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5300 Belt Line Road

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AGENDA

REGULAR MEETING OF THE CITY COUNCIL

MAY 24, 2005

7:30 P.M.

COUNCIL CHAMBERS

5300 BELT LINE ROAD

REGULAR SESSION

Item #R1 - Consideration of Old Business.

Item #R2 - Consent Agenda.

CONSENT AGENDA

#2a - Approval of the Minutes for the May 10, 2005 and May 17, 2005 Council Meetings.

#2b - Consideration and approval of a Resolution to award bid to Insituform Technologies in the amount of \$86,650 for reconstruction of sanitary sewer lines by the installation of a trenchless internal lining process.

#2c - Consideration and authorization to reject all bids submitted for the purchase and installation of Video Camera Monitoring System at Addison Airport, Police Department building, Jail, Court building and Emergency Operation Center.

#2d - Consideration and approval of a Resolution authorizing the City Manager to enter into a contract with RedMoon Broadband for the installation of WLAN (Wireless Local Area Network) equipment including WiFi services at the Conference Centre and Theatre in the amount of \$2388.

Item #R3 - Appointment of Mayor Pro Tempore and Deputy Mayor Pro Tempore.

Item #R4 - **PUBLIC HEARING** and consideration of an Ordinance approving a Special Use Permit for a restaurant, located at 15099 Midway Road, on application from Starbuck's Coffee, represented by Mr. Bryan Burger of Lawrence A. Cates and Associates, LLP.

Attachments:

1. Docket Map
2. Staff Report
3. Plans

The Planning and Zoning Commission Findings:

The Addison Planning and Zoning Commission, meeting in regular session on April 28, 2005, voted to recommend approval of a Special Use Permit request for a restaurant, subject to the following conditions:

-A proposed utility easement, located approximately at the intersection of Belt Line Road and Midway Road, must be included in the final plat prior to filing.

-Engineering plans, including drainage and grading improvements, must be approved by the Public Works Department prior to the issuance of a building permit.

Administrative Recommendation:

Administration recommends approval.

Item #R5 - Consideration of an Ordinance approving a meritorious exception to Sec. 62-163, Area of the sign ordinance, for Auto Care European located at 4304 Wiley Post Road.

Attachments:

1. Staff Report
2. Memorandum from Lynn Chandler

3. Application
4. Plans

Administrative Recommendation:

Administration recommends approval.

Item #R6 - Consideration and approval of a Resolution consenting to the sublease of certain property located at Addison Airport, the address of which is 4575 Claire Chennault Drive, by the tenant, C.C. Hangar, L.P. to a subtenant, RR Investments, Inc. d/b/a. Million Air Dallas, and authorizing the City Manager to execute a consent to sublease.

Attachments:

1. Council Agenda Item Overview
2. Memorandum from Bill Dyer
3. Consent to Sublease Agreement
4. Exhibit A – Assignment of Ground Lease
5. Exhibit B – Hangar Lease Agreement

Administration Recommendation:

Administration recommends approval.

Item #R7 - Consideration and approval of a Resolution regarding certain matters pertaining to a Ground Lease between the Town of Addison, as Landlord, and Redman Investments, Inc., as Tenant, of certain property located generally at 4585 Claire Chennault Drive on Addison Airport, as follows: (i) Consent to the assignment of the leasehold interest of Redman Investments, Inc. to Triad CSGP, LLC, a wholly owned subsidiary of Triad Hospitals, Inc., and (ii) approval of a First Amendment to Ground Lease, and authorizing the Town Manager to execute the said Consent and the First Amendment to Ground Lease.

Attachments:

1. Council Agenda Item Overview
2. Memorandum from Bill Dyer
3. Exhibit 1 – Map – View of subject property
4. Exhibit 2 – Original Ground Lease Dated April 4, 1984

5. Exhibit 3 – Public Ramp Easement Agreement
6. Exhibit 4 – Proposed Assignment of Ground Lease
7. Exhibit 5 – Proposed First Amendment To Ground Lease

Administration Recommendation:

Administration recommends approval.

Item #R8 - Presentation of the Aviation Museum Strategic Assessment report and Council direction to Town staff regarding next steps.

Attachments:

1. Council Agenda Item Overview
2. Memorandum from Lea Dunn
3. Aviation Museum Strategic Assessment

Administration Recommendation:

Administration recommends approval.

Item #R9 - Presentation of General Fund Long-term Plan.

Item #R10 - Discussion and update regarding the Town of Addison's Initiatives to Secure the Inclusion of the Cotton Belt Rail Line on DART's 2030 Transit System Plan.

Attachment:

1. Council Agenda Item Overview
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EXECUTIVE SESSION

Item #ES1 - Closed (executive) session of the City Council pursuant to Section 551.071, Texas Government Code, to conduct a private consultation with its attorney to seek the advice of its attorney about pending litigation, to wit: *Aventura Condominium Association, Inc. v. Addison Spectrum, L.P., et al v. Town of Addison, et al*, Case No. 03-09222-H, 160th Judicial District Court, Dallas County, Texas, and on a matter in which the duty of the attorney to the City Council under the Texas Disciplinary

Rules of Professional Conduct of the State Bar of Texas clearly
conflicts with Chapter 552, Tex. Gov. Code.

Adjourn Meeting

Posted 5:00 p.m.
May 18, 2005
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

May 10, 2005
7:30 p.m. - Council Chambers
5300 Belt Line Road

Present: Mayor Wheeler, Councilmembers Braun, Hirsch, Mellow, Niemann,
Ryland, Turner
Absent: None

Item #R1 - Consideration of Old Business.

The following employees were introduced to the Council: Sandra Scarborough (Human Resources), and Jerry Neighbors (Fire).

Item #R2 - Consent Agenda.

Item #2b was considered separately.

#2a – Approval of the Minutes for the April 26, 2005 Council Meeting and Work Session. (Approved as written)

Councilmember Niemann moved to duly approve the above listed items.
Councilmember Ryland seconded. Motion carried.

Voting Aye: Wheeler, Braun, Hirsch, Mellow, Niemann, Ryland, Turner
Voting Nay: None
Absent: None

#2b – Consideration and approval of Resolution to award bid to Jim Bowman Construction Co., L.P. in the amount of \$33,149.04 for Miscellaneous Pavement Improvements to various streets.

Councilmember Niemann moved to duly pass Resolution No. R05-051 awarding bid to Jim Bowman Construction Co., L.P. in the amount of \$33,149.04 for Miscellaneous Pavement Improvements to various streets. Councilmember Turner seconded. Motion carried.

Voting Aye: Wheeler, Braun, Hirsch, Mellow, Niemann, Ryland, Turner
Voting Nay: None
Absent: None

Item #R3 - **PUBLIC HEARING** and consideration of an Ordinance approving a Special Use Permit for the sale of alcoholic beverages for on-premises consumption, located at 4980 Belt Line Road, Suite 100, on application from the Asian Fusion Restaurant, represented by Mr. Le Lu.

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. 005-016 approving a Special Use Permit for the sale of alcoholic beverages for on-premises consumption, located at 4980 Belt Line Road, Suite 100, on application from the Asian Fusion Restaurant subject to the following conditions:

-the applicant shall not use the term "bar," "tavern," or any equivalent terms or graphic depictions related to the sale of alcoholic beverages in any exterior signs.

Councilmember Ryland seconded. Motion carried.

Voting Aye: Wheeler, Braun, Hirsch, Mellow, Niemann, Ryland, Turner
Voting Nay: None
Absent: None

Item #R4 - **PUBLIC HEARING** and consideration of an Ordinance approving an amendment to an existing Special Use Permit for a restaurant, and approval of a Special Use Permit for the sale of alcoholic beverages for on-premises consumption, located at 15615 Quorum Drive (Addison Circle), on application from Greenz Restaurant, represented by Ms. Casie Caldwell.

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 Niemann moved to duly pass Ordinance No. 005-017 approving an amendment to an existing Special Use Permit for a restaurant, and approval of a Special Use Permit for the sale of alcoholic beverages for on-premises consumption, located at 15615 Quorum Drive (Addison Circle), on application from Greenz Restaurant subject to the following conditions:

-The property management company (Post Properties) shall renew its responsibility for grease trap maintenance, and commit to increasing the frequency for pumping to at least once per month. Staff recommends that commitment be made in writing through a letter from Post Properties.

-The applicant shall not use the term “bar,” “tavern,” or any equivalent terms or graphic depictions related to the sale of alcoholic beverages in any exterior signs.

Councilmember Turner seconded. Motion carried.

Voting Aye: Wheeler, Braun, Hirsch, Mellow, Niemann, Ryland, Turner
Voting Nay: None
Absent: None

Item #R5 - PUBLIC HEARING and consideration of an Ordinance approving an amendment to the Appendix A, Zoning, of the Code of Ordinances, Article XIX, UC Urban Center District Regulations, Section 4, Use regulations; commercial subdistrict, Subsection B, *Permitted uses*, Paragraph 1. *Residential*, in order to add townhouse/condominium as allowed uses in the commercial sub-district, and Section E, *General conditions*, Paragraph 3, *Maximum residential mix*, in order to provide that greater than 30 percent of the acreage east of Spectrum Drive may be put to residential or mixed use with residential uses, on application from the Town of Addison.

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 Ryland moved to duly pass Ordinance No. 005-018 approving the following amendments to the Addison Zoning Ordinance:

-Approval of an amendment to Appendix A, Zoning, of the Code of Ordinances, Article XIX, UC – Urban Center District Regulations, Section 4, Use regulations; commercial subdistrict, Subsection B, *Permitted uses*, Paragraph 1. *Residential*, in order to add townhouse/condominium as an allowed use in the commercial sub-district

-Approval of an amendment to Appendix A, Zoning, of the Code of Ordinances, Article XIX, UC – Urban Center District Regulations, Section 4, Use regulations; commercial subdistrict, Subsection E, *General conditions*, Paragraph 3, *Maximum residential mix*, in order to provide that 50 percent of the acreage east of Spectrum Drive may be put to residential or mixed-use with residential uses.

Councilmember Turner seconded. Motion carried.

Voting Aye: Wheeler, Braun, Hirsch, Mellow, Niemann, Ryland, Turner
Voting Nay: None
Absent: None

Item #R6 - **PUBLIC HEARING** and consideration of an Ordinance approving a concept plan for a mixed-use with residential project in the Commercial subdistrict of the Urban Center District (Addison Circle), located on 6.53 acres bounded by Spectrum Drive on the west, the Madison Office building on the north, the Dallas North Tollway on the east, and a parcel of raw land on the south, on application from SNK Realty, represented by Mr. Derrick Turnball.

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 Ryland moved to duly pass Ordinance No. 005-019 approving a concept plan for a mixed-use with residential project in the Commercial subdistrict of the Urban Center District (Addison Circle), located on 6.53 acres bounded by Spectrum Drive on the west, the Madison Office building on the north, the Dallas North Tollway on the east, and a parcel of raw land on the south, on application from SNK Realty subject to no conditions. Councilmember Turner seconded. Motion carried.

Voting Aye: Wheeler, Braun, Hirsch, Mellow, Niemann, Ryland, Turner
Voting Nay: None
Absent: None

Item #R7 – Consideration and approval for the City Manager to enter into a Contract Agreement with TXU Electric Delivery, in the amount of \$420,115.00 for the relocation and installation of electrical services in connection with the widening of Addison Road, from Belt Line Road to Arapaho Road.

Councilmember Niemann recused himself and left the Chamber.

Councilmember Braun moved to duly approve the City Manager to enter into a Contract Agreement with TXU Electric Delivery, in the amount of \$420,115.00 for the relocation and installation of electrical services in connection with the widening of Addison Road, from Belt Line Road to Arapaho Road. Councilmember Turner seconded. Motion carried.

Voting Aye: Wheeler, Braun, Hirsch, Mellow, Ryland, Turner
Voting Nay: None
Absent: None
Abstaining: Niemann

Councilmember Niemann returned.

Item #R8 – Consideration of a Resolution consenting to the sublease of certain property located at Addison Airport, the address of which is 4505 Claire Chennault and which is generally referred to as the Addison Jetport, by the

tenant, Addison Airport of Texas, Inc., to a subtenant, FirstAIR Group, Inc., and authorizing the City Manager to execute a Consent to Sublease.

Councilmember Niemann moved to duly approve Resolution No. R05-052 consenting to the sublease of certain property located at Addison Airport, the address of which is 4505 Claire Chennault and which is generally referred to as the Addison Jetport, by the tenant, Addison Airport of Texas, Inc., to a subtenant, FirstAIR Group, Inc., and authorizing the City Manager to execute a Consent to Sublease. Councilmember Turner seconded. Motion carried.

Voting Aye: Wheeler, Braun, Hirsch, Mellow, Niemann, Ryland, Turner
Voting Nay: None
Absent: None

Item #R9 – Consideration of a Resolution approving a Ground Lease Termination Agreement terminating a ground lease between the Town of Addison, Texas, as landlord, and Addison Express IV, LP (formerly known as Keith Partner II, Ltd.), as tenant of certain property located at the existing fuel farm facility within the Addison Airport, and authorizing the City Manager to execute the Termination Agreement.

Councilmember Niemann moved to duly approve Resolution No. R05-053 approving a Ground Lease Termination Agreement terminating a ground lease between the Town of Addison, Texas, as landlord, and Addison Express IV, LP (formerly known as Keith Partner II, Ltd.), as tenant of certain property located at the existing fuel farm facility within the Addison Airport, and authorizing the City Manager to execute the Termination Agreement. Councilmember Ryland seconded. Motion carried.

Voting Aye: Wheeler, Braun, Hirsch, Mellow, Niemann, Ryland, Turner
Voting Nay: None
Absent: None

Councilmember Hirsch requested a moment of silence in honor of Jim Pierce.

Item #R10 – Presentation and discussion of Town's quarterly financial report for period ending March 2005.

No action taken.

Item #R11 – 2005-06 Budget Process Presentation.

No action taken.

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

Mayor

Attest:

City Secretary

OFFICIAL ACTIONS OF THE ADDISON CITY COUNCIL

May 17, 2005 – Special Meeting
7:30 p.m. - Council Chambers
5300 Belt Line Road

Present: Mayor Wheeler, Councilmembers Braun, Hirsch, Mellow, Niemann,
Turner
Absent: Ryland

Item #S1 – Consideration of an Ordinance canvassing the results of the municipal election held on May 7, 2005.

Councilmember Turner moved to duly pass Ordinance No. 005-020 canvassing the results of the municipal election on May 7, 2005, which was held for the purpose of electing a mayor, three councilmembers for a full term and two councilmembers for unexpired terms.

MAYOR	
<u>Name of Candidate</u>	<u>Total Votes</u>
Fredric Silver	456
Joe Chow	655

COUNCILMEMBER, FULL TERM	
<u>Name of Candidate</u>	<u>Total Votes</u>
Diane Mallory	687
Gregory S. Hirsch	422
Jimmy Niemann	359

COUNCILMEMBER, UNEXPIRED TERM	
<u>Name of Candidate</u>	<u>Total Votes</u>
Ray N. Ryland	360
Dennis O. Kraft	403
Roger S. Mellow	578

Councilmember Braun seconded. Motion carried.

