marshall/Swift or another comparable commercial building cost estimating guide.

5.10.2. Loss of Use Insurance (rent loss/business income/extra expense).

5.10.2.1. The Authority, at the Authority's option, may purchase and maintain such insurance as will insure the Authority's property due to fire or other hazards, however caused, and the cost thereof shall be paid by the Authority. The Authority waives all rights of action against Lessee for loss of use of the Authority's property, including consequential losses due to fire, theft or other hazards however caused.

5.10.2.2. Lessee, at Lessee's option, may purchase and maintain such insurance as will insure Lessee against loss of use of the Leased Premises due to fire or other hazards, however caused, and the cost thereof shall be paid by Lessee. Lessee waives all rights of action against the Authority for loss of use of the leased Premises, including consequential losses due to fire, theft or other hazards however caused.

5.10.3. Waivers of Subrogation. The Authority and Lessee waive all rights against each other, for damages caused by fire or other causes of loss to the extent covered by property insurance required pursuant to this Section 5.10 or other property insurance applicable to the leased Premises, except such rights as

they have to the proceeds of such insurance held by Lessee as fiduciary. The policies shall provide such waivers of subrogation by endorsement or otherwise. A waiver of subrogation shall be effective as to a person or entity even though (1) that person or entity would otherwise have a duty of indemnification, contractual or otherwise, (2) did not pay the insurance premium directly or indirectly, (3) and whether or not the person or entity had an insurable interest in the property damaged.

5.10.4. Any loss to the Leasehold covered by the property policy required in this Section 5.10 shall be adjusted by Lessee as fiduciary and made payable to the Authority.

5.10.5. Payment of Premiums. In the event of a failure by Lessee to secure such insurance or to pay the premiums thereon, the Authority shall have the right and privilege to secure such insurance or pay the premiums thereon, which amount shall be deemed so much additional rental and shall be due and payable with the next installment of rent thereafter.

6. Use of Premises. Lessee agrees to use the Premises for the sole purpose of completing the industrial recycling activities necessary to vacate the Premises. All activities will comply with SLN Airport Rules and Regulations and all other applicable law or regulations.

6.1. Lessee agrees that the Premises shall not be used or occupied for any purpose that constitutes a nuisance or may be objectionable to adjacent property; that it will not allow the escape from the Premises of any fumes, odors, smoke, obnoxious gas, gases or other substances which are offensive or which constitute a nuisance or interfere with the conduct of other business in the area. Lessee will provide adequate devices to control excessive noise, vibrations or electromagnetic emissions.

7. Environmental Concerns. The parties acknowledge that no tests have been conducted on the Premises to ascertain whether the soil may be contaminated by any hydrocarbons or other hazardous substances. If either party desires an environmental review of the Premises then the Authority and the Lessee agree that they will jointly contract for an environmental review of the Premises to ascertain whether the soil may be contaminated by any hydrocarbon or other hazardous substances. The tests shall be conducted by a reliable and competent engineering firm mutually acceptable to both parties. The cost of the environmental soil survey shall be shared equally by the parties. A copy of the report shall be attached to the Lease and made a part of thereof by reference. Either of the parties hereto may request an environmental review of the Premises at the termination of the Lease and the cost thereof shall be shared by the parties.

7.1. Authority's Responsibility. The Authority shall be responsible for the cleanup and removal of any hazardous substances or materials which are determined to have

been present on the Premises prior to September 20, 2017. Authority agrees to hold Lessee harmless from and against all claims, expenses, loss or liability arising from the presence of any such contamination which occurred prior to September 20, 2017, and which is identified by the environmental review contemplated by this section.

7.2. Lessee's Responsibility. The Lessee shall be responsible for the cleanup and removal of any hazardous substances or materials located on the Premises as identified by an environmental review, which are determined to have occurred after September 20, 2017. Lessee shall indemnify and hold the Authority harmless from and against all claims, expenses, loss, or liability arising from any such contamination, which occurred on the Premises and after September 20, 2017, while the Lessee was occupying the Premises.

