TOWN OF ADDISON®

Post Office Box 9010 Addison, Texas 75001-9010 5300 Belt Line Road (972) 450-7000
FAX (972) 450-7043

Addison 50!
50 YEARS OF FUN!

# AGENDA

## REGULAR MEETING OF THE CITY COUNCIL

**AUGUST 24, 2004**

**6:00 P.M.**

**WORK SESSION**

**TOWN HALL CONFERENCE ROOM**

**7:30 P.M.**

**REGULAR MEETING**

**COUNCIL CHAMBERS**

**5300 BELT LINE ROAD**

---

## WORK SESSION

---

Item #WS1 – Presentation of Utility and Airport Fund.

---

Item #WS2 – Presentation and Overview of Addison's 2020 Vision Process.

---

## REGULAR SESSION

---

Item #R1 – Consideration of Old Business

---

Item #R2 – Consent Agenda

---

## CONSENT AGENDA

| | |
|---|---|
| #2a – | Approval of the Minutes for the August 10, 2004 Council Meeting. |
| #2b – | Consideration of approval of a purchase in the amount of $26,679.28 to Houston-Galveston Area Council (HGAC) for an Outdoor 160KW Diesel Generator Set and Automatic Transfer Switch for the Addison Airport Lighting System. |
| #2c – | Consideration of approval of award of bid and a Resolution authorizing the City Manager to enter into a contract in the amount of $34,965.00 with Fitco for the purchase of seven (7) treadmills for the Addison Athletic Club. |
| #2d -- | Ratification of Fuel Tank Lease Settlement Agreement (Addison Airport) between the Town of Addison, Texas and Ray Stern, R. Stern Holdings Limited Partnership, Stern Air, Inc., and R. Stern F.B.O. Limited Partnership |

Item #R3 – Presentation of Recreation Management 2004 Design Award for the Addison Athletic Club Expansion and Outdoor Leisure Pool project.

Attachments:

1. Council Agenda Item Overview
2. Recreation Management Article

---

Item #R4 – Appointment of members to the Addison Visioning Committee.

Attachment:

1. Member list

---

Item #R5 – Consideration of approval of members to the 2004-2005 class of Leadership Metrocrest.

---

Item #R6 – **PUBLIC HEARING** and consideration of an Ordinance for regulating the fees that may be charged for non-consent tows within the Town of Addison by Tow Truck Service Companies.

Attachments:

1. Council Agenda Item Overview
2. Ordinance
3. Spread Sheet
4. Letter from Virginia Jameson
5. Memorandum from Joey Coates

Administrative Recommendation:

Administration recommends approval.

---

Item #R7 – Consideration of a Resolution approving an agreement with RD&F Advertising to produce the 2005 Addison calendar and authorizing the City Manager to execute the Agreement.

Attachments:

1. Council Agenda Item Overview
2. Resolution

Administrative Recommendation:

Administration recommends approval.

---

Item #R8 – Consideration of approval and a Resolution authorizing the City Manager to enter into an agreement in the amount of $91,325.00 with Secure Control Systems for renovations to the detention facilities mechanical systems, door control systems, intercom systems and miscellaneous repairs.

Attachments:

1. Council Agenda Item Overview
2. Memorandum from Ron Davis
3. Agreement

Administrative Recommendation:

Administration recommends approval

---

Item #R9 – Consideration of a Resolution terminating and canceling a contract in the amount of $78,048.00 with James Enterprises, Inc. for custodial services for Town Facilities.

Attachments:

1. Council Agenda Item Overview
2. Termination Letter
3. Memorandum from Rob Bourestom
4. Memorandum from Randy Rogers

Administrative Recommendation:

Administration recommends approval.

---

Item #R10 – Consideration of approval of award of bid and a Resolution authorizing the City Manager to enter into a contract in the amount of $84,888.00 with Members Building Services, Inc. for custodial services for Town facilties.

Attachments:

1. Council Agenda Item Overview
2. Bid Sheet

Administrative Recommendation:

Administration recommends approval.

---

Item #R11 – Consideration of approval of the Assumption and Assignment of the Ground Lease between Town of Addison as Landlord and Piedmont/Hawthorne Holdings, Inc., (the Assignor) to Piedmont Hawthorne Aviation, Inc. (the Assignee).

Attachments:

1. Council Agenda Item Overview
2. Memorandum from Lisa Pyles
3. Exhibits

Administrative Recommendation:

Administration recommends approval.

---

Item #R12 – Consideration of Landlord's consent and a Resolution approving a sub-lease by R. Stern F.B.O. Limited Partnership at Addison Airport to FirstAIR ADS Corp.

Attachment:

1. Council Agenda Item Overview
2. Memorandum from Bill Dyer

Administrative Recommendation:

Administration recommends approval.

---

Item #R13 – Consideration of an Ordinance authorizing the issuance and sale of Town of Addison, Texas, General Obligation Bonds, Series 2004 in the aggregate principal amount of $10,695.000.00 and levying a tax for the payment thereof; awarding the sale thereof; approving an official statement; and enacting other provisions relating to the subject.

Attachments:

1. Council Agenda Item Overview
2. Ordinance
3. Preliminary Official Statement

Administrative Recommendation:

Administration recommends approval

---

Item #R14 – Presentation of the Finance Department's Quarterly Review for the quarter ending June 30, 2004.

Attachment:

1. Quarterly Review

---

Adjourn Meeting

---

Posted 5:00 p.m.
August 19, 2004
Carmen Moran
City Secretary

---

**THE TOWN OF ADDISON IS ACCESSIBLE TO PERSONS WITH DISABILITIES. PLEASE CALL (972) 450-2819 AT LEAST 48 HOURS IN ADVANCE IF YOU NEED ASSISTANCE.**

# OFFICIAL ACTIONS OF THE ADDISON CITY COUNCIL

August 10, 2004
7:30 p.m. - Council Chambers
5300 Belt Line Road

Present: Mayor Wheeler, Councilmembers Braun, Chow, Hirsch, Niemann, Silver, Turner
Absent: None

Item #R1 – Consideration of Old Business

The following employees were introduced to the Council: Angie Logan (Visitor Services), Greg Woolf (Fire) and Ricky Smith (Parks).

Lea Dunn, Deputy City Manager announced the Council's Budget Worksession which will be held on Saturday, August 14, 2004 at 8:00 a.m. in the Stone Cottage at the Addison Conference Centre.

Item #R2 – Consent Agenda

Items #2l, #2n and #2p were considered separately.

Item #2a – Approval of the Minutes for the July 27, 2004 Council Meeting. (Approved as written)

Item #2b – Approval of a 9-1-1 billing agreement with Vycera Communications, Inc., which has a Service Provider Certificate of Operating Authority (SPCOA) from the Texas Public Utilities Commission. (Approved)

Item #2c – Approval of a 9-1-1 billing agreement with Randy White Telecommunications, Inc., which has a Service Provider Certificate of Operating Authority (SPCOA) from the Texas Public Utilities Commission. (Approved)

Item #2d – Approval of a 9-1-1 billing agreement with QuickTel Communications, Inc., which has a Service Provider Certificate of Operating Authority (SPCOA) from the Texas Public Utilities Commission. (Approved)

Item #2e – Approval of a 9-1-1 billing agreement with Ermest Communicaitons, Inc., which has a Service Provider Certificate of Operating Authority (SPCOA) from the Texas Public Utilities Commission. (Approved)

Item #2f – Approval of a 9-1-1 billing agreement with LightCore, A CenturyTel Company, which has a Service Provider Certificate of Operating Authority (SPCOA) from the Texas Public Utilities Commission. (Approved)

Item #2g – Approval of a 9-1-1 billing agreement with Buy-Tel Communications, Inc., which has a Service Provider Certificate of Operating Authority (SPCOA) from the Texas Public Utilities Commission. (Approved)

Item #2h – Approval of a 9-1-1 billing agreement with New Access Communications, which has a Service Provider Certificate of Operating Authority (SPCOA) from the Texas Public Utilities Commission. (Approved)

Item #2i – Consideration of approval and a Resolution authorizing the City Manaer to enter into an interlocal agreement with the U.S. Communities Government Purchasing Alliance for an efficient and cost effective procurement process. (Approved) (R04-054)

Item #2j – Consideration of approval of Office Depot as the Town's supplier of office supplies through the U.S. Communities Government Purchasing Alliance. (Approved)

Item #2k – Consideration of approval of construction and authorization of final payment in the amount of $2,086.50 to Illumininations by Greenlee for the completion of the landscape lighting in the Oaks North subdivision common areas. (Approved)

Item #2m – Consideration of approval of construction and authorizationof final payment in the amount of $24,375.22 to Jim Bowman Construction Company, L.P., for the Airport Parkway Realignment. (Approved)

Item #2o – Consideration of approval of award of bid and Resolution authorizing the City Manager to enter into a contract in the amount of $67,724.50 with Insituform Technologies for the trenchless internal lining of sanitary sewers along Westgrove Drive from Addison Road to Dallas Parkway. (Approved) (R04-057)

Councilmember Chow moved to duly approve the above listed items. Councilmember Turner seconded. The motion carried.

Voting Aye: Wheeler, Braun, Chow, Hirsch, Niemann, Silver, Turner
Voting Nay: None
Absent: None

Item #2l – Consideration of a Resolution approving the amendment of a contract in an amount not to exceed $30,000.00 with DCC Inc. for display fountain and waterfall pumping system maintenance.

Councilmember Silver moved to duly pass Resolution No. R04-055 approving the amendment of a contract in an amount not to exceed $30,000.00 with DCC Inc. for display fountain and waterfall pumping system maintenance. Councilmember Turner seconded. The motion carried.

Voting Aye: Wheeler, Braun, Chow, Hirsch, Niemann, Silver, Turner
Voting Nay: None
Absent: None

Item #2n – Consideration of a Resolution approving a Change Order in the amount of $55,049.90 for the construction of Spectrum Drive North/South Extension Project.

Councilmember Silver moved to duly pass Resolution No. R04-056 approving a Change Order in the amount of $55,049.90 for the construction of Spectrum Drive North/South Extension Project. Councilmember NIemann seconded. The motion carried.

Voting Aye: Wheeler, Braun, Chow, Hirsch, Niemann, Silver, Turner
Voting Nay: None
Absent: None

Item #2p – Consideration of a Resolution authorizaing the City Manager to enter into an Interlocal Agreement with the City of Dallas for the design and installation of water main improvements related to the Arapaho Road Phase III project.

Councilmember Silver moved to duly pass Resolution No. R04-058 authorizing the City Manager to enter into an Interlocal Agreement with the City of Dallas for the design and installation of water main improvements related to the Arapaho Road Phase III project. Councilmember Cbow seconded. The motion carried.

Voting Aye: Wheeler, Braun, Chow, Hirsch, Niemann, Silver, Turner
Voting Nay: None
Absent: None

Item #R3 – Presentation of a dedication placard honoring the Korean War Veterans.

A dedication placard was presented to the Town of Addison honoring the Korean War Veterans. Mayor Wheeler accepted the placard.

Item #R4 – Presentation of the Government Finance Officers Association (GFOA) Distinquished Budget Presentation Award to the Town of Addison for the fiscal year beginning October 1, 2003.

Mayor Wheeler presented the Distinquished Budget Presentation Award to Randy Moravec, Finance Director.

Item #R5 – Appointment of Mayor Pro Tempore and Deputy Mayor Pro Tempore.

Mayor Wheeler moved to duly appoint Deputy Mayor Pro Tempore Joe Chow as Mayor Pro Tempore and Councilmember Jimmy Niemann as Deputy Mayor Pro Tempore. Councilmember Turner seconded. The motion carried.

Voting Aye: Wheeler, Braun, Chow, Hirsch, Niemann, Silver, Turner
Voting Nay: None
Absent: None

Item #R6 – Appointment of members to the Addison Visioning Committee.

The members to the Addison Visioning Committee are:

| | |
|---|---|
| Mayor Scott Wheeler | Paula Jandura |
| Mayor Pro Tempore Joe Chow | Sharon Kilmartin |
| Deputy Mayor Pro Tempore Jimmy Niemann | Frank Klein |
| Councilmember Tom Braun | Paul Koch |
| Councilmember Greg Hirsch | Virginia Mulkey |
| Councilmember Fredric Silver | Mickey Munir |
| Councilmember Glynda Turner | Dave Oldfield |
| Richard Chamberlain | Mark Sommer |
| Jae Chung | Cathy Ways |
| Ann Crews | Brent Wicker |
| Steve Folsom | Allen Wood |
| Charles Heath | Ron Fredrick |

Voting Aye: Wheeler, Braun, Chow, Hirsch, Niemann, Silver, Turner
Voting Nay: None
Absent: None

Item #R7 – Appointment of members to the 2004-2005 class of Leadership Metrocrest.

Councilmebmer Turner moved to duly appoint Ron Davis, Assistant Chief of Police as a member to the 2004-2005 class Leadership Metrocrest. Councilmember NIemann seconded. The motion carried.

Voting Aye: Wheeler, Braun, Chow, Hirsch, Niemann, Silver, Turner
Voting Nay: None
Absent: None

Item #R8 – **PUBLIC HEARING** and consideration of an Ordinance approving development plans for a bank with drive-through facilities, located in an existing Planned Development district (#459), located at 4100 Belt Line Road, on application from Washington Mutual, represented by Mr. Jason Sheets of Design Forum Architects.

Mayor Wheeler opened the meeting as a public hearing. There were no questions or comments. Mayor Wheeler closed the meeting as a public hearing.

Councilmember Turner moved to duly pass Ordinance No. 004-033 approving development plans for a bank with drive-through facilities, located in an existing Planned Development district (#459), located at 4100 Belt Line Road, on application from Washington Mutual, subject to no conditions. Councilmember Silver seconded. The motion carried.

Voting Aye: Wheeler, Braun, Chow, Hirsch, Niemann, Silver, Turner
Voting Nay: None

Absent: None

Item #R9 – **PUBLIC HEARING** and consideration of an Ordinance approving a Special Use Permit for a restaurant and a Special Use Permit for the sale of alcoholic beverage for on-premises consumption only, located in the Addison Walk Shopping Center at 5000 Belt Line Road, Suite 300, on application from Baker Bros. Deli, represented by Mr. Brian Fletcher.

Mayor Wheeler opened the meeting as a public hearing. There were no questions or comments. Mayor Wheeler closed the meeting as a public hearing.

Councilmember Turner moved to duly pass Ordinance No. 004-034 approving a Special Use Permit for a restaurant and a Special Use Permit for the sale of alcoholic beverage for on-premises consumption only, located in the Addison Walk Shopping Center at 5000 Belt Line Road, Suite 300, on application from Baker Bros. Deli, subject to the following conditions:

1. The landscaping for the site shall be installed and the irrigation system for the site inspected prior to the issuance of a Certificate of Occupancy for this restaurant.

2. The applicant shall not use any terms, including the terms, including the term "bar", "tavern", or any graphic depictions that denote alcoholic beverages in exterior signs.

Councilmemember Chow seconded. The motion carried.

Voting Aye: Wheeler, Braun, Chow, Hirsch, Niemann, Silver, Turner
Voting Nay: None
Absent: None

Item #R10 – **PUBLIC HEARING** and consideration of an Ordinance approving an amendment to an existing Special Use Permit for a restaurant and an existing Special Use Permit for the sale of alcoholic beverage for on-premises consumption only, located at 5000 Belt Line Road, Suite 100, on application from Buffalo Wild Wings, represented by Mr. Joel. D. Rich, Attorney at Law.

Mayor Wheeler opened the meeting as a public hearing. There were no questions or comments. Mayor Wheeler closed the meeting as a public hearing.

Councilmember Turner moved to duly pass Ordinance No. 004-035 appproving an amendment to an existing Special Use Permit for a restaurant and an existing Special Use Permit for the sale of alcoholic beverage for on-premises consumption only, located at 5000 Belt Line Road, Suite 100, on application from Buffalo Wild Wings, subject to no conditions. Councilmemember Silver seconded. The motion carried.

Voting Aye: Wheeler, Braun, Chow, Hirsch, Niemann, Silver, Turner
Voting Nay: None
Absent: None

Item #R11 – **PUBLIC HEARING** and consideration of an Ordinance approving an amendment to an existing Special Use Permit for a restaurant and an existing Special Use Permit for the sale of alcoholic beverage for on-premises consumption only, located at 15175 Quorum Drive, on application from Arthur's Restaurant, represented by Mr. Moshen Heidari.

Mayor Wheeler opened the meeting as a public hearing. There were no questions or comments. Mayor Wheeler closed the meeting as a public hearing.

Councilmember Turner moved to duly pass Ordinance No. 004-036 approving an amendment to an existing Special Use Permit for a restaurant and an existing Special Use Permit for the sale of alcoholic beverage for on-premises consumption only, located at 15175 Quorum Drive, on application from Arthur's Restaurant, subject to the following conditions:

1. The applicant shall finish this new building with the same brick and roofing materials that are on the existing restaurant.

2. Any dead or missing landscaping shall be replaced before a Certificate of Occupancy is issued for the new building.

3. The dumpster enclosures shall be reconstructed out of the same brick as the new building. It shall be large enough to contain all refuse containers, and it shall have a gate on the front. The new dumpster enclosure shall be completed prior to the issuance of a Certificate of Occupancy for the new office building.

4. All mechanical equipment on the new building shall be completedly screened from view. The screening material shall be architecturally compatible to the building, and the Building Official shall make the determination of "architecturally compatible".

Councilmember Chow seconded. The motion carried.

Voting Aye: Wheeler, Braun, Chow, Hirsch, Niemann, Silver, Turner
Voting Nay: None
Absent: None

Item #R12 – Consideration of an Ordinance approving a meritorious exception to Chapter 62, Signs, Section 62-167, Government Sign, on application from Outer Marker, LLC., located at 16101 Addison Road.

Councilmember Hirsch moved to duly approve a meritorious exception to Chapter 62, Signs, Section 62-167, Government Sign, on application from Outer Marker, LLC, for a period of 60 days. Councilmember Chow seconded. The motion failed.
Voting Aye: Chow, Hirsch
Voting Nay: Wheeler, Braun, Niemann, Silver, Turner
Absent: None

Councilmember Niemann moved to deny a meritorious exception to Chapter 62, Signs, Section 62-167, Government Sign, on application from Outer Marker, LLC., located at 16101 Addison Road. Councilmember Braun seconded. The motion carried.

Voting Aye: Wheeler, Braun, Niemann, Silver, Turner
Voting Nay: Chow, Hirsch
Absent: None

Item #R13 – **PUBLIC HEARING** and consideration of an Ordinance for regulating the fees that may be charged for non-consent tows within the Town of Addison by Tow Truck Service Companies.

Mayor Wheeler opened the meeting as a public hearing.

Patrick Malloy of AJ's Wrecker and Virginia Jameson spoke on this item.

There were no further questions or comments. Mayor Wheeler closed the meeting as a public hearing

This item was tabled until the August 24, 2004 Council meeting.

Item #R14 – Consideration of a Resolution authorizing the City Manager to enter into an agreement with Museums+more LLC to assist the Town in conducting a Strategic Assessment of the proposed Cavanaugh Flight Museum development.

Councilmember Turner moved to duly pass Resolution No. R04-059 authorizing the City Manager to enter into an agreement with Museums+more LLC to assist the Town in conducting a Strategic Assessment of the proposed Cavanaugh Flight Museum development. Councilmember Niemann seconded. The motion carried.

Voting Aye: Wheeler, Braun, Chow, Hirsch, Niemann, Silver, Turner
Voting Nay: None
Absent: None

Item #R15 – Consideration of a Resolution of the Town of Addison directing TXU Electric Delivery Company to file certain information with the Town of Addison as set forth herein; setting a procedural schedule for the gathering and review of necessary information in connection therewith; setting dates for the filing of the city's analysis of the company's filing and the company's rebuttal to such analysis; ratifying the hiring of legal counsel and consultants; reserving the right to require the reimbursement of the

city's rate case expenses; setting a public hearing for the purposes of determining if the existing rates of TXU Electric Delivery company are unreasonable or in any way in violation of any provision of law and the determination by the city of just and reasonable rates to be charged by TXU Electric Delivery Company; providing an effective date.

This item was withdrawn by staff.

Item #R16 – Consideration of a Resolution regarding certain matters pertaining to a Ground Lease at 4575 Claire Chennault Drive on Addison Airport between the Town, as Landlord, and Aquila Leasing, Inc. as Tenant (Assignor), and C.C. Hangar, L.P. (Assignee). C.C. Hangar, L.P. requests for Landlord approval of (i) First Amendment to Ground Lease, (ii) Proposed Structural Improvements, and (iii) Creation of a Leasehold Mortgage.

Councilmember Niemann moved to duly pass Resolution No. R04-060 for landlord approval of (i) First Amendment to Ground Lease, (ii) Proposed Structural Improvements, and (iii) Creation of a Leasehold Mortgage. Councilmember Turner seconded. The motion carried.

Voting Aye: Wheeler, Braun, Chow, Hirsch, Niemann, Turner
Voting Nay: None
Absent: None
Abstaining: Silver

Item #R17 – Consideration of award of bid and a Resoltuion authorizing the City Manager to enter into a contract in the amount of $108,565.00 with Texas Standard Construction for the paving repair and storm sewer modifications for the Fuel Truck Roadway.

Councilmember Silver moved to duly pass Resolution No. R04-061 authorizing the City Manager to enter into a contract in the amount of $108,565.00 with Texas Standard Construction for the paving repair and storm sewer modifications for the Fuel Truck Roadway. Councilmember Chow seconded. The motion carried.

Voting Aye: Wheeler, Braun, Chow, Hirsch, Niemann, Silver, Turner
Voting Nay: None
Absent: None

Item #R18 – Consideration of approval and authorization to transfer $177,405.16 from the DART Local Assistance Program/Congestion Management System (LAP/CMS) funds from the Addison Road Widening and Cotton Belt Railroad Quiet Zone projects to the Arapaho Road Phase III and Town Wide Signals Upgrade projects and the Spectrum Drive Project.

Councilmember Turner moved to duly approve and authorize the transfer of $177,405.16 from the DART Local Assistance Program/Congestion Management System (LAP/CMS) funds from the Addison Road Widening and Cotton Belt Railroad

Quiet Zone projects to the Arapaho Road Phase III and Town Wide Signals Upgrade projects and the Spectrum Drive Project. Councilmember Braun seconded. The motion carried.

Voting Aye: Wheeler, Braun, Chow, Hirsch, Niemann, Silver, Turner
Voting Nay: None
Absent: None

Item #R19 – Consideration of a Resolution authorizing the City Manager to enter into a contract in the amount of $168,552.73 with HNTB Corporation for the design and inspection of the resurfacing of Belt Line Road from Dallas Parkway to Marsh Lane.

Councilmember Chow moved to duly pass Resolution No. R04-062 authorizing the City Manager to enter into a contract in the amount of $168,552.73 with HNTB Corporation for the design and inspection of the resurfacing of Belt Line Road from Dallas Parkway to Marsh Lane. Councilmember Niemann seconded. The motion carried.

Voting Aye: Wheeler, Braun, Chow, Hirsch, Niemann, Silver, Turner
Voting Nay: None
Absent: None

Councilmember Niemann was recused from Council Chambers.

Item #R20 – Consideration of a Resolution authorizing the City Manager to enter into an agreement in the amount of $282,948.00 with TXU Electric Delivery for the relocation and installation of electrical services in connection with the extension of Arapaho Road, Phase III.

Councilmember Chow moved to duly pass Resolution No. R04-063 authorizing the City Manager to enter into an agreement in an amount not to exceed $292,948.00 ($10,000.00 in excess of submitted amount) with TXU Electric Delivery for the relocation and installation of electrical services in connection with the extension of Arapaho Road, Phase II, subject to the approval of the City Manager. Councilmember Silver seconded. The motion carried.

Voting Aye: Wheeler, Braun, Chow, Hirsch, Silver, Turner
Voting Nay: None
Absent: None
Abstaining: Niemann

Councilmember Niemann returned to the Council Chambers.

Item #R21 – Consideration of a Resolution authorizing the City Manager to enter into a contract in the amount of $196,534.54 with Kimley-Horn and Associates for professional engineering services for the upgrade of the Town's traffic signal system software, hardware, and communications infrastructure.

Councilmember Silver moved to duly pass Resolution No. R04-064 authorizing the City Manager to enter into a contract in the amount of $196,534.54 with Kimley-Horn and Associates for professional engineering services for the upgrade of the Town's traffic signal system software, hardware, and communications infrastructure.

Voting Aye: Wheeler, Braun, Chow, Hirsch, Niemann, Silver, Turner
Voting Nay: None
Absent: None

Item #R22 – Consideration of a Resolution authorizing the City Manager to enter into a contract in an amount not to exceed $55,964.00 with HNTB Corporation for construction administration and bridge shop drawing review on Arapaho Road, Phase III from Surveyor Boulevard to Addison Road.

Councilmember Turner moved to duly pass Resolution No. R04-065 authorizing the City Manager to enter into a contract in an amount not to exceed $55,964.00 with HNTB Corporation for construction administration and bridge shop drawing review on Arapaho Road, Phase III from Surveyor Boulevard to Addison Road. Councilmember Silver seconded. The motion carried.

Voting Aye: Wheeler, Braun, Chow, Hirsch, Niemann, Silver, Turner
Voting Nay: None
Absent: None

There being no further business before the Council, the meeting was adjourned.

_____
Mayor

Attest:

_____
City Secretary

# Council Agenda Item: #2b

**SUMMARY:**

Council approval is requested for the purchase of (1) Outdoor 160KW Diesel Generator Set and Automatic Transfer Switch for the Addison Airport lighting system under the Town's Inter-local Agreement with the Houston-Galveston Area Council (HGAC).

**FINANCIAL IMPACT:**

| | | |
|---|---|---|
| Airport Fund - | Budgeted Amount: | $30,000.00 |
| | Cost: | $26,679.28 |

**BACKGROUND:**

HGAC issues request for bids for vehicles and equipment every year and receives extremely competitive prices because of the large volume of purchases the council generates. In the past, the prices received from HGAC have been 25% below the manufacturer's suggested prices.

State statute exempts the Town from formal bid requirements when purchasing through the Inter-local Agreement with HGAC.

The Addison Airport airfield lighting system does not have back up power to maintain illumination of the runway, taxiways and miscellaneous lights on the field in the event of a power outage due to storms or incidents. The purchase of this Generator System was approved by the City Council for this fiscal year.

There are sufficient funds in the Airport Fund to cover the recommended expenditure of $26,679.28

**RECOMMENDATION:**

Staff recommends the Council approve the purchase of this equipment from HGAC.

MA

# Council Agenda Item: #2c

**SUMMARY:**

We are recommending that the Council approve the bid totaling $34,965 to Fitco for the purchase of seven (7) treadmills.

**FINANCIAL IMPACT:**

Budgeted Amount: $0

Cost: $34,965

If over budget or not budgeted, what is the budget impact? N/A

When preparing the FY04 budget, this item was inadvertently not included in the recommended plan for the Capital Replacement fund. Funding, however, is available in the Capital Replacement fund, and staff will be recommending a mid-year budget adjustment to address this issue.

**BACKGROUND:**

The attached memorandum from Randy Rogers summarizes the criteria for selecting the treadmills. The existing treadmills are being traded-in and are located in the main building of the Athletic Club. The enclosed brochure shows the Precor C956i treadmill that was bid by Fitco.

**RECOMMENDATION:**

Staff recommends approval.

# Memorandum

**To:** Slade Strickland

**From:** Randy Rogers

**Date:** 8/19/2004

**Re:** Bid 04-26, Treadmill Replacement

---

The purpose of this bid is to replace seven (7) Trackmaster treadmills funded from the Capital Equipment Replacement Fund. Specifications were written with the intent on selecting the most durable, commercial grade treadmills designed to withstand constant use in a busy fitness center environment requiring minimal maintenance. Other selection criteria included overall equipment design, user program features, and user friendliness.

The Precor C956i treadmill, bid by Fitco, was recommended to me by our equipment maintenance vendor, Fitness Service of North Texas, as one of the best treadmills for durability, reliability, parts availability, and excellent warranty response by the manufacturer.

Of the four bids received, the Precor C956i, bid by Fitco, is the only treadmill that meets specifications and satisfies the intent of the bid. The total cost after trade-in is **$34,965**, which is under the budget of **$35,000**.

#2c-3

**DUE: July 6, 2004 @ 2:00PM**

| Bidder | Signed | Each Treadmill | Total (7) Treadmill | Trade-in | Shipping&Handling | Total |
|---|---|---|---|---|---|---|
| Fitco | y | $5,495.00 | $38,465.00 | -$3,500.00 | $0.00 | 34,965.00 |
| | | | | | | |
| | | | | | | |

**Bids received that did not meet specifications: Sourcelinq, The Nautilus Group, Life Fitness**

Minok Suh

Minok Suh, Purchasing Coordinator

Corey Gayden

Corey Gayden, Witness

# ITEM #2d
# IS NOT
# AVAILABLE
# ELECTRONICALLY

# Council Agenda Item: #R3

**SUMMARY:**

Presentation of the Recreation Management 2004 Design Award for the Addison Athletic Club Expansion and Outdoor Leisure Pool project.

**FINANCIAL IMPACT:**

Budgeted Amount: N/A

Cost: N/A

**BACKGROUND:**

Recreation Management, a publication for recreation professionals, selected the Athletic Club Expansion and Outdoor Leisure Pool for a 2004 Innovative Architecture & Design Award. The criteria for selection were based on recreational value, appearance, originality of plan and design, craftsmanship, functional and operational elements, and innovative design.

The Athletic Club Expansion and Leisure Pool opened in June 2003 and was designed by Ron Hobbs Architects and built by AUI Contractors. Associated firms included: Pool Consultant, Councilman Hunsaker & Associates; Construction Manager, Building Solutions; Landscape Architect, David C. Baldwin, Inc.

The Citizen Advisory Committee included: Melissa Buttrey, Larry Cook, Greg Hirsch, Richard Jeffcoat, Jamie Gaines, Bob Gordon, Lauren King, Dave Markel, Janiece Niemann, Sharon Rees, and Bonnie Tyler.

Staff representing this project included: Chris Terry, Assistant City Manager, Slade Strickland, Director of Parks and Recreation, Randy Rogers, Recreation Manager, and Mark Acevedo, Director of General Services.

# ITEM #R3-2
# IS NOT AVAILABLE
# ELECTRONICALLY

#R4-1

# ADDISON VISIONING

## Committee Members

**Mayor**
**Council Member/Appointee (6)**
**Richard Chamberlain**
**Jae Chung**
**Ann Crews**
**Steve Folsom**
**Charles Heath**
**Paula Jandura**
**Sharon Kilmartin**
**Frank Klein**
**Paul Koch**
**Virginia Mulkey**
**Mickey Munir**
**Dave Oldfield**
**Mark Sommer**
**Cathy Ways**
**Brent Wicker**
**Allen Wood**
**Ron Frederick**

# THERE ARE NO ATTACHMENTS FOR ITEM #R5

# Council Agenda Item: #R6

**SUMMARY:**

To consider an ordinance by the Addison City Council establishing regulations governing non-consent tows within the Town of Addison.

**FINANCIAL IMPACT:**
Budgeted Amount: $N/A

Cost: $N/A

**BACKGROUND:**

On occasion, the Town has received complaints from residents and visitors regarding their unpleasant experience in retrieving their personal vehicle through a non-consent tow. There are three basic complaints that are routinely received by the Town: 1) the high prices without reasonable explanation by the towing company; 2) the excessive distance to the impound lot to retrieve the vehicle; 3) the requirement of the towing company to accept cash only for payment to retrieve the impounded vehicle.

As a result, staff along with the City Attorney's Office, researched municipalities' abilities in regulating non-consent towing. Staff conducted an informal survey (attached) of the pricing from area towing companies. The results demonstrate a wide range and inconsistency for miscellaneous and towing fees while the state of Texas regulates impound and storage fees.

Based on this information, the City Attorney's Office drafted an ordinance that states the maximum fee for a non-consent tow, sets a maximum distance to the impound lot, and allows for credit card payments. All of these requirements were modeled from ordinances from various cities including the City of Dallas.

At August 10 City Council meeting, the Council held this item under advisement to obtain additional information regarding state regulation and information concerning the location of existing tow truck service companies, and to consider imposing additional regulations not currently reflected in the proposed ordinance.

**RECOMMENDATION:**

Staff recommends that Council approve the proposed ordinance.

**TOWN OF ADDISON, TEXAS**

**ORDINANCE NO. _____**

**AN ORDINANCE OF THE TOWN OF ADDISON, TEXAS AMENDING CHAPTER 22, "BUSINESSES," OF THE TOWN OF ADDISON CODE OF ORDINANCES, BY ADDING A NEW ARTICLE VI, "TOW TRUCK SERVICES," REGULATING THE FEE THAT MAY BE CHARGED FOR NON-CONSENT TOWS; REQUIRING THAT NON-CONSENT TOW VEHICLES BE TAKEN TO A FACILITY THAT IS LOCATED NO MORE THAN 15 MILES FROM THE LOCATION FROM WHICH THE VEHICLE IS TOWED; REGULATING THE FORM OF PAYMENT THAT CAN BE REQUIRED FOR A NON-CONSENT TOW; ESTABLISHING OTHER APPROPRIATE REGULATIONS; PROVIDING A PENALTY OF $500; PROVIDING A SAVINGS CLAUSE; PROVIDING A SEVERABILITY CLAUSE; AND PROVIDING AN EFFECTIVE DATE.**

**WHEREAS,** the city council of the Town of Addison has determined that it is in the pubic interest to exercise its authority to establish certain regulations governing tow truck services pursuant to Chapters 643 and 684 of the Texas Transportation Code, and the Town's general police power as a home-rule municipality; Now, Therefore,

**BE IT ORDAINED BY THE CITY COUNCIL OF THE TOWN OF ADDISON, TEXAS:**

**Section 1.** That Chapter 22, "Businesses," of the Town of Addison Code of Ordinances is amended by adding a new Article VI to read as follows:

**"ARTICLE VI. TOW TRUCK SERVICES**

**Sec. 22-202. Purpose.**

The purpose of this article is:

(1) to assure the rights of property owners to have unattended and unwanted motor vehicles removed from their property;

(2) to assure the rights of towing companies to collect a fair fee for service; and

(3) to assure the rights of vehicle owners to obtain expeditious recovery of their vehicles for a fair fee.

**Sec. 22-203. Definitions.**

The following words, terms and phrases, when used in this article, shall have the meanings ascribed to them in this section, except where the context clearly indicates a different meaning:

*Consent tow* means any tow of a motor vehicle initiated by the owner or operator of the vehicle or by a person who has possession, custody, or control of the vehicle. The term does not include a tow of a motor vehicle initiated by a peace officer investigating a traffic accident or a traffic incident that involves the vehicle.

*Non-consent tow* means any tow of a motor vehicle that is not a consent tow.

*Vehicle storage facility* means a facility operated by a person licensed under Chapter 2303, Texas Occupations Code.

**Sec. 22-204. Maximum Fee for Non-Consent Tow.**

(a) The maximum fee that may be charged for a Non-consent tow, whether a tilt-bed wrecker or a conventional wrecker is used, is:

(1) $95.00 for a vehicle with a manufacturer's gross vehicle weight rating of not more than 10,000 pounds;

(2) $150.00 for a vehicle with a manufacturer's gross vehicle weight rating of more than 10,000 pounds but not more than 26,000 pounds; and

(3) $350.00 for a vehicle with a manufacturer's gross vehicle weight rating of more than 26,000 pounds.

(b) No additional fee may be charged for linkage of a vehicle prior to the tow or for the use of dollies, go-jacks or similar equipment.

(c) No additional fee may be charged for post-towing restoration of a vehicle to its owner.

**Sec. 22-205. Fee Study.**

(a) The operator or owner of a towing company or tow truck services business may request that a towing fee study be performed to determine if the fees established by this article represent the fair value of the services.

(b) A company or business requesting a fee study shall provide to the Town financial or accounting information related to tow services. Such information shall be verified as required by the Town.

(c) The city council shall amend the allowable fees for non-consent tows at amounts that represent the fair value of the services of such companies and are reasonably related to any financial or accounting information provided to the council.

(d) A fee study shall not be required if such a study has been performed within the preceding 24 months prior to receiving the request.

**Sec. 22-206. Release of Vehicle Prior to Removal and Maximum Fee for Restoring Vehicle to Owner.**

If an owner or operator of a vehicle that is about to be towed, pursuant to a non-consent tow, but before the actual removal of the vehicle from the property from which it is being towed, returns to the tow location, he or she may demand immediate release of the vehicle by the tow truck operator. Upon satisfactory proof meeting the requirements of state law and payment of 40 percent of the applicable non-consent towing fee established by this article, the operator shall comply with the demand.

**Sec. 22-207. Location of Storage Facility.**

Vehicles towed as a result of non-consent tows shall be taken to a vehicle storage facility that is located no more than 15 miles from the location from which the vehicle was removed.

**Sec. 22-208. Payment.**

A towing company or the owner or operator of a tow truck or tow truck services shall provide a vehicle owner the option of paying the fee for vehicle tow service by cash or major credit card.

**Sec. 22-209. Penalty.**

A violation of this article is punishable by a fine of five hundred dollars ($500).**"**

**Section 2.** That Chapter 22 of the Town of Addison Code of Ordinances shall remain in full force and effect save and except as amended by this Ordinance.

**Section 3.** That the sections, paragraphs, sentences, phrases, clauses and words of this Ordinance are severable, and if any section, paragraph, sentence, phrase, clause or word in this Ordinance or application thereof to any person or circumstance is held invalid or unconstitutional by a court of competent jurisdiction, such holding shall not affect the validity of the remaining portions of this Ordinance, and the City Council hereby declares that it would have adopted such remaining portions of this Ordinance despite such invalidity, which remaining portions shall remain in full force and effect.

**Section 4.** That this Ordinance shall take effect upon passage and publication as provided by law.

**PASSED AND APPROVED** by the City Council of the Town of Addison, Texas this _____ day of _____, 2004.

_____

R. Scott Wheeler, Mayor

ATTEST:

By:_____
Carmen Moran, City Secretary

APPROVED AS TO FORM:

By:_____
Ken Dippel, City Attorney

**Existing Conditions:**

| Towing Company | Phone | Address | Towing Fee | Impound Fee | Storage Fee | PTR Fee* | Total |
|---|---|---|---|---|---|---|---|
| AJ's Towing | 214-372-0733 | 4007 E. Ledbetter, Dallas 75216 | $ 151 | $ 20 | $ 15 | $ 91 | $ 277 |
| VSC Towing | 972-444-0055 | 2160 California Crossing, Dallas 75220 | $ 95 | $ 20 | $ 15 | $ 93 | $ 223 |
| Elite Towing | 214-428-6900 | 4947 Beeman, Dallas 75223 | $ 83 | $ 20 | $ 15 | $ 91 | $ 209 |
| North Texas Towing | 214-637-9003 | 3203 Pluto Street, Dallas 75212 | $ 125 | $ 20 | $ 15 | $ 30 | $ 190 |
| S&J Towing | 972-373-8697 | 1825 California Crossing, Dallas 75220 | $ 151 | $ 20 | $ 15 | $ - | $ 186 |
| Loop 12 Towing | 972-518-1122 | 110 Strickland Plaza, Irving 75060 | $ 135 | $ 20 | $ 15 | $ - | $ 170 |
| Apollo Wrecker | 214-748-9099 | 1600 S. Good Lattimer, Dallas 75226 | $ 125 | $ 20 | $ 15 | $ - | $ 160 |

*Post Tow Restoration Fee

**Mileage Distances:**

| Towing Company | Phone | Address | Mileage Distance |
|---|---|---|---|
| AJ's Towing * | 214-372-0733 | 4007 E. Ledbetter, Dallas 75216 | 21.1 |
| VSC Towing | 972-444-0055 | 2160 California Crossing, Dallas 75220 | 9.2 |
| Elite Towing * | 214-428-6900 | 4947 Beeman, Dallas 75223 | 18.4 |
| North Texas Towing | 214-637-9003 | 3203 Pluto Street, Dallas 75212 | 16.5 |
| S&J Towing | 972-373-8697 | 1825 California Crossing, Dallas 75220 | 9.8 |
| Loop 12 Towing | 972-518-1122 | 110 Strickland Plaza, Irving 75060 | 13.7 |
| Apollo Wrecker | 214-748-9099 | 1600 S. Good Lattimer, Dallas 75226 | 17.4 |

** also uses location at 1825 California Crossing*

*(Used 4180 Belt Line as a starting point)*

#R6-4

RECEIVED
JUN 29 2004
MAYOR/CITY COUNCIL

June 28, 2004

7-8-04

The Honorable R. Scott Wheeler
Mayor
Town of Addison
P. O. Box 9010
Dallas, TX 75001

C: Council
Mario

Re: Unregulated Towing Companies

Dear Mayor Wheeler:

I am a resident of the Town of Addison. I live and spend my hard-earned dollars in Addison, and I love this city. However, I have recently had a very unpleasant experience that has led me to write you this letter.

On the evening of June 17, while my mother was visiting me from out of town, she had the misfortune of parking her car in a parking space at my apartment complex that was reserved for 'open resident'. The car was towed from my residence in the middle of the night to a city 15 miles away from Addison.

Can you imagine my horror when I found out that the towing and storage facility that had towed my mother's car was **15** miles away in Irving, Texas? Furthermore, that a total of **$289** in fees had accrued in the **7-1/2** hours that had lapsed from the time my mother and I turned in for the evening, and the time it took us to drive to Irving to retrieve her car. And—to add insult to injury--in order to get my mother's car out of impound, we had to pay **cash**—no checks or credit cards could be accepted.

I now know that the State of Texas does not regulate towing and storage companies/facilities and that these businesses have no cap as to the fees and charges they can charge Addison residents. Furthermore, I have learned that towing company fees can only be regulated by City Ordinance (according to Texas Transportation Code 643.204).

Since this unpleasant experience, I had contacted the Town's approved and contracted towing company, who informed me that the same tow to their facility (Carrolton) would have cost $106. I was also told that I was at the mercy of these unscrupulous people, who are completely unregulated. Three other Addison citizens who live in my complex were also towed that same evening; and the towing company made at least $1,200 that night. Mayor Wheeler, please ask the city manager to look into enacting a Town Ordinance which would regulate any towing company that crosses into the Town of Addison's

jurisdiction. Not to do so will invite further abuse—such as has been reported in the city of Houston—by some in this industry that may even have a reciprocal arrangement with those who seek their services.

Please do not hesitate to contact me if I can be of any assistance to you; and thank you for the good work you and the council is doing on behalf of all Addison citizens.

Sincerely,

Virginia Janeson
17200 Westgrove, #2215
Addison, TX 75001
(972) 880-2716 – home
(469) 221-8302 - office

cc: The Hon. Glynda Turner
The Hon. Gregory S. Hirsch
The Hon. Jimmy Niemann
The Hon. Joe Chow
The Hon.Fredric M. Silver
The Hon. Diane Mallory

Ron Whitehead, Town Manager

#R6-5

**Michele Covino**

---

**From:** Joey Coates [joey.coates@wcrm.org]

**Sent:** Wednesday, June 04, 2003 2:05 PM

**To:** Scott Wheeler

**Cc:** Ron Whitehead

**Subject:** Regulation of towing in Addison

Hi, my name is Joey Coates. The reason for this letter is to broach the subject of possibly instituting some sort of regulation of charges which towing companies are able to charge when towing from the city of Addison. You can undoubtedly guess the impetus for writing this e-mail, although I can happily say that it was not my car taken. On the night of June 3 a friend of mine left her car in the parking lot of the Sam's warehouse at the corner of Beltline and Midway roads. The parking lot is clearly labeled a towing zone so there can be no complaints there, but charging her $235.06 when it was taken at 3:17 A.M. and picked up at roughly 11:00 A.M. after being held for less than eight hours is a little hard to swallow. The reason behind this exorbitant amount of money is because Addison does not regulate the towing fees for companies taking a car from the City of Addison. The Texas Department of Transportation regulates the storage fees which can be $15 per day for storage, $10 for an impound fee and to run the cars license plates, and after 24 hours $32 if they send you a certified letter explaining that they are in possession of your motor vehicle. In Dallas the city has set a limit of $95 towing fee if you park your car where you shouldn't and a company picks up the car, then there are of course the TX DOT approved storage fees. A normal amount to get a car out in Dallas is thus $120. In the city of Addison there is NO regulation of fees that a towing company can charge for the tow. If they would like to charge $500 they legally could because the city does not say that they can't. When we called to get her car the company, S&J Storage, said the total was $235.06 to get the car, $15 of which was storage, $10 was an impound fee, $151 for towing, and $57 for a "post towing restoration fee". I thought this high so I called the Texas Department of Transportation who told me what the amounts were which could be charged for storage and at the same time the gentleman explained that they had no say over the towing fees, this was up to the city. When I looked at the recite beside the "post towing restoration fee" it said "unhook". They charged her $57 to unhook the car once they arrived at the impound area because they can, the city does not tell them that they can't. I am sorry, but this is absolutely crazy that these vultures are allowed to get away with this type of behavior because there is no regulation. When we went to pick up the car there was a list of tow prices for several different cities except for Addison because they can make it up as they go. While there two other people came in to pick up their cars which were towed from the same parking lot and between the three people there were three different prices, one for $257. No rhyme or reason. WFAA channel 8 did an investigative report on this same behavior in Dallas last night and I am going to write them as well so that maybe they can warn any unsuspecting citizens of this unbridled highway robbery. I know that the money is long gone sitting deep in some pirates pocket right now, but I would ask both of you to please do something about this injustice being perpetrated due to Addison's lack of regulation over the towing industry in the city as someone needs to step up to the plate to do it. I do understand that there does need to be some sort of monetary punishment when a car is illegally parked and towed, but someone needs to set a limit as the towing companies obviously have a very inflated idea of what that limit should be. Thank you both for your time to read this, I realize that you two probably deal with many more complaints than you do compliments and I do appreciate your time. Sincerely, Joey Coates

# Council Agenda Item: #R7

**SUMMARY:**

Consideration of a resolution authorizing the City Manager to enter into an agreement with RD&F Advertising for the creation and production of the 2005 Addison calendar.

**FINANCIAL IMPACT:**

Budgeted Amount: $80,000

Cost: $78,850

**BACKGROUND:**

The purpose of the calendar is to showcase attributes of the Town and provide pertinent information about the Town. The calendar is distributed to Addison residents and businesses as well as to associates, prospects and friends of Addison.

Through a Request for Proposal process conducted this year, seven submissions ranging from $59,060 to $79,870 were received. Four firms were interviewed and based on those interviews, staff is recommending that RD&F Advertising produce the 2005 calendar. The proposal from RD&F includes all costs associated with the production of the calendar as well as additional fulfillment and printing of the plastic holiday bags. A total of 12,500 calendars will be produced and delivered to the Town for distribution in December.

The theme for the 2005 calendar is "All Roads Lead to Addison", which will highlight the many scenic and interesting places found along Addison's roads, parkways, streets and drives.

**RECOMMENDATION:**

Staff recommends that the Town contract with RD&F Advertising for design, production, printing and packaging of the 2005 Calendar.

#R7-2

**TOWN OF ADDISON, TEXAS**

**RESOLUTION NO. _____**

**A RESOLUTION OF THE CITY COUNCIL OF THE TOWN OF ADDISON, TEXAS APPROVING AN AGREEMENT BETWEEN THE TOWN OF ADDISON, TEXAS AND RD&F ADVERTISING FOR THE PRODUCTION OF THE 2005 ADDISON CALENDAR; AUTHORIZING THE CITY MANAGER TO EXECUTE THE AGREEMENT ON BEHALF OF THE CITY; PROVIDING AN EFFECTIVE DATE.**

**BE IT RESOLVED BY THE CITY COUNCIL OF THE TOWN OF ADDISON, TEXAS:**

Section 1. The Agreement between the Town of Addison, Texas (the "City") and RD&F Advertising (a true and correct copy of which is attached hereto) for the production of the 2005 Addison calendar is hereby approved. The City Manager of the City is hereby authorized to execute the said Agreement on behalf of the City.

Section 2. This Resolution shall take effect from and after its date of adoption.

**PASSED AND APPROVED** by the City Council of the Town of Addison, Texas this the _____ day of _____, 2004.

_____
R. Scott Wheeler, Mayor

ATTEST:

By:_____
Carmen Moran, City Secretary

APPROVED AS TO FORM:

By:_____
Kenneth C. Dippel, City Attorney

# Council Agenda Item: #R8

## SUMMARY:

Council approval is requested of an item related to the renovation of the detention facility located in the Police and Courts building. The item is to authorize the City Manager to enter into an agreement with Secure Control Systems in the amount of $91,325 for renovations to the detention facilities mechanical systems, door control systems, intercom system and miscellaneous repairs. We received two responses to our Request For Proposals for renovating the Jail, one from Secure Control Systems for $88,435 (base bid + $2,890 for optional security switches = $91,325) and the other from Notification Systems Of America for $55,739. Mark Acevedo and Hamid Khaleghipour assisted with the review of the responses and concurred that the bid from Secure Control Systems was the most responsive to our RFP even though it was $35,586 higher than the response from Notification Systems of America. Attached is a memo from Ron Davis explaining the process used to select Secure Control Systems.

## FINANCIAL IMPACT:

This is an unbudgeted item.

As reflected in the summary below the public safety radio project is $111,202 under budget. The request is to fund the $91,325.00 jail renovations using the savings from the radio project.

| | |
|---|---|
| Budget for radio project: | $1,200,000 |
| Expenditures to date | $1,056,798 |
| Maintenance for F/Y 03-04 | ($32,000)* |
| Balance at completion | $111,202 |

*We plan to come back to Council before the end of the fiscal year to request approval of a maintenance contract with Carrollton and payment of the maintenance cost from the radio project budget. The maintenance contract is under review by our attorney.

## BACKGROUND:

The detention facility located in the Police and Court building was built in 1984. In 1994 we completed a significant refurbishment of the jail by securing a supply of replacement parts for some of the mechanical and electrical components that control the jail doors, intercoms and indicator systems that were installed when the jail was built in 1984. After 10 years of use we have gone through our supply of parts and are experiencing significant failures in several of the jails mechanical and operating systems. New replacement parts have not been available since the late 1980s and it was only by locating spare parts from other jails that used the same system that we were able to secure enough components for the 1994 refurbishment. Our RFP requested a turnkey solution that would replace the 01980s technology with a modern jail control system while retaining the major physical components such as the doors.

## RECOMMENDATION:

Staff recommends approval.

#R8-2

**Addison Police Department**

# Memo

**To:** Lea Dunn

**From:** Ron Davis

**CC:** Chief Don Franklin

**Date:** June 28, 2004

**Re:** Jail RFP Response

---

A couple of months ago we sent out a Request For Proposals (RFP) to refurbish the jail. Recall that in 1994 we completed a significant refurbishment of the jail by securing a supply of replacement parts for some of the mechanical and electrical components that control the jail doors, intercoms and indicator systems that were installed when the jail was built in 1984. After 10 years of use we have gone through our supply of parts and are experiencing significant failures in several of the jails mechanical and operating systems. New replacement parts have not been available since the late 1980s and it was only by locating spare parts from other jails that used the same system that we were able to secure enough components for the 1994 refurbishment. After 20 years of use some of the hardware used to secure to the jail doors are also in need of repair. Our RFP requested a turnkey solution that would replace the1980s technology with a modern jail control system while retaining the major physical components such as the doors. We also included a request for repairs to hardware.

We received two responses to our Request For Proposals for renovating the Jail, one from Secure Control Systems for $88,435 and the other from Notification Systems Of America for $55,739. I asked Mark Acevedo and Hamid Khaleghipour to also review the responses. All three of us felt the bid from Secure Control Systems was the most responsive to our RFP even though it was $32,696 higher than the response from Notification Systems of America.

The Secure Control Systems bid was very thorough and clearly demonstrated they know what our requirements are. As you can see on the accompanying matrix, Secure Control Systems met all of the RFP criteria. In comparison, it was not possible to check off all of the items from the response provided by Notification System of America because they provided absolutely no detail as to what they were going to do or how they would do it. Their response was literally "…the objective is to have the jail fixed and running like new and NSA is capable of doing just that!" Because of the lack of specifics it is impossible to judge what their solution actually is or if it would in fact work.

## JAIL RFP RESPONSES

| | SECURE CONTROL | NOTIFICATION SYSTEMS |
|---|---|---|
| **Project I** | | |
| Sliding Door Motors | Y | U |
| Mechanical Systems | Y | U |
| **Project II** | | |
| Door Controls | Y | U |

| | | |
|---|---|---|
| Indicators | Y | U |
| Intercom | Y | U |
| **Project III** | | |
| Misc. Jail Repair | Y | U |
| **Project Cost Listed** | Y | Y |
| **Maint. Cost Listed** | Y | Y |
| **References Contacted** | Y | Y |

I contacted references for both companies. All of the persons contacted gave very good reports on the work performed by Secure Control Systems. Comments on Notification Systems focused on the point that they were very prompt in responding to service calls; however, as two local cities that use Notification Systems commented, you may have to call them out three times to fix the same problem. I gained the impression that the technical staff for Notification Systems was willing but were perhaps a little light on technical expertise. Both of these cities said they would likely use another vendor for any future work because of the fact that they have a difficult time getting things fixed the first time. I feel like the type of references listed for both vendors supports this assessment. Those for Secure Control Systems included references from across the country that varied in scope from smaller projects such as ours to multi-million dollar refurbishments at both large state and county jail facilities. The comments from those institutions who used Secure Control Systems left the impression that we would be dealing with a very competent and sophisticated vendor whose business depended on doing things correct the first time and moving on; however, all the references said that Secure Control Systems response to service calls was prompt when they needed them.

Evaluation of the responses was based on a weighted point system. I assigned points based on the before mentioned matrix as follows:

1. 45 Points

    A. Ability to meet our requirements

        a. Secure Control Systems: 25 points

        b. Notification Systems: 0 points (without specifics unable to assign points)

    B. Ease of use and operation of the system

        a. Secure Control Systems: 20 points

        b. Notification Systems: 10 points (based on comments from references)

2. 30 Points

    A. Total Cost, which includes initial and ongoing costs

        a. Secure Control Systems: 10 points ($88,435 initial cost, maintenance cost $2,400 per year)

        b. Notification Systems: 20 points ($55,739 initial cost, maintenance cost $4,800 per year)

B. Products now available and enhancements planned

a. Secure Control Systems: 15 points (references did not report any issues with equipment installed going out of production. Hamid also commented that their equipment was scaleable)

b. Notification Systems: 5 points (one reference noted that equipment installed in 2000 was out of production and that to correct the problem he would have to purchase new equipment)

3. 25 Points

A. Vendors Ability to support our needs (Qualifications of Vendors staff)

a. Secure Control Systems: 10 points (this vendor is based out of San Antonio and has an acceptable but longer response time than offered by Notification Systems)

b. Notification Systems: 10 points (local firm and references mentioned this as a strong point for the company)

B. Results of reference checks

a. Secure Control Systems: 10 points

b. Notification systems: 5 points

C. Level, Quality and type of client training and technical assistance provided

a. Secure Control Systems: 5 points

b. Notification Systems: 5 points

Totals:

Secure Control Systems: 95 points

Notification Systems: 55 points

I recommend that we pursue a contract with Secure Control Systems to refurbish the jail using the funds remaining from the radio project. Recall we were under budget on that project by $112,000. If you approve I would suggest we place the item on the July 27, 2004 Council agenda.

# AGREEMENT BETWEEN TOWN OF ADDISON, TEXAS AND SECURE CONTROL SYSTEMS, LLC

## ARTICLE 1

## GENERAL PROVISIONS

### 1.1 THE AGREEMENT

This Agreement is made between the Town of Addison, Texas ("Owner") and Secure Control Systems, LLC ("Contractor") for the Project described in Paragraph 1.2, and may be amended or modified only by a written modification.

### 1.2 THE PROJECT

This Agreement is entered into for the following Project: Renovation and Replacement of Jail Control Systems and Locking Devices (the "Project").

### 1.3 THE WORK

The term "Work" means the construction and services required by the Contract Documents, and includes all other labor, materials, equipment and services provided by the Contractor to fulfill the Contractor's obligations.

### 1.4 THE CONTRACT DOCUMENTS

The Contract Documents consist of this Agreement, the Advertisement for Bids, Proposal Form (submitted by the Contractor), Instructions to Bidders, written change orders or orders for minor changes in the Work issued after execution of this Agreement, and other documents, if any, listed in this Agreement; these form the Contract, and are as fully a part of the Contract as if attached to this Agreement or repeated herein. The Contract represents the entire and integrated agreement between the parties hereto and supersedes prior negotiations, representations or agreements, either written or oral.

### 1.5 INTENT

The intent of the Contract Documents is to include all items necessary for the proper execution and completion of the Work by the Contractor, and all work incidental or reasonably inferable that is necessary to produce the results intended by the Contract Documents. The Contract Documents are complementary, and what is required by one shall be as binding as if required by all.

### 1.6 DATE OF COMMENCEMENT AND SUBSTANTIAL COMPLETION DATE

The date of commencement shall be the date of this Agreement, which shall be the date this Agreement is executed by the last party signing. The Contractor shall promptly commence and

diligently prosecute the Work and shall substantially complete the Work not later than 90 days after commencement, subject to adjustment by Change Order. The Contractor shall achieve Final Completion of the entire Work not later than 30 days after the date of Substantial Completion.

All times stated in the Contract Documents, including, without limitation, those for the commencement, prosecution, and completion of the Work, and for the delivery and installation of materials and equipment, are of the essence.

The Contractor shall begin the Work on the Date of Commencement and shall perform the Work diligently, expeditiously, and with adequate resources so as to complete all the Work within the Contract Time and as stated herein.

## 1.7 INSURANCE

Contractor, at its own expense, shall purchase, maintain and keep in force such insurance as described and in the minimum amounts set forth below:

A. Commercial General Liability insurance at minimum combined single limits of $1,000,000 per-occurrence and $2,000,000 general aggregate for bodily injury and property damage, which coverage shall include, without limitation, products/completed operations ($2,000,000 products/ completed operations aggregate). Coverage for products/completed operations must be maintained for at least three (3) years after the work has been completed. Coverage must be provided for an each-project aggregate limit of insurance.

B. Workers Compensation insurance at statutory limits, including Employers Liability coverage at minimum limits of $1,000,000 each-occurrence each accident/$1,000,000 by disease each-occurrence/$1,000,000 by disease aggregate.

C. Commercial Automobile Liability insurance at minimum combined single limits of $1,000,000 per-occurrence for bodily injury and property damage, including owned, non-owned, and hired car coverage.

With reference to the foregoing insurance requirements, Contractor shall specifically endorse applicable insurance policies as follows:

A. The Town of Addison, Texas shall be named as an additional insured with respect to General Liability and Automobile Liability.

B. All liability policies shall contain no cross liability exclusions or insured versus insured restrictions.

C. A waiver of subrogation in favor of the Town of Addison, Texas shall be contained in the Workers Compensation and all liability policies.

D. All insurance policies shall be endorsed to require the insurer to immediately notify the Town of Addison, Texas of any material change in the insurance coverage.

E. All insurance policies shall be endorsed to the effect that the Town of Addison, Texas will receive at least thirty (30) days notice prior to cancellation or non-renewal of the insurance.

F. All insurance policies, which name The Town of Addison as an additional insured, must be endorsed to read as primary coverage regardless of the application of other insurance.

G. Required limits may be satisfied by any combination of primary and umbrella liability insurances.

H. Contractor may maintain reasonable and customary deductibles, subject to approval by the Town of Addison.

All insurance must be written on forms filed with and approved by the Texas Department of Insurance. Certificates of Insurance, which must be provided to the Owner prior to commencement of the Work, shall be prepared and executed by the insurance company or its authorized agent and shall contain provisions representing and warranting the following:

A. Sets forth all endorsements and insurance coverages according to requirements and instructions contained herein.

B. Shall specifically set forth the notice-of-cancellation or termination provisions to the Town of Addison.

C. Upon request, Contractor shall furnish the Town of Addison with certified copies of all insurance policies.

## ARTICLE 2

## OWNER

### 2.1 INFORMATION AND SERVICES REQUIRED OF THE OWNER

Except for permits and fees which are the responsibility of the Contractor under the Contract Documents, the Owner shall obtain and pay for other necessary approvals, easements, assessments and charges.

## 2.2 OWNER'S RIGHT TO STOP THE WORK

If the Contractor fails to correct Work which is not in accordance with the Contract Documents, the Owner may direct the Contractor in writing to stop the Work until the correction is made.

## 2.3 OWNER'S RIGHT TO CARRY OUT THE WORK

If the Contractor defaults or neglects to carry out the Work in accordance with the Contract Documents and fails within a seven day period after receipt of written notice from the Owner to correct such default or neglect with diligence and promptness, the Owner may, without prejudice to other remedies, correct such deficiencies. In such case, a Change Order shall be issued deducting the cost of correction from payments due the Contractor.

## 2.4 OWNER'S RIGHT TO PERFORM CONSTRUCTION AND TO AWARD SEPARATE CONTRACTS

**2.4.1** The Owner reserves the right to perform construction or operations related to the project with the Owner's own forces, and to award separate contracts in connection with other portions of the Project.

**2.4.2** The Contractor shall coordinate and cooperate with separate contractors employed by the Owner.

**2.4.3** Costs caused by delays or by improperly timed activities or defective construction shall be borne by the party responsible therefor.

# ARTICLE 3

# CONTRACTOR

## 3.1 EXECUTION OF THE CONTRACT

Execution of the Contract by the Contractor is a representation that the Contractor has visited the site, investigated the nature, locality, and site of the Work and become familiar with local conditions and difficulties under which the Work is to be performed and correlated personal observations with requirements of the Contract Documents. The Contractor represents and agrees that the Contractor enters into this Agreement on the basis of its own examination, investigation, and evaluation of all such matters and not in reliance upon any opinions of the Owner or any of Owner’s officials, officers, agents, servants, or employees.

## 3.2 REVIEW OF CONTRACT DOCUMENTS AND FIELD CONDITIONS BY CONTRACTOR

The Contractor shall carefully study and compare the Contract Documents with each other and with information furnished by the Owner. Before commencing activities, the Contractor shall: (1) take field measurements and verify field conditions; (2) carefully compare this and other

information known to the Contractor with the Contract Documents; and (3) promptly report errors, inconsistencies or omissions discovered to the Owner.

## 3.3 SUPERVISION AND CONSTRUCTION PROCEDURES

**3.3.1** The Contractor shall supervise and direct the Work, using the Contractor's best skill and attention. The Contractor shall be solely responsible for and have control over construction means, methods, techniques, sequences and procedures, and for coordinating all portions of the Work.

**3.3.2** The Contractor, as soon as practicable after award of the Contract, shall furnish in writing to the Owner the names of subcontractors or suppliers for each portion of the Work. The Owner will promptly reply to the Contractor in writing if the Owner, after due investigation, has reasonable objection to the subcontractors or suppliers listed.

## 3.4 LABOR AND MATERIALS

**3.4.1** Unless otherwise provided in the Contract Documents, the Contractor shall provide and pay for labor, materials, equipment, tools, utilities, transportation, and other facilities and services necessary for proper execution and completion of the Work.