Voting Aye: Wheeler, Braun, Hirsch, Mellow, Niemann, Turner
Voting Nay: None
Absent: Ryland

Item #S2 – Administration of the Oath of Office by the City Secretary to the newly elected Mayor and administration of the Oath of Office by the Mayor to the newly elected Councilmembers.

The Oath of Office was administered to newly elected Mayor Joe Chow and newly elected Councilmembers Greg Hirsch, Dennis Kraft, Diane Mallory, Roger Mellow and Jimmy Niemann.

R. Scott Wheeler's expired term was filled by newly elected Mayor Joe Chow.

Ray Ryland's unexpired term was filled by newly elected Councilmember Dennis Kraft.

Glynda Turner's expired term was filled by newly elected Councilmember Diane Mallory.

Item #S3 – Presentation of plaques to R. Scott Wheeler and Glynda Turner.

Plaques were presented to R. Scott Wheeler and Glynda Turner for their service to the Town of Addison.

Item #S4 – Distribution and discussion of Dominance Influence Steadiness Conscientiousness (DISC) Personal Profile System and review upcoming dates for City Council worksessions.

There was no action on this item.

EXECUTIVE SESSION. At 7:57 p.m. Mayor Chow announced that the Council would convene into Executive Session.

Item #ES1 - Closed (executive) session of the City Council pursuant to Section 551.071, Texas Government Code, to conduct a private consultation with its attorney to seek the advice of its attorney about contemplated litigation, or a settlement offer, and on a matter in which the duty of the attorney to the City Council under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with Chapter 552, Texas Government Code, to wit: Festival Way construction.

The Council came out of Executive Session at 8:21 p.m.

Item #S5 – Consideration of any action deemed necessary by the City Council, including consideration of a settlement offer, in connection with the construction of Festival Way.

Councilmember Niemann moved to authorize the City Manager to enter into a settlement agreement with Abstract Construction regarding the construction of Festival Way. Councilmember Mallory seconded. Motion carried.

Voting Aye: Chow, Braun, Hirsch, Kraft, Mallory, Mellow, Niemann
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:

This item is for the award of a bid to Insituform Technologies in the amount of \$86,650.00 for reconstruction of sanitary sewer lines by the installation of a trenchless internal lining process.

FINANCIAL IMPACT:

Budgeted Amount: \$104,000.00

Cost: \$86,650.00

BACKGROUND:

The project involves the reconstruction of approximately 2,400 linear feet of sanitary sewer lines by the installation of a resin-impregnated flexible tube. The location of this project is located along the 16400 block of Dallas Northway Parkway, from Westgrove Road to Keller Springs Road.

247 vendors were notified of this bid and 16 vendors received plans. One bid was received, which is listed on the attached bid tabulation form. Due to the specialized nature of this work, there are very few companies that are able to bid on this type of project.

Insituform has done similar projects for the Town of Addison previously and has performed well. In addition, Insituform has experience with this type of project for numerous cities and references have been very positive about the quality of their work.

RECOMMENDATION:

Staff recommends approval of this bid.

Trenchless Internal Lining of Sanitary Sewer Lines
Bid NO 05-21

DUE: May 3, 2005
2:00 PM

BIDDER	SIGNED	BID BOND	TOTAL BID
Insituform Technologies, Inc.	Y	Y	\$86,650.00

Shanna N. Sims

Shanna N. Sims, Budget and Procurement Manager

Mary McEluffey

Witness

Council Agenda Item: #2c

SUMMARY:

This item is to request the Council's approval for rejecting all the bids received for the purchase and installation of Video Camera Monitoring System at Addison Airport, Jail, EOC, Court, and PD building. Last December the Town of Addison received a grant in the amount of \$100,000 from the Department of Homeland Security to install Video Camera Monitoring System at Addison Airport, Jail, EOC, Court, and PD building. We released a RFP, which was due on March 11, 2005. We received 11 proposals. Also, on April 29, 2005 we received a second notice that the State Homeland Security Office has allocated an additional funding for the Town of Addison under the fiscal year 2005 in the amount of \$99,316 for the purchase and installation of Video Camera Monitoring System at the Art and Events District.

FINANCIAL IMPACT:

Budgeted Amount:	\$0
Total grant money received:	\$199,316

BACKGROUND:

In February of 2005, the Town released a RFP to solicit sealed written proposals from qualified vendors for the purchase and installation of 40 cameras (24 fix, 16 with pan, tilt and zoom) Sony Network Video Recorders at Addison Airport, Jail, EOC, Court, and Police Department. RFP was due on March 11 and we did received 11 proposals. However; after receiving all the submitted proposals it came to the staff's attention that in September of 2004, the State of Texas started requiring the Security Services Contractor to be licensed by the Private Security Board in order to be able to install any security monitoring system that records, archives, or monitors property or individuals in a public or private area of a residence or business. In addition, on April 29, 2005 we received a second notice that the State Homeland Security Office has allocated an additional funding for the Town of Addison under the fiscal year 2005 in the amount of \$99,316 for the grant that the Town applied at the beginning of this year for the purchase and installation of Video Camera Monitoring System at the Art and Events District. Therefore, Staff is requesting to reject the received bids and release an updated version of this Request for Proposal on May 27, 2005. This updated version will include additional requirements regarding licensing of contractors as well as the need for additional cameras at a new location, the Addison Arts and Events District.

RECOMMENDATION:

Staff recommends rejection of all the bids submitted for the purchase and installation of Video Camera Monitoring System at Addison Airport, Jail, EOC, Court and PD building.

Council Agenda Item: #2d

SUMMARY:

This item is to request the Council's approval of a contract with RedMoon Broadband to install and maintain WLAN (Wireless Local Area Network) including a wireless Internet access service known as WiFi for a period of one year at the Conference Centre. Currently Sprint providing this service at the Conference Centre. We will be sending 30 days cancellation notice to Sprint. A copy of the contract is attached.

FINANCIAL IMPACT:

Budgeted Amount: \$9038.28 annually

Cost: \$2388 annually

The Town will be realizing saving of \$6650.28 plus 10% of the revenue generated at the Conference Centre under the franchise agreement between the Town and RedMoon.

BACKGROUND:

3 years ago we received a request from the Conference Centre to evaluate the possibility of providing Internet access to their customers at the Conference Centre. They were looking for a total solution which would enable their customers to use wireless Internet access to download presentations, demonstrate websites, check e-mails, and access cooperate VPN (Virtual Private Network). Consequently, we contacted several different Internet Service Providers in the Dallas area. Initially, during the discovery period, we primarily focused on finding and negotiating a suitable solution for the Conference Centre. However, it was during that process that we were exposed to a new nationwide plan deployed by Sprint to install WiFi systems at the major convention centers and airports. This information changed our thought process and to some extent our level of expectation. We started to demand more from the vendors than just a solution. Finally, Sprint SPECTRUM L.P. came forward with a solution that was hard for the other vendors to match and was hard for Addison to ignore. Under this agreement Sprint was responsible to purchase, configure, install and maintain this service at the Conference Centre. Addison's responsibility was to pay for the backhaul charges (\$753.19 a month) to Sprint.

However, under the proposed contract Redmoon agrees to provide equivalent services at the Conference Centre for \$199 a month.

RECOMMENDATION:

Staff recommends that the Council authorize the City Manager to enter into a contract with REDMOON BROADBAND FOR the installation of WLAN (Wireless Local Area Network) equipment including WiFi services at the Addison Conference Centre in the amount of \$2388.

TEMPORARY LICENSE AGREEMENT

THIS TEMPORARY LICENSE AGREEMENT ("Agreement") is made by and between the Town of Addison, Texas ("Addison") and REDMOON Broadband, Inc., a Delaware corporation ("RedMoon") and shall commence upon the latest date of execution by both parties ("Effective Date").

BACKGROUND

A. Addison is the owner of the Addison Conference and Theatre Centre located at 15650 Addison Road, Addison, Texas 75001-3285 (the "**Conference Centre**").

B. Addison desires to make available to users of the Conference Centre a wireless local area network ("**WLAN**") in which a mobile user can connect to a local area network through a wireless (radio) connection. In order to provide the WLAN, Addison desires to grant to RedMoon a temporary revocable license to install, manage, and maintain a WLAN for public use at the Conference Centre pursuant to the terms and conditions of this Agreement.

C. RedMoon is an established provider of wireless telecommunications services, and warrants and represents that it has the skills, qualifications, expertise and experience necessary to provide and perform the work and services described herein in an efficient manner with a high degree of quality and responsiveness and has performed and continues to perform the same and similar services for other buyers.

AGREEMENT

For and in consideration of the above and foregoing premises and other good and valuable consideration set forth herein, Addison and RedMoon do hereby agree as follows:

1. **Temporary License.** Addison licenses to RedMoon the non-exclusive use of the Conference Centre to install, manage, and maintain a wireless local area network (WLAN). RedMoon hereby accepts the Conference Centre in its "as-is" condition, and acknowledges that Addison (a) has made no representations or warranties whatsoever with respect to any of the Conference Centre and (b) has not agreed to alter or construct any improvements or otherwise modify the Conference Centre in connection with this Agreement.

2. **Use; Service.**

(a) **Permitted Uses.** The Conference Centre will be used by RedMoon solely for the purpose of installing, managing, and maintaining a WLAN ("**Permitted Uses**") through the use and operation of the WLAN Equipment (as defined below).

(b) Prohibited Uses. RedMoon shall ensure that no RedMoon Parties (as defined below) with insufficient training, expertise, or experience to install, maintain, repair, remove, or replace the WLAN Equipment shall enter or use the Conference Centre for or in connection with this Agreement. RedMoon shall not replace or augment any component of the WLAN Equipment in order to provide additional services not expressly included in Permitted Uses (as opposed to replacing obsolete or defective WLAN Equipment or upgrading technology to provide the same services more efficiently or to improve the quality of the same services), without the express prior written consent of Addison.

(c) Other Providers. Addison has the right to enter into any agreement containing any terms with any person or entity ("**Other Provider**") to provide any WLAN service at the Conference Centre; however, as of the Effective Date, it is Addison's intent not to allow any Other Provider to provide WLAN service at the Conference Centre for a period of one (1) year from the Effective Date. In the event the use of the Conference Centre by any such Other Provider results in material and adverse interference with the WLAN Equipment, RedMoon shall give Addison notice of such interference, and Addison shall have ten (10) days after its receipt of such notice to cause such interference to be cured. If such interference is not cured within such time period, RedMoon (as its sole remedy) shall thereafter have the right without further notice to terminate this Agreement and to remove the WLAN Equipment in accordance herewith.

(d) The WLAN shall be available to users of the Conference Centre 24 hours per day, 7 days per week for the Term specified hereunder, subject to the termination provisions of this Agreement.

(e) RedMoon shall purchase a sufficient number of access points, access gateway, routers, switches and other equipment necessary to operate a WLAN sufficient for providing wireless internet access to users of the Conference Centre (collectively "**WLAN Equipment**").

(f) RedMoon will provide its work and services hereunder in accordance with RedMoon's proposal to Addison, a copy of which is attached hereto as Attachment "B" and incorporated herein. In connection with any of its services and work provided, RedMoon warrants and represents that such services and work will be provided in a professional, good and workmanlike manner, consistent with the commercially accepted best practices and standards that are in use in RedMoon's line of business as of the time such services and work are provided. RedMoon covenants that its services and work performed at the Conference Centre shall meet Addison's standard work rules, security regulations or similar requirements if RedMoon is informed of same. RedMoon warrants and represents that it has the skills, qualifications, expertise, experience and financial capability necessary to perform the services described in this Agreement in an efficient and cost-effective manner with a high degree of quality and responsiveness and has performed and continues to perform the same and similar services for other buyers.

(g) When accessing the WLAN service at the Conference Centre, a user will be directed initially to a portal page (see sample portal page included in Attachment "B" on the page entitled "Wi-Fi Service Solution"). All content included on the portal page (including, without limitation, all links included thereon) shall be subject to the mutual approval of Addison and RedMoon.

3. Term; Termination; New Agreement.

(a) This Agreement will commence as of the Effective Date and continue for a period of 12 months ("**Term**"), unless sooner terminated pursuant to the provisions of this Agreement. Notwithstanding any other provision of this Agreement, Addison has the right to terminate this Agreement at any time and for any reason upon at least thirty (30) days notice to RedMoon setting forth the date of termination. RedMoon has the right to terminate this Agreement upon at least 30 days notice to Addison in the event that any license, permit, or other governmental approval ("**Approvals**") required for the installation or operation of the WLAN Equipment is withheld, revoked, withdrawn, canceled, expires, lapses, or is terminated (in each case, through no fault of RedMoon, and provided RedMoon exercises reasonable diligence to obtain such Approvals).

(b) At or prior to the expiration of this Agreement, the parties may seek (but will be under no obligation) to negotiate a new agreement ("**New Agreement**") regarding the provision, operation, and maintenance of a WLAN at the Conference Centre by RedMoon. In the event the parties fail to execute a New Agreement, RedMoon will discontinue performing its services in the Conference Centre, will remove all WLAN Equipment in accordance with the terms of this Agreement, will disconnect the backhaul from the access point, and neither party will have any further obligation to the other, except as otherwise provided for herein.

4. Modification or Installation of Space or Equipment.

(a) **Installation Plans.** Before installing, modifying, or removing any WLAN Equipment in any portion of the Conference Centre, RedMoon shall deliver to the Addison Director of Information Technology (the "**Director**"), for review and approval, engineering drawings or plans and specifications (collectively, "**Installation Plans**") setting forth in detail the design, location, size, weight, material composition, method of installation, and, if applicable, frequency of the WLAN Equipment, and proposed locations and pathways for the WLAN Equipment, together with evidence reasonably satisfactory to Addison that the Installation Plans comply with the Operating Requirements. Addison's approval of the Installation Plans shall not constitute a representation or warranty by Addison that the Installation Plans comply with the Operating Requirements.

(b) **Installation Schedule.** At least 15 days prior to commencing initial installation of the WLAN Equipment, but in no event later than 30 days after the Effective Date, RedMoon shall deliver to Addison a proposed installation schedule for

the WLAN Equipment. RedMoon shall immediately deliver an updated installation schedule, if any date set forth in the installation schedule previously delivered to Addison changes by more than 15 days.

(c) Installation. RedMoon shall not install, modify, or remove WLAN Equipment without (i) Addison's prior approval of the Installation Plans and all contractors, subcontractors, and materials suppliers that RedMoon proposes to utilize, and (ii) receipt by Addison of true and correct copies of RedMoon's licenses and permits for operation and installation of the WLAN Equipment. The installation, connection, modification, or removal shall be performed (A) at the sole cost of RedMoon, (B) in a good and workmanlike manner, (C) in accordance with the Installation Plans and all the Operating Requirements, (D) without unreasonably interfering with the use of any portion of the Conference Centre by Addison or its users, and (E) without causing an increase in the cost of operating or maintaining the Conference Centre. Any noisy or potentially disruptive installation or construction activity shall be conducted after the Conference Centre's normal business hours.