7.3. Lessee also agrees to comply with all storm water and waste collection requirements of any federal, state or local governmental laws, rules and regulations.

8. Improvements to Premises. N/A

9. Ownership of Fixtures. It is understood and agreed by and between the parties hereto that any fixtures attached to the Premises or placed on or about Premises by Lessee shall be considered personal property and shall remain the property of the Lessee, who shall have the right to remove the same from the Premises upon the expiration of this Lease so long as such removal does not impair the structural feature of the improvements presently on the Premises. Provided, however, in the event of termination of this Lease due to a breach of covenant by the Lessee, then all fixtures and improvements shall become the property of the Authority and may not be removed from the Premises.

10. Removal of Fixtures. On or before the date of expiration or termination of this Lease, or any extension thereof, the Lessee shall vacate the Premises, remove its personal property and movable fixtures therefrom and restore the Premises to as good an order and condition as that existing upon the commencement of the term of this Lease, damages beyond the control of the Lessee and due to normal wear and tear excepted. If, however, the Lessee fails to remove the personal property and movable fixtures and/or to restore the Premises to substantially the same condition as existed at commencement of the Lease, then the Authority may remove the personal property and movable fixtures and restore the Premises and may retain the fixtures until such time as Lessee reimburses the Authority for all its expenses connected therewith.

11. Default.

11.1. Lessee shall be in default of this Lease if it:

- 11.1.1. Fails to pay the Basic Rent or Additional Rental when due or to comply with any substantial term, condition or covenant of this Lease within ten (10) days after written notice;
- 11.1.2. Abandons or surrenders the Premises or the leasehold estate;
- 11.1.3. Attempts to assign or sublease the Premises other than in accordance with the terms of the Lease;
- 11.1.4. Is adjudicated bankrupt or insolvent, makes a general assignment for the benefit of creditors takes the benefit of any insolvency act, or is unable to meet its obligations as they become due; or
- 11.1.5. Violates any of the other terms and conditions of this Lease.

11.2. In the event of default by Lessee, the Authority shall have the following cumulative remedies:

- 11.2.1. Terminate the Lease;
- 11.2.2. Reenter and repossess the Premises;
- 11.2.3. Relet the Premises or any part thereof;
- 11.2.4. Accelerate and collect rentals remaining to be paid under the Lease;
- 11.2.5. Collect from Lessee the unamortized portion of any broker fees payable by the Authority to Compro Realty as a result of the Authority and Lessee entering into this Lease.
- 11.2.6. Seize and hold Lessee's onsite property for the satisfaction of the deficiency;
- 11.2.7. Bring a suit for damages against Lessee; or
- 11.2.8. Pursue any other remedy available to the Authority under Kansas law.

12. Waiver. Waiver by the Authority of any breach of this Lease shall not be construed as a continuing waiver of a subsequent breach nor imply further indulgence.

- 12.1. In the event legal action must be taken because of the breach of any agreement or obligation contained in this Lease on the part of the Lessee or Authority to be kept or performed, and a breach shall be established, the prevailing party shall be entitled to recover all expenses incurred thereof, including reasonably attorney fees.

13. Repairs to Improvements on Premises. N/A

14. Utilities. The Lessee shall, at its own expense, obtain and pay for all electricity, water, gas, sewer use fees, or other utilities used by Lessee during the term of this Lease.

15. Liens. The Lessee shall pay, satisfy and discharge all liens and obligations of any nature and kind whatsoever created by or the obligations of the Lessee which shall attach to or be imposed upon the Premises and shall indemnify, save and hold harmless the Authority from such payment and from all resulting damages and expenses.

16. Assignment of Lease. The Lessee shall not assign this Lease or any interest therein and shall not sublet the Premises or any part thereof, or allow any person to occupy or use the Premises or any portion thereof, without the prior written consent of the Authority. A consent to one assignment or subletting for use by any other person shall not be deemed to be a consent to any subsequent assignment.