**3.4.2** The Contractor shall deliver, handle, store and install materials in accordance with manufacturers' instructions.

## 3.5 WARRANTY

**3.5.1** The Contractor warrants to the Owner that: (1) materials and equipment furnished under the Contract will be new and of good quality unless otherwise required or permitted by the Contract Documents; (2) the Work will be free from defects not inherent in the quality required or permitted; and (3) the Work will conform to the requirements of the Contract Documents.

**3.5.2** The Contractor warrants the work completed on the job for a period of one year past the system start up date. All manufactured components and systems are warranted against defects in material and workmanship during this time period. Acts of God or abuse and neglect are not covered under this standard warranty. The Contractor shall assign to the Owner all benefits of any manufacturer's warranty or any other guarantee which may apply to the same; such warranties shall begin when supplies or equipment are delivered to and accepted by Owner.

**3.5.3** Upon the expiration of the one-year warranty described in 3.5.2, an extended warranty/service contract for hardware and software shall be available at the Owner's option at a cost of $2,400 per year.

## 3.6 TAXES

The Contractor shall pay sales, consumer, user and similar taxes that are legally required when the Contract is executed.

## 3.7 PERMITS, FEES AND NOTICES

**3.7.1** The Contractor shall obtain and pay for the building permit and other permits and governmental fees, licenses and inspections necessary for proper execution and completion of the Work.

**3.7.2** The Contractor shall comply with and give notices required by agencies having jurisdiction over the Work. If the Contractor performs Work knowing it to be contrary to laws, statutes, ordinances, building codes, and rules and regulations without notice to the Owner, the Contractor shall assume full responsibility for such Work and shall bear the attributable costs. The Contractor shall promptly notify the Owner in writing of any known inconsistencies in the Contract Documents with such governmental laws, rules, and regulations.

## 3.8 SUBMITTALS

**3.8.1** The Contractor shall promptly submit Shop Drawings, Product Data, Samples and similar submittals required by the Contract Documents to the Owner for review and approval.

**3.8.2** The Owner shall indicate approval by signing the submittals.

**3.8.3** The Owner's signature shall signify approval of all products, procedures and methods to be used for the project as shown on the submittal.

**3.8.4** Each submittal must contain the following statement, which must be printed conspicuously in bold type:

"**YOUR SIGNATURE OF APPROVAL SIGNIFIES APPROVAL OF ALL PRODUCTS, PROCEDURES AND METHODS SHOWN IN THIS SUBMITTAL.**"

**3.8.5** Shop Drawings, Product Data, Samples and similar submittals are not Contract Documents.

**3.8.6** Upon payment to Contractor for same in accordance with Article 6 of this Agreement, all submittals belong to, shall be provided to and remain the property of the Owner for its exclusive reuse at any time without further compensation and without any restrictions, and all intellectual property rights in connection with the same (whether copyright or otherwise) are hereby assigned by Contractor to Owner. Contractor may make and retain reproducible copies of the same for Contractor's own record and use.

## 3.9 USE OF SITE

The Contractor shall confine operations at the site to areas permitted by law, ordinances, permits, the Contract Documents and the Owner.

### 3.10 CUTTING AND PATCHING

The Contractor shall be responsible for cutting, fitting, or patching required to complete the Work or to make its parts fit together properly.

### 3.11 CLEANING UP

The Contractor shall keep the premises and surrounding area free from accumulation of debris and trash related to the Work.

### 3.12 INDEMNIFICATION

To the fullest extent permitted by law, the Contractor shall indemnify and hold harmless the Owner, Owner's officials, officers, servants, consultants, agents and employees from and against claims, damages, losses and expenses, including but not limited to attorneys' fees, arising out of or resulting from performance of the Work, including damage, loss or expense attributable to bodily injury, sickness, disease or death, or to injury to or destruction of tangible property (other than the Work itself) including loss of use resulting therefrom, to the extent caused in whole or in part by acts or omissions of the Contractor, a Subcontractor, anyone directly or indirectly employed by them or anyone for whose acts they may be liable, regardless of whether or not such claim, damage, loss or expense is caused in part by a party indemnified hereunder.

## ARTICLE 4

## CHANGES IN THE WORK

**4.1** After execution of the Contract, changes in the Work may be accomplished by Change Order or by order for a minor change in the Work. The Owner, without invalidating the Contract, may order changes in the Work within the general scope of the Contract consisting of additions, deletions or other revisions, the Contract Sum and Contract Time being adjusted accordingly.

**4.2** A Change Order shall be a written order to the Contractor signed by the Owner to change the Work, Contract Sum or Contract Time.

**4.3** If concealed or unknown physical conditions are encountered at the site that differ materially from those indicated in the Contract Documents or from those conditions ordinarily found to exist, the Contract Sum and Contract Time shall be subject to equitable adjustment to be accomplished by a Change Order.

## ARTICLE 5

## TIME

**5.1** Time limits stated in the Contract Documents are of the essence of the Contract.

**5.2** If the Contractor is delayed at any time in progress of the Work by changes ordered in the Work, or by labor disputes, fire, unusual delay in deliveries, unavoidable casualties or other causes beyond the Contractor's control, the Contract Time shall be extended by Change Order for such reasonable time as the Owner may determine.

## ARTICLE 6

## PAYMENTS AND COMPLETION

### 6.1 CONTRACT SUM

Subject to additions and deductions by Change Order, the Owner shall pay the Contractor in current funds for the Contractor's performance of the Contract the Contract Sum of $91,325.00. The Contract Sum, including authorized adjustments, is the total amount payable by the Owner to the Contractor for performance of the Work under the Contract Documents. The Contract Sum is based upon the following options, which are described in the Contract Documents and are hereby accepted by the Owner:

| **Portion of Work** | **Value** |
|---|---|
| Mobilization | $ 3,500.00 |
| Engineering | $ 9,650.00 |
| Site Evaluation | $ 2,300.00 |
| Programming | $ 9,800.00 |
| System Hardware | $32,300.00 |
| Detention Hardware & Labor | $27,390.00 |
| Submittals | $ 6,385.00 |

### 6.2 APPLICATIONS FOR PAYMENTS

**6.2.1** After acceptance by the Owner of a Portion of the Work completed, the Contractor shall submit to the Owner an itemized Application for Payment for operations completed in accordance with the values stated above. Such application shall be supported by such data substantiating the Contractor's right to payment as the Owner may reasonably require and reflecting Retainage if provided for elsewhere in the Contract Documents.

**6.2.2** The Contractor warrants that title to all Work covered by an Application for Payment will pass to the Owner no later than the time of payment. The Contractor further warrants that upon submittal of an Application for Payment, all Work for which payments have been received from

the Owner shall, to the best of the Contractor's knowledge, information and belief, be free and clear of liens, claims, security interests or other encumbrances adverse to the Owner's interests.

## 6.3 PROGRESS PAYMENTS

**6.3.1** The Owner shall make payments based on the schedule of values set out in Article 6. Payment shall be made within 30 days after the Owner's receipt of an Application for Payment in accordance with Subparagraph 6.2. Payments made within 10 days after receipt of an Application for Payment shall be discounted by 1%. Payments due and unpaid shall bear interest from the date payment is due at the rate of 1% per month until paid.

**6.3.2** The Contractor shall promptly pay each Subcontractor and material supplier, upon receipt of payment from the Owner, out of the amount paid to the Contractor on account of such entities' portion of the Work.

**6.3.3** The Owner shall have no responsibility for the payment of money to a Subcontractor or material supplier.

**6.3.4** If at any time there shall be evidence of a lien or claim for which, if established, the Owner might become liable, and that is chargeable to the Contractor, or if the Contractor shall incur any liability to the Owner, or the Owner shall have any claim or demand against the contractor of any kind or for any reason, whether reduced to judgment or award, the Owner shall have the right to retain out of any payment due, or to become due under this Agreement or any other agreement between the Owner and the Contractor, an amount sufficient to indemnify the Owner against such lien or claim, or to fully satisfy such liability, claim or demand. The Owner shall also be entitled to charge against or deduct from any such payment all costs of defense or collection with respect thereto, including without limitation attorneys' fees. Should any claim or lien develop after all payments are made hereunder, the Contractor shall immediately refund to the Owner (in any event not later than 10 days after notice to the Contractor) all monies that the Owner may be compelled to pay in discharging such claims or liens and all costs, including without limitation attorneys' fees incurred in connection therewith. No progress payment made under this Agreement or any of the Contract Documents, or partial or entire use or occupancy of the Project by the Owner shall be evidence of the performance of this Agreement in whole or in part, and shall not constitute or be construed as acceptance of Work not in accordance with the requirements of the Contract Documents or any defective Work or improper or defective materials.

## 6.5 SUBSTANTIAL COMPLETION

**6.5.1** Substantial Completion is the stage in the progress of the Work when the Work or designated portion thereof is sufficiently complete in accordance with the Contract Documents so that the Owner can occupy or utilize the Work for its intended use.

**6.5.2** When the Work or designated portion thereof is substantially complete, the Owner will prepare a Certificate of Substantial Completion which shall establish the date of Substantial Completion, shall establish the responsibilities of the Owner and Contractor, and shall fix the

time within which the Contractor shall finish all items on the list accompanying the Certificate. Warranties required by the Contract Documents shall commence on the date of Substantial Completion of the Work or designated portion thereof unless otherwise provided in the Certificate of Substantial Completion.

### 6.6 FINAL COMPLETION AND FINAL PAYMENT

**6.6.1** Upon receipt of a final Application for Payment, the Owner will inspect the Work to determine if the Work is acceptable and the Contract fully performed.

**6.6.2** Final payment shall be made by the Owner to the Contractor when, and shall not become due until (1) the Contract has been fully performed by the Contractor and the Work has been finally accepted by the Owner, except for the Contractor's responsibility to correct nonconforming Work as provided in Article 8 and to satisfy other requirements, if any, which necessarily survive final payment; (2) the Contractor submits to the Owner releases and waivers of liens, and data establishing payment or satisfaction of obligations, such as receipts, claims, security interests or encumbrances arising out of the Contract; and (3) the Owner has received all as-built and other drawings, certifications, maintenance manuals, operating instructions, written guarantees, warranties, and bonds relating to the Work, and assignments of all guarantees and warranties from the Contractor, subcontractors, vendors, suppliers, or manufacturers, in connection with or relating to all or any portion of the Work. Final payment shall be made by the Owner no more than thirty (30) days after such conditions have been fulfilled.

**6.6.3** Acceptance of final payment by the Contractor shall constitute a full waiver and release by the Contractor of all claims against the Owner arising out of or relating to the Contract.

## ARTICLE 7

## PROTECTION OF PERSONS AND PROPERTY

### 7.1 SAFETY PRECAUTIONS AND PROGRAMS

The Contractor shall be responsible for initiating, maintaining and supervising all safety precautions and programs, including all those required by law in connection with performance of the Contract. The Contractor shall promptly remedy damage and loss to property caused in whole or in part by the Contractor, or by anyone for whose acts the Contractor may be liable.

## ARTICLE 8

## CORRECTION OF WORK

**8.1** The Contractor shall promptly correct Work rejected by the Owner as failing to conform to the requirements of the Contract Documents. The Contractor shall bear the cost of correcting such rejected Work.

**8.2** In addition to the Contractor's other obligations, including warranties under the Contract, the Contractor shall, for a period of one year after Substantial Completion, correct work not conforming to the requirements of the Contract Documents.

**8.3** If the Contractor Fails to correct non-conforming Work within a reasonable time, the Owner may correct it and the Contractor shall reimburse the Owner for the cost of correction.

## ARTICLE 9

## MISCELLANEOUS PROVISIONS

### 9.1 ASSIGNMENT OF CONTRACT

The Contractor may not and shall have no power or authority to assign, transfer, delegate, or otherwise transfer any interest or duty herein without the prior written consent of the Owner, and any such assignment, transfer, or delegation shall be considered null and void.

### 9.2 TESTS AND INSPECTIONS

**9.2.1** Tests, inspections and approvals of portions of the Work required by the Contract Documents or by laws, ordinances, rules, regulations or orders of public authorities having jurisdiction shall be made at an appropriate time.

**9.2.2** If the Owner requires additional testing, the Contractor shall perform these tests.

**9.2.3** The Owner shall pay for tests except for testing Work found to be defective for which the Contractor shall pay.

### 9.3 GOVERNING LAW AND VENUE

The Contract shall be governed by and construed in accordance with the laws of the State of Texas. Exclusive venue for any legal action regarding the Contract shall be in Dallas County, Texas.

## ARTICLE 10

## TERMINATION OF THE CONTRACT

### 10.1 TERMINATION BY THE CONTRACTOR

If the Owner fails to make payment when due or substantially breaches any other obligation of this Contract, following fourteen days' written notice to the Owner, the Contractor may terminate the Contract and recover from the Owner payment for Work executed and for proven loss with respect to materials, equipment, tools, construction equipment and machinery, including reasonable overhead, profit and damages.

## 10.2 TERMINATION BY THE OWNER

**10.2.1** The Owner may terminate the Contract if the Contractor:

**.1** persistently or repeatedly refuses or fails to supply enough properly skilled workers or proper materials;

**.2** fails to make payment to Subcontractors for materials or labor in accordance with the respective agreements between the Contractor and the Subcontractors;

**.3** persistently disregards laws, ordinances, or rules, regulations or orders of a public authority having jurisdiction; or

**.4** is otherwise guilty of substantial breach of a provision of the Contract Documents.

**10.2.2** When any of the above reasons exist, the Owner may, without prejudice to any other rights or remedies of the Owner and after giving the Contractor and the Contractor's surety, if any, seven days written notice, terminate employment of the Contractor and may:

**.1** take possession of the site and of all materials thereon owned by the Contractor.

**.2** finish the Work by whatever reasonable method the Owner may deem expedient.

**10.2.3** When the Owner terminates the Contract for one of the reasons stated in Subparagraph 10.2.1, the Contractor shall not be entitled to receive further payment until the Work is finished.

**10.2.4** Upon completion of the Work, the Contractor shall be entitled to payment only for the portion of the Work performed by the Contractor that has not been previously paid for by the Owner.

**10.2.5** The Owner may terminate the Contract without cause upon 60 days written notice to Contractor.

This Agreement is executed in at least two (2) original copies of which one is to be delivered to the Contractor and the other to the Owner.

| **OWNER**<br>**TOWN OF ADDISON** | **CONTRACTOR**<br>**SECURE CONTROL SYSTEMS, LLC** |
|---|---|
| _____ | _____ |
| Ron Whitehead, City Manager<br>5300 Belt Line Road<br>Dallas, Texas 75254 | Brian Mikiten, President<br>2438 Freedom Drive<br>San Antonio, Texas 78217 |
| Date: _____ | Date: _____ |

# Council Agenda Item: #R9

**SUMMARY:**

Consideration of a Resolution terminating and canceling a contract in the amount of $78,048.00 with James Enterprises, Inc. for custodial services for Town facilities.

**BACKGROUND:**

In February 2004, Oriental Building Services, Inc., was the low bidder for this contract and was awarded the contract. The contract is for custodial services at the Service Center, Police, Police sub-stations, Central Fire, Conference Centre and Athletic Club facilities.

On March 5, 2004, several of the Oriental Building Services employees were taken into custody for questioning by agents of the Department of Homeland Security in reference to immigration and customs violations. It was later determined that information provided to the Town by some of these individuals for security clearance access to our buildings was fraudulent. The specifications for this contract requires vendors to comply with all federal, state, and local laws, ordinances, rules and regulations and to ensure that their employees are authorized to work in the United States, as required by the Immigration Reform and Control Act of 1986. Based on this, staff terminated the contract with Oriental Building Services on March 8, 2004.

James Enterprises, Inc., who submitted the second low bid was then awarded the contract. To our disappointment, James Enterprises, Inc., has failed to perform to the requirements of the specifications. Staff has repeatedly met with the owner and supervisor, regarding deficiencies in their performance that includes 32 notices of contract violations to the owners of James Enterprise between March 18th and July 6th. Both Rob Bourestom and Randy Rogers have expressed the same dissatisfaction and incompleteness level with the work that is being performed at the Athletic Club and Conference and Theatre Centre.

**RECOMMENDATION:**

Staff recommends rescinding the award for $78,048 to James Enterprises, Inc., and terminating the contract.

Attachments: Termination Letter
Rob Bourestom – Memorandum
Randy Rogers – Memorandum

MA

#R9-2

FINANCE DEPARTMENT/PURCHASING DIVISION 5350 Belt Line Road (972) 450-7089
E-mail ssims@ci.addison.tx.us Facsimile (972) 450-7096 P.O. Box 9010 Addison, Texas 75001

July 29, 2004

Ms. JoAnna James
James Enterprise
605 Cedar Street
Cedar Hill, TX 75104

**RE: Termination Custodial Services for the Town of Addison, Bid 04-01**

Dear Ms. James:

The Town of Addison is terminating your contract immediately. The contract for your services states that in Section 7(c):

> If, in the Town's sole judgment, the Town forms a belief that the prospect of Contractor's performance of this agreement is or may be impaired, the Town of Addison may, in its sole discretion, termination this agreement immediately without notice.

In addition, Section 11.1(b), in the specifications for Custodial Services, Bid 04-01, states that:

> The Town may elect to terminate the agreement immediately by giving written notice to the Contractor. Termination by the Town under this section shall be in addition to all other remedies that the town may have against the Contractor.

Town of Addison staff members have made numerous attempts to work with your company to fulfill the requirements of the contract beginning on March 18, 2004. In addition, staff has submitted 32 notices of contract violations from March 18, 2004 through July 6, 2004.

Section 11.1(c) of the specifications for Custodial Services, Bid 04-01, states that:

> Upon termination of the contract, Contractor shall bring buildings up to the Owner's required level of satisfaction.

James Enterprises will have until 8:00 a.m. on Monday, August 2, 2004 to comply with the provision stated above and bring the building up to the Town of Addison's level of satisfaction.

Please make arrangements to return Town keys and remove your equipment and/or supplies from the Town facilities. Send final invoices for the work already performed.

If you have any questions or if I can be of assistance to you, please contact me at 972-450-7089.

Sincerely,

Shanna N. Sims
Budget and Procurement Manager

cc: Mark Acevedo, Director of Facilities and Fleets
John Godley, Supervisor Facilities
Rob Bourestom, Manager ACTC
Randy Rogers, Manager AAC

#R9-3

ADDISON CONFERENCE & THEATRE CENTRE

# Memo

**To:** Mark Acevedo

**From:** Rob Bourestom RB

**Date:** July 7, 2004

**Re:** James Enterprise

---

We have had an ongoing challenge with our current cleaning company James Enterprise. We have made an effort through meetings, notes and phone calls to get them on track with our expectation of the cleanliness of the facilities. This effort has not proved to raise their level of cleaning to the standards we expect.

We provide the cleaning crews with a detailed list of specifications of what must be cleaned on a daily, weekly and quarterly basis. This list is not followed by this crew as we often find the facilities cleaned in a manner well below our expectations.

We contracted James Enterprise to clean the pavilion restrooms throughout the run of Taste Addison. I repeatedly received calls from the command post indicating that the restrooms were dirty and needed to be restocked and the cleaning crew was nowhere to be found.

Overall, I find James Enterprise to be unreliable and consistently performing well below our expectations. It is therefore my recommendation that we terminate our contract with James Enterprise and move to the next lowest bidder.



15650 Addison Road • P.O. Box 9010 • Addison, Texas 75001-9010

Addison 50!

50 YEARS OF FUN!

#R9-4

# Memorandum

**To:** Mark Acevedo

**CC:** Slade Strickland

**From:** Randy Rogers

**Date:** 8/19/2004

**Re:** Contract Cleaning Issues

---

The current cleaning company, James Enterprise, is doing a very poor job cleaning the men and women's locker rooms at the Athletic Club. They are not cleaning to specifications especially in the tiled shower areas. There is a build up of mildew on the walls that looks horrible. I have sent three requests to take care of this issue with no improvement. I finally met with Jose Rodriquez and he acted like he wasn't aware of the problem and he did not know he was supposed to clean this area nightly. Also, they are not cleaning 7 days a week. They have missed three Saturdays and did not clean on Monday, July 5th.

I am not happy with their level of service or response to requests and recommend we find someone else to clean the Athletic Club.

# Council Agenda Item: #R10

**SUMMARY:**

Consideration and approval of award of bid and a resolution authorizing the City Manager to enter into a contract with Members Building Services, Inc., for custodial services at the Service Center, Police & Police sub-stations, Central Fire, Conference and Theatre Centre and Athletic Club facilities.

**FINANCIAL IMPACT:**

Cost: $84,888.00

Funds are budgeted and available in each department's operating budget.

**BACKGROUND:**

In February 2004, Oriental Building Services, Inc., was the low bidder for this contract and was awarded the contract. The contract is for custodial services at the Service Center, Police, Police sub-stations, Central Fire, Conference Centre and Athletic Club facilities.

On March 5, 2004, several of the Oriental Building Services employees were taken into custody for questioning by agents of the Department of Homeland Security in reference to immigration and customs violations. It was later determined that information provided to the Town by some of these individuals for security clearance access to our buildings was fraudulent. Based on this, staff terminated the contract with Oriental Building Services on March 8, 2004. James Enterprises, Inc., who submitted the second low bid was then awarded the contract. Much to our disappointment, James Enterprises, Inc., has failed to perform to the requirements of the specifications. Staff has repeatedly met with the owner and supervisor, regarding the deficiencies in their performance with no cure. Staff terminated James Enterprise on July 29, 2004. Staff entered into an interim month to month arrangement with Members Building Services, Inc., who was the third lowest bidder. Members has agreed to honor their original bid and has been performing services to our specifications and is doing a good job. All of Members Building Services employees that will be working in the Town's facilities have cleared the Police Departments security check.

**RECOMMENDATION:**

Staff recommends awarding the contract in the amount of $84,888 to Members Building Services, Inc., for custodial services.

Attachments: Bid Tab

MA

**Bid 04-01 Custodial Services**
**February 3, 2004 2:00PM**

| | Oriental Building Services | | James Enterprise | | Members | | Jani King | |
|---|---|---|---|---|---|---|---|---|
| Signed | yes | | yes | | yes | | yes | |
| *Bid Bond | b | | c | | b | | c | |
| | Option 1/per Month | Option 2/per month | Option 1/per Month | Option 2/per month | Option 1/per Month | Option 2/per month | Option 1/per Month | Option 2/per month |
| **Section A-** | | | | | | | | |
| Svc Cnter | $1,028 | $1,018 | $1,460 | $1,427 | $1,343 | $1,208 | $1,893 | $1,843 |
| Fire Station 1 | $375 | $355 | $375 | $360 | $293 | $263 | $585 | $560 |
| Police Station | $1,585 | $1,565 | $1,503 | $1,500 | $2,115 | $1,903 | $2,783 | $2,733 |
| Sub Station 1 | $65 | $65 | $125 | $100 | $58 | $50 | $200 | $190 |
| Sub Station 2 | $75 | $75 | $125 | $100 | $50 | $50 | $200 | $190 |
| **Section B** | | | | | | | | |
| ACTC | $1,800 | $1,780 | $2,511 | $2,312 | $2,300 | $2,070 | $4,563 | $4,513 |
| Pavilion | $280 | $280 | $275 | $205 | $800 | $720 | $400 | $375 |
| **Section C** | | | | | | | | |
| Athletic Club | $1,200 | $1,150 | $600 | $500 | $900 | $810 | $997 | $972 |
| **Total for Month** | **$6,408** | **$6,288** | **$6,974** | **$6,504** | **$7,859** | **$7,074** | **$11,621** | **$11,376** |
| **Pavilion as needed** | | | | | | | | |
| Full Restroom | $75.00 per cleaning | | $50.00 per cleaning | | $30.00 per cleaning | | $50.00 per cleaning | |
| As needed Pavilion | $125.00 per cleaning | | $75.00 per cleaning | | $30.00 per cleaning | | $50.00 per cleaning | |

| | All Bidders Disqualified | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Andrews | | Beyond Cleaning Solutions | | Inside & Out | | GBM | |
| Signed | yes | | yes | | DISQUALIFIED NOT SIGNED | | DISQUALIFIED NOT SIGNED | |
| *Bid Bond | b | | no | | | | | |
| | Option 1/per Month | Option 2/per month | Option 1/per Month | Option 2/per month | opt 1 | opt 2 | opt1 | opt2 |
| **Section A-** | | | | | | | | |
| Svc Cnter | $1,012 | $1,012 | $1,098 | $1,006 | no bid | | $1,645 | |
| Fire Station 1 | $400 | $400 | $420 | $360 | no bid | | $288 | |
| Police Station | $1,477 | $1,477 | $1,156 | $1,059 | no bid | | $2,492 | |
| Sub Station 1 | $200 | $200 | $186 | $160 | no bid | | $55 | |
| Sub Station 2 | $200 | $200 | $192 | $168 | no bid | | $75 | |
| **Section B** | | | | | | | | |
| ACTC | $2,488 | $2,488 | $2,254 | $2,093 | $2,700 | | $2,641 | |
| Pavilion | $784 | $784 | $310 | $250 | $750 | | $263 | |
| **Section C** | $927 | $927 | | | | | | |
| Athletic Club | $927 | $927 | $800 | $750 | $885 | | no bid | |
| **Total for Month** | $8,415 | $8,415 | $6,416 | $5,846 | | | no bid | |
| **Pavilion as needed** | | | | | | | | |
| Full Restroom | $45.00 per cleaning | | $30.00 per hour | | $85.00 per cleaning | | $35.00 per cleaning | |
| As needed Pavilion | $39.00 per cleaning | | $30.00 per hour | | $285.00 per cleaning | | $15.00 per cleaning | |
| | Not qualified to bid Section A:Did NOT attend Pre Bid Meeting | | Current Contractor for Section B&C that has not followed through with cleaning requirements | | | | | |

Minok Suh
Minok Suh, Purchasing Coo

Corey Gayden
Corey Gayden, Witness

***Bid Bond** c-cashiers check
b-bidbond
**Option 1-** This was by individual location bid, if awarded by section
**Option 2-** discount for bid awarded in total to one company

#R10-2

# Council Agenda Item: #R11

**SUMMARY:**

Consideration of approval of the Assumption and Assignment of the Ground Lease between Town of Addison as Landlord and PIEDMONT/HAWTHORNE HOLDINGS, INC., (the Assignor) to, PIEDMONT HAWTHORNE AVIATION, INC. (the "Assignee").

**BACKGROUND:**

Piedmont/Hawthorne Holdings, Inc. desires to assign their leasehold interest to a wholly owned subsidiary, Piedmont Hawthorne Aviation, Inc. This assignment is part of a corporate reorganization to place over twenty FBO's in to a single subsidiary, the proposed new tenant.

Paragraph 9 of the Ground Lease stipulates Landlord must give prior written consent to Tenant who may desire to assign or sub-let any portion of the demised premise. Therefore, Tenant requests Town of Addison to consent to the Assumption and Assignment of the Ground Lease between Town of Addison as Landlord and Piedmont/Hawthorne Holdings, Inc., (the "Assignor") to Piedmont Hawthorne Aviation, Inc., (the "Assignee"). Under the proposed assignment, the Assignor agrees not to be released of any its obligations to perform under the Ground Lease.

**RECOMMENDATION:**

Airport Management and staff have reviewed the proposed request and recommend the Town give its consent to the Assignment and Assumption of Ground Lease 0150-1702 (GL#17) from Assignor to Assignee. The City Attorney has reviewed and approved the attached documentation.

Staff recommends approval.

Attachments: Lisa Pyles - Memorandum
Exhibit 1 - Map
Exhibit 2 - Aerial View
Exhibit 3 - Assignment & Assumption Agreement

MA

#R11-2

William M. Dyer
Real Estate Manager
16051 Addison Road,
Suite 220
Addison, Texas 75001

Main: 972-392-4650
Direct: 972-392-4856
Fax: 972-788-9334
bill.dyer@staubach.com

To: Mark Acevedo
Director of General Services

From: Lisa Pyles, Airport Director

Cc: Bill Dyer, Real Estate Manager

Date: August 13, 2004

Re: Requested Action by Piedmont/Hawthorne Holdings, Inc.
Addison Airport Ground Lease #0150-1702 (GL#17)

**Requested Action and Recommendation by Airport Operator**

Consideration of approval of the Assumption and Assignment of the Ground Lease between Town of Addison as Landlord and PIEDMONT/HAWTHORNE HOLDINGS, INC., (the Assignor) to, PIEDMONT HAWTHORNE AVIATION, INC. (the "Assignee").

Airport Management has reviewed the proposed request and recommends the Town give its consent to the Assignment and Assumption of Ground Lease 0150-1702 (GL#17) from Assignor to Assignee. The City Attorney has reviewed and approved the attached documentation.

**Background Information**

The subject Ground Lease is for certain real property located at 4545 Eddie Rickenbacker (also referenced as Taxiway Building #A-4). The property consists of 16,300 square feet of combined hangar/office space on 2.451 acres (106,778 sq. feet) of land (see Exhibit 1: Location Map and Exhibit 2: Aerial View of ADS).

The Ground Lease was made and entered into by the Town of Addison and Associated Air Center, Inc., as tenant on December 18, 1981 with a commencement date being May 1, 1982. The lease has a term of 480 months and is due to expire April 30, 2022. The annual current rental is $47,792 per year (approx. $0.45 per square foot).

As a result of corporate reorganization, the name Associated Air Center, Inc. was changed to Associated Hangar, Inc. on February 27, 1987. In June of 2000 Piedmont/Hawthorne Holdings, Inc acquired the capital stock of Associated Hangar, Inc. merging the entity into the corporate structure. In May of 2003, the City consented to the assignment of the Ground Lease from Associated Hangar, Inc. to Piedmont/Hawthorne Holdings, Inc.

## Summary of Ground Lease Terms

| Property Description | |
|---|---|
| Date of Report | 08/13/2004 |
| Property Number | 0150 |
| Property Address | 4545 Eddie Rickenbacher |
| Ramp Address | A-4 |
| ADS Survey # | 15 |
| Property Type | Conventional Hangar |
| Land Area | 106,778 |
| Hangar Area | 17,400 |
| Office/Shop Area | |
| Total Building Area | 17,400 |
| Year Built | 1955 |
| Est. Economic Life | 40 |
| End of Eco. Life | 1995 |
| % Obsolescent | 123% |
| Hangar Door Clearance | |
| Dedicated Ramp Area | 70,749 |

| Lease Information | |
|---|---|
| Lease # | 0150-1702 |
| Tenant Name | Peidmont/Hawthorne |
| Doing Business As | |
| Primary Contact: | Byron Gray |
| Primary Contact Phone: | 214-353-2240 |
| Lease Type | Ground Lease |
| Lease Commencement Date | 05/01/1982 |
| Lease Expiration Date | 04/30/2022 |
| Years Remaining in Term | 17.97 |
| Current Monthly Rent | $ 3,982.65 |
| Current Annual Rent | $ 47,791.80 |
| Annual Rent /SF Land | $ 0.45 |
| Est. Remaining Contract Rent | 1,155,381 |
| Rent Adjustment ? | |
| | |
| | |

| Valuation Information | |
|---|---|
| NPV of Contract Rent | $ 471,459 |
| DCAD Estimated Value of Imp. | $ 338,850 |
| ADS Estimated Value of Imp. | |
| NPV of Contract Rent in Excess of Market | $ 55,216 |
| Leasehold Interest (Tenant) | $ 394,066 |
| Lease Fee Estate (Landlord) | $ 471,459 |
| Est. FMV of Leased Premises | $ 865,524 |
| Est. FMV of Leased Premises/SF Land | $ 8.11 |
| FMV of Land derived from Leasehold Interests | $ 526,674 |
| FMV of Land from Leasehold Int./SF | $4.93 |
| Contract Rent Coverage Ratio | 0.719 |
| Discount Rate | 10% |
| | |
| | |
| DCAD Business Personal Property | |
| | |

## Current Status:

Piedmont/Hawthorne Holdings Inc. is headquartered in Winston-Salem, North Carolina, with nearly 2,100 employees at over 36 locations. Piedmont/Hawthorne is the nation's second largest operator of fixed base operations (FBOs). As one of the oldest continuously operating general aviation companies Piedmont/Hawthorne, has a rich history in both the general aviation and the airline industry. The company has other operating divisions specializing in new and used aircraft and airliner sales, provides FAR Part 145 airframe maintenance/modification and component repair/overhaul and Airliner refurbishment. In addition, Piedmont/Hawthorne operates a FAA Part 135 and FAA Part 121 airline, operating Boeing equipment under the name PACE Airlines.

Until recently the Addison property was subleased to Sewpaw, Inc. doing business as Flight Line. Flight Line recently filed bankruptcy without the intent to reorganize. Owens Aviation currently leases a portion of the building and ramp area for its aircraft sales operation while Piedmont/Hawthorne attempts to release the remainder of the space.

Piedmont/Hawthorne remains in good standing with Addison Airport.

**Proposed Actions:**

Piedmont/Hawthorne Holdings, Inc. desires to assign their leasehold interest to a wholly owned subsidiary, Piedmont Hawthorne Aviation, Inc. This assignment is part of a corporate reorganization to place over twenty FBO's in to a single subsidiary, the proposed new tenant.

Paragraph 9 of the Ground Lease stipulates Landlord must give prior written consent to Tenant who may desire to assign or sub-let any portion of the demised premise. Therefore, Tenant requests Town of Addison to consent to the Assumption and Assignment of the Ground Lease between Town of Addison as Landlord and Piedmont/Hawthorne Holdings, Inc., (the "Assignor") to Piedmont Hawthorne Aviation, Inc., (the "Assignee"). Under the proposed assignment, the Assignor agrees not to be released of any its obligations to perform under the Ground Lease.

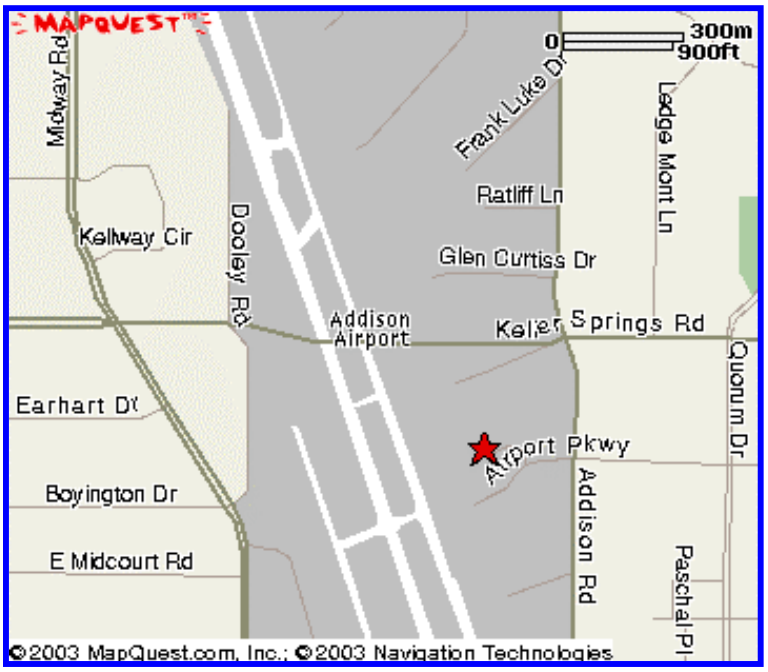
**Conclusion and Recommendation of Airport Operator**

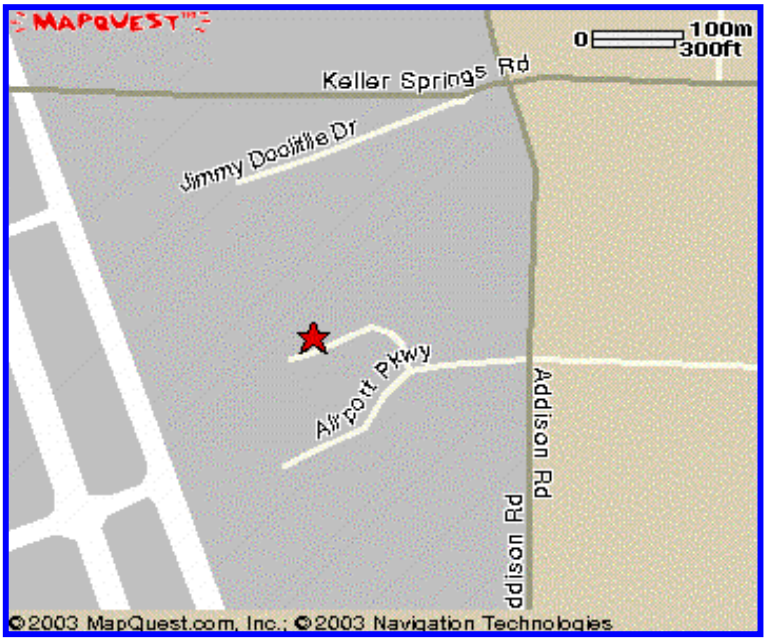
Airport Management has reviewed the proposed request and recommends the Town give its consent to the Assignment and Assumption of Ground Lease 0150-1702 (GL#17) from Assignor to Assignee. The City Attorney has reviewed and approved the attached documentation.

**Summary of Exhibits Attached:**

- Exhibit 1: Location Map
- Exhibit 2: Aerial View
- Exhibit 3: Assumption and Assignment Agreement

# Exhibit 1: Location Map



# Exhibit 2: Aerial View of Addison Airport

**with location of Ground Lease 0150-1701 (GFL#17)**
**Piedmont/Hawthorne Holdings. Inc., Tenant**

View is toward the south

# Exhibit 3

STATE OF TEXAS §
§ ASSIGNMENT AND ASSUMPTION AGREEMENT
COUNTY OF DALLAS §

**THIS ASSIGNMENT AND ASSUMPTION AGREEMENT** (the "Assignment") is entered into and effective as of _____ 2004, by and between PIEDMONT/HAWTHORNE HOLDINGS, INC., a Delaware_ Corporation (the "Assignor") and **PIEDMONT HAWTHORNE AVIATION, INC.,** a Delaware corporation (the "Assignee).

**WHEREAS**, a Ground Lease was made and entered into as of December 18, 1981 by and among the City of Addison, Texas (the same being the Town of Addison, Texas and sometimes referred to herein as the "City") and Addison Airport of Texas, Inc., as Landlord, and Associated Air Center (the same being a corporation known as Associated Air Center, Inc.), as Tenant (the "Ground Lease", a true and correct copy of which is attached hereto as Exhibit A), by the terms of which Tenant leased certain real property located at Addison Airport; and

**WHEREAS**, by a corporate reorganization (certificate of amendment evidencing such reorganization filed with the Texas Secretary of State on February 27, 1987) the name of Associated Air Center, Inc. was changed to Associated Hangar, Inc.; and

**WHEREAS**, the capital stock of Associated Hangar, Inc. was acquired by Piedmont/Hawthorne Holdings, Inc., a Delaware Corporation, in June, 2000; and

**WHEREAS**, Associated Hangar, Inc. thereafter changed its name to Associated Air Center International, Inc., and Associated Air Center International, Inc. became the Tenant under the Ground Lease; and

**WHEREAS**, with the consent of the City, Associated Air Center International, Inc. assigned its interest in the Ground Lease to Piedmont/Hawthorne Holdings, Inc. through an Assignment and Assumption Agreement entered into as of May 14, 2003; and

**WHEREAS**, the Ground Lease provides that, upon the expiration or termination of that certain agreement referred to and defined in the Ground Lease as the "Base Lease" (being an agreement captioned Agreement for Operation of the Addison Airport between the City and Addison Airport of Texas, Inc.), the City is entitled to all of the rights, benefits and remedies, and will perform the duties, covenants and obligations, of the Landlord under the Ground Lease; and

**WHEREAS**, the said Base Lease has expired and the City is the Landlord under the Ground Lease; and

**WHEREAS**, the Ground Lease provides in Section 9 thereof that, without the prior written consent of the Landlord, the Tenant may not assign the Ground Lease or any rights of Tenant under the Ground Lease (except as provided therein), and that any assignment must be expressly subject to all the terms and provisions of the Ground Lease, and that any assignment must include a written agreement from the assignee whereby the assignee agrees to be bound by the terms and provisions of the Ground Lease; and

**WHEREAS**, Assignor desires to assign the Ground Lease to Assignee, and Assignee desires to accept the Assignment thereof in accordance with the terms and conditions of this Assignment.

**NOW, THEREFORE**, for and in consideration of the mutual promises, covenants, and conditions contained herein, the sufficiency of which are hereby acknowledged, the parties hereto, each intending to be legally bound, agree as follows:

**AGREEMENT**

1. Assignor hereby assigns, bargains, sells, and conveys to Assignee, effective as of the date above, all of Assignor's right, title, duties, responsibilities, liabilities, obligations, and interest in and to the Ground Lease, attached hereto as Exhibit A, TO HAVE AND TO HOLD the same, for the remaining term thereof, and Assignor does hereby bind itself and its successors and assigns to warrant and forever defend the same unto Assignee against every person or persons lawfully claiming any part thereof through Assignor.

2. Prior to the effective date of this Assignment, Assignee agrees to pay an Assignment Fee in the amount of Four Hundred Fifty Dollars and no/100 ($450.00) to Landlord.

3. Assignee hereby agrees to and shall be bound by and comply with all of the terms, provisions, duties, conditions, responsibilities, liabilities, and obligations of tenant under the Ground Lease. For purposes of notice under the Ground Lease, the address of Assignee is

Pidemont Hawthorne Aviation, Inc.
3821 N. Liberty Street
Winston Salem, NC 27105-3965

Assignee acknowledges and agrees that it assumes and is hereby assuming all obligations, liability and responsibility of Assignor (and Assignor's predecessors in title or corporate structure as described in the premises above) in connection with and under the Ground Lease, including, without limitation, the obligations, liability and responsibility regarding the condition (including, without limitation, the environmental condition) of the premises which are the subject of the Ground Lease.

4. Nothing in this Assignment shall be construed or be deemed to modify, alter, amend or change any term or condition of the Ground Lease, except as set forth herein.

5. This Assignment is subject to the consent and filing requirements of the Town of Addison, Texas.

6. The above and foregoing premises to this Assignment and statements made herein are true and correct, and Assignor and Assignee both warrant and represent that such premises and statements are true and correct, and that in giving its consent, Landlord is entitled to rely upon such representations and statements.

**IN WITNESS WHEREOF**, Assignor and Assignee have executed and delivered this Assignment on the day and year first set forth above.

**ASSIGNOR:**

**PIEDMONT/HAWTHORNE HOLDINGS, INC**.

By:_____
T. Dean Harton
Its: President

**ASSIGNEE:**

**PIEDMONT HAWTHORNE AVIATION, INC.**

By:_____
T. Dean Harton
Its: President

## ACKNOWLEDGMENT

**STATE OF NORTH CAROLINA §**
**COUNTY OF FORSYTH §**

BEFORE ME, the undersigned authority, on this day personally appeared _____ known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein stated.

GIVEN under my hand and seal of office this _____ day of _____, 2004.

[SEAL]

_____
Notary Public, State of North Carolina

**STATE OF NORTH CAROLINA §**
**COUNTY OF FORSYTH §**

BEFORE ME, the undersigned authority, on this day personally appeared _____ known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein stated.

GIVEN under my hand and seal of office this _____ day of _____, 2004.

[SEAL]

_____
Notary Public, State of North Carolina

## ***CONSENT OF LANDLORD***

The Town of Addison, Texas ("Landlord") is the Landlord in the Ground Lease described in the above and foregoing Assignment. In executing this Consent of Landlord, Landlord is relying upon the warranty and the representations made in the foregoing Assignment by both Assignor and Assignee, and in relying upon the same Landlord hereby consents to the foregoing Assignment from Assignor to Assignee. Notwithstanding, Landlord does not release Assignor from its obligations under the Ground Lease. In addition, notwithstanding any provision of this Consent of Landlord or the above and foregoing Assignment to the contrary, this Consent shall not operate as a waiver of any prohibition against further assignment, transfer, conveyance, pledge, change of control, or subletting of the Ground Lease or the premises described therein without Landlord's prior written consent.

**LANDLORD:**

**TOWN OF ADDISON, TEXAS**

By:_____
Ron Whitehead, City Manager

# Council Agenda Item: #R12

**SUMMARY:**

Consideration of a Resolution consenting to a request by R. Stern F.B.O Limited Partnership at Addison Airport for Landlord's Consideration and Consent of its Sub-lease to FirstAIR ADS Corp.

**BACKGROUND:**

R. Stern F. B. O. Limited Partnership has submitted to Airport Management a sub-lease agreement affecting approximately two-thirds of Stern's combined ground- leased premises located at 4553 Jimmy Doolittle. Stern has requested the City to consent to the sub-lease. The sub-tenant, FirstAIR ADS Corp., intends to operate a full-service fixed based operation (FBO), including fuel sales, from the Stern facility.

FirstAIR will be a sub-tenant to Stern who has existing ground leases with the City. Because of the sub-lease agreement, Stern is assigning a portion of his leasehold rights and use under the ground leases to FirstAIR. Although Stern has long been regarded as an established FBO at Addison Airport, Stern does not fully satisfy the minimum requirements set forth for FBO as outlined in Section V (4) of Addison Airport's Minimum Standards (adopted April 2004) i.e. having a minimum of four contiguous acres *(Stern holds approximately 2.56 acres)* and 60,000 square feet of apron area (*Stern has approximately 36,000 SF of apron area)*. To satisfy such deficiencies, Stern would need to expand their facilities but, as an existing leaseholder, Stern is provisionally exempted under Section 1 of the Minimum Standards.

A summary of the proposed sub-lease agreement, information regarding the sub-tenant, and additional details are included in the attached memorandum from Airport management.

**RECOMMENDATION:**

Staff and Airport Management recommend the City Council give its consent to the proposed sub-lease. The City Attorney has reviewed the attached documents and has approved them accordingly.

Attachments: Bill Dyer - Memorandum

MA

William M. Dyer
Real Estate Manager
16051 Addison Road,
Suite 220
Addison, Texas 75001

Main: 972-392-4650
Direct: 972-392-4856
Fax: 972-788-9334
bill.dyer@staubach.com

# *Memorandum*

To: Mark Acevedo

From: Bill Dyer

CC: Lisa Pyles

Date: 8/12/2004

Re: Request by R. Stern F.B.O Limited Partnership for Landlord's Consideration and Consent of its Sub-lease to FirstAIR ADS Corp.

---

R. Stern F. B. O. Limited Partnership (Stern) delivered to Airport Management a sub-lease agreement affecting approximately two-thirds of Stern's combined ground-leased premises located at 4553 Jimmy Doolittle. Stern has requested the City to consent to the sub-lease. The sub-tenant, FirstAIR ADS Corp. (FirstAIR), intends to operate a full-service fixed based operation (FBO), including fuel sales, from the Stern facility.

Airport Management recommends the City consent to the sub-lease as requested.

**Summary of the proposed sub-lease agreement:**

1. Name of proposed sub-tenant is FirstAIR ADS CORP.
2. The sub-lease premises are defined to include the South and Center Hangars (a.k.a. Hangar #2 & Hangar #3) plus office suites #1-4. Actual building area is not provided but estimated to be approximately 24,000 SF of the total 36,000 SF of hangar and 2,500 of 6,000 SF of office area. Ramp area for the exclusive use of the sub-tenant is not specified.

3. The stated use of the sub-leased premises is "solely for storage of aircraft and other uses customarily employed in providing the service of a fixed base operation."
4. The lease is structured as a modified triple-net lease using two-thirds as its pro-rata share for the allocation of certain costs including shared utilities, city services, taxes and building insurance.
5. The sub-lease term is said to commence 8/1/2004 and end on 6/30/2019 or nearly 15 years. This term is co-terminus with Stern's underlying ground leases with the City.
6. Sub-tenant proposes making "initial tenant improvements" but the nature or value of the improvement is not defined.
7. Rent is $12,000 per month and subject to an annual CPI adjustment.
8. The sub-lease agreement is subject to the City's consent with the sub-tenant able to terminate the sub-lease if approval by the City is not obtained within 30 days of the effective date of the Agreement being 7/19/2004. (*Airport Management did advise Stern that the sub-lease would require the consideration and consent of the City Council and that the earliest possible date would be August 24. Stern requested Airport Management to proceed with scheduling the request for the earliest possible date).*
9. The sub-lease refers to a separate "Fuel Farm Management Agreement" by and between Stern and FirstAIR. After reviewing this Fuel Farm Management Agreement, it appears the agreement is a sub-contract and, as such, does not assign or sub-let any of Stern's rights under his Fuel Farm Leases.
10. The sub-tenant may not sublet or assign its rights under the sub-lease.

**<u>Summary of the affected Stern leased premises:</u>**

The proposed sub-lease affects three ground leases held by Stern:

1. GL 0230-0201 (approximately 1.752 acres, expires 6/30/2019)
2. GL 0230-3901 (approximately .682 acres, expires 12/30/2019)
3. GL 0230-4001 (approximately .12 acres, expires 12/30/2019)

When combined, the three ground leases comprise all of Stern's hangar and office facilities located at 4553 Jimmy Doolittle. The related Fuel Farm Management Agreement relates to Fuel Farm Leases 003B-1501/1601 and 003B-2601/2701 (a.k.a. Facility #3 and Facility #6, respectively).

The Tenant is presently in good standing with the Landlord.

**Information regarding the sub-tenant:**

Limited information has been made available regarding the sub-tenant. FirstAIR has its corporate offices in Horseheads, NY. Current ownership has been in control of the company since 1996. FirstAIR currently operates FBOs in Elmira and Binghamton, NY. The company represents that the Addison FBO operation will be a complete start-up operation, including the recruitment and training of its employees. Stern has indicated they are fully satisfied with the creditworthiness of the sub-tenant and their ability to perform under the sub-lease.

**Application of Addison Airport's Minimum Standards**

Addison Airport adopted its current Airport Minimum Standards in April 2004. Although sub-tenants are not directly affected by the Minimum Standards, the City and Airport Management look to the tenant (Stern, in this instance) to ensure all of its sub-tenants meet or exceed the applicable standards. In addition, the recent implementation of the Minimum Standards does not intend to cause any existing tenant to retrofit its facilities in order to comply…[but]"to the extent compliance can be obtained without undue hardship is required."

FirstAIR will be a sub-tenant to Stern who has existing ground leases with the City. Because of the sub-lease agreement, Stern is assigning a portion of his leasehold rights and use under the ground leases to FirstAIR. Although Stern has long been regarded as an established FBO at Addison Airport, Stern does not fully satisfy the minimum requirements set forth for FBO as outlined in Section V (4) of Addison Airport's Minimum Standards (adopted April 2004) i.e. having a minimum of four contiguous acres *(Stern holds approximately 2.56 acres)* and 60,000 square feet of apron area (*Stern has approximately 36,000 SF of apron area)*. To satisfy such deficiencies, Stern would need to expand their facilities but, as an existing leaseholder, Stern is provisionally exempted under Section 1 of the Minimum Standards.

Stern does appear to reasonably satisfy other stated requirements such as the minimum hangar space of 25,000 square feet, 2,000 square feet of office/terminal space and sufficient vehicle parking to satisfy city code. The Minimum Standards outline other requirements for FBOs which Stern and its sub-tenant should reasonably be able to meet without hardship including insurance (see Section IV, para. 7 and Section V, para. 5), environmental compliance and "SWPPP" (See Section IV, para. 8), FAA and other regulatory certifications (Section IV, para. 9), minimum services required of FBO (Section V, para. 1a), aircraft line service (Section V, para. 2) and minimum staffing (Section V, para. 3).

**Landlord's standards for consent to assignment or sub-letting**

In Section 9 of each Ground Lease there is the provision allowing Stern to assign or sub-let the leased premises provided certain requirements or standards are met, including:

1. Tenant remains fully liable for its performance under the Ground Lease.
2. No further subletting is permitted without Landlord's prior written consent.
3. Any assignment or subletting shall be expressly subject to all the terms and provisions of the Lease(s), including the provision of Paragraph 6 pertaining to the use of the demised premises.
4. Tenant must first obtain a written agreement from each such assignee or sub-lessee whereby each such assignee or sub-lessee agrees to be bound by the terms and provisions of the Lease(s).
5. No such assignment or subletting shall constitute a new agreement or novation.
6. Should Tenant default under any one of the Ground Leases, Landlord is to be given the right to collect sub-tenant's rent directly amongst its remedies.

With respect to Stern's Fuel Farm Lease, the City has previously stated that it desires to maintain only that of a direct contractual relationship with each airport fueler. Based upon our review of the Fuel Farm Management Agreement, we find that Stern is the owner/operator of all fueling operations with FirstAIR acting in the capacity of a sub-contractor. This relationship should satisfy the City's concern in this respect.

**Airport Management's conclusion and recommendation**

Stern is requesting the City to consent to a sub-lease agreement of its ground-leased premises to FirstAIR ADS Corp. who intends to start up a new fixed base operation at Addison Airport. Stern's facility, located at 4553 Jimmy Doolittle, fails to satisfy certain minimum requirements for fixed base operators per the Addison Airport Minimum Standards and Requirements for Aeronautical Service Providers (adopted April 2004). As an existing leaseholder, Stern is to ensure any operator operating under an approved sub-lease agreement is to comply with all provisions of the Minimum Standards except for those which, in Airport Management's opinion, they are exempt.

Airport Management recommends the City give its consent to the proposed sub-lease and authorize the City Manager to evidence same by executing the Consent to Sublease Agreement attached Addendum.

The City Attorney has reviewed the attached documents and has approved them accordingly.

# A D D E N D U M

# CONSENT TO SUBLEASE

| **Exhibits attached and made a part hereto:** | |
|---|---|
| Exhibit A: | Copy of GL#0230-0201 with all modifications and amendments |
| Exhibit B: | Copy of GL#0230-3901 with all modifications and amendments |
| Exhibit C: | Copy of GL#0230-4001 with all modifications and amendments |
| Exhibit D: | True, correct and complete copy of Sublease |

The Town of Addison, Texas (the "Master Landlord") is the sole landlord under those certain Ground Leases dated January 15, 1979 (GL #0230-0201), July 3, 1979 (GL#0230-3901) and August 20, 1979 (GL#0230-4001) entered into between the City of Addison (the same being the Town of Addison, Texas) and Addison Airport of Texas, Inc., as Landlord, and R. Stern F.B.O. Limited Partnership, as Tenant (and herein so called) (a true and correct copy of each Ground Lease, together with any and all modifications and amendments thereto, if any, are attached hereto as Exhibit A, Exhibit B and Exhibit C, respectively (the "Ground Leases")), by the terms of which Tenant leased certain real property as described in each Ground Lease (the said real property as so described being referred to herein together as the "Leased Premises") located at Addison Airport within the Town of Addison, Texas, the address for such Leased Premises being commonly known 4553 Jimmy Doolittle, Addison, Texas. The Master Landlord hereby consents to the sublease of the Leased Premises by Tenant to First-Air ADS, Corp., a New York corporation ("Subtenant") pursuant to a commercial lease agreement proposed to commence August 1, 2004 and to end June 30, 2019 between Tenant and Subtenant (the "Sublease"), on the following terms and conditions:

1. Tenant shall remain fully liable for the performance of each and every term, provision, covenant, duty and obligation of the Tenant under the Ground Leases, including, without limitation, the duty to make any and all payments of rent. This Consent to Sublease ("Consent") shall in no way release Tenant from any of its covenants, agreements, liabilities and duties under the Ground Leases. This Consent to Sublease does not constitute approval by Landlord of the terms of the Sublease. Nothing herein contained shall be deemed a waiver or release of any of the Master Landlord's rights under the Ground Leases;

2. No further subletting or assignment, conveyance, or other transfer of all or any portion of the Leased Premises shall be made without the prior written consent of the Master Landlord;

3. Subtenant's use and occupancy of the Leased Premises shall be subject to all of the terms and conditions of the Ground Leases, and in the event of any conflict between the terms of the Ground Leases and the terms of the Sublease, the terms of the Ground Leases shall control;

4. Tenant and Subtenant acknowledge Tenant's responsibility to ensure that Tenant and all its subtenants comply with the Addison Airport Minimum Standards (the


Document #: 1120016

"Minimum Standards") and Addison Airport Rules and Regulations ("the Rules and Regulations") as may be amended, modified or supplemented from time to time by the Master Landlord; provided, however, that except as set forth in the Minimum Standards, certain provisions of the Minimum Standards are not applicable to Tenant as a Service Provider (as that term is used in the Minimum Standards), as follows: (i) the requirement for a minimum amount of land of four (4) contiguous acres, ii) the requirement for a minimum of 60,000 square feet of paved apron parking for aircraft, and iii) the requirement for a minimum of 25,000 square feet of hangar space, as provided for under Section I and Section V.4(a-c) of the Minimum Standards adopted March 1, 2004 (but in no event may the Leased Premises or any improvements thereon be reduced or diminished below the size thereof as of the date of this Consent). All other requirements set forth in the Minimum Standards and Rules and Regulations (as the same may be amended, modified or supplemented from time to time by Master Landlord in Master Landlord's sole discretion) are applicable to Tenant and to the Leased Premises and are in full force and effect;

5. Subtenant shall be obligated to obtain Master Landlord's consent to any action as to which Tenant is obligated to obtain such consent under the Ground Leases, including, without limitation, consent to any modifications, alterations or additions to any leasehold improvements in or on the Leased Premises;

6. The Sublease shall automatically terminate upon termination of the Ground Leases (or any of them), notwithstanding any other provision of the Sublease to the contrary;

7. Any violation by Subtenant of any of the terms and conditions of the Ground Leases shall constitute a default thereunder, for which Tenant shall be fully liable;

8. Master Landlord shall have no responsibility or obligation for the performance by Tenant of its obligations under the Sublease. Neither this Consent, the exercise by Master Landlord of its rights hereunder, nor the Sublease or any other instrument shall give Subtenant any rights directly or indirectly against Master Landlord or create or impose any obligation, duty, responsibility, or liability of Master Landlord in favor of or for the benefit of Subtenant;

9. As security for the performance by Tenant of its covenants, agreements, obligations, liabilities and duties under the Ground Leases, and in consideration of Landlord's execution and delivery of this Consent to Sublease, Tenant hereby assigns and transfers all rentals and other amounts payable and hereafter becoming payable by Subtenant under the Sublease to Master Landlord. Master Landlord is hereby granted an irrevocable license to collect the rentals and other amounts under the Sublease directly from Subtenant during the existence of any default under the Ground Leases, and Tenant hereby stipulates and agrees that Subtenant (i) shall receive full credit against its obligations under the Sublease for all sums so paid to Master Landlord, (ii) shall be entitled and is hereby directed to rely upon a written notice from Master Landlord that

Tenant is in default under the Ground Leases and that accordingly the rentals and other amounts under the Sublease are payable to Master Landlord. It is understood and agreed, however, that Master Landlord's exercise of such right shall not release, discharge, diminish, or otherwise constitute a waiver of Tenant's obligations under the Ground Leases except to the extent of funds actually received by Master Landlord. Any sums so collected by Master Landlord from Subtenant shall be applied to Tenant's obligations under the Ground Leases in such order as Master Landlord shall elect in Master Landlord's sole and absolute discretion;

10. Tenant and Subtenant each hereby represents and warrants to Master Landlord that (i) attached hereto as Exhibit D is a true, correct and complete copy of the Sublease, (ii) there are no other agreements or understandings, whether written or oral between Tenant and Subtenant with respect to Subtenant's use and occupancy of the Leased Premises or any property of Tenant located therein, and (iii) there is no compensation or consideration payable or to become due and payable to Tenant or any affiliate of Tenant in connection with the Sublease other than the rentals expressly set forth in the Sublease; and

11. Tenant and Subtenant each hereby covenants and agrees with Master Landlord that (i) the Sublease shall not be amended, modified or supplemented in any respect without the prior written consent of Master Landlord, and (ii) Tenant and Subtenant shall defend, indemnify and hold Master Landlord, its officials, officers, employees and agents harmless from and against any and all claims, liabilities and obligations to any broker or agent in connection with the Sublease, including, without limitation, any reasonable attorneys' fees and costs incurred by Master Landlord in connection therewith.

This Consent to Sublease shall not be effective unless and until an original copy hereof executed by Tenant and Subtenant has been returned to Master Landlord, attention Ron Whitehead, City Manager, Town of Addison, Texas, 5300 Belt Line Road, Dallas, Texas 75254, and executed by Master Landlord.

INTENTIONALLY LEFT BLANK

Town of Addison, Texas

By:_____
Ron Whitehead
City Manager

ACKNOWLEDGED AND AGREED:

Tenant:

R. STERN F.B.O. LIMITED PARTNERSHIP, a Texas limited partnership

By: STERN HOLDINGS, INC., general partner

By:_____
Typed Name: Ray Stern
Title: President
Date: 8/11/04

Subtenant:

FIRSTAIR ADS CORP., a New York corporation

By:_____
Typed Name: Thomas J. Freeman
Title: President
Date: 8-10-04

EXHIBIT A

0230-0201

**THE STATE OF TEXAS** }
}
**COUNTY OF DALLAS** }

**ASSIGNMENT OF GROUND LEASE**

This Assignment of Ground Lease, the "Assignment", is entered into and effective as of September 1, 1996, at Addison, Texas, between R. Stern Holdings Limited Partnership, "Assignor", and R. Stern F.B.O. Limited Partnership, "Assignee".

WHEREAS, a lease executed on January 15, 1979, between City of Addison, Addison Airport of Texas, Inc., and Ray Stern, a copy of which is attached hereto as Exhibit "A"; and

WHEREAS, the above described Lease was assigned by Ray Stern as Assignor to Stern Air, Inc. as Assignee by Assignment of Lease, a copy which is attached hereto as Exhibit "B", and the above described Lease was acquired through Foreclosure on August 6, 1996 by R. Stern Holdings Limited Partnership; and

WHEREAS, the Assignor now desires to assign the Ground Lease to Assignee, and the Assignee desires to accept the Assignment thereof.

NOW, THEREFORE, for and in consideration of the mutual promises, covenants, and conditions contained herein, the sufficiency of which are hereby acknowledged, the parties hereto, each intending to be legally bound, agree as follows:

**AGREEMENT**

1. Assignor hereby assigns, bargains, sells, and conveys to Assignee, effective as the date above, all of Assignor's rights, title, and interest in and to the Ground Lease.

2. Prior to the effective date of this Assignment, Assignee agrees to pay an Assignment Fee in the amount of Two Hundred Fifty Dollars and no/100 ($250.00) to Landlord.

3. Assignee hereby agrees to be bound by and to comply with the terms of the Ground Lease.

4. This Assignment shall be binding on and inure to the benefit of the parties hereto, their heirs, executors, administrators, successors in interest, and assigns.

EXECUTED the day and year first above written.

ASSIGNOR:

R. STERN HOLDINGS LIMITED PARTNERSHIP

By: _____

Its: RAY STERN, PRESIDENT, STERN HOLDINGS, INC. GENERAL PARTNER

ASSIGNEE:

R. STERN F.B.O. LIMITED PARTNERSHIP

By: _____

Its: RAY STERN, PRESIDENT, STERN HOLDINGS, INC. GENERAL PARTNER

## CONSENT OF LANDLORD

The undersigneds are the Landlord in the Ground Lease described in the foregoing Assignment and each hereby consents to the Assignment of the Ground Lease to Assignee, waiving none of their rights thereunder as to the Assignor or the Assignee.