(d) Theft. With respect to all WLAN Equipment, except to the extent attributable to the gross negligence or willful misconduct of Addison or any Addison Parties (as defined below), RedMoon will be responsible for and will bear the risk of loss or damage to any WLAN Equipment, whether by theft and/or vandalism or otherwise.

5. Addison's Covenants. As part of its obligations hereunder, Addison agrees that, at its sole expense, it will be responsible for purchasing from RedMoon the backhaul necessary to provide internet access to users of the Conference Centre via the WLAN in the Conference Centre. Addison will maintain the backhaul from RedMoon for twelve (12) months or the duration of this Agreement, whichever is longer at a cost of \$199.00 per month; *provided, however*, if RedMoon terminates this Agreement for any reason other than Addison's breach or default, or if Addison terminates this Agreement for cause attributable to a default or breach by RedMoon, then Addison may terminate the backhaul arrangement. For purposes of this Agreement, the term "backhaul" means the 1.544Mb T-1 WAN circuit, which will enable connectivity to the Internet.

6. RedMoon's Covenants. As part of its obligations hereunder, RedMoon covenants and agrees as follows:

(a) Back-office Support. RedMoon, at its sole expense, will be responsible for all back office applications (i.e., billing, customer care, etc.), provisioning any required access authentication device(s) including the customization, development and loading of the splash page and the provisioning of all necessary internet protocols and security features related to any access authenticating device(s) and/or access point(s), as applicable.

(b) Site Preparation. RedMoon, at its sole expense, shall pay for all logistics fees including, but not limited to, the design and installation of the WLAN.

(c) **Network Management Services.** RedMoon shall, at RedMoon's expense, monitor the WLAN Equipment and inform Addison of any failure associated with the WLAN Equipment. Additionally, if RedMoon receives any calls that result in Addison required support, RedMoon shall inform Addison as soon as reasonably possible. Both parties shall establish support procedures in order to facilitate the expeditious repair or replacement of any inoperable WLAN Equipment.

(d) **Security.** RedMoon shall cooperate fully with the Conference Centre's security procedures as the same currently exist or may be amended, provided copies of those procedures have been delivered to RedMoon.

(e) **Performance Standards.** RedMoon shall comply with all of its internal standards for quality, safety, continuity and customer service. All WLAN Equipment shall be installed and maintained in good working order.

(f) **Insurance.** RedMoon shall, at RedMoon's sole expense, maintain in effect at all times during the Term, the insurance coverages set forth in Attachment "A", appended hereto, which Attachment is incorporated herein and made a part hereof by this reference.

(g) RedMoon will facilitate dedicated WLAN access in the exhibit halls of the Conference Centre and agrees to sell Addison dedicated unlimited access per exhibitor, per exhibit hall, per 24 hour period at a wholesale rate of \$500 per day upon Addison's request. Addison has the rights to sell dedicated WLAN access to exhibitors at any desired rate and retain all profits from such sale. The parties agree that the calculation of Gross Revenues and Adjusted Gross Revenues under this Agreement do not include any revenues of RedMoon attributable to a wholesale purchase under this Section.

(h) **Operating Requirements.** RedMoon will, at RedMoon's expense, ensure that RedMoon Parties, the WLAN Equipment (including installation, maintenance, operation, and removal thereof), and any space where WLAN Equipment (the "***WLAN Equipment Space***") is located, are at all times in material compliance with the following defined items, as the same may be amended from time to time (collectively, the "***Operating Requirements***").

(i) "***Applicable Law***": to the extent the same affect Addison or RedMoon solely with respect to the WLAN Equipment Space and any WLAN Equipment: (A) all laws, rulings, orders, regulations, restrictions, or requirements currently in effect or adopted in the future by any governmental entity, including licensing, zoning, building, and fire codes, and rules, regulations, and orders of the Occupational Safety and Health Administration ("***OSHA***"), Federal Communications Commission ("***FCC***"), and Federal Aviation Agency; and (B) all easements, requirements, standards, or restrictions currently in effect or adopted in the future by any board of fire underwriters, insurance carrier, or

utility company. If Addison determines that Addison must incur costs to comply with Applicable Law, or to conduct a survey to determine compliance with Applicable Law, solely as a result of the installation, operation, or presence of the WLAN Equipment in the Conference Centre, Addison will give reasonable notice to RedMoon of that determination and allow RedMoon a reasonable opportunity to recommend reasonable alternatives to incurring such costs. If no reasonable alternative is available, RedMoon may either terminate this Agreement upon written notice and remove the WLAN Equipment or agree to reimburse Addison for such costs. If RedMoon agrees to reimburse Addison for such costs, within 20 days after receipt of Addison's invoice, RedMoon will reimburse Addison for all reasonable costs incurred by Addison (I) in complying with Applicable Law as a result of the installation, operation, or presence of the WLAN Equipment in the Conference Centre, and (II) to conduct surveys to determine compliance with Applicable Law as a result of the installation, operation, or presence of the WLAN Equipment in the Conference Centre. This Section does not require RedMoon to renovate or reconstruct any portion of the Conference Centre at RedMoon's expense to comply with Applicable Laws.

(ii) **"Rules and Regulations"**: the rules and regulations promulgated by Addison for the Conference Centre.

(iii) **"Technical Standards"**: any technical standards adopted by Addison from time to time in accordance with industry standards for WLAN service. If any Technical Standards adopted by Addison require RedMoon to modify, renovate, or revise the then-existing installation, operation, or maintenance of the WLAN Equipment, RedMoon will do so, at RedMoon's sole expense, within a reasonable time thereafter, not to exceed 60 days after receipt of notice. Notwithstanding the foregoing, if any Technical Standards during the Term require changes to the WLAN Equipment Space or WLAN Equipment that would cause RedMoon to incur significant out-of-pocket costs, and such revisions are not reasonably related to Applicable Law or health and safety concerns, RedMoon will have the right to terminate this Agreement without penalty or additional fees by notice delivered to Addison no later than 30 days after Addison's issuance of such Technical Standards.

(i) **Condition of WLAN Equipment; Repairs.** RedMoon shall (i) maintain and operate the WLAN Equipment in a good and safe condition; (ii) keep the WLAN Equipment Space in a safe condition and free from all trash, debris, and waste resulting from its use by RedMoon; and (iii) repair all damage to the WLAN Equipment Space or the Conference Centre occurring in connection with the installation, use, operation, maintenance, relocation, or removal of the WLAN Equipment. If RedMoon fails to perform any of the foregoing obligations within 10 business days after Addison's notice of such failure, Addison may perform such obligations on RedMoon's behalf; and RedMoon will reimburse Addison for all reasonable costs incurred in connection therewith, within 15 days after receipt of Addison's invoice. RedMoon's reimbursement obligation will survive the expiration or earlier termination of this Agreement. Addison will have no responsibility for maintaining the WLAN Equipment or any portion of the WLAN Equipment Space.

(j) **Costs; Liens.** RedMoon will pay or cause to be paid all costs for work performed or materials provided by or at the direction of RedMoon or related to the WLAN Equipment or the WLAN Equipment Space. RedMoon will keep the Conference Centre and any other property of Addison free and clear of all liens, whether mechanic's, materialman's, or otherwise, related to the installation, operation, maintenance and repair of the WLAN Equipment.

(k) **Surrender of Space.**

(i) **Removal of WLAN Equipment.** Upon expiration or earlier termination of this Agreement, RedMoon will remove all of the WLAN Equipment from the Conference Centre and peaceably surrender the WLAN Equipment Space and any other portion of the Conference Centre used by RedMoon hereunder to Addison in the same condition such premises were in on the Effective Date, excepting (A) ordinary wear and tear and (B) if termination resulted from a Casualty or Taking (as defined below), damage not required to be repaired by RedMoon.

(ii) **Failure to Remove.** If RedMoon fails to remove the WLAN Equipment from the Conference Centre within 10 business days after the expiration or earlier termination of this Agreement, Addison may remove, store, or dispose of any remaining WLAN Equipment in any manner Addison deems appropriate. RedMoon will reimburse Addison for all costs incurred by Addison in connection therewith, within 30 days after Addison's request. In addition, if RedMoon fails to remove the WLAN Equipment from the Conference Centre within 10 business days after the expiration or earlier termination of this Agreement without executing a New Agreement (unless negotiations for a New Agreement are ongoing), RedMoon will, at the option of Addison, be deemed to be holding over, subject to all provisions of this Agreement, except that the monthly License Fee will be an amount equal to 150% of the highest monthly License Fee paid to Addison.

(l) **Press Releases.** Addison and RedMoon will not, without the other party's prior written consent, which consent will not be unreasonably withheld, distribute any written news or press release involving the use of either party's name, logo or trademark in connection with this Agreement. Each party agrees to submit a copy of any written news or press release to the other party for approval prior to release. Notwithstanding the foregoing, Addison may publicize in a news or press release or otherwise the availability of the WLAN service at the Conference Centre in any manner that does not include the use of RedMoon's name, logo or trademark without obtaining RedMoon's consent.

(m) **Advertising Solicitations.** RedMoon shall not conduct nor permit any door-to-door advertising or any solicitation of business in the Conference Centre. RedMoon shall not advertise, solicit, or otherwise market in the common areas of the Conference Centre without the express approval of the Manager of the Conference Centre ("***Conference Centre Manager***"), which approval may be withheld in the sole

and absolute discretion of the said Manager. Notwithstanding the foregoing prohibition, RedMoon shall be entitled to publicize the availability of the WLAN service to guests at the Conference Centre, subject to the prior review and approval of the Conference Centre Manager, which approval shall not be unreasonably withheld.

(n) **Security.** RedMoon shall cooperate fully with Addison's security procedures for the Conference Centre, including locking all equipment rooms upon completion of RedMoon's access. RedMoon shall surrender all keys, master entry cards, or other means of Conference Centre access in RedMoon's possession, upon the expiration or earlier termination of this Agreement. ADDISON WILL HAVE NO OBLIGATION TO REDMOON, REDMOON'S PERSONNEL, CONTRACTORS, OR OTHER AGENTS, OR THEIR PERSONNEL, REGARDING ITS OR THEIR SECURITY WHILE AT THE CONFERENCE CENTRE.

7. **Certain Rights Reserved by Addison**

(a) **Right to Relocate Equipment.** At any time after the execution of this Agreement, Addison may, upon 60 days' notice ("***Relocation Notice***"), cause RedMoon to relocate all or any portion of the WLAN Equipment to other space in the Conference Centre ("***Substitute Space***"). If the Substitute Space (i) is less suitable than the WLAN Equipment Space for RedMoon's operations in the Conference Centre, or (ii) is not concurrently available to permit relocation without interruption of the Permitted Uses, then RedMoon will have the option to terminate this Agreement by notice delivered to Addison no later than 15 business days after receipt of the Relocation Notice. RedMoon will have up to 45 business days after receipt of the Relocation Notice to complete the relocation. RedMoon may perform a brief parallel cutover, if reasonably required by the relocation, to ensure that the relocated Equipment is operational.

(b) **Screening of Equipment.** At any time during the Term, Addison may require RedMoon to install, at RedMoon's sole expense, a device screening the WLAN Equipment from public view ("***Screening Device***"), provided the Screening Device will not materially and adversely interfere with the operation of the WLAN Equipment. The Screening Device will be installed in accordance with plans and specifications approved by Addison, and will otherwise comply with all Operating Requirements and all other requirements of this Agreement. At the option of Addison, RedMoon will remove the Screening Device at the expiration or earlier termination of this Agreement, and restore the area in which the Screening Device was installed to its original condition.

8. **Access.**

(a) **By RedMoon.** RedMoon will have access to the Conference Centre for the purposes set forth herein on the following conditions:

(i) **Notice.** RedMoon will use reasonable efforts to provide to the Conference Centre Manager at least 24 hours advance notice of any need for access, except for disruption of RedMoon's services ("***Disruption***") or an Emergency, and at least 2 hours' advance notice of any need for access because of a Disruption or Emergency. In the event Addison receives less than 24 hours' notice of RedMoon's

desire to access the Conference Centre if no Disruption or Emergency exists, or less than 2 hours' notice if an Disruption or Emergency exists, Addison will use commercially reasonable efforts to accommodate RedMoon's request.

(ii) **Procedure.** Prior to the initial installation of the WLAN Equipment, RedMoon will deliver to Addison, in care of the Conference Centre Manager, and thereafter keep current, a list of RedMoon's employees and contractors who are permitted to access the Conference Centre. Access to the Conference Centre and to the WLAN Equipment Space may be arranged through the Conference Centre Manager or, after the normal business hours for the Conference Centre, through the security personnel at or servicing the Conference Centre. **RedMoon authorizes Addison to deny access to the Conference Centre to any of RedMoon's employees or contractors who are not on RedMoon's permitted access list or do not present satisfactory proof of identity to Conference Centre management or security; provided, however, Addison will have no liability to RedMoon as to any access granted by Addison.** Addison may require that a representative of Addison accompany RedMoon during such access. If RedMoon requests access to the Conference Centre at times other than the normal business hours for the Conference Centre, RedMoon may be required to reimburse Addison for reasonable trip charges and overtime charges incurred by Addison in connection with after hours access.

(b) **By Addison.** Addison will have access at all times to any portion of the WLAN Equipment Space (i) in the event of an Emergency, (ii) to inspect the WLAN Equipment visually, (iii) to perform any obligations RedMoon fails to perform timely after the expiration of any applicable grace period, (iv) to assure RedMoon's compliance with this Agreement, (v) to perform maintenance, repairs, and alterations to the WLAN Equipment Space, or (vi) to make technical measurements or tests related to the WLAN Equipment, provided no hard electrical connections will be made unless Addison gives RedMoon at least 24 hours notice.

9. **Interference.**

(a) **Evaluation.** RedMoon will be solely responsible for determining whether any potential for Interference (as defined below) exists, prior to installing the WLAN Equipment. Upon no less than 24 hours' prior notice to Addison, RedMoon will be permitted access to the Conference Centre for the purpose of conducting all tests and other investigations, studies, and evaluations that RedMoon deems necessary to evaluate potential Interference (collectively, "**Evaluation**"). RedMoon will have the option to terminate this Agreement by notice delivered to Addison no later than 30 days after the Effective Date, if the Evaluation discloses: (i) potential RedMoon-caused Interference that cannot be corrected by adjusting RedMoon's signal, by shielding the WLAN Equipment, or by shielding the equipment of any third party experiencing the Interference, with such third party's approval; or (ii) potential third party-caused Interference that (A) originates outside the Conference Centre, or (B) originates on or in the Conference Centre, but cannot be corrected by adjusting RedMoon's signal, by shielding the WLAN Equipment, or by shielding the equipment of any third party causing

the Interference, with such third party's approval. UNDER NO CIRCUMSTANCES WILL REDMOON INSTALL THE WLAN EQUIPMENT IF AN EVALUATION DISCLOSES POTENTIAL REDMOON-CAUSED OR THIRD PARTY-CAUSED INTERFERENCE, UNLESS THE POTENTIAL INTERFERENCE HAS BEEN ELIMINATED TO THE REASONABLE SATISFACTION OF ADDISON. RedMoon will also conduct an Evaluation if Addison approves installation of new or additional equipment, after the initial installation of the WLAN Equipment. If RedMoon is unable to eliminate any potential Interference disclosed by the Evaluation through one of the methods described above to the reasonable satisfaction of Addison, RedMoon will not install any new or additional equipment.