17. Indemnification and Hold Harmless.

17.1. To the fullest extent permitted by law, the Lessee shall indemnify and hold harmless the Authority, its affiliates and its officers, directors, employees, agents, representatives, guests and invitees (“Authority Indemnitees”) from and against all claims, damages, losses, liabilities, fines, penalties, costs, and expenses (including attorney’s fees, consultant costs, environmental investigation, remedial or removal costs and natural resource damages) arising out of, relating to or resulting from (i) Lessee’s occupancy and or use of the Premises; (ii) any breach of this Lease by the Lessee; (iii) any leak, spill or other release or disposal of or exposure to (A) any goods while being transported or delivered by Lessee or (B) any other materials, substances or chemicals that Lessee or any of its independent contractors bring onto the Premises; and/or (iv) the acts, omissions, negligence or willful misconduct of any persons used or employed directly or indirectly by the Lessee or any independent contractor. The indemnification obligations under this Subparagraph shall not be limited in any way by the limits of any insurance coverage or limitations on the amount or type of damages, compensation or benefits payable by, for or to the Lessee, any independent contractor, or any other person under any insurance policy, worker’s compensation acts, disability acts or other employee benefit acts.

17.2. In claims against any person or entity indemnified under this Section 17 by an employee of Lessee, an independent contractor of the Lessee’s, or anyone directly or indirectly employed by them or anyone for whose acts they may be liable, the indemnification obligation under Section 17.1 shall not be limited by limitation or amount or type of damages, compensation or benefits payable by or for Lessee, or an independent contractor under workers’ compensation acts, disability benefit acts or other employee benefit acts.

18. Inspection of Premises. The Lessee agrees that the Authority, the Federal Aviation Administration, or its agents may, at all reasonable times, have free access to the Premises for the purpose of examining or inspecting the condition of the Premises and any improvements thereon, or exercising any right or power reserved to the Authority or Federal Aviation Administration under the terms and provisions of this agreement.

19. Notices. All notices to be given pursuant to this Lease shall be addressed to the parties as follows:

Authority Salina Airport Authority
Salina Airport Terminal Building
3237 Arnold
Salina, KS 67401

Lessee Mr. Joe Borges
AAL Organic Matters, LLC
975 CR 356
Dublin, TX 76446

20. Damage by Casualty.

20.1. If the Premises are destroyed or damaged by fire or other casualty, the Lessee may, at its sole option terminate this Lease. If this Lease is so cancelled, rent shall be paid only to the date of cancellation and the Lessee shall surrender the Premises to the Authority after being allowed a reasonable time to locate a substitute site, remove its personal property and otherwise conclude its affairs at the Premises

20.2. If the Lessee does not elect to terminate this Lease in case of destruction or damage by casualty, this Lease shall continue in full force and effect and the Authority shall restore the Premises to at least its previous condition, and to Lessee's satisfaction, within a reasonable time. For that purpose, the Authority and its agents and contractors may enter the Premises. Rent shall totally abate during the period of such restoration. The Authority's obligation to restore the Premises shall be absolute, and shall not be limited by the amount of available insurance proceeds.

21. General Clauses.

21.1. The Lessee shall comply with all applicable laws, ordinances and regulations of the state, county and municipality in which the Premises are located with regard to construction, sanitation, licenses or permits to do business and all other matters.

21.2. The Lessee shall pay to the proper governmental agencies and as they become due and payable, all taxes, assessments, and similar charges, which at any time during the term of this Lease may be taxed, except those which the Authority has in this Lease agreed to pay.

21.3. Any property of the Authority damaged or destroyed by the Lessee, incident to the Lessee's use and occupation of the Premises, shall be promptly repaired or replaced by the Lessee to the satisfaction of the Authority or in lieu of repair or replacement, the Lessee shall, if so required by the Authority, pay to the Authority

money in the amount sufficient to compensate for the loss sustained by the Authority by reason of damage or destruction of the property.