LANDLORD:

ADDISON AIRPORT OF TEXAS, INC.

By: _____

Its: President

ACKNOWLEDGMENT

THE STATE OF TEXAS }
COUNTY OF DALLAS }

BEFORE ME, the undersigned authority, on this day personally appeared RAY STERN known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein stated.

GIVEN under my hand and seal of office this 19TH day of AUGUST, 1996.

MICKEY N. FISHER
Notary Public, State of Texas
My Commission Expires 10-5-97

Notary Public
DALLAS
County, Texas

THE STATE OF TEXAS }
COUNTY OF DALLAS }

BEFORE ME, the undersigned authority, on this day personally appeared RAY STERN known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein stated.

GIVEN under my hand and seal of office this 19TH day of AUGUST, 1996.

MICKEY N. FISHER
Notary Public, State of Texas
My Commission Expires 10-5-97

Notary Public
DALLAS
County, Texas

THE STATE OF TEXAS }
COUNTY OF DALLAS }

BEFORE ME, the undersigned authority, on this day personally appeared Sam Stuart known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein stated.

GIVEN under my hand and seal of office this 20th day of August, 1996.

SHAUNA DEE O'BRIEN
NOTARY PUBLIC
State of Texas
Comm. Exp. 06-15-2000

Shauna Dee O'Brien
Notary Public
Dallas
County, Texas

THE STATE OF TEXAS X
X GROUND LEASE
COUNTY OF DALLAS X

Jacque

This Ground Lease (hereinafter referred to as the "Lease" is made and entered into as of January 15, 1979, by and among the City of Addison, Texas, a municipal corporation (hereinafter sometimes referred to as the "City"), Addison Airport of Texas, Inc., a Texas Corporation (hereinafter sometimes referred to as "AATI") and Ray Stern (hereinafter referred to as "Tenant"). or such corporation as Ray Stern may form, but in no event shall Ray Stern be relieved of any personal liability by the formation of said corporation.

W I T N E S S E T H:

WHEREAS, AATI leases that certain real property (hereinafter referred to as the "demised premises") described in attached Exhibit A from the City pursuant to that certain instrument captioned Agreement for Operation of the Addison Airport (hereinafter referred to as the "Base Lease") between the City and Addison Airport, Inc. (predecessor to AATI); and

WHEREAS, the demised premises are situated at Addison Airport (hereinafter referred to as the "Airport") in Dallas County, Texas, the Airport being delineated in a plat attached hereto as Exhibit B; and

WHEREAS, the City and AATI hereby lease and demise the demised premises to Tenant, and Tenant hereby leases and takes the demised premises from the City and AATI, upon the terms and conditions set forth herein;

NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS:

1. Base Lease: All of the terms and conditions of the Base Lease are incorporated into this Lease by reference as if written verbatim herein, and Tenant by Tenant's execution hereof acknowledges that AATI has furnished Tenant with a copy of the Base Lease. Tenant agrees to fully comply at all times and in all respects with the terms and conditions of the Base Lease insofar as the same relate to the demised premises and/or the use and operation thereof, except that Tenant shall not be responsible for the payment of any rental due under the Base Lease which shall be paid by AATI.

2. Definition of Landlord and Effect of Default under the Base Lease: The term "Landlord" as hereinafter used in this Lease shall mean either AATI or the City. So long as the Base Lease is in effect, AATI shall be entitled to all of the rights, benefits and remedies of the Landlord under this Lease, and shall perform all of the duties, covenants and obligations of the Landlord under this Lease. Upon the expiration or termination of the Base Lease, the City shall be entitled to all of the rights, benefits and remedies of the Landlord under this Lease, and shall perform all of the duties covenants and obligations of the Landlord under this Lease. The City agrees that (i) until such time as the City notifies Tenant to the contrary in writing, Tenant is fully authorized to make all payments due under this Lease to AATI, and (ii) that default by AATI under the Base Lease shall have no effect on this Lease so long as Tenant pays and performs its duties, covenants and obligations under this Lease.

3. Term: The term hereof shall commence on the earlier of July 1, 1979, or the first day of the first calendar month after Tenant completes the construction hereinbelow described and opens for business at the demised premises (the applicable date being hereinafter referred to as the "Commencement Date"), and shall end four hundred eighty (480) months thereafter; provided, however, that any entry upon the demised premises by Tenant prior to the Commencement Date shall be subject to all of the terms and conditions hereof except that rental shall not accrue.

4. Rental: Subject to adjustment as hereinbelow provided, Tenant agrees to pay to Landlord, without offset or deduction, rent for the demised premises at the rate of twelve hundred seventy & 83/100($1270.83) per month in advance. The first of such monthly installment shall be due and payable on or before the Commencement Date, and a like installment shall be due and payable on or before the first day fo each calendar month thereafter during the term hereof.

5. Adjustment of Rental: Commencing on the second anniversary of the Commencement Date and on every bi-annual anniversary thereafter (Hereinafter referred to as the "Adjustment Date"), the monthly rental due under paragraph 4 shall be adjusted as follows:

(i) A comparison shall be made between the Consumers' price Index-All Items for the Dallas, Texas Metropolitan Area (hereinafter referred to as the "Price Index") as it existed on the Commencement Date and as it exists on the first day of the calendar month preceding the then applicable Adjustment Date.

(ii) The monthly rental for the two (2) year period beginning with and following the then applicable Adjustment Date shall be either increased or decreased, as the case may be, by the percentage of increase or decrease in the Price Index between the Commencement Date and the then applicable Adjustment Date, but in no event shall such monthly rental ever be decreased below the monthly rental set forth in paragraph 4.

(iii) In the event that the Price Index is unavailable for whatever reason for the computations set forth hereinabove, another index approximating the Price Index as closely as feasible shall be substituted therefor.

6. Use of Demised Premises and Construction of Improvements. The demised premises shall be used and occupied by Tenant only for the following purposes: sale of aircraft and aircraft parts; aircraft maintenance and repair; aircraft storage; aircraft training; aircraft charter; and aircraft rentals; and not otherwise without the prior written consent of Landlord.

In connection with such use and occupancy, Tenant intends to construct upon the demised premises the improvements depicted in the plans and specifications

1- metal building, hangar 200' wide X 100' deep X 20' high eve, with attached single story office 200' wide X 20' deep. Front asphalt ramp 250' wide X 135' deep and vehicle asphalt parking approximately 200' wide X 40' deep. Construction plans to follow for airport approval.

All construction shall be strictly in accordance with such plans and specifications, and such construction shall be performed in a first class, workmanlike manner. Tenant agrees to promptly pay and discharge all costs, expenses, claims for damages, liens and any and all other liabilities and obligations which arise in connection with such construction.

7. Acceptance of Demised Premises. Tenant acknowledges that Tenant has fully inspected the demised premises and accepts the demised premises as suitable for the purposes for which the same are leased in their present condition.

8. Securing Governmental Approvals and Compliance with Law. Tenant at Tenant's sole cost and expense shall obtain any and all governmental licenses, permits and approvals necessary for the construction of improvements and for the use and occupancy of the demised premises. Tenant shall comply at all times with all governmental laws, ordinances and regulations applicable to the use of the demised premises, and shall promptly comply with all governmental orders and directives for the correction, prevention and abatement of nuisances in or upon, or connected with the demised premises, all at Tenant's sole cost and expense.

9. Assignment, Subletting and Mortgaging of Leasehold Estate:

A. Without the prior written consent of Landlord, Tenant may not assign this Lease or any rights of Tenant hereunder (except to a leasehold mortgagee as hereinbelow provided) or sublet the whole or any part of the demised premises. Any assignment or subletting shall be expressly subject to all the terms and provisions of this Lease, including the provisions of paragraph 6 pertaining to the use of the demised premises. In the event of any assignment or subletting, Tenant shall not assign Tenant's rights hereunder or sublet the demised premises without first obtaining a written agreement from each such assignee or sublessee whereby each such assignee or sublessee agrees to be bound by the terms and provisions of this Lease. No such assignment or subletting shall constitute a novation. In the event of the occurrence of an event of default while the demised premises are assigned or sublet, Landlord, in addition to any other remedies provided herein or by law, may at Landlord's option, collect directly from such assignee or subtenant all rents becoming due under such assignment or subletting and apply such rent against any sums due to Landlord hereunder. No direct collection by Landlord from any such assignee or subtenant shall release Tenant from the payment or performance of Tenant's obligations hereunder.

B. Tenant shall have the right to mortgage the leasehold estate of Tenant created hereby in order to secure a mortgage loan for the purpose of obtaining funds for the construction of the improvements described in paragraph 6 or for other construction upon the demised premises approved from time to time by Landlord in writing. In the event that Tenant pursuant to mortgages or deeds of trust mortgages the leasehold estate of Tenant created hereby, the leasehold mortgagee shall in no event become personally liable to perform the obligations of Tenant under this Lease unless and until said mortgagee becomes the owner of the leasehold estate pursuant to foreclosure, transfer in lieu of foreclosure, or otherwise, and thereafter said leasehold mortgagee shall remain liable for such obligations only so long as such mortgagee remains the owner of the leasehold estate. Notwithstanding the foregoing, it is specifically understood and agreed that no such mortgaging by Tenant and/or any actions taken pursuant to the terms of such mortgage shall ever relieve Tenant of Tenant's obligation to pay the rental due hereunder and otherwise fully perform the terms and conditions of this Lease.

C. All mortgages or deeds of trust whereby Tenant mortgages the leasehold estate of Tenant created hereby shall contain provisions (i) requiring the leasehold mortgagee to give Landlord fifteen (15) days written notice prior to accelerating the debt of Tenant to such mortgagee and/or initiating foreclosure proceedings under said mortgages or deeds of trust, and (ii) allowing Landlord during such fifteen (15) day notice period to cure Tenant's default and prevent said acceleration and/or foreclosure proceedings, and thereafter at Landlord's option to assume Tenant's position under said mortgages or deeds of trust.

D. Landlord agrees, if and so long as the leasehold estate of Tenant is encumbered by a leasehold mortgage and written notice to such effect has been given to Landlord, to give the holder of such leasehold mortgagee at such address or addresses as may be specified in such written notice to Landlord for the giving of notices to the leasehold mortgagee, or as otherwise may be specified by the leasehold mortgagee to Landlord in writing, written

notice of any default hereunder by Tenant, simultaneously with the giving of such notice to Tenant, and the holder of any such leasehold mortgage shall have the right, for a period of fifteen (15) days after its receipt of such notice, or within any longer period of time specified in such notice, to take such action or to make such payment as may be necessary or appropriate to cure any such default so specified, it being the intention of the parties hereto that Landlord shall not exercise Landlord's right to terminate this Lease without first giving any such leasehold mortgagee the notice provided for herein and affording any such leasehold mortgagee the right to cure such default as provided for herein.

E. Landlord further agrees to execute and deliver to any proposed leasehold mortgagee of Tenant a "Non-Disturbance Agreement" wherein Landlord agrees that Landlord will (i) recognize such mortgagee and its successors and assigns after foreclosure, or transfer in lieu of foreclosure, as Tenant hereunder, and (ii) continue to perform all of Landlord's obligations hereunder so long as such mortgagee or its successors and assigns performs all of the obligations of Tenant hereunder. Landlord also agrees to execute and deliver to such proposed leasehold mortgagee any other documents which such proposed leasehold mortgagee may reasonably request concerning the mortgaging by Tenant of the leasehold estate created hereby; provided, however, that Landlord shall never be required to subordinate Landlord's interest in the demised premises to the mortgage of such proposed leasehold mortgage.

10. Property Taxes and Assessments: Tenant shall pay any and all property taxes or assessments levied or assessed on the improvements on the demised premises, the personal property and fixtures on the demised premises, and, if applicable, upon the leasehold estate of Tenant created hereby. Upon the request of Landlord, Tenant shall from time to time furnish to Landlord "paid receipts" or other written evidence that all such taxes have been paid by Tenant.

11. Maintenance and Repair of Demised Premises:

A. Tenant shall, throughout the term hereof, maintain in good repair and condition all the demised premises and all fixtures, equipment and personal property on the demised premises and keep them free from waste or nuisance and, at the expiration or termination of this Lease, deliver up the demised premises clean and free of trash and in good repair and condition, with all fixtures and equipment situated in the demised premises in working order, reasonable wear and tear excepted.

B. In the event Tenant shall fail to so maintain the demised premises and the fixtures, equipment and personal property situated thereon, Landlord shall have the right (but not the obligation) to cause all repairs or other maintenance to be made and the reasonable costs therefor expended by Landlord plus interest thereon as provided in paragraph 37 shall be paid by Tenant on demand.

12. Alterations, Additions and Improvement. After completion of the improvements described in paragraph 6, Tenant shall not create any openings in the roof or exterior walls, or make any alterations, additions or improvements to the demised premises without the prior written consent of Landlord. Consent for non-structural alterations, additions or improvements shall not be unreasonably withheld by Landlord. Tenant shall have the right to erect or install shelves, bins, machinery, air conditioning or heating equipment and trade fixtures, provided that Tenant complies with all applicable governmental laws, ordinances and regulations.

All alterations, additions and improvements in and to the demised premises shall be performed in a first class, workmanlike manner, and Tenant shall promptly pay and discharge all costs, expenses, claims for damages, liens and any and all other liabilities and obligations which arise in connection therewith.

13. Insurance. Tenant shall during the term hereof maintain at Tenant's sole cost and expense insurance relating to the demised premises as follows:

(i) Insurance against loss or damage to improvements by fire, lightning, and other risks from time to time included under standard extended coverage policies, and sprinkler, vandalism and malicious mischief, all in amounts sufficient to prevent Landlord or Tenant from becoming co-insurers of any loss under the applicable policies but in any event in amounts not less than eighty percent (80%) of the full insurable value of the demised premises. The term "full insurable value" as used herein means actual replacement value at the time of such loss. Upon request, such replacement value shall be determined by a qualified appraiser, a copy of whose findings shall be submitted to Landlord, and, thereafter, proper adjustment in the limits of insurance coverage shall be effected.

(ii) General public liability insurance against claims for bodily injury, death or property damage occurring on, in or about the demised premises, such insurance to afford protection to Landlord of not less than $500,000.00 with respect to any one person, $1,000,000.00 with respect to any one accident and not less than $200,000.00 with respect to property damage.

(iii) Workmen's compensation insurance covering all persons employed by Tenant in connection with any work done on or about the demised premises with respect to which claims for death or bodily injury could be asserted against Landlord or the demised premises, or in lieu of such workmen's compensation insurance, a program of self-insurance complying with the rules, regulations and requirements of the appropriate state agency of the State of Texas.

(iv) If applicable, boiler and pressure vessel insurance on all steam boilers, parts thereof and appurtenances attached or connected thereto which by reason of their use or existence are capable of bursting, erupting, collapsing, imploding or exploding, in the minimum amount of $100,000.00 for damage to property resulting from such perils.

(v) Such other insurance on improvements in such amounts and against such other insurable hazard which at the time are commonly obtained in the case of property similar to such improvements.

(vi) Hangar keeper's liability insurance providing for coverage in the following limits: $200,000.00 per aircraft and $400,000.00 per occurrence on property damage to aircraft in the care, custody or control of Tenant.

(vii) During any period of construction, a Builder's Risk Completed Value policy with an all risks endorsement.

All such policies of insurance (i) shall be issued by insurance companies acceptable to Landlord, (ii) shall name Landlord as an additional insured or loss payee, as the case may be, and (iii) shall provide for at least ten (10) days written notice to Landlord prior to cancellation or modification. Tenant shall provide Landlord with duplicate originals of all insurance policies required by this paragraph.

14. Casualty Damage or Destruction:

A. In case of any damage to or destruction of the buildings, structures and equipment on the demised premises, or any part thereof, Tenant will promptly give written notice thereof to Landlord, generally describing the nature and extent of such damage and/or destruction.

B. In case of any damage to or destruction of the buildings, structures and equipment on the demised premises, or any part thereof, Tenant, whether or not the insurance proceeds, if any, payable on account of such damage and/or destruction shall be sufficient for such purpose, at Tenant's sole cost, risk and expense will promptly commence and complete the restoration, repair and replacement of said buildings, structures and equipment as nearly as possible to their value, condition and character immediately prior to such damage and/or destruction, with such alterations in and additions thereto as may be approved in writing by Landlord (hereinafter sometimes referred to as the "Restoration").

C. All insurance proceeds, if any, payable on account of such damage to or destruction of the buildings, structures and equipment on the demised premises shall be held by Landlord. Landlord shall be protected in acting upon any certificate believed by Landlord to be genuine and to have been executed by the proper party and shall receive such certificate as conclusive evidence of any fact or as to any matter therein set forth. Such certificate shall be full warrant, authority and protection to Landlord in acting thereon, and Landlord shall be under no duty to take any action other than as set forth in this paragraph 14.

D. Insurance proceeds received by Landlord on account of any damage to or destruction of the buildings, structures and equipment on the demised premises, or any part thereof (less the costs, fees and expenses incurred by Landlord and Tenant in the collection thereof, including, without limitation, adjuster's and attorney's fees and expenses) shall be applied as follows:

(i) Net insurance proceeds as above defined shall be paid to Tenant or as Tenant may direct from time to time as Restoration progresses to pay (or reimburse Tenant for) the cost of Restoration, upon written request of Tenant to Landlord accompanied by (a) a certificate of a supervising architect or engineer approved by Landlord describing in reasonable detail the work and material in question and the cost thereof, stating that the same were necessary or appropriate to the Restoration and constitute a completed part thereof, and that no part of the cost thereof has theretofore been reimbursed, and specifying the additional amount, if any, necessary to complete the Restoration, and (b) an opinion of counsel satisfactory to Landlord that there exist no mechanics', materialmen's or similar liens for labor or materials except such, if any, as are discharged by the payment of the amount requested.

(ii) Upon receipt by Landlord of evidence of the character required by the foregoing clauses (i)(a) and (b) that Restoration has been completed and the cost thereof paid in full, and that there are no mechanics', materialmen's or similar liens for labor or materials supplied in connection therewith, the balance, if any, of such proceeds shall be paid to Tenant or as Tenant may direct.

E. In the event that Tenant does not promptly commence Restoration, or after commencement Tenant does not diligently proceed to the completion of same, Landlord shall have the right to commence or complete Restoration after Landlord has given Tenant thirty (30) days prior written notice requesting the commencement of Restoration or that Tenant diligently proceed to the completion of same if Tenant during such thirty (30) day period does not so commence or proceed to diligently complete Restoration. In such event, Landlord shall retain the insurance proceeds, and Tenant shall pay any deficiency if such proceeds are not sufficient for Restoration.

15. Condemnation:

A. If during the term hereof, any part of the demised premises shall be acquired or condemned by eminent domain for any public or quasi-public use or purpose, or are sold to a condemning authority under threat of condemnation, and after such taking by or sale to said condemning authority the remainder of the demised premises is not susceptible to efficient and economic occupation and operation by Tenant, this Lease shall automatically terminate as of the date that said condemning authority takes possession of the demised premises, and Landlord shall refund to Tenant any prepaid but unaccrued rental less any sum then owing by Tenant to Landlord.

B. If after such taking by or sale to said condemning authority the remainder of the demised premises is susceptible to efficient and economic occupation and operation by Tenant, this Lease shall not terminate but the rental due hereunder shall be adjusted so that Tenant shall be required to pay for the remainder of the term hereof the sum obtained by multiplying each monthly rental installment due hereunder, as adjusted from time to time pursuant to paragraph 5, by a fraction, the numerator of which shall be the number of square feet remaining in the demised premises after the taking by or sale to said condemning authority and the denominator of which shall be the square footage originally contained in the demised premises. The rental adjustment called for herein shall not commence until said condemning authority actually takes possession of the condemned portion of the demised premises.

C. If this Lease is not terminated pursuant to Section A, Tenant shall promptly restore the improvements on the demised premises, and the condemnation proceeds to which Landlord and Tenant are entitled shall be awarded and paid first to cover the costs and expenses for restoring the remaining portion of the demised premises to a condition susceptible of efficient and economic occupation and operation by Tenant, and any remaining proceeds to which Landlord and Tenant are entitled shall be awarded and paid to Landlord and Tenant, as their interests may appear. If this Lease is terminated pursuant to Section A, condemnation proceeds to which Landlord and Tenant are entitled shall be awarded and paid to Landlord and Tenant as their interests may appear.

16. Utilities. Tenant shall be responsible at Tenant's sole cost and expense for obtaining all utility connections at or for the demised premises and Tenant shall pay all charges for water, electricity, gas, sewer, telephone or any other utility connections, tap-in fees and services furnished to the demised premises during the term hereof. Landlord shall in no event be liable or responsible for any cessation or interruption in any such utility services.

17. Common Facilities. Tenant and Tenant's employees, agents, servants, customers and other invitees shall have the non-exclusive right to use all common facilities, improvements, equipment and services which may now exist or which may hereafter be provided by Landlord for the accommodation and convenience of Landlord's customers and tenants, including landing and takeoff facilities, means of ingress and egress to the demised premises, other airport installations, and all other reasonable services which may be provided without charge from time to time by Landlord in operating the Airport. All such common facilities shall at all times be under the exclusive control and management of Landlord and may be rearranged, modified, changed or terminated from time to time at Landlord's sole discretion.

18. Rules and Regulations. Landlord has adopted Rules and Regulations (hereinafter referred to as the "Rules and Regulations") which shall govern Tenant in the use of the demised premises and all common facilities, a copy of which has been furnished to Tenant. The Rules and Regulations are incorporated by reference as if written verbatim herein, and Tenant agrees to comply fully at all times with the Rules and Regulations. Landlord shall have

the right to amend, modify and alter the Rules and Regulations from time to time in a reasonable manner for the purpose of assuring the safety, welfare and convenience of Landlord, Tenant and all other tenants and customers of the Airport.

19. Signs and Equipment. After first securing Landlord's approval which will not be unreasonably withheld, Tenant shall have the right from time to time to install and operate advertising signs and radio, communications, meterological, aerial navigation and other equipment and facilities in or on the demised premises that may be reasonably necessary for the operation of Tenant's business.

20. Landlord's Right of Entry. Landlord and Landlord's authorized representatives shall have the right, during normal business hours, to enter the demised premises (i) to inspect the general condition and state of repair thereof, (ii) to make repairs permitted under this Lease, (iii) to show the demised premises to any prospective tenant or purchaser or (iv) for any other reasonable and lawful purpose.

During the final one hundred eighty (180) days of the term hereof, Landlord and Landlord's authorized representatives shall have the right to erect and maintain on or about the demised premises customary signs advertising the demised premises for lease or for sale.

21. Indemnity and Exculpation:

A. Landlord shall not be liable to Tenant or to Tenant's employees, agents, servants, customers, invitees, or to any other person whomsoever, for any injury to persons or damage to property on or about the demised premises or any adjacent area owned by Landlord caused by the negligence or misconduct of Tenant, Tenant's employees, servants, customers, invitees, subtenants, licensees or concessionaires or any other person entering the demised premises under express or implied invitation of Tenant, or arising out of the use of the demised premises by Tenant and the conduct of Tenant's business thereon, or arising out of any breach or default by Tenant in the performance of Tenant's obligations hereunder; and Tenant hereby agrees to indemnify Landlord and hold Landlord harmless from any loss, expense or claims arising out of such damage or injury.

B. Landlord and Landlord's agents and employees shall not be liable to Tenant for any injury to persons or damage to property resulting from the demised premises becoming out of repair or by defect in or failure of equipment, pipes, or wiring, or broken glass, or by the backing up of drains, or by gas, water, steam, electricity or oil leaking, escaping or flowing into the demised premises, regardless of the source, or by dampness or by fire, explosion, falling plaster or ceiling or for any other reason whatsoever. Landlord shall not be liable to Tenant for any loss or damage that may be occasioned by or through the acts or omissions of other tenants of Landlord or caused by operations in construction of any private, public or quasi-public work, or of any other persons whomsoever, excepting only duly authorized agents and employees of Landlord.

22. Default by Tenant. The following events shall be deemed to be events of default by Tenant under this Lease:

A. Failure of Tenant to pay any installment of rent or any other sum payable to Landlord hereunder on the date that same is due and such failure shall continue for a period of ten (10) days.

B. Failure of Tenant to comply with any term, condition or covenant of this Lease, other than the payment of rent or other sum of money, and such failure shall not be cured within thirty (30) days after written notice thereof to Tenant.

C. Insolvency, the making of a transfer in fraud of creditors, or the making of an assignment for the benefit of creditors by Tenant or any guarantor of Tenant's obligations.

D. Filing of a petition under any section or chapter of the Natonal Bankruptcy Act, as amended, or under any similar law or statute of the United States or any State thereof by Tenant or any guarantor of Tenant's obligations, or adjudication as a bankrupt or insolvent in proceedings filed against Tenant or such guarantor.

E. Appointment of a receiver or trustee for all or substantially all of the assets of Tenant or any guarantor of Tenant's obligations.

F. Abandonment by Tenant of any substantial portion of the demised premises or cessation of use of the demised premises for the purpose leased.

23. Remedies of Landlord. Upon the occurrence of any of the events of default listed in paragraph 22, Landlord shall have the option to pursue any one or more of the following remedies without any notice or demand whatsoever:

A. Terminate this Lease, in which event Tenant shall immediately surrender the demised premises to Landlord. If Tenant fails to so surrender the demised premises, Landlord may, without prejudice to any other remedy which Landlord may have for possession of the demised premises or arrearages in rent, enter upon and take possession of the demised premises and expel or remove Tenant and any other person who may be occupying the demised premises or any part thereof, without being liable for prosecution or any claim for damages therefor. Tenant shall pay to Landlord on demand the amount of all loss and damage which Landlord may suffer by reason of such termination, whether through inability to relet the demised premises on satisfactory terms or otherwise.

B. Terminate this Lease, in which event Tenant shall immediately surrender the demised premises to Landlord. If Tenant fails to so surrender the demised premises, Landlord may, without prejudice to any other remedy which Landlord may have for possession of the demised premises or arrearages in rent, enter upon and take possession of the demised premises and expel or remove Tenant and any other person who may be occupying the demised premises or any part thereof, without being liable for prosecution or any claim for damages therefor. Tenant shall pay to Landlord on the date of such termination damages in an amount equal to the excess, if any, of the total amount of all monthly rental and other amounts to be paid by Tenant to Landlord hereunder for the period which would otherwise have constituted the unexpired portion of the term of this Lease over the then fair market rental value of the demised premises for such unexpired portion of the term of this Lease.

C. Enter upon and take possession of the demised premises without terminating this Lease and without being liable for prosecution or for any claim for damages therefor, and expel or remove Tenant and any other person who may be occupying the demised premises or any part thereof. Landlord may relet the demised premises and receive the rent therefor. Tenant agrees to pay to Landlord monthly or on demand from time to time any deficiency that may arise by reason of any such reletting. In determining the amount of such deficiency, brokerage commissions, attorneys' fees, remodeling expenses and other costs of reletting shall be subtracted from the amount of rent received under such reletting.

D. Enter upon the demised premises without terminating this Lease and without being liable for prosecution or for any claim for damages therefor, and do whatever Tenant is obligated to do under the terms of this Lease. Tenant agrees to pay Landlord on demand for expenses which

Landlord may incur in thus effecting compliance with Tenant's obligations under this Lease, together with interest thereon at the rate of ten percent (10%) per annum from the date expended until paid. Landlord shall not be liable for any damages resulting to Tenant from such action, whether caused by negligence of Landlord or otherwise.

Pursuit of any of the foregoing remedies shall not preclude pursuit of any of the other remedies herein provided or any other remedies provided by law, nor shall pursuit of any remedy herein provided constitute a forfeiture or waiver of any rent due to Landlord hereunder or of any damages accruing to Landlord by reason of the violation of any of the terms, conditions and covenants herein contained.

24. Default by Landlord. No default by Landlord hereunder shall constitute an eviction or disturbance of Tenant's use and possession of the demised premises or render Landlord liable for damages or entitle Tenant to be relieved from any of Tenant's obligations hereunder (including the obligation to pay rent) or grant Tenant any right of deduction, abatement, set-off or recoupment or entitle Tenant to take any action whatsoever with regard to the demised premises or Landlord until thirty (30) days after Tenant has given Landlord written notice specifically setting forth such default by Landlord, and Landlord has failed to cure such default within said thirty (30) day period, or in the event such default cannot be cured within said thirty (30) day period then within an additional reasonable period of time so long as Landlord has commenced curative action within said thirty (30) day period and thereafter is diligently attempting to cure such default. In the event that Landlord fails to cure such default within said thirty (30) day period, or within said additional reasonable period of time, Tenant shall have the right to:

(i) Proceed to cure such default and deduct the cost of curing same plus interest thereon at the rate of ten percent (10%) per annum from the next succeeding rental installment(s) due by Tenant to Landlord hereunder; or

(ii) Proceed to cure such default and bring suit against Landlord for the cost of curing same plus interest thereon at the rate of ten percent (10%) per annum.

If any mortgagee of Landlord has given Tenant its address for notices and specifically requests such notice, Tenant agrees to give the notice required hereinabove to such mortgagee at the same time Tenant gives same to Landlord, and to accept curative action, if any, undertaken by such mortgagee as if such curative action had been taken by Landlord.

25. Waiver of Subrogation. Each party hereto waives any and every claim which arises or may arise in such party's favor against the other party hereto during the term of this Lease for any and all loss of, or damage to, any of such party's property located within or upon, or constituting a part of, the demised premises, which loss or damage is covered by valid and collectible fire and extended coverage insurance policies, to the extent that such loss or damage is recoverable under such insurance policies. Such mutual waivers shall be in addition to, and not in limitation or derogation of, any other waiver or release contained in this Lease with respect to any loss of, or damage to, property of the parties hereto. Inasmuch as such mutual waivers will preclude the assignment of any aforesaid claim by way of subrogation or otherwise to an insurance company (or any other person), each party hereby agrees immediately to give to each insurance company which has issued to such party policies of fire and extended coverage insurance, written notice of the terms of such mutual waivers, and to cause such insurance policies to be properly endorsed, if necessary, to prevent the invalidation of such insurance coverages by reason of such waivers.

26. Title to Improvements. Any and all improvements on the demised premises shall become the property of Landlord upon the expiration or termination of this Lease; provided, however: (i) if Tenant is not then in default hereunder, Tenant shall have the right to remove all personal property and trade fixtures owned by Tenant from the demised premises, but Tenant shall be required to repair any damage to the demised premises caused by such removal in a good and workmanlike manner and at Tenant's sole cost and expense; and (ii) Landlord may elect to require Tenant to remove all improvements from the demised premises and restore the demised premises to the condition in which the same existed on the date hereof, in which event Tenant shall promptly perform such removal and restoration in a good and workmanlike manner and at Tenant's sole cost and expense.

27. Mechanics' and Materialmen's Liens. Tenant agrees to indemnify and hold Landlord harmless of and from all liability arising out of the filing of any mechanics' or materialmen's liens against the demised premises by reason of any act or omission of Tenant or anyone claiming under Tenant, and Landlord, at Landlord's option, may satisfy such liens and collect the amount expended from Tenant together with interest thereon as provided in paragraph 37 as additional rent; provided, however, that Landlord shall not so satisfy such liens until fifteen (15) days after written notification to Tenant of Landlord's intention to do so and Tenant's failure during such fifteen (15) day period to bond such liens or escrow funds with appropriate parties to protect Landlord's interest in the demised premises.

28. Title. Tenant accepts the demised premises subject to: (i) the Base Lease; (ii) the Rules and Regulation; (iii) easements and rights-of-way and (iv) zoning ordinances and other ordinances, laws, statutes or regulations now in effect or hereafter promulgated by any governmental authority having jurisdiction over the demised premises.

29. Quite Enjoyment and Subordination. Landlord covenants, represents and warrants that Landlord has full right and power to execute and perform this Lease and to grant the estate demised herein, and that Tenant, upon payment of the rents herein reserved, and performance of the terms, conditions, covenants and agreements herein contained, shall peaceably and quietly have, hold and enjoy the demised premises during the full term of this Lease; provided, however, that Tenant accepts this Lease subject and subordinate to any recorded mortgage, deed of trust or other lien presently existing upon the demised premises. Landlord further is hereby irrevocably vested with full power and authority by Tenant to subordinate Tenant's interest hereunder to any mortgage, deed of trust or other lien now existing or hereafter placed on the demised premises or to declare this Lease prior and superior to any mortgage, deed of trust or other lien now existing or hereafter placed on the demised premises; provided, however, any such subordination shall be upon the express conditions that (i) this Lease shall be recognized by the mortgagee and that all of the rights of Tenant shall remain in full force and effect during the full term of this Lease on condition that Tenant attorn to the mortgagee, its successors and assigns, and perform all of the covenants and conditions required by the terms of this lease, and (ii) in the event of foreclosure or any enforcement of any such mortgage, the rights of Tenant hereunder shall expressly survive and this Lease shall in all respects continue in full force and effect so long as Tenant shall fully perform all Tenant's obligations hereunder and attorn to the purchaser. Tenant also agrees upon demand to execute further instruments declaring this Lease prior and superior to any mortgage, deed of trust or other lien and specifically providing that this Lease shall survive the foreclosure of such mortgage, deed of trust or other lien.

30. Rent on Net Return Basis. Except for the rental due under the Base Lease during the time that AATI is the Landlord hereunder, it is intended that the rent provided for in this Lease shall be an absolutely net return to Landlord for the term of this Lease, free of any loss, expenses or charges with respect to the demised premises, including, without limitation, maintenance, repairs, replacement, insurance, taxes and assessments, and this Lease shall be construed in accodance with and to effectuate such intention.

31. Holding Over. Should Tenant, or any of Tenant's successors in interest fail to surrender the demised premises, or any part thereof, on the expiration of the term of this Lease, such holding over shall constitute a tenancy from month to month only terminable at any time by either Landlord or Tenant after thirty (30) days prior written notice to the other, at a monthly rental equal to two hundred percent (200%) of the rent paid for the last month of the term of this Lease.

32. Waiver of Default. No waiver by the parties hereto of any default or breach of any term, condition or covenant of this Lease shall be deemed to be a waiver of any subsequent default or breach of the same or any other term, condition or covenant contained herein.

33. Release of Landlord Upon Transfer. All of Landlord's personal liability for the performance of the terms and provisions of this Lease (except for any liability accruing prior to such transfer) shall terminate upon a transfer of the demised premises by Landlord, provided that the obligations of Landlord under this Lease are covenants running with the land and shall be binding upon the tranferee of Landlord's interest in this Lease and the demised premises.

34. Attorneys' Fees. If, on account of any breach or default by Landlord or Tenant of their respective obligations under this Lease, it shall become necessary for the other to employ an attorney to enforce or defend any of such party's rights or remedies hereunder, and should such party prevail, such party shall be entitled to collect reasonable attorneys' fees incurred in such connection from the other party.

35. Financial Information. Tenant agrees that Tenant will from time to time upon the written request of Landlord during the term of this Lease furnish to Landlord such credit and banking references as Landlord may reasonably request.

36. Estoppel Certificates. Tenant agrees that from time to time, upon not less than ten (10) days' prior written request by Landlord, Tenant will deliver to Landlord a statement in writing certifying that:

A. This Lease is unmodified and in full force and effect (or if there have been modifications, that this Lease as modified is in full force and effect and stating the modifications).

B. The dates to which rent and other charges have been paid.

C. Landlord is not in default under any term or provision of this Lease or if in default the nature thereof in detail in accordance with an exhibit attached thereto.

D. If requested by Landlord, Tenant will not pay rent for more than one (1) month in advance and that this Lease will not be amended without notice to Landlord's mortgagee and that the same will not be terminated without the same notice required by the Lease to be furnished to Landlord also being furnished to Landlord's mortgagee and Landlord's mortgagee fails to cure such default within the curative period allowed Landlord under this Lease.

Landlord agrees that from time to time, upon not less than ten (10) days' prior written request by Tenant, Landlord will deliver to Tenant a statement in writing certifying that:

A. This Lease is unmodified and in full force and effect (or if there have been modifications, that the Lease as modified is in full force and effect and stating the modifications).

B. The dates to which rent and other charges have been paid.

C. Tenant is not in default under any term or provision of this Lease or if in default the nature thereof in detail in accordance with an exhibit attached thereto.

37. Interest on Tenant's Obligations and Manner of Payment. All monetary obligations of Tenant to Landlord under this Lease remaining unpaid ten (10) days after the due date of the same (if no due date has been established under other provisions hereof, the "due date" shall be the date upon which Landlord demands payment from Tenant in writing) shall bear interest at the rate of ten percent (10%) per annum from and after said tenth (10th) day until paid. If more than twice during the term of this Lease Tenant's personal or corporate check is not paid by the bank on which it is drawn for whatever reason, Landlord may require by giving written notice to Tenant that the payment of all future monetary obligations of Tenant under this Lease are to be made on or before the due date by cash, cashier's check, certified check or money order, and that the delivery of Tenant's personal or corporate check will no longer constitute payment of such monetary obligations. Any acceptance by Landlord of a personal or corporate check after such notice shall not be deemed or construed as a waiver or estoppel of Landlord to require other payments as required by said notice.

38. Independent Contractor. It is understood and agreed that in leasing and operating the demised premises, Tenant is acting as an independent contractor and is not acting as agent, partner, joint venturer or employee of Landlord.

39. Force Majeure. In the event performance by Landlord of any term, condition or covenant in this Lease is delayed or prevented by any Act of God, strike, lockout, shortage of material or labor, restriction by any governmental authority, civil riot, flood, or any other cause not within the control of Landlord, the period for performance of such term, condition or covenant shall be extended for a period equal to the period Landlord is so delayed or hindered.

40. Exhibits. All exhibits, attachments, annexed instruments and addenda referred to herein shall be considered a part hereof for all purposes with the same force and effect as if copied verbatim herein.

41. Use of Language. Words of any gender used in this Lease shall be held and construed to include any other gender, and words in the singular shall be held to include the plural, unless the context otherwise requires.

42. Captions. The captions or headings of paragraphs in this Lease are inserted for convenience only, and shall not be considered in construing the provisions hereof if any question of intent should arise.

43. Successors. The terms, conditions and covenants contained in this Lease shall apply to, inure to the benefit of, and be binding upon the parties hereto and their respective successors in interest and legal representatives except as otherwise herein expressly provided. All rights, powers, privileges, immunities and duties of Landlord under this Lease, including, but not limited to, any notices required or permitted to be delivered by Landlord to Tenant hereunder, may, at Landlord's option, be exercised or performed by Landlord's agent or attorney.

44. Severability. If any provision in this Lease should be held to be invalid or unenforceable, the validity and enforceability of the remaining provisions of this Lease shall not be affected thereby.

45. Notices. Any notice or document required or permitted to be delivered hereunder may be delivered in person or shall be deemed to be delivered, whether actually received or not, when deposited in the United States mail, postage prepaid, registered or certified mail, return receipt requested, addressed to the parties at the addresses indicated below, or at such other addresses as may have theretofore been specified by written notice delivered in accordance herewith.

LANDLORD:

Addison Airport of Texas, Inc.
P. O. Box 34067
Dallas, Texas 75234

City of Addison, Texas
P. O. Box 144
Addison, Texas 75001

TENANT:

Ray Stern
5907 Gladeside Court
Dallas, Texas 75248

46. Fees or Commissions. Each party hereto hereby covenants and agrees with the other that such party shall be solely responsible for the payment of any brokers', agents' or finders' fees or commissions agreed to by such party arising from the execution of this Lease or the performance of the terms and provisions contained herein, and such party agrees to indemnify and hold the other party harmless from the payment of any such fees or commissions.

47. Counterparts. This Lease may be executed in multiple counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

48. Governing Law and Venue. This Lease and all of the transactions contemplated herein shall be governed by and construed in accordance with the laws of the State of Texas, and Landlord and Tenant both irrevocably agree that venue for any dispute concerning this Lease or any of the transactions contemplated herein shall be in any court of competent jurisdiction in Dallas County, Texas.

49. Entire Agreement and Amendments. This Lease, consisting of forty-nine (49) paragraphs and Exhibits A through B attached hereto, embodies the entire agreement between Landlord and Tenant and supersedes all prior agreements and understandings, whether written or oral, and all contemporaneous oral agreements and understandings relating to the subject matter hereof. Except as otherwise specifically provided herein, no agreement hereafter made shall be effective to change, modify, discharge or effect an abandonment of this Lease, in whole or in part, unless such agreement is in writing and signed by or on behalf of the party against whom enforcement of the change, modification, discharge or abandonment is sought.

EXECUTED as of the day month and year first above written.

LANDLORD:

ADDISON AIRPORT OF TEXAS, INC.

By: _____

Its: _____

CITY OF ADDISON, TEXAS

By: _____

Its: _____

TENANT:
RAY STERN

_____

STATE OF TEXAS X

COUNTY OF DALLAS X

BEFORE ME, the undersigned authority, on this day personally appeared Ray Stern known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and considerations therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 15th day of January, 19 79.

Gladys Cobb
Notary Public

(SEAL)

Dallas
County, Texas

GLADYS COBB, Notary Public
In and for Dallas County, Texas
My Commission Expires 7/31, 1980

STATE OF TEXAS X

COUNTY OF DALLAS X

BEFORE ME, the undersigned authority, on this day personally appeared Henry Stuart known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and considerations therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 9th day of March, 19, 79.

Mary Lou Gump
Notary Public

(SEAL)

Dallas
County, Texas

STATE OF TEXAS X

COUNTY OF DALLAS X

BEFORE ME, The undersigned authority, on this day personally appeared William Sellmeyer known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and considerations therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 10th day of April, 19 79.

Jacque Sharp
Notary Public

Dallas
County, Texas

EXHIBIT B

0230-3901

THE STATE OF TEXAS }
}
COUNTY OF DALLAS }

**ASSIGNMENT OF GROUND LEASE**

This Assignment of Ground Lease, the "Assignment", is entered into and effective as of September 1, 1996, at Addison, Texas, between R. Stern Holdings Limited Partnership, "Assignor", and R. Stern F.B.O. Limited Partnership, "Assignee".

WHEREAS, a lease executed on July 3, 1979, between City of Addison, Addison Airport of Texas, Inc., and Ray Stern, a copy of which is attached hereto as Exhibit "A"; and

WHEREAS, the above described Lease was assigned by Ray Stern as Assignor to Stern Air, Inc. as Assignee by Assignment of Lease, a copy which is attached hereto as Exhibit "B", and the above described Lease was acquired through Foreclosure on August 6, 1996 by R. Stern Holdings Limited Partnership; and

WHEREAS, the Assignor now desires to assign the Ground Lease to Assignee, and the Assignee desires to accept the Assignment thereof.

NOW, THEREFORE, for and in consideration of the mutual promises, covenants, and conditions contained herein, the sufficiency of which are hereby acknowledged, the parties hereto, each intending to be legally bound, agree as follows:

**AGREEMENT**

1. Assignor hereby assigns, bargains, sells, and conveys to Assignee, effective as the date above, all of Assignor's rights, title, and interest in and to the Ground Lease.

2. Prior to the effective date of this Assignment, Assignee agrees to pay an Assignment Fee in the amount of Two Hundred Fifty Dollars and no/100 ($250.00) to Landlord.

3. Assignee hereby agrees to be bound by and to comply with the terms of the Ground Lease.

4. This Assignment shall be binding on and inure to the benefit of the parties hereto, their heirs, executors, administrators, successors in interest, and assigns.

EXECUTED the day and year first above written.

ASSIGNOR:

R. STERN HOLDINGS LIMITED PARTNERSHIP

By: _____

Its: RAY STERN, PRESIDENT, STERN HOLDINGS, INC. GENERAL PARTNER

ASSIGNEE:

R. STERN F.B.O. LIMITED PARTNERSHIP

By: _____

Its: RAY STERN, PRESIDENT, STERN HOLDINGS, INC. GENERAL PARTNER

## CONSENT OF LANDLORD

The undersigneds are the Landlord in the Ground Lease described in the foregoing Assignment and each hereby consents to the Assignment of the Ground Lease to Assignee, waiving none of their rights thereunder as to the Assignor or the Assignee.

LANDLORD:

ADDISON AIRPORT OF TEXAS, INC.

By: _____

Its: President

ACKNOWLEDGMENT

THE STATE OF TEXAS }
COUNTY OF DALLAS }

BEFORE ME, the undersigned authority, on this day personally appeared RAY STERN known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein stated.

GIVEN under my hand and seal of office this 19TH day of AUGUST, 1996.

MICKEY N. FISHER
Notary Public, State of Texas
My Commission Expires 10-5-97

Notary Public
DALLAS
County, Texas

THE STATE OF TEXAS }
COUNTY OF DALLAS }

BEFORE ME, the undersigned authority, on this day personally appeared RAY STERN known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein stated.

GIVEN under my hand and seal of office this 19TH day of August, 1996.

MICKEY N. FISHER
Notary Public, State of Texas
My Commission Expires 10-5-97

Notary Public
Dallas
County, Texas

THE STATE OF TEXAS }
COUNTY OF DALLAS }

BEFORE ME, the undersigned authority, on this day personally appeared Sam Stuart known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein stated.

GIVEN under my hand and seal of office this 20th day of August, 1996.

SHAWNA DEE O'BRIEN
NOTARY PUBLIC
State of Texas
Comm. Exp. 06-15-2000

Shawna Dee O'Brien
Notary Public
Dallas
County, Texas

THE STATE OF TEXAS X
X GROUND LEASE
COUNTY OF DALLAS X

This Ground Lease (hereinafter referred to as the "Lease" is made and entered into as of July 3, 19 79, by and among the City of Addison, Texas, a municipal corporation (hereinafter sometimes referred to as the "City"), Addison Airport of Texas, Inc., a Texas Corporation (hereinafter sometimes referred to as "AATI") and Ray Stern (hereinafter referred to as "Tenant").

W I T N E S S E T H:

WHEREAS, AATI leases that certain real property (hereinafter referred to as the "demised premises") described in attached Exhibit A from the City pursuant to that certain instrument captioned Agreement for Operation of the Addison Airport (hereinafter referred to as the "Base Lease") between the City and Addison Airport, Inc. (predecessor to AATI); and

WHEREAS, the demised premises are situated at Addison Airport (hereinafter referred to as the "Airport") in Dallas County, Texas, the Airport being delineated in a plat attached hereto as Exhibit B; and

WHEREAS, the City and AATI hereby lease and demise the demised premises to Tenant, and Tenant hereby leases and takes the demised premises from the City and AATI, upon the terms and conditions set forth herein;

NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS:

1. Base Lease: All of the terms and conditions of the Base Lease are incorporated into this Lease by reference as if written verbatim herein, and Tenant by Tenant's execution hereof acknowledges that AATI has furnished Tenant with a copy of the Base Lease. Tenant agrees to fully comply at all times and in all respects with the terms and conditions of the Base Lease insofar as the same relate to the demised premises and/or the use and operation thereof, except that Tenant shall not be responsible for the payment of any rental due under the Base Lease which shall be paid by AATI.

2. Definition of Landlord and Effect of Default under the Base Lease: The term "Landlord" as hereinafter used in this Lease shall mean either AATI or the City. So long as the Base Lease is in effect, AATI shall be entitled to all of the rights, benefits and remedies of the Landlord under this Lease, and shall perform all of the duties, covenants and obligations of the Landlord under this Lease. Upon the expiration or termination of the Base Lease, the City shall be entitled to all of the rights, benefits and remedies of the Landlord under this Lease, and shall perform all of the duties covenants and obligations of the Landlord under this Lease. The City agrees that (i) until such time as the City notifies Tenant to the contrary in writing, Tenant is fully authorized to make all payments due under this Lease to AATI, and (ii) that default by AATI under the Base Lease shall have no effect on this Lease so long as Tenant pays and performs its duties, covenants and obligations under this Lease.

3. Term: The term hereof shall commence on the earlier of December 31, 19 79, or the first day of the first calendar month after Tenant completes the construction hereinbelow described and opens for business at the demised premises (the applicable date being hereinafter referred to as the "Commencement Date"), and shall end four hundred eighty (480) months thereafter; provided, however, that any entry upon the demised premises by Tenant prior to the Commencement Date shall be subject to all of the terms and conditions hereof except that rental shall not accrue.

4. Rental: Subject to adjustment as hereinbelow provided, Tenant agrees to pay to Landlord, without offset or deduction, rent for the demised premises at the rate of $531.20 per month in advance. The first of such monthly installment shall be due and payable on or before the Commencement Date, and a like installment shall be due and payable on or before the first day fo each calendar month thereafter during the term hereof.

5. Adjustment of Rental: Commencing on the second anniversary of the Commencement Date and on every bi-annual anniversary thereafter (Hereinafter referred to as the "Adjustment Date"), the monthly rental due under paragraph 4 shall be adjusted as follows:

(i) A comparison shall be made between the Consumers' price Index-All Items for the Dallas, Texas Metropolitan Area (hereinafter referred to as the "Price Index") as it existed on the Commencement Date and as it exists on the first day of the calendar month preceding the then applicable Adjustment Date.

(ii) The monthly rental for the two (2) year period beginning with and following the then applicable Adjustment Date shall be either increased or decreased, as the case may be, by the percentage of increase or decrease in the Price Index between the Commencement Date and the then applicable Adjustment Date, but in no event shall such monthly rental ever be decreased below the monthly rental set forth in paragraph 4.

(iii) In the event that the Price Index is unavailable for whatever reason for the computations set forth hereinabove, another index approximating the Price Index as closely as feasible shall be substituted therefor.

6. Use of Demised Premises and Construction of Improvements. The demised premises shall be used and occupied by Tenant only for the following purposes: sale of aircraft and aircraft parts; aircraft maintenance and repair; aircraft storage; aircraft training; aircraft charter; and aircraft rentals; and not otherwise without the prior written consent of Landlord.

In connection with such use and occupancy, Tenant intends to construct upon the demised premises the improvements depicted in the plans and specifications

1 metal building 100'x 120' with adjacent aircraft ramp and vehicle parking. Final construction prints are subject to approval of Addison Municipal Airport prior to the start of construction.

All construction shall be strictly in accordance with such plans and specifications, and such construction shall be performed in a first class, workmanlike manner. Tenant agrees to promptly pay and discharge all costs, expenses, claims for damages, liens and any and all other liabilities and obligations which arise in connection with such construction.

7. Acceptance of Demised Premises. Tenant acknowledges that Tenant has fully inspected the demised premises and accepts the demised premises as suitable for the purposes for which the same are leased in their present condition.

8. Securing Governmental Approvals and Compliance with Law. Tenant at Tenant's sole cost and expense shall obtain any and all governmental licenses, permits and approvals necessary for the construction of improvements and for the use and occupancy of the demised premises. Tenant shall comply at all times with all governmental laws, ordinances and regulations applicable to the use of the demised premises, and shall promptly comply with all governmental orders and directives for the correction, prevention and abatement of nuisances in or upon, or connected with the demised premises, all at Tenant's sole cost and expense.

9. Assignment, Subletting and Mortgaging of Leasehold Estate:

A. Without the prior written consent of Landlord, Tenant may not assign this Lease or any rights of Tenant hereunder (except to a leasehold mortgagee as hereinbelow provided) or sublet the whole or any part of the demised premises. Any assignment or subletting shall be expressly subject to all the terms and provisions of this Lease, including the provisions of paragraph 6 pertaining to the use of the demised premises. In the event of any assignment or subletting, Tenant shall not assign Tenant's rights hereunder or sublet the demised premises without first obtaining a written agreement from each such assignee or sublessee whereby each such assignee or sublessee agrees to be bound by the terms and provisions of this Lease. No such assignment or subletting shall constitute a novation. In the event of the occurrence of an event of default while the demised premises are assigned or sublet, Landlord, in addition to any other remedies provided herein or by law, may at Landlord's option, collect directly from such assignee or subtenant all rents becoming due under such assignment or subletting and apply such rent against any sums due to Landlord hereunder. No direct collection by Landlord from any such assignee or subtenant shall release Tenant from the payment or performance of Tenant's obligations hereunder.

B. Tenant shall have the right to mortgage the leasehold estate of Tenant created hereby in order to secure a mortgage loan for the purpose of obtaining funds for the construction of the improvements described in paragraph 6 or for other construction upon the demised premises approved from time to time by Landlord in writing. In the event that Tenant pursuant to mortgages or deeds of trust mortgages the leasehold estate of Tenant created hereby, the leasehold mortgagee shall in no event become personally liable to perform the obligations of Tenant under this Lease unless and until said mortgagee becomes the owner of the leasehold estate pursuant to foreclosure, transfer in lieu of foreclosure, or otherwise, and thereafter said leasehold mortgagee shall remain liable for such obligations only so long as such mortgagee remains the owner of the leasehold estate. Notwithstanding the foregoing, it is specifically understood and agreed that no such mortgaging by Tenant and/or any actions taken pursuant to the terms of such mortgage shall ever relieve Tenant of Tenant's obligation to pay the rental due hereunder and otherwise fully perform the terms and conditions of this Lease.

C. All mortgages or deeds of trust whereby Tenant mortgages the leasehold estate of Tenant created hereby shall contain provisions (i) requiring the leasehold mortgagee to give Landlord fifteen (15) days written notice prior to accelerating the debt of Tenant to such mortgagee and/or initiating foreclosure proceedings under said mortgages or deeds of trust, and (ii) allowing Landlord during such fifteen (15) day notice period to cure Tenant's default and prevent said acceleration and/or foreclosure proceedings, and thereafter at Landlord's option to assume Tenant's position under said mortgages or deeds of trust.

D. Landlord agrees, if and so long as the leasehold estate of Tenant is encumbered by a leasehold mortgage and written notice to such effect has been given to Landlord, to give the holder of such leasehold mortgagee at such address or addresses as may be specified in such written notice to Landlord for the giving of notices to the leasehold mortgagee, or as otherwise may be specified by the leasehold mortgagee to Landlord in writing, written

notice of any default hereunder by Tenant, simultaneously with the giving of such notice to Tenant, and the holder of any such leasehold mortgage shall have the right, for a period of fifteen (15) days after its receipt of such notice, or within any longer period of time specified in such notice, to take such action or to make such payment as may be necessary or appropriate to cure any such default so specified, it being the intention of the parties hereto that Landlord shall not exercise Landlord's right to terminate this Lease without first giving any such leasehold mortgagee the notice provided for herein and affording any such leasehold mortgagee the right to cure such default as provided for herein.

E. Landlord further agrees to execute and deliver to any proposed leasehold mortgagee of Tenant a "Non-Disturbance Agreement" wherein Landlord agrees that Landlord will (i) recognize such mortgagee and its successors and assigns after foreclosure, or transfer in lieu of foreclosure, as Tenant hereunder, and (ii) continue to perform all of Landlord's obligations hereunder so long as such mortgagee or its successors and assigns performs all of the obligations of Tenant hereunder. Landlord also agrees to execute and deliver to such proposed leasehold mortgagee any other documents which such proposed leasehold mortgagee may reasonably request concerning the mortgaging by Tenant of the leasehold estate created hereby; provided, however, that Landlord shall never be required to subordinate Landlord's interest in the demised premises to the mortgage of such proposed leasehold mortgage.

10. Property Taxes and Assessments: Tenant shall pay any and all property taxes or assessments levied or assessed on the improvements on the demised premises, the personal property and fixtures on the demised premises, and, if applicable, upon the leasehold estate of Tenant created hereby. Upon the request of Landlord, Tenant shall from time to time furnish to Landlord "paid receipts" or other written evidence that all such taxes have been paid by Tenant.

11. Maintenance and Repair of Demised Premises:

A. Tenant shall, throughout the term hereof, maintain in good repair and condition all the demised premises and all fixtures, equipment and personal property on the demised premises and keep them free from waste or nuisance and, at the expiration or termination of this Lease, deliver up the demised premises clean and free of trash and in good repair and condition, with all fixtures and equipment situated in the demised premises in working order, reasonable wear and tear excepted.

B. In the event Tenant shall fail to so maintain the demised premises and the fixtures, equipment and personal property situated thereon, Landlord shall have the right (but not the obligation) to cause all repairs or other maintenance to be made and the reasonable costs therefor expended by Landlord plus interest thereon as provided in paragraph 37 shall be paid by Tenant on demand.

12. Alterations, Additions and Improvement. After completion of the improvements described in paragraph 6, Tenant shall not create any openings in the roof or exterior walls, or make any alterations, additions or improvements to the demised premises without the prior written consent of Landlord. Consent for non-structural alterations, additions or improvements shall not be unreasonably withheld by Landlord. Tenant shall have the right to erect or install shelves, bins, machinery, air conditioning or heating equipment and trade fixtures, provided that Tenant complies with all applicable governmental laws, ordinances and regulations.

All alterations, additions and improvements in and to the demised premises shall be performed in a first class, workmanlike manner, and Tenant shall promptly pay and discharge all costs, expenses, claims for damages, liens and any and all other liabilities and obligations which arise in connection therewith.

13. Insurance. Tenant shall during the term hereof maintain at Tenant's sole cost and expense insurance relating to the demised premises as follows:

(i) Insurance against loss or damage to improvements by fire, lightning, and other risks from time to time included under standard extended coverage policies, and sprinkler, vandalism and malicious mischief, all in amounts sufficient to prevent Landlord or Tenant from becoming co-insurers of any loss under the applicable policies but in any event in amounts not less than eighty percent (80%) of the full insurable value of the demised premises. The term "full insurable value" as used herein means actual replacement value at the time of such loss. Upon request, such replacement value shall be determined by a qualified appraiser, a copy of whose findings shall be submitted to Landlord, and, thereafter, proper adjustment in the limits of insurance coverage shall be effected.

(ii) General public liability insurance against claims for bodily injury, death or property damage occurring on, in or about the demised premises, such insurance to afford protection to Landlord of not less than $500,000.00 with respect to any one person, $1,000,000.00 with respect to any one accident and not less than $200,000.00 with respect to property damage.

(iii) Workmen's compensation insurance covering all persons employed by Tenant in connection with any work done on or about the demised premises with respect to which claims for death or bodily injury could be asserted against Landlord or the demised premises, or in lieu of such workmen's compensation insurance, a program of self-insurance complying with the rules, regulations and requirements of the appropriate state agency of the State of Texas.

(iv) If applicable, boiler and pressure vessel insurance on all steam boilers, parts thereof and appurtenances attached or connected thereto which by reason of their use or existence are capable of bursting, erupting, collapsing, imploding or exploding, in the minimum amount of $100,000.00 for damage to property resulting from such perils.

(v) Such other insurance on improvements in such amounts and against such other insurable hazard which at the time are commonly obtained in the case of property similar to such improvements.

(vi) Hangar keeper's liability insurance providing for coverage in the following limits: $200,000.00 per aircraft and $400,000.00 per occurrence on property damage to aircraft in the care, custody or control of Tenant.

(vii) During any period of construction, a Builder's Risk Completed Value policy with an all risks endorsement.

All such policies of insurance (i) shall be issued by insurance companies acceptable to Landlord, (ii) shall name Landlord as an additional insured or loss payee, as the case may be, and (iii) shall provide for at least ten (10) days written notice to Landlord prior to cancellation or modification. Tenant shall provide Landlord with duplicate originals of all insurance policies required by this paragraph.

14. Casualty Damage or Destruction:

A. In case of any damage to or destruction of the buildings, structures and equipment on the demised premises, or any part thereof, Tenant will promptly give written notice thereof to Landlord, generally describing the nature and extent of such damage and/or destruction.

B. In case of any damage to or destruction of the buildings, structures and equipment on the demised premises, or any part thereof, Tenant, whether or not the insurance proceeds, if any, payable on account of such damage and/or destruction shall be sufficient for such purpose, at Tenant's sole cost, risk and expense will promptly commence and complete the restoration, repair and replacement of said buildings, structures and equipment as nearly as possible to their value, condition and character immediately prior to such damage and/or destruction, with such alterations in and additions thereto as may be approved in writing by Landlord (hereinafter sometimes referred to as the "Restoration").

C. All insurance proceeds, if any, payable on account of such damage to or destruction of the buildings, structures and equipment on the demised premises shall be held by Landlord. Landlord shall be protected in acting upon any certificate believed by Landlord to be genuine and to have been executed by the proper party and shall receive such certificate as conclusive evidence of any fact or as to any matter therein set forth. Such certificate shall be full warrant, authority and protection to Landlord in acting thereon, and Landlord shall be under no duty to take any action other than as set forth in this paragraph 14.

D. Insurance proceeds received by Landlord on account of any damage to or destruction of the buildings, structures and equipment on the demised premises, or any part thereof (less the costs, fees and expenses incurred by Landlord and Tenant in the collection thereof, including, without limitation, adjuster's and attorney's fees and expenses) shall be applied as follows:

(i) Net insurance proceeds as above defined shall be paid to Tenant or as Tenant may direct from time to time as Restoration progresses to pay (or reimburse Tenant for) the cost of Restoration, upon written request of Tenant to Landlord accompanied by (a) a certificate of a supervising architect or engineer approved by Landlord describing in reasonable detail the work and material in question and the cost thereof, stating that the same were necessary or appropriate to the Restoration and constitute a completed part thereof, and that no part of the cost thereof has theretofore been reimbursed, and specifying the additional amount, if any, necessary to complete the Restoration, and (b) an opinion of counsel satisfactory to Landlord that there exist no mechanics', materialmen's or similar liens for labor or materials except such, if any, as are discharged by the payment of the amount requested.

(ii) Upon receipt by Landlord of evidence of the character required by the foregoing clauses (i)(a) and (b) that Restoration has been completed and the cost thereof paid in full, and that there are no mechanics', materialmen's or similar liens for labor or materials supplied in connection therewith, the balance, if any, of such proceeds shall be paid to Tenant or as Tenant may direct.

E. In the event that Tenant does not promptly commence Restoration, or after commencement Tenant does not diligently proceed to the completion of same, Landlord shall have the right to commence or complete Restoration after Landlord has given Tenant thirty (30) days prior written notice requesting the commencement of Restoration or that Tenant diligently proceed to the completion of same if Tenant during such thirty (30) day period does not so commence or proceed to diligently complete Restoration. In such event, Landlord shall retain the insurance proceeds, and Tenant shall pay any deficiency if such proceeds are not sufficient for Restoration.

15. Condemnation:

A. If during the term hereof, any part of the demised premises shall be acquired or condemned by eminent domain for any public or quasi-public use or purpose, or are sold to a condemning authority under threat of condemnation, and after such taking by or sale to said condemning authority the remainder of the demised premises is not susceptible to efficient and economic occupation and operation by Tenant, this Lease shall automatically terminate as of the date that said condemning authority takes possession of the demised premises, and Landlord shall refund to Tenant any prepaid but unaccrued rental less any sum then owing by Tenant to Landlord.

B. If after such taking by or sale to said condemning authority the remainder of the demised premises is susceptible to efficient and economic occupation and operation by Tenant, this Lease shall not terminate but the rental due hereunder shall be adjusted so that Tenant shall be required to pay for the remainder of the term hereof the sum obtained by multiplying each monthly rental installment due hereunder, as adjusted from time to time pursuant to paragraph 5, by a fraction, the numerator of which shall be the number of square feet remaining in the demised premises after the taking by or sale to said condemning authority and the denominator of which shall be the square footage originally contained in the demised premises. The rental adjustment called for herein shall not commence until said condemning authority actually takes possession of the condemned portion of the demised premises.