(b) Procedure. If, at any time during the Term, (i) any electrical output, electromagnetic output, radio frequency, or other electromagnetic signals or noise resulting from the operation of the WLAN Equipment, in Addison's reasonable opinion, adversely affects the equipment, machinery, or systems of Addison or any tenant of the Conference Centre or causes degradation of reception or transmission on the equipment of Other Providers in the Conference Centre (collectively, "**Interference**"), and (ii) RedMoon does not correct the Interference within 24 hours after receipt of telephonic or written notice from Addison, RedMoon will immediately cease operations (except for intermittent testing on a schedule approved by Addison), until the Interference has been corrected to the satisfaction of Addison. If such Interference has not been corrected within 30 days after Addison's notice, Addison will, in addition to any other remedies, have the right to immediately terminate this Agreement by notice to RedMoon. If, in Addison's reasonable opinion, Interference is creating imminent danger of injury to person or property ("**Emergency**"), Addison will give verbal notice (either in person or by telephone) of the Emergency to RedMoon, who will act immediately to remedy the Emergency; and Addison will have the right to shut down the WLAN Equipment immediately, until the Emergency is resolved.

10. Service Interruptions; Equipment Malfunctions. All of the following (collectively, "**Equipment Malfunction**") will be the sole responsibility of RedMoon and will not constitute an Addison default or an eviction of RedMoon: (a) interruption or suspension of electrical service to the WLAN Equipment, (b) malfunction or non-functioning of the WLAN Equipment, and (c) repair, maintenance, loss of, or damage to the WLAN Equipment. RedMoon will be responsible for obtaining its own backup power supply, if desired, and power surge protection, subject to the approval of Addison. RedMoon Waives all Claims against Addison Parties arising, or alleged to arise, from an Equipment Malfunction, subject to Section 4.(d).

11. Indemnities and Waivers.

(a) Definitions. The "**RedMoon Parties**" are RedMoon and any Affiliate and their respective directors, officers, managers, employees, agents, representatives, contractors, subcontractors, anyone employed by any of them, or anyone for whose acts or omissions any of them are liable (each being a "**RedMoon Party**"). The "**Addison Parties**" are Addison and its officials, officers, employees, and agents (each being an "**Addison Party**"). "**Claims**" are all claims, demands, proceedings, liabilities,

expenses (including reasonable attorneys' and experts' fees), costs, judgments, harm, damages, fines, and penalties. "**Waive**" means to relinquish a right or release another party from liability in connection with a Claim.

(b) Allocation of Risks.

(i) RedMoon shall defend, indemnify, and hold harmless the Addison Parties from and against any and all third-party Claims arising, or alleged to arise, from or out of any act or omission of a RedMoon Party under or related to this Agreement, including any Claim related to personal or bodily injury (including, without limitation, sickness, disease, or death), property damage or destruction, breach of contract, or any other harm for which any type of relief or remedy is sought (whether at law, in equity, or otherwise).

(ii) RedMoon Waives any interruption to RedMoon's business or any Claim for loss of use of the Conference Centre, the WLAN Equipment Space, or any WLAN Equipment, subject to Section 4.(d).

(c) Scope of Indemnities and Waivers. THE INDEMNITIES, HOLD HARMLESS, WAIVERS, AND OBLIGATIONS TO DEFEND CONTAINED IN THIS SECTION OF THIS AGREEMENT WILL BE ENFORCED FOR THE BENEFIT OF THE BENEFICIARY THEREOF.

(d) Survival. The indemnities, hold harmless, obligations to defend, and Waivers contained in this Agreement are independent of, and will not be limited by, each other or any insurance obligations contained in this Agreement, and will survive the expiration or earlier termination of this Agreement, until all Claims against each party are fully and finally barred by applicable statutes of limitations.

(e) LIMITATION OF DAMAGES. Neither party will be liable to the other for consequential, indirect, or punitive damages for any cause of action, whether in contract, tort or otherwise. Consequential damages include, but are not limited to, lost profits, lost revenues, and lost business opportunities, whether or not the other party was or should have been aware of the possibility of these damages.

(f) NO WARRANTIES. EXCEPT FOR REPRESENTATIONS MADE OR AS OTHERWISE PROVIDED FOR HEREIN, THE WLAN EQUIPMENT, THE WLAN SERVICES AND ALL ASSOCIATED DOCUMENTATION PROVIDED BY REDMOON UNDER THIS AGREEMENT ARE PROVIDED "AS IS," WITHOUT ANY WARRANTY OF ANY KIND. WITHOUT LIMITING THE FOREGOING, EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, REDMOON DISCLAIMS ANY AND ALL WARRANTIES, EXPRESS, IMPLIED, OR STATUTORY, INCLUDING ANY WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, TITLE AND NON-INFRINGEMENT.

(g) Indemnification Procedures. Promptly, upon becoming aware of any matter which is subject to the provisions of this Section (a "Claim"), the party seeking indemnification (the "Indemnified Party") must give notice of the Claim to the other party

(the "Indemnifying Party"), accompanied by a copy of any written documentation regarding the Claim received by the Indemnified Party.

(i) The Indemnifying Party will retain the right, at its option, to settle or defend, at its own expense and with its own counsel, the Claim. The Indemnified Party will have the right, at its option, to participate in the settlement or defense of the Claim, with its own counsel and at its own expense; but the Indemnifying Party will have the right to control the settlement or defense. The Indemnifying Party will not enter into any settlement that imposes any liability or obligation on the Indemnified Party without the Indemnified Party's prior written consent. The parties will cooperate in the settlement or defense and give each other full access to all relevant information.

(ii) If the Indemnifying Party (a) fails to notify the Indemnified Party of the Indemnifying Party's intent to take any action within 30 days after receipt of a notice of a Claim or (b) fails to proceed in good faith with the prompt resolution of the Claim, the Indemnified Party, with prior written notice to the Indemnifying Party and without waiving any rights to indemnification, may defend or settle the Claim without the prior written consent of the Indemnifying Party. The Indemnifying Party will reimburse the Indemnified Party on demand for all Damages incurred by the Indemnified Party in defending or settling the Claim.

(iii) Neither party is obligated to indemnify and defend the other with respect to a Claim (or portions of a Claim): (a) if the Indemnified Party fails to promptly notify the Indemnifying Party of the Claim and fails to provide reasonable cooperation and information to defend or settle the Claim; and (b) if, and only to the extent that, that failure materially prejudices the Indemnifying Party's ability to satisfactorily defend or settle the Claim.

12. Hazardous Materials.

(a) **General Covenant.** RedMoon will not cause or permit the storage, use, generation, release, or disposal of any Hazardous Materials in the Conference Centre without the prior written consent of Addison, except for the use and storage of supplies used in the ordinary course of RedMoon's business, provided (i) such materials are in insubstantial quantities, properly labeled, and contained, (ii) such materials are used, transported, handled, and disposed of in accordance with the more stringent of Applicable Law or the highest industry standards, and (iii) for each such Hazardous Material, RedMoon will give Addison notice of its presence and a copy of the current, applicable national safety data sheet. For purposes of this Agreement, the term "***Hazardous Materials***" means any explosives, radioactive materials, or other hazardous substances that are regulated or governed by Applicable Law.

(b) Existing ACMs and PACMs.

(i) **ACM Study.** Prior to installing, modifying, or removing any WLAN Equipment, RedMoon shall review the written conclusions of the most recent

investigation performed, if any, to determine the existence and location of asbestos-containing materials ("**ACMs**") or presumed asbestos-containing materials ("**PACMs**") for the portion of the Conference Centre in which the WLAN Equipment is to be installed ("**ACM Study**"). Addison shall make the ACM Study available in the Conference Centre management office. **IN NO EVENT SHALL REDMOON BEGIN PREPARATION OF INSTALLATION PLANS UNTIL REDMOON HAS REVIEWED AN ACM STUDY, IF ANY.**

(ii) **Compliance.** RedMoon will be solely responsible for (A) determining solely from the ACM Study, prior to preparation of any Installation Plans, whether any ACMs or PACMs might be disturbed by RedMoon's employees or contractors, and (B) complying with all Applicable Law, including giving notices to employees and using contractors certified to work in areas containing ACMs or PACMs. Any required reporting to, or contact with, any government agency having jurisdiction over the ACMs will be handled by, or at the direction of, Addison. **IN NO EVENT WILL REDMOON DISTURB EXISTING ACMs OR PACMs SHOWN IN AN ACM STUDY OR OF WHICH REDMOON IS AWARE.** RedMoon is not required to perform independent investigations of potential Hazardous Materials, including ACMs and PACMs, at the Conference Centre.

(iii) **Potential Disturbance of ACMs.** If, after reviewing an ACM Study, RedMoon determines that its work might disturb existing ACMs or PACMs, RedMoon will immediately report the potential disturbance to Addison. If, during installation, RedMoon encounters ACMs or PACMs not shown in an ACM Study, RedMoon will immediately stop work in the affected area, report the condition to Addison, and not resume work in the affected area unless RedMoon receives approval from Addison. In either such event, Addison will have the option, exercisable by notice delivered to RedMoon, to: (A) require that the WLAN Equipment be installed in a portion of the Conference Centre where no disturbance or ACMs or PACMs will be necessary; or (B) terminate this Agreement.

(c) **Indemnity.** RedMoon will defend, indemnify, and hold harmless the Addison Parties against all third-party Claims arising, or alleged to arise, out of any deposit, spill, discharge, or other release of Hazardous Materials from RedMoon's WLAN Equipment and any other equipment or materials brought onto the Conference Centre premises by RedMoon or its employees, contractors or agents. RedMoon will not be responsible or liable for Claims or clean-up expenses related to any pre-existing Hazardous Materials at the Conference Centre.

13. Default and Remedies. If RedMoon (a) fails to pay the License Fee or any other monetary obligation under this Agreement when due, and such failure continues after 10 days notice, or (b) fails in the performance of any of the other terms, covenants, and conditions of this Agreement, and such failure continues after the lesser of 20 days notice or any shorter cure period expressly provided for herein, then Addison may do any or all of the following: (i) disconnect the WLAN Equipment; (ii) prohibit RedMoon's access to the Conference Centre and the WLAN Equipment Space; (iii) terminate this Agreement; or (iv) exercise any other rights or remedies permitted by Applicable Law. All rights and remedies are cumulative and not exclusive of any other rights or remedies

available to Addison under this Agreement, at law, or in equity. No failure or delay by Addison in exercising any remedy provided in this Agreement shall be construed as a forfeiture or waiver of the same or any other remedy at a later time.

14. Casualty or Taking. If all or a portion of the Conference Centre is damaged by fire or other casualty ("**Casualty**") or is taken, condemned, or conveyed in lieu of condemnation ("**Taking**"), whether or not the WLAN Equipment Space has been damaged or taken, and (a) substantial alteration or reconstruction of the Conference Centre shall, in Addison's sole opinion, be required, or (b) the Casualty is not covered by Addison's insurance, Addison may terminate this Agreement by notice to RedMoon within 60 days after the date of the Casualty or transfer of physical possession in connection with a Taking. If (i) any portion of the WLAN Equipment Space or the Conference Centre is damaged by a Casualty or Taking, (ii) as a result of the damage, RedMoon's operations are materially and adversely affected, and (iii) the Casualty or Taking damage cannot be repaired within 60 days after the occurrence, RedMoon may terminate this Agreement by notice to Addison within 30 days after the Casualty or transfer of physical possession as a result of a Taking. If, after a Casualty or Taking, this Agreement is not terminated, Addison may commence and proceed to restore the Conference Centre; but in no event shall Addison be required to spend more than the insurance proceeds or condemnation award actually received by Addison in connection with such Casualty or Taking or to replace any portion of the WLAN Equipment. Upon completion of Addison's work, RedMoon shall restore the WLAN Equipment. RedMoon Waives the right to assert any Claim for the Taking of any right or interest under this Agreement. RedMoon Waives all Claims against Addison Parties arising, or alleged to arise, from inconvenience or annoyance to RedMoon or injury to RedMoon's business or to the WLAN Equipment as a result of Casualty or Taking damage or repairs.

15. Transfer.

(a) **Definitions.** "**Transfer**" means, as to the party involved, any voluntary or involuntary, direct or indirect, assignment, pledge, conveyance, or encumbrance of this Agreement, any interest herein, or any rights hereunder, including any change of control of ownership interests of a party, liquidation or dissolution of a party, merger or consolidation of a party with or into another entity, or, as to RedMoon, any sublicensing, any subcontracting of any services provided (or to be provided) by RedMoon, or any related operating rights. The term "**Control**" for purposes of this Paragraph means the ownership of 51% or more of the voting interests in the entity in question. The term "**Affiliate**" with respect to either party means any person or entity Controlling, Controlled by, or under common Control with such party.

(b) **Prohibition upon RedMoon.** Except as permitted below, RedMoon shall have no right to and shall not Transfer this Agreement without Addison's prior written consent, which may be withheld, in Addison's sole and absolute discretion. RedMoon may assign RedMoon's interest in this Agreement without Addison's prior consent to (A) an Affiliate or (B) any entity that succeeds to all or substantially all of its assets, whether by merger, sale, or otherwise, provided that (i) on the date of such assignment RedMoon

is not in default under this Agreement, (ii) on the date of such assignment the assignee has a total net worth that is equal to or greater than that of RedMoon on the date of this Agreement, (iii) the Transfer is not intended to evade the prohibition contained in the first sentence of this paragraph (b), (iv) the assignee's intended use of the WLAN Equipment Space falls within the Permitted Uses contained in this Agreement, (v) neither assignee nor any Affiliate of assignee is involved in litigation with Addison, and (vi) RedMoon gives Addison notice setting forth a reasonable description of the transaction and the name and address of such assignee at least 30 days prior to the effective date of the proposed assignment. Any purported Transfer by RedMoon in violation of this paragraph will be null and void, and will constitute an incurable default under this Agreement.

(c) **By Addison.** Addison may Transfer this Agreement and the right to receive payments hereunder to any person except a competitor of RedMoon; and RedMoon will, upon notice of any Transfer by Addison, make all payments directly to Addison's Transferee.