- 21.4. The Lessee acknowledges that it has inspected and knows the condition of the Premises and it is understood that the Premises is leased without any representation or warranty by the Authority whatsoever and without obligation on the part of the Authority to make any alterations, repairs, or additions to the Premises.
- 21.5. The Lessee shall not use, or permit to be used, any portion of the Premises under its control for signs, billboards, or displays, other than those connected with its own operations on the Premises. Advertising signs must be located on the buildings on the Premises and shall not contain more than 120 square feet in the area. Flashing or illuminated signs in which the light is not maintained constant and stationary in intensity and color are prohibited.
- 21.6. All loading docks for buildings or warehouses located on the Premises shall be maintained only on the side or rear of the building or warehouse.
- 21.7. The Lessee shall not be the agent of the Authority in making repairs or other improvements to the Premises and no materialman's liens or claims thereunder shall be valid against the Authority or against the interest of the Authority in the Premises.
- 21.8. All materials, supplies, or equipment stored outside of the buildings located on the Premises shall be stored in an orderly manner so as not to create a nuisance or fire hazard and shall be in compliance with all applicable governmental regulations.
- 21.9. The Lessee must at all times keep the Premises and buildings in a safe, clean, wholesome condition and comply in all respects with all government, health, and police requirements. The Lessee will remove at its own expense any rubbish which may accumulate on the property.
- 21.10. The Lessee shall be responsible for snow removal on the Premises as required by Lessee's occupancy and shall keep unpaved areas grassed and landscaped to present a pleasing appearance. Such grass and landscaping shall be kept reasonably mowed and trimmed.
- 21.11. The Authority 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 air navigational facilities of the Airport, together with the right to direct and control all activities of the Lessee in this regard.
- 21.12. The Authority reserves the right to further develop or improve the landing area and all publicly-owned air navigation facilities of the Airport as it sees fit, regardless of the desires or view of Lessee, and without interference or hindrance.

- 21.13. The Authority reserves the right to take any action it considers necessary to protect the aerial approaches of the Airport against obstruction, together with the right to prevent Lessee from erecting, or permitting to be erected, any building or other structure on the Airport which in the opinion of the Authority would limit the usefulness of the Airport or constitute a hazard to aircraft.
- 21.14. During time of war or national emergency the Authority 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 area or facilities of the Airport. If any such agreement is executed, the provisions of this Lease, insofar as they are inconsistent with the provisions of the agreement with the Government, shall be suspended.
- 21.15. It is understood and agreed that the rights granted by this Lease will not be exercised in such a way to interfere with or adversely affect the use, operation, maintenance, or development of the Airport.
- 21.16. There is hereby reserved to the Authority, its successors and assigns, for the use and benefit of the public, a free and unrestricted right of flight for the passage of aircraft in the airspace above the surface of the Premises together with the right to cause in the airspace such noise as may be inherent in the operation of aircraft, now known or hereafter used for navigation of or flight in the air, using the airspace or landing at, taking off from, or operating on or about the Airport.
- 21.17. This Lease shall be subordinate to provisions of any existing or future agreement between the Authority and the United States of America or any agency thereof relative to the operation, development or maintenance of the Airport, the execution of which has been or may be required as a condition precedent to the expenditure of federal funds for the development of the Airport.
- 21.18. If Lessee defaults in its payment of rent or fails to substantially comply with any of the other items of this Lease then, if requested by the Authority, the Lessee agrees to provide the Authority with a financial statement covering Lessee's latest fiscal or calendar year, which financial statement shall be in such form as accurately discloses the assets, liabilities, and net worth of the Lessee. If, in the opinion of the Authority, the financial statement provided is incomplete or fails to accurately indicate the financial condition of the Lessee, the Lessee agrees to provide the Authority such further financial information as the Authority may in writing request.

22. Nondiscrimination Assurances.

- 22.1. The Lessee, for itself, its personal representatives, successors in interest, and assigns, as a part of the consideration hereof, covenant's and agrees as a covenant running with the land that in the event facilities are constructed, maintained, or

otherwise operated on the Premises, for a purpose for which a Department of Transportation program or activity is extended or for another purpose involving the provision of similar services or benefits, the Lessee shall maintain and operate such facilities or benefits and services in compliance with all other requirements imposed pursuant to 49 CFR, Part 21, Nondiscrimination in Federally Assisted Programs of the Department of Transportation, and as the regulations may be amended.