C. If this Lease is not terminated pursuant to Section A, Tenant shall promptly restore the improvements on the demised premises, and the condemnation proceeds to which Landlord and Tenant are entitled shall be awarded and paid first to cover the costs and expenses for restoring the remaining portion of the demised premises to a condition susceptible of efficient and economic occupation and operation by Tenant, and any remaining proceeds to which Landlord and Tenant are entitled shall be awarded and paid to Landlord and Tenant, as their interests may appear. If this Lease is terminated pursuant to Section A, condemnation proceeds to which Landlord and Tenant are entitled shall be awarded and paid to Landlord and Tenant as their interests may appear.

16. Utilities. Tenant shall be responsible at Tenant's sole cost and expense for obtaining all utility connections at or for the demised premises and Tenant shall pay all charges for water, electricity, gas, sewer, telephone or any other utility connections, tap-in fees and services furnished to the demised premises during the term hereof. Landlord shall in no event be liable or responsible for any cessation or interruption in any such utility services.

17. Common Facilities. Tenant and Tenant's employees, agents, servants, customers and other invitees shall have the non-exclusive right to use all common facilities, improvements, equipment and services which may now exist or which may hereafter be provided by Landlord for the accommodation and convenience of Landlord's customers and tenants, including landing and takeoff facilities, means of ingress and egress to the demised premises, other airport installations, and all other reasonable services which may be provided without charge from time to time by Landlord in operating the Airport. All such common facilities shall at all times be under the exclusive control and management of Landlord and may be rearranged, modified, changed or terminated from time to time at Landlord's sole discretion.

18. Rules and Regulations. Landlord has adopted Rules and Regulations (hereinafter referred to as the "Rules and Regulations") which shall govern Tenant in the use of the demised premises and all common facilities, a copy of which has been furnished to Tenant. The Rules and Regulations are incorporated by reference as if written verbatim herein, and Tenant agrees to comply fully at all times with the Rules and Regulations. Landlord shall have

the right to amend, modify and alter the Rules and Regulations from time to time in a reasonable manner for the purpose of assuring the safety, welfare and convenience of Landlord, Tenant and all other tenants and customers of the Airport.

19. Signs and Equipment. After first securing Landlord's approval which will not be unreasonably withheld, Tenant shall have the right from time to time to install and operate advertising signs and radio, communications, meterological, aerial navigation and other equipment and facilities in or on the demised premises that may be reasonably necessary for the operation of Tenant's business.

20. Landlord's Right of Entry. Landlord and Landlord's authorized representatives shall have the right, during normal business hours, to enter the demised premises (i) to inspect the general condition and state of repair thereof, (ii) to make repairs permitted under this Lease, (iii) to show the demised premises to any prospective tenant or purchaser or (iv) for any other reasonable and lawful purpose.

During the final one hundred eighty (180) days of the term hereof, Landlord and Landlord's authorized representatives shall have the right to erect and maintain on or about the demised premises customary signs advertising the demised premises for lease or for sale.

21. Indemnity and Exculpation:

A. Landlord shall not be liable to Tenant or to Tenant's employees, agents, servants, customers, invitees, or to any other person whomsoever, for any injury to persons or damage to property on or about the demised premises or any adjacent area owned by Landlord caused by the negligence or misconduct of Tenant, Tenant's employees, servants, customers, invitees, subtenants, licensees or concessionaires or any other person entering the demised premises under express or implied invitation of Tenant, or arising out of the use of the demised premises by Tenant and the conduct of Tenant's business thereon, or arising out of any breach or default by Tenant in the performance of Tenant's obligations hereunder; and Tenant hereby agrees to indemnify Landlord and hold Landlord harmless from any loss, expense or claims arising out of such damage or injury.

B. Landlord and Landlord's agents and employees shall not be liable to Tenant for any injury to persons or damage to property resulting from the demised premises becoming out of repair or by defect in or failure of equipment, pipes, or wiring, or broken glass, or by the backing up of drains, or by gas, water, steam, electricity or oil leaking, escaping or flowing into the demised premises, regardless of the source, or by dampness or by fire, explosion, falling plaster or ceiling or for any other reason whatsoever. Landlord shall not be liable to Tenant for any loss or damage that may be occasioned by or through the acts or omissions of other tenants of Landlord or caused by operations in construction of any private, public or quasi-public work, or of any other persons whomsoever, excepting only duly authorized agents and employees of Landlord.

22. Default by Tenant. The following events shall be deemed to be events of default by Tenant under this Lease:

A. Failure of Tenant to pay any installment of rent or any other sum payable to Landlord hereunder on the date that same is due and such failure shall continue for a period of ten (10) days.

B. Failure of Tenant to comply with any term, condition or covenant of this Lease, other than the payment of rent or other sum of money, and such failure shall not be cured within thirty (30) days after written notice thereof to Tenant.

C. Insolvency, the making of a transfer in fraud of creditors, or the making of an assignment for the benefit of creditors by Tenant or any guarantor of Tenant's obligations.

D. Filing of a petition under any section or chapter of the Natonal Bankruptcy Act, as amended, or under any similar law or statute of the United States or any State thereof by Tenant or any guarantor of Tenant's obligations, or adjudication as a bankrupt or insolvent in proceedings filed against Tenant or such guarantor.

E. Appointment of a receiver or trustee for all or substantially all of the assets of Tenant or any guarantor of Tenant's obligations.

F. Abandonment by Tenant of any substantial portion of the demised premises or cessation of use of the demised premises for the purpose leased.

23. Remedies of Landlord. Upon the occurrence of any of the events of default listed in paragraph 22, Landlord shall have the option to pursue any one or more of the following remedies without any notice or demand whatsoever:

A. Terminate this Lease, in which event Tenant shall immediately surrender the demised premises to Landlord. If Tenant fails to so surrender the demised premises, Landlord may, without prejudice to any other remedy which Landlord may have for possession of the demised premises or arrearages in rent, enter upon and take possession of the demised premises and expel or remove Tenant and any other person who may be occupying the demised premises or any part thereof, without being liable for prosecution or any claim for damages therefor. Tenant shall pay to Landlord on demand the amount of all loss and damage which Landlord may suffer by reason of such termination, whether through inability to relet the demised premises on satisfactory terms or otherwise.

B. Terminate this Lease, in which event Tenant shall immediately surrender the demised premises to Landlord. If Tenant fails to so surrender the demised premises, Landlord may, without prejudice to any other remedy which Landlord may have for possession of the demised premises or arrearages in rent, enter upon and take possession of the demised premises and expel or remove Tenant and any other person who may be occupying the demised premises or any part thereof, without being liable for prosecution or any claim for damages therefor. Tenant shall pay to Landlord on the date of such termination damages in an amount equal to the excess, if any, of the total amount of all monthly rental and other amounts to be paid by Tenant to Landlord hereunder for the period which would otherwise have constituted the unexpired portion of the term of this Lease over the then fair market rental value of the demised premises for such unexpired portion of the term of this Lease.

C. Enter upon and take possession of the demised premises without terminating this Lease and without being liable for prosecution or for any claim for damages therefor, and expel or remove Tenant and any other person who may be occupying the demised premises or any part thereof. Landlord may relet the demised premises and receive the rent therefor. Tenant agrees to pay to Landlord monthly or on demand from time to time any deficiency that may arise by reason of any such reletting. In determining the amount of such deficiency, brokerage commissions, attorneys' fees, remodeling expenses and other costs of reletting shall be subtracted from the amount of rent received under such reletting.

D. Enter upon the demised premises without terminating this Lease and without being liable for prosecution or for any claim for damages therefor, and do whatever Tenant is obligated to do under the terms of this Lease. Tenant agrees to pay Landlord on demand for expenses which

Landlord may incur in thus effecting compliance with Tenant's obligations under this Lease, together with interest thereon at the rate of ten percent (10%) per annum from the date expended until paid. Landlord shall not be liable for any damages resulting to Tenant from such action, whether caused by negligence of Landlord or otherwise.

Pursuit of any of the foregoing remedies shall not preclude pursuit of any of the other remedies herein provided or any other remedies provided by law, nor shall pursuit of any remedy herein provided constitute a forfeiture or waiver of any rent due to Landlord hereunder or of any damages accruing to Landlord by reason of the violation of any of the terms, conditions and covenants herein contained.

24. Default by Landlord. No default by Landlord hereunder shall constitute an eviction or disturbance of Tenant's use and possession of the demised premises or render Landlord liable for damages or entitle Tenant to be relieved from any of Tenant's obligations hereunder (including the obligation to pay rent) or grant Tenant any right of deduction, abatement, set-off or recoupment or entitle Tenant to take any action whatsoever with regard to the demised premises or Landlord until thirty (30) days after Tenant has given Landlord written notice specifically setting forth such default by Landlord, and Landlord has failed to cure such default within said thirty (30) day period, or in the event such default cannot be cured within said thirty (30) day period then within an additional reasonable period of time so long as Landlord has commenced curative action within said thirty (30) day period and thereafter is diligently attempting to cure such default. In the event that Landlord fails to cure such default within said thirty (30) day period, or within said additional reasonable period of time, Tenant shall have the right to:

(i) Proceed to cure such default and deduct the cost of curing same plus interest thereon at the rate of ten percent (10%) per annum from the next succeeding rental installment(s) due by Tenant to Landlord hereunder; or

(ii) Proceed to cure such default and bring suit against Landlord for the cost of curing same plus interest thereon at the rate of ten percent (10%) per annum.

If any mortgagee of Landlord has given Tenant its address for notices and specifically requests such notice, Tenant agrees to give the notice required hereinabove to such mortgagee at the same time Tenant gives same to Landlord, and to accept curative action, if any, undertaken by such mortgagee as if such curative action had been taken by Landlord.

25. Waiver of Subrogation. Each party hereto waives any and every claim which arises or may arise in such party's favor against the other party hereto during the term of this Lease for any and all loss of, or damage to, any of such party's property located within or upon, or constituting a part of, the demised premises, which loss or damage is covered by valid and collectible fire and extended coverage insurance policies, to the extent that such loss or damage is recoverable under such insurance policies. Such mutual waivers shall be in addition to, and not in limitation or derogation of, any other waiver or release contained in this Lease with respect to any loss of, or damage to, property of the parties hereto. Inasmuch as such mutual waivers will preclude the assignment of any aforesaid claim by way of subrogation or otherwise to an insurance company (or any other person), each party hereby agrees immediately to give to each insurance company which has issued to such party policies of fire and extended coverage insurance, written notice of the terms of such mutual waivers, and to cause such insurance policies to be properly endorsed, if necessary, to prevent the invalidation of such insurance coverages by reason of such waivers.

26. Title to Improvements. Any and all improvements on the demised premises shall become the property of Landlord upon the expiration or termination of this Lease; provided, however: (i) if Tenant is not then in default hereunder, Tenant shall have the right to remove all personal property and trade fixtures owned by Tenant from the demised premises, but Tenant shall be required to repair any damage to the demised premises caused by such removal in a good and workmanlike manner and at Tenant's sole cost and expense; and (ii) Landlord may elect to require Tenant to remove all improvements from the demised premises and restore the demised premises to the condition in which the same existed on the date hereof, in which event Tenant shall promptly perform such removal and restoration in a good and workmanlike manner and at Tenant's sole cost and expense.

27. Mechanics' and Materialmen's Liens. Tenant agrees to indemnify and hold Landlord harmless of and from all liability arising out of the filing of any mechanics' or materialmen's liens against the demised premises by reason of any act or omission of Tenant or anyone claiming under Tenant, and Landlord, at Landlord's option, may satisfy such liens and collect the amount expended from Tenant together with interest thereon as provided in paragraph 37 as additional rent; provided, however, that Landlord shall not so satisfy such liens until fifteen (15) days after written notification to Tenant of Landlord's intention to do so and Tenant's failure during such fifteen (15) day period to bond such liens or escrow funds with appropriate parties to protect Landlord's interest in the demised premises.

28. Title. Tenant accepts the demised premises subject to: (i) the Base Lease; (ii) the Rules and Regulation; (iii) easements and rights-of-way and (iv) zoning ordinances and other ordinances, laws, statutes or regulations now in effect or hereafter promulgated by any governmental authority having jurisdiction over the demised premises.

29. Quite Enjoyment and Subordination. Landlord covenants, represents and warrants that Landlord has full right and power to execute and perform this Lease and to grant the estate demised herein, and that Tenant, upon payment of the rents herein reserved, and performance of the terms, conditions, covenants and agreements herein contained, shall peaceably and quietly have, hold and enjoy the demised premises during the full term of this Lease; provided, however, that Tenant accepts this Lease subject and subordinate to any recorded mortgage, deed of trust or other lien presently existing upon the demised premises. Landlord further is hereby irrevocably vested with full power and authority by Tenant to subordinate Tenant's interest hereunder to any mortgage, deed of trust or other lien now existing or hereafter placed on the demised premises or to declare this Lease prior and superior to any mortgage, deed of trust or other lien now existing or hereafter placed on the demised premises; provided, however, any such subordination shall be upon the express conditions that (i) this Lease shall be recognized by the mortgagee and that all of the rights of Tenant shall remain in full force and effect during the full term of this Lease on condition that Tenant attorn to the mortgagee, its successors and assigns, and perform all of the covenants and conditions required by the terms of this lease, and (ii) in the event of foreclosure or any enforcement of any such mortgage, the rights of Tenant hereunder shall expressly survive and this Lease shall in all respects continue in full force and effect so long as Tenant shall fully perform all Tenant's obligations hereunder and attorn to the purchaser. Tenant also agrees upon demand to execute further instruments declaring this Lease prior and superior to any mortgage, deed of trust or other lien and specifically providing that this Lease shall survive the foreclosure of such mortgage, deed of trust or other lien.

30. Rent on Net Return Basis. Except for the rental due under the Base Lease during the time that AATI is the Landlord hereunder, it is intended that the rent provided for in this Lease shall be an absolute net return to Landlord for the term of this Lease, free of any loss, expenses or charges with respect to the demised premises, including, without limitation, maintenance, repairs, replacement, insurance, taxes and assessments, and this Lease shall be construed in accodance with and to effectuate such intention.

31. Holding Over. Should Tenant, or any of Tenant's successors in interest fail to surrender the demised premises, or any part thereof, on the expiration of the term of this Lease, such holding over shall constitute a tenancy from month to month only terminable at any time by either Landlord or Tenant after thirty (30) days prior written notice to the other, at a monthly rental equal to two hundred percent (200%) of the rent paid for the last month of the term of this Lease.

32. Waiver of Default. No waiver by the parties hereto of any default or breach of any term, condition or covenant of this Lease shall be deemed to be a waiver of any subsequent default or breach of the same or any other term, condition or covenant contained herein.

33. Release of Landlord Upon Transfer. All of Landlord's personal liability for the performance of the terms and provisions of this Lease (except for any liability accruing prior to such transfer) shall terminate upon a transfer of the demised premises by Landlord, provided that the obligations of Landlord under this Lease are covenants running with the land and shall be binding upon the tranferee of Landlord's interest in this Lease and the demised premises.

34. Attorneys' Fees. If, on account of any breach or default by Landlord or Tenant of their respective obligations under this Lease, it shall become necessary for the other to employ an attorney to enforce or defend any of such party's rights or remedies hereunder, and should such party prevail, such party shall be entitled to collect reasonable attorneys' fees incurred in such connection from the other party.

35. Financial Information. Tenant agrees that Tenant will from time to time upon the written request of Landlord during the term of this Lease furnish to Landlord such credit and banking references as Landlord may reasonably request.

36. Estoppel Certificates. Tenant agrees that from time to time, upon not less than ten (10) days' prior written request by Landlord, Tenant will deliver to Landlord a statement in writing certifying that:

A. This Lease is unmodified and in full force and effect (or if there have been modifications, that this Lease as modified is in full force and effect and stating the modifications).

B. The dates to which rent and other charges have been paid.

C. Landlord is not in default under any term or provision of this Lease or if in default the nature thereof in detail in accordance with an exhibit attached thereto.

D. If requested by Landlord, Tenant will not pay rent for more than one (1) month in advance and that this Lease will not be amended without notice to Landlord's mortgagee and that the same will not be terminated without the same notice required by the Lease to be furnished to Landlord also being furnished to Landlord's mortgagee and Landlord's mortgagee fails to cure such default within the curative period allowed Landlord under this Lease.

Landlord agrees that from time to time, upon not less than ten (10) days' prior written request by Tenant, Landlord will deliver to Tenant a statement in writing certifying that:

A. This Lease is unmodified and in full force and effect (or if there have been modifications, that the Lease as modified is in full force and effect and stating the modifications).

B. The dates to which rent and other charges have been paid.

C. Tenant is not in default under any term or provision of this Lease or if in default the nature thereof in detail in accordance with an exhibit attached thereto.

37. Interest on Tenant's Obligations and Manner of Payment. All monetary obligations of Tenant to Landlord under this Lease remaining unpaid ten (10) days after the due date of the same (if no due date has been established under other provisions hereof, the "due date" shall be the date upon which Landlord demands payment from Tenant in writing) shall bear interest at the rate of ten percent (10%) per annum from and after said tenth (10th) day until paid. If more than twice during the term of this Lease Tenant's personal or corporate check is not paid by the bank on which it is drawn for whatever reason, Landlord may require by giving written notice to Tenant that the payment of all future monetary obligations of Tenant under this Lease are to be made on or before the due date by cash, cashier's check, certified check or money order, and that the delivery of Tenant's personal or corporate check will no longer constitute payment of such monetary obligations. Any acceptance by Landlord of a personal or corporate check after such notice shall not be deemed or construed as a waiver or estoppel of Landlord to require other payments as required by said notice.

38. Independent Contractor. It is understood and agreed that in leasing and operating the demised premises, Tenant is acting as an independent contractor and is not acting as agent, partner, joint venturer or employee of Landlord.

39. Force Majeure. In the event performance by Landlord of any term, condition or covenant in this Lease is delayed or prevented by any Act of God, strike, lockout, shortage of material or labor, restriction by any governmental authority, civil riot, flood, or any other cause not within the control of Landlord, the period for performance of such term, condition or covenant shall be extended for a period equal to the period Landlord is so delayed or hindered.

40. Exhibits. All exhibits, attachments, annexed instruments and addenda referred to herein shall be considered a part hereof for all purposes with the same force and effect as if copied verbatim herein.

41. Use of Language. Words of any gender used in this Lease shall be held and construed to include any other gender, and words in the singular shall be held to include the plural, unless the context otherwise requires.

42. Captions. The captions or headings of paragraphs in this Lease are inserted for convenience only, and shall not be considered in construing the provisions hereof if any question of intent should arise.

43. Successors. The terms, conditions and covenants contained in this Lease shall apply to, inure to the benefit of, and be binding upon the parties hereto and their respective successors in interest and legal representatives except as otherwise herein expressly provided. All rights, powers, privileges, immunities and duties of Landlord under this Lease, including, but not limited to, any notices required or permitted to be delivered by Landlord to Tenant hereunder, may, at Landlord's option, be exercised or performed by Landlord's agent or attorney.

44. Severability. If any provision in this Lease should be held to be invalid or unenforceable, the validity and enforceability of the remaining provisions of this Lease shall not be affected thereby.

45. Notices. Any notice or document required or permitted to be delivered hereunder may be delivered in person or shall be deemed to be delivered, whether actually received or not, when deposited in the United States mail, postage prepaid, registered or certified mail, return receipt requested, addressed to the parties at the addresses indicated below, or at such other addresses as may have theretofore been specified by written notice delivered in accordance herewith.

LANDLORD:

Addison Airport of Texas, Inc.
P. O. Box 34067
Dallas, Texas 75234

City of Addison, Texas
P. O. Box 144
Addison, Texas 75001

TENANT:

Ray Stern
5907 Gladeside Court
Dallas, Texas 75248

46. Fees or Commissions. Each party hereto hereby covenants and agrees with the other that such party shall be solely responsible for the payment of any brokers', agents' or finders' fees or commissions agreed to by such party arising from the execution of this Lease or the performance of the terms and provisions contained herein, and such party agrees to indemnify and hold the other party harmless from the payment of any such fees or commissions.

47. Counterparts. This Lease may be executed in multiple counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

48. Governing Law and Venue. This Lease and all of the transactions contemplated herein shall be governed by and construed in accordance with the laws of the State of Texas, and Landlord and Tenant both irrevocably agree that venue for any dispute concerning this Lease or any of the transactions contemplated herein shall be in any court of competent jurisdiction in Dallas County, Texas.

49. Entire Agreement and Amendments. This Lease, consisting of forty-nine (49) paragraphs and Exhibits A through B attached hereto, embodies the entire agreement between Landlord and Tenant and supersedes all prior agreements and understandings, whether written or oral, and all contemporaneous oral agreements and understandings relating to the subject matter hereof. Except as otherwise specifically provided herein, no agreement hereafter made shall be effective to change, modify, discharge or effect an abandonment of this Lease, in whole or in part, unless such agreement is in writing and signed by or on behalf of the party against whom enforcement of the change, modification, discharge or abandonment is sought.

EXECUTED as of the day month and year first above written.

LANDLORD:

ADDISON AIRPORT OF TEXAS, INC.

By: _____

Its: President

CITY OF ADDISON, TEXAS

By: _____

Its: Mayor

TENANT:

_____

Ray Stern

STATE OF TEXAS X

COUNTY OF DALLAS X

BEFORE ME, the undersigned authority, on this day personally appeared Ray Stern known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and considerations therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 7 day of July, 1979.

Joanne Berry Summers
Notary Public

(SEAL)

Dallas
County, Texas

STATE OF TEXAS X

COUNTY OF DALLAS X

BEFORE ME, the undersigned authority, on this day personally appeared Henry Stuart known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and considerations therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 3rd day of July, 1979.

Mary Lou Gunz
Notary Public

(SEAL)

Dallas
County, Texas

STATE OF TEXAS X

COUNTY OF DALLAS X

BEFORE ME, The undersigned authority, on this day personally appeared Jerry Redding known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and considerations therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 25th day of July, 1979.

Jacque Sharp
Notary Public

Dallas
County, Texas

EXHIBIT C

0230-4001

Lease #40

**THE STATE OF TEXAS** }
}
**COUNTY OF DALLAS** }

**ASSIGNMENT OF GROUND LEASE**

This Assignment of Ground Lease, the "Assignment", is entered into and effective as of September 1, 1996, at Addison, Texas, between R. Stern Holdings Limited Partnership, "Assignor", and R. Stern F.B.O. Limited Partnership, "Assignee".

WHEREAS, a lease executed on August 20, 1979, between City of Addison, Addison Airport of Texas, Inc., and Ray Stern, a copy of which is attached hereto as Exhibit "A"; and

WHEREAS, the above described Lease was assigned by Ray Stern as Assignor to Stern Air, Inc. as Assignee by Assignment of Lease, a copy which is attached hereto as Exhibit "B", and the above described Lease was acquired through Foreclosure on August 6, 1996 by R. Stern Holdings Limited Partnership; and

WHEREAS, the Assignor now desires to assign the Ground Lease to Assignee, and the Assignee desires to accept the Assignment thereof.

NOW, THEREFORE, for and in consideration of the mutual promises, covenants, and conditions contained herein, the sufficiency of which are hereby acknowledged, the parties hereto, each intending to be legally bound, agree as follows:

**AGREEMENT**

1. Assignor hereby assigns, bargains, sells, and conveys to Assignee, effective as the date above, all of Assignor's rights, title, and interest in and to the Ground Lease.

2. Prior to the effective date of this Assignment, Assignee agrees to pay an Assignment Fee in the amount of Two Hundred Fifty Dollars and no/100 ($250.00) to Landlord.

3. Assignee hereby agrees to be bound by and to comply with the terms of the Ground Lease.

4. This Assignment shall be binding on and inure to the benefit of the parties hereto, their heirs, executors, administrators, successors in interest, and assigns.

EXECUTED the day and year first above written.

ASSIGNOR:

R. STERN HOLDINGS LIMITED PARTNERSHIP

By: _____
RAY STERN, PRESIDENT, STERN HOLDINGS, INC.
Its: GENERAL PARTNER

ASSIGNEE:

R. STERN F.B.O. LIMITED PARTNERSHIP

By: _____
RAY STERN, PRESIDENT, STERN HOLDINGS, INC.
Its: GENERAL PARTNER

## CONSENT OF LANDLORD

The undersigneds are the Landlord in the Ground Lease described in the foregoing Assignment and each hereby consents to the Assignment of the Ground Lease to Assignee, waiving none of their rights thereunder as to the Assignor or the Assignee.

LANDLORD:

ADDISON AIRPORT OF TEXAS, INC.

By: _____

Its: President

ACKNOWLEDGMENT

THE STATE OF TEXAS }
COUNTY OF DALLAS }

BEFORE ME, the undersigned authority, on this day personally appeared RAY STERN known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein stated.

GIVEN under my hand and seal of office this 19TH day of AUGUST, 1996.

MICKEY N. FISHER
Notary Public, State of Texas
My Commission Expires 10-5-97

Notary Public
DALLAS
County, Texas

THE STATE OF TEXAS }
COUNTY OF DALLAS }

BEFORE ME, the undersigned authority, on this day personally appeared RAY STERN known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein stated.

GIVEN under my hand and seal of office this 19TH day of AUGUST, 1996.

MICKEY N. FISHER
Notary Public, State of Texas
My Commission Expires 10-5-97

Notary Public
DALLAS
County, Texas

THE STATE OF TEXAS }
COUNTY OF DALLAS }

BEFORE ME, the undersigned authority, on this day personally appeared Sam Stuart known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein stated.

GIVEN under my hand and seal of office this 20th day of August, 1996.

Shauna Dee O'Brien
Notary Public
Dallas
County, Texas

SHAUNA DEE O'BRIEN
NOTARY PUBLIC
State of Texas
Comm. Exp. 06-15-2000

THE STATE OF TEXAS X
X GROUND LEASE
COUNTY OF DALLAS X

This Ground Lease (hereinafter referred to as the "Lease" is made and entered into as of August 20, 19 79, by and among the City of Addison, Texas, a municipal corporation (hereinafter sometimes referred to as the "City"), Addison Airport of Texas, Inc., a Texas Corporation (hereinafter sometimes referred to as "AATI") and Ray Stern (hereinafter referred to as "Tenant").

W I T N E S S E T H:

WHEREAS, AATI leases that certain real property (hereinafter referred to as the "demised premises") described in attached Exhibit A from the City pursuant to that certain instrument captioned Agreement for Operation of the Addison Airport (hereinafter referred to as the "Base Lease") between the City and Addison Airport, Inc. (predecessor to AATI); and

WHEREAS, the demised premises are situated at Addison Airport (hereinafter referred to as the "Airport") in Dallas County, Texas, the Airport being delineated in a plat attached hereto as Exhibit B; and

WHEREAS, the City and AATI hereby lease and demise the demised premises to Tenant, and Tenant hereby leases and takes the demised premises from the City and AATI, upon the terms and conditions set forth herein;

NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS:

1. Base Lease: All of the terms and conditions of the Base Lease are incorporated into this Lease by reference as if written verbatim herein, and Tenant by Tenant's execution hereof acknowledges that AATI has furnished Tenant with a copy of the Base Lease. Tenant agrees to fully comply at all times and in all respects with the terms and conditions of the Base Lease insofar as the same relate to the demised premises and/or the use and operation thereof, except that Tenant shall not be responsible for the payment of any rental due under the Base Lease which shall be paid by AATI.

2. Definition of Landlord and Effect of Default under the Base Lease: The term "Landlord" as hereinafter used in this Lease shall mean either AATI or the City. So long as the Base Lease is in effect, AATI shall be entitled to all of the rights, benefits and remedies of the Landlord under this Lease, and shall perform all of the duties, covenants and obligations of the Landlord under this Lease. Upon the expiration or termination of the Base Lease, the City shall be entitled to all of the rights, benefits and remedies of the Landlord under this Lease, and shall perform all of the duties covenants and obligations of the Landlord under this Lease. The City agrees that (i) until such time as the City notifies Tenant to the contrary in writing, Tenant is fully authorized to make all payments due under this Lease to AATI, and (ii) that default by AATI under the Base Lease shall have no effect on this Lease so long as Tenant pays and performs its duties, covenants and obligations under this Lease.

3. Term: The term hereof shall commence on the earlier of December 31, 19 79, or the first day of the first calendar month after Tenant completes the construction hereinbelow described and opens for business at the demised premises (the applicable date being hereinafter referred to as the "Commencement Date"), and shall end four hundred eighty (480) months thereafter; provided, however, that any entry upon the demised premises by Tenant prior to the Commencement Date shall be subject to all of the terms and conditions hereof except that rental shall not accrue.

4. Rental: Subject to adjustment as hereinbelow provided, Tenant agrees to pay to Landlord, without offset or deduction, rent for the demised premises at the rate of $93.55 (ninety-three and 55/100) per month in advance. The first of such monthly installment shall be due and payable on or before the Commencement Date, and a like installment shall be due and payable on or before the first day fo each calendar month thereafter during the term hereof.

5. Adjustment of Rental: Commencing on the second anniversary of the Commencement Date and on every bi-annual anniversary thereafter (Hereinafter referred to as the "Adjustment Date"), the monthly rental due under paragraph 4 shall be adjusted as follows:

(i) A comparison shall be made between the Consumers' price Index-All Items for the Dallas, Texas Metropolitan Area (hereinafter referred to as the "Price Index") as it existed on the Commencement Date and as it exists on the first day of the calendar month preceding the then applicable Adjustment Date.

(ii) The monthly rental for the two (2) year period beginning with and following the then applicable Adjustment Date shall be either increased or decreased, as the case may be, by the percentage of increase or decrease in the Price Index between the Commencement Date and the then applicable Adjustment Date, but in no event shall such monthly rental ever be decreased below the monthly rental set forth in paragraph 4.

(iii) In the event that the Price Index is unavailable for whatever reason for the computations set forth hereinabove, another index approximating the Price Index as closely as feasible shall be substituted therefor.

6. Use of Demised Premises and Construction of Improvements. The demised premises shall be used and occupied by Tenant only for the following purposes: sale of aircraft and aircraft parts; aircraft maintenance and repair; aircraft storage; aircraft training; aircraft charter; and aircraft rentals; and not otherwise without the prior written consent of Landlord.

In connection with such use and occupancy, Tenant intends to construct upon the demised premises the improvements depicted in the plans and specifications

vehicle parking lot addition with possible carport.

All construction shall be strictly in accordance with such plans and specifications, and such construction shall be performed in a first class, workmanlike manner. Tenant agrees to promptly pay and discharge all costs, expenses, claims for damages, liens and any and all other liabilities and obligations which arise in connection with such construction.

7. Acceptance of Demised Premises. Tenant acknowledges that Tenant has fully inspected the demised premises and accepts the demised premises as suitable for the purposes for which the same are leased in their present condition.

8. Securing Governmental Approvals and Compliance with Law. Tenant at Tenant's sole cost and expense shall obtain any and all governmental licenses, permits and approvals necessary for the construction of improvements and for the use and occupancy of the demised premises. Tenant shall comply at all times with all governmental laws, ordinances and regulations applicable to the use of the demised premises, and shall promptly comply with all governmental orders and directives for the correction, prevention and abatement of nuisances in or upon, or connected with the demised premises, all at Tenant's sole cost and expense.

9. Assignment, Subletting and Mortgaging of Leasehold Estate:

A. Without the prior written consent of Landlord, Tenant may not assign this Lease or any rights of Tenant hereunder (except to a leasehold mortgagee as hereinbelow provided) or sublet the whole or any part of the demised premises. Any assignment or subletting shall be expressly subject to all the terms and provisions of this Lease, including the provisions of paragraph 6 pertaining to the use of the demised premises. In the event of any assignment or subletting, Tenant shall not assign Tenant's rights hereunder or sublet the demised premises without first obtaining a written agreement from each such assignee or sublessee whereby each such assignee or sublessee agrees to be bound by the terms and provisions of this Lease. No such assignment or subletting shall constitute a novation. In the event of the occurrence of an event of default while the demised premises are assigned or sublet, Landlord, in addition to any other remedies provided herein or by law, may at Landlord's option, collect directly from such assignee or subtenant all rents becoming due under such assignment or subletting and apply such rent against any sums due to Landlord hereunder. No direct collection by Landlord from any such assignee or subtenant shall release Tenant from the payment or performance of Tenant's obligations hereunder.

B. Tenant shall have the right to mortgage the leasehold estate of Tenant created hereby in order to secure a mortgage loan for the purpose of obtaining funds for the construction of the improvements described in paragraph 6 or for other construction upon the demised premises approved from time to time by Landlord in writing. In the event that Tenant pursuant to mortgages or deeds of trust mortgages the leasehold estate of Tenant created hereby, the leasehold mortgagee shall in no event become personally liable to perform the obligations of Tenant under this Lease unless and until said mortgagee becomes the owner of the leasehold estate pursuant to foreclosure, transfer in lieu of foreclosure, or otherwise, and thereafter said leasehold mortgagee shall remain liable for such obligations only so long as such mortgagee remains the owner of the leasehold estate. Notwithstanding the foregoing, it is specifically understood and agreed that no such mortgaging by Tenant and/or any actions taken pursuant to the terms of such mortgage shall ever relieve Tenant of Tenant's obligation to pay the rental due hereunder and otherwise fully perform the terms and conditions of this Lease.

C. All mortgages or deeds of trust whereby Tenant mortgages the leasehold estate of Tenant created hereby shall contain provisions (i) requiring the leasehold mortgagee to give Landlord fifteen (15) days written notice prior to accelerating the debt of Tenant to such mortgagee and/or initiating foreclosure proceedings under said mortgages or deeds of trust, and (ii) allowing Landlord during such fifteen (15) day notice period to cure Tenant's default and prevent said acceleration and/or foreclosure proceedings, and thereafter at Landlord's option to assume Tenant's position under said mortgages or deeds of trust.

D. Landlord agrees, if and so long as the leasehold estate of Tenant is encumbered by a leasehold mortgage and written notice to such effect has been given to Landlord, to give the holder of such leasehold mortgagee at such address or addresses as may be specified in such written notice to Landlord for the giving of notices to the leasehold mortgagee, or as otherwise may be specified by the leasehold mortgagee to Landlord in writing, written

notice of any default hereunder by Tenant, simultaneously with the giving of such notice to Tenant, and the holder of any such leasehold mortgage shall have the right, for a period of fifteen (15) days after its receipt of such notice, or within any longer period of time specified in such notice, to take such action or to make such payment as may be necessary or appropriate to cure any such default so specified, it being the intention of the parties hereto that Landlord shall not exercise Landlord's right to terminate this Lease without first giving any such leasehold mortgagee the notice provided for herein and affording any such leasehold mortgagee the right to cure such default as provided for herein.

E. Landlord further agrees to execute and deliver to any proposed leasehold mortgagee of Tenant a "Non-Disturbance Agreement" wherein Landlord agrees that Landlord will (i) recognize such mortgagee and its successors and assigns after foreclosure, or transfer in lieu of foreclosure, as Tenant hereunder, and (ii) continue to perform all of Landlord's obligations hereunder so long as such mortgagee or its successors and assigns performs all of the obligations of Tenant hereunder. Landlord also agrees to execute and deliver to such proposed leasehold mortgagee any other documents which such proposed leasehold mortgagee may reasonably request concerning the mortgaging by Tenant of the leasehold estate created hereby; provided, however, that Landlord shall never be required to subordinate Landlord's interest in the demised premises to the mortgage of such proposed leasehold mortgage.

10. Property Taxes and Assessments: Tenant shall pay any and all property taxes or assessments levied or assessed on the improvements on the demised premises, the personal property and fixtures on the demised premises, and, if applicable, upon the leasehold estate of Tenant created hereby. Upon the request of Landlord, Tenant shall from time to time furnish to Landlord "paid receipts" or other written evidence that all such taxes have been paid by Tenant.

11. Maintenance and Repair of Demised Premises:

A. Tenant shall, throughout the term hereof, maintain in good repair and condition all the demised premises and all fixtures, equipment and personal property on the demised premises and keep them free from waste or nuisance and, at the expiration or termination of this Lease, deliver up the demised premises clean and free of trash and in good repair and condition, with all fixtures and equipment situated in the demised premises in working order, reasonable wear and tear excepted.

B. In the event Tenant shall fail to so maintain the demised premises and the fixtures, equipment and personal property situated thereon, Landlord shall have the right (but not the obligation) to cause all repairs or other maintenance to be made and the reasonable costs therefor expended by Landlord plus interest thereon as provided in paragraph 37 shall be paid by Tenant on demand.

12. Alterations, Additions and Improvement. After completion of the improvements described in paragraph 6, Tenant shall not create any openings in the roof or exterior walls, or make any alterations, additions or improvements to the demised premises without the prior written consent of Landlord. Consent for non-structural alterations, additions or improvements shall not be unreasonably withheld by Landlord. Tenant shall have the right to erect or install shelves, bins, machinery, air conditioning or heating equipment and trade fixtures, provided that Tenant complies with all applicable governmental laws, ordinances and regulations.

All alterations, additions and improvements in and to the demised premises shall be performed in a first class, workmanlike manner, and Tenant shall promptly pay and discharge all costs, expenses, claims for damages, liens and any and all other liabilities and obligations which arise in connection therewith.

13. Insurance. Tenant shall during the term hereof maintain at Tenant's sole cost and expense insurance relating to the demised premises as follows:

(i) Insurance against loss or damage to improvements by fire, lightning, and other risks from time to time included under standard extended coverage policies, and sprinkler, vandalism and malicious mischief, all in amounts sufficient to prevent Landlord or Tenant from becoming co-insurers of any loss under the applicable policies but in any event in amounts not less than eighty percent (80%) of the full insurable value of the demised premises. The term "full insurable value" as used herein means actual replacement value at the time of such loss. Upon request, such replacement value shall be determined by a qualified appraiser, a copy of whose findings shall be submitted to Landlord, and, thereafter, proper adjustment in the limits of insurance coverage shall be effected.

(ii) General public liability insurance against claims for bodily injury, death or property damage occurring on, in or about the demised premises, such insurance to afford protection to Landlord of not less than $500,000.00 with respect to any one person, $1,000,000.00 with respect to any one accident and not less than $200,000.00 with respect to property damage.

(iii) Workmen's compensation insurance covering all persons employed by Tenant in connection with any work done on or about the demised premises with respect to which claims for death or bodily injury could be asserted against Landlord or the demised premises, or in lieu of such workmen's compensation insurance, a program of self-insurance complying with the rules, regulations and requirements of the appropriate state agency of the State of Texas.

(iv) If applicable, boiler and pressure vessel insurance on all steam boilers, parts thereof and appurtenances attached or connected thereto which by reason of their use or existence are capable of bursting, erupting, collapsing, imploding or exploding, in the minimum amount of $100,000.00 for damage to property resulting from such perils.

(v) Such other insurance on improvements in such amounts and against such other insurable hazard which at the time are commonly obtained in the case of property similar to such improvements.

(vi) Hangar keeper's liability insurance providing for coverage in the following limits: $200,000.00 per aircraft and $400,000.00 per occurrence on property damage to aircraft in the care, custody or control of Tenant.

(vii) During any period of construction, a Builder's Risk Completed Value policy with an all risks endorsement.

All such policies of insurance (i) shall be issued by insurance companies acceptable to Landlord, (ii) shall name Landlord as an additional insured or loss payee, as the case may be, and (iii) shall provide for at least ten (10) days written notice to Landlord prior to cancellation or modification. Tenant shall provide Landlord with duplicate originals of all insurance policies required by this paragraph.

14. Casualty Damage or Destruction:

A. In case of any damage to or destruction of the buildings, structures and equipment on the demised premises, or any part thereof, Tenant will promptly give written notice thereof to Landlord, generally describing the nature and extent of such damage and/or destruction.

B. In case of any damage to or destruction of the buildings, structures and equipment on the demised premises, or any part thereof, Tenant, whether or not the insurance proceeds, if any, payable on account of such damage and/or destruction shall be sufficient for such purpose, at Tenant's sole cost, risk and expense will promptly commence and complete the restoration, repair and replacement of said buildings, structures and equipment as nearly as possible to their value, condition and character immediately prior to such damage and/or destruction, with such alterations in and additions thereto as may be approved in writing by Landlord (hereinafter sometimes referred to as the "Restoration").

C. All insurance proceeds, if any, payable on account of such damage to or destruction of the buildings, structures and equipment on the demised premises shall be held by Landlord. Landlord shall be protected in acting upon any certificate believed by Landlord to be genuine and to have been executed by the proper party and shall receive such certificate as conclusive evidence of any fact or as to any matter therein set forth. Such certificate shall be full warrant, authority and protection to Landlord in acting thereon, and Landlord shall be under no duty to take any action other than as set forth in this paragraph 14.

D. Insurance proceeds received by Landlord on account of any damage to or destruction of the buildings, structures and equipment on the demised premises, or any part thereof (less the costs, fees and expenses incurred by Landlord and Tenant in the collection thereof, including, without limitation, adjuster's and attorney's fees and expenses) shall be applied as follows:

(i) Net insurance proceeds as above defined shall be paid to Tenant or as Tenant may direct from time to time as Restoration progresses to pay (or reimburse Tenant for) the cost of Restoration, upon written request of Tenant to Landlord accompanied by (a) a certificate of a supervising architect or engineer approved by Landlord describing in reasonable detail the work and material in question and the cost thereof, stating that the same were necessary or appropriate to the Restoration and constitute a completed part thereof, and that no part of the cost thereof has theretofore been reimbursed, and specifying the additional amount, if any, necessary to complete the Restoration, and (b) an opinion of counsel satisfactory to Landlord that there exist no mechanics', materialmen's or similar liens for labor or materials except such, if any, as are discharged by the payment of the amount requested.

(ii) Upon receipt by Landlord of evidence of the character required by the foregoing clauses (i)(a) and (b) that Restoration has been completed and the cost thereof paid in full, and that there are no mechanics', materialmen's or similar liens for labor or materials supplied in connection therewith, the balance, if any, of such proceeds shall be paid to Tenant or as Tenant may direct.

E. In the event that Tenant does not promptly commence Restoration, or after commencement Tenant does not diligently proceed to the completion of same, Landlord shall have the right to commence or complete Restoration after Landlord has given Tenant thirty (30) days prior written notice requesting the commencement of Restoration or that Tenant diligently proceed to the completion of same if Tenant during such thirty (30) day period does not so commence or proceed to diligently complete Restoration. In such event, Landlord shall retain the insurance proceeds, and Tenant shall pay any deficiency if such proceeds are not sufficient for Restoration.

15. Condemnation:

A. If during the term hereof, any part of the demised premises shall be acquired or condemned by eminent domain for any public or quasi-public use or purpose, or are sold to a condemning authority under threat of condemnation, and after such taking by or sale to said condemning authority the remainder of the demised premises is not susceptible to efficient and economic occupation and operation by Tenant, this Lease shall automatically terminate as of the date that said condemning authority takes possession of the demised premises, and Landlord shall refund to Tenant any prepaid but unaccrued rental less any sum then owing by Tenant to Landlord.

B. If after such taking by or sale to said condemning authority the remainder of the demised premises is susceptible to efficient and economic occupation and operation by Tenant, this Lease shall not terminate but the rental due hereunder shall be adjusted so that Tenant shall be required to pay for the remainder of the term hereof the sum obtained by multiplying each monthly rental installment due hereunder, as adjusted from time to time pursuant to paragraph 5, by a fraction, the numerator of which shall be the number of square feet remaining in the demised premises after the taking by or sale to said condemning authority and the denominator of which shall be the square footage originally contained in the demised premises. The rental adjustment called for herein shall not commence until said condemning authority actually takes possession of the condemned portion of the demised premises.

C. If this Lease is not terminated pursuant to Section A, Tenant shall promptly restore the improvements on the demised premises, and the condemnation proceeds to which Landlord and Tenant are entitled shall be awarded and paid first to cover the costs and expenses for restoring the remaining portion of the demised premises to a condition susceptible of efficient and economic occupation and operation by Tenant, and any remaining proceeds to which Landlord and Tenant are entitled shall be awarded and paid to Landlord and Tenant, as their interests may appear. If this Lease is terminated pursuant to Section A, condemnation proceeds to which Landlord and Tenant are entitled shall be awarded and paid to Landlord and Tenant as their interests may appear.

16. Utilities. Tenant shall be responsible at Tenant's sole cost and expense for obtaining all utility connections at or for the demised premises and Tenant shall pay all charges for water, electricity, gas, sewer, telephone or any other utility connections, tap-in fees and services furnished to the demised premises during the term hereof. Landlord shall in no event be liable or responsible for any cessation or interruption in any such utility services.

17. Common Facilities. Tenant and Tenant's employees, agents, servants, customers and other invitees shall have the non-exclusive right to use all common facilities, improvements, equipment and services which may now exist or which may hereafter be provided by Landlord for the accommodation and convenience of Landlord's customers and tenants, including landing and takeoff facilities, means of ingress and egress to the demised premises, other airport installations, and all other reasonable services which may be provided without charge from time to time by Landlord in operating the Airport. All such common facilities shall at all times be under the exclusive control and management of Landlord and may be rearranged, modified, changed or terminated from time to time at Landlord's sole discretion.

18. Rules and Regulations. Landlord has adopted Rules and Regulations (hereinafter referred to as the "Rules and Regulations") which shall govern Tenant in the use of the demised premises and all common facilities, a copy of which has been furnished to Tenant. The Rules and Regulations are incorporated by reference as if written verbatim herein, and Tenant agrees to comply fully at all times with the Rules and Regulations. Landlord shall have

the right to amend, modify and alter the Rules and Regulations from time to time in a reasonable manner for the purpose of assuring the safety, welfare and convenience of Landlord, Tenant and all other tenants and customers of the Airport.

19. Signs and Equipment. After first securing Landlord's approval which will not be unreasonably withheld, Tenant shall have the right from time to time to install and operate advertising signs and radio, communications, meterological, aerial navigation and other equipment and facilities in or on the demised premises that may be reasonably necessary for the operation of Tenant's business.

20. Landlord's Right of Entry. Landlord and Landlord's authorized representatives shall have the right, during normal business hours, to enter the demised premises (i) to inspect the general condition and state of repair thereof, (ii) to make repairs permitted under this Lease, (iii) to show the demised premises to any prospective tenant or purchaser or (iv) for any other reasonable and lawful purpose.

During the final one hundred eighty (180) days of the term hereof, Landlord and Landlord's authorized representatives shall have the right to erect and maintain on or about the demised premises customary signs advertising the demised premises for lease or for sale.

21. Indemnity and Exculpation:

A. Landlord shall not be liable to Tenant or to Tenant's employees, agents, servants, customers, invitees, or to any other person whomsoever, for any injury to persons or damage to property on or about the demised premises or any adjacent area owned by Landlord caused by the negligence or misconduct of Tenant, Tenant's employees, servants, customers, invitees, subtenants, licensees or concessionaires or any other person entering the demised premises under express or implied invitation of Tenant, or arising out of the use of the demised premises by Tenant and the conduct of Tenant's business thereon, or arising out of any breach or default by Tenant in the performance of Tenant's obligations hereunder; and Tenant hereby agrees to indemnify Landlord and hold Landlord harmless from any loss, expense or claims arising out of such damage or injury.

B. Landlord and Landlord's agents and employees shall not be liable to Tenant for any injury to persons or damage to property resulting from the demised premises becoming out of repair or by defect in or failure of equipment, pipes, or wiring, or broken glass, or by the backing up of drains, or by gas, water, steam, electricity or oil leaking, escaping or flowing into the demised premises, regardless of the source, or by dampness or by fire, explosion, falling plaster or ceiling or for any other reason whatsoever. Landlord shall not be liable to Tenant for any loss or damage that may be occasioned by or through the acts or omissions of other tenants of Landlord or caused by operations in construction of any private, public or quasi-public work, or of any other persons whomsoever, excepting only duly authorized agents and employees of Landlord.

22. Default by Tenant. The following events shall be deemed to be events of default by Tenant under this Lease:

A. Failure of Tenant to pay any installment of rent or any other sum payable to Landlord hereunder on the date that same is due and such failure shall continue for a period of ten (10) days.

B. Failure of Tenant to comply with any term, condition or covenant of this Lease, other than the payment of rent or other sum of money, and such failure shall not be cured within thirty (30) days after written notice thereof to Tenant.

C. Insolvency, the making of a transfer in fraud of creditors, or the making of an assignment for the benefit of creditors by Tenant or any guarantor of Tenant's obligations.

D. Filing of a petition under any section or chapter of the Natonal Bankruptcy Act, as amended, or under any similar law or statute of the United States or any State thereof by Tenant or any guarantor of Tenant's obligations, or adjudication as a bankrupt or insolvent in proceedings filed against Tenant or such guarantor.

E. Appointment of a receiver or trustee for all or substantially all of the assets of Tenant or any guarantor of Tenant's obligations.

F. Abandonment by Tenant of any substantial portion of the demised premises or cessation of use of the demised premises for the purpose leased.

23. Remedies of Landlord. Upon the occurrence of any of the events of default listed in paragraph 22, Landlord shall have the option to pursue any one or more of the following remedies without any notice or demand whatsoever:

A. Terminate this Lease, in which event Tenant shall immediately surrender the demised premises to Landlord. If Tenant fails to so surrender the demised premises, Landlord may, without prejudice to any other remedy which Landlord may have for possession of the demised premises or arrearages in rent, enter upon and take possession of the demised premises and expel or remove Tenant and any other person who may be occupying the demised premises or any part thereof, without being liable for prosecution or any claim for damages therefor. Tenant shall pay to Landlord on demand the amount of all loss and damage which Landlord may suffer by reason of such termination, whether through inability to relet the demised premises on satisfactory terms or otherwise.

B. Terminate this Lease, in which event Tenant shall immediately surrender the demised premises to Landlord. If Tenant fails to so surrender the demised premises, Landlord may, without prejudice to any other remedy which Landlord may have for possession of the demised premises or arrearages in rent, enter upon and take possession of the demised premises and expel or remove Tenant and any other person who may be occupying the demised premises or any part thereof, without being liable for prosecution or any claim for damages therefor. Tenant shall pay to Landlord on the date of such termination damages in an amount equal to the excess, if any, of the total amount of all monthly rental and other amounts to be paid by Tenant to Landlord hereunder for the period which would otherwise have constituted the unexpired portion of the term of this Lease over the then fair market rental value of the demised premises for such unexpired portion of the term of this Lease.

C. Enter upon and take possession of the demised premises without terminating this Lease and without being liable for prosecution or for any claim for damages therefor, and expel or remove Tenant and any other person who may be occupying the demised premises or any part thereof. Landlord may relet the demised premises and receive the rent therefor. Tenant agrees to pay to Landlord monthly or on demand from time to time any deficiency that may arise by reason of any such reletting. In determining the amount of such deficiency, brokerage commissions, attorneys' fees, remodeling expenses and other costs of reletting shall be subtracted from the amount of rent received under such reletting.

D. Enter upon the demised premises without terminating this Lease and without being liable for prosecution or for any claim for damages therefor, and do whatever Tenant is obligated to do under the terms of this Lease. Tenant agrees to pay Landlord on demand for expenses which

Landlord may incur in thus effecting compliance with Tenant's obligations under this Lease, together with interest thereon at the rate of ten percent (10%) per annum from the date expended until paid. Landlord shall not be liable for any damages resulting to Tenant from such action, whether caused by negligence of Landlord or otherwise.

Pursuit of any of the foregoing remedies shall not preclude pursuit of any of the other remedies herein provided or any other remedies provided by law, nor shall pursuit of any remedy herein provided constitute a forfeiture or waiver of any rent due to Landlord hereunder or of any damages accruing to Landlord by reason of the violation of any of the terms, conditions and covenants herein contained.

24. Default by Landlord. No default by Landlord hereunder shall constitute an eviction or disturbance of Tenant's use and possession of the demised premises or render Landlord liable for damages or entitle Tenant to be relieved from any of Tenant's obligations hereunder (including the obligation to pay rent) or grant Tenant any right of deduction, abatement, set-off or recoupment or entitle Tenant to take any action whatsoever with regard to the demised premises or Landlord until thirty (30) days after Tenant has given Landlord written notice specifically setting forth such default by Landlord, and Landlord has failed to cure such default within said thirty (30) day period, or in the event such default cannot be cured within said thirty (30) day period then within an additional reasonable period of time so long as Landlord has commenced curative action within said thirty (30) day period and thereafter is diligently attempting to cure such default. In the event that Landlord fails to cure such default within said thirty (30) day period, or within said additional reasonable period of time, Tenant shall have the right to:

(i) Proceed to cure such default and deduct the cost of curing same plus interest thereon at the rate of ten percent (10%) per annum from the next succeeding rental installment(s) due by Tenant to Landlord hereunder; or

(ii) Proceed to cure such default and bring suit against Landlord for the cost of curing same plus interest thereon at the rate of ten percent (10%) per annum.

If any mortgagee of Landlord has given Tenant its address for notices and specifically requests such notice, Tenant agrees to give the notice required hereinabove to such mortgagee at the same time Tenant gives same to Landlord, and to accept curative action, if any, undertaken by such mortgagee as if such curative action had been taken by Landlord.

25. Waiver of Subrogation. Each party hereto waives any and every claim which arises or may arise in such party's favor against the other party hereto during the term of this Lease for any and all loss of, or damage to, any of such party's property located within or upon, or constituting a part of, the demised premises, which loss or damage is covered by valid and collectible fire and extended coverage insurance policies, to the extent that such loss or damage is recoverable under such insurance policies. Such mutual waivers shall be in addition to, and not in limitation or derogation of, any other waiver or release contained in this Lease with respect to any loss of, or damage to, property of the parties hereto. Inasmuch as such mutual waivers will preclude the assignment of any aforesaid claim by way of subrogation or otherwise to an insurance company (or any other person), each party hereby agrees immediately to give to each insurance company which has issued to such party policies of fire and extended coverage insurance, written notice of the terms of such mutual waivers, and to cause such insurance policies to be properly endorsed, if necessary, to prevent the invalidation of such insurance coverages by reason of such waivers.

26. Title to Improvements. Any and all improvements on the demised premises shall become the property of Landlord upon the expiration or termination of this Lease; provided, however: (i) if Tenant is not then in default hereunder, Tenant shall have the right to remove all personal property and trade fixtures owned by Tenant from the demised premises, but Tenant shall be required to repair any damage to the demised premises caused by such removal in a good and workmanlike manner and at Tenant's sole cost and expense; and (ii) Landlord may elect to require Tenant to remove all improvements from the demised premises and restore the demised premises to the condition in which the same existed on the date hereof, in which event Tenant shall promptly perform such removal and restoration in a good and workmanlike manner and at Tenant's sole cost and expense.

27. Mechanics' and Materialmen's Liens. Tenant agrees to indemnify and hold Landlord harmless of and from all liability arising out of the filing of any mechanics' or materialmen's liens against the demised premises by reason of any act or omission of Tenant or anyone claiming under Tenant, and Landlord, at Landlord's option, may satisfy such liens and collect the amount expended from Tenant together with interest thereon as provided in paragraph 37 as additional rent; provided, however, that Landlord shall not so satisfy such liens until fifteen (15) days after written notification to Tenant of Landlord's intention to do so and Tenant's failure during such fifteen (15) day period to bond such liens or escrow funds with appropriate parties to protect Landlord's interest in the demised premises.

28. Title. Tenant accepts the demised premises subject to: (i) the Base Lease; (ii) the Rules and Regulation; (iii) easements and rights-of-way and (iv) zoning ordinances and other ordinances, laws, statutes or regulations now in effect or hereafter promulgated by any governmental authority having jurisdiction over the demised premises.

29. Quite Enjoyment and Subordination. Landlord covenants, represents and warrants that Landlord has full right and power to execute and perform this Lease and to grant the estate demised herein, and that Tenant, upon payment of the rents herein reserved, and performance of the terms, conditions, covenants and agreements herein contained, shall peaceably and quietly have, hold and enjoy the demised premises during the full term of this Lease; provided, however, that Tenant accepts this Lease subject and subordinate to any recorded mortgage, deed of trust or other lien presently existing upon the demised premises. Landlord further is hereby irrevocably vested with full power and authority by Tenant to subordinate Tenant's interest hereunder to any mortgage, deed of trust or other lien now existing or hereafter placed on the demised premises or to declare this Lease prior and superior to any mortgage, deed of trust or other lien now existing or hereafter placed on the demised premises; provided, however, any such subordination shall be upon the express conditions that (i) this Lease shall be recognized by the mortgagee and that all of the rights of Tenant shall remain in full force and effect during the full term of this Lease on condition that Tenant attorn to the mortgagee, its successors and assigns, and perform all of the covenants and conditions required by the terms of this lease, and (ii) in the event of foreclosure or any enforcement of any such mortgage, the rights of Tenant hereunder shall expressly survive and this Lease shall in all respects continue in full force and effect so long as Tenant shall fully perform all Tenant's obligations hereunder and attorn to the purchaser. Tenant also agrees upon demand to execute further instruments declaring this Lease prior and superior to any mortgage, deed of trust or other lien and specifically providing that this Lease shall survive the foreclosure of such mortgage, deed of trust or other lien.

30. Rent on Net Return Basis. Except for the rental due under the Base Lease during the time that AATI is the Landlord hereunder, it is intended that the rent provided for in this Lease shall be an absolutely net return to Landlord for the term of this Lease, free of any loss, expenses or charges with respect to the demised premises, including, without limitation, maintenance, repairs, replacement, insurance, taxes and assessments, and this Lease shall be construed in accodance with and to effectuate such intention.

31. Holding Over. Should Tenant, or any of Tenant's successors in interest fail to surrender the demised premises, or any part thereof, on the expiration of the term of this Lease, such holding over shall constitute a tenancy from month to month only terminable at any time by either Landlord or Tenant after thirty (30) days prior written notice to the other, at a monthly rental equal to two hundred percent (200%) of the rent paid for the last month of the term of this Lease.

32. Waiver of Default. No waiver by the parties hereto of any default or breach of any term, condition or covenant of this Lease shall be deemed to be a waiver of any subsequent default or breach of the same or any other term, condition or covenant contained herein.

33. Release of Landlord Upon Transfer. All of Landlord's personal liability for the performance of the terms and provisions of this Lease (except for any liability accruing prior to such transfer) shall terminate upon a transfer of the demised premises by Landlord, provided that the obligations of Landlord under this Lease are covenants running with the land and shall be binding upon the tranferee of Landlord's interest in this Lease and the demised premises.

34. Attorneys' Fees. If, on account of any breach or default by Landlord or Tenant of their respective obligations under this Lease, it shall become necessary for the other to employ an attorney to enforce or defend any of such party's rights or remedies hereunder, and should such party prevail, such party shall be entitled to collect reasonable attorneys' fees incurred in such connection from the other party.

35. Financial Information. Tenant agrees that Tenant will from time to time upon the written request of Landlord during the term of this Lease furnish to Landlord such credit and banking references as Landlord may reasonably request.

36. Estoppel Certificates. Tenant agrees that from time to time, upon not less than ten (10) days' prior written request by Landlord, Tenant will deliver to Landlord a statement in writing certifying that:

A. This Lease is unmodified and in full force and effect (or if there have been modifications, that this Lease as modified is in full force and effect and stating the modifications).

B. The dates to which rent and other charges have been paid.

C. Landlord is not in default under any term or provision of this Lease or if in default the nature thereof in detail in accordance with an exhibit attached thereto.

D. If requested by Landlord, Tenant will not pay rent for more than one (1) month in advance and that this Lease will not be amended without notice to Landlord's mortgagee and that the same will not be terminated without the same notice required by the Lease to be furnished to Landlord also being furnished to Landlord's mortgagee and Landlord's mortgagee fails to cure such default within the curative period allowed Landlord under this Lease.

Landlord agrees that from time to time, upon not less than ten (10) days' prior written request by Tenant, Landlord will deliver to Tenant a statement in writing certifying that:

A. This Lease is unmodified and in full force and effect (or if there have been modifications, that the Lease as modified is in full force and effect and stating the modifications).

B. The dates to which rent and other charges have been paid.

C. Tenant is not in default under any term or provision of this Lease or if in default the nature thereof in detail in accordance with an exhibit attached thereto.

37. Interest on Tenant's Obligations and Manner of Payment. All monetary obligations of Tenant to Landlord under this Lease remaining unpaid ten (10) days after the due date of the same (if no due date has been established under other provisions hereof, the "due date" shall be the date upon which Landlord demands payment from Tenant in writing) shall bear interest at the rate of ten percent (10%) per annum from and after said tenth (10th) day until paid. If more than twice during the term of this Lease Tenant's personal or corporate check is not paid by the bank on which it is drawn for whatever reason, Landlord may require by giving written notice to Tenant that the payment of all future monetary obligations of Tenant under this Lease are to be made on or before the due date by cash, cashier's check, certified check or money order, and that the delivery of Tenant's personal or corporate check will no longer constitute payment of such monetary obligations. Any acceptance by Landlord of a personal or corporate check after such notice shall not be deemed or construed as a waiver or estoppel of Landlord to require other payments as required by said notice.

38. Independent Contractor. It is understood and agreed that in leasing and operating the demised premises, Tenant is acting as an independent contractor and is not acting as agent, partner, joint venturer or employee of Landlord.

39. Force Majeure. In the event performance by Landlord of any term, condition or covenant in this Lease is delayed or prevented by any Act of God, strike, lockout, shortage of material or labor, restriction by any governmental authority, civil riot, flood, or any other cause not within the control of Landlord, the period for performance of such term, condition or covenant shall be extended for a period equal to the period Landlord is so delayed or hindered.

40. Exhibits. All exhibits, attachments, annexed instruments and addenda referred to herein shall be considered a part hereof for all purposes with the same force and effect as if copied verbatim herein.

41. Use of Language. Words of any gender used in this Lease shall be held and construed to include any other gender, and words in the singular shall be held to include the plural, unless the context otherwise requires.

42. Captions. The captions or headings of paragraphs in this Lease are inserted for convenience only, and shall not be considered in construing the provisions hereof if any question of intent should arise.

43. Successors. The terms, conditions and covenants contained in this Lease shall apply to, inure to the benefit of, and be binding upon the parties hereto and their respective successors in interest and legal representatives except as otherwise herein expressly provided. All rights, powers, privileges, immunities and duties of Landlord under this Lease, including, but not limited to, any notices required or permitted to be delivered by Landlord to Tenant hereunder, may, at Landlord's option, be exercised or performed by Landlord's agent or attorney.

44. Severability. If any provision in this Lease should be held to be invalid or unenforceable, the validity and enforceability of the remaining provisions of this Lease shall not be affected thereby.

45. Notices. Any notice or document required or permitted to be delivered hereunder may be delivered in person or shall be deemed to be delivered, whether actually received or not, when deposited in the United States mail, postage prepaid, registered or certified mail, return receipt requested, addressed to the parties at the addresses indicated below, or at such other addresses as may have theretofore been specified by written notice delivered in accordance herewith.

LANDLORD:

Addison Airport of Texas, Inc.
P. O. Box 34067
Dallas, Texas 75234

City of Addison, Texas
P. O. Box 144
Addison, Texas 75001

TENANT:

Ray Stern
5907 Gladeside Court
Dallas, Texas 75248

46. Fees or Commissions. Each party hereto hereby covenants and agrees with the other that such party shall be solely responsible for the payment of any brokers', agents' or finders' fees or commissions agreed to by such party arising from the execution of this Lease or the performance of the terms and provisions contained herein, and such party agrees to indemnify and hold the other party harmless from the payment of any such fees or commissions.