16. **Liability.** No Addison Party will have any personal liability under this Agreement.

17. **Miscellaneous Terms.**

(a) **Notices.** All notices, requests, demands, consents, approvals, reports and other communications hereunder must be in writing and delivered by hand, reputable overnight courier or certified mail (return receipt requested), postage prepaid, as follows:

To Addison:

Town of Addison
Service Center
16801 Westgrove DR.
Addison, Texas 75001
Attn: Hamid Khaleghipour

To RedMoon:

RedMoon Broadband, Inc.
625 Digital Dr., Suite 500
Plano, TX 75075
Attn: Bryan Thompson

(b) **Entire Agreement.** This Agreement and the Attachments appended hereto and incorporated herein by reference contains the entire agreement of the parties regarding this Agreement. There are no representations, warranties or promises between the parties not contained in this Agreement. No amendment or termination of

this Agreement will be effective, in whole or in part, unless in writing and signed by the party against whom enforcement is sought.

(c) **Governing Law, Venue.** The construction, performance and enforcement of this Agreement are governed by the law of the State of Texas; and, with respect to any conflict of law provisions, the parties agree that such conflict of law provisions will not affect the application of the law of Texas (without reference to its conflict of law provisions) to the governing, interpretation, validity and enforcement of this Agreement. Venue for all legal actions shall be instituted and maintained in Dallas County, Texas.

(d) **Interpretation.** Any invalidated provision of this Agreement will be severed from, and will not impair the validity of, the remainder of this Agreement. Time is of the essence with respect to each covenant contained in this Agreement. No provision or breach of this Agreement will be deemed Waived, except by the consent of the party against whom the Waiver is claimed. Any Waiver of any right under, or breach of, this Agreement will not be deemed a Waiver of any other right or breach. Any demand for or acceptance of any partial payment or partial performance under this Agreement will not be a Waiver of either the underlying obligation or breach thereof, unless otherwise expressly agreed in writing. This Agreement will be binding on the successors, permitted assigns, heirs, executors, and administrators of the parties to this Agreement.

(e) **License Only; No Joint Venture.** This Agreement is merely a license to use the WLAN Equipment Space for the purposes and in the manner provided by this Agreement and does not create a leasehold estate. The relationship of parties created by the Agreement is that of licensor and licensee, and not that of employer/employee, owner/agent, a partnership, joint venture, joint enterprise, or any other relationship.

(f) **Agreement Subject to Rules.** This Agreement shall be and is subject to any and all ordinances, laws, rules, regulations, and policies of Addison or any other governmental authority or agency with appropriate jurisdiction, as the same exist on the Effective Date or as amended, modified, or adopted after the Effective Date.

(g) **Incorporation of Premises.** The above and foregoing premises (Background) to this Agreement are true and correct and are incorporated herein and made a part of this Agreement for all purposes.

(h) **No Third Party Beneficiaries.** This Agreement and each of its provisions are solely for the benefit of the parties hereto and are not intended to create or grant any rights, contractual or otherwise, to any third person or entity.

(i) **Authorized Signatures.** The undersigned officers and/or agents of the parties hereto are the properly authorized officials and have the necessary authority to execute this Agreement on behalf of the parties hereto.

(j) **No Recording.** RedMoon will not record this Agreement or a memorandum of this Agreement.

(k) **Execution of Agreement.** This Agreement will become effective as of the Effective Date.

(l) **Waiver of Jury Trial.** EACH PARTY WAIVES ITS RIGHT TO A JURY TRIAL IN ANY COURT ACTION ARISING AMONG THE PARTIES, WHETHER UNDER THIS AGREEMENT OR OTHERWISE RELATED TO THIS AGREEMENT, AND WHETHER MADE BY CLAIM, COUNTERCLAIM, THIRD PARTY CLAIM OR OTHERWISE. If for any reason the jury waiver is held to be unenforceable, the parties agree to binding arbitration for any dispute arising out of this Agreement, or any claim arising under any federal, state or local statutes, laws or regulations, under the commercial rules of the American Arbitration Association and 9 U.S.C. Section 1 et. seq. The agreement of each party to waive its right to a jury trial will be binding on its successors and assignees.

(m) **"Includes" and "Including".** For purposes of this Agreement, "includes" and "including" are terms of enlargement and not of limitation or exclusive enumeration, and use of the terms does not create a presumption that components not expressed are excluded.

18. Addison Marks and RedMoon Marks. Nothing in this Agreement grants RedMoon the right to use any trademarks, trade names, logos or other intellectual property rights proprietary to Addison ("Addison Marks"). If RedMoon is granted a right to use Addison Marks, RedMoon shall do so only in strict compliance with Addison guidelines provided by Addison.

Nothing in this Agreement grants Addison the right to use any trademarks, trade names, logos or other intellectual property rights proprietary to RedMoon ("RedMoon Marks"). If Addison is granted a right to use RedMoon Marks, Addison shall do so only in strict compliance with RedMoon guidelines provided by RedMoon.

19. Confidential Information.

(a) **General.** Each party acknowledges that while performing its obligations under this Agreement it may have access to Confidential Information of the other party. "Confidential Information" means (a) the discussions, negotiations and proposals related to this Agreement (but not this Agreement) which have been clearly marked or identified as confidential, and (b) any information exchanged in connection with this Agreement concerning the other party's business which has been clearly marked or identified as confidential, including tangible, intangible, visual, electronic, written, or oral information, such as (i) trade secrets, (ii) financial information and pricing, (iii) technical information, and (iv) business information, including customer data. Confidential Information does not include information that is (A) rightfully known to the receiving party or its representatives or agents before the receiving party's first receipt of such information from the disclosing party; (B) independently developed by the receiving party without any reliance on the disclosing party's Confidential Information; (C) part of the public domain or is lawfully obtained by the receiving party from a third party not under an

obligation of confidentiality; (D) required to be disclosed by law or legal process, so long as the receiving party uses reasonable efforts to cooperate with the disclosing party in limiting disclosure; or (E) free of confidentiality restrictions by agreement of the disclosing party. In addition to the above, Confidential Information does not include such information which is required to be disclosed pursuant to the direction of the Texas Attorney General under the Texas Public Information Act, Chapter 552, Tex. Gov. Code, as amended or superseded. Further, notwithstanding any provision of this Agreement, Confidential Information does not include this Agreement and any and all exhibits or attachments hereto.

(b) Confidentiality.

(i) The receiving party may use the Confidential Information only to perform its obligations under this Agreement. The receiving party must use the same care to avoid unauthorized use, including disclosure, loss or alteration, of the disclosing party's Confidential Information, as it provides to protect its own similar confidential information, but in no event will the receiving party fail to use reasonable care to avoid unauthorized use, including disclosure, loss or alteration, of the disclosing party's Confidential Information.

(ii) Either party may disclose the other party's Confidential Information to its Affiliates, officials, officers, employees, agents, advisors, contractors and legal representatives, if they have a need to know and an obligation to protect the Confidential Information that is at least as restrictive as this Agreement. Notwithstanding the foregoing, RedMoon acknowledges that Addison is required to make this Agreement available for public review and discuss the terms of this Agreement at a public forum to comply with the laws applicable to the governance of Addison. This provision is not intended to restrict Addison from complying with its duties and obligations under any applicable state and local laws and any actions taken in furtherance of such compliance will not be a breach of this provision. Any discretionary disclosures of Confidential Information not required by law will be subject to this Section 19.

(iii) To the extent permitted by law, upon the termination or expiration of this Agreement, or upon written request, the receiving party will return or destroy, at its option, all Confidential Information of the disclosing party. At the reasonable request of the disclosing party, the receiving party will furnish an officer's certificate certifying that the Confidential Information of the disclosing party's Confidential Information not returned has been destroyed.

(c) Third Party Confidential Information. Neither party will disclose to the other party any Confidential Information of a third party without the consent of the third party except as may be required by law in accordance with Section 19(b)(ii).

(d) Injunctive Relief. Each party agrees that the wrongful disclosure of Confidential Information may cause irreparable injury that is inadequately compensable

in monetary damages. Accordingly, either party may seek injunctive relief in any court of competent jurisdiction for the breach or threatened breach of this Section in addition to any other remedies in law or equity.

[Signatures on following page]

The parties have entered into this Agreement as of the Effective Date.

TOWN OF ADDISON:

REDMOON:

TOWN OF ADDISON

REDMOON SPECTRUM L.P.

By: _____

Name: Ron Whitehead

Title: City Manager

Date: _____

By: _____

Name: Bryan Thompson

Title: President/CEO

Date: _____

ATTACHMENT "A"

INSURANCE REQUIREMENTS

SPECIFIC COVERAGE REQUIREMENTS

RedMoon shall provide and maintain the minimum insurance coverages set forth below during the term of this Agreement.

1. 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 products/completed operations (\$1,000,000 products/ completed operations aggregate), and XCU (Explosion, Collapse, Underground) hazards. Coverage for products/completed operations must be maintained for at least two (2) years after the work has been completed.
2. Workers Compensation insurance at statutory limits, including Employers Liability coverage a minimum limits of \$1,000,000 each-occurrence each accident/\$1,000,000 by disease each-occurrence/\$1,000,000 by disease aggregate.
3. 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.
4. Umbrella Liability at minimum limits of \$5,000,000.00 each-occurrence/\$5,000,000.00 aggregate, where applicable.
5. Any subcontractor(s) hired by RedMoon shall maintain insurance coverage equal to that required of RedMoon. It is the responsibility of RedMoon to assure compliance with this provision.

With reference to the foregoing insurance requirement, RedMoon shall specifically endorse applicable insurance policies as follows:

1. The Town of Addison shall be named as an additional insured with respect to General Liability, Automobile Liability, and Umbrella Liability.
2. All liability policies shall contain no cross liability exclusions or insured versus insured restrictions.
3. A waiver of subrogation in favor of The Town of Addison shall be contained in the Workers Compensation and all liability policies.
4. All insurance policies shall be endorsed to the effect that the Town of Addison will receive at least thirty (30) days' notice prior to cancellation of the insurance.

5. 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.

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

7. Insurance must be purchased from insurers that are financially reputable, licensed in all jurisdictions where work or services are performed and have an AM Best rating of not less than A-:VIII.

All insurance must be written on forms filed with and approved by the Texas Department of Insurance. Certificates of Insurance shall be prepared and executed by the insurance company or its authorized agent and provided to Addison.

ATTACHMENT B

REDMOON PROPOSAL

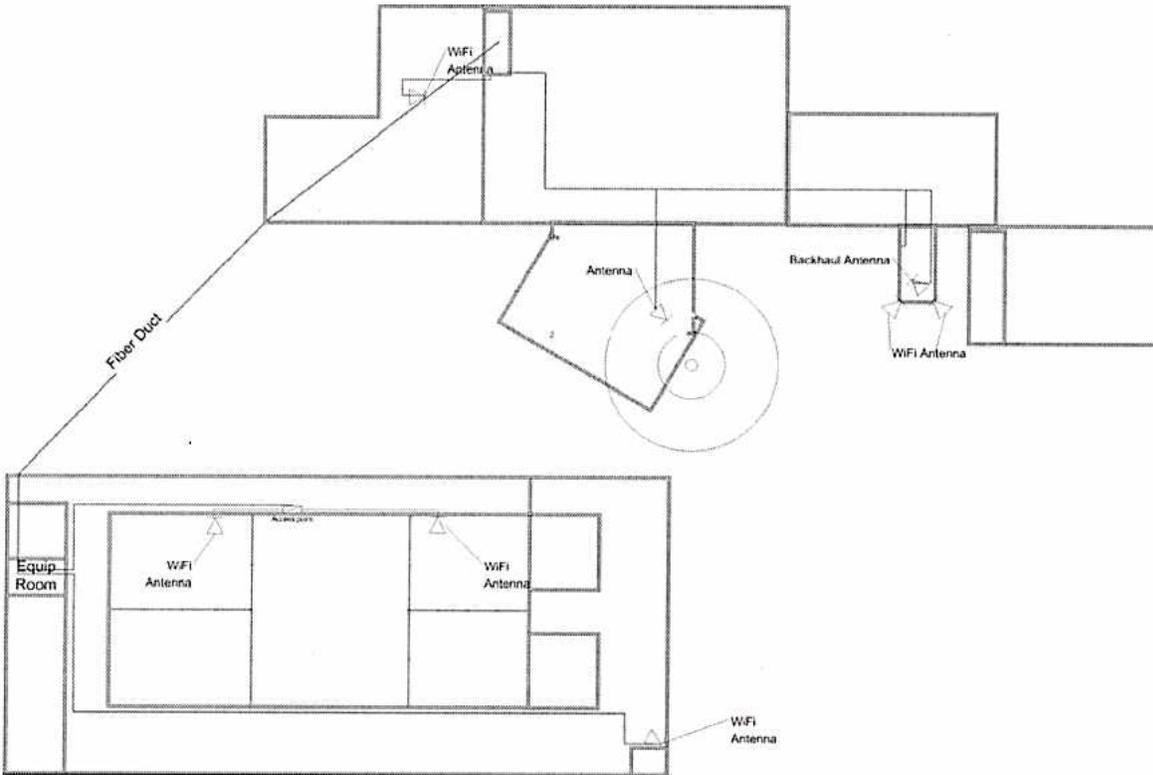
[See attached]

RedMoon Installation Plan
for
Addison Conference Center

RedMoon replace all current equipment in the Addison conference center with like equipment in the current locations. In the Theater Building Main Computer Room RedMoon will install a Nomadix HSG HotSpot Gateway, a Cisco 2940-8TF Switch and 3 POE devices to power the Access Points. The Cisco switch will also connect the Conference center building via the existing fiber connection currently being used by Sprint.

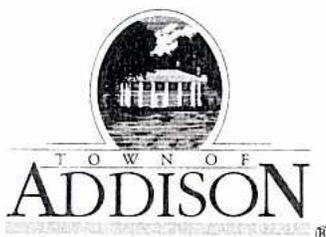
The far end of the fiber connection is located in the Conference Center Equipment Room. This will also be connected to a Cisco 2940-8FT switch. RedMoon will also install 2 POE devices to power 2 Cisco Access Points. One will replace the current access point that covers the conference rooms. A new access point location has been picked to cover the lobby and southern hallway. RedMoon will run new Ethernet cable to this location and install a new Cisco Access Point and antenna.

On the Road of the Water Tower Theater RedMoon will replace the current Sprint Access Point with one made by Cisco and install two 120 degree antennas to cover the grounds of the conference center and customers in the Stone Cottage.



Council Agenda Item: #R3

There are no attachments for this item.



Addison 50!