22.2. The Lessee, for itself, its personal representatives, successors in interest, and assigns, as a part of the consideration hereof, covenants and agrees as a covenant running with the land that (i) no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of the facilities; (ii) that in construction of any improvements on, over or under such land and the furnishing of services thereon, no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination; and (iii) that the Lessee shall use the Premises in compliance with all other requirements imposed by or pursuant to 49 CFR, Part 21, Nondiscrimination in Federally Assisted Programs of the Department of Transportation, and as the regulations may be amended.

22.3. The Lessee assures that it will undertake an affirmative action program as required by 14 CFR, Part 152, Subpart E, to insure that no person shall on the grounds of race, creed, color, national origin or sex be excluded from participation in any employment activities covered in 14 CFR, Part 152, Subpart E. The Lessee assures that no person shall be excluded on these grounds from participating in or receiving the services or benefits of any program or activity covered by this subpart. The Lessee assures that it will require that its covered sub organizations provide assurances to the Lessee that they similarly will undertake affirmative action programs and that they will require assurances from their sub organizations, as required by 14 CFR, Part 152, Subpart E, to the same effect.

22.4. It is understood and agreed that nothing herein contained shall be construed to grant or authorize the granting of an exclusive right within the meaning of Section 308 of the Federal Aviation Act of 1958.

22.5. The 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 the Lessee may make reasonable and nondiscriminatory discounts, rebates or other similar types of price reductions to volume purchasers.

23. Binding Effect. This Lease shall be binding upon the heirs, beneficiaries, personal representatives, successors, and assigns of the Authority and the Lessee.

The Authority and the Lessee have each caused this Lease to be executed by its duly authorized officers on the date shown.

SALINA AIRPORT AUTHORITY

Date _____

By: _____
Brian Weisel
Chairman of Board of Directors

ATTEST

Date _____

By: _____
Alan Eichelberger
Secretary of the Board of Directors

AAL ORGANIC MATTERS, LLC

Date _____

By: _____
Joe M. Borges, Managing Member

PERSONAL GUARANTY

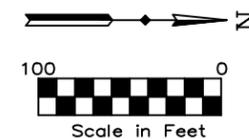
The undersigned, Joe M. Borges, personally, in consideration for the Authority entering into the above Lease Agreement with the Lessee, irrevocably and unconditionally guarantees Lessee's performance of all obligations due or to become due under the Lease Agreement for the Term and any extensions thereof.

Date _____

Joe M. Borges



Lease Area Site Map
Area = 2.54 Acres



Drawing Number 2560-02-19



3237 ARNOLD, SALINA, KS 67401
(785-827-3914 FAX: 785-827-2221)
None : REVISIONS
KRB : DESIGNED BY
KRB : DRAWN BY
1" = 100' : SCALE
2/19/19, 1105 : DATE

INSTALLMENT NOTE AND AGREEMENT FOR PAST DUE OBLIGATIONS

This Installment Note and Agreement for Past Due Obligations (the “Installment Note”) is made this ___ day of February 2019 among **AAL ORGANIC MATTERS, LLC.**, a Limited Liability Company, authorized to do business in Kansas, with principal offices located at 975 CR 356, Dublin, Texas, (“Lessee”), **JOE M. BORGES** (“Guarantor”), and the **SALINA AIRPORT AUTHORITY**, a Kansas public corporation, of Salina, Saline County, Kansas (the “Authority”).

Lessee, Guarantor, and the Authority acknowledge, promise, and agree:

1. Building No. 713. Pursuant to a Lease Agreement between the Authority and Lessee for Building No. 713, 1935 Beechcraft Road, Salina, KS dated September 20, 2017 (the “Lease”) unpaid rent in the amount of \$12,490 and unamortized broker fees in the amount of \$7,459.65 are owed to the Authority.

2. Building No. 724. Pursuant to a Letter of Agreement between the Authority and Lessee for use of Building No. 724, 1910 Beechcraft Road, Salina, KS dated January 17, 2018 unpaid rent, utility reimbursement, and finance charges in the amount of \$8,500 are owed to the Authority.