47. Counterparts. This Lease may be executed in multiple counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

48. Governing Law and Venue. This Lease and all of the transactions contemplated herein shall be governed by and construed in accordance with the laws of the State of Texas, and Landlord and Tenant both irrevocably agree that venue for any dispute concerning this Lease or any of the transactions contemplated herein shall be in any court of competent jurisdiction in Dallas County, Texas.

49. Entire Agreement and Amendments. This Lease, consisting of forty-nine (49) paragraphs and Exhibits A through B attached hereto, embodies the entire agreement between Landlord and Tenant and supersedes all prior agreements and understandings, whether written or oral, and all contemporaneous oral agreements and understandings relating to the subject matter hereof. Except as otherwise specifically provided herein, no agreement hereafter made shall be effective to change, modify, discharge or effect an abandonment of this Lease, in whole or in part, unless such agreement is in writing and signed by or on behalf of the party against whom enforcement of the change, modification, discharge or abandonment is sought.

EXECUTED as of the day month and year first above written.

LANDLORD:

ADDISON AIRPORT OF TEXAS, INC.

By: _____

Its: President

CITY OF ADDISON, TEXAS

By: _____

Its: Mayor

TENANT:

_____

Ray Stern

STATE OF TEXAS X

COUNTY OF DALLAS X

BEFORE ME, the undersigned authority, on this day personally appeared Henry Stuart known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and considerations therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 12th day of September, 1979.

Mary Lou Lung
Notary Public

(SEAL)

Dallas
County, Texas

STATE OF TEXAS X

COUNTY OF DALLAS X

BEFORE ME, the undersigned authority, on this day personally appeared Jerry Redding known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and considerations therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 13th day of September 19,79.

Jacque Sharp
Notary Public

(SEAL)

Dallas
County, Texas

STATE OF TEXAS X

COUNTY OF DALLAS X

BEFORE ME, The undersigned authority, on this day personally appeared Ray Stern known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and considerations therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 12th day of September, 1979.

Mary Lou Lung
Notary Public

Dallas
County, Texas

EXHIBIT D

# LEASE AGREEMENT

Landlord hereby agrees to lease the following described Property to Tenant, and Tenant hereby agrees to lease the Property from Landlord, on the terms and conditions of this Lease Agreement (the "Lease"). This Lease shall include the immediately following terms and conditions, together with the General Terms and Conditions which are attached hereto and incorporated herein by reference.

| | |
|---|---|
| "Landlord": | R. Stern F.B.O. Limited Partnership |
| "Landlord's Address": | P. O. Box 665<br>Addison, TX 75001-0665 |
| "Tenant": | FirstAIR ADS Corp. |
| "Tenant's Address": | 42 Aviation Drive<br>Horseheads, New York 14845 |
| "Property": | Hangar space (the "Hangar Space") located at 4553 Jimmy Doolittle Drive, Addison, TX 75001 in Dallas County, Texas consisting of the South and Center Hangars and some of the office space associated with those Hangars, as shown on the drawing of the entire building located at 4553 Jimmy Doolittle Drive, Addison, Dallas County, Texas, attached hereto as Exhibit A, which is incorporated herein by reference. |
| "Security Deposit": | $12,000.00 |
| "Rent": | $12,000.00 per month, with pro rated Rent to be $384.52 per day (annual rent/365 days). Monthly rent shall be increased on January 1st of each year by an amount equal to the prior years monthly rent multiplied by the percentage increase in the Consumer Price Index (All Urban Consumers) from the prior year. Landlord may use the same percentage increase as is applied to increase the rent in Landlord's lease of the property at 4553 Jimmy Doolittle Drive from Addison Airport and the Town of Addison in lieu of the Consumer Price Index. |
| "Late Charge": | $400.00 per day. |
| "Returned Check Fee": | $50.00 per returned check. |
| "Move-In Payment": | An amount equal to the Security Deposit and one month's Rent. |
| "Commencement Date": | August 1, 2004 |
| "Initial Term": | The period commencing on the Commencement Date and ending on June 30, 2019. |



TJC
Initials

Special Conditions:

1. Utilities. Tenant shall pay for all utilities including, electric, gas, water and sewer, and garbage removal service at the Property. To the extent such charges are not individually metered or provided to Tenant on an individual basis, Tenant shall pay two thirds (2/3) of the total of all such charges made with respect to the entire property at 4553 Jimmy Doolittle Drive upon presentation of invoices therefor by Landlord. Tenant shall also provide and pay for its own telephone and janitorial and cleaning service at the Property.

2. Taxes. Tenant shall pay two thirds (2/3) of the total ad valorem taxes payable by Landlord with respect to the entire premises at 4553 Jimmy Doolittle Drive, Addison, Texas. Tenant shall pay one-twelfth (1/12) such amount (based upon the prior years taxes) to Landlord on the first of each month and then Tenant shall pay any additional amounts due after the actual taxes are determined for the year, within ten (10) days after receipt of a statement therefor from Landlord. Tenant shall pay all of its own ad valorem taxes with respect to any improvements, furniture, fixtures and equipment installed on the premises by Tenant, without regard to whether or not they shall become a part of the Property and belong to Landlord on termination of the Lease.

3. Building Insurance. Tenant shall pay two thirds (2/3) of the cost of Landlord's casualty insurance on the entire property at 4553 Jimmy Doolittle Drive, Addison, Texas. Tenant shall pay one-twelfth (1/12) of such amount (based upon the prior years insurance premiums) to Landlord on the first day of each month and Tenant shall pay any additional amounts due after the actual amount of insurance premiums are determined for the year, within ten (10) days after receipt of a statement therefor from Landlord.

4. Contents and Liability Insurance. Tenant shall provide such casualty, hanger keeper's and other contents insurance and such public liability insurance as Landlord may reasonably require.

   Landlord agrees that initially Tenant shall provide hangar keeper's insurance in the face amount of One Million Dollars ($1,000,000.00), airport premises liability insurance in the face amount of One Million Dollars ($1,000,000.00) and AirBP Fuel Insurance in the face amount of Fifty Million Dollars ($50,000,000.00). All such policies shall name Landlord as an additional insured and waive subrogation as to Landlord. Landlord shall be provided with a certificate of insurance naming Landlord as an additional insured and providing for written notice of at least 30 days prior to cancellation of the policy. Tenant shall indemnify and hereby agrees to hold Landlord harmless from any and all loss, cost or expense resulting from any claims which might be brought by any of Tenant's subtenants, guests, invites or other parties claiming by, through or under any of same, except as otherwise provided herein.

5. Town of Addison Approval. This Lease is a sublease and requires the approval of the Town of Addison. Upon the execution hereof Landlord shall seek to obtain all required consents to this Lease and shall deliver same to Tenant and, if Landlord is unable to obtain such consents within thirty (30) days after the date hereof, then either party may terminate the Lease without fault by written notice delivered to the other before such consents are obtained. In the event of any termination of the underlying lease through no fault of either party hereto, then this lease shall be terminated and the parties shall have no further obligations to each other hereunder except for any liabilities which have accrued and remain unpaid as of the date of such termination.

6. Initial Tenant Improvements and Early Termination. Tenant intends to make substantial initial tenant improvements (the "Initial Tenant Improvements") and desires some protection in the event the Lease is prematurely terminated. Accordingly, in the event the lease is terminated prior to the date which is three (3) years after the Commencement



TSC
Initials

Date (the "Early Termination Date") as a result of something other than a default or an election by Tenant under the Lease Agreement or the Fuel Farm Management Agreement being entered into contemporaneously herewith, then Landlord shall reimburse Tenant for a portion of the Initial Tenant Improvements equal to one-half of the sum determined by multiplying the Initial Tenant Improvements or $100,000 whichever is less, by a fraction whose numerator is the number of months remaining in the Lease prior to the Early Termination Date and whose denominator is 36. Landlord shall pay such amount to Tenant within ten (10) days of Tenant's demand therefor accompanied by appropriate evidence of the actual expenditures for the Initial Tenant Improvements.

EXECUTED on the dated indicated below to be effective as of the 19 day of July, 2004.

LANDLORD:

R. STERN F.B.O. LIMITED PARTNERSHIP
By: Stern Holdings, Inc., General Partner

By:_____
Ray Stern, President

Date: 7/19/04

TENANT:

FIRSTAIR ADS CORP.

By:_____
Thomas J. Freeman, President

DATE: 7-16-04



TJF
Initials

GENERAL TERMS AND CONDITIONS

1. Term. The "Term" of the Lease shall be the Initial Term. If the Landlord permits the Tenant to take possession of the Property prior to the Commencement Date, then the period from the date the Tenant takes possession of the Property to the Commencement Date shall be treated for all purposes as if it were an additional part of the Initial Term of the Lease, except that Tenant shall not be required to pay Landlord pro rated Rent for each additional day of occupancy. Upon expiration of the Initial Term, the Lease shall terminate without further notice.

2. Rent. Except as otherwise provided herein, during the Term of the Lease, Tenant shall pay the Rent to Landlord monthly in advance in cash or by good check, delivered to Landlord at Landlord's Address, on or before the first day of the month for which the Rent is due. If the Tenant fails to pay the Rent when it is due, then the Tenant shall pay Landlord a Late Charge for each day after the third (3rd) day following the date on which Rent is due during which the Rent remains past due. All Late Charges shall be deemed to be additional Rent, due and payable on the date upon which the Late Charge accrues. If Tenant pays Landlord by means of a check which is returned for nonpayment, then Tenant shall pay Landlord a Returned Check Fee and the Rent shall be deemed not to have been paid until good funds are delivered to Landlord and a Late Charge shall be payable for each day after the Rent was due until it is actually paid.

3. Security Deposit. Upon the execution of this Lease, Tenant shall pay the Security Deposit to Landlord to be held by Landlord without interest as security for the performance of Tenant's obligations under this Lease. The Security Deposit is not an advance payment of Rent, nor is it to be considered liquidated damages in the event of a default by Tenant hereunder. If the Tenant defaults in any manner under this Lease, then the Landlord may use the Security Deposit to the extent necessary to cure the Tenant's default (including the application of the Security Deposit to the payment of any past due Rent). Following the application of any portion of the Security Deposit to cure a default by Tenant, Landlord may notify Tenant of such application and, upon demand, Tenant shall pay to Landlord the sum necessary to restore the Security Deposit to its original amount. Upon the expiration of the Term of this Lease, after curing any defaults by Tenant, Landlord shall return any unused portion of the Security Deposit to Tenant in the manner required by applicable law. Tenant may not require Landlord to apply the Security Deposit toward payment of any Rent that is due hereunder.

4. Utilities. Tenant shall contract for and pay all utilities, including, but not limited to, electricity, gas, water, sewer, garbage removal, telephone service and cable television (if any).

5. Possession. Tenant shall take possession of the Property on the Commencement Date, provided that upon the Tenant's request the Landlord may permit the Tenant to take earlier possession. Tenant shall pay the Security Deposit to Landlord on or before the earlier of the Commencement Date or the actual date on which Tenant takes possession of the Property.

6. Condition of the Property. Tenant has inspected the Property and agrees to accept the Property in its present condition, AS IS.

TENANT AGREES THAT TENANT'S TAKING POSSESSION OF THE PROPERTY SHALL CONSTITUTE TENANT'S ACCEPTANCE OF THE PROPERTY IN ITS THEN CURRENT CONDITION, AS IS, WHERE IS, WITH ALL FAULTS AND, TO THE MAXIMUM EXTENT



TJF
Initials

ALLOWED BY LAW, TENANT HEREBY WAIVES ALL WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, ANY IMPLIED WARRANTY OF HABITABILITY OR SUITABILITY FOR ANY PARTICULAR PURPOSE.

7. Use. Tenant shall use the property solely for storage of aircraft and other uses customarily employed in providing the services of a fixed base operation. Tenant shall comply with all applicable restrictions and laws regarding the use and occupancy of the Property, including any restrictions contained in the Master Lease between the Town of Addison and Addison Airport, Inc. and the Lease covering the Property between Addison Airport, Inc. as Lessor and Landlord as Lessee.

8. Repairs, Maintenance and Inspection. Tenant shall take good care of the Property and upon termination of the Lease shall deliver the Property to Landlord in the same condition as it was received or better, subject to reasonable wear and tear. Tenant, at its sole cost and expense, shall keep and maintain the Property in good and sanitary condition. Tenant shall keep the Property clean at all times and Tenant shall cause garbage to be removed from the Property on a regular basis.

9. Access by Landlord. Landlord and Landlord's agents shall have the right to enter into the Property at all reasonable times for the purpose of inspecting the same or for the purpose of maintaining or making repairs or alterations to the Property, or to show the Property to a prospective purchaser, lender or lessee.

10. Landlord's Right to Cure. If Tenant fails to properly maintain the Property, Landlord shall be entitled to make any and all repairs or replacements required to keep the Property in good and sanitary condition and to restore it to the condition as it existed prior to Tenant's default, and Tenant shall reimburse Landlord for any costs incurred in connection with such repairs and maintenance, upon demand. Any amounts which Landlord is entitled to demand from Tenant hereunder as a result of Landlord's repair or maintenance of the Property shall bear interest at the highest rate permitted by applicable law from the date of demand until paid.

11. Alterations and Additions. The Tenant shall not make any alterations or additions to the Property without Landlord's prior written consent. Tenant shall not make any holes in the walls, ceiling or floors, install any antennas or additional phone or cable TV outlets or change any locks without Landlord's prior written consent. Any alterations or additions, which are made, including any fixtures attached to the Property, whether or not removable, shall become a part of the Property and belong to Landlord as soon as such alterations or additions are made or affixed.

12. Compliance with Laws and Regulations. Tenant shall comply with all rules, restrictions, laws and regulations applicable to the Property. Tenant hereby covenants that Tenant shall not conduct any activities which violate any environmental law, rule or regulation with respect to the Property and Tenant shall not let the Property be contaminated by any such toxic or hazardous substance or environmental contaminants resulting from Tenant's activities and, in the event that Tenant should violate any such environmental law, rule or regulation or knowingly allow any such toxic or hazardous substance or environmental containment to contaminate the Property, or in the event that such a toxic or hazardous substance or environmental contaminant should be discovered to have originated on the Property during the term of this Lease through the action or inaction of Tenant or any party affiliated with Tenant including Tenant's officers, employees and customers, Tenant shall be wholly responsible for all damages resulting from such contamination, including all costs of remediation of the Property to the extent necessary to bring the Property back into compliance with applicable law. Tenant shall promptly cure any such environmental contamination on the Property upon notice thereof to the extent necessary to bring the Property back into compliance with applicable law. Tenant shall not conduct any activity on the Property that would be a nuisance and Tenant shall not allow



TJA
Initials

excessive noise to emanate from the Property nor allow boisterous or disorderly conduct on the Property which would be disturbing to neighbors.

13. Waiver of Liability of Landlord. Tenant accepts full responsibility for its own property located at the Property and for the health, safety and welfare of Tenant, and its sublessees, guests and invitees, and to the greatest extent allowed by law, Tenant hereby waives any and all liability on the part of the Landlord for, and Tenant does hereby agree to indemnify and hold Landlord harmless from, any and all loss, cost or expense (including legal fees and costs) arising from claims or causes of action which may be brought by Tenant, or its sublessees, guests and invitees or any other third party, for personal injury or property damage arising from or caused by the condition of the Property, the acts of any third party, including, but not limited to, Tenant, and its sublessees, guests and invitees on or about the Property, the acts of any criminal on or about the Property, theft, vandalism, fire, water, rain, hail, ice, snow, smoke, explosions, sonic booms, interruptions of utilities, acts of God, or any other cause, EXCLUDING THE NEGLIGENCE OR GROSS NEGLIGENCE OF THE LANDLORD AND ANY INTENTIONAL WRONGFUL ACTS OF THE LANDLORD. Landlord encourages Tenant to maintain its own insurance for its personal property located on the Property and for general public liability. Tenant acknowledges that Landlord has no obligation to maintain any insurance hereunder.

14. Holding Over. Tenant shall relinquish possession of the Property at the end of the Term of the Lease. If Tenant retains possession of the Property following the termination of the Lease, Tenant shall be deemed to be "Holding Over" and Tenant shall pay Landlord three times the pro rated Rent for each day of Holding Over and, in addition, Tenant shall be liable for any and all lost rents, damages, lodging costs, legal fees and costs or other expenses which may be suffered by Landlord as a result of Tenant's Holding Over.

15. Tenant Must Occupy the Property. During the Term of the Lease, Tenant shall keep the Property occupied and shall not attempt to remove any furnishings or other items subject to Landlord's constitutional, statutory or contractual Landlord's lien.

16. No Liens. Tenant shall keep the Property free from all liens and security interests including any liens or security interests which might arise as a result of any work done, materials provided or any other obligations incurred as a result of any action by the Tenant.

17. Casualty or Condemnation Loss. If the Property is rendered uninhabitable by a fire or other casualty, either party shall have the option to terminate this Lease by giving written notice to the other, within fifteen (15) days after the casualty renders the Property uninhabitable. In the event of a condemnation which renders the Property uninhabitable, the Lease shall terminate at such time as the Property becomes uninhabitable and in all events Landlord shall be entitled to 100% of any condemnation proceeds. The foregoing sentence shall not prevent Tenant from pursuing any claims it may have against the condemning authority for Tenant's separate property. The Property shall not be deemed to have been rendered uninhabitable as a result of casualty if Landlord repairs the Property to a point of substantial completion within sixty (60) days after the casualty causing the damage. If neither the Tenant nor the Landlord terminates the Lease as a result of a casualty, the Landlord shall repair the Property to habitability and Rent shall be abated by the amount of pro rated Rent for each day Tenant cannot occupy the Property. If either the Tenant or the Landlord terminates the Lease as a result of a casualty or the Property becomes uninhabitable as a result of a condemnation, then the Tenant shall owe the Landlord Rent through the date on which the Property was rendered uninhabitable and Landlord shall return any excess Rent and Security Deposit to which Tenant is entitled to Tenant. Notwithstanding the foregoing, in the event that the Property is rendered uninhabitable by the negligent or intentional act of Tenant, or its guests or invitees, Tenant shall not have the option to terminate the Lease, and if Landlord chooses not to terminate the Lease, Tenant shall not be entitled to have any of the Rent abated while Landlord restores the Property to habitable condition.



TJF
Initials

18. Default by Tenant. If the Tenant fails to cure any default hereunder within five (5) days after written notice thereof from Landlord, then Landlord shall be entitled to any of the following described remedies, in addition to any other remedies which may be allowed by law. The following described remedies shall be cumulative and not exclusive and Landlord may pursue any one or more of such remedies at the same time:

(a) Landlord may accelerate the payment of up to the next following thirty six (36) months Rent in which event all such Rent shall be immediately due and owing rather than being due monthly in advance.

(b) Landlord may terminate the Lease, effective immediately upon written notice to Tenant.

(c) Landlord may, without terminating the Lease, reenter and relet the Property on such terms and conditions as Landlord deems fit in its sole discretion and sue Tenant for the Rent due for the remainder of the Initial Term of the Lease or the current Additional Term of the Lease, as the case may be, giving Tenant credit for any amounts received from the new tenant of the Property.

(d) Landlord may remove Tenant's property from the Property and store same elsewhere, to be disposed of as provided for elsewhere herein.

(e) Landlord may cure Tenant's default, in which event Tenant shall pay to Landlord the cost of any such cure upon demand therefore, together with interest at the highest rate allowed by law from the date of demand therefor until paid.

19. No Assignment or Subletting by Tenant. Tenant may not assign this Lease or sublet the Property to any other party.

20. Assignment by Landlord. Landlord is expressly given the right to assign any or all of Landlord's interest under the terms of this Lease. In addition to the Master Lease, this Lease shall be subject to and subordinate to any existing or future recorded mortgage or deed of trust securing loans to Landlord. Tenant shall execute any necessary estoppel certificate requested by Lessor or Lessor's lenders.

21. Parties Bound. This Lease shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, legal representatives and assigns, where permitted by this Lease.

22. Texas Law to Apply; Jury Trial Waived. This Lease shall be construed under and in accordance with the laws of the State of Texas. Any trial to enforce the rights of either party hereunder shall be brought in a court of competent jurisdiction in Dallas County, Texas and each party hereto does hereby waive its right to a jury trial and agrees not to file a jury demand in any such litigation.

23. Legal Construction. In case any one or more of the provisions contained in this Lease shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision thereof and this Lease shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

24. Prior Agreements Superseded. This Lease constitutes the sole and only agreement of the parties hereto and supersedes any prior understandings of written or oral agreements between the parties respecting the within subject matter.



TJF
Initials

25. Amendment. No amendment, modification or alteration of the terms hereof shall be binding unless the same be in writing, dated subsequent to the date hereof and duly executed by the parties hereto.

26. Rights and Remedies Cumulative. The rights and remedies provided by this Lease are cumulative and the use of any one right or remedy by either party shall no preclude or waive its right to use any or all other remedies. Said rights and remedies are given in addition to any other rights the parties may have by law, statute, ordinance or otherwise.

27. Waiver of Default. No waiver by the parties hereto of any default or breach of any term, condition or covenant of this Lease shall be deemed to be a waiver of any other breach of the same or any other term, condition or covenant contained herein.

28. Attorneys' Fees. In the event Landlord or Tenant breaches any of the terms of this Lease whereby the party not in default employs attorneys to protect or enforce its rights hereunder and prevails, then the defaulting party agrees to pay the other party reasonable legal fees and court costs and expenses so incurred by other party.

29. Time of Essence. Time is of the essence in this Lease.

30. Joint and Several Liability. If either the Landlord or Tenant consists of more than one party, then all parties signing this Lease as one or the other shall be jointly and severally liable for the obligations of the party which they are a part.

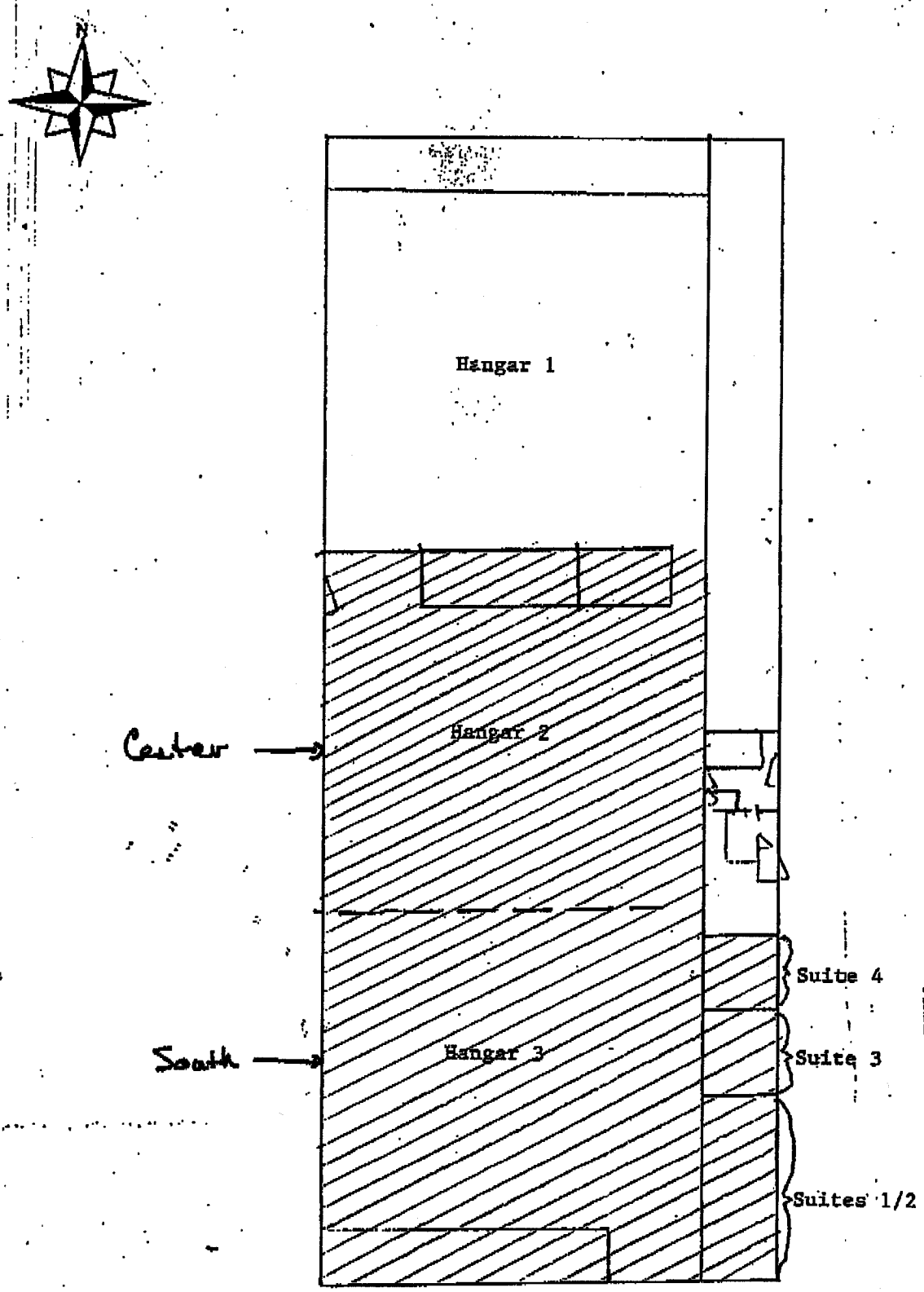
31. Waiver of Subrogation. Landlord and Tenant do both hereby waive all rights of subrogation against the other for all losses covered by insurance to the extent and only to the extent of the insurance proceeds therefore.

32. Subrogation, Attornment and Lender Protection; Estoppel Letters. The Lease shall be and is subordinate to any and all mortgages on the Property whether now existing or created in the future, and Tenant does hereby agree that in the event of any foreclosure of any lien or security interest on the Property, Tenant shall attorn to and pay rent to the purchaser at any such foreclosure sale as if such purchaser were Landlord hereunder. Tenant agrees upon request of Landlord to execute such estoppel letters or Subordination, Attornment and Non Disturbance Agreements as Landlord shall reasonably request with respect to any financing secured by the Property.

33. Limitation of Landlord's Liability. Tenant agrees to look solely to Landlord's interest in the Property for the enforcement of any judgment, award, order or other remedy under or in connection with this Lease or any related agreement, instrument or document or for any other matter whatsoever relating thereto or to the Property or Premises. Under no circumstances shall any present or future, direct or indirect, principals or investors, general or limited partners, officers, directors, shareholders, trustees, beneficiaries, participants, advisors, managers, employees, agents or affiliates of Landlord, or of any of the other foregoing parties, or any of their heirs successors or assigns have any liability for any of the foregoing matters.



TJF
Initials




4553 Jimmy Doolittle Drive, Addison, TX 75001

# FUEL FARM MANAGEMENT AGREEMENT

This Fuel Farm Management Agreement (the "Agreement") is made by and between R. Stern F.B.O. Limited Partnership, a Texas limited partnership ("Owner") and FirstAIR ADS Corp., a New York corporation ("Manager").

## RECITALS

A. Owner is currently the lessee of four fuel tanks adjacent to Addison Airport in Addison, Texas as described on the attached Exhibit A (collectively the "Fuel Farm") pursuant to certain leases (the "Fuel Tank Leases") from the Town of Addison, Texas.

B. Owner desires to contract with Manager to manage the Fuel Farm and conduct a fueling business (the "Fueling Business") on the terms and conditions contained herein and Manager has agreed to perform such services as described herein.

## AGREEMENT

Now therefore the parties hereto do hereby agree as follows:

## I.

## AGREEMENT TO MANAGE

1.1 Owner does hereby engage Manager to manage the Fuel Farm and conduct the Fueling Business on the terms and conditions contained in this Agreement and Manager does hereby agree to manage the Fuel Farm and conduct the Fueling Business on the terms and conditions contained herein.

## II.

## TERM

2.1 Unless earlier terminated by either party pursuant to a specific contractual right to terminate this Agreement described elsewhere herein, this Agreement shall exist for a term commencing on the date hereof and ending on June 30, 2019.

2.2 Owner and Manager may, by mutual agreement in writing, terminate this Agreement at any time or extend the term of this Agreement as they desire.

## III.

## OWNER'S DUTIES

3.1 On or before the execution hereof, Owner shall commence, and within a reasonable time thereafter complete, the work necessary to bring the fuel tanks at the Fuel Farm into compliance with all applicable regulatory requirements and the requirements of the Fuel Tank Leases.

3.2 Owner shall pay all rent due under the Fuel Tank Leases as it comes due and shall perform all other obligations of lessee thereunder, except to the extent that Manager is required to perform such obligations under the terms hereof. The foregoing notwithstanding, the Manager shall have no duty to perform any obligations under the Fuel Tank Leases other than as specified herein.

## IV.

## MANAGER'S DUTIES

4.1 Manager shall do all things necessary to manage the Fuel Farm and operate the Fueling Business for Owner at Addison Airport, including but not limited to the following:

a. Manager shall use its best efforts to market and sell aviation gas and jet fuel to retail customers at Addison Airport.

b. Manager shall provide all necessary equipment, tools and supplies for the operation of the Fueling Business at Manager's expense, including but not limited to:

(i) Four fully operational fuel trucks (two for aviation gas and two for jet fuel) including all necessary pumps, hoses and connectors necessary to pump fuel into the fuel tanks at the Fuel Farm, to pump fuel from the fuel tanks into the fuel trucks and then to pump fuel from the fuel trucks into aircraft at Addison Airport;

(ii) All equipment, tools and supplies necessary for maintaining the fuel tanks at the Fuel Farm and all necessary trucks; and

(iii) All office equipment and supplies necessary for marketing fuel at Addison Airport and for operating an office for the Fueling Business and maintaining the required books and records required hereunder or by applicable law.

c. After Owner completes its initial work on the fuel tanks as set forth in Paragraph 3.1 hereof, Manager, at Manager's expense, shall maintain the fuel tanks at the Fuel Farm, the required fuel trucks and all other

equipment and supplies necessary for the Fueling Business, in good and working condition and in compliance with all regulatory requirements and all requirements of the Fuel Tank Leases.

d. Manager, at Manager's expense, shall comply with all environmental laws and regulations in connection with the management of the Fuel Farm and the operation of the Fueling Business and Manager shall not allow the release of any hazardous materials from the Fuel Farm into the environment including the ground under the Fuel Farm or any part of Addison Airport. The foregoing notwithstanding, Manager shall not be responsible for any action or inaction of Owner or any third party (other than any party affiliated with Manager including any officer, employee or customer of Manager or the Fueling Business) that allows the release of any hazardous materials from the Fuel Farm into the environment including the ground under the Fuel Farm or any part of Addison Airport.

e. Manager, at Manager's expense, shall hire and train all personnel necessary for the management of the Fuel Farm and the operation of the Fueling Business, including but not limited to fuel truck operators, sales staff and office personnel. All such personnel shall be employees of Manager and not Owner and Manager shall have sole responsibility for the supervision and training of such employees and for the payment of all expenses related to such employees, including but not limited to their compensation and benefits. Likewise Manager shall be responsible for all withholding and payment of all taxes with respect to the employees' compensation.

f. Manager, at Manager's expense, shall purchase fuel for the Fueling Business to be stored at the Fuel Farm and then sold to customers of the Fueling Business. All fuel stored at the Fuel Farm shall belong to Owner, provided that Manager shall advance the funds necessary to purchase the fuel stored at the Fuel Farm and then recover the cost of such fuel from the proceeds of the sale of such fuel to customers at Addison Airport. Upon the termination of this Agreement, if there is fuel remaining in the tanks at the Fuel Farm for which Manager has paid but has not been reimbursed, then upon such termination, Manager may remove such fuel, provided that if Manager has not removed such fuel within three (3) business days after the termination of this Agreement, then all such fuel shall remain the property of Owner and Owner shall not be required to reimburse Manager therefore and Owner shall have no further obligations with respect thereto.

g. Manager, at Manager's expense, shall keep detailed records of the Fueling Business, including the amount of fuel purchased and the price therefore, the amount of fuel sold and the price therefore, all expenses of operation, all flowage fees and all taxes paid, and Manager shall pay for the preparation of all necessary tax returns with respect to the Fueling

Business whether they be required for Manager or Owner. Owner shall have the right to review all such books and records upon request at any time during normal business hours.

h. Manager, at Manager's expense, shall pay all flowage fees imposed by the Addison Airport and/or the Town of Addison, Texas with respect to fuel sold in the Fueling Business.

i. Manager, at Manager's expense, shall pay all excise or other taxes imposed by any governmental authority with respect to the Fuel Farm and Fueling Business, including ad valorem taxes on the Fuel Tank Lease, the fuel tanks, and the equipment and supplies employed in the Fueling Business, and all fuel taxes, sales taxes or taxes on amounts earned hereunder by Manager, but excluding any income taxes on net revenues earned by Owner hereunder.

j. Manager, at Manager's expense, shall maintain and pay for such insurance as Owner shall necessarily require with respect to the Fueling Business, including general liability insurance, causality insurance, and workers compensation insurance. Owner agrees that initially Manager shall provide hangar keeper's insurance in the face amount of One Million Dollars ($1,000,000.00), airport premises liability insurance in the face amount of One Million Dollars ($1,000,000.00) and AirBP Fuel Insurance in the face amount of Fifty Million Dollars ($50,000,000.00). All such policies shall name Owner as an additional insured and waive subrogation as to Owner. Owner shall be provided with a certificate of insurance naming Owner as an additional insured and providing for written notice of at least 30 days prior to cancellation of the policy.

k. Manager, at Manager's expense, shall pay for all utilities necessary to manage the Fuel Farm and operate the Fueling Business.

## V.

## MANAGER'S COMPENSATION

5.1 Owner shall be entitled to retain a flowage fee (the "Owner's Flowage Fee") from the sale of each gallon of fuel sold in the Fueling Business. Owner's Flowage Fee with respect to fuel purchased for use by aircraft based at Addison Airport shall be five cents per gallon and Owner's Flowage Fee for all other fuel sold shall be ten cents per gallon.

5.2 As reimbursement for all fuel costs and other expenses incurred by Manager in connection with this Agreement and as compensation for providing Manager's services required hereunder, Manager shall be entitled to retain all net proceeds of the sale of fuel in the Fueling Business after deduction and payment of Owners Flowage Fee and all other expenses to be paid by Manager hereunder. Upon Manager's receipt of the net proceeds of the sale of fuel, Manager

shall be deemed to have been reimbursed in full for the cost of such fuel when sold, whether or not such net proceeds are greater than, or less than, the original cost of such fuel. Under no circumstances shall Manager sell any fuel at a cost which is not sufficient to pay Owner's Flowage Fees, any and all flowage fees due to Addison Airport or the Town of Addison, Texas and any and all other taxes, fees and expenses associated with the fuel being sold.

## VI.

## OWNER'S RIGHT TO BUY FUEL AT COST

6.1 Owner shall have the right to buy fuel from the Fueling Business at "cost" meaning the actual per unit cost paid by Manager for such fuel on a first in, first out, basis, without taking any general costs of operation of the Fueling Business into account. Owner shall not receive any Owners Flowage Fee on fuel purchased by Owner. For purposes of this paragraph 1, Owner shall be deemed to include any entity under common control, whether direct or indirect, with Owner.

## VII.

## CONDITION OF FUEL FARM

7.1 Manager has inspected the condition of the Fuel Farm and except for the work necessary to bring the tanks at the Fuel Farm into compliance with the terms of the Fuel Tank Leases and all applicable regulatory requirements described in Paragraph 3.1 hereof, Manager agrees to accept the Fuel Farm AS IS WHERE IS and Manager DOES HEREBY WAIVE ANY AND ALL WARRANTIES WITH RESPECT THERETO, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO ANY AND ALL IMPLIED WARRANTIES OF SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE, ALL OF WHICH ARE EXPRESSLY DISCLAIMED BY OWNER AND MANAGER REPRESENTS AND WARRANTS TO OWNER THAT MANAGER HAS NOT RELIED ON ANY STATEMENT OF OWNER OR ANY REPRESENTATIVE OF OWNER IN MAKING THE DECISION TO ENTER INTO THIS AGREEMENT.

7.2 At such time as Owner has completed the work necessary to bring the fuel tanks into compliance with the requirements of the Fuel Tank Leases and all applicable regulatory requirements described in Paragraph 3.1 hereof, Owner shall notify Manager in writing (the "Completion Notice") and unless Manager informs Owner in writing within the ten (10) days after delivery of the Completion Notice that Manager objects to one or more aspects of such work, Manager shall be irrevocably deemed to have accepted the condition of the fuel tanks at the time of delivery of the Completion Notice and Owner shall be deemed to have fully complied with its obligations under Paragraph 3.1 hereof.

## VIII.

## REGULATIONS

8.1 Manager shall comply with all governmental and airport regulations applicable to the Fuel Farm and Fueling Business as well as all other non-monetary obligations imposed by the Fuel Tank Leases.

## IX.

## INDEMNITY

9.1 Manager hereby agrees to indemnify and hold Owner harmless from any and all loss, cost or expense (including legal fees and costs) as a result of any claim arising from Manager's management of the Fuel Farm or operation of the Fueling Business hereunder including claims by any customer of the Fueling Business, claims of any party based upon the negligence or intentional wrongful conduct of Manager or any of its employees, claims by any third party or governmental entity related to any violation of an environmental law or the pollution of earth, water, or air by any activity at the Fuel Farm or in the Fueling Business, and any claims by the City or Addison Airport related to the Fuel Farm or Fueling Business (except to the extent any such claims are covered by insurance).

9.2 Owner hereby agrees to indemnify and hold Manager harmless from any and all loss, cost or expense (including legal fees and costs) as a result of any claim arising from Owner's ownership of the Fuel Farm or claims other than those described in Paragraph 9.1 hereof (except to the extent any such claims are covered by insurance).

## X.

## POSSIBLE TERMINATION OF FUEL TANK LEASES

10.1 Manager acknowledges that Owner's obligations hereunder shall be conditioned upon the continued existence of Owner's rights under the Fuel Tank Leases and Owner's right thereunder to enter into this Agreement and in the event the Fuel Tank Leases shall be terminated or the lessor under the Fuel Tank Leases shall object to this Agreement for any reason other than a monetary default by Owner or a default by Manager hereunder, then this Agreement shall be terminated.

10.2 Manager acknowledges that the lessor under the Fuel Tank Leases may terminate the Fuel Tank Leases at any time and that such lessor is currently contemplating the relocation of the fuel tanks of the Fuel Farm to another location at the airport and that although Addison Airport has informally indicated that the current lessees of fuel tanks will be given the opportunity to lease fuel tanks at the new location there is no guarantee that such opportunity

will be offered to Owner, or that if offered, such offer will be economically feasible for Owner. Manager agrees that in the event Addison Airport requires the relocation of the fuel tanks and that Owner secures new leases of fuel tanks at the new location and agrees to pay whatever costs that are associated therewith, then the leases for the new fuel tanks at the new location shall be the "Fuel Tank Leases" hereunder and the tanks covered by the Fuel Tank Leases at the new location shall be the "Fuel Farm" and this Agreement shall continue in accordance with the terms hereof. On the other hand, if Owner decides for whatever reason, not to pursue Fuel Tank Leases at the new location, then Owner shall assign whatever rights Owner may have to secure new leases of fuel tanks at the new location to Manager (to the extent such rights may be assigned) and this Agreement shall terminate and the parties hereto shall have no further obligations hereunder, except to the extent of liabilities which have accrued hereunder and remain unpaid as of the date of such termination.

10.3 Manager agrees that so long as this Agreement is in effect, Manager shall not seek to obtain the right to use or manage any other fuel tanks at Addison Airport.

## XI.

## HANGER LEASE

11.1 Contemporaneously herewith Owner as "Landlord" and Manager as "Tenant" have entered into that certain Lease Agreement (the "Hanger Lease") for the South and Center Hangars at 4553 Jimmy Doolittle Drive in Addison, Texas (the "Property") and Owner hereby agrees that in the event that this Agreement is terminated without fault by Manager and Manager does not obtain the right to the use of fuel tanks at Addison Airport, then Manager shall have the right to terminate the Hanger Lease, by giving Owner written notice thereof on or before thirty (30) days after the termination of this Agreement, in which event, the Hangar Lease shall terminate upon Owner's receipt of such notice and the rights and obligations of the parties to the Hanger Lease shall be regarded as if the term of the Hanger Lease had expired at such time and from that point on the parties shall have no further obligation thereunder except with regard to liabilities that have accrued thereunder and remained unpaid (including the return of the security deposit) as of the date of such termination.

11.2 If this Agreement shall terminate as the result of any default by Manager hereunder, then Manager's obligations under the Hanger Leases shall remain in full force and effect.

11.3 Any default by Owner or Manager under the Hanger Lease shall be deemed to be a default under this Agreement and any default by Owner or Manager under this Agreement shall be deemed to be a default under the Hanger Lease.

11.4 In the event of the termination of the Hanger Lease without fault of the Owner, Owner may elect to terminate this Agreement upon written notice thereof to Manager.

## XII.

## DEFAULT

12.1 Owner and Manager shall be entitled to receive at least ten (10) days written notice and an opportunity to cure any default under this Agreement or the Hanger Leases, before the other may seek any remedies for such a default; provided that this provision shall not affect the right of any party to receive late fees for the failure to perform payment obligations on time.

12.2 Manager agrees that in the event of Owner's default hereunder Manager's remedies shall be limited to the following:

a. If the default is a failure by Owner in the performance of its obligations under paragraph 3.1 or 3.2 hereunder, then Manager's sole remedy shall be to perform such work or pay such rent and deduct the cost thereof from any payments due to Owner hereunder; or

b. If the default is any other default by Owner, then Manager may sue Owner for specific performance hereunder.

12.3 Owner agrees that in the event of Manager's default hereunder, Owner's remedies shall be limited to the following:

a. If the default is a failure by Manager to pay any amounts due to Owner by Manager hereunder, including Owner's Flowage Fees or amounts dues under any indemnity or damages as a result of the failure to perform any covenant hereunder, then Owner may sue Manager for any such amounts and if the default by Manager consists of, or results in, the termination of the Agreement or the abandonment of the Fueling Business other than as may be allowed under the terms of this Agreement without fault, then Owner shall be entitled to recover the sum of $50,000 from Manager as liquidated damages in lieu of lost profits; or

b. If the default by Manager is any other default, then Owner may sue Manager for specific performance hereunder.

## XIII.

## MISCELLANEOUS

13.1 Compliance with Laws and Regulations. Manager shall comply with all rules, restrictions, laws and regulations applicable to the Fuel Farm and the Fueling Business. Manager hereby covenants that Manager shall not conduct any activities which violate any environmental law, rule or regulation with respect to the Property and Fuel Farm and Manager shall not let the Property or Fuel Farm be contaminated by any such toxic or hazardous substance or environmental contaminants resulting from Manager's activities and, in the event that

Manager should violate any such environmental law, rule or regulation or knowingly allow any such toxic or hazardous substance or environmental containment to contaminate the Property or Fuel Farm, or in the event that such a toxic or hazardous substance or environmental contaminant should be discovered to have originated on the Property or Fuel Farm during the term of this Agreement through the action or inaction of the Manager or anyone affiliated with Manager including any officer, employee or customer of Manager or the Fueling Business, Manager shall be wholly responsible for all damages resulting from such contamination, including all costs of remediation of the Property or Fuel Farm to the extent necessary to bring the Property or Fuel Farm back into compliance with applicable law. Manager shall promptly cure any such environmental contamination on the Property or Fuel Farm upon notice thereof to the extent necessary to bring the Property or Fuel Farm back into compliance with applicable law. Manager shall not conduct any activity on the Property or Fuel Farm that would be a nuisance and Manager shall not allow excessive noise to emanate from the Property or Fuel Farm nor allow boisterous or disorderly conduct on the Property or Fuel Farm which would be disturbing to neighbors.

13.2 Waiver of Liability of Landlord. Manager accepts full responsibility for its own property located at the Property or Fuel Farm and for the health, safety and welfare of Manager, and its sublessees, guests and invitees, and to the greatest extent allowed by law, Manager hereby waives any and all liability on the part of the Owner for, and Manager does hereby agree to indemnify and hold Owner harmless from, any and all loss, cost or expense (including legal fees and costs) arising from claims or causes of action which may be brought by Manager, or its sublessees, guests and invitees or any other third party, for personal injury or property damage arising from or caused by the condition of the Property or Fuel Farm, the acts of any third party, including, but not limited to, Manager, and its sublessees, guests and invitees on or about the Property or Fuel Farm, the acts of any criminal on or about the Property or Fuel Farm, theft, vandalism, fire, water, rain, hail, ice, snow, smoke, explosions, sonic booms, interruptions of utilities, acts of God, or any other cause, EXCLUDING THE NEGLIGENCE OR GROSS NEGLIGENCE OF THE OWNER AND ANY INTENTIONAL WRONGFUL ACTS OF THE OWNER. Owner encourages Manager to maintain its own insurance for its personal property located on the Property or Fuel Farm and for general public liability. Manager acknowledges that Owner has no obligation to maintain any insurance hereunder.

13.3 No Liens. Manager shall keep the Property and Fuel Farm free from all liens and security interests including any liens or security interests which might arise as a result of any work done, materials provided or any other obligations incurred as a result of any action by the Manager.

13.4 No Assignment by Manager. Manager may not assign this Agreement to any other party.

13.5 Assignment by Landlord. Owner is expressly given the right to assign any or all of Owner's interest under the terms of this Agreement.

13.6 Parties Bound. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, legal representatives and assigns, where permitted by this Agreement.

13.7 Texas Law to Apply; Jury Trial Waived. This Agreement shall be construed under and in accordance with the laws of the State of Texas. Any trial to enforce the rights of either party hereunder shall be brought in a court of competent jurisdiction in Dallas County, Texas and each party hereto does hereby waive its right to a jury trial and agrees not to file a jury demand in any such litigation.

13.8 Legal Construction. In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision thereof and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

13.9 Prior Agreements Superseded. This Agreement constitutes the sole and only agreement of the parties hereto and supersedes any prior understandings of written or oral agreements between the parties respecting the within subject matter.

13.10. Amendment. No amendment, modification or alteration of the terms hereof shall be binding unless the same be in writing, dated subsequent to the date hereof and duly executed by the parties hereto.

13.11 Rights and Remedies Cumulative. The rights and remedies provided by this Agreement are cumulative and the use of any one right or remedy by either party shall no preclude or waive its right to use any or all other remedies. Said rights and remedies are given in addition to any other rights the parties may have by law, statute, ordinance or otherwise.

13.12 Waiver of Default. No waiver by the parties hereto of any default or breach of any term, condition or covenant of this Agreement shall be deemed to be a waiver of any other breach of the same or any other term, condition or covenant contained herein.

13.13 Attorneys' Fees. In the event Owner or Manager breaches any of the terms of this Agreement whereby the party not in default employs attorneys to protect or enforce its rights hereunder and prevails, then the defaulting party agrees to pay the other party reasonable legal fees and court costs and expenses so incurred by other party.

13.14 Time of Essence. Time is of the essence in this Agreement.

13.15. Joint and Several Liability. If either the Landlord or Tenant consists of more than one party, then all parties signing this Agreement as one or the other shall be jointly and severally liable for the obligations of the party which they are a part.

13.16 Waiver of Subrogation. Owner and Manager do both hereby waive all rights of subrogation against the other for all losses covered by insurance to the extent and only to the extent of the insurance proceeds therefore.

13.17 Material Changes. In the event of any change (or changes taken together) that are not contemplated herein and which continue for a period of six months or more and are materially adverse to the Fuel Farm, taken as a whole, including but not limited to, those that result in (i) a shutdown of the Fuel Farm (without replacement), or (ii) a shutdown of the Addison Airport or (iii) any loss, claim or occurrence related to the Fuel Farm, generally affecting the international, national, regional or local air transportation industry as a whole, including changes in national, regional or local air transportation systems or operations thereof, any change in law generally applicable to similarly situated persons, any changes resulting from or associated with acts of war or terrorism or changes imposed by a governmental authority associated with additional security to address the events of September 11, 2001 and any change or effect resulting from action or inaction by a governmental authority with respect to the air transportation, aviation gas and jet fuel industries generally, the Parties agree to review the terms of this Agreement, as appropriate and negotiate in good faith appropriate amendments thereto provided that if the parties hereto are unable to reach agreement on such amended terms, either party may terminate this Agreement, as appropriate without default upon ten (10) day's written notice to the other. Manger's dissatisfaction with the general level of business in the Fueling Business shall not be regarded as grounds for terminating the Agreement under this provision.

Executed on the date indicated below to be effective as of the 19 day of JULY, 2004.

Owner:

R. Stern F.B.O. Limited Partnership

By: Stern Holdings, Inc., general partner

By: _____
Ray Stern, President

Date: 7/19/04

Manager:

FirstAIR ADS Corp.

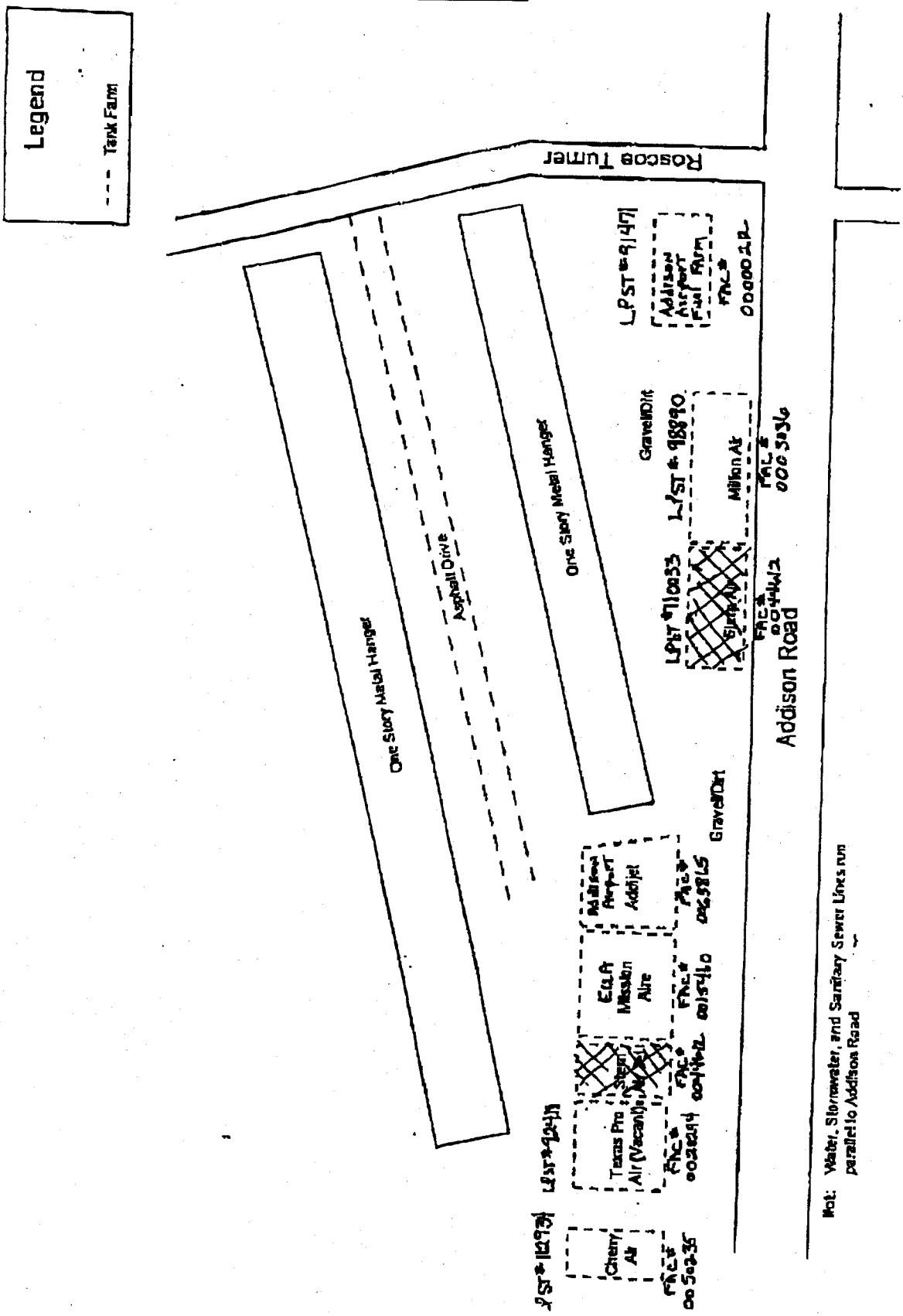
By: _____
Thomas J. Freeman, President

Date: 7-16-04

## EXHIBIT A

## DIAGRAM OF FUEL FARM

Exhibit A


Legend
Tank Farm
Roscoe Turner
One Story Metal Hanger
Asphalt Drive
One Story Metal Hanger
Addison Road
Gravel/Dirt
Gravel/Dirt
Addison Airport Fuel Farm
Million Air
Texas Pro Air (Vacant)
Cherry Air
Addison Airport Addjet
Not: Water, Stormwater, and Sanitary Sewer Lines run parallel to Addison Road

# Council Agenda Item: #R13

**SUMMARY:**

Council approval is requested of an ordinance authorizing the sale of $10,695,000 in general obligation bonds.

**FINANCIAL IMPACT:**

The average annual debt service associated with this issue is expected to be $987,000, depending upon the most favorable interest rate submitted by bidding underwriters.

**BACKGROUND:**

The 2004 issuance of bonds is the third in a series of issues associated with the $48.025 million bond program approved by voters in 2000. The bonds will be used to fund completion of the Arapaho Road extension ($9,145,000) Belt Line Road resurfacing ($1,250,000), and engineering of the Belt Line / Dallas Parkway single point interchange.

**RECOMMENDATION:**

It is recommended Council approve the attached ordinance and official statement.

#R13-2

ORDINANCE

$10,695,000

TOWN OF ADDISON, TEXAS
GENERAL OBLIGATION BONDS
SERIES 2004

Dated: August 15, 2004

Adopted: August 24, 2004

TABLE OF CONTENTS

Page

ARTICLE I
DEFINITIONS AND OTHER PRELIMINARY MATTERS

Section 1.01. Definitions....2
Section 1.02. Findings....4
Section 1.03. Table of Contents, Titles and Headings....4
Section 1.04. Interpretation....4
Section 1.05. Other Definitions....4

ARTICLE II
SECURITY FOR THE BONDS; INTEREST AND SINKING FUND

Section 2.01. Tax Levy....4
Section 2.02. Interest and Sinking Fund....5

ARTICLE III
AUTHORIZATION; GENERAL TERMS AND PROVISIONS
REGARDING THE BONDS

Section 3.01. Authorization....5
Section 3.02. Date, Denomination, Maturities and Interest....6
Section 3.03. Medium, Method and Place of Payment....6
Section 3.04. Execution and Registration of Bonds....7
Section 3.05. Ownership....8
Section 3.06. Registration, Transfer and Exchange....8
Section 3.07. Cancellation....9
Section 3.08. Temporary Bonds....9
Section 3.09. Replacement Bonds....10
Section 3.10. Book-Entry Only System....11
Section 3.11. Successor Securities Depository; Transfer Outside Book-Entry Only System....12
Section 3.12. Payments to Cede & Co....12

ARTICLE IV
REDEMPTION OF BONDS BEFORE MATURITY

Section 4.01. Redemption....12
Section 4.02. Optional Redemption....12
Section 4.03. Partial Redemption....12
Section 4.04. Notice of Redemption to Owners....13
Section 4.05. Payment Upon Redemption....13
Section 4.06. Effect of Redemption....14

ARTICLE V
PAYING AGENT/REGISTRAR

Section 5.01. Appointment of Initial Paying Agent/Registrar ..... 14
Section 5.02. Qualifications ..... 14
Section 5.03. Maintaining Paying Agent/Registrar ..... 14
Section 5.04. Termination ..... 14
Section 5.05. Notice of Change to Owners ..... 15
Section 5.06. Agreement to Perform Duties and Functions ..... 15
Section 5.07. Delivery of Records to Successor ..... 15

ARTICLE VI
FORM OF THE BONDS

Section 6.01. Form Generally ..... 15
Section 6.02. Form of the Bonds ..... 16
Section 6.03. CUSIP Registration ..... 21
Section 6.04. Legal Opinion ..... 21
Section 6.05. Statement of Insurance ..... 21

ARTICLE VII
SALE AND DELIVERY OF BONDS, DEPOSIT OF PROCEEDS

Section 7.01. Sale of Bonds, Official Statement ..... 21
Section 7.02. Control and Delivery of Bonds ..... 22
Section 7.03. Deposit of Proceeds ..... 22

ARTICLE VIII
INVESTMENTS

Section 8.01. Investments ..... 22
Section 8.02. Investment Income ..... 23

ARTICLE IX
PARTICULAR REPRESENTATIONS AND COVENANTS

Section 9.01. Payment of the Bonds ..... 23
Section 9.02. Other Representations and Covenants ..... 23
Section 9.03. Provisions Concerning Federal Income Tax Exclusion ..... 23
Section 9.04. No Private Use or Payment and No Private Loan Financing ..... 24
Section 9.05. No Federal Guaranty ..... 24
Section 9.06. Bonds are not Hedge Bonds ..... 24
Section 9.07. No-Arbitrage Covenant ..... 24
Section 9.08. Arbitrage Rebate ..... 24
Section 9.09. Information Reporting ..... 25
Section 9.10. Continuing Obligation ..... 25

ARTICLE X
DEFAULT AND REMEDIES

Section 10.01. Events of Default .....25
Section 10.02. Remedies for Default .....26
Section 10.03. Remedies Not Exclusive .....26

ARTICLE XI
DISCHARGE

Section 11.01. Discharge .....26

ARTICLE XII
CONTINUING DISCLOSURE UNDERTAKING

Section 12.01. Annual Reports .....26
Section 12.02. Material Event Notices .....27
Section 12.03. Limitations, Disclaimers and Amendments .....28

Exhibit A - Description of Annual Disclosure of Financial Information A-1

AN ORDINANCE AUTHORIZING THE ISSUANCE AND SALE OF TOWN OF ADDISON, TEXAS, GENERAL OBLIGATION BONDS, SERIES 2004 IN THE AGGREGATE PRINCIPAL AMOUNT OF $10,695,000 AND LEVYING A TAX FOR THE PAYMENT THEREOF; AWARDING THE SALE THEREOF; APPROVING AN OFFICIAL STATEMENT; AND ENACTING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the bonds hereinafter authorized were duly and favorably voted, as required by the Constitution and laws of the State of Texas, at elections held in the Town of Addison, Texas (the "Town"), on October 17, 1981, and February 12, 2000;

WHEREAS, at said elections, the following are among the purposes and amounts of the bonds which were authorized, reflecting any amount previously issued pursuant to each voted authorization, the amount therefrom being issued pursuant to this Ordinance, and the balance that remains unissued after the issuance of such bonds herein authorized, to wit:

| Purpose | Amount Voted | Amount Previously Issued | Amount Being Issued | Unissued Balance |
|---|---|---|---|---|
| 1981 Election | | | | |
| Library | $1,000,000 | $-0- | $-0- | $1,000,000 |
| Water System Improvement | 4,155,000 | 930,000 | -0- | 3,225,000 |
| Sewer System Improvement | 615,000 | 170,000 | -0- | 445,000 |
| 2000 Election | | | | |
| Arapaho Road Street Improvements | 20,500,000 | 14,005,000 | 6,495,000 | -0- |
| Street Improvements | 11,500,000 | 3,600,000 | 4,200,000 | 3,700,000 |
| Road Utilities/Streetscape | 11,000,000 | 2,370,000 | -0- | 8,630,000 |
| Community Improvements | 725,000 | 725,000 | -0- | -0- |
| Totals | $49,495,000 | $21,800,000 | $10,695,000 | $17,000,000 |

WHEREAS, the City Council hereby finds, determines and declares that it is necessary and in the best interest of the Town and its citizens that it authorize by this Ordinance the issuance and delivery of its bonds for the purposes herein stated at this time, all in a single issue; and

WHEREAS, the meeting at which this Ordinance is considered is open to the public as required by law, and the public notice of the time, place and purpose of said meeting was given as required by Chapter 551, Texas Government Code, as amended; therefore

BE IT ORDAINED BY THE CITY COUNCIL OF THE TOWN OF ADDISON, TEXAS:

## ARTICLE I
## DEFINITIONS AND OTHER PRELIMINARY MATTERS

### Section 1.01. Definitions.

Unless otherwise expressly provided or unless the context clearly requires otherwise in this Ordinance, the following terms shall have the meanings specified below:

"Bond" means any of the Bonds.

"Bond Date" means the date designated as the date of the Bonds by Section 3.02(a) of this Ordinance.

"Bonds" means the Town's bonds authorized to be issued by Section 3.01 of this Ordinance and designated as "Town of Addison, Texas, General Obligation Bonds, Series 2004," dated as of August 15, 2004.

"Closing Date" means the date of the initial delivery of and payment for the Bonds.

"Code" means the Internal Revenue Code of 1986, as amended, including applicable regulations, published rulings and court decisions.

"Designated Payment/Transfer Office" means (i) with respect to the initial Paying Agent/Registrar named in this Ordinance, the Designated Payment/Transfer Office as designated in the Paying Agent/Registrar Agreement, or at such other location designated by the Paying Agent/Registrar and (ii) with respect to any successor Paying Agent/Registrar, the office of such successor designated and located as may be agreed upon by the District and such successor.

"DTC" means The Depository Trust Company of New York, New York, or any successor securities depository.

"DTC Participant" means brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

"Event of Default" means any event of default as defined in Section 10.01 of this Ordinance.

"Initial Bond" means the Initial Bond authorized by Section 3.04 of this Ordinance.

"Interest and Sinking Fund" means the interest and sinking fund established by Section 2.02 of this Ordinance.

"Interest Payment Date" means the date or dates on which interest on the Bonds is scheduled to be paid until their respective dates of maturity, such dates being February 15 and August 15, commencing February 15, 2003.

"MSRB" means the Municipal Securities Rulemaking Board.

"NRMSIR" means each person whom the SEC or its staff has determined to be a nationally recognized municipal securities information repository within the meaning of the Rule from time to time.

"Ordinance" means this Ordinance.

"Original Issue Date" means the initial date from which interest on the Bonds accrues and which is designated in Section 3.02(a).

"Owner" means the person who is the registered owner of a Bond or Bonds, as shown in the Register.

"Paying Agent/Registrar" means initially JPMorgan Chase Bank, Dallas, Texas, a New York state banking corporation authorized to do business in the State of Texas, or any successor thereto as provided in this Ordinance.

"Paying Agent/Registrar Agreement" means the Paying Agent/Registrar Agreement between the City and the Paying Agent/Registrar relating to the Bonds.

"Record Date" means the last business day of the month next preceding an Interest Payment Date.

"Register" means the Register specified in Section 3.06(a) of this Ordinance.

"Representation Letter" means the Blanket Letter of Representations between the Town and DTC.

"Rule" means SEC Rule 15c2-12, as amended from time to time.

"SEC" means the United States Securities and Exchange Commission.

"SID" means any person designated by the State of Texas or an authorized department, office, or agency thereof as, and determined by the SEC or its staff to be, a state information depository within the meaning of the Rule from time to time.