50 YEARS OF FUN!

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

FAX (972) 450-7043

April 21, 2005

STAFF REPORT

RE: Case 1491-SUP/Starbucks Coffee

LOCATION: 15099 Midway Road

REQUEST: Approval of a Special Use Permit for a restaurant

APPLICANT: Starbucks Coffee, represented by Mr. Bryan Burger of Lawrence A. Cates and Associates, LLP

DISCUSSION:

Background. This request is for a redevelopment of the former gas station site at the southwest corner of Belt Line Road and Midway Road. This site has been a gas station since the late 1970s, and was last a Fina gas station. However, it has been closed for over two years. The owners are planning to develop the site with a Starbucks Coffee store with a drive-through window. Because Starbucks has on-premises dining, it is a restaurant under Addison's definition, and therefore requires a Special Use Permit.

Proposed Plan. The site contains .5219 acres and is zoned Local Retail. It is currently developed with the convenience store and awnings that went to the gas station. The plans for the Starbucks Coffee restaurant show a 1,885 square-foot restaurant. Customers can either go in the restaurant for coffee, or use the drive-through window. When considering a drive-through window, the staff requires that the site have access to two streets and at least 100 feet of stacking space for cars from the customer transaction point. This site meets both of those requirements.

Parking. The restaurant requires a parking ratio of one space per 70 square feet. The restaurant requires 27 spaces, which is the number it provides.

Facades. The Local Retail district has a requirement that all exterior facades be 80% brick, stone, or glass. The applicant is planning to tear down the existing stucco building and construct a new building of brick and split-face CMU block. The building will meet the 80% requirement.

Engineering. The Public Works Department has reviewed the plans and notes the following:

-A proposed utility easement, located approximately at the intersection of Belt Line Road and Midway Road, must be included in the final plat prior to filing. The site was platted several months ago, and the plat was approved subject to a condition that a small easement for a signal pole be added to the corner at Belt Line and Midway. The plat has not been recorded, and staff wants to be sure the easement is added prior to the plat being recorded.

-Engineering plans, including drainage and grading improvements, must be approved by the Public Works Department.

Landscaping. The Parks Department has reviewed the landscaping plan and finds that it meets the requirements of the ordinance. There are no landscaping conditions for this request.

Mechanical Equipment. The applicant should be aware that all mechanical equipment, either on top or behind the building, must be screened from view.

Signage. The applicant did not show any signs on the building. He should be aware that all signs must be permitted through the Addison Sign Ordinance.

RECOMMENDATION:

The staff is excited to see a redevelopment of this very visible corner. Staff recommends approval of this request subject to the following conditions:

-A proposed utility easement, located approximately at the intersection of Belt Line Road and Midway Road, must be included in the final plat prior to filing.

-Engineering plans, including drainage and grading improvements, must be approved by the Public Works Department prior to the issuance of a building permit.

Respectfully submitted,



Carmen Moran
Director of Development Services

COMMISSION FINDINGS:

The Addison Planning and Zoning Commission, meeting in regular session on April 28, 2005, voted to recommend approval of a Special Use Permit request for a restaurant, subject to the following conditions:

-A proposed utility easement, located approximately at the intersection of Belt Line Road and Midway Road, must be included in the final plat prior to filing.

-Engineering plans, including drainage and grading improvements, must be approved by the Public Works Department prior to the issuance of a building permit.

Voting Aye: Bernstein, Chafin, Doepfner, Jandura, Knott, Meier, Wood

Voting Nay: None

Absent: None

Carmen Moran

From: Steve Chutchian
Sent: Wednesday, April 20, 2005 2:04 PM
To: Carmen Moran
Subject: Planning & Zoning Agenda Comments

The following comments are submitted for items included in the April 25, 2005 Planning and Zoning Commission meeting:

Case 1489-SUP/Asian Fusion

No Comments

Case 1490-SUP/Greenz Restaurant

No Comments

Case 1491-SUP/Starbuck's

- Proposed utility easement, located approximately at the intersection of Belt Line Rd. and Midway Rd., must be included in the final plat prior to filing.
- Engineering plans, including drainage and grading improvements, must be approved by the Public Works Department.

Case1492-Z/Town of Addison

No Comments

Case 1493-Z/SNK Realty

- Provisions should be made to screen and protect existing cooling tower facility at the southwest corner of the Madison property.

Should you have any questions, please let me know.

Steven Z. Chutchian, P.E.
Assistant City Engineer

Memorandum

Date: April 20, 2005
To: Carmen Moran, Director of Development Services
From: Slade Strickland, Director of Parks and Recreation
Subject: **Case 1491-SUP/Starbuck's**

The landscape plan complies with all landscape regulations.

**MERITORIOUS EXCEPTION TO T1 DDISON SIGN ORDINANCE
STAFF REPORT
ME 2005-4**

Date: May 10, 2005 Business: Auto Care European
Location of Request: 4304 Wiley Post Rd

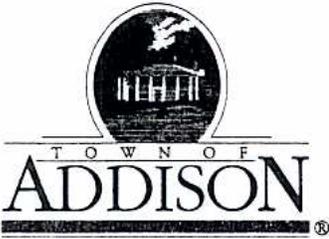
<u>Ordinance Requirement</u>	<u>Request</u>	<u>Variance</u>
<p>Sec. 62-163. Area. Total effective area of attached signs shall not exceed the following schedules: (1) On an attached sign located at a height of up to 36 ft, the effective area is limited to 1 sq ft of sign area for each linear foot of building frontage not to exceed 100 sq ft (2) An attached sign located at or exceeding a height of 36 ft shall be permitted an increase in maximum effective area. Such increases shall not exceed 4 sq ft in effective area for each additional 1 ft of height above 36 ft measured from the base of the sign to the building grade. (3) Attached signs may be located on each façade; however, the sum of the effective area of all attached signs shall not exceed twice the allowable effective area as specified in subsections (1) and (2) of this section. (4) Building with 4 or more stories in height may have not more than 2 attached signs per façade provided that: a. Each sign is designated for a separate tenant. b. One sign must be located on or near the uppermost story of the building while the 2nd sign is to be located on the 1st or ground level floor. c. Signs may be no closer than 30 ft apart. d. The combined effective sq footage of both signs may not exceed twice the allowed effective sq footage as specified in subsections (1) and (2) of this section. (5) Maximum letter/logo height of attached signs shall not exceed twice the allowable effective area as specified in subsections (1) and (2) of this section. Maximum letter/logo height of attached signs shall be determined by the following schedule: Maximum Sign Height Letter/Logo (feet) Height (inches) 0 - 36 16 37 - 48 36 49 - 100 48 101 - 150 60 151 and up 7 a. Letter heights in excess of 72 inches must be approved by the city council. b. Not more than 50% of the letters in each individual sign height category may be 25% taller than the specified maximum letter/logo height. (6) Copy on awnings is allowed in accordance with the above regulations for area and letter height. For back-lit awnings, the area of the sign shall be based on the area of the awning that is back-lit or illuminated.</p>	<p>The applicant is requesting: A sign on the north façade with letters 24" in height.</p>	<p>The ordinance allows maximum letter height of 20" for 50% of the letters with the remaining letters to be 16" or less in height.</p>

STAFF RECOMMENDATION: The building is over 100' long so the ordinance would allow a sign area of 100 sq ft. The sign has an area of 76 sq ft and will be located approximately 130' from Wiley Post Road. Therefore staff recommends approval.

STAFF: Lynn Chandler
Lynn Chandler, Building Official

#R5-1

#R5-2



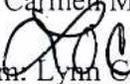
BUILDING INSPECTION DEPARTMENT

(972) 450-2880 Fax: (972) 450-2837

16801 Westgrove

Post Office Box 9010 Addison, Texas 75001-9010

To: Carmen Moran, Director Development Services

From:  Lynn Chandler, Building Official

Date: May 10, 2005

Subject: Exceptions to the Sign Ordinance for Attached Signs

The following list consists of exceptions to attached signs:

1. Addison Town Center Shopping Center located in the 3700 to 3800 block of Belt Line Road was granted an exception for letter heights up to 6' and more than one side per façade. October 1994
2. Village on the Parkway located at 5100 Belt line Road was granted an exception for letter Heights up to 30", more than one sign per façade and blade signs. June 1996
3. Addison Circle was granted an exception for more than two signs on a building four or More stories in height, signs above the roof and blade signs. March 1997
4. Centennial Liquor Store located at 15055 Inwood Road was granted an exception to place more than one sign on the east façade. March 1999
5. Hallmark located at 14312 Marsh Lane was granted an exception for letter heights of 36" and 26" due to the thin stroke of the letters and being located 250' from Marsh Lane. June 2000
6. Abbotsford Court located at 14775 Midway Road was granted an exception for letter heights of 29" and 24 " due to the thin stroke of the letters and being located 300' from Midway road. June 2001
7. Dunhill Property Management was granted an exception to place four murals, 81 Sq. Ft. each, on the south façade and five murals, 75 Sq. Ft. each, on the west façade of Suite 840 at 5100 Belt Line Road. These murals were considered signage but were approved because they were not deemed to be a blight or offensive. October 2001
8. Gilbert's Delicatessen Restaurant located at 4930 Belt Line Road Suite 100 was granted an exception for letter heights of 24", 22" and 20" due to a set back of 278' from Belt Line Road. March 2001

9. Hilton Garden Inn located at 4090 Belt Line Road was granted an exception for letter heights of 22" due to a set back of 355' from Belt Line Road. June 2002.
10. Isotag located at 4355 Excel Parkway Suite 100 was granted an exception for an attached sign with a logo height of 31.5 " and letter heights of 25" due to to a setback of 120' from Excel Parkway. July 2002.
11. BJ's Restaurant located at 4901 Belt Line Road was granted an exception for attached signs with letter heights of 39", 28", and murals with figures 8' and 9' in height. The signs were 110', 163', 135' and 143' respectively from Belt Line Road. December 2002.
12. Chip's Old Fashioned Hamburgers located at 4950 Belt line Suite 190 was granted an exception for an attached sign with letter heights of 30" due to a set back of 250' from Belt Line Road. April 2003.
13. Sigel's Liquor located at 15003 Inwood Road was granted an exception for an attached sign with letter heights of 24" due to a setback of 93' to 100' from Inwood Road. June 2003.
14. Two Rows Restaurant located at 17225 Dallas Pkwy was granted an exception for attached signage with letter heights of 30" due to setbacks of 110' from Dallas Pkwy and 147' from Addison Rd. July and September 2003.
15. Vartec Telcom/ Excel located at 16675 Addison Rd. and 4550 Excel Pkwy was granted an exception for attached signs with logo heights of 48" at 16775 Addison Rd. due to setbacks of 160' Excel Pkwy and 145' from Addison Rd. and logo heights of 36" at 4550 Excel Pkwy due to a setbacks of 95' and 105' from Excel Pkwy.
16. Pot Belly Sandwich Works located at 4945 Belt Line Rd was granted an exception for attached signs with letters 30" in height due to a setback of 95' from Belt line Rd. They were not, however, allowed any area increases. Nov 2003.
17. Mama Fu's Noodle House located at 3711 Belt Line Rd was granted an exception for attached signs with letters 30" in height due to a setback of 115' from Belt Line Rd. Jan 2004.
18. Addison Walk located at 5000 Belt Line Rd was granted an exception for attached signs with letters 36", 30" and 24" in height due to setbacks of 100' to 179' from Belt line Rd. Jan 2004.
19. Authentix was granted an exception for an attached sign with letters 28', 25" and 21.5" in height due to a setback of 120' from Excel Parkway. Feb 2004.
20. Champps Restaurant was granted an exception for attached signs with letters 35", 28", 32.5" and 26" in height due to setbacks of 168' and 133' from Belt Line Rd. Mar 2004.
21. Pot Belly Sandwich Sandwich Works located at 4945 Belt line Rd was granted an exception for attached signs with letters 30" in height due o a setback of 95' from Belt Line Rd. May 2004.

22. Wachovia Bank located at 5080 Spectrum Dr was granted an exception for attached signs with a logo 30" in height and more than 50% of the letters exceeding 16" in height due to the area of the facades they were located on. November, 2004.
23. Sam's located at 4150 Belt Line Rd was granted an exception for three attached signs, with areas of 147 sq ft and a 36" letter, 92 sq ft and a 24" letter, and 25 sq ft due to a set back of 410 ft from Belt Line Rd, the size of the façade it's on and that the number of signs was reduced from six to three. December, 2004.
24. Charter Furniture located at 15101 Midway Rd was granted an exception for three additional signs on the east façade due to the construction of the Midway Rd bridge next to their building. January 31, 2005.
25. Century Bank located at 3701 Belt Line Rd was granted an exception for an additional sign on the south façade with a logo 24" in height and more than 50% of the letters 20" in height.

#R5-3

Addison!

BUILDING INSPECTION DEPARTMENT 16801 Westgrove Dr Addison Texas 75001 972/450-2881 fax: 972/450-2837

Application for Meritorious Exception to the Town of Addison Sign Ordinance

Application Date: 5/5/05

Filing Fee: \$200.00

Applicant: Auto Care European

Address: 4304 Wiley Post Road Suite#: _____

Addison TX 75001 Phone#: 972-931-2000
City State Zip

Fax#: 972-931-2000

Status of Applicant: Owner Tenant _____ Agent _____

Location where exception is requested:

The Same

Reasons for Meritorious Exception:

The approved Sign letter size of 16" high is too small to be able to read from the street which is over 130 feet away. Therefore requesting 24" letters. Please see the attached schematic & picture. Thanks

Michael Tafaevy, President

YOU MUST SUBMIT THE FOLLOWING:

12 COPIES OF THE PROPOSED SIGN SHOWING:

- | | |
|-----------------------------------|---|
| 1. Lot Lines | 5. Proposed Signs |
| 2. Names of Adjacent Streets | 6. Sketch of Sign with Scale and Dimensions Indicated |
| 3. Location of Existing Buildings | (8.5 x 11 PLEASE) |
| 4. Existing Signs <i>N/A</i> | |