3. Short-term Lease of Building No. 713. Lessee and Guarantor have requested and, as partial consideration for Lessee’s and Guarantor’s commitments to pay their joint and several obligation for the amounts due the Authority totaling \$28,449.65 pursuant to this Installment Note, the Authority has authorized Lessee to remove its property and leave Building No. 713 by no later than April 15, 2019 pursuant to a February 2019 Short-Term Lease for the Relinquishment of Possession (the “Short-Term Lease”) between the Authority and the Lessee. Lessee’s damage deposit on account with the Authority in the amount of \$4,675 will be re-designated as the damage deposit under the Short-Term Lease. Lessee agrees to fulfill its obligations under the Short-Term Lease, including but not limited to, leaving Building No. 713 on or before April 15, 2019 in accordance with the terms of the Short-Term Lease.

4. Installment note. Lessee and Guarantor jointly and severally promise to pay the amount of **\$28,449.65** to the Authority, payable to the Salina Airport Authority at 3237 Arnold Ave. Salina, KS 67401 according to the following payment schedule:

Payment Due Date	Amount
Upon execution of agreement	\$3,556.21
March 15, 2019	\$3,556.21
April 15, 2019	\$3,556.21
May 15, 2019	\$3,556.21
June 14, 2019	\$3,556.21
July 15, 2019	\$3,556.20
August 15, 2019	\$3,556.20
September 15, 2019	\$3,556.20
Total Basic Rent	\$28,449.65

5. Retention of Rights under the Lease. The Authority retains its rights and remedies pursuant to the Lease pending full and timely performance of Lessee's obligations under the Short-Term Lease and full and timely payment by Lessee and Guarantor of their joint and several obligations under this Installment Note, during which Lessee shall forbear from pursuing any other remedies. Upon full and complete performance of Lessee's and Guarantor's obligations under the Short-Term Lease and this Installment Note, Lessee and Guarantor shall have no further obligation under the Lease.

6. Default–Acceleration of Obligation–Rights under Lease Agreement. Either (a) Lessee's failure to fully and timely perform, without further notice, its obligations under the Short-Term Lease or (b) Lessee's and/or Guarantor's failure, without further notice, to deliver payment of any installment to the Authority at the address stated above by 4:30 p.m. on the payment due date shall constitute default under this Installment Note. In the event of default, (a) the remaining balance due under this Installment Note shall become immediately due and payable and (b) the Authority may exercise, at its option, any of its rights under Section 11.2 of the Lease, including but not limited to acceleration and collection of rentals remaining to be paid under the Lease in the amount of \$274,780.

7. Time of the Essence. Time is of the essence in the performance of the parties' obligations under this Installment Note.

8. Binding Effect. This Note shall be binding upon the heirs, beneficiaries, personal representatives, successors, and assigns of Lessee, Guarantor, and the Authority.

The Authority and the Lessee have each caused this Installment Note to be executed by its duly authorized officers on the date shown.

SALINA AIRPORT AUTHORITY

Date _____

By: _____
Brian Weisel
Chairman of the Board of Directors

ATTEST

Date _____

By: _____
Alan Eichelberger
Secretary of the Board of Directors

AAL ORGANIC MATTERS, LLC (Lessee)

Date _____

By: _____
Joe M. Borges, Managing Member

JOE M. BORGES (Guarantor)

Date _____

By: _____
Joe M. Borges, individually as Guarantor

ACKNOWLEDGEMENTS

STATE OF KANSAS, COUNTY OF SALINE, ss:

Subscribed and sworn to before me this _____ day of February, by Brian Weisel as Chairman of the Board of Directors and by Alan Eichelberger as Secretary of the Board of Directors of the Salina Airport Authority.

Notary Public

STATE OF TEXAS, COUNTY OF _____, ss:

Subscribed and sworn to before me this _____ day of February, by Joe M. Borges, individually as Guarantor and as Managing Member of AAL Organic Matters, LLC.

Notary Public