"Unclaimed Payments" means money deposited with the Paying Agent/Registrar for the payment of principal of or interest on the Bonds as the same come due and payable and remaining unclaimed by the Owners of such Bonds after the applicable payment or redemption date.

"Special Payment Date" means the Special Payment Date prescribed by Section 3.03(b).

"Special Record Date" means the Special Record Date prescribed by Section 3.03(b).

Section 1.02. Findings.

The declarations, determinations and findings declared, made and found in the preamble to this Ordinance are hereby adopted, restated and made a part of the operative provisions hereof.

Section 1.03. Table of Contents, Titles and Headings.

The table of contents, titles and headings of the Articles and Sections of this Ordinance have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof and shall never be considered or given any effect in construing this Ordinance or any provision hereof or in ascertaining intent, if any question of intent should arise.

Section 1.04. Interpretation.

(a) Unless the context requires otherwise, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to include correlative words of the plural number and vice versa.

(b) Article and section references shall mean references to articles and sections of this Ordinance unless designated otherwise.

(c) This Ordinance and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein.

Section 1.05. Other Definitions.

The terms "City Council" and "Town" shall have the meaning assigned in the preamble to this Ordinance.

## ARTICLE II
## SECURITY FOR THE BONDS; INTEREST AND SINKING FUND

Section 2.01. Tax Levy.

(a) Pursuant to the authority granted by the Texas Constitution and the laws of the State of Texas, the City Council hereby declares and covenants that there shall be levied and there is hereby levied for the current year and for each succeeding year hereafter while any of the Bonds or any interest thereon is outstanding and unpaid, an ad valorem tax on each one hundred dollars valuation of taxable property within the Town, at a rate sufficient, within the limit prescribed by law, to pay the debt service requirements of the Bonds, being (i) the interest on the Bonds, and (ii) a sinking fund for their redemption at maturity or a sinking fund of two percent

(2%) per annum (whichever amount is greater), when due and payable, full allowance being made for delinquencies and costs of collection.

(b) The ad valorem tax thus levied shall be assessed and collected each year against all property appearing on the tax rolls of the Town most recently approved in accordance with law and the money thus collected shall be deposited as collected to the Interest and Sinking Fund.

(c) Said ad valorem tax, the collections therefrom, and all amounts on deposit in or required hereby to be deposited to the Interest and Sinking Fund are hereby pledged and committed irrevocably to the payment of the principal of and interest on the Bonds when and as due and payable in accordance with their terms and this Ordinance.

(d) If the lien and provisions of this Ordinance shall be released in a manner permitted by Article XI hereof, then the collection of such ad valorem tax may be suspended or appropriately reduced, as the facts may permit, and further deposits to the Interest and Sinking Fund may be suspended or appropriately reduced, as the facts may permit. In determining the aggregate principal amount of outstanding Bonds, there shall be subtracted the amount of any Bonds that have been duly called for redemption and for which money has been deposited with the Paying Agent/Registrar for such redemption.

Section 2.02. Interest and Sinking Fund.

(a) The Town hereby establishes a special fund or account, to be designated the "Town of Addison, Texas, General Obligation BONDS, Series 2004, Interest and Sinking Fund," said fund to be maintained at an official depository bank of the Town separate and apart from all other funds and accounts of the Town.

(b) Money on deposit in or required by this Ordinance to be deposited to the Interest and Sinking Fund shall be used solely for the purpose of paying the interest on and principal of the Bonds when and as due and payable in accordance with their terms and this Ordinance.

## ARTICLE III
## AUTHORIZATION; GENERAL TERMS AND PROVISIONS REGARDING THE BONDS

Section 3.01. Authorization.

The Town's bonds, to be designated "Town of Addison, Texas, General Obligation Bonds, Series 2004," are hereby authorized to be issued and delivered in accordance with the Constitution and laws of the State of Texas, including specifically Chapter 1207, Texas Government Code, as amended, and Article V, Section 5.11 of the Charter of the Town. The Bonds shall be issued in the aggregate principal amount of $10,695,000, for the purposes of (a) making the following public improvements, to wit: (i) $6,495,000 for engineering, constructing, improving, developing, realigning, extending and expanding Arapaho Road, including necessary and related storm drainage facilities and improvements, signalization and other traffic controls, street lighting and the acquisition of any needed rights-of-way therefor; (ii) $4,200,000 for engineering, constructing, reconstructing, improving, repairing, developing, extending and

expanding streets, thoroughfares, bridges, interchanges, intersections, grade separations, sidewalks and other public ways of the Town, including necessary and related storm drainage facilities and improvements, signalization and other traffic controls, street lighting, and the acquisition of any needed rights-of-way therefor (together with (i), the "Project"); and (iii) paying the costs of issuing the Bonds.

Section 3.02. Date, Denomination, Maturities and Interest.

(a) The Bonds shall be dated August 15, 2004. The Bonds shall be in fully registered form, without coupons, in the denomination of $5,000 or any integral multiple thereof, and shall be numbered separately from one (1) upward or such other designation acceptable to the Town and the Paying Agent/Registrar, except the Initial Bond, which shall be numbered T-1.

(b) The Bonds shall mature on February 15 in the years and in the principal amounts set forth in the following schedule:

| Year | Principal Amounts | Interest Rate | Year | Principal Amounts | Interest Rate |
|---|---|---|---|---|---|
| 2004 | | | 2011 | | |
| 2005 | | | 2012 | | |
| 2006 | | | 2013 | | |
| 2007 | | | 2014 | | |
| 2008 | | | 2015 | | |
| 2009 | | | 2016 | | |
| 2010 | | | 2017 | | |

(c) Interest shall accrue and be paid on each Bond, respectively, until its maturity or prior redemption, from the later of the Bond Date or the most recent Interest Payment Date to which interest has been paid or provided for at the rates per annum for each respective maturity specified in the schedule contained in subsection (b) above. Such interest shall be payable semiannually on each February 15 and August 15, commencing February 15, 2005, until maturity or prior redemption. Interest on the Bonds shall be calculated on the basis of a three hundred sixty (360) day year composed of twelve (12) months of thirty (30) days each.

Section 3.03. Medium, Method and Place of Payment.

(a) The principal of and interest on the Bonds shall be paid in lawful money of the United States of America.

(b) Interest on the Bonds shall be payable to each Owner as shown in the Register at the close of business on the Record Date; provided, however, that in the event of nonpayment of interest on a scheduled Interest Payment Date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date," which shall be at least 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States

mail, first class postage prepaid, to the address of each Owner of a Bond appearing on the books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

(c) Interest shall be paid by check, dated as of the Interest Payment Date, and sent by the Paying Agent/Registrar to each Owner, first class United States mail, postage prepaid, to the address of each Owner as it appears in the Register, or by such other customary banking arrangement acceptable to the Paying Agent/Registrar and the Owner; provided, however, the Owner shall bear all risk and expense of such other banking arrangement. At the option of an Owner of at least $1,000,000 principal amount of the Bonds, interest may be paid by wire transfer to the bank account of such Owner on file with the Paying Agent/Registrar.

(d) The principal of each Bond shall be paid to the Owner thereof on the due date thereof (whether at stated maturity or upon prior redemption) upon presentation and surrender of such Bond at the Designated Payment/Transfer Office of the Paying Agent/Registrar.

(e) If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are required or authorized by law or executive order to close, the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday, or day on which banking institutions are required or authorized to close, and payment on such date shall have the same force and effect as if made on the original date payment was due and no additional interest shall be due by reason of nonpayment on the date on which such payment is otherwise stated to be due and payable.

(f) Unclaimed Payments shall be segregated in a special account and held in trust, uninvested by the Paying Agent/Registrar, for the account of the Owner of the Bonds to which the Unclaimed Payments pertain. Subject to Title 6 of the Texas Property Code, Unclaimed Payments remaining unclaimed by the Owners entitled thereto for three (3) years after the applicable payment or redemption date shall be applied to the next payment or payments on the Bonds thereafter coming due and, to the extent any such money remains after the retirement of all outstanding Bonds, shall be paid to the Town to be used for any lawful purpose. Thereafter, neither the Town, the Paying Agent/Registrar nor any other person shall be liable or responsible to any holders of such Bonds for any further payment of such unclaimed monies or on account of any such Bonds, subject to Title 6 of the Texas Property Code.

Section 3.04. Execution and Registration of Bonds.

(a) The Bonds shall be executed on behalf of the Town by the Mayor and the City Secretary, by their manual or facsimile signatures, and the official seal of the Town shall be impressed or placed in facsimile thereon. Such facsimile signatures on the Bonds shall have the same effect as if each of the Bonds had been signed manually and in person by each of those officers, and such facsimile seal on the Bonds shall have the same effect as if the official seal of the Town had been manually impressed upon each of the Bonds.

(b) In the event that any officer of the Town whose manual or facsimile signature appears on the Bonds ceases to be such officer before the authentication of such Bonds or before the delivery thereof, such manual or facsimile signature nevertheless shall be valid and sufficient for all purposes as if such officer had remained in such office.

(c) Except as provided below, no Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit of this Ordinance unless and until there appears thereon the Certificate of Paying Agent/Registrar substantially in the form provided herein, duly authenticated by manual execution by an officer or duly authorized signatory of the Paying Agent/Registrar. It shall not be required that the same officer or authorized signatory of the Paying Agent/Registrar sign the Certificate of Paying Agent/Registrar on all of the Bonds. In lieu of the executed Certificate of Paying Agent/Registrar described above, the Initial Bond delivered at the Closing Date shall have attached thereto the Comptroller's Registration Certificate substantially in the form provided herein, manually executed by the Comptroller of Public Accounts of the State of Texas, or by his duly authorized agent, which Certificate shall be evidence that the Bond has been duly approved by the Attorney General of the State of Texas and that it is a valid and binding obligation of the Town, and has been registered by the Comptroller of Public Accounts of the State of Texas.

(d) On the Closing Date, one initial Bond representing the entire principal amount of all Bonds, payable in stated installments to the initial purchaser, or its designee, executed by the Mayor and City Secretary of the Town by their manual or facsimile signatures, approved by the Attorney General, and registered and manually signed by the Comptroller of Public Accounts, will be delivered to the initial purchaser or its designee. Upon payment for the Initial Bond, the Paying Agent/Registrar shall cancel the Initial Bond and deliver to DTC, on behalf of the initial Purchaser, one typewritten Bond for each maturity representing the aggregate principal amount for each respective maturity, registered in the name of Cede & Co., as nominee for DTC.

Section 3.05. Ownership.

(a) The Town, the Paying Agent/Registrar and any other person may treat the person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of making and receiving payment as provided herein (except interest shall be paid to the person in whose name such Bond is registered on the Record Date), and for all other purposes, whether or not such Bond is overdue, and neither the Town nor the Paying Agent/Registrar shall be bound by any notice or knowledge to the contrary.

(b) All payments made to the person deemed to be the Owner of a Bond in accordance with this Section shall be valid and effectual and shall discharge the liability of the Town and the Paying Agent/Registrar upon such Bond to the extent of the sums paid.

Section 3.06. Registration, Transfer and Exchange.

(a) So long as any Bonds remain outstanding, the Town shall cause the Paying Agent/Registrar to keep at the Designated Payment/Transfer Office a register (the "Register") in which, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with this Ordinance.

(b) The ownership of a Bond may be transferred only upon the presentation and surrender of the Bond at the Designated Payment/Transfer Office of the Paying Agent/Registrar with such endorsement or other evidence of transfer as is acceptable to the Paying Agent/Registrar. No transfer of any Bond shall be effective until entered in the Register.

(c) The Bonds shall be exchangeable upon the presentation and surrender thereof at the Designated Payment/Transfer Office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any denomination or denominations of any integral multiple of $5,000 and in an aggregate principal amount equal to the unpaid principal amount of the Bonds presented for exchange. The Paying Agent/Registrar is hereby authorized to authenticate and deliver Bonds exchanged for other Bonds in accordance with this Section.

(d) Each exchange Bond delivered by the Paying Agent/ Registrar in accordance with this Section shall constitute an original contractual obligation of the Town and shall be entitled to the benefits and security of this Ordinance to the same extent as the Bond or Bonds in lieu of which such exchange Bond is delivered.

(e) No service charge shall be made to the Owner for the initial registration, subsequent transfer, or exchange for any different denomination of any of the Bonds. The Paying Agent/Registrar, however, may require the Owner to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection with the registration, transfer or exchange of a Bond.

(f) Neither the Town nor the Paying Agent/Registrar shall be required to issue, transfer, or exchange any Bond called for redemption, in whole or in part, where such redemption is scheduled to occur within forty-five (45) calendar days after the transfer or exchange date; provided, however, such limitation shall not be applicable to an exchange by the Owner of the uncalled principal balance of a Bond.

Section 3.07. Cancellation.

All Bonds paid or redeemed before scheduled maturity in accordance with this Ordinance, and all Bonds in lieu of which exchange Bonds or replacement Bonds are authenticated and delivered in accordance with this Ordinance, shall be cancelled and proper records shall be made regarding such payment, redemption, exchange or replacement. The Paying Agent/Registrar shall then return such cancelled Bonds to the Town or may in accordance with law destroy such cancelled Bonds and periodically furnish the Town with certificates of destruction of such Bonds.

Section 3.08. Temporary Bonds.

(a) Following the delivery and registration of the Initial Bond and pending the preparation of definitive Bonds, the proper officers of the Town may execute and, upon the Town's request, the Paying Agent/Registrar shall authenticate and deliver, one or more temporary Bonds that are printed, lithographed, typewritten, mimeographed or otherwise produced, in any denomination, substantially of the tenor of the definitive Bonds in lieu of which they are delivered, without coupons, and with such appropriate insertions, omissions,

substitutions and other variations as the officers of the Town executing such temporary Bonds may determine, as evidenced by their signing of such temporary Bonds.

(b) Until exchanged for Bonds in definitive form, such Bonds in temporary form shall be entitled to the benefit and security of this Ordinance.

(c) The Town, without unreasonable delay, shall prepare, execute and deliver to the Paying Agent/Registrar the Bonds in definitive form; thereupon, upon the presentation and surrender of the Bonds in temporary form to the Paying Agent/Registrar, the Paying Agent/Registrar shall cancel the Bonds in temporary form and shall authenticate and deliver in exchange therefor Bonds of the same maturity and series, in definitive form, in the authorized denomination, and in the same aggregate principal amount, as the Bonds in temporary form surrendered. Such exchange shall be made without the making of any charge therefor to any Owner.

Section 3.09. Replacement Bonds.

(a) Upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding. The Town or the Paying Agent/Registrar may require the Owner of such Bond to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection therewith and any other expenses connected therewith.

(b) In the event that any Bond is lost, apparently destroyed or wrongfully taken, the Paying Agent/Registrar, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall authenticate and deliver a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding, provided that the Owner first:

(i) furnishes to the Paying Agent/Registrar satisfactory evidence of his ownership of and the circumstances of the loss, destruction or theft of such Bond;

(ii) furnishes such security or indemnity as may be required by the Paying Agent/Registrar to save it and the Town harmless;

(iii) pays all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees of the Paying Agent/Registrar and any tax or other governmental charge that is authorized to be imposed; and

(iv) satisfies any other reasonable requirements imposed by the Town and the Paying Agent/Registrar.

(c) If, after the delivery of such replacement Bond, a bona fide purchaser of the original Bond in lieu of which such replacement Bond was issued presents for payment such original Bond, the Town and the Paying Agent/Registrar shall be entitled to recover such replacement Bond from the person to whom it was delivered or any person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity

provided therefor to the extent of any loss, damage, cost or expense incurred by the Town or the Paying Agent/Registrar in connection therewith.

(d) In the event that any such mutilated, lost, apparently destroyed or wrongfully taken Bond has become or is about to become due and payable, the Paying Agent/Registrar, in its discretion, instead of issuing a replacement Bond, may pay such Bond if it has become due and payable or may pay such Bond when it becomes due and payable.

(e) Each replacement Bond delivered in accordance with this Section shall constitute an original additional contractual obligation of the Town and shall be entitled to the benefits and security of this Ordinance to the same extent as the Bond or Bonds in lieu of which such replacement Bond is delivered.

Section 3.10. Book-Entry Only System.

Notwithstanding any other provision hereof, upon initial issuance of the Bonds, the ownership of the Bonds shall be registered in the name of Cede & Co., as nominee of DTC. The definitive Bonds shall be initially issued in the form of a single separate fully registered certificate for each of the maturities thereof.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the Town and the Paying Agent/Registrar shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom such a DTC Participant holds an interest in the Bonds except as provided in this Ordinance. Without limiting the immediately preceding sentence, the Town and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than a Bondholder, as shown on the Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than a Bondholder, as shown in the Register of any amount with respect to principal of or interest on the Bonds. Notwithstanding any other provision of this Ordinance to the contrary, the Town and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Bond is registered in the Register as the absolute owner of such Bond for the purpose of payment of principal of, premium, if any, and interest on such Bonds, for the purpose of all matters with respect to such Bond, for the purpose of registering transfer with respect to such Bond, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective owners, as shown in the Register as provided in this Ordinance, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Town's obligations with respect to payment of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Register, shall receive a certificate evidencing the obligation of the Town to make payments of amounts due pursuant to this Ordinance. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the word "Cede & Co." in this Ordinance shall refer to such new nominee of DTC.

Section 3.11. Successor Securities Depository; Transfer Outside Book-Entry Only System.

In the event that the Town or the Paying Agent/Registrar determines that DTC is incapable of discharging its responsibilities described herein and in the Representations Letter of the Town to DTC, or in the event DTC discontinues the services described herein, the Town or the Paying Agent/Registrar shall (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Bonds to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants having Bonds credited to their DTC accounts. In such event, the Bonds shall no longer be restricted to being registered in the Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Bondholders transferring or exchanging Bonds shall designate, in accordance with the provisions of this Ordinance.

Section 3.12. Payments to Cede & Co.

Notwithstanding any other provision of this Ordinance to the contrary, so long as any Bonds are registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of and interest on such Bonds, and all notices with respect to such Bonds, shall be made and given, respectively, in the manner provided in the blanket letter of representation of the Town to DTC.

## ARTICLE IV
## REDEMPTION OF BONDS BEFORE MATURITY

Section 4.01. Redemption.

The Bonds shall be subject to redemption before scheduled maturity only as provided in this Article.

Section 4.02. Optional Redemption.

The Bonds maturing on or after February 15, 2015 are subject to redemption at the option of the Town on February 15, 2014 or on any date thereafter, in whole or in part, at a redemption price of par plus accrued interest to the date of redemption.

(a) The Town, at least 45 days before the redemption date, unless a shorter period shall be satisfactory to the Paying Agent/Registrar, shall notify the Paying Agent/Registrar of such redemption date and of the principal amount of Bonds to be redeemed.

Section 4.03. Partial Redemption.

(a) If less than all of the Bonds are to be redeemed pursuant to Section 4.02, the Town shall determine the maturity or maturities and the amounts thereof to be redeemed and

shall direct the Paying Agent/Registrar to call by lot the Bonds, or portions thereof, within such maturity or maturities and in such principal amounts for redemption.

(b) A portion of a single Bond of a denomination greater than $5,000 may be redeemed, but only in a principal amount equal to $5,000 or any integral multiple thereof. If such a Bond is to be partially redeemed, the Paying Agent/Registrar shall treat each $5,000 portion of a Bond as though it were a single Bond for purposes of selection for redemption.

(c) Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar, in accordance with Section 3.06 of this Ordinance, shall authenticate and deliver an exchange Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered, such exchange being without charge, notwithstanding any provision of Section 3.06 to the contrary.

(d) The Paying Agent/Registrar shall promptly notify the Town in writing of the principal amount to be redeemed of any Bond as to which only a portion thereof is to be redeemed.

Section 4.04. Notice of Redemption to Owners.

(a) The Paying Agent/Registrar shall give notice of any redemption of Bonds by sending notice by first class United States mail, postage prepaid, not less than 30 days before the date fixed for redemption, to the Owner of each Bond (or part thereof) to be redeemed, at the address shown in the Register on the Business Day next preceding the date of mailing of such notice.

(b) The notice shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment, and, if less than all the Bonds outstanding are to be redeemed, an identification of the Bonds or portions thereof to be redeemed.

(c) Any notice given as provided in this Section shall be conclusively presumed to have been duly given, whether or not the Owner receives such notice.

Section 4.05. Payment Upon Redemption.

(a) Before or on each redemption date, the Town shall deposit with the Paying Agent/Registrar money sufficient to pay all amounts due on the redemption date and the Paying Agent/Registrar shall make provision for the payment of the Bonds to be redeemed on such date by setting aside and holding in trust an amount from the Interest and Sinking Fund or otherwise received by the Paying Agent/Registrar from the Town and shall use such funds solely for the purpose of paying the principal of, redemption premium, if any, and accrued interest on the Bonds being redeemed.

(b) Upon presentation and surrender of any Bond called for redemption at the Designated Payment/Transfer Office of the Paying Agent/Registrar on or after the date fixed for redemption, the Paying Agent/Registrar shall pay the principal of, redemption premium, if any, and accrued interest on such Bond to the date of redemption from the money set aside for such purpose.

Section 4.06. Effect of Redemption.

(a) Notice of redemption having been given as provided in Section 4.04 of this Ordinance, the Bonds or portions thereof called for redemption shall become due and payable on the date fixed for redemption and, unless the Town defaults in the payment of the principal thereof, redemption premium, if any, or accrued interest thereon, such Bonds or portions thereof shall cease to bear interest from and after the date fixed for redemption, whether or not such Bonds are presented and surrendered for payment on such date.

(b) If the Town shall fail to make provision for payment of all sums due on a redemption date, then any Bond or portion thereof shall continue to bear interest at the rate stated on the Bond until due provision is made for the payment of same by the Town.

## ARTICLE V
## PAYING AGENT/REGISTRAR

Section 5.01. Appointment of Initial Paying Agent/Registrar.

JPMorgan Chase Bank, Dallas, Texas, a New York state banking corporation authorized to do business in the State of Texas, is hereby appointed as the initial Paying Agent/Registrar for the Bonds.

Section 5.02. Qualifications.

Each Paying Agent/Registrar shall be a commercial bank, a trust company organized under the laws of the State of Texas, or any other entity duly qualified and legally authorized to serve as and perform the duties and services of paying agent and registrar for the Bonds.

Section 5.03. Maintaining Paying Agent/Registrar.

(a) At all times while any Bonds are outstanding, the Town will maintain a Paying Agent/Registrar that is qualified under Section 5.02 of this Ordinance. The Mayor is hereby authorized and directed to execute an agreement with the Paying Agent/Registrar specifying the duties and responsibilities of the Town and the Paying Agent/Registrar in the substantially final form presented herewith, the terms and provisions of such form of agreement being hereby approved. The signature of the Mayor shall be attested by the City Secretary of the Town.

(b) If the Paying Agent/Registrar resigns or otherwise ceases to serve as such, the Town will promptly appoint a replacement.

Section 5.04. Termination.

The Town, upon not less than sixty (60) days notice, reserves the right to terminate the appointment of any Paying Agent/ Registrar by delivering to the entity whose appointment is to be terminated written notice of such termination, provided, that such termination shall not be effective until a successor Paying Agent/Registrar has been appointed and has accepted the duties of Paying Agent/Registrar for the Bonds.

Section 5.05. Notice of Change to Owners.

Promptly upon each change in the entity serving as Paying Agent/Registrar, the Town will cause notice of the change to be sent to each Owner by first class United States mail, postage prepaid, at the address in the Register, stating the effective date of the change and the name and mailing address of the replacement Paying Agent/Registrar.

Section 5.06. Agreement to Perform Duties and Functions.

By accepting the appointment as Paying Agent/Registrar and executing the Paying Agent/Registrar Agreement, the Paying Agent/Registrar is deemed to have agreed to the provisions of this Ordinance and that it will perform the duties and functions of Paying Agent/Registrar prescribed thereby.

Section 5.07. Delivery of Records to Successor.

If a Paying Agent/Registrar is replaced, such Paying Agent/Registrar, promptly upon the appointment of the successor, will deliver the Register (or a copy thereof) and all other pertinent books and records relating to the Bonds to the successor Paying Agent/Registrar.

## ARTICLE VI
## FORM OF THE BONDS

Section 6.01. Form Generally.

(a) The Bonds, the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the Certificate of the Paying Agent/Registrar, and the Assignment form to appear on each of the Bonds, (i) shall be substantially in the form set forth in this Article, with such appropriate insertions, omissions, substitutions, and other variations as are permitted or required by this Ordinance, and (ii) may have such letters, numbers, or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and such legends and endorsements (including any reproduction of an opinion of counsel) thereon as, consistently herewith, may be determined by the Town or by the officers executing such Bonds, as evidenced by their execution thereof.

(b) Any portion of the text of any Bonds may be set forth on the reverse side thereof, with an appropriate reference thereto on the face of the Bonds.

(c) The definitive Bonds shall be typewritten, printed, lithographed, or engraved, and may be produced by any combination of these methods or produced in any other similar manner, all as determined by the officers executing such Bonds, as evidenced by their execution thereof.

(d) The Initial Bond submitted to the Attorney General of the State of Texas may be typewritten and photocopied or otherwise reproduced.

Section 6.02. Form of the Bonds.

The form of the Bond, including the form of the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the form of Certificate of the Paying Agent/Registrar and the form of Assignment appearing on the Bonds, shall be substantially as follows:

(a) Form of Bond.

REGISTERED REGISTERED

No. _____ $_____

United States of America
State of Texas
County of Dallas
TOWN OF ADDISON, TEXAS
GENERAL OBLIGATION BOND
SERIES 2004

| INTEREST RATE: | MATURITY DATE: | BOND DATE: | CUSIP NUMBER: |
|---|---|---|---|
| _____% | _____, _____ | August 15, 2004 | _____ |

The Town of Addison, Texas (the "Town"), in the County of Dallas, State of Texas, for value received, hereby promises to pay to

_____

or registered assigns, on the Maturity Date specified above, the sum of

_____ DOLLARS

unless this Bond shall have been sooner called for redemption and the payment of the principal hereof shall have been paid or provided for, and to pay interest on such principal amount from the later of the Bond Date specified above or the most recent interest payment date to which interest has been paid or provided for until payment of such principal amount has been paid or provided for, at the per annum rate of interest specified above, computed on the basis of a three hundred sixty (360) day year of twelve (12) thirty (30) day months, such interest to be paid semiannually on February 15 and August 15 of each year, commencing February 15, 2005.

The principal of this Bond shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Bond at the corporate trust office in Dallas, Texas (the "Designated Payment/Transfer Office") of JPMorgan Chase Bank, as Paying Agent/Registrar or, with respect to a successor Paying Agent/Registrar, at the Designated Payment/Transfer Office thereof. Interest on this Bond is payable by check dated as of the interest payment date, and will be mailed by the Paying Agent/Registrar to the registered owner at the address shown on the registration books kept by

the Paying Agent/Registrar or by such other customary banking arrangement acceptable to the Paying Agent/Registrar and the registered owner; provided, however, such registered owner shall bear all risk and expense of such other banking arrangement. At the option of an Owner of at least $1,000,000 principal amount of the Bonds, interest may be paid by wire transfer to the bank account of such Owner on file with the Paying Agent/Registrar. For the purpose of the payment of interest on this Bond, the registered owner shall be the person in whose name this Bond is registered at the close of business on the "Record Date," which shall be the last business day of the month next preceding such interest payment date.

If the date for the payment of the principal of or interest on this Bond shall be a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Paying Agent/Registrar is located are required or authorized by law or executive order to close, the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday, or day on which banking institutions are required or authorized to close, and payment on such date shall have the same force and effect as if made on the original date payment was due and no additional interest shall be due by reason of nonpayment on the date on which such payment is otherwise stated to be due and payable.

This Bond is one of a series of fully registered bonds specified in the title hereof issued in the aggregate principal amount of $10,695,000 (herein referred to as the "Bonds"), issued pursuant to a certain ordinance of the Town (the "Ordinance") for the purpose of providing funds to make certain permanent public improvements as described in the Ordinance, and to pay the costs of issuing the Bonds.

The Bonds maturing on and after February 15, 2015 are subject to redemption at the option of the Town on February 15, 2014 or on any date thereafter at a price of par plus interest accrued to the date of redemption. If less than all of the Bonds are to be redeemed pursuant to an optional redemption, the Town shall determine the maturity or maturities and the amounts thereof to be redeemed and shall direct the Paying Agent/Registrar to call by lot the Bonds, or portions thereof, within such maturity or maturities and in such principal amounts, for redemption.

Notice of such redemption or redemptions shall be given by first class mail, postage prepaid, not less than 30 days before the date fixed for redemption, to the registered owner of each of the Bonds to be redeemed in whole or in part. Notice having been so given, the Bonds or portions thereof designated for redemption shall become due and payable on the redemption date specified in such notice; and, from and after such date, notwithstanding that any of the Bonds or portions thereof so called for redemption shall not have been surrendered for payment, interest on such Bonds or portions thereof shall cease to accrue.

As provided in the Ordinance, and subject to certain limitations therein set forth, this Bond is transferable upon surrender of this Bond for transfer at the Designated Payment/Transfer Office of the Paying Agent/Registrar with such endorsement or other evidence of transfer as is acceptable to the Paying Agent/Registrar; thereupon, one or more new fully registered Bonds of the same stated maturity, of authorized denominations, bearing the same rate of interest, and for the same aggregate principal amount will be issued to the designated transferee or transferees.

The Town, the Paying Agent/Registrar, and any other person may treat the person in whose name this Bond is registered as the owner hereof for the purpose of receiving payment as herein provided (except interest shall be paid to the person in whose name this Bond is registered on the Record Date) and for all other purposes, whether or not this Bond be overdue, and neither the Town nor the Paying Agent/Registrar shall be affected by notice to the contrary.

IT IS HEREBY CERTIFIED AND RECITED that the issuance of this Bond and the series of which it is a part is duly authorized by law, and has been authorized by a vote of the properly qualified electors of the Town; that all acts, conditions and things required to be done precedent to and in the issuance of the Bonds have been properly done and performed and have happened in regular and due time, form and manner, as required by law; and that ad valorem taxes upon all taxable property in the Town have been levied for and pledged to the payment of the debt service requirements of the Bonds, within the limit prescribed by law; and that the total indebtedness of the Town, including the Bonds, does not exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, the Town has caused this Bond to be executed by the manual or facsimile signature of the Mayor of the Town and countersigned by the manual or facsimile signature of the City Secretary of the Town, and the official seal of the Town has been duly impressed or placed in facsimile on this Bond.

| | |
|---|---|
| City Secretary<br>Town of Addison, Texas | Mayor,<br>Town of Addison, Texas |

(SEAL)

(b) Form of Comptroller's Registration Certificate.

The following Comptroller's Registration Certificate may be deleted from the definitive Bonds if such certificate on the Initial Bond is fully executed.

| | | |
|---|---|---|
| OFFICE OF THE COMPTROLLER | § | |
| OF PUBLIC ACCOUNTS | § | REGISTER NO. _____ |
| OF THE STATE OF TEXAS | § | |

I hereby certify that there is on file and of record in my office a certificate of the Attorney General of the State of Texas to the effect that this Bond has been examined by him as required by law, that he finds that it has been issued in conformity with the Constitution and laws of the State of Texas, and that it is a valid and binding obligation of the Town of Addison, Texas, and that this Bond has this day been registered by me.

Witness my hand and seal of office at Austin, Texas, _____.

_____
Comptroller of Public Accounts
of the State of Texas

SEAL

(c) Form of Certificate of Paying Agent/Registrar.

The following Certificate of Paying Agent/Registrar may be deleted from the Initial Bond if the Comptroller's Registration Certificate appears thereon.

CERTIFICATE OF PAYING AGENT/REGISTRAR

The records of the Paying Agent/Registrar show that the Initial Bond of this series of bonds was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas, and that this is one of the Bonds referred to in the within-mentioned Ordinance.

JPMORGAN CHASE BANK
as Paying Agent/Registrar

Dated: _____ By: _____
Authorized Signatory

(d) Form of Assignment.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto (print or typewrite name, address and Zip Code of transferee):

_____

_____

(Social Security or other identifying number: _____) the within Bond and all rights hereunder and hereby irrevocably constitutes and appoints _____ attorney to transfer the within Bond on the books kept for registration hereof, with full power of substitution in the premises.

Dated: _____

_____

NOTICE: The signature on this Assignment must correspond with the name of the registered owner as it appears on the face of the within Bond in every particular and must be guaranteed in a manner acceptable to the Paying Agent/Registrar.

Signature Guaranteed By:

_____

_____

Authorized Signatory

(e) The Initial Bond shall be in the form set forth in paragraphs (a), (b) and (d) of this Section, except for the following alterations:

(i) immediately under the name of the Bond, the headings "INTEREST RATE" and "MATURITY DATE" shall both be completed with the words "As shown below"; and

(ii) in the first paragraph of the Bond, the words "on the Maturity Date specified above" shall be deleted and the following will be inserted: "on February 15 in each of the years, in the principal installments and bearing interest at the per annum rates in accordance with the following schedule:

| Years | Principal Installments | Interest Rates |
|---|---|---|

(Information to be inserted from schedule
in Section 3.02 of this Ordinance)

Section 6.03. CUSIP Registration.

The Town may secure identification numbers through the CUSIP Service Bureau Division of Standard & Poor's Corporation, New York, New York, and may authorize the printing of such numbers on the face of the Bonds. It is expressly provided, however, that the presence or absence of CUSIP numbers on the Bonds shall be of no significance or effect as regards the legality thereof and neither the Town nor the attorneys approving said Bonds as to legality are to be held responsible for CUSIP numbers incorrectly printed on the Bonds.

Section 6.04. Legal Opinion.

The approving legal opinion of Vinson & Elkins L.L.P., Bond Counsel, may be printed on the reverse side of or attached to each Bond over the certification of the City Secretary of the Town, which may be executed in facsimile.

Section 6.05. Statement of Insurance.

A statement relating to a municipal bond insurance policy, if any, to be issued for the Bonds may be printed on or attached to each Bond. To the extent permitted by applicable law, the City will comply with all notice and other applicable requirements of the insurer in connection with the issuance of the Bonds, as such requirements may be in effect and transmitted to the City with the insurer's commitment to issue such insurance.

## ARTICLE VII
## SALE AND DELIVERY OF BONDS, DEPOSIT OF PROCEEDS

Section 7.01. Sale of Bonds, Official Statement.

(a) The Bonds, having been duly advertised and offered for sale at competitive bid, are hereby officially sold to _____ (the "Purchaser") for a purchase price equal to the principal amount thereof, plus a premium of $_____ plus interest accrued thereon from the Bond Date to the Closing Date, being the bid which produced the lowest true interest cost to the Town. The initial Bond shall initially be registered in the name of the Purchaser or its designee.

(b) The form and substance of the Preliminary Official Statement, dated August 9, 2004, and any addenda, supplement or amendment thereto (the "Preliminary Official Statement") are hereby in all respects approved and adopted and is hereby deemed final as of its date within the meaning and for the purposes of paragraph (b)(1) of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended. The final Official Statement (the "Official Statement") presented to and considered at this meeting is hereby in all respects approved and adopted. The Mayor and City Secretary of the Town are hereby authorized and directed to execute the same and deliver appropriate numbers of executed copies of the Official Statement to the Underwriters. The Official Statement as thus approved, executed and delivered, with such appropriate variations as shall be approved by the Mayor of the Town and the Purchaser of the Bonds, may be used by the Purchaser in the public offering and sale thereof. The City Secretary is hereby authorized and directed to include and maintain a copy of the Official Statement and any addenda, supplement or amendment thereto thus approved among the permanent records of

this meeting. The use and distribution of the Preliminary Official Statement, and the preliminary public offering of the Bonds by the Underwriters, is hereby ratified, approved and confirmed.

(c) All officers of the Town are authorized to execute such documents, certificates and receipts as they may deem appropriate in order to consummate the delivery of the Bonds in accordance with the terms of this Ordinance.

(d) The obligation of the Purchaser to accept delivery of the Bonds is subject to such purchaser being furnished with the final, approving opinion of Vinson & Elkins L.L.P., Bond Counsel for the Town, which opinion shall be dated and delivered the Closing Date.

Section 7.02. Control and Delivery of Bonds.

(a) The Mayor of the Town is hereby authorized to have control of the Initial Bond and all necessary records and proceedings pertaining thereto pending investigation, examination and approval of the Attorney General of the State of Texas, registration by the Comptroller of Public Accounts of the State of Texas and registration with, and initial exchange or transfer by, the Paying Agent/Registrar.

(b) After registration by the Comptroller of Public Accounts of the State of Texas, delivery of the Bonds shall be made to the initial purchasers thereof under and subject to the general supervision and direction of the Mayor, against receipt by the Town of all amounts due to the Town under the terms of sale.

Section 7.03. Deposit of Proceeds.

(a) All amounts received on the Closing Date as interest accrued from the Bond Date to the Closing Date and premium, if any, shall be deposited to the Interest and Sinking Fund.

(b) The remaining balance received on the Closing Date shall be deposited to a special construction fund and shall be used solely to pay the costs of the Project as described in Section 3.01(a), and for paying the costs of issuance.

## ARTICLE VIII
## INVESTMENTS

Section 8.01. Investments.

(a) Money in the Interest and Sinking Fund created by this Ordinance, at the Town's option, may be invested in such securities or obligations as permitted under applicable law.

(b) Any securities or obligations in the Interest and Sinking Fund in which money is so invested shall be kept and held in trust for the benefit of the Owners and shall be sold and the proceeds of sale shall be timely applied to the making of all payments required to be made from the fund from which the investment was made.

Section 8.02. Investment Income.

Interest and income derived from investment of the Interest and Sinking Fund shall be credited to such Fund.

## ARTICLE IX
## PARTICULAR REPRESENTATIONS AND COVENANTS

Section 9.01. Payment of the Bonds.

On or before each Interest Payment Date for the Bonds while any of the Bonds are outstanding and unpaid, there shall be made available to the Paying Agent/Registrar, out of the Interest and Sinking Fund, money sufficient to pay such interest on and principal of the Bonds as will accrue or mature on the applicable Interest Payment Date and, if applicable, on a date of redemption for the Bonds.

Section 9.02. Other Representations and Covenants.

(a) The Town will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Ordinance and in each Bond; the Town will promptly pay or cause to be paid the principal of and interest on each Bond on the dates and at the places and manner prescribed in such Bond; and the Town will, at the times and in the manner prescribed by this Ordinance, deposit or cause to be deposited the amounts of money specified by this Ordinance.

(b) The Town is duly authorized under the laws of the State of Texas to issue the Bonds; all action on its part for the creation and issuance of the Bonds has been duly and effectively taken; and the Bonds in the hands of the Owners thereof are and will be valid and enforceable obligations of the Town in accordance with their terms.

Section 9.03. Provisions Concerning Federal Income Tax Exclusion.

The Town intends that the interest on the Bonds shall be excludable from gross income for purposes of federal income taxation pursuant to sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended (the "Code"), and the applicable regulations promulgated thereunder (the "Regulations"). The Town covenants and agrees not to take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause the interest on the Bonds to be includable in the gross income, as defined in section 61 of the Code, of the holders thereof for purposes of federal income taxation. In particular, the Town covenants and agrees to comply with each requirement of Sections 9.03 through 9.10 of this Article IX; provided, however, that the Town shall not be required to comply with any particular requirement of Sections 9.03 through 9.10 of this Article IX if the Town has received an opinion of nationally recognized bond counsel ("Counsel's Opinion") that such noncompliance will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or if the Town has received a Counsel's Opinion to the effect that compliance with some other requirement set forth in Sections 9.03 through 9.10 of this Article IX will satisfy the applicable requirements of the Code, in which case compliance

with such other requirement specified in such Counsel's Opinion shall constitute compliance with the corresponding requirement specified in Sections 9.03 through 9.10 of this Article IX.

Section 9.04. No Private Use or Payment and No Private Loan Financing.

The Town shall certify, through an authorized officer, employee or agent, that, based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be "private activity bonds" within the meaning of section 141 of the Code and the Regulations. The Town covenants and agrees that it will make such use of the proceeds of the Bonds, including interest or other investment income derived from Bond proceeds, regulate the use of property financed, directly or indirectly, with such proceeds, and take such other and further action as may be required so that the bonds will not be "private activity bonds" within the meaning of section 141 of the Code and the Regulations.

Section 9.05. No Federal Guaranty.

The Town covenants and agrees not to take any action, or knowingly omit to take any action within its control, that, if taken or omitted, respectively, would cause the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code and the Regulations, except as permitted by section 149(b)(3) of the Code and the Regulations.

Section 9.06. Bonds are not Hedge Bonds.

The Town covenants and agrees not to take any action, or knowingly omit to take any action, and has not knowingly omitted and will not knowingly omit to take any action, within its control, that, if taken or omitted, respectively, would cause the Bonds to be "hedge bonds" within the meaning of section 149(g) of the Code and the Regulations.

Section 9.07. No-Arbitrage Covenant.

The Town shall certify, through an authorized officer, employee or agent, that, based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, the Town will reasonably expect that the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be "arbitrage bonds" within the meaning of section 148(a) of the Code and the Regulations. Moreover, the Town covenants and agrees that it will make such use of the proceeds of the Bonds including interest or other investment income derived from Bond proceeds, regulate investments of proceeds of the Bonds, and take such other and further action as may be required so that the Bonds will not be "arbitrage bonds" within the meaning of section 148(a) of the Code and the Regulations.

Section 9.08. Arbitrage Rebate.

If the Town does not qualify for an exception to the requirements of Section 148(f) of the Code, the Town will take all necessary steps to comply with the requirement that certain amounts earned by the Town on the investment of the "gross proceeds" of the Bonds (within the meaning of section 148(f)(6)(B) of the Code), be rebated to the federal government. Specifically, the Town will (i) maintain records regarding the investment of the gross proceeds of the Bonds as

may be required to calculate the amount earned on the investment of the gross proceeds of the Bonds separately from records of amounts on deposit in the funds and accounts of the Town allocable to other bond issue of the Town or moneys which do not represent gross proceeds of any bonds of the Town, (ii) calculate at such times as are required by the Regulations, the amount earned from the investment of the gross proceeds of the Bonds which is required to be rebated to the federal government, and (iii) pay, not less often than every fifth anniversary date of the delivery of the Bonds or on such other dates as may be permitted under the Regulations, all amounts required to be rebated to the federal government. Further, the Town will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Bonds that might result in a reduction in the amount required to be paid to the federal government because such arrangement results in a smaller profit or a larger loss than would have resulted if the arrangement had been at arm's length and had the yield on the issue not been relevant to either party.

Section 9.09. Information Reporting.

The Town covenants and agrees to file or cause to be filed with the Secretary of the Treasury, not later than the 15th day of the second calendar month after the close of the calendar quarter in which the Bonds are issued, an information statement concerning the Bonds, all under and in accordance with section 149(e) of the Code and the Regulations.

Section 9.10. Continuing Obligation.

Notwithstanding any other provision of this Ordinance, the Town's obligations under the covenants and provisions of Sections 9.03 through 9.09 of this Article IX shall survive the defeasance and discharge of the Bonds.

## ARTICLE X
## DEFAULT AND REMEDIES

Section 10.01. Events of Default.

Each of the following occurrences or events for the purpose of this Ordinance is hereby declared to be an Event of Default:

(i) the failure to make payment of the principal of or interest on any of the Bonds when the same becomes due and payable; or

(ii) default in the performance or observance of any other covenant, agreement or obligation of the Town, which default materially and adversely affects the rights of the Owners, including but not limited to, their prospect or ability to be repaid in accordance with this Ordinance, and the continuation thereof for a period of sixty (60) days after notice of such default is given by any Owner to the Town.

Section 10.02. Remedies for Default.

(a) Upon the happening of any Event of Default, then any Owner or an authorized representative thereof, including but not limited to, a trustee or trustees therefor, may proceed against the Town for the purpose of protecting and enforcing the rights of the Owners under this Ordinance, by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant or agreement contained herein, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Owners hereunder or any combination of such remedies.

(b) It is provided that all such proceedings shall be instituted and maintained for the equal benefit of all Owners of Bonds then outstanding.

Section 10.03. Remedies Not Exclusive.

(a) No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Bonds or now or hereafter existing at law or in equity; provided, however, that notwithstanding any other provision of this Ordinance, the right to accelerate the debt evidenced by the Bonds shall not be available as a remedy under this Ordinance.

(b) The exercise of any remedy herein conferred or reserved shall not be deemed a waiver of any other available remedy.

## ARTICLE XI
## DISCHARGE

Section 11.01. Discharge.

The Bonds may be defeased, discharged or refunded in any manner permitted by applicable law.

## ARTICLE XII
## CONTINUING DISCLOSURE UNDERTAKING

Section 12.01. Annual Reports.

(a) The Town shall provide annually to each NRMSIR and to any SID, within six (6) months after the end of each fiscal year ending in or after 2004, financial information and operating data with respect to the Town of the general type included in the final Official Statement, being the information described in Exhibit A hereto. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles described in Exhibit A hereto, and (ii) audited, if the Town commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the Town shall provide notice that audited financial statements are not available and shall provide unaudited financial statements for

the applicable fiscal year to each NRMSIR and any SID. The Town shall provide audited financial statements for the applicable fiscal year to each NRMSIR and to any SID, when and if audited financial statements become available.

(b) If the Town changes its fiscal year, it will notify each NRMSIR and any SID of the change (and of the date of the new fiscal year end) prior to the next date by which the Town otherwise would be required to provide financial information and operating data pursuant to this Section.

(c) The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific referenced to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to each NRMSIR and any SID or filed with the SEC.

Section 12.02. Material Event Notices.

(a) The Town shall notify any SID and either each NRMSIR or the MSRB, in a timely manner, of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws:

(i) principal and interest payment delinquencies;

(ii) nonpayment related defaults;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions or events affecting the tax exempt status of the Bonds;

(vii) modifications to rights of Owners;

(viii) bond calls;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Bonds; and

(xi) rating changes.

(b) The Town shall notify any SID and either each NRMSIR or the MSRB, in a timely manner, of any failure by the Town to provide financial information or operating data in accordance with Section 12.01 of this Ordinance by the time required by such Section.

Section 12.03. Limitations, Disclaimers and Amendments.

(a) The Town shall be obligated to observe and perform the covenants specified in this Article for so long as, but only for so long as, the Town remains an "obligated person" with respect to the Bonds within the meaning of the Rule, except that the Town in any event will give notice of any Bond calls and any defeasances that cause the Town to be no longer an "obligated person."

(b) The provisions of this Article are for the sole benefit of the Owners and beneficial owners of the Bonds, and nothing in this Article, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Town undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Article and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Town's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Article or otherwise, except as expressly provided herein. The Town does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE TOWN BE LIABLE TO THE OWNER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE TOWN, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS ARTICLE, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

(c) No default by the Town in observing or performing its obligations under this Article shall constitute a breach of or default under the Ordinance for purposes of any other provisions of this Ordinance.

(d) Nothing in this Article is intended or shall act to disclaim, waive, or otherwise limit the duties of the Town under federal and state securities laws.

(e) The provisions of this Article may be amended by the Town from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Town, but only if (i) the provisions of this Article, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (A) the Owners of a majority in aggregate principal amount (or any greater amount required by any other provisions of this Ordinance that authorizes

such an amendment) of the Outstanding Bonds consent to such amendment or (B) an entity or individual person that is unaffiliated with the Town (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Owners and beneficial owners of the Bonds. If the Town so amends the provisions of this Article, it shall include with any amended financial information or operating data next provided in accordance with Section 12.01 an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in type of financial information or operating data so provided.

FINALLY PASSED, APPROVED, AND EFFECTIVE on this 24th day of August, 2004.

By: _____
R. Scott Wheeler, Mayor

ATTEST:

_____
Carmen Moran, City Secretary

APPROVED AS TO FORM:

_____
Kenneth Dippel, City Attorney

*Signature Page for Bond Ordinance*

EXHIBIT A

DESCRIPTION OF ANNUAL DISCLOSURE OF FINANCIAL INFORMATION

The following information is referred to in Article XII of this Ordinance.

**Annual Financial Statements and Operating Data**

The financial information and operating data with respect to the Town to be provided annually in accordance with such Section are as specified (and included in the Appendix or other headings of the Official Statement referred to) below:

1. The portions of the financial statements of the Town appended to the Official Statement as Appendix B, but for the most recently concluded fiscal year.

2. Statistical and financial data set forth in Tables 1 through 6 and 8 through 15

**Accounting Principles**

The accounting principles referred to in such Section are the accounting principles described in the notes to the financial statements referred to in Paragraph 1 above.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances shall the Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT

Dated August 9, 2004

**Ratings:**
**Moody's: "Applied For"**
**S&P: "Applied For"**
**("Other Information – Ratings" herein)**

**NEW ISSUE - Book-Entry-Only**

In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law and the Bonds are not private activity bonds. See "Tax Exemption" herein for a discussion of the opinion of Bond Counsel, including a description of alternative minimum tax consequences for corporations.

THE BONDS WILL **NOT** BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

**$10,695,000**
**TOWN OF ADDISON, TEXAS**
**(Dallas County)**
**GENERAL OBLIGATION BONDS, SERIES 2004**

**Dated Date: August 15, 2004** **Due: February 15, as shown below**

**PAYMENT TERMS**. . . Interest on the $10,695,000 Town of Addison, Texas, General Obligation Bonds, Series 2004 (the "Obligations") will accrue from August 15, 2004, (the "Dated Date") and will be payable February 15 and August 15 of each year commencing February 15, 2005, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "The Bonds - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is JPMorgan Chase Bank, Dallas, Texas (see "The Bonds - Paying Agent/Registrar").

**AUTHORITY FOR ISSUANCE** . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") including particularly Vernon's Texas Codes Annotated ("V.T.C.A."), Texas Government Code, Chapter 1331, as amended, and are direct obligations of the Town of Addison, Texas (the "Town"), payable from a continuing ad valorem tax levied on all taxable property within the Town, within the limits prescribed by law, as provided in the ordinance authorizing the Bonds (the "Ordinance") (see "The Bonds - Authority for Issuance").

**PURPOSE** . . . Proceeds from the sale of the Bonds will be used for the purpose of (i) constructing an extension of Arapaho Road from Addison Road to Surveyor Road, including construction of a bridge over Midway Road, with related pedestrian walkways, and (ii) for resurfacing Belt Line Road and for the engineering and design of improvements to the Belt Line Road/Dallas Parkway intersection, and (iii) to pay costs associated with the issuance of the Bonds.

**MATURITY SCHEDULE** **CUSIP[(1)] Prefix: 006644**

| Amount | Maturity | Rate | Yield | CUSIP Suffix [(1)] | Amount | Maturity | Rate | Yield | CUSIP Suffix [(1)] |
|---|---|---|---|---|---|---|---|---|---|
| $ 505,000 | 2005 | | | | $ 730,000 | 2013 | | | |
| 530,000 | 2006 | | | | 765,000 | 2014 | | | |
| 555,000 | 2007 | | | | 805,000 | 2015 | | | |
| 580,000 | 2008 | | | | 840,000 | 2016 | | | |
| 610,000 | 2009 | | | | 880,000 | 2017 | | | |
| 640,000 | 2010 | | | | 920,000 | 2018 | | | |
| 670,000 | 2011 | | | | 965,000 | 2019 | | | |
| 700,000 | 2012 | | | | | | | | |

**(Accrued Interest from August 15, 2004 to be added)**

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by Standard and Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services.

**OPTIONAL REDEMPTION**. . . The Town reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2015, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2014, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Bonds - Optional Redemption").

**LEGALITY**. . . The Bonds are offered for delivery when, as and if issued and received by the Initial Purchaser and subject to the approving opinion of the Attorney General of Texas and the opinion of Vinson & Elkins L.L.P., Bond Counsel, Dallas, Texas (see Appendix C, "Form of Bond Counsel's Opinion").

**DELIVERY**. . . It is expected that the Bonds will be available for delivery through The Depository Trust Company on September 9, 2004.

## SEALED BIDS DUE TUESDAY, AUGUST 24, 2004, AT 11:00 AM, CDT

*This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.*

*No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.*

*For purposes of compliance with Rule 15c 2-12 of the Securities and Exchange Commission (the "Rule"), this document constitutes an Official Statement of the Issuer with respect to the Bonds that has been "deemed final" by the Issuer as of its date except for the omission of no more than the information permitted by the Rule.*

*The information set forth herein has been obtained from the Town and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.*

*Neither the Town nor the Financial Advisors make any representation as to the accuracy, completeness, or adequacy of the information supplied by the Depository Trust Company for use in this Official Statement.*

*The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town or other matters described.*

**TABLE OF CONTENTS**


**OFFICIAL STATEMENT SUMMARY** ..... 3

**CITY OFFICIALS, STAFF AND CONSULTANTS** ..... 5
- ELECTED OFFICIALS ..... 5
- SELECTED ADMINISTRATIVE STAFF ..... 5
- CONSULTANTS AND ADVISORS ..... 5

**INTRODUCTION** ..... 7

**THE BONDS** ..... 7

**TAX INFORMATION** ..... 11
- TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT ..... 13
- TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY ..... 14
- TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY ..... 15
- TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY ..... 15
- TABLE 5 - TEN LARGEST TAXPAYERS ..... 15
- TABLE 6 - TAX ADEQUACY ..... 16
- TABLE 7 - ESTIMATED OVERLAPPING DEBT ..... 16

**DEBT INFORMATION** ..... 17
- TABLE 8 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS ..... 17
- TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION ..... 18
- TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT 18
- TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS ..... 18
- TABLE 12 - OTHER OBLIGATIONS ..... 18

**FINANCIAL INFORMATION** ..... 19
- TABLE 13 – CHANGES IN NET ASSETS ..... 19
- TABLE 13-A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY ..... 20
- TABLE 14 - MUNICIPAL SALES TAX HISTORY ..... 20
- FINANCIAL POLICIES ..... 21
- TABLE 15 - CURRENT INVESTMENTS ..... 23

**TAX MATTERS** ..... 24

**OTHER INFORMATION** ..... 26
- RATINGS ..... 26
- LITIGATION ..... 26
- REGISTRATION AND QUALIFICATION OF BONDS FOR SALE ..... 26
- LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS ..... 26
- LEGAL MATTERS ..... 26
- AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION ..... 27
- CONTINUING DISCLOSURE OF INFORMATION ..... 27
- INITIAL PURCHASER OF THE BONDS ..... 28
- FINANCIAL ADVISOR ..... 28
- FORWARD-LOOKING STATEMENTS DISCLAIMER ..... 28
- CERTIFICATION OF THE OFFICIAL STATEMENT ..... 29

**APPENDICES**
- GENERAL INFORMATION REGARDING THE TOWN ..... A
- EXCERPTS FROM THE ANNUAL FINANCIAL REPORT .. B
- FORM OF BOND COUNSEL'S OPINION ..... C


The cover page hereof, this page, the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

## PRELIMINARY OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

**THE TOWN** ..... The Town of Addison is a political subdivision and municipal corporation of the State, located in Dallas County, Texas. The Town covers approximately 4.4 square miles (see "Introduction - Description of Town").

**THE BONDS** ..... The Bonds are issued as $10,695,000 General Obligation Bonds, Series 2004. The Bonds are issued as serial bonds maturing February 15, 2005 through February 2019, unless the purchaser designates one or more maturities as a Term Bond (see "The Bonds – Description of the Bonds").

**PAYMENT OF INTEREST** ..... Interest on the Bonds accrues from August 15, 2004, and is payable February 15, 2005, and each August 15 and February 15 thereafter until maturity or prior redemption (see "The Bonds - Description of the Bonds," and "The Bonds - Optional Redemption").

**AUTHORITY FOR ISSUANCE**..... The Bonds are issued pursuant to the general laws of the State, including particularly V.T.C.A., Texas Government Code, Chapter 1331, and an Ordinance passed by the City Council of the Town (see "The Bonds - Authority for Issuance").

**SECURITY FOR THE BONDS** ..... The Bonds constitute direct and voted obligations of the Town, payable from an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the Town (see "The Bonds - Security and Source of Payment").

**OPTIONAL REDEMPTION** ..... The Town reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2015, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2014, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

**TAX EXEMPTION** ..... In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law and the Bonds are not private activity bonds. See "Tax Matters - Tax Exemption" for a discussion of the opinion of Bond Counsel, including a description of the alternative minimum tax consequences for corporations.

**USE OF PROCEEDS**..... Proceeds from the sale of the Bonds will be used for (i) constructing an extension of Arapaho Road from Addison Road to Surveyor Road, including construction of a bridge over Midway Road, with related pedestrian walkways, and (ii) for resurfacing Belt Line Road and for the engineering and design of improvements to the Belt Line Road/Dallas Parkway intersection, and (iii) to pay costs associated with the issuance of the Bonds.

**RATINGS** ..... The presently outstanding tax supported debt of the Town is rated "Aa3" by Moody's Investors Service, Inc. ("Moody's") and "AA" by Standard & Poor's Ratings Group, a division of McGraw-Hill ("S&P"). The Town also has issues outstanding which are rated "Aaa" by Moody's and "AAA" by S&P through insurance by various commercial insurance companies. Applications for contract ratings on the Bonds have been made to both Moody's and S&P. The results of their determinations will be provided as soon as possible.

**BOOK-ENTRY-ONLY SYSTEM**..... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "The Bonds - Book-Entry-Only System").

**PAYMENT RECORD** ..... The Town has never defaulted in payment of its debt.

## SELECTED FINANCIAL INFORMATION

| Fiscal Year Ended 9/30 | Estimated City Population | Taxable Assessed Valuation | Per Capita Taxable Assessed Valuation | Net Funded Tax Debt Outstanding [1] | Per Capita Funded Tax Debt | Ratio Funded Tax Debt to Taxable Assessed Valuation | % of Total Tax Collections to Tax Levy |
|---|---|---|---|---|---|---|---|
| 2000 | 14,166 | $ 2,773,661,606 | $ 195,797 | $ 25,572,557 | $ 1,805 | 0.92% | 95.86% |
| 2001 | 14,600 | 3,098,316,865 | 212,213 | 23,157,691 | 1,586 | 0.75% | 99.52% |
| 2002 | 14,500 | 3,194,695,630 | 220,324 | 36,524,307 | 2,519 | 1.14% | 98.40% |
| 2003 | 14,500 | 3,086,892,998 | 212,889 | 39,273,233 | 2,708 | 1.27% | 98.20% |
| 2004 | 14,100 | 2,890,080,786 | 204,970 | 40,556,685 [2] | 2,876 | 1.40% | 97.90% [3] |

(1) The above statement of indebtedness does not include currently outstanding convention center revenue bonds payable from a first lien on the gross receipts of the Hotel Occupancy Tax and revenues of the convention center, as provided in the ordinance authorizing such bonds and general obligation debt for which repayment is provided from revenues of the waterworks and sewer system ("self-supporting debt"). See "Table 1 – Valuation, Exemptions and General Obligation Debt" and "Table 10 – Computation of Self-Supporting Debt" herein.

(2) Projected, includes the Bonds.

(3) Collections for part year only, through July 1, 2004.

For additional information regarding the Town, please contact:


Randolph C. Moravec
Director of Finance
Town of Addison
P.O. Box 9010
Addison, Texas 75001
(972) 450-7050

or

David K. Medanich
Laura Alexander
First Southwest Company
777 Main Street, Suite 1200
Fort Worth, Texas 76102
(817) 332-9710

## CITY OFFICIALS, STAFF AND CONSULTANTS

### ELECTED OFFICIALS

| City Council | Length of Service | Term Expires | Occupation |
|---|---|---|---|
| R. Scott Wheeler<br>Mayor | 7 Years | May, 2005 | Chief Financial Officer |
| Fredric M. Silver<br>Mayor Pro Tempore | 5 Years | May, 2006 | President, Silver Companies, Inc. |
| Joe Chow<br>Deputy Mayor Pro Tempore | 2 Years | May, 2006 | Restaurant Owner/Financial Professional |
| Gregory S. Hirsch<br>Councilmember | 1 Year | May, 2005 | Sales Manager |
| Tom Braun<br>Councilmember | Newly Elected | May, 2006 | President/Commercial General Contractor |
| Jimmy Niemann<br>Councilmember | 1 Year | May, 2005 | IT Solutions Architect |
| Glynda Turner<br>Councilmember | 6 Years | May, 2005 | Attorney/Executive Director |

### SELECTED ADMINISTRATIVE STAFF

| Name | Position | Length of Service |
|---|---|---|
| Ronald Whitehead | City Manager | 22 Years |
| Lea Dunn | Deputy City Manager | 8 Years |
| Chris Terry | Assistant City Manager | 11 Years |
| Randolph C. Moravec | Director of Finance | 17 Years |
| Carmen Moran | Director of Urban Development/City Secretary | 20 Years |

### CONSULTANTS AND ADVISORS

Certified Public Accountants ..... Weaver and Tidwell, L.L.P.
Dallas, Texas

Bond Counsel ..... Vinson & Elkins L.L.P.
Dallas, Texas

Financial Advisor ..... First Southwest Company
Fort Worth, Texas

**THIS PAGE LEFT BLANK INTENTIONALLY**

**PRELIMINARY OFFICIAL STATEMENT**

**RELATING TO**

# $10,695,000
# TOWN OF ADDISON, TEXAS
# GENERAL OBLIGATION BONDS, SERIES 2004

## INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $10,695,000 Town of Addison, Texas, General Obligation Bonds, Series 2004 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Ordinance to be adopted on the date of sale of the Bonds except as otherwise indicated herein.

There follows in this Official Statement description of the Bonds and certain information regarding the Town and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the Town's Financial Advisor, First Southwest Company, Fort Worth, Texas.

**DESCRIPTION OF THE TOWN** . . . The Town is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the Town's Home Rule Charter. The Town's Home Rule Charter originally adopted in 1978, was last amended in 1993. The Town operates under the Council/Manager form of government with a City Council comprised of the Mayor and six Councilmembers. The term of office for Councilmembers is two years with the terms of the Mayor and three of the Councilmembers expiring in odd-numbered years and the terms of the other three Councilmembers expiring in even-numbered years. The City Manager is the chief administrative officer for the Town. Some of the services that the Town provides are: public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, culture-recreation, public improvements, planning and zoning, and general administrative services. The 2000 Census population for the Town was 14,166, and the estimated 2004 population is 14,100. The Town covers approximately 4.4 square miles and is located within the Dallas, Texas, Standard Metropolitan Statistical Area (SMSA).

## THE BONDS

**DESCRIPTION OF THE BONDS** . . . The Bonds are dated August 15, 2004, and mature on February 15 in each of the years and in the amounts and bear interest at per annum rates as shown on the cover page hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15, commencing February 15, 2005. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "Book-Entry-Only System" herein.

**AUTHORITY FOR ISSUANCE** . . . The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, particularly V.T.C.A., Texas Government Code, Chapter 1331, as amended an election held and passed by a majority of the participating voters; and the Ordinance.

**SECURITY AND SOURCE OF PAYMENT** . . . All taxable property within the Town is subject to a continuing direct annual ad valorem tax levied by the Town sufficient to provide for the payment of principal of and interest on all Bonds which tax must be levied within the limits prescribed by law.