Date Fees Paid 5-11-05 Check # VISA Receipt # 23292

AUTO CARRE EUROPEAN

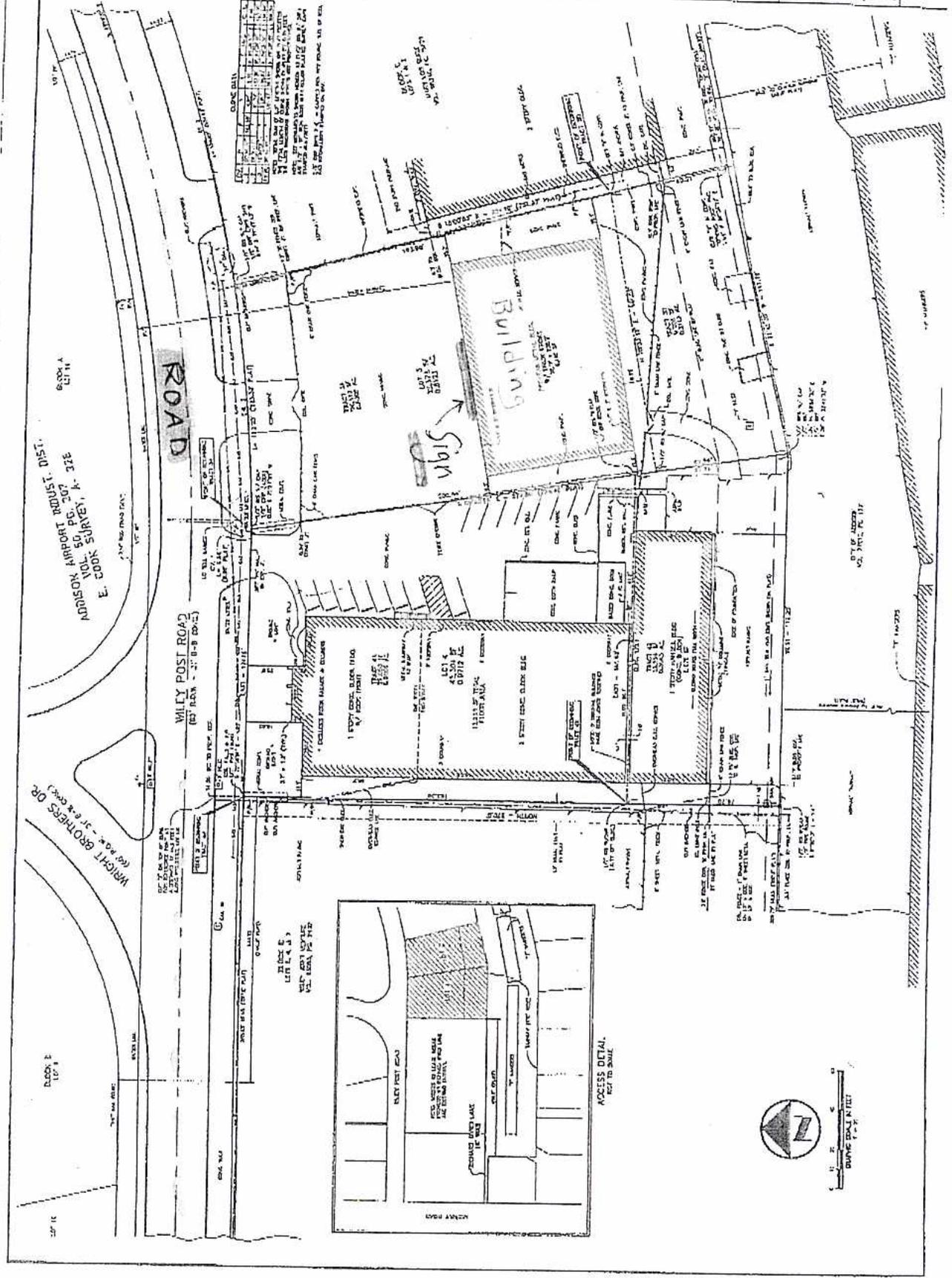
24"

38'

BOUNDARY SURVEY

LOTS 3 & 4, BLOCK C
ADDITIONAL REPORT SURVEY DISTRICT
EDWARD COOK SURVEY, AGENCY NO. 23
CITY OF AUSTON, DALLAS COUNTY, TEXAS
CHAS. O. LOUISIE
4534 WATKINSON LAKE
DALLAS, TEXAS
(214) 235-1044

M. L. MITCHELL & ASSOCIATES
CONSULTING CIVIL ENGINEERS & SURVEYORS
1001 (214) 235-1044
1001 (214) 235-1044



Council Agenda Item: #R6

SUMMARY:

Consideration of a resolution consenting to the sublease of certain property located at Addison Airport, the address of which is 4575 Claire Chennault, by the tenant, C.C. Hangar LP, to a subtenant, RR Investments, Inc. d/b/a. Million Air Dallas, and authorizing the City Manager to execute a consent to sublease.

BACKGROUND:

In October 2004, C.C. Hangar acquired this property in anticipation of leasing office and hangar space to prospective subtenants. In support of this Assignment, C.C. Hangar proposed \$350,000 in improvements to the property, which improvements are currently underway.

C.C. Hangar has come to request Landlord's consent of their Sublease to RR Investments, Inc., d/b/a Million Air Dallas, which is a current ground-lease tenant at Addison Airport. This particular sublease is for 10,763 square feet of hangar space. The term of the sublease is six years with the option of extending the lease for five extension periods, each extension period being a term of one year. Million Air Dallas proposes to use the hangar for the storage of aircraft in support of their ongoing FBO operations, which is consistent with the approved use of the ground lease premises.

RECOMMENDATION:

The City Attorney has reviewed the proposed sublease and finds the terms set forth acceptable. Airport Management and staff recommend the Town consent to the proposed sublease.

Attachments: Bill Dyer – Memorandum
Consent To Sublease Agreement
Exhibit A – Assignment of Ground Lease
Exhibit B – Hangar Lease Agreement



TO: Mark Acevedo
Cc: Lisa Pyles
FROM: Bill Dyer
DATE: May 13, 2005
SUBJECT: Request of Consent to Sublease – Ground Lease 0670-6702 (GL #67)

In October 2004, the Town of Addison approved the Assignment of Lease from Aquila Lease Company to C.C. Hanger, LP of the above referenced ground lease by way of Resolution #R-04-043.

C.C. Hanger acquired this property in anticipation of leasing office and hangar space to prospective subtenants. In support of this Assignment, C.C. Hanger proposed \$350,000 in improvements to the property, which improvements are currently underway.

Consistent with this strategy, C.C. Hanger has come to us with the request of Landlord's Consent of Sublease to RR Investments, Inc., d/b/a Million Air Dallas, which is a current ground-lease tenant at Addison Airport. This particular sublease is for 10,763 square feet of hangar space. The term of the sublease is six years with the option of extending the lease for five extension periods, each extension period being a term of one year. Million Air Dallas proposes to use the hangar for the storage of aircraft in support of their FBO operations, which is consistent with the approved use of the leased premises.

Town counsel has reviewed the proposed sublease and finds the terms set forth therein acceptable. Therefore, we request Landlord's consent and ask that the enclosed Consent to Sublease (2 originals) be executed on behalf of the Town of Addison and returned to this office for processing.

If you have any questions please do not hesitate to call.

Exhibits Attached and Made A Part Hereto:

Exhibit A: Copy of Ground Lease with any and all modifications and amendments

Exhibit B: True, correct and complete copy of Sublease

CONSENT TO SUBLEASE

The Town of Addison, Texas (the "Master Landlord") is the sole landlord under that certain Ground Lease, as amended and modified, dated September 28, 1983 entered into between the City of Addison (the same being the Town of Addison, Texas) and Addison Airport of Texas, Inc., as Landlord, and C.C. Hangar, as Tenant (a true and correct copy of which Ground Lease, together with any and all modifications and amendments, if any, is attached hereto as Exhibit A (the "Ground Lease")), by the terms of which Tenant leased certain real property (the "Leased Premises") as described in the Ground Lease located at Addison Airport within the Town of Addison, Texas. The Master Landlord hereby consents to the sublease of the Leased Premises by Tenant to RR Investments, Inc., a Texas corporation ("Sublessee") pursuant to a commercial lease agreement proposed to commence March 1, 2005 and to end February 28, 2011 between Tenant and Sublessee (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 Lease, including, without limitation, the duty to make any and all payments of rent. This Consent to Sublease shall in no way release Tenant from any of its covenants, agreements, liabilities and duties under the Ground Lease. 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 Lease;

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

4. Sublessee 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 Lease, including, without limitation, consent to any modifications, alterations or additions to any leasehold improvements in the Leased Premises;

5. The Sublease shall automatically terminate upon termination of the Ground Lease, notwithstanding any other provision of the Sublease to the contrary;

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

7. 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 Sublessee 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 Sublessee;

8. As security for the performance by Tenant of its covenants, agreements, obligations, liabilities and duties under the Ground Lease, 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 Sublessee 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 Sublessee during the existence of any default under the Ground Lease, and Tenant hereby stipulates and agrees that Sublessee (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 Lease 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 or diminish Tenant's obligations under the Ground Lease except to the extent of funds actually received by Master Landlord. Any sums so collected by Master Landlord from Sublessee shall be applied to Tenant's obligations under the Ground Lease in such order as Master Landlord shall elect in Master Landlord's sole and absolute discretion;

9. Tenant and Sublessee each hereby represents and warrants to Master Landlord that (i) attached hereto as Exhibit B 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 Sublessee with respect to Sublessee'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

10. Tenant and Sublessee 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 Sublessee 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 Sublessee has been returned to Master Landlord, attention Ron Whitehead, City Manager, Town of Addison, Texas, 5300 Belt Line Road, Dallas, Texas 75254.

Town of Addison, Texas

By: _____
Ron Whitehead
City Manager

ACKNOWLEDGED AND AGREED:

Tenant:

_____, a _____ corporation

By: _____
Typed Name: _____
Title: _____
Date: _____

Sublessee:

_____, a _____ corporation

By: _____
Typed Name: _____
Title: _____
Date: _____

EXHIBIT "A"

STATE OF TEXAS

§

ASSIGNMENT OF GROUND LEASE

COUNTY OF DALLAS

§

§

This Assignment of Ground Lease (the "Assignment") is entered into and effective as of June 2004, at Addison, Texas, by and between Aquila Lease Company (herein referred to as "Assignor") and C. C. Hangar L. P. (herein referred to as "Assignee").

WHEREAS, a Ground Lease was made and entered on September 28, 1983 between the City of Addison, Texas (the same being the Town of Addison, Texas) and Addison Airport of Texas, Inc., as landlord, and Parkway Jet, Inc. as tenant (the "Ground Lease," a true and correct copy of which Ground Lease is attached hereto as Exhibit A), by the terms of which certain real property located at Addison Airport and described in the Ground Lease within the Town of Addison, Texas (the "City") and owned by the City was leased to Parkway Jet, Inc.; and

WHEREAS, the tenant's leasehold interest in the Ground Lease was thereafter conveyed to Franklin First Federal Savings Bank by Substitute Trustee's Deed executed May 7, 1991 and recorded in Volume 91092, Volume 2558, Deed Records, Dallas County, Texas; and

WHEREAS, thereafter by that Assignment of Lease dated May 13, 1993 (a true and correct copy of which is attached hereto as Exhibit B), the Ground Lease was assigned from Franklin First Savings Bank, successor in interest to Parkway Jet, Inc.'s interest in the Ground Lease, as assignor, to Aquila Leasing Company, as assignee; and

WHEREAS, by virtue of such assignments, Assignor is the current Tenant under the Ground Lease; 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" (and being an 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, 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, and obligations of tenant under the Ground Lease. Assignee acknowledges and agrees that it assumes and is hereby assuming all obligations, liability and responsibility of Assignor (and Assignor's predecessors in interest to the Ground Lease) in connection with and under the Ground Lease, and agrees to perform the tenant's obligations under the Ground lease. For purposes of notice under the Ground Lease, the address of Assignee is 5400 West Plano Parkway, Suite 200, Plano, Texas 75093.

4. Nothing in this Agreement 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. Assignor acknowledges that in addition to any other remedies provided in the Ground Lease or by law, Landlord may at its own option, collect directly from the Assignee or any other assignee or any subtenant as may be approved by Landlord in writing all rents becoming due under such assignment or sublease and apply such rent against any sums due to Landlord. No such collection by Landlord from any Assignee or any other approved assignee or subtenant shall release Assignor from the payment or performance of Assignor's obligations under the Ground lease.

6. The above and foregoing premises to this Assignment and statements and representations made herein are true and correct, and Assignor and Assignee both warrant

and represent that such premises, statements, and representations are true and correct, and that in giving its consent, Landlord is entitled to rely upon such premises, representations and statements.

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

ASSIGNOR:

AQUILA LEASING COMPANY

By: _____

_____, **President**

ASSIGNEE:

C. C. HANGAR, L.P.

By: **Vigor Properties, Inc. its General Partner**

By: _____

Howard D. Kollinger, President

ACKNOWLEDGMENT

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

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, she) 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 Texas

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

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, she) 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 Texas

CONSENT OF LANDLORD

The Town of Addison, Texas ("Landlord") is the Landlord under the Ground Lease described in the above and foregoing Assignment. In executing this Consent of Landlord, Landlord is relying upon the premises, statements, and representations made in the foregoing Assignment by both Assignor and Assignee, and in reliance upon the same Landlord hereby consents to the foregoing Assignment from Assignor to Assignee, waiving none of its rights under the Ground Lease as to the Assignor or the Assignee.

LANDLORD:

TOWN OF ADDISON, TEXAS

By: _____

Ron Whitehead, City Manager

This Ground Lease (hereinafter referred to as the "Lease") is made and entered into as of September 28, 19 83, by and among the City of Addison, Texas, a municipal corporation (hereinafter sometimes referred to as the "City"), Addison Airport Texas, Inc., a Texas Corporation (hereinafter sometimes referred to as "AATI") and PARKWAY JET, INC. (hereinafter referred to as "Tenant").

WITNESSETH:

WHEREAS, AATI leases that certain real property (hereinafter referred to as the "demised premises") described in attached Exhibit 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 of 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 a Landlord under this Lease, and shall perform all of the duties, covenants and obligations of the Landlord under this Lease. Upon 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 September 1, 19 84, or the first day of the first calendar month after Tenant completes the construction hereinafter 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 EIGHT HUNDRED SIXTY-ONE AND 46/100 per month in advance. The first of such monthly installment shall be due and payable on or before the Commencement Date, and like installment shall be due and payable on or before the first day of 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 (herein after 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 either increase or decrease, 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 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 hangar 100' x 110' w/20'x100' office with associated aircraft ramps and vehicle parking. Addison Airport must approve construction prints prior to construction.

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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 purpose 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 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 remedy provided herein or by law, may at Landlord's option, collect directly from such assignee or subtenant all rents becoming due under this 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 its obligations of Tenant under this Lease unless and until said mortgagee become the owner of the leasehold estate pursuant to foreclosure. If transfer in lieu of foreclosure, or otherwise, and thereafter said leasehold mortgagee shall remain liable for such obligations only so far 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 created hereby shall contain provisions requiring the leasehold mortgagee and/or initiating foreclosure proceedings under said mortgages or deeds of trust, and (ii) allowing Landlord during such (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 such effect has been given to Landlord, to give the holder of such leasehold mortgage 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 mortgage to Landlord in writing, written notice of any default hereunder by Tenant, simultaneously with the giving of such notice to 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 payment as may be necessary or appropriate to cure any such default as 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 mortgage the notice provided for herein and affording any such leasehold mortgage 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 any proposed leasehold mortgagee any other documents which such proposed leasehold mortgagee may reasonably request concerning 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 mortgagee.