**TAX RATE LIMITATION** . . . All taxable property within the Town is subject to the assessment, levy and collection by the Town of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the Town, and limits its maximum ad valorem tax rate to $2.50 per $100 Taxable Assessed Valuation for all Town purposes. The Home Rule Charter of the Town adopts the constitutionally authorized maximum tax rate of $2.50 per $100 Assessed Valuation for all Town purposes. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for debt service on all tax supported debt, as calculated at the time of issuance.

**OPTIONAL REDEMPTION** . . . The Town reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2015, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2014, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the Town may select the maturities of the Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

**NOTICE OF REDEMPTION** . . . Not less than 30 days prior to a redemption date for the Bonds, the Town shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN NOTWITHSTANDING WHETHER ONE OR MORE REGISTERED OWNERS MAY HAVE FAILED TO RECEIVE SUCH NOTICE. If a Bond (or any portion of its principal sum) shall have been duly called for redemption and notice of such redemption duly given, then upon the redemption date such Bond (or the portion of its principal sum to be redeemed) shall become due and payable, and, if monies for the payment of the redemption price and the interest accrued on the principal amount to be redeemed to the date of redemption are held for the purpose of such payment by the Paying Agent/Registrar, interest shall cease to accrue and be payable from and after the redemption date on the principal amount redeemed.

**DEFEASANCE** . . . The Ordinance provides that the Town may discharge its obligations to the registered owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with an eligible place of payment (paying agent) for obligations of the Town amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the Town adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the Town adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any of such Bonds are to be redeemed prior to their date of maturity, provision must have been made for giving notice of redemption as provided in the Ordinance.

**BOOK-ENTRY-ONLY SYSTEM** . . . This section describes how ownership of the Bonds are to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Town believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The Town cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction,

as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Town as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town or Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

**USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT.** In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the Town or the Financial Advisor.

**EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM.** In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the Town, printed certificates will be issued to the respective holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "THE BONDS - Transfer, Exchange and Registration" below.

**PAYING AGENT/REGISTRAR** . . . The initial Paying Agent/Registrar is JPMorgan Chase Bank, Dallas, Texas. In the Ordinance, the Town retains the right to replace the Paying Agent/Registrar. The Town covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the Town agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

**PAYMENT** . . . Interest on the Bonds shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (defined below), and such interest shall be paid (i) by check sent United States Mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Bonds will be paid to the registered owner at their stated maturity or earlier redemption upon presentation to the designated payment/transfer office of the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/ Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

**TRANSFER, EXCHANGE AND REGISTRATION** . . . In the event the Book-Entry-Only System should be discontinued, printed certificates will be delivered to the registered owners and thereafter the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate designated amount as the Bonds surrendered for exchange or transfer. See "Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the Town nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

**RECORD DATE FOR INTEREST PAYMENT** . . . The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the last business day of the month preceding such interest payment date.

In the event of a non payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Town. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

**BONDHOLDERS' REMEDIES** . . . The Ordinance establish as an "Even of Default" (i) the failure to make payment of principal of or interest on the Bonds when due, and (ii) default in the performance or observance of any other covenant, agreement, or obligation of the Town, the failure of which materially, adversely affects the rights of the Owner, including but limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any Owner to the Town. Under State law there is no right to the acceleration of maturity of the Bonds. Although a registered owner of Bonds could presumably obtain a judgment against the Town if a default occurred in the payment of principal of or interest on any such Bonds, such judgment could not be satisfied by execution against any property of the Town. Such registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the Town to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Bonds as it becomes due. The enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. The Ordinance does not provide for the appointment of a trustee to represent the interests of the bondholders upon any failure of the Town to perform in accordance with the terms of the Ordinance, or upon any other condition. Furthermore, the Town is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code. Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the Town avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

## TAX INFORMATION

**TAXABLE PROPERTY AND EXEMPTIONS** . . . Reference is made to the Texas Property Tax Code (the "Property Tax Code"), for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes. The appraisal of property within the Town is the responsibility of the Dallas Central Appraisal District (the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under the Property Tax Code to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the market value of the property, or (2) the sum of (a) 10% of the appraised value of the property for the last year in which the property was appraised for taxation times the number of years since the property was last appraised, plus (b) the appraised value of the property for the last year in which the property was appraised, plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, consisting of three members appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The Town may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the Town by petition filed with the Appraisal Review Board.

Article VIII of the State Constitution ("Article VIII") and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value, and the exemption of certain personal property from ad valorem taxation.

Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant: (1) an exemption of not less than $3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision; (2) an exemption of up to 20% of the market value of residence homesteads. The minimum exemption under this provision is $5,000.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created. Homeowners who turn 65 during a tax year qualify immediately for the over 65 homestead exemption.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from $5,000 to a maximum of $12,000.

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Section 1-d and 1-d-1.

State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the market value of the property or (2) the sum of (a) 10% of the appraised value of the property for the last year in which the property was appraised for taxation times the number of years since the property was last appraised, plus (b) the appraised value of the property for the last year in which the property was appraised plus (c) the market value of all new improvements to the property.

Nonbusiness personal property, such as automobiles or light trucks, are exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats and aircraft owned as nonbusiness property are exempt from ad valorem taxation.

Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

The Town and the other taxing bodies within its territory may agree to jointly create tax increment financing zones, under which the tax values on property in the zone are "frozen" at the value of the property at the time of creation of the zone. The Town also may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The Town in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

As of January 1, 2004, under Article VIII and State law, a county, municipality or junior college, at its option, may provide for a prohibition on increasing the total ad valorem tax, except for increases attributable to certain improvements, on the residence homestead of a disabled person or persons 65 years of age or older above the amount of tax imposed in the year such residence qualified for such exemption and such freeze on ad valorem taxes is transferable to a different residence homestead and to a surviving spouse living in such homestead who is disabled or is at least 55 years of age. Once established, the tax rate limitation m ay not be repealed or rescinded.

**TAX RATE LIMITATION** . . . The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service. The governing body of a taxing unit is required to adopt the annual tax rate for the unit before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the taxing unit, and a failure to adopt a tax rate by such required date will result in the tax rate for the taxing unit for the tax year to be the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the taxing unit for the preceding tax year.

A "truth-in-taxation" process is required by State law. The Town must annually calculate and publicize its "effective tax rate" and "rollback tax rate." The City Council may not adopt a tax rate that if applied to the total taxable value would exceed the lower of the "rollback tax rate" or 103 percent of the effective tax rate (calculated in the month provided in the property tax code) until it has held a public hearing on the proposed tax rate and otherwise complied with the Property Tax Code. If the adopted tax rate exceeds the rollback tax rate, the qualified voters of the Town by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

"Effective tax rate" means the rate that will produce last year's total tax levy (adjusted) from this year's total taxable values (adjusted). "Adjusted" means lost values are not included in the calculation of last year's taxes and new values are not included in this year's taxable values. "Rollback tax rate" means the rate that will produce last year's maintenance and operation tax levy (adjusted) from this year's values (adjusted) multiplied by 1.08 plus a rate that will produce this year's debt service from this year's values (unadjusted) divided by the anticipated tax collection rate.

The Property Tax Code provides that certain cities and counties in the State may submit a proposition to the voters to authorize an additional one-half cent sales tax on retail sales of taxable items. If the additional tax is levied, the effective tax rate and the rollback tax rate calculations are required to be offset by the revenue that will be generated by the sales tax in the current year.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

**PROPERTY ASSESSMENT AND TAX PAYMENT** . . . Property within the Town is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

**PENALTIES AND INTEREST** . . . Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

| Month | Cumulative Penalty | Cumulative Interest | Total |
|---|---|---|---|
| February | 6% | 1% | 7% |
| March | 7 | 2 | 9 |
| April | 8 | 3 | 11 |
| May | 9 | 4 | 13 |
| June | 10 | 5 | 15 |
| July | 12 | 6 | 18 |

After July, penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, a 20% attorney's collection fee is added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the Town's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

**TOWN APPLICATION OF TAX CODE** . . . The Town grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $50,000. The disabled are also granted an exemption of $60,000.

To those who apply, the Town grants an additional exemption of 20% of the market value of residence homesteads with a minimum exemption of $5,000.

See Table 1 for a listing of the amounts of the exemptions described above.

Ad valorem taxes are not levied by the Town against the exempt value of residence homesteads for the payment of debt.

The Town does not tax nonbusiness personal property or aircraft.

The Town collects its own taxes, but effective with the Fiscal Year Ending 2004 the Town has contracted with the County to collect its taxes.

The Town does not permit split payments, and discounts are not allowed.

The Town does tax freeport property.

The Town does not collect the additional one-half cent sales tax for reduction of ad valorem taxes.

The Town has not adopted a tax abatement policy.

The Town has not adopted the freeze for elderly and disabled homeowners.

**TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT**

| | | |
|---|---|---|
| 2003/04 Market Valuation Established by Dallas Central Appraisal District[1] | | $ 3,150,514,470 |
| Less Exemptions/Reductions at 100% Market Value: | | |
| Residence Homestead Exemptions | $ 78,273,062 | |
| Disabled Veterans Exemptions | 139,500 | |
| Agricultural Land Use Reductions | 3,199,511 | |
| Over 65 | 14,072,272 | |
| Disabled Person | 210,000 | |
| Capped Value Loss | 2,268,645 | |
| Mineral Rights | 100 | |
| Pollution Control | 6,574 | |
| Totally Exempt | 162,220,620 | |
| Accounts less than $500 Value | 43,400 | 260,433,684 |
| 2003/04 Taxable Assessed Valuation | | $ 2,890,080,786 |
| Town Funded Debt Payable from Ad Valorem Taxes (as of 7-1-04) | | |
| General Obligation Bonds | $ 48,169,246 | |
| Certificates of Obligation | 9,450,000 | |
| The Bonds | 10,695,000 | |
| Funded Debt Payable from Ad Valorem Taxes | | $ 68,314,246 |
| Less Self-Supporting Debt: | | |
| Hotel Fund General Obligation Debt | | $ 8,000,000 |
| Water and Sewer System General Obligation Debt[2] | | 18,960,859 |
| Net Funded Debt Payable from Ad Valorem Taxes | | $ 41,353,387 |
| Interest and Sinking Fund as of 7-1-04 | | $ 4,570,331 |
| Ratio Total Funded Debt to Taxable Assessed Valuation | | 2.36% |
| Ratio Net Funded Debt to Taxable Assessed Valuation | | 1.43% |

2004 Estimated Population - 14,100
Per Capita Taxable Assessed Valuation - $204,970
Per Capita Total Funded Debt $4,845
Per Capita Net Funded Debt - $2,933

(1) As reported in Supplement #2 dated September 6, 2003.

(2) General obligation debt in the amount shown for which repayment is provided from revenues of the waterworks and sewer system. The amount of self-supporting debt is based on the percentages of revenue support as shown in Table 10. It is the Town's current policy to provide these payments from respective system revenues. This policy is subject to change in the future. To the extent such policy is changed and such self-supporting debt is not paid from the waterworks and sewer system revenues, such debt will be paid from ad valorem taxes.

**TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY**

| | Taxable Appraised Value for Fiscal Year Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2004 | | 2003 | | 2002 | |
| Category | Amount | % of Total | Amount | % of Total | Amount | % of Total |
| Real, Residential Single Family | $ 466,720,240 | 14.81% | $ 439,410,840 | 12.95% | $ 394,682,210 | 11.43% |
| Real, Residential Multi-Family | 291,748,710 | 9.26% | 313,257,330 | 9.23% | 334,784,730 | 9.70% |
| Real, Vacant Lots/Tracts | 93,311,290 | 2.96% | 106,320,520 | 3.13% | 101,126,940 | 2.93% |
| Real, Commercial and Industrial | 1,603,876,490 | 50.91% | 1,790,007,540 | 52.75% | 1,907,074,450 | 55.24% |
| Real, Railroad | - | 0.00% | 917,440 | 0.03% | - | 0.00% |
| Real and Tangible Personal, Utilities | 24,455,300 | 0.78% | 23,873,160 | 0.70% | 26,423,330 | 0.77% |
| Tangible Personal, Commercial | 504,748,480 | 16.02% | 522,884,180 | 15.41% | 497,497,990 | 14.41% |
| Tangible Personal, Industrial | 35,061,160 | 1.11% | 31,770,740 | 0.94% | 39,240,440 | 1.14% |
| Tangible Personal, Other | 130,592,800 | 4.15% | 165,099,280 | 4.87% | 151,555,710 | 4.39% |
| Total Appraised Value Before Exemptions | $ 3,150,514,470 | 100.00% | $ 3,393,541,030 | 100.00% | $ 3,452,385,800 | 100.00% |
| Adjustments | - | | (50,665,423) | | (14,162,868) | |
| Less: Total Exemptions/Reductions | (260,433,684) | | (255,982,609) | | (243,527,302) | |
| Taxable Assessed Value | $ 2,890,080,786 | | $ 3,086,892,998 | | $ 3,194,695,630 | |

| | Taxable Appraised Value for Fiscal Year Ended September 30, | | | |
|---|---|---|---|---|
| | 2001 | | 2000 | |
| Category | Amount | % of Total | Amount | % of Total |
| Real, Residential Single Family | $ 376,496,980 | 11.30% | $ 341,858,550 | 11.42% |
| Real, Residential Multi-Family | 301,573,220 | 9.05% | 223,330,290 | 7.46% |
| Real, Vacant Lots/Tracts | 103,493,440 | 3.11% | 116,805,810 | 3.90% |
| Real, Commercial and Industrial | 1,849,530,610 | 55.52% | 1,744,264,850 | 58.28% |
| Real, Railroad | 722,660 | 0.02% | 550,120 | 0.02% |
| Real and Tangible Personal, Utilities | 23,849,880 | 0.72% | 26,763,760 | 0.89% |
| Tangible Personal, Commercial | 523,969,380 | 15.73% | 446,442,440 | 14.92% |
| Tangible Personal, Industrial | 38,253,590 | 1.15% | 37,496,500 | 1.25% |
| Tangible Personal, Other | 113,602,440 | 3.41% | 55,465,650 | 1.85% |
| Total Appraised Value Before Exemptions | $ 3,331,492,200 | 100.00% | $ 2,992,977,970 | 100.00% |
| Adjustments | - | | - | |
| Less: Total Exemptions/Reductions | (233,175,335) | | (219,316,364) | |
| Taxable Assessed Value | $ 3,098,316,865 | | $ 2,773,661,606 | |

NOTE: Valuations shown are certified taxable assessed values reported by the Dallas Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

**TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY**

| Fiscal Year Ended 9/30 | Estimated Population | Taxable Assessed Valuation | Taxable Assessed Valuation Per Capita | Net Funded Tax Debt Outstanding | Ratio Tax Debt to Taxable Assessed Valuation | Net Funded Debt Per Capita |
|---|---|---|---|---|---|---|
| 2000 | 14,166 | $ 2,773,661,606 | $ 195,797 | $ 25,572,557 | 0.92% | $ 1,805 |
| 2001 | 14,600 | 3,098,316,865 | 212,213 | 23,157,691 | 0.75% | 1,586 |
| 2002 | 14,500 | 3,194,695,630 | 220,324 | 36,524,307 | 1.14% | 2,519 |
| 2003 | 14,500 | 3,086,892,998 | 212,889 | 39,273,233 | 1.27% | 2,708 |
| 2004 | 14,100 | 2,890,080,786 | 204,970 | 40,556,685 (1) | 1.40% | 2,876 |

(1) Includes the Bonds.

**TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY**

| Fiscal Year Ended 9/30 | Tax Rate | Distribution | | Tax Levy | % of Current Tax Collections to Tax Levy | % of Total Tax Collections to Tax Levy |
|---|---|---|---|---|---|---|
| | | General Fund | Interest and Sinking Fund | | | |
| 2000 | $ 0.3846 | $ 0.1582 | $ 0.2264 | $ 10,667,502 | 99.38% | 95.86% |
| 2001 | 0.3810 | 0.1662 | 0.2148 | 11,804,587 | 99.41% | 99.52% |
| 2002 | 0.3848 | 0.1804 | 0.2044 | 12,293,190 | 98.30% | 98.40% |
| 2003 | 0.3999 | 0.1890 | 0.2109 | 12,344,525 | 97.90% | 98.20% |
| 2004 | 0.4228 | 0.2201 | 0.2027 | 12,221,740 | 98.10% (1) | 97.90% (1)(2) |

(1) Collections for part year only, as of July 1, 2004.
(2) Total tax collections are less than current tax collections as a result of a refund of prior year taxes due to reduced property values ordered by district court judgements.

**TABLE 5 - TEN LARGEST TAXPAYERS**

| Name of Taxpayer | Nature of Property | 2003/04 Taxable Assessed Valuation | % of Total Taxable Assessed Valuation |
|---|---|---|---|
| EOP Collonade of Dallas | Land, Office Buildings | $ 115,484,440 | 4.00% |
| Addison Circle Two, Ltd. | Mixed Development | 107,500,000 | 3.72% |
| Crescent Real Estate | Land, Office Buildings | 79,682,310 | 2.76% |
| MBNA Texas Properties | Land, Office Buildings | 56,200,390 | 1.94% |
| Richmont Properties dba Mary Kay, Inc. | Land, Office Buildings | 55,149,810 | 1.91% |
| Spectrum Center Ltd. | Office Buildings | 52,258,950 | 1.81% |
| FSP Addison Cir LTD PS | Office Buildings | 51,000,000 | 1.76% |
| Millennium Park Ph I LP | Land, Office Buildings | 46,789,830 | 1.62% |
| ATV Partners LTD | Shopping Center | 40,500,000 | 1.40% |
| AER Mfg. LP | Manufacturing | 36,351,280 | 1.26% |
| | | $ 640,917,010 | 22.18% |

**GENERAL OBLIGATION DEBT LIMITATION** . . . No general obligation debt limitation is imposed on the Town under current State law or the Town's Home Rule Charter (see "Tax Rate Limitation").

**TABLE 6 - TAX ADEQUACY** [1]

| | |
|---|---|
| 2004 Principal and Interest Requirements for Debt | $ 6,341,457 |
| $0.2228 Tax Rate at 98.50% Collection Produces | $ 6,342,513 |
| Average Annual Principal and Interest Requirements for Debt, 2004 - 2019 | $ 3,807,977 |
| $0.1338 Tax Rate at 98.50% Collection Produces | $ 3,808,924 |
| Maximum Principal and Interest Requirements for Debt, 2005 | $ 6,341,457 |
| $0.2228 Tax Rate at 98.50% Collection Produces | $ 6,342,513 |

(1) Includes the Bonds.

**TABLE 7 - ESTIMATED OVERLAPPING DEBT**

Expenditures of the various taxing entities within the territory of the Town are paid out of ad valorem taxes levied by such entities on properties within the Town. Such entities are independent of the Town and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the Town, the Town has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the Town.

| Taxing Jurisdiction | 2003/04 Taxable Assessed Value | 2003/04 Tax Rate | Total G.O. Debt | Estimated % Applicable | Overlapping G.O. Debt As of 7-1-04 | Authorized But Unissued Debt as of 7-1-04 |
|---|---|---|---|---|---|---|
| Town of Addison | $ 2,890,080,786 | $ 0.39990 | $ 41,353,387 [1] | 100.00% | $ 41,353,387 | $ 17,000,000 |
| Carrollton/Farmers Branch Independent School District | 12,921,423,875 | 1.73580 | 327,636,919 | 1.07% | 3,505,715 | 243,765,000 |
| Dallas County | 127,663,414,000 | 0.20390 | 238,597,395 | 2.50% | 5,964,935 | 6,200,000 |
| Dallas County Community College District | 132,486,360,590 | 0.07780 | 43,125,000 | 2.50% | 1,078,125 | - |
| Dallas County Hospital District | 127,660,441,063 | 0.25400 | 6,670,000 | 2.50% | - | - |
| Dallas Independent School District | 57,782,665,261 | 1.63950 | 939,099,255 | 3.83% | 35,967,501 | 701,167,179 |
| Total Direct and Overlapping G.O. Debt | | | | | $ 87,869,663 | |
| Ratio of Direct and Overlapping G.O. Debt to Taxable Assessed Valuation | | | | | 3.04% | |
| Per Capita Overlapping G.O. Debt | | | | | 6,231.89 | |

(1) Includes the Bonds.

**TABLE 8 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**

| Fiscal Year | Outstanding Debt Service Requirements [1] Principal | Outstanding Debt Service Requirements [1] Interest | The Bonds [2] Principal | The Bonds [2] Interest | Total Debt Service Requirements | Less: Hotel Self-Supporting Debt Service Requirements | Less: W&S Self-Supporting Debt Service Requirements [3] | Total Net Tax Supported Debt Service Requirements | % of Principal Retired |
|---|---|---|---|---|---|---|---|---|---|
| 2004 | $ 4,401,701 | $ 4,220,477 | | | $ 8,622,178 | $ 315,087 | $ 1,965,634 | $ 6,341,457 | |
| 2005 | 4,142,545 | 4,041,804 | $ 505,000 | $ 480,355 | 9,169,704 | 704,613 | 2,295,782 | 6,169,308 | |
| 2006 | 4,575,000 | 2,071,344 | 530,000 | 456,550 | 7,632,894 | 705,888 | 2,295,125 | 4,631,881 | |
| 2007 | 4,750,000 | 1,897,679 | 555,000 | 431,595 | 7,634,274 | 706,713 | 2,294,063 | 4,633,498 | |
| 2008 | 5,235,000 | 1,688,781 | 580,000 | 405,490 | 7,909,271 | 712,013 | 2,543,028 | 4,654,230 | 35.14% |
| 2009 | 5,435,000 | 1,477,816 | 610,000 | 378,120 | 7,900,936 | 711,788 | 2,545,494 | 4,643,654 | |
| 2010 | 5,660,000 | 1,261,214 | 640,000 | 349,370 | 7,910,584 | 716,038 | 2,543,106 | 4,651,439 | |
| 2011 | 5,425,000 | 1,026,539 | 670,000 | 319,240 | 7,440,779 | 719,688 | 2,733,644 | 3,987,447 | |
| 2012 | 5,665,000 | 794,831 | 700,000 | 287,730 | 7,447,561 | 722,019 | 2,732,656 | 3,992,886 | |
| 2013 | 5,890,000 | 568,136 | 730,000 | 254,840 | 7,442,976 | 722,263 | 2,733,666 | 3,987,048 | 78.84% |
| 2014 | 2,660,000 | 394,029 | 765,000 | 220,455 | 4,039,484 | 726,775 | - | 3,312,709 | |
| 2015 | 2,785,000 | 269,420 | 805,000 | 184,345 | 4,043,765 | 725,900 | - | 3,317,865 | |
| 2016 | 1,900,000 | 159,088 | 840,000 | 146,510 | 3,045,598 | 728,463 | - | 2,317,135 | |
| 2017 | 1,985,000 | 71,694 | 880,000 | 106,950 | 3,043,644 | 729,319 | - | 2,314,325 | |
| 2018 | 715,000 | 13,406 | 920,000 | 65,550 | 1,713,956 | 728,406 | - | 985,550 | 98.66% |
| 2019 | - | - | 965,000 | 22,195 | 987,195 | - | - | 987,195 | 100.00% |
| | $ 61,224,246 | $ 19,956,258 | $ 10,695,000 | $ 4,109,295 | $ 95,984,799 | $ 10,374,973 | $ 24,682,198 | $ 60,927,627 | |

(1) "Outstanding Debt" includes capital lease and self-supporting debt.
(2) Average life of the issue - 8.353 years. Interest on the Bonds has been calculated at the rate of 4.60% for purposes of illustration.
(3) The amount shown represents general obligation debt, less that portion of general obligation debt that is considered to be self-supporting debt payable from the net revenues of the Town's waterworks and sewer system. See Tables 1 and 10 and accompanying footnotes.

**TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION**

| | | |
|---|---|---|
| General Purpose Debt Service Requirements, Fiscal Year Ending 9/30/04 | | $ 6,341,460 |
| Budgeted Interest and Sinking Fund Balance, as of 9/30/03 | $ 2,113,424 | |
| Budgeted Interest and Sinking Fund Tax Levy @ 98.5% Collection | 5,794,640 | |
| Other Revenues and Income | 75,000 | 7,983,064 |
| Ending Fund Balance, 9/30/04 | | $ 1,641,604 |

**TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT**

| | |
|---|---|
| Net Revenues available from Waterworks and Sewer System, Fiscal Year 9-30-03 | $ 1,472,365 |
| Less: Revenue Bond Requirements, 2004 Fiscal Year | - |
| Balance Available for other purposes | $ 1,472,365 |
| System General Obligation Bond Requirements, 2004 Fiscal Year | 1,965,634 |
| Balance | -$ 493,269 (1) |
| Percentage of System General Obligation Bonds Self-Supporting | 100.00% |

(1) Payment was made in full from System fund balance.

**TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS**

| Purpose | Date Authorized | Amount Authorized | Amount Heretofore Issued | Amount Being Issued | Unissued Balance |
|---|---|---|---|---|---|
| Library | 10/17/1981 | $ 1,000,000 | $ - | $ - | $ 1,000,000 |
| Water System Improvement | 10/17/1981 | 4,155,000 | 930,000 | - | 3,225,000 |
| Sewer System Improvement | 10/17/1981 | 615,000 | 170,000 | - | 445,000 |
| Arapaho Road Street Improvements | 2/12/2000 | 20,500,000 | 14,005,000 | 6,495,000 | - |
| Street Improvements | 2/12/2000 | 11,500,000 | 3,600,000 | 4,200,000 | 3,700,000 |
| Road Utilities/Streetscape | 2/12/2000 | 11,000,000 | 2,370,000 | - | 8,630,000 |
| | | $ 48,770,000 | $ 21,075,000 | $ 10,695,000 | $ 17,000,000 |

**ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT** . . . The Town anticipates issuing approximately $4,000,000 in Certificates of Obligation within the next 3 months for airport improvements.

**TABLE 12 - OTHER OBLIGATIONS**

The Town has no unfunded debt outstanding.

**PENSION FUND** . . . The Town provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of over 731 administered by TMRS, an agent multiple-employer public employment retirement system. (For more detailed information concerning the retirement plan, see Appendix B, "Excerpts from the Town's Annual Financial Report".)

## FINANCIAL INFORMATION

**TABLE 13 – CHANGES IN NET ASSETS [1]**

| | Fiscal Year Ended September 30, ($ Thousands) | |
|---|---|---|
| **Revenues:** | 2003 | 2002 |
| Program Revenues | | |
| Charges for Services | $ 3,839 | $ 3,554 |
| Operating Grants and Contributions | 521 | 159 |
| General Revenues | | |
| Property Taxes | 11,595 | 12,064 |
| Other taxes | 15,321 | 16,630 |
| Other | 967 | 1,337 |
| **Total Revenues** | $ 32,243 | $ 33,744 |
| | | |
| **Expenses:** | | |
| General government | $ 5,178 | $ 5,730 |
| Public safety | 10,982 | 11,895 |
| Development services | 489 | 524 |
| Street and sanitation | 4,899 | 4,879 |
| Parks and recreation | 3,633 | 3,853 |
| Visitor Services | 5,117 | 5,639 |
| Interest on long-term debt | 1,999 | 1,836 |
| Airport | - | - |
| Water and sewer utility | - | - |
| **Total Expenses** | $ 32,297 | $ 34,356 |
| | | |
| Increase (decrease) in Net Assets | $ (54) | $ (612) |
| Net Assets - October 1 | 127,295 | 127,907 |
| Net Assets - September 30 | $ 127,241 | $ 127,295 |

(1) For the fiscal year ended September 30, 2002, the Town implemented Government Accounting Standards Board Statement No. 34 ("GASB 34"). Since prior fiscal year financial data has not been restated in accordance with GASB 34, this table presents data for the fiscal years ended September 30, 2002, and September 30, 2003 only. In accordance with GASB 34, the Town's financial statements for the fiscal year ended September 30, 2003, which are attached hereto as Appendix B, include a management discussion and analysis of the operating results of such fiscal year. Reference is made to Appendix B for such information.

**TABLE 13-A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY**

| | Fiscal Year Ended September 30, | | | | |
|---|---|---|---|---|---|
| Revenues | 2003 | 2002 | 2001 | 2000 | 1999 |
| Taxes | $ 15,452,332 | $ 15,439,004 | $ 15,658,516 | $ 14,948,212 | $ 13,288,794 |
| Franchise Fees | 2,450,145 | 3,169,378 | 3,026,839 | 2,779,740 | 2,676,254 |
| Licenses and Permits | 386,824 | 340,387 | 466,749 | 502,003 | 750,688 |
| Intergovernmental Revenues | - | 138,207 | 153,932 | 35,867 | 1,641 |
| Service Fees | 1,158,469 | 1,169,135 | 1,096,663 | 1,082,111 | 1,044,216 |
| Fines and Forfeitures | 686,311 | 827,327 | 785,775 | 793,222 | 661,709 |
| Interest Income | 108,448 | 208,439 | 477,930 | 344,284 | 286,603 |
| Rental and Other | 258,241 | 149,810 | 290,213 | 145,678 | 160,225 |
| Total Revenues | $ 20,500,770 | $ 21,441,687 | $ 21,956,617 | $ 20,631,117 | $ 18,870,130 |
| Expenditures | | | | | |
| General Government | $ 4,916,867 | $ 5,400,331 | $ 4,786,844 | $ 3,899,338 | $ 3,896,783 |
| Public Safety | 11,040,379 | 11,507,994 | 10,879,775 | 10,330,988 | 9,936,450 |
| Urban Development | 485,810 | 503,924 | 463,937 | 458,096 | 496,586 |
| Streets | 1,504,349 | 1,461,874 | 1,359,732 | 1,136,205 | 1,128,884 |
| Parks and Recreation | 3,114,382 | 3,095,378 | 2,842,631 | 2,635,412 | 2,420,163 |
| Total Expenditures | $ 21,061,787 | $ 21,969,501 | $ 20,332,919 | $ 18,460,039 | $ 17,878,866 |
| Revenues Over (Under) Expenditures | $ (561,017) | $ (527,814) | $ 1,623,698 | $ 2,171,078 | $ 991,264 |
| Other Sources (Uses), Net | - | (574,767) | 425,000 | (1,196,000) | (600,000) |
| Change in Fund Balance | $ (561,017) | $ (1,102,581) | $ 2,048,698 | $ 975,078 | $ 391,264 |
| Beginning Fund Balance | 8,575,659 | 9,678,241 | 6,491,233 | 5,516,155 | 5,124,891 |
| Residual Equity Transfer Out | - | - | 1,138,310 | - | - |
| Ending Fund Balance | $ 8,014,642 | $ 8,575,660 | $ 9,678,241 | $ 6,491,233 | $ 5,516,155 |

**TABLE 14 - MUNICIPAL SALES TAX HISTORY**

The Town has adopted the Municipal Sales and Use Tax Act, V.T.C.A., Tax Code, Chapter 321, which grants the Town the power to impose and levy a 1% Local Sales and Use Tax within the Town; the proceeds are credited to the General Fund and are not pledged to the payment of the Bonds. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the Town monthly.

| Fiscal Year Ended 9/30 | Total Collected | % of Ad Valorem Tax Levy | Equivalent of Ad Valorem Tax Rate | Per Capita |
|---|---|---|---|---|
| 2000 | $ 10,056,019 | 94.27% | $ 0.3626 | $ 710 |
| 2001 | 9,801,182 | 83.03% | 0.3163 | 671 |
| 2002 | 9,020,793 | 73.38% | 0.2824 | 622 |
| 2003 | 8,971,759 | 72.68% | 0.2906 | 619 |
| 2004 (1) | 7,027,202 | 57.50% | 0.2431 | 498 |

(1) Collection for part year only, through July 1, 2004.

**FINANCIAL POLICIES**

*Basis of Accounting*. . . The accounting policies of the Town conform to generally accepted accounting principles for governmental entities as promulgated by the Government Accounting Standards Board. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the combined balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the combined balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental funds types, expendable trust funds and agency funds. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual ( i.e., when they become both measurable and available). "Measurable" means collectible within the current period of soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recorded when the related fund liability is incurred. However, principal of and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Major revenue sources which have been treated as susceptible to accrual under the modified basis of accounting include property taxes, charges for services, intergovernmental revenues, an d investment of idle funds.

The accrual basis of accounting is utilities by proprietary funds types. Under this method, revenue is recorded when earned and expenses are recorded at the time liabilities are incurred.

The Town reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meeting both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualified expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

*Budgetary Procedures* . . . The City Council follows these procedures in establishing the budgets reflected in the financial statements:

1. At least 60 days prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted at which all interested persons' comments concerning the budget are heard.

3. The budget is legally enacted by the City Council through passage of an ordinance prior to the beginning of the fiscal year.

4. Transfers between expenditure accounts in one department may occur with the approval of the Finance Director. Transfers between operating departments may occur with the approval of the City Manager and Finance Director provided that a department's total budget is not changed by more than five percent. Transfers between fund or transfers between departments which change a department's total budget by more than five percent must be accomplished by budget amendment approved by the City Council. Budget amendments calling for new fund appropriations must also be approved by the City Council.

For all budgets of the Town, the Town Charter requires only that funds be certified as available for expenditure. Legally, expenditures may exceed budgeted appropriations as long as those expenditures are certified as funds being available.

Budgetary control is maintained at the individual expenditure account level by the review of all requisitions of estimated purchase amounts prior to the release of purchase orders to vendors. Open encumbrances are reported as reservations of fund balance at September 30, 2003.

5. Budgets for the General, Special Revenue and Debt Service Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgets for the Capital Project Funds are normally established pursuant to the terms of the related bond indentures, that is, project basis.

Budgeted amounts are as originally adopted or as amended by the City Council. Individual amendments were not material in relation to the original appropriations which were amended.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Addison, Texas for its comprehensive annual financial report for the fiscal year ended September 30, 2002. This Certificate is the highest form of recognition for excellence in state and local government financial reporting. A Certificate of Achievement is valid for a period of one year only.

In addition to the Certificate, the Town received GFOA's Award for Distinguished Budget Presentation for its fiscal year 2004 annual budget document. Together, the Award and the Certificate are evidence of the Finance department's dedication to producing documents which effectively communicate the Town's financial condition to elected officials, city administrators, and the general public.

**INVESTMENTS**

The Town invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the City Council. Both state law and the Town's investment policies are subject to change.

**LEGAL INVESTMENTS.** Under Texas law, the Town is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent, (6) bonds issued, assumed, or guaranteed by the State of Israel, (7) certificates of deposit issued by a state or national bank domiciled in Texas, a savings bank domiciled in Texas, or a state or federal credit union domiciled in Texas that are (i) guaranteed or insured by the Federal Deposit Insurance Company or its successor or the National Credit Union Share Insurance Fund or its successor or (ii) secured by obligations that are described in clauses (1) through (6) above, including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates or (iii) in any other manner and amount provided by law for deposits of the Town, (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1) above and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas, (9) bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (10) commercial paper that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (11) no-load money market mutual funds regulated by the Securities and Exchange Commission that have a dollar weighted average portfolio maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share, (12) no-load mutual funds registered with the Securities and Exchange Commission that: have an average weighted maturity of less than two years; invests exclusively in obligations described in the preceding clauses; and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent; provided, however, that the Town is not authorized to invest in the aggregate more than 15% of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in such no-load mutual funds, and (13) for bond proceeds, guaranteed investment contracts that have a defined termination date, are secured by obligations of the United States or its agencies and instrumentalities in an amount at least equal to the amount invested under the contract, and are pledged to the Town and deposited with the Town or with a third party selected and approved by the Town.

Effective September 1, 2003, governmental bodies in the State are authorized to implement securities lending programs if (i) the securities loaned under the program are collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) of the first paragraph under this subcaption, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm not less than "A: or its equivalent, or (c) cash invested in obligations that are described in clauses (1) through (6) and (10) through (12) of the first paragraph under this subcaption, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the governmental body, held in the name of the governmental body, held in the name of the governmental body and deposited at the time the investment is made with the Town or a third party designated by the Town; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The Town may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAm or an equivalent by at least one nationally recognized rating service. The Town may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 806-1 et. seq.) or with the State Security Board to provide for the investment and management of its public funds or other funds under its control for a term of up to two years but the Town retains ultimate responsibility as fiduciary of its assets. The Town is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no

principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

**INVESTMENT POLICIES** . . . Under Texas law, the Town is required to invest its funds pursuant to written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for Town funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All Town funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, Town investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the Town shall submit an investment report detailing: (1) the investment position of the Town, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest Town funds without express written authority from the City Council.

**ADDITIONAL PROVISIONS** . . . Under Texas law the Town is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt an order or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the said order or resolution, (3) require any investment officers' with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the registered principal of firms seeking to sell securities to the Town to: (a) receive and review the Town's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the Town's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (8) restrict the investment in mutual funds in the aggregate to no more than 15% of the Town's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt services, and to invest no portion of bond proceeds, reserves and funds held for debt service in mutual funds; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the Town.

**TABLE 15 - CURRENT INVESTMENTS**

As of July 1, 2004, the Town's investable funds were invested in the categories listed above. As of such date, 32% of the Town's portfolio will mature within six months. The market value of the investment portfolio was approximately 99.4% of its purchase price.

| Description | Percent | Book Value | Market Value |
|---|---|---|---|
| TexPool | 24.55% | $ 9,933,190 | $ 9,933,190 |
| Government Securities | 75.45% | 30,524,042 | 30,376,719 |
| | 100.00% | $ 40,457,232 | $ 40,309,909 |

## TAX MATTERS

**TAX EXEMPTION** . . . In the opinion of Vinson & Elkins L.L.P., Bond Counsel, (i) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law and (ii) the Bonds are not "private activity bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Bonds will not be subject to the alternative minimum tax on individuals and corporations, except as described below in the discussion regarding the adjusted current earnings adjustment for corporations.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States, and requirement that the issuer file an information report with the Internal Revenue Service. The Town has covenanted in the Ordinance that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Ordinance pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the Town, the Town's Financial Advisor and the Initial purchasers of the Bonds with respect to matters solely within the knowledge of the Town, the Town's Financial Advisor and the initial purchasers of the Bonds, respectively, which Bond Counsel has not independently verified. If the Town should fail to comply with the covenants in the Ordinance or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

The Code also imposes a 20% alternative minimum tax on the "alternative minimum taxable income" of a corporation, if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. Generally, the alternative minimum taxable income of a corporation (other than any S corporation, regulated investment company, REIT, REMIC or FASIT), includes 75% of the amount by which its "adjusted current earnings" exceeds its other "alternative minimum taxable income." Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation's "adjusted current earnings," ownership of the Bonds could subject a corporation to alternative minimum tax consequences.

Under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Except as stated above, and as stated below in "Tax Accounting Treatment of Original Issue Discount Bonds", Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the U.S. may be subject to the "branch profits tax" on their effectively-connected earnings and profits including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date hereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Town as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

**TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT CERTIFICATES** . . . The initial public offering price for certain of the Bonds may be less than the principal amount thereof (the "Original Issue Discount Bonds"). In such case, Bond Counsel, under existing law and based upon the assumptions hereinafter stated, will render an opinion to the effect that:

(a) The difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds; and

(b) Such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "Tax Exemption" generally applies, except as otherwise provided below, to original issue discount on an Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the Official Statement.)

In rendering the foregoing opinion, Bond Counsel will assume, in reliance upon certain representations of the initial purchaser, that (a) the initial purchaser has purchased the Bonds for contemporaneous sale to the public and (b) all of the Original Issue Discount Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof. Neither the Town nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions. Certain of the representations of the initial purchaser, upon which Bond Counsel will rely in rendering the foregoing opinion, will be based on records or facts the initial purchaser had no reason to believe were not correct.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semi-annual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

## OTHER INFORMATION

### RATINGS

The presently outstanding tax-supported debt of the Town is rated "Aa3" by Moody's and "AA" by S&P. The Town also has issues outstanding which are rated "Aaa" by Moody's and "AAA" by S&P through insurance by various commercial insurance companies. Applications for contract ratings on this issue have been made to Moody's and S&P. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the Town makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds.

### LITIGATION

It is the opinion of the City Attorney and Town Staff that there is no pending litigation against the Town that would have a material adverse financial impact upon the Town or its operations.

### REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The Town assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

### LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. In addition, various provisions of the Texas Finance Code provide that, subject to a prudence standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations.

**General Considerations**. For political subdivisions in Texas that have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (V.T.C.A., Government Code, Chapter 2256), the Bonds may have to be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. The Town has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The Town has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

### LEGAL MATTERS

The Town will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Bond and to the effect that the Bonds are valid and legally binding obligations of the Town, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law and the Bonds are not private activity bonds, subject to the matters described under "Tax Matters" herein, including alternative minimum tax consequences for corporations. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Bonds will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement to verify that such description conforms to the provisions of the Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System.

### AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from Town records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

### CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the Town has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The Town is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Town will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain information vendors. This information will be available to securities brokers and others who subscribe to receive the information from the vendors.

**ANNUAL REPORTS** . . . The Town will provide certain updated financial information and operating data to certain information vendors annually. The information to be updated includes all quantitative financial information and operating data with respect to the Town of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 15 and in Appendix B. The Town will update and provide this information within six months after the end of each fiscal year ending in or after 2004. The Town will provide the updated information to each nationally recognized municipal securities information repository ("NRMSIR") and to any state information depository ("SID") that is designated by the State of Texas and approved by the State of Texas and approved by the staff of the United States Securities and Exchange Commission (the "SEC").

The Town may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if the Town commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the Town will provide audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the Town may be required to employ from time to time pursuant to state law or regulation.

The Town's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the Town changes its fiscal year. If the Town changes its fiscal year, it will notify each NRMSIR and the SID of the change.

The Municipal Advisory Council of Texas has been designated by the State of Texas and approved by the SEC staff as a qualified SID. The address of the Municipal Advisory Council is 600 West 8th Street, P. O. Box 2177, Austin, Texas 78768-2177, and its telephone number is 512/476-6947.

**MATERIAL EVENT NOTICES** . . . The Town will also provide timely notices of certain events to certain information vendors. The Town will provide notice of any of the following events with respect to the Bonds, if such event is material to a decision to purchase or sell Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds; (8) Bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes. In addition, the Town will provide timely notice of any failure by the Town to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports." The Town will provide each notice described in this paragraph to the SID and to either each NRMSIR or the Municipal Securities Rulemaking Board ("MSRB").

**AVAILABILITY OF INFORMATION FROM NRMSIRS AND SID** . . . The Town has agreed to provide the foregoing information only to NRMSIRs and the SID. The information will be available to holders of Bonds only if the holders comply with the procedures and pay the charges established by such information vendors or obtain the information through securities brokers who do so.

**LIMITATIONS AND AMENDMENTS** . . . The Town has agreed to update information and to provide notices of material events only as described above. The Town has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Town makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The Town disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the Town to comply with its agreement.

The Town may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Town, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the Town (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The Town may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the SEC Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of the SEC Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the Town so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

### COMPLIANCE WITH PRIOR UNDERTAKINGS

The Town became obligated to file annual reports with the state information depository ("SID") and each nationally recognized municipal securities information repository ("NRMSIR") beginning with an offering in 1995. The Town made the required filings each year, but certain filings were made late, due to a misunderstanding about the requirements of SEC Rule 15c2-12. The Town issued official statements for its bond issuances in 1999, 2000 and 2001 and incorrectly stated that it was in compliance with prior continuing disclosure undertakings. In addition, the report due on March 31, 2002 was filed late with the SID and NRMSIRs due to an administrative oversight. The Town and its financial advisor have since filed all of the required documents on a timely basis and taken steps to ensure timely filing of reports in the future.

### INITIAL PURCHASER OF THE BONDS

After requesting competitive bids for the Bonds, the Town accepted the bid of _____ (the "Initial Purchaser of the Bonds") to purchase the Bonds at the interest rates shown on the (inside) cover page of the Official Statement at a price of par plus a cash premium (if any) of $_____. The Initial Purchaser of the Bonds can give no assurance that any trading market will be developed for the Bonds after their sale by the Town to the Initial Purchaser of the Bonds. The Town has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser of the Bonds.

### FINANCIAL ADVISOR

First Southwest Company is employed as Financial Advisor to the Town in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. First Southwest Company may submit a bid for the Bonds, either independently or as a member of a syndicate organized to submit a bid for the Bonds. First Southwest Company, in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the Town has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the Town and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

### FORWARD-LOOKING STATEMENTS DISCLAIMER

The statements contained in this Official Statement, and in any other information provided by the Town, that are not purely historical, are forward-looking statements, including statements regarding the Town's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Town on the date hereof, and the Town assumes no obligation to update any such forward-looking statements. The Town's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and

future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Town. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

### CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Bonds, the Town will furnish a certificate, executed by proper officers, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the Town contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Bonds and the acceptance of the best bid therefore, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the Town and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the Town, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the Town believes to be reliable and the Town has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the Town since the date of the last audited financial statements of the Town.

The Ordinance will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Bonds by the Purchaser.

R. SCOTT WHEELER
Mayor
Town of Addison, Texas

ATTEST:

CARMEN MORAN
Town Secretary

# APPENDIX A

GENERAL INFORMATION REGARDING THE TOWN

**DESCRIPTION OF THE TOWN** . . . The Town of Addison (4.4 square miles in area), incorporated in 1953, is located in Dallas County 12 miles north of downtown Dallas. Addison is bounded on the east by the extension of the Dallas North Tollway and is bisected east to west by Belt Line Road.

**GOVERNMENT** . . . The Town is governed by a City Council composed of six councilmembers and the Mayor. The Mayor and councilmembers serve staggered two-year terms. The day-to-day operations of Addison are conducted by a Town Manager who is selected by the City Council. The Town's Home Rule Charter was adopted in 1978 and was last amended in January, 1993. The charter provides for a City Council comprised of the Mayor and six councilmembers. Under the charter the Mayor may vote on all items coming before the Council.

**POPULATION** . . . The U.S. Census Bureau set the 1970 population at 550, the 1980 population at 5,553, the 1990 population at 8,783 and the 2000 population at 14,166, and the Town estimates the 2004 population to be 14,100.

**ECONOMY** . . . Addison is located in the "platinum corridor" of North Dallas and has been called the "epicenter of a new downtown uptown". The Dallas area has become a major financial center of the nation and is rapidly emerging as a national leader in the areas of corporate headquarter locations, product distribution centers, light "clean" manufacturing in such areas as electronics and data processing, and as a principal fashion center. Addison manifests the best features of the area by creating an environment conducive to office, retail and residential uses. With its beautifully landscaped boulevards and strict enforcement of building, sign and landscaping codes, the Town has attracted quality development without the nuisances usually associated with rapid urbanization. Fine restaurants, boutiques and specialty stores are located in the Town to serve the growing work force and the affluent Addison-North Dallas area. Addison is a prime and desirable location for many businesses seeking relocation in the area.

Among the top ten employers in the Town are the following:

| Company | Type of Business | Estimated Number of Employees |
|---|---|---|
| MBNA Information Systems, Inc. | Credit Clearinghouse | 2,000 |
| Excel Telecommunications Inc. | Telecommunications | 1,400 |
| Mary Kay Cosmetics Inc. | Cosmetics | 1,000 |
| Elcor Corporation | Building Materials | 867 |
| Pizza Inn Corporate Offices | Food Specialties | 820 |
| CompUSA | Computers | 600 |
| Bombadier Aerospace Corp. | Aircraft | 600 |
| Frito Lay Inc. | Food Specialties | 500 |
| Hotel Inter-Continental Dallas | Hotel | 483 |
| Intecom, Inc. | Communications | 350 |

Source: Addison Town staff.

**AIRPORT** . . . The Town of Addison owns a general aviation airport, a single runway facility ranked by the Federal Aviation Administration as the busiest airport of its kind. The runway is 7,200 feet in length and can accommodate general aviation aircraft through 120,000 pounds gross weight including Boeing 737's and DC9's. The airport is home to almost 309 aircraft valued at over $133 million and houses several fixed base operations, which provide fuel and maintenance services. The airport is used extensively by corporate executives who wish to conduct business in offices located in the north Dallas area.

**TRANSPORTATION** . . . Direct access to downtown Dallas is afforded via the Dallas North Tollway. Nearby highways and freeways provide convenient access to the entire Dallas/Fort Worth Metroplex including the Richardson telecommunications corridor, the Plano corporate campus, and the Dallas/Fort Worth International Airport.

In addition to Addison Airport, commercial air transportation is available at Dallas' Love Field and at the Dallas/Fort Worth International Airport. Rail service for Addison is provided by the Cotton Belt Railroad and numerous motor freight lines from nearby Dallas are available.

**EDUCATIONAL FACILITIES** . . . Addison is served by the Dallas Independent School District and the Carrollton-Farmers Branch Independent School District, it is also served by two private schools, Trinity Christian Academy and Greenhill School; all serve the K/12 grades. Brookhaven Community College, a part of the Dallas County Community College, borders the Town and seven major colleges and universities are located within a 40-mile radius of the Town and include University of North Texas, Southern Methodist University, Texas Christian University, University of Texas at Dallas and University of Texas at Arlington.

**BUILDING PERMITS**

| Fiscal Year | Number of Permits | Commercial | Residential | Total Value |
|---|---|---|---|---|
| 1999 | 1,083 | $ 79,447,225 | $ 3,312,676 | $ 82,759,901 |
| 2000 | 1,089 | 24,855,801 | 516,950 | 25,372,751 |
| 2001 | 932 | 16,920,000 | 794,250 | 17,714,250 |
| 2002 | 784 | 3,765,000 | 658,050 | 4,423,050 |
| 2003 | 1,010 | 8,100,000 | - | 8,100,000 |

**EMPLOYMENT STATISTICS**

| | Town of Addison | Dallas County | State of Texas |
|---|---|---|---|
| Civilian Labor Force | 8,209 | 1,258,490 | 11,079,752 |
| Total Employment | 7,749 | 1,166,189 | 10,359,983 |
| Total Unemployment | 460 | 92,301 | 719,769 |
| Percent Unemployment | 5.60% | 7.33% | 6.50% |

Source: Texas Employment Commission, estimated as of June 2004 and subject to revision.

# APPENDIX B

EXCERPTS FROM THE

TOWN OF ADDISON, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2003

The information contained in this Appendix consists of excerpts from the Town of Addison, Texas Annual Financial Report for the Year Ended September 30, 2003, and is not intended to be a complete statement of the Town's financial condition. Reference is made to the complete Report for further information.

**APPENDIX C**

FORM OF BOND COUNSEL'S OPINION

Vinson&Elkins V&E
ATTORNEYS AT LAW

VINSON & ELKINS L.L.P.
3700 TRAMMELL CROW CENTER
2001 ROSS AVENUE
DALLAS, TEXAS 75201-2975
TELEPHONE (214) 220-7700
FAX (214) 220-7716
www.velaw.com

[Closing Date]

$10,695,000

TOWN OF ADDISON, TEXAS
GENERAL OBLIGATION BONDS
SERIES 2004

WE HAVE represented the Town of Addison, Texas (the "Town"), as its bond counsel in connection with an issue of bonds (the "Bonds") described as follows:

> TOWN OF ADDISON, TEXAS GENERAL OBLIGATION BONDS, SERIES 2004, dated August 15, 2004, issued in the principal amount of $10,695,000.
>
> The Bonds mature, bear interest, are subject to redemption and may be transferred and exchanged as set out in the Bonds and in the ordinance adopted by the City Council of the Town authorizing their issuance (the "Ordinance").

WE HAVE represented the Town as bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the Town or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the Town's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Town and customary certificates of officers, agents and representatives of the Town, and other public officials, and other certified showings relating to the authorization and issuance of the Bonds. We have also examined executed Bond No. 1 of this issue.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

(A) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective and, therefore, the Bonds constitute valid and legally binding special obligations of the Town;

(B) A continuing ad valorem tax upon all taxable property within the Town of Addison, Texas, necessary to pay the principal of and interest on the Bonds, has been levied and pledged irrevocably for such purposes, within the limit prescribed by law, and the total indebtedness of the Town, including the Bonds, does not exceed any constitutional, statutory or other limitations; and

THE RIGHTS OF THE OWNERS of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

IT IS OUR FURTHER OPINION that:

(1) Interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes under existing law;

(2) The difference between the amount payable at maturity of Bonds maturing in each of the years _____ through _____, inclusive (the "Original Issue Discount Bonds"), and the "issue price," within the meaning of the Internal Revenue Code of 1986, as amended (the "Code") of such Bonds is excludable from gross income for federal income tax purposes as original issue discount under existing law; and

(3) The Bonds are not "private activity bonds" within the meaning of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except that interest on the Bonds will be included in the "adjusted current earnings" of a corporation (other than an S corporation, regulated investment company, REIT, REMIC or FASIT) for purposes of computing its alternative minimum tax.

In providing such opinions, we have relied on representations of the Town, the Town's Financial Advisor and the Purchasers with respect to matters solely within the knowledge of the Town, the Town's Financial Advisor and the Purchasers, respectively, which we have not independently verified, and have assumed continuing compliance with the covenants in the Ordinance pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. If such representations are determined to be inaccurate or incomplete or the Town fails to comply with the foregoing provisions of the

Ordinance, interest on the Bonds could become includable in gross income from the date of original delivery, regardless of the date on which the event causing such inclusion occurs.

Purchasers of Original Issue Discount Bonds in the initial public offering are directed to the discussion entitled "TAX MATTERS - Tax Accounting Treatment of Original Issue Discount Bonds" in the Official Statement prepared for use in connection with the sale of the Bonds for purposes of determining the portion of the original issue discount described in paragraph 2 above which is allocable to the period such Bonds are held by a holder. The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial public offering at the initial offering price may be determined according to rules which differ from those described above and in the Official Statement.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds.

Owners of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT holding tax-exempt obligations and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits (including tax-exempt interest such as interest on the Bonds).

The opinions set forth above are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Town as the taxpayer. We observe that the Town has covenanted in the Ordinance not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

#R14-1

Finance Department's

# *Quarterly Review*

***For the Period Ended June 30, 2004***

*Town of Addison*
*August 2004*

# *Quarter Ended 6/30/04*
# *Table of Contents*

Pages

Memorandum to the City Manager ..... 1-2

**Financial Section:**

Executive Summary of Major Operating Funds ..... 3

General Fund, Quarterly Statement of Revenues Compared to Budget ..... 4

General Fund, Quarterly Statement of Expenditures Compared to Budget ..... 5

Hotel Fund, Quarterly Statement of Revenues and Expenditures Compared to Budget ..... 6

Street Capital Project Fund, Quarterly Statement of Revenues and Expenditures Compared to Budget ..... 7

2000 Capital Project Fund, Quarterly Statement of Revenues and Expenditures Compared to Budget ..... 7

2002 Capital Project Fund, Quarterly Statement of Revenues and Expenditures Compared to Budget ..... 8

2003 Conference Centre and Event Site Capital Project Fund, Quarterly Statement of Revenues and Expenditures Compared to Budget ..... 8

Airport Fund, Quarterly Statement of Revenues and Expenditures Compared to Budget ..... 9

Utility Fund, Quarterly Statement of Revenues, Expenses and Changes in Working Capital Compared to Budget ..... 10

Schedule of Sales Tax Collections and Related Analyses ..... 11

Hotel Occupancy Tax Collection by Hotel Service Type ..... 12

Interim Combined Statement of Cash Receipts and Disbursements ..... 13

Collateral Summary ..... 14

Statement of Compliance ..... 15

**Attachments:**

First Southwest Portfolio Report ..... Attached

Addison 50!

50 YEARS OF FUN!

Finance Department

# MEMO

**To: Ron Whitehead, City Manager**

**From: Randy Moravec, Finance Director**

**Re: Third Quarter FY 2004 Financial Report**

**Date: August 14, 2004**

---

## CASH AND INVESTMENT REPORT

- Cash for all funds as of June 30, 2004 totaled $ 40.7 million, a decline of $4 million from the previous quarter.
- The net reduction is a result of operating expenditures exceeding revenue in the General fund and capital expenditures associated with the Spectrum and Arapaho Road projects.
- Investment yields and average weighted maturities:
  - Pooled funds – 1.77% and 356 days.
  - Texpool benchmark – 1.06%
- As noted in the First Southwest report, for the next three months, we will be looking for discounted callable securities that are not likely to be called to provide some yield advantage over non-callable securities. As was the case this past quarter, we will be looking at acquiring investments with 15 to 24 month maturities.

## GENERAL FUND

- Revenue through the third quarter totaled $16.2 million, which represents 75.5% of budget and is $763k greater than received the same period last year.
- Sales tax revenue has recovered nicely and we are now 5.2% ahead of our collections from last year.
- Expenditures totaled $16 million, which is 70% of budget through ¾ of the fiscal year. All departments are within budget for this time of the fiscal year. Only minor budget amendments are anticipated at this time.

## HOTEL FUND

- Revenues for the quarter totaled $3.5 million, or 71.3% of budget.
- Hotel occupancy taxes continue to recover. Revenue for the quarter was up 9% over last year and through the third quarter, we are now up 4%. The extended stay hotels posted another strong quarter with a 27% gain over the same period last year. Expenditures for the year totaled $3.9 million, which is 71.9% of budget.

## AIRPORT FUND

- Through nine months, operating revenues for the year totaled $2.7 million, slightly more than received last year.
- Operating expenses were $2.2 million, and were inflated by the repair of the Westside ramp. Net income totaled $578k through the third quarter of the fiscal year.
- Working capital has been reduced by $883k primarily due to the capital costs associated with the Frito Lay Hangar development.

## UTILITY FUND

- Through the third quarter operating revenues totaled $4.9 million, which is a 12.5% increase over the prior year and attributed to the rate increase made effective early in the fiscal year.
- We continue to monitor the effect new rates have had on the various classes of customers. With nine months experience we have yet to see any significant changes in consumption patterns. Irrigation accounts consumed 24.6% of water sold compared to the same period last year when these accounts consumed 25.4% of the water. The hottest, driest months are in the fourth quarter and we will have a better idea of how the rates implemented this year affected water consumption.
- Operating expenses totaled $3.8 million, which is almost identical to the prior year.
- Fund reflects net income of $563k compared to last year's loss of $21k.

# TOWN OF ADDISON

## EXECUTIVE SUMMARY OF MAJOR OPERATING FUNDS FOR THE FISCAL YEAR-TO-DATE ENDED JUNE 30, 2004

UNAUDITED ACTUAL AMOUNTS COMPARED TO THE 2004 ADOPTED BUDGET AND PREVIOUS YEAR ACTUAL FOR SAME PERIOD

*All Amounts Expressed in Thousands of Dollars*

| | General Fund | | | Hotel Fund | | | Airport Fund | | | Utility Fund | | | Total Major Operating Funds* | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Budget | Actual | PY Actual | Budget | Actual | PY Actual | Budget | Actual | PY Actual | Budget | Actual | PY Actual | Budget | Actual | PY Actual |
| **RESOURCES** | | | | | | | | | | | | | | | |
| Ad Valorem Tax | $ 6,292 | $ 6,148 | $ 5,789 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 6,292 | $ 6,148 | $ 5,789 |
| Non-Property Tax | 10,002 | 7,409 | 7,037 | 3,393 | 2,567 | 2,475 | - | - | - | - | - | - | 13,395 | 9,976 | 9,512 |
| Franchise Fees | 2,568 | 717 | 594 | - | - | - | - | - | - | - | - | - | 2,568 | 717 | 594 |
| Service/Permitting/License Fees | 1,532 | 1,145 | 1,137 | 896 | 536 | 369 | 1,130 | 710 | 742 | 7,765 | 4,953 | 4,400 | 11,323 | 7,345 | 6,648 |
| Rental, Interest and Other Income | 1,013 | 744 | 842 | 550 | 347 | 404 | 3,152 | 2,041 | 2,022 | 114 | 46 | 80 | 4,828 | 3,177 | 3,348 |
| Transfers and Other Sources | - | - | - | - | - | | - | - | - | - | - | - | - | - | - |
| Total Resources | 21,406 | 16,164 | 15,399 | 4,839 | 3,450 | 3,248 | 4,282 | 2,751 | 2,764 | 7,878 | 4,999 | 4,480 | 38,406 | 27,364 | 25,891 |
| **APPLICATION OF RESOURCES** | | | | | | | | | | | | | | | |
| Personal Services | 15,375 | 10,960 | 10,309 | 1,253 | 851 | 802 | 245 | 167 | 175 | 982 | 722 | 707 | 17,853 | 12,700 | 11,993 |
| Supplies and Materials | 839 | 573 | 535 | 154 | 90 | 88 | 11 | 6 | 4 | 79 | 60 | 56 | 1,083 | 729 | 683 |
| Maintenance | 1,766 | 1,082 | 1,321 | 338 | 194 | 153 | 1,808 | 941 | 625 | 278 | 177 | 135 | 4,191 | 2,394 | 2,234 |
| Contractual Services | 3,092 | 2,234 | 2,092 | 2,915 | 2,025 | 2,065 | 1,450 | 1,058 | 1,078 | 4,278 | 2,804 | 2,860 | 11,735 | 8,121 | 8,095 |
| Capital Equipment Amortization | 1,298 | 974 | 960 | 24 | 18 | 18 | - | - | - | 11 | 22 | 22 | 1,334 | 1,014 | 1,000 |
| Capital Equipment/Projects | 463 | 166 | 160 | 28 | - | 50 | 2,032 | 883 | 524 | 812 | 42 | 525 | 3,335 | 1,091 | 1,259 |
| Transfers and Other Uses** | - | - | - | 750 | 750 | 370 | - | - | - | 1,966 | 1,474 | 1,474 | 2,716 | 2,224 | 1,844 |
| Total Application of Resources | 22,833 | 15,988 | 15,377 | 5,462 | 3,929 | 3,546 | 5,545 | 3,056 | 2,406 | 8,405 | 5,301 | 5,779 | 42,246 | 28,273 | 27,108 |
| Net Change in Fund Balances | $ (1,427) | $ 175 | 22 | $ (623) | $ (479) | $ (298) | $ (1,263) | $ (305) | $ 358 | $ (527) | $ (301) | (1,299) | $ (3,840) | $ (910) | (1,217) |

**Notes:**

*** Totals may not exactly match due to rounding.**

**** Transfers and other uses includes interfund transfers and and retirement of debt in the Airport and Utility funds.**

# TOWN OF ADDISON

## GENERAL FUND

FY 2004 QUARTERLY STATEMENT OF REVENUES COMPARED TO BUDGET

*With Comparative Information from Prior Fiscal Year*

| | 2003-04 FY | | | | 2002-03 FY | |
|---|---|---|---|---|---|---|
| Category | Budget | 3rd Quarter | Year-to-Date | YTD as % of Budget | Year-to-Date | YTD as % of Budget |
| Advalorem taxes: | | | | | | |
| Current taxes | $ 6,276,440 | $ 50,395 | $ 6,161,802 | 98.2% | $ 5,776,295 | 98.7% |
| Delinquent taxes | 5,210 | (50,827) | (35,003) | -671.8% | (13,687) | -289.4% |
| Penalty & interest | 10,410 | 10,074 | 21,432 | 205.9% | 26,316 | 278.5% |
| Non-property taxes: | | | | | | |
| Sales tax | 9,270,000 | 2,349,570 | 7,027,202 | 75.8% | 6,682,037 | 75.8% |
| Alcoholic beverage tax | 732,090 | 196,854 | 381,700 | 52.1% | 355,384 | 50.8% |
| Franchise / right-of-way use fees: | | | | | | |
| Electric franchise | 1,503,800 | 9,234 | 9,234 | 0.6% | 2,620 | 0.1% |
| Gas franchise | 139,030 | 9,531 | 236,970 | 170.4% | 132,409 | 75.7% |
| Telecommunication access fees | 821,940 | 187,859 | 418,077 | 50.9% | 409,352 | 40.9% |
| Cable franchise | 96,910 | 26,219 | 50,668 | 52.3% | 47,046 | 42.8% |
| Street rental fees | 6,000 | - | 2,500 | 41.7% | 2,500 | 50.0% |
| Licenses and permits: | | | | | | |
| Business licenses and permits | 142,390 | 30,041 | 82,830 | 58.2% | 92,811 | 68.0% |
| Building and construction permits | 227,410 | 56,748 | 226,347 | 99.5% | 173,650 | 82.5% |
| Intergovernmental revenue | - | - | - | N/A | - | 0.0% |
| Service fees: | | | | | | |
| General government | 710 | 94 | 462 | 65.1% | 419 | 46.6% |
| Public safety | 755,710 | 181,425 | 524,409 | 69.4% | 572,434 | 73.8% |
| Urban development | 2,150 | 550 | 3,005 | 139.8% | 2,903 | 263.9% |
| Streets and sanitation | 184,890 | 48,072 | 132,941 | 71.9% | 133,873 | 71.6% |
| Recreation | 64,890 | 33,488 | 59,771 | 92.1% | 52,125 | 79.0% |
| Interfund | 153,550 | 38,388 | 115,164 | 75.0% | 109,197 | 75.0% |
| Court fines | 720,650 | 212,714 | 544,681 | 75.6% | 523,899 | 68.0% |
| Interest earnings | 144,500 | 32,353 | 85,329 | 59.1% | 99,377 | 44.2% |
| Rental income | 130,000 | 32,500 | 97,500 | 75.0% | 101,478 | 72.5% |
| Other | 17,500 | 3,311 | 16,582 | 94.8% | 117,106 | 975.9% |
| Total Revenues | $ 21,406,180 | $ 3,458,593 | $ 16,163,603 | 75.5% | $ 15,399,544 | 72.1% |

NOTES:

1) N/A - Not Applicable

# TOWN OF ADDISON

**GENERAL FUND**

FY 2004 QUARTERLY STATEMENT OF EXPENDITURES COMPARED TO BUDGET

*With Comparative Information from Prior Fiscal Year*

| | 2003-04 FY | | | | 2002-03 FY | |
|---|---|---|---|---|---|---|
| Category | Budget | 3rd Quarter | Year-to-Date | YTD as % of Budget | Year-to-Date | YTD as % of Budget |
| General Government: | | | | | | |
| City manager | $ 1,142,230 | $ 279,729 | $ 860,727 | 75.4% | $ 766,190 | 70.1% |
| Finance | 939,390 | 212,221 | 669,671 | 71.3% | 706,127 | 77.7% |
| Building and fleet services | 732,550 | 200,753 | 489,128 | 66.8% | 403,466 | 70.4% |
| Municipal court | 391,480 | 99,182 | 267,733 | 68.4% | 262,401 | 68.5% |
| Human resources | 305,860 | 80,100 | 232,760 | 76.1% | 233,666 | 78.8% |
| Information technology | 966,560 | 201,067 | 642,010 | 66.4% | 686,481 | 73.7% |
| Combined services | 791,000 | 209,726 | 631,599 | 79.8% | 475,441 | 68.3% |
| Council projects | 236,840 | 28,788 | 190,509 | 80.4% | 204,503 | 82.2% |
| Public safety: | | | | | | |
| Police | 6,928,390 | 1,655,341 | 4,867,248 | 70.3% | 4,601,833 | 68.1% |
| COPS grant programs | - | - | - | N/A | - | N/A |
| Fire | 5,055,800 | 1,328,771 | 3,673,663 | 72.7% | 3,587,751 | 73.2% |
| Development services | 538,490 | 131,584 | 372,559 | 69.2% | 363,245 | 70.4% |
| Streets | 1,519,650 | 459,090 | 925,423 | 60.9% | 1,014,822 | 70.1% |
| Parks and Recreation: | | | | | | |
| Parks | 2,205,040 | 529,511 | 1,373,816 | 62.3% | 1,203,843 | 59.0% |
| Recreation | 1,079,890 | 325,777 | 791,414 | 73.3% | 867,422 | 75.4% |
| Total Expenditures | $ 22,833,170 | $ 5,741,641 | $ 15,988,261 | 70.0% | $ 15,377,191 | 70.1% |

NOTES:

1) N/A - Not Applicable

# TOWN OF ADDISON

## HOTEL FUND

FY 2004 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET

*With Comparative Information from Prior Fiscal Year*

| | 2003-04 FY | | | | 2002-03 FY | |
|---|---|---|---|---|---|---|
| Category | Budget | 3rd Quarter | Year-to-Date | YTD as % of Budget | Year-to-Date | YTD as % of Budget |
| Revenues: | | | | | | |
| Hotel/Motel occupancy taxes | $ 3,393,000 | $ 902,643 | $ 2,567,201 | 75.7% | $ 2,475,357 | 61.9% |
| Proceeds from special events | 896,000 | 462,711 | 536,174 | 59.8% | 368,670 | 54.6% |
| Conference centre rental | 371,000 | 69,313 | 233,322 | 62.9% | 278,288 | 92.8% |
| Theatre centre rental | 74,200 | 11,536 | 53,828 | 72.5% | 48,249 | 80.4% |
| Interest and miscellaneous | 104,900 | 19,989 | 59,526 | 56.7% | 77,368 | 34.1% |
| Total Revenues | 4,839,100 | 1,466,192 | 3,450,051 | 71.3% | 3,247,932 | 61.7% |
| Expenditures and other uses: | | | | | | |
| Visitor services | 752,110 | 181,669 | 490,883 | 65.3% | 624,053 | 59.7% |
| Marketing | 945,480 | 205,970 | 635,916 | 67.3% | 675,790 | 52.5% |
| Special events | 1,670,690 | 706,738 | 1,076,163 | 64.4% | 882,178 | 60.8% |
| Conference centre | 839,410 | 184,743 | 536,915 | 64.0% | 538,233 | 68.6% |
| Performing arts | 504,400 | 27,698 | 438,910 | 87.0% | 432,920 | 77.7% |
| Capital projects | - | - | - | N/A | 22,983 | 0.4% |
| Other financing uses: | | | | | | |
| Transfer to debt service fund | 750,000 | - | 750,000 | 100.0% | 370,000 | 100.0% |
| Total Expenditures and Other | $ 5,462,090 | $ 1,306,816 | $ 3,928,785 | 71.9% | $ 3,546,157 | 30.8% |

NOTES:

1) N/A - Not Applicable

2) Amounts spent by special project:

| | | | | | | |
|---|---|---|---|---|---|---|
| Public Relations | $ 606,600 | $ 106,686 | $ 418,037 | 68.9% | $ 503,936 | 53.7% |
| Oktoberfest | 464,640 | 1,257 | 7,183 | 1.5% | 24,767 | 4.8% |
| Kaboom Town | 156,930 | 28,564 | 29,217 | 18.6% | 50,627 | 29.3% |
| Calendar | 40,000 | - | 38,795 | 97.0% | 42,459 | 103.6% |
| Hotel Support Program | 200,000 | 55,866 | 150,746 | 75.4% | 179,174 | 59.7% |
| Taste Addison | 391,780 | 416,809 | 485,182 | 123.8% | 440,484 | 102.3% |
| Jazz Festival | 260,000 | 123,439 | 215,891 | 83.0% | 213,946 | 0.9% |
| Weekend to Wipe Out Cancer | 13,000 | - | - | 0.0% | - | 0.0% |
| TOTAL | $ 2,132,950 | $ 732,621 | $ 1,345,051 | 63.1% | $ 1,455,393 | 54.4% |

# TOWN OF ADDISON

## STREET CAPITAL PROJECT FUND

FY 2004 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET

*With Comparative Information from Prior Fiscal Year*

| | 2003-04 FY | | | | 2002-03 FY | |
|---|---|---|---|---|---|---|
| Category | Budget | 3rd Quarter | Year-to-Date | YTD as % of Budget | Year-to-Date | YTD as % of Budget |
| Revenues: | | | | | | |
| DART Grants | $ 155,000 | $ - | $ 38,700 | 25.0% | $ 200,199 | 13.7% |
| Interest income and other | 100,000 | 27,686 | 73,083 | 73.1% | 99,654 | 49.8% |
| Total Revenues | 255,000 | 27,686 | 111,783 | 43.8% | 299,853 | 18.0% |
| Expenditures: | | | | | | |
| Personal services | 100,000 | 16,645 | 43,460 | 43.5% | 153,586 | 76.8% |
| Arbitrage rebate | - | - | - | N/A | 135,364 | N/A |
| Design and engineering | 45,700 | 43,717 | 61,208 | N/A | 56,305 | N/A |
| Construction and equipment: | 2,981,600 | 270,749 | 421,225 | 14.1% | 991,194 | 21.4% |
| Total Expenditures | $ 3,127,300 | $ 331,111 | $ 525,893 | 16.8% | $ 1,336,449 | 27.7% |

NOTES:

1) N/A - Not Applicable

# TOWN OF ADDISON

## 2000 CAPITAL PROJECT FUND

FY 2004 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET

*With Comparative Information from Prior Fiscal Year*

| | 2003-04 FY | | | | 2002-03 FY | |
|---|---|---|---|---|---|---|
| Category | Budget | 3rd Quarter | Year-to-Date | YTD as % of Budget | Year-to-Date | YTD as % of Budget |
| Revenues and other sources: | | | | | | |
| Interest earnings and other | $ 6,000 | $ 1,047 | $ 4,164 | 69.4% | $ 28,842 | 32.5% |
| Other sources: transfer from 2002 CP Fund | - | - | - | N/A | 1,673,496 | 0.0% |
| Total Revenues | 6,000 | 1,047 | 4,164 | 69.4% | $ 1,702,338 | 32.5% |
| Expenditures: | | | | | | |
| Personal services | - | 2,985 | 13,911 | N/A | - | N/A |
| Design and engineering | 35,120 | 14,977 | 61,105 | 174.0% | 291,220 | 38.0% |
| Construction and equipment | 85,760 | (31,514) | 10,796 | 12.6% | 2,323,046 | 94.1% |
| Total Expenditures | $ 120,880 | $ (13,552) | $ 85,812 | 71.0% | $ 2,614,266 | 80.8% |

NOTES:

1) N/A - Not Applicable

# TOWN OF ADDISON

## 2002 CAPITAL PROJECT FUND

FY 2004 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET

*With Comparative Information from Prior Fiscal Year*

| | 2003-04 FY | | | | 2002-03 FY | |
|---|---|---|---|---|---|---|
| Category | Budget | 3rd Quarter | Year-to-Date | YTD as % of Budget | Year-to-Date | YTD as % of Budget |
| Revenues: | | | | | | |
| Bond proceeds | $ - | $ - | $ - | N/A | $ 15,095,000 | 100.0% |
| Interest earnings and other | 150,000 | 27,445 | 98,718 | 65.8% | 152,648 | 38.2% |
| Total Revenues | 150,000 | 27,445 | 98,718 | 65.8% | $ 15,247,648 | 98.4% |
| Expenditures and other uses: | | | | | | |
| Personal services | 150,000 | 50,643 | 78,332 | 52.2% | 18,526 | 60.7% |
| Design and engineering | 500,000 | 185,147 | 849,935 | 170.0% | 338,293 | 169.1% |
| Construction and equipment | 6,241,290 | 1,148,483 | 2,219,485 | 35.6% | 1,551,643 | 22.1% |
| Other uses: transfer to 2000 CP fund | - | - | - | N/A | 1,673,496 | N/A |
| Total Expenditures | $ 6,891,290 | $ 1,384,273 | $ 3,147,752 | 45.7% | $ 3,581,958 | 48.4% |

NOTES:

1) N/A - Not Applicable

# TOWN OF ADDISON

## AIRPORT FUND

FY 2004 QUARTERLY STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES TO WORKING CAPITAL COMPARED TO BUDGET

*With Comparative Information from Prior Fiscal Year*

| | 2003-04 FY | | | | 2002-03 FY | |
|---|---|---|---|---|---|---|
| Category | Budget | 3rd Quarter | Year-to-Date | YTD as % of Budget | Year-to-Date | YTD as % of Budget |
| Operating revenues: | | | | | | |
| Operating grants | $ 30,000 | $ - | $ 7,875 | 26.3% | $ - | 0.0% |
| Fuel flowage fees | 1,100,000 | 257,462 | 681,293 | 61.9% | 723,673 | 66.3% |
| Rental | 3,087,000 | 728,269 | 2,019,224 | 65.4% | 1,955,625 | 63.8% |
| User fees | 30,000 | 15,248 | 28,918 | 96.4% | 18,664 | 39.5% |
| Total operating revenues | 4,247,000 | 1,000,979 | 2,737,310 | 64.5% | 2,697,962 | 63.7% |
| Operating expenses: | | | | | | |
| Town - Personal services | 244,720 | 74,393 | 167,379 | 68.4% | 175,078 | 69.9% |
| Town - Supplies | 10,500 | 2,408 | 6,116 | 58.2% | 3,656 | 34.2% |
| Town - Maintenance | 18,810 | 7,171 | 17,123 | 91.0% | 10,034 | 88.6% |
| Town - Contractual services | 387,040 | 132,555 | 333,039 | 86.0% | 259,148 | 88.7% |
| Grant - Maintenance | 60,000 | 6,820 | 6,820 | 11.4% | - | 0.0% |
| Operator operation & maintenance | 1,729,020 | 249,831 | 917,441 | 53.1% | 614,477 | 43.2% |
| Operator service contract | 1,063,000 | 218,589 | 724,471 | 68.2% | 819,735 | 80.0% |
| Total operating expenses | 3,513,090 | 691,766 | 2,172,388 | 61.8% | 1,882,128 | 60.7% |
| Net operating income | 733,910 | 309,213 | 564,922 | 77.0% | 815,834 | 71.8% |
| Non-Operating revenues (expenses): | | | | | | |
| Interest earnings and other | 35,000 | (2,683) | 13,532 | 38.7% | 65,752 | 82.4% |
| Interest on debt, fiscal fees & other | - | - | - | 0.0% | - | 0.0% |
| Total non-operating revenues (expenses) | 35,000 | (2,683) | 13,532 | 38.7% | 65,752 | -119.1% |
| Net income (loss) (excluding depreciation) | $ 768,910 | $ 306,530 | $ 578,454 | 75.2% | $ 881,586 | 81.5% |
| **CHANGES IN WORKING CAPITAL** | | | | | | |
| Net income (excluding depreciation) | $ 768,910 | $ 306,530 | $ 578,454 | 75.2% | 881,586 | 81.5% |
| Sources (uses) of working capital: | | | | | | |
| Retirement of long-term debt | - | - | - | 0.0% | - | 0.0% |
| Net additions to fixed assets with grants | (218,000) | - | (88,794) | 40.7% | (10,049) | 2.5% |
| Other net additions to fixed assets | (1,814,000) | (511,496) | (794,469) | 0.0% | (513,640) | 0.0% |
| Net sources (uses) of working capital | (2,032,000) | (511,496) | (883,263) | 43.5% | (523,689) | 50.3% |
| Net increase (decrease) in working capital | (1,263,090) | (204,966) | (304,809) | 24.1% | 357,897 | 900.1% |
| Beginning fund balance | 1,912,940 | 1,680,467 | 1,780,310 | 93.1% | 1,221,354 | 114.2% |
| Ending fund balance | $ 649,850 | $ 1,475,501 | $ 1,475,501 | 227.1% | $ 1,579,251 | 142.4% |

NOTES:

1) Operating income and portions of operating expenses are underrported by one month due to transactions being accounted for by operator one month and not reported to Town until following month.

# TOWN OF ADDISON

## UTILITY FUND

FY 2004 QUARTERLY STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES TO WORKING CAPITAL COMPARED TO BUDGET

*With Comparative Information from Prior Fiscal Year*

| | 2003-04 FY | | | | 2002-03 FY | |
|---|---|---|---|---|---|---|
| Category | Budget | 3rd Quarter | Year-to-Date | YTD as % of Budget | Year-to-Date | YTD as % of Budget |
| Operating revenues: | | | | | | |
| Water sales | $ 3,660,800 | $ 854,137 | $ 2,178,747 | 59.5% | $ 1,985,332 | 59.1% |
| Sewer charges | 4,038,000 | 992,767 | 2,724,154 | 67.5% | 2,383,790 | 64.8% |
| Tap fees | 1,000 | 5,000 | 7,200 | 720.0% | - | 0.0% |
| Penalties | 65,000 | 10,270 | 43,380 | 66.7% | 30,552 | 47.0% |
| Total operating revenues | 7,764,800 | 1,862,174 | 4,953,481 | 63.8% | 4,399,674 | 61.9% |
| Operating expenses: | | | | | | |
| Water purchases | 2,195,800 | 513,227 | 1,342,403 | 61.1% | 1,339,737 | 60.4% |
| Wastewater treatment | 1,619,700 | 388,991 | 1,208,559 | 74.6% | 1,267,022 | 76.3% |
| Utility operations | 1,812,750 | 405,136 | 1,233,391 | 68.0% | 1,172,480 | 66.7% |
| Total operating expenses | 5,628,250 | 1,307,354 | 3,784,353 | 67.2% | 3,779,239 | 67.0% |
| Net operating income | 2,136,550 | 554,820 | 1,169,128 | 54.7% | 620,435 | 42.2% |
| Non-Operating revenues (expenses): | | | | | | |
| Interest income and other | 113,500 | 14,071 | 45,781 | 40.3% | 80,606 | 26.9% |
| Interest on bonded debt and fiscal charges | (869,010) | (217,253) | (651,758) | 75.0% | (721,660) | 71.1% |
| Total non-operating revenues (expenses) | (755,510) | (203,182) | (605,977) | 80.2% | (641,054) | 89.6% |
| Net income (excluding depreciation) | $ 1,381,040 | $ 351,638 | $ 563,151 | 40.8% | $ (20,619) | -2.7% |
| CHANGES IN WORKING CAPITAL | | | | | | |
| Net income (loss) | 1,381,040 | 351,638 | 563,151 | 40.8% | (20,619) | -2.7% |
| Sources (uses) of working capital: | | | | | | |
| Retirement of long-term debt | (1,096,630) | (274,157) | (822,472) | 75.0% | (753,404) | 80.2% |
| Net additions to fixed assets | (811,600) | (23,309) | (42,120) | 5.2% | (524,503) | 50.9% |
| Net sources (uses) of working capital | (1,908,230) | (297,466) | (864,592) | 45.3% | (1,277,907) | 64.9% |
| Net increase (decrease) in working capital | (527,190) | 54,172 | (301,441) | 57.2% | (1,298,526) | 106.8% |
| **Beginning fund balance** | 3,605,680 | 3,380,539 | 3,736,152 | 103.6% | 5,099,644 | 92.9% |
| **Ending fund balance** | $ 3,078,490 | $ 3,434,711 | $ 3,434,711 | 111.6% | $ 3,801,118 | 88.9% |

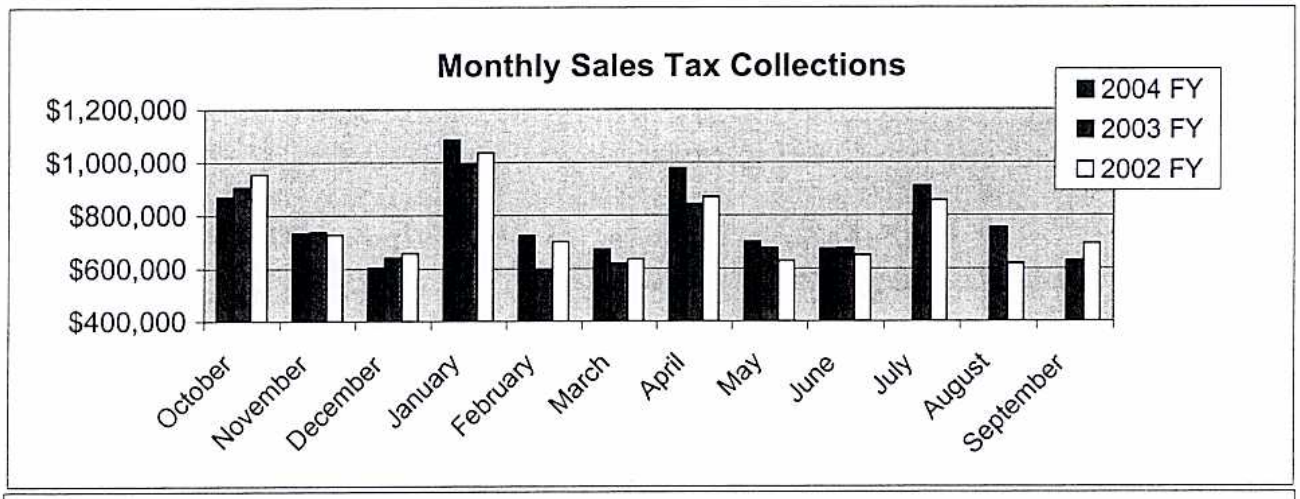
NOTES:

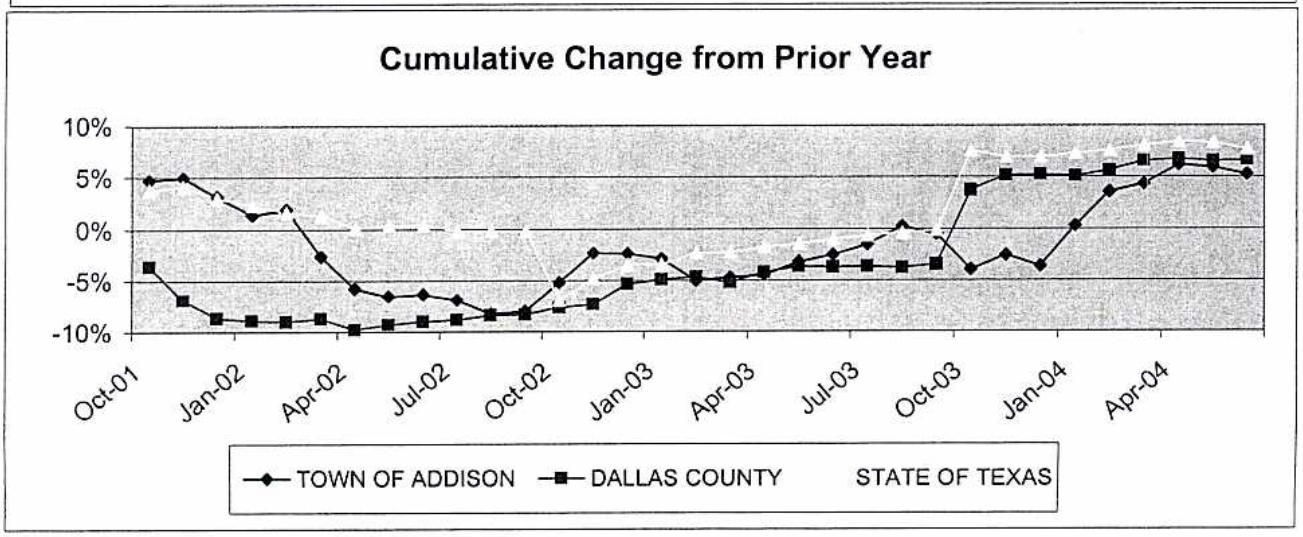
1) N/A - Not Applicable
2) Purchases of water and wastewater treatment services are underreported by one to two months due to prior year accruals and delay in receiving billings from Dallas Water Utilities.

# TOWN OF ADDISON

**Schedule of Sales Tax Collections**
**and Related Analyses**
*For the fiscal year ending September 30, 2004*

| | TOWN OF ADDISON | | | | | | DALLAS COUNTY | | STATE OF TEXAS | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2002-03 Collections | | | | % Change from Prior Year | | % Change from Prior Year | | % Change from Prior Year | |
| | Monthly | | Cumulative | | Monthly | Cumulative | Monthly | Cumulative | Monthly | Cumulative |
| October | $ | 867,769 | $ | 867,769 | -3.9% | -3.9% | 3.7% | 3.7% | 7.5% | 7.5% |
| November | $ | 731,624 | $ | 1,599,393 | -0.9% | -2.6% | 7.1% | 5.1% | 6.2% | 6.9% |
| December | $ | 600,176 | $ | 2,199,568 | -6.3% | -3.6% | 5.4% | 5.2% | 6.9% | 6.9% |
| January | $ | 1,083,528 | $ | 3,283,096 | 9.3% | 0.3% | 4.8% | 5.1% | 8.0% | 7.3% |
| February | $ | 722,746 | $ | 4,005,843 | 21.3% | 3.5% | 8.6% | 5.6% | 9.3% | 7.6% |
| March | $ | 671,790 | $ | 4,677,632 | 8.7% | 4.2% | 12.7% | 6.5% | 11.2% | 8.1% |
| April | $ | 975,982 | $ | 5,653,614 | 16.0% | 6.1% | 7.7% | 6.7% | 9.9% | 8.4% |
| May | $ | 700,757 | $ | 6,354,371 | 3.7% | 5.8% | 4.9% | 6.5% | 7.7% | 8.3% |
| June | $ | 672,831 | $ | 7,027,202 | -0.7% | 5.2% | 7.2% | 6.6% | 2.7% | 7.7% |
| July | | | | | | | | | | |
| August | | | | | | | | | | |
| September | | | | | | | | | | |
| Budget 03-04: | | | $ | 9,270,000 | | | | | | |
| Anticipated Year-End | | | $ | 9,362,900 | | | | | | |



## TOWN OF ADDISON HOTEL OCCUPANCY TAX COLLECTION
### Hotels By Service Type for the Quarter and Year-to-Date Ended June 30, 2004
### With Comparisons to Prior Year

| | Rooms | | 3rd Quarter FY 04 | | 04 to 03 | YTD FY 04 | | 04 to 03 |
|---|---|---|---|---|---|---|---|---|
| | Number | Percentage | Amount | Percentage | % Diff. | Amount | Percentage | % Diff. |
| **Full Service** | | | | | | | | |
| Marriott Quorum | 548 | 14% | $ 184,640 | 20% | 6% | $ 524,571 | 20% | -5% |
| Hotel Inter-Continental Dallas | 529 | 13% | 157,915 | 17% | -1% | 492,954 | 19% | 3% |
| Crowne Plaza North Dallas | 429 | 11% | 91,134 | 10% | 1% | 272,033 | 11% | 0% |
| | 1,506 | 38% | 433,689 | 48% | 2% | 1,289,558 | 50% | -1% |
| **Extended Stay** | | | | | | | | |
| Suites of America | 344 | 9% | 3,488 | 0% | -62% | 13,949 | 1% | -39% |
| Best Western Addison/Galleria | 70 | 2% | 4,116 | 0% | N/A | 9,532 | 0% | N/A |
| Residence Inn by Marriott | 150 | 4% | 40,210 | 4% | 58% | 103,184 | 4% | 17% |
| Summerfield Suites | 132 | 3% | 38,293 | 4% | 42% | 107,266 | 4% | 19% |
| Homewood Suites by Hilton | 128 | 3% | 35,716 | 4% | 6% | 98,052 | 4% | 10% |
| Springhill Suites | 159 | 4% | 37,526 | 4% | 27% | 95,822 | 4% | 10% |
| | 983 | 24% | 159,349 | 18% | 27% | 427,805 | 17% | 29% |
| **Business Moderate** | | | | | | | | |
| Courtyard by Marriott Quorum | 176 | 4% | 56,143 | 6% | 4% | 159,020 | 6% | -5% |
| LaQuinta Inn and Suites | 152 | 4% | 32,856 | 4% | 33% | 85,857 | 3% | 17% |
| Courtyard by Marriott Midway | 147 | 4% | 34,696 | 4% | 4% | 87,634 | 3% | -5% |
| Country Inn and Suites | 102 | 3% | 24,025 | 3% | 14% | 68,349 | 3% | 3% |
| Hilton Garden Inn | 96 | 2% | 34,952 | 4% | 4% | 100,245 | 4% | 2% |
| Wingate Inn | 101 | 3% | 17,786 | 2% | -7% | 53,468 | 2% | -2% |
| Comfort Inn | 86 | 2% | 12,776 | 1% | 21% | 34,162 | 1% | 28% |
| | 860 | 21% | 213,233 | 24% | 9% | 588,736 | 23% | 0% |
| **Economy** | | | | | | | | |
| Motel 6 | 168 | 4% | 20,101 | 2% | 13% | 49,897 | 2% | -3% |
| Hampton Inn | 160 | 4% | 30,463 | 3% | 12% | 84,589 | 3% | 0% |
| Holiday Inn Express | 118 | 3% | 21,069 | 2% | -7% | 59,596 | 2% | -4% |
| Addison Comfort Suites | 78 | 2% | 17,019 | 2% | 3% | 48,375 | 2% | 3% |
| Super 8 Motel | 78 | 2% | 5,934 | 1% | 481% | 12,753 | 0% | 148% |
| Days Inn Addison | 63 | 2% | 1,788 | 0% | 32% | 5,891 | 0% | 13% |
| | 665 | 17% | 96,373 | 11% | 11% | 261,101 | 10% | 2% |
| TOTAL | 4,014 | 100% | $ 902,643 | 100% | 9% | $ 2,567,201 | 100% | 4% |

NOTES:

## TOWN OF ADDISON
## INTERIM STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
For the Quarter Ending June 30, 2004

| Fund | Balance 3/31/2004 | Quarter Receipts | Quarter Disbursements | Balance 6/30/2004 |
|---|---|---|---|---|
| **General Fund** | $ 9,665,011 | $ 3,740,187 | $ 5,996,837 | $ 7,408,361 |
| **Special Revenue Funds:** | | | | |
| Hotel | 4,412,626 | 1,663,314 | 1,507,374 | 4,568,567 |
| Police Forfeiture | 51,513 | 1,241 | 1,531 | 51,223 |
| Muncipal Court | 258,277 | 161,415 | 132,547 | 287,145 |
| Arbor | 62,866 | 3,361 | 988 | 65,239 |
| **Debt Service Funds:** | | | | |
| G. O. Bonds | 4,591,412 | 159,979 | 133,818 | 4,617,573 |
| Hotel Revenue Bonds | 841,649 | 3,526 | - | 845,175 |
| **Capital Projects Funds:** | | | | |
| Streets | 6,645,501 | 27,685 | 79,080 | 6,594,106 |
| 2000 G. O. Bonds | 247,066 | 29,927 | 15,328 | 261,665 |
| 2002 G.O. Bonds | 7,384,136 | 48,413 | 1,353,813 | 6,078,736 |
| Arts & Events District | 907,966 | 4,218 | 216,327 | 695,857 |
| **Enterprise Fund:** | | | | |
| Utility Fund | 4,548,103 | 1,775,491 | 1,390,164 | 4,933,430 |
| Airport | 1,390,222 | 1,061,339 | 1,205,239 | 1,246,322 |
| **Internal Service Funds:** | | | | |
| Capital Replacement | 2,591,292 | 199,832 | 987,377 | 1,803,747 |
| Information Services | 1,137,656 | 152,707 | 46,354 | 1,244,009 |
| **TOTAL - ALL FUNDS** | **$ 44,735,296** | **$ 9,032,635** | **$ 13,066,777** | **$ 40,701,154** |

Note: Cash inflows and outflows represent revenues, expenditures, and investment transactions.

## INVESTMENTS BY MATURITY AND TYPE
For the Quarter Ending June 30, 2004

| | Type | % of Portfolio | Yield to Maturity | Amount |
|---|---|---|---|---|
| | Pools | 24.55% | 1.06% | $ 9,933,190 |
| | Agencies | 53.27% | 1.84% | 21,550,259 |
| | Treasuries | 22.18% | 2.41% | 8,973,783 |
| **Total Investments** | | **100.00%** | | **40,457,232** |
| Accured Interest Earnings | | | | 250,278 |
| Demand Deposits | | | | (6,356) |
| **TOTAL** | | | | **$ 40,701,154** |

## COLLATERAL SUMMARY

he first and most important objective for public funds investments is safety of assets. Therefore, all non-government security investments and bank ccounts in excess of FDIC coverage must be secured by collateral. The bank balances and investments are monitored on a daily basis for appropriate overage by marking the collateral to market using the previous day's *WALLSTREET JOURNAL*. Month-end reports prepared by the pledging institution re compared to internal reports for accuracy. Collateral levels are adjusted to secure the varying levels of receipts throughout the fiscal year.

**Town of Addison**
**Collateral Analysis**
**Demand Deposit Cash**
**June 30, 2004**

| Pledging Institution | Safekeeping Location | Account Title | Pledged Security Description | Security Par Value | Market Value | FDIC Insurance | Ending Bank Balance | Difference Over(Under) |
|---|---|---|---|---|---|---|---|---|
| ank of America | Federal Reserve | Operating | T-Note due: | | | | | |
| | | | 15-Oct-06 | $ 1,100,000 | $ 1,559,470 | | | |
| | | | T-Bond due: | | | | | |
| | | | 15-Aug-20 | $ 560,000 | $ 612,013 | | | |
| | | | | $ 1,660,000 | $ 2,171,483 | $ 100,000 | 534,535 | $ 1,736,948 |

**Quarterly Investment Report**
**Pooled Investment Funds**
**Quarter ending June 30, 2004**

This quarterly Investment report has been prepared in compliance with Section 2256.023 "Internal Management Reports", of the Public Funds Investment Act, and in accordance with reporting requirements contained in the Town of Addison Investment Policy as approved by City Council on September 9, 2003.

Activity in the Town's portfolio during this quarter is in compliance with the investment strategy as specified in the Town's Investment Policy. All investments are high-quality securities with no perceived default risk. Securities reflect active and efficient secondary markets in the event of an unanticipated cash requirement. Operating funds require the greatest short-term liquidity. Investment pools have been utilized to provide short-term fund requirements. Investment maturities have been staggered throughout the budget cycle to provide cash flow based on anticipated operating needs of the Town. Diversifying the appropriate maturity structure has reduced market cycle risk. There has been no loss of principal during this quarter of activity, and none is anticipated in the future.

Randolph C. Moravec
Director of Finance

Bryan Langley
Asst. Director of Finance

TOWN OF ADDISON

# Investment Portfolio Summary

## For the Quarter Ended

## June 30, 2004

## Prepared by

FIRST SOUTHWEST ASSET MANAGEMENT, INC.

FIRST SOUTHWEST ASSET MANAGEMENT, INC.

**Second Quarter of Calendar Year 2004**
**Review**

As the quarter began signs were pointing to an improving economy. Only steady job growth was missing from the equation. Nonetheless, market participants generally expected the Fed to be on hold until late in the year, with only a handful calling for tightening to begin by August. It took approximately two weeks in early April for the bond market to conclude that Fed tightening would begin sooner rather than later. Market psychology turned on a dime with three surprising economic releases. The change began with a huge, totally unanticipated jump in March payrolls, continued with a surge in retail sales and concluded with an unexpected rise in consumer inflation. Fed officials were initially unconvinced that the gains were sustainable, but when payrolls rocketed in both April and May, they began verbally preparing investors for the first rate increase since June 2000.

The Fed carefully considered the strong employment data and rising inflation, but as expected, exercised restraint at the May FOMC meeting, leaving the overnight funds target at 1.0%. By the following meeting, tightening had become a foregone conclusion and on the last day of June the fed funds target was increased to 1.25%. Expectations remain for more of the same in the months to come as the Fed unwinds its extremely accommodative stance and moves toward the as-of-yet undefined "neutral" policy.

**Key Economic Indicators:**

- On April Fool's day, the overall ISM factory index unexpectedly jumped from 61.4 to 62.5, the fifth consecutive month that the closely watched leading indicator had topped the lofty 60 mark and the eleventh straight month above the critical 50 level, signaling expansion. The employment index crept from 56.3 to 57, the highest level since 1987, while the prices paid index surged 4.5 points to 86.0, the highest price level in over nine years.
- On April 2nd, the investment landscape changed dramatically. After four months of disappointing payroll numbers, the "jobless recovery" abruptly ended. Non-farm payrolls surged by 308k in March, nearly three times forecast, posting the largest single month gain since April 2000. Prior month job gains were revised higher and suddenly there were 513k jobs created in the first quarter alone. For investors, who for months had focused much of their attention on the labor markets, this report was a stunner.
- On April 13th, the second of three market changing numbers was released. March retail sales jumped 1.8%, more than doubling forecasts with the largest percentage increase in 12 months. Since consumer spending is the largest component of GDP, this report signaled that economic growth would be better than expected and implied a stepped-up Fed tightening schedule.
- The next day, the financial markets got another big surprise as long dormant consumer inflation finally reared its ugly head. Overall CPI and core CPI rose by 0.5% and 0.4% respectively. For the first three months of 2004, the core was suddenly increasing at a 2.9% rate. Thus, in a single two-week period, a series of remarkably strong key economic numbers had turned the long standing bull market for bonds into a bear, sending two-year T-note yields more than 50 basis points higher to 2.08%.
- On April 23rd, March durable goods orders jumped by 3.4%, crushing the Bloomberg median forecast for a slight 0.7% rise. February durables were revised upward from 2.5% to 3.8%. It was the first time in almost seven years that orders posted back to back gains of over 3%.
- The initial GDP report for the first quarter proved to be a bit of a disappointment, but only because expectations were so high. The 4.2% reading fell well below the 5.0% median estimate. The GDP deflator, used to adjust growth for inflation, rose at an unsettling 2.5% annualized rate, a considerable increase from the 1.5% rate of the prior quarter.
- On May 3rd, another robust ISM report caught investor's attention as the overall factory index topped the 60 mark for the sixth straight month, the highest level of sustained growth in over 20 years. The 62.4 reading included several notable components - the prices paid index rose to 88.0, a 10-year high, the employment index increased from 57.0 to 57.8, and order backlogs jumped from 63.5 to 66.0.

- May 7th brought another huge employment report. Non-farm payrolls, expected to grow by a respectable 170k in April, surged by 288k. In four months the "jobless recovery" had produced a staggering 868k new jobs! As a result, the bond market got hammered, with the two-year T-note yield closing the day at 2.62%
- On May 13th, April advance retail sales dropped by 0.5%, more than the 0.2% decrease analysts were predicting. However, poor retail sales were counter-balanced by signs of producer inflation as overall PPI soared by 0.7%, the largest increase in over a year.
- On June 4th, the May jobs report showed that non-farm payrolls added another 248k workers, bettering median predictions for a 225k increase. But it was another round of revisions that proved the real shocker as April payrolls were revised upward from 288k to 346k, while March's positive growth was revised from 337k to 353k. Thus far in 2004, an astonishing 1.2 million jobs had been created, an abrupt turnaround following a three-year period in which over two million jobs were *lost*.
- On June 14th, May retail sales jumped by 1.2%. The increase was expected by the market, but a soaring trade deficit, which reached an all-time high of $48.3 billion in April, was not. Investors broached the notion that the Fed might raise rates by 50 basis points at the June meeting. Bonds continued their quarter long sell-off as the two-year T-note yield rose to 2.95%, its highest level in over two years and nearly three times the 1.08% low yield reached last June.
- On June 15th, overall CPI rose 0.6% in May, although the core rate rose only 0.2%. Both were in line with expectations and the markets breathed a sigh of relief. The idea of a half point hike was entirely dismissed and the two-year note yield dropped to 2.77%.
- Home sales data remained unbelievably strong in the second quarter despite the rise in mortgage lending rates. Building permits rose 3.5% in May to the highest level in over 30 years. New home sales surged by 14.8% in May to a record annualized pace of 1.37 million units. Likewise, existing home sales rose by 2.4% to a record 6.8 million unit pace.
- On June 28th, the Commerce Department announced that personal consumption expenditures, a favorite inflationary measure of Greenspan, had increased by 0.5% in May, equaling the largest monthly increase in 14 years.

**Fed Monetary Policy:**

- The second quarter would keep Fed officials busy digesting suddenly strong economic and inflation data and guiding market expectations. In speeches and comments throughout the quarter Fed officials worked hard to convey the message that monetary policy would be adjusted at a slow, methodical pace, and will be tailored to fit the picture painted by incoming data.
- The Federal Reserve's policy setting Federal Open Market Committee met twice during the quarter. At the first meeting on May 4th, the FOMC voted unanimously to keep the funds rate at 1.0%, but dropped the "patient" phrase from its official statement, saying instead that "with underlying inflation still expected to be relatively low, the committee believes that policy accommodation can be removed at a pace that is likely to be *measured*."
- The FOMC met again on June 30th, and as expected by virtually everyone voted unanimously to raise the target fed funds rate by 25 basis points to 1.25%. In their official statement they retained the "measured pace" language.

**Market movement:**

- Treasuries blew out of the narrow ranges they had been stuck in during the first quarter. The six-month Treasury-bill yield, which opened the quarter at 1.00%, traded as high as 1.77% before ultimately closing the quarter 65bps higher at 1.65%. The one-year Treasury note yield rose nearly 100bps, climbing from 1.16% to 2.07%. The two-year Treasury note yield also rose dramatically, from 1.58% to a high of 2.95%, before closing 100bps higher at 2.68%.
- Stock markets were relatively stable throughout as equity investors managed to strike a balance between geopolitical uncertainly, positive economic data and the negative prospect of higher interest

rates in the future. The DOW rose 78 points, an increase of 0.75%. The NASDAQ was up 15 points or 1.3%. The S&P 500 Index climbed 54 points for a 2.7% gain.

- The TexPool average rate during the second quarter was 1.03%, up 1 basis point from the first quarter's 1.02%. This rate will begin to rise and should closely track the fed funds rate.

**U.S. Treasury Yields:**

| | | Fed Funds | 3 mo. Bill | 6 mo. Bill | 1 yr. Note | 2 yr. Note | 3 yr. Note |
|---|---|---|---|---|---|---|---|
| **Last** | 3/31/04 | 1.00% | 0.95% | 1.00% | 1.16% | 1.58% | 2.00% |
| **High** | | | 1.38% | 1.77% | 2.12% | 2.94% | 3.41% |
| **Low** | | | 0.94% | 1.01% | 1.27% | 1.63% | 2.00% |
| **End** | 6/30/04 | 1.25% | 1.27% | 1.65% | 2.07% | 2.68% | 3.08% |

**Portfolio Activity since March 31st:**

- There were three bonds totaling $12.5 million that matured during the second quarter. In addition, $3 million par of a FNMA 2.125% maturing in October 2005, was called away in April.
- The proceeds from all of these were reinvested in four separate purchases. In mid-April we bought $3 million par of a FHLB 2.125% note maturing in November 2005 yielding 1.90%, and $3 million par of a FHLB 1.625% due in April 2005 yielding 1.43%. These non-callable bonds filled gaps in the portfolio ladder. At the end of April we bought $6 million par of the current 2-year T-Note, which matures in April 2006 at a yield of 2.33%. In May we purchased an additional $3 million of this same US T-Note at a yield of 2.58%.

**Outlook for the Third Quarter 2004:**

Barring unforeseen events, the Fed should at least double the overnight funds rate within the next six to seven months ...but these increases would still leave monetary policy in a very accommodative mode. After all, the FOMC begins the tightening process from a 46-year low. Although the market outlook has changed dramatically in the last three months, non-farm payrolls and inflation will continue to garner the attention of Fed officials and investors. If the labor market slows in the months ahead, the Fed will likely tighten at a more gradual pace. If the rate of inflation also slows, the Fed will be afforded the luxury of patience. The median forecast as the third quarter begins is for a fed funds rate approaching 2% by year end. There's considerable debate and a wide range of predictions surrounding exactly where interest rates will wind up a year from now, but as was aptly illustrated in the second quarter of 2004, it only takes a few surprises to erase and rewrite the forecasts.

**Projected Strategy for the Third Quarter 2004:**

Bond markets have been volatile recently as economic data falling outside the forecast has forced investors to reassess their expectations for the future direction of inflation and interest rates. In recent weeks we have seen market sentiment shift quickly and violently. This type of market will require a dynamic investment strategy, which will need to be adjusted as changes occur. In general, markets have already priced in the expectations for gradual Fed rate hikes, causing the short-end of the yield curve to become very steep. This provides the opportunity to significantly enhance yields versus overnight alternatives. However, any purchases must be balanced against the expectations for rising interest rates. We currently believe investments in the 15-24 month range provide an acceptable level of compensation for this risk. Discounted callable securities, which are not likely to be called, provide some yield advantage versus non-callable securities. We also believe U.S. Treasuries in this sector have become attractive compared to agencies. This is further advanced by the geopolitical uncertainty surrounding Iraq, which could drive a flight to quality bid in the Treasury market should any problems arise. Diversification and a well-laddered portfolio structure should serve us well.

# Town of Addison
## Investment Portfolio Summary
## For the Quarter Ended June 30, 2004

| | Pooled Funds | | | |
|---|---|---|---|---|
| | Par Value | Market Value | Book Value | Ratio |
| **Investments at March 31, 2004** | **$44,022,827** | **$44,134,278** | **$44,084,413** | **100.11%** |
| Investment Purchases | $15,030,362 | | | |
| Investment Maturities | ($18,620,000) | | | |
| Investment Sales | | | | |
| **Investments at June 30, 2004** | **$40,433,189** | **$40,309,909** | **$40,457,233** | **99.64%** |

**Town of Addison**
**Investments by Maturity and Type**
**June 30, 2004**

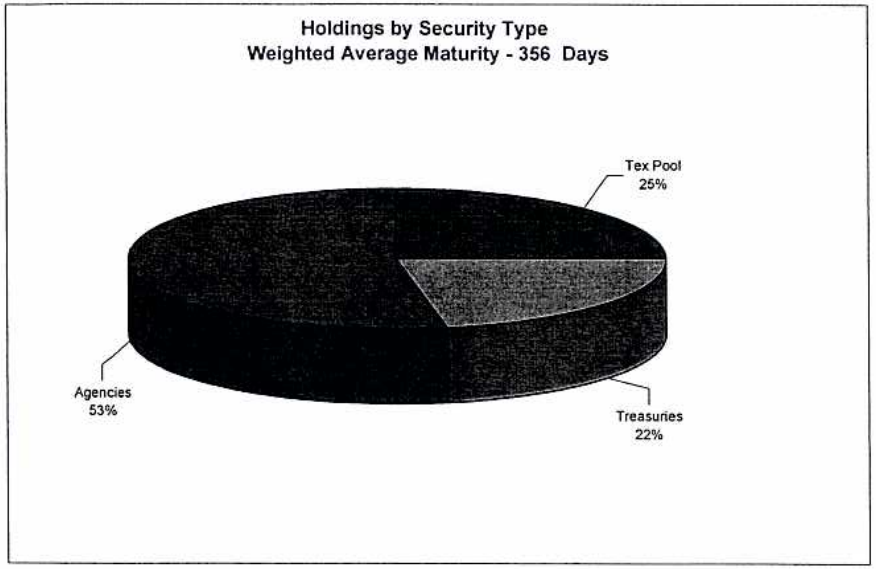
**Investments**

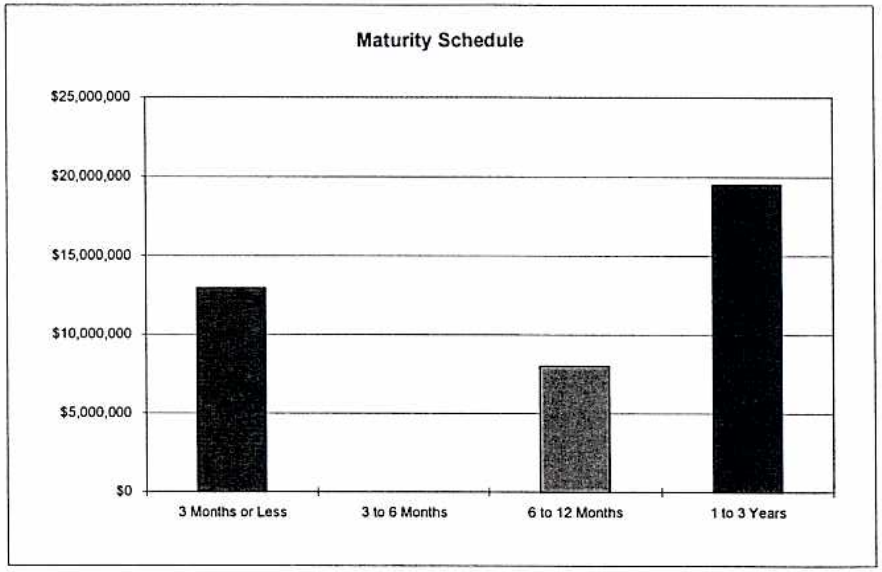
| Maturity | % of Portfolio | Yield to Maturity | Amount |
|---|---|---|---|
| 0-30 Days | 31.97% | 1.15% | $12,934,980 |
| Over 31 Days | 68.03% | 2.07% | $27,522,253 |
| Total Portfolio | 100.00% | 1.77% | $40,457,233 |

**Investments**

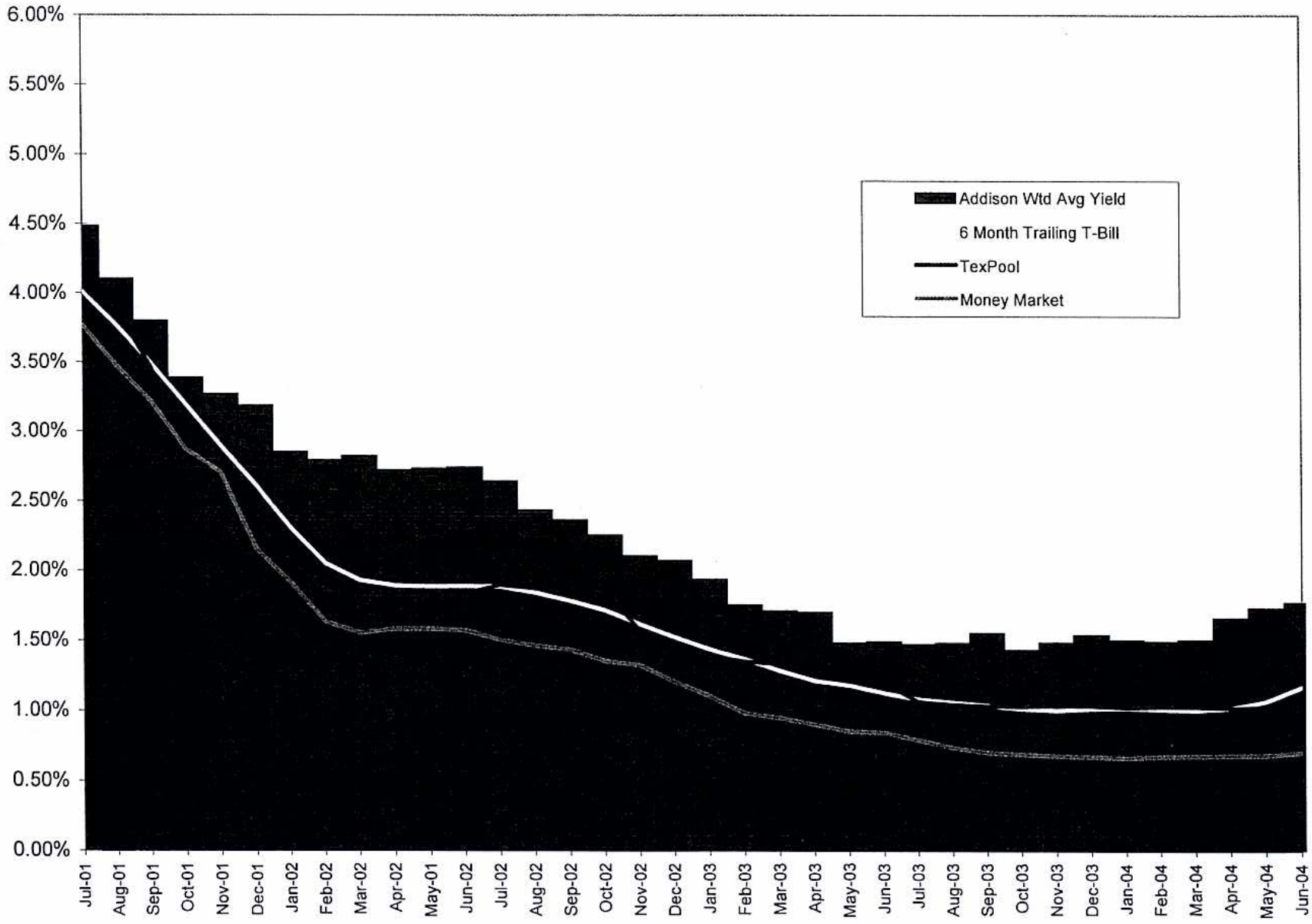
| Type | % of Portfolio | Yield to Maturity | Amount |
|---|---|---|---|
| Treasuries | 22.18% | 2.41% | $8,973,783 |
| Pools | 24.55% | 1.06% | $9,933,190 |
| Commercial Paper | 0.00% | 0.00% | $0 |
| Agencies | 53.27% | 1.84% | $21,550,259 |
| Total Portfolio | 100.00% | 1.77% | $40,457,233 |

# Town of Addison
# Pooled Funds
# June 30, 2004



## Town of Addison - Pooled Funds
## Yield Analysis



# TOWN OF ADDISON
# AIMR PERFORMANCE SUMMARY
# FOR THE PERIOD ENDING JUNE 30, 2004

## AIMR PERFORMANCE (Unaudited)

| | Monthly | Annualized |
|---|---|---|
| June 2003 | 0.14% | **2.08%** |
| July 2003 | 0.15% | **1.96%** |
| August 2003 | 0.04% | **1.80%** |
| September 2003 | 0.28% | **1.88%** |
| October 2003 | -0.02% | **1.71%** |
| November 2003 | 0.10% | **1.66%** |
| December 2003 | 0.25% | **1.69%** |
| January 2004 | 0.13% | **1.71%** |
| February 2004 | 0.17% | **1.76%** |
| March 2004 | 0.10% | **1.71%** |
| April 2004 | -0.03% | **1.53%** |
| May 2004 | -0.04% | **1.28%** |
| June 2004 | 0.03% | **1.17%** |

## Cumulative Performance

| | **Total Portfolio Addison - Operating Fund** | **Vanguard Money Market Reserves - US Treasury Fund** | **Salomon Smith Barney 1-3 yr. Tres Index** |
|---|---|---|---|
| **Last 3 Months** | **-0.04%** | **0.17%** | **-1.11%** |
| **Last 6 Months** | **0.36%** | **0.34%** | **-0.05%** |
| **Last 12 Months** | **1.17%** | **0.70%** | **0.51%** |

**The Salomon 1-3 year government index is composed of treasuries and agencies with maturities between 1 and 3 years.**

NOTE 1: AIMR calculations consider market value fluctuations as well as interest earned in determining performance
NOTE 2: Fixed income performance includes commercial paper, discount securities and repurchase agreements as well as US Treasury items.

# TOWN OF ADDISON
# AIMR PERFORMANCE SUMMARY
# FOR THE PERIOD ENDING JUNE 30, 2004

**AIMR PERFORMANCE (Unaudited)**

| | Monthly | Annualized |
|---|---|---|
| June 2003 | 0.14% | **2.08%** |
| July 2003 | 0.15% | **1.96%** |
| August 2003 | 0.04% | **1.80%** |
| September 2003 | 0.28% | **1.88%** |
| October 2003 | -0.02% | **1.71%** |
| November 2003 | 0.10% | **1.66%** |
| December 2003 | 0.25% | **1.69%** |
| January 2004 | 0.13% | **1.71%** |
| February 2004 | 0.17% | **1.76%** |
| March 2004 | 0.10% | **1.71%** |
| April 2004 | -0.03% | **1.53%** |
| May 2004 | -0.04% | **1.28%** |
| June 2004 | 0.03% | **1.17%** |

**Cumulative Performance**

| | **Total Portfolio Addison - Operating Fund** | **Vanguard Money Market Reserves - US Treasury Fund** | **Salomon Smith Barney 1-3 yr. Tres Index** |
|---|---|---|---|
| **Last 3 Months** | **-0.04%** | **0.17%** | **-1.11%** |
| **Last 6 Months** | **0.36%** | **0.34%** | **-0.05%** |
| **Last 12 Months** | **1.17%** | **0.70%** | **0.51%** |

**The Salomon 1-3 year government index is composed of treasuries and agencies with maturities between 1 and 3 years.**

NOTE 1: AIMR calculations consider market value fluctuations as well as interest earned in determining performance
NOTE 2: Fixed income performance includes commercial paper, discount securities and repurchase agreements as well as US Treasury items.

# *Town of Addison*

## DETAIL OF SECURITY HOLDINGS

*As of June 30, 2004*

| Security Description | Security CUSIP | Coupon | Settlement Date | Maturity Date | Next Call Date | Par Value | Purchase Price | Purchase Cost | Book Value | Market Price | Accrued Interest | Market Value | Days to Mat | Yield to Mat | Yield to Call |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ooled Funds | | | | | | | | | | | | | | | |
| EDERAL HOME LN MTG CORP | 3134a4px6 | 3.000 | 3/18/2003 | 7/15/2004 | | 3,000,000 | 102.066 | 3,061,970.97 | 3,001,789.40 | 100.062 | 41,500.00 | 3,001,875.00 | 15 | 1.42 | |
| EDERAL HOME LN MTG CORP | 3134a4rv8 | 1.875 | 6/30/2003 | 1/15/2005 | | 3,000,000 | 100.846 | 3,025,380.00 | 3,008,858.19 | 100.062 | 25,937.50 | 3,001,875.00 | 199 | 1.32 | |
| EDERAL HOME LN BKS | 3133mwxe6 | 1.625 | 4/14/2004 | 4/15/2005 | | 3,000,000 | 100.189 | 3,005,670.00 | 3,004,461.58 | 99.687 | 10,291.67 | 2,990,625.00 | 289 | 1.43 | |
| EDERAL HOME LN BKS | 3133mns69 | 4.125 | 11/4/2003 | 5/13/2005 | | 2,000,000 | 103.376 | 2,067,516.00 | 2,038,469.30 | 101.687 | 10,541.67 | 2,033,750.00 | 317 | 1.87 | |
| EDERAL HOME LN MTG CORP | 3134a4bx2 | 1.500 | 7/31/2003 | 8/15/2005 | | 3,000,000 | 99.242 | 2,977,260.00 | 2,987,491.75 | 99.062 | 17,000.00 | 2,971,875.00 | 411 | 1.88 | |
| EDERAL HOME LN BKS | 3133x2by0 | 2.125 | 4/14/2004 | 11/15/2005 | | 3,000,000 | 100.354 | 3,010,620.00 | 3,009,189.07 | 99.375 | 8,145.83 | 2,981,250.00 | 503 | 1.90 | |
| NITED STATES TREAS NTS | 912828cf5 | 2.250 | 4/30/2004 | 4/30/2006 | | 6,000,000 | 99.844 | 5,990,625.00 | 5,991,421.23 | 99.312 | 22,744.57 | 5,958,750.00 | 669 | 2.33 | |
| NITED STATES TREAS NTS | 912828cf5 | 2.250 | 5/11/2004 | 4/30/2006 | | 3,000,000 | 99.367 | 2,981,015.63 | 2,982,361.84 | 99.312 | 11,372.28 | 2,979,375.00 | 669 | 2.58 | |
| EDERAL HOME LN BKS | 3133x07j2 | 2.570 | 8/18/2003 | 8/18/2006 | 8/18/2004 | 3,000,000 | 100.000 | 3,000,000.00 | 3,000,000.00 | 98.906 | 28,484.17 | 2,967,187.50 | 779 | 2.57 | 2.57 |
| EDERAL HOME LN BKS | 3133x3u84 | 2.800 | 2/25/2004 | 8/25/2006 | 8/25/2004 | 1,500,000 | 100.000 | 1,500,000.00 | 1,500,000.00 | 99.344 | 14,700.00 | 1,490,156.25 | 786 | 2.80 | 2.80 |
| EXPOOL | texpool | 1.062 | | | | 9,933,190 | | 9,933,190.43 | 9,933,190.43 | | | 9,933,190.43 | | 1.06 | |
| | | | | | | 40,433,190 | | 40,553,248.03 | 40,457,232.79 | | 190,717.69 | 40,309,909.18 | | 1.77 | |
| **OTAL PORTFOLIO** | | | | | | **40,433,190** | | **40,553,248.03** | **40,457,232.79** | | **190,717.69** | **40,309,909.18** | | **1.77** | |

# *Town of Addison*

**YIELD SUMMARY**

*June 30, 2004*

| Security Description | Security CUSIP | Settlement Date | Maturity Date | Par Value | Market Value | Percent of Assets | Days to Maturity | Weighted Average Maturity | Yield to Maturity |
|---|---|---|---|---|---|---|---|---|---|
| **Government Securities** | | | | | | | | | |
| UNITED STATES TREAS NTS | 912828cf5 | 04-30-04 | 04-30-06 | 6,000,000 | 5,958,750.00 | 14.78 | 669 | 99 | 2.33 |
| UNITED STATES TREAS NTS | 912828cf5 | 05-11-04 | 04-30-06 | 3,000,000 | 2,979,375.00 | 7.39 | 669 | 49 | 2.58 |
| | | | | 9,000,000 | 8,938,125.00 | 22.17 | | 148 | 2.41 |
| **Agency Securities** | | | | | | | | | |
| FEDERAL HOME LN MTG CORP | 3134a4px6 | 03-18-03 | 07-15-04 | 3,000,000 | 3,001,875.00 | 7.45 | 15 | 1 | 1.42 |
| FEDERAL HOME LN MTG CORP | 3134a4rv8 | 06-30-03 | 01-15-05 | 3,000,000 | 3,001,875.00 | 7.45 | 199 | 15 | 1.32 |
| FEDERAL HOME LN BKS | 3133mwxe6 | 04-14-04 | 04-15-05 | 3,000,000 | 2,990,625.00 | 7.42 | 289 | 21 | 1.43 |
| FEDERAL HOME LN BKS | 3133mns69 | 11-04-03 | 05-13-05 | 2,000,000 | 2,033,750.00 | 5.05 | 317 | 16 | 1.87 |
| FEDERAL HOME LN MTG CORP | 3134a4tx2 | 07-31-03 | 08-15-05 | 3,000,000 | 2,971,875.00 | 7.37 | 411 | 30 | 1.88 |
| FEDERAL HOME LN BKS | 3133x2by0 | 04-14-04 | 11-15-05 | 3,000,000 | 2,981,250.00 | 7.40 | 503 | 37 | 1.90 |
| FEDERAL HOME LN BKS | 3133x07j2 | 08-18-03 | 08-18-06 | 3,000,000 | 2,967,187.50 | 7.36 | 779 | 57 | 2.57 |
| FEDERAL HOME LN BKS | 3133x3u84 | 02-25-04 | 08-25-06 | 1,500,000 | 1,490,156.25 | 3.70 | 786 | 29 | 2.80 |
| | | | | 21,500,000 | 21,438,593.75 | 53.18 | | 207 | 1.83 |
| **Money Markets & Pools** | | | | | | | | | |
| TEXPOOL | texpool | | | | 9,933,190.43 | 24.64 | | | 1.06 |
| **TOTAL PORTFOLIO** | | | | **30,500,000** | **40,309,909.18** | **100.00** | | **356** | **1.77** |