10. **Property Taxes and Assessments:** Tenant shall pay any and all property taxes or assessments levied or assessed on improvements on the demised premises, the personal property and fixtures on the demised premises, and, if applicable, upon leasehold estate of Tenant created hereby. Upon the request of Landlord, Tenant shall from time to time furnish to Landlord's "p 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 and 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 situate 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 do 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 or 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 eight 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, therefore, 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 connected thereto which by reason of their use or existence are capable of bursting, erupting, collapsing, imploding or exploding 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 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 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 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 buildings, structures and equipment as nearly as possible to their value, condition and character immediately prior to such damage and 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 a matter therein set forth. Such certificate shall be full warranty, 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 certificate of a supervising architect or engineer approved by Landlord, describing in reasonable detail the work and material question and the cost thereof, stating that the same were necessary or appropriate to the Restoration and constitute a complete 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 diligently commence Restoration, or after completion of same, Landlord shall have the right to commence or complete Restoration. If Tenant does not diligently proceed with 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 proceeds to the completion of same, Tenant during such thirty (30) day period does not so commence or proceed to diligently complete Restoration. In such event, Land 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 quasi-public use or purpose, or are sold to a condemning authority under threat of condemnation, and after such taking by or sale to a 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 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 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 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 to 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 in their interest 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, 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 with 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, meteorological, 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 the 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, 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 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 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 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 operations in construction of any private, public or quasi-public work, or of any other persons whomsoever, excepting only the 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 National 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 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 the notice or demand whatsoever:

A. Terminate this Lease, in which event Tenant shall immediately surrender the demised premises to Landlord. If Tenant fails to 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 damages 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 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 any 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 the 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

deduct from time to time any deficiency that may arise by reason of any such deduction in determining the amount of such deficiency. Brokerage commissions, attorneys' fees, advertising expenses and other costs of relief 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 damages therefor, and do whatever Tenant is obligated to do under the terms of this Lease. Tenant agrees to pay Landlord on demand 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 remedy 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 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. 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 notice required hereinabove to such mortgagee at the 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 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 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 damage to the demised premises caused by such removal in a good and workmanlike manner and at Tenant's sole cost and expense; (ii) Landlord may elect to require Tenant to remove all improvements from the demised premises and restore the demised premises to 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 from the filing of any mechanics' or materialmen's liens against the demised premises by reason of any act or omission of Tenant or any claimant 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 Regulations; (iii) easements, rights-of-way and (iv) zoning ordinances and other ordinances, laws, statutes or regulations now in effect or hereafter promulgated by governmental authority having jurisdiction over the demised premises.

29. **Quiet 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, shall have the 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 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 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 and record 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 taxes, expenses or charges with respect to the demised premises, including, without limitation, maintenance, repairs, replacement, insurances, taxes and assessments, and this Lease shall be construed in accordance 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 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 the same or any other 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 transferee 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, 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 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 terminated without notice to Landlord's mortgagee and that the same will not be terminated without the same notice required by the Lease to

furnished to Landlord also being furnished. Landlord's mortgage and Landlord's failure to cure such default within the current 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 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 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 the 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 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 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 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 the singular shall be held to include the plural, unless the context otherwise requires.

42. Captions. The captions or headings or paragraphs in this Lease are inserted for convenience only, and shall not be considered as 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 notice 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

TENANT:
PARKWAY JET, INC.
5485-Beltline Rd., Suite 300
Dallas, Texas 75240
392-3722

Addison, Texas 75001

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 for 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 supercedes 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 in 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: [Signature]
Its: Vice President

CITY OF ADDISON, TEXAS
By: [Signature]
Its: Mayor Pro-Tem

TENANT:
By: [Signature]
Its: [Signature]

STATE OF TEXAS
COUNTY OF DALLAS

BEFORE ME, the undersigned authority, on this day personally appeared Robert L. Gore
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 November, 19 82

Dorothy L. James
Notary Public
Dallas
County, Texas

STATE OF TEXAS
COUNTY OF DALLAS

BEFORE ME, the undersigned authority, on this day personally appeared Bruce Aibelstein
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 purpose and considerations therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 2nd day of Dec., 19 82

Jacques Sharp
Notary Public
Dallas
County, Texas



STATE OF TEXAS
COUNTY OF DALLAS

BEFORE ME, the undersigned authority, on this day personally appeared Rox B. Blanchard & Todd Coy
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 1 day of November, 19 82

Dorothy L. James
Notary Public
Dallas
County, Texas

This Ground Lease (hereinafter referred to as the "Lease") is made and entered into as of September 28, 1983, by and among the City of Addison, Texas, a municipal corporation (hereinafter sometimes referred to as the "City"), Addison Airport Texas, Inc., a Texas Corporation (hereinafter sometimes referred to as "AATI") and PARKWAY JET, INC. (hereinafter referred to as "Tenant").

WITNESSETH:

WHEREAS, AATI leases that certain real property (hereinafter referred to as the "demised premises") described in attached Exhibit 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 September 1, 1984, 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 its 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 EIGHT HUNDRED SIXTY-ONE AND 46/100 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 of 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 hangar 100' x 110' w/20'x100' office with associated aircraft ramps and vehicle parking. Addison Airport must approve construction prints prior to construction. #67

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 purpose 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 leasehold mortgage 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 remedy 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 mortgage the leasehold estate of Tenant created hereby, the leasehold mortgage 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 created by Tenant mortgages the leasehold estate created hereby shall contain provisions (i) requiring the leasehold mortgagee to accelerate the debt of Tenant to a 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 of such effect has been given to Landlord, to give the holder of such leasehold mortgage 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 payment as may be necessary or appropriate to cure any such default so specified, if 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, its successors and assigns performs all of the obligations of Tenant hereunder. Landlord also agrees to execute and deliver to any proposed leasehold mortgagee any other documents which such proposed leasehold mortgagee may reasonably request concerning 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 mortgagee.

10. **Property Taxes and Assessments:** Tenant shall pay any and all property taxes or assessments levied or assessed on 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's "property 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 thereof expended by Landlord plus interest thereon as provided in paragraph 17 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 or 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 eight percent (8%) 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, therefore, 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 and \$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 connected thereto which by reason of their use or existence are capable of bursting, erupting, collapsing, imploding or exploding, 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 a 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 such 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 warranty, 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 certificate of a supervising architect or engineer approved by Landlord, describing in reasonable detail the work and material question and the cost thereof, stating that the same were necessary or appropriate to the Restoration and constitute a complete payment 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 completion of same, Landlord shall have the right to commence or complete Restoration, after Landlord has given Tenant thirty days prior written notice requesting the commencement of Restoration or that Tenant diligently proceeds 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 use or purpose, or are sold to a condemning authority under threat of condemnation, and after such taking by or sale to a 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 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 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 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 to 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 in their interest 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, 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 with 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, notify 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, meteorological, 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 the 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 persons 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, concessionaires or any other person entering the demised premises under express or implied invitation of Tenant, or arising out of the performance of Tenant's obligations hereunder; and Tenant hereby agrees to indemnify Landlord and hold Landlord harmless from a 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 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 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 operations in construction of any private, public or quasi-public work, or of any other persons whomsoever, excepting only the 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 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 National 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 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 the notice or demand whatsoever:

A. Terminate this Lease, in which event Tenant shall immediately surrender the demised premises to Landlord. If Tenant fails to do so, 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 damages 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 do so, 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 any 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

...and from time to time any deficiencies that may arise by reason of any such defaulting. In determining the amount of such deficiencies, brokerage commissions, attorneys' fees, handling expenses and other costs of relief shall be subtracted from the amount of rent received under such letting.

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 all 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 remedy 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 notice required hereinabove to such mortgagee at the 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; or (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 Regulations; (iii) easements, a rights-of-way and (iv) zoning ordinances and other ordinances, laws, statutes or regulations now in effect or hereafter promulgated by a governmental authority having jurisdiction over the demised premises.

29. **Quiet 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, a 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 a 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 local 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 accordance 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 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 transferee and 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, 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 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

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 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 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 the 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 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 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 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 the singular shall be held to include the plural, unless the context otherwise requires.

42. Captions. The captions or headings or paragraphs in this Lease are inserted for convenience only, and shall not be considered as 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 notice 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 all 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:

PARKHAY JET, INC.
5485-Beltline Rd., Suite 300
Dallas, Texas 75240
392-3722

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 in behalf of the party against whom enforcement of its 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: [Signature]

Its: Vice President

CITY OF ADDISON, TEXAS

By: [Signature]

Its: Mayor Pro-Tem

TENANT:

By: [Signature], Pres.

Its: [Signature]

STATE OF TEXAS
COUNTY OF DALLAS

BEFORE ME, the undersigned authority, on this day personally appeared Robert L. Coxe
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 1st day of November, 19 83

Sarah L. James
Notary Public
Dallas
County, Texas

STATE OF TEXAS
COUNTY OF DALLAS

BEFORE ME, the undersigned authority, on this day personally appeared Bruce A. Weinstein
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 purpose and considerations therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 2nd day of Dec., 19 83

Jacqueline Sharp
Notary Public
Dallas
County, Texas



STATE OF TEXAS
COUNTY OF DALLAS

BEFORE ME, the undersigned authority, on this day personally appeared Roy B. Blanchard & Todd Ogden
known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that they executed the same
for the purposes and considerations therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 1 day of November, 19 83

Sarah L. James
Notary Public
Dallas
County, Texas

EXHIBIT "B"

HANGAR LEASE AGREEMENT

THIS HANGAR LEASE AGREEMENT ("Agreement") is made as of this 1st day of March, 2005 by and between C.C. Hanger, L.P. ("Lessor"), a Texas limited partnership, with an office at 5400 W. Plano Parkway, Suite 200, Plano, Texas 75093, (972) 381-9600 telephone, 972-250-1533 facsimile and RR Investments, Inc. ("Lessee"), a TEXAS corporation, with an office at 4300 WESTGROVE, ADDISON, TX 75001, 972-248-1600 telephone, 972-248-3810 facsimile.

RECITAL

Lessor owns hangar space at the Addison Airport;

Lessee provides aircraft storage and related services; and

Lessor and Lessee wish to establish a relationship in which Lessor leases hangar space, described more specifically below, to Lessee.

In consideration of the mutual agreements and obligations set forth in this Agreement and other good and valuable consideration, the sufficiency of which is hereby acknowledged, Lessor and Lessee hereby represent, warrant, agree and intend to legally bind themselves as follows:

AGREEMENT TERMS

1. Definitions. The following capitalized terms shall have the meaning set forth in this paragraph:

- (a) "Hangar" is the area of approximately 10,763 square feet located at 4575 Claire Chennault, Addison Airport, Addison, Texas 75001 being all the hangar space currently existing on the date of the execution of this Agreement.
- (b) "Airport" is the Addison Airport, Addison, Texas (KADS)
- (c) "Aircraft" are the aircraft stored by Lessee
- (d) "Rental" is per month which is calculated at per square foot per year for the Hangar portion of Lessor's Property and includes any and all utilities.

2. Demise. Lessor shall lease the Hangar to Lessee for Lessee's use and occupancy for the Term, defined in Paragraph 3.

3. Lease Term.

(a) Term. The term of this Lease shall commence on March 1, 2005 (the "Commencement Date"), and shall continue, unless earlier terminated, until 11:59 p.m., Central Standard Time, on February 28, 2011 (the "Term").

(b) Option to Extend. Lessee, provided it is not in default, shall have the right to extend the Term of this Lease for five (5) extension periods (the "Extensions"), each Extension for a term of one (1) year. In order to exercise its option to extend, Lessee must notify Lessor in writing 90 days prior to the end of the lease term then in effect. The Rental during the Extensions shall be % of the Rental paid during the lease term previously in effect.

4. Rental. Lessee shall pay the Rental to Lessor in advance on the first day of each month. Further, Lessee shall have a grace period of ten (10) calendar days from the first day of each month to remit payment in full. If possession is tendered to the Lessee during a calendar month,

AL

Rental for the partial month is due on a pro rata basis. Any sums not paid to Lessor when due shall bear interest at the rate of the lesser of eighteen percent (18%) per annum or the maximum rate allowable by law from the date or beyond the grace period as defined herein and will be due until paid. Lessee shall mail all rental payments to Lessor at: 5400 W. Plano Parkway, Suite 200, Plano, Texas 75093. Lessor may from time to time designate other places for the payment of the rent by written notice to Lessee.

5. Use and Maintenance of the Hangar. Lessee may use the Hangar to store, maintain, repair, and perform related administrative functions for the Aircraft. Lessee shall take all necessary steps to ensure that the performance of Aircraft maintenance shall not damage the Hangar or any other portion of Lessor's property. Lessee shall comply with all applicable ordinances, rules and regulations established by any federal, state, or local government agency, Lessor, the Airport authority, or any successor thereto. Lessee shall keep the floor of the Hangar clean and free of debris at all times. Upon the termination of this Agreement, by expiration or otherwise, Lessee shall immediately surrender possession of the Hangar and shall remove the Aircraft and all other Lessee owned property and leave the Hangar in the same condition as received, ordinary wear and tear excluded.

6. Lessor's Service Obligations. Lessor shall, at its expense, maintain the electrical, gas, lighting, plumbing and air conditioning systems; roof; foundation; and the general structural security of the Hangar in good repair and condition ("Lessor Maintenance"). Lessor is not required to make repairs occasioned by any act of negligence of Lessee, its employees, sublessees, licensees or concessionaires ("Lessee Negligence"), unless Lessee Negligence results in damage covered by valid and collectible fire and insurance coverage policies. Lessee shall give immediate written notice concerning any Lessor Maintenance responsibilities, and Lessor shall promptly attend to such Lessor Maintenance. Should the Hangar require Lessor Maintenance, Lessee shall, at Lessee's sole cost and expense, at a time mutually agreeable to Lessor and Lessee, remove the Aircraft and any other Lessee owned property or equipment in the Hangar to the extent required to enable Lessor to make or accomplish such maintenance. Lessor's liability hereunder is limited to the cost of such Lessor Maintenance unless the time spent by Lessor to complete any object of Lessor Maintenance is unreasonable. Lessor will, at its cost and expense, keep and maintain in force Lessor's required insurance coverages, and name Lessee as an additional insured to the extent of Lessee maintains an interest under this Agreement.

7. Taxes. Lessor shall responsible for and pay all Taxes (as defined herein) for the Hangar. "Taxes" are defined as all tax and other assessments and shall include, but are not limited to, real estate taxes, assessments (special or otherwise), levies, ad valorem charges, benefit charges, water and sewer rents, rates and charges, privilege permits and any other governmental liens, impositions or charges of a similar or dissimilar nature, income, and any payments in lieu of such charges, regardless of whether any such items shall be extraordinary or ordinary, general or special, foreseen or unforeseen, levied, assessed, or imposed on or with respect to all or any part of the Hangar, by the state, county or city in which the Hangar is located, or any other taxing authority; provided, however, that in no event shall Lessor be required to pay any inheritance, estate, succession, income, profits or franchise taxes assessed on Lessee, Lessee's business operations, or Lessee's personal property.

8. Environmental Responsibility. In the event any environmental removal, disposal or investigation ("Environmental Action") that was due to the former activities of the Lessor, predecessors of Lessor, or former Lessees is required during the term of the Agreement, Lessor shall have the responsibility and bear the expenses for any necessary removal, disposal, and/or remediation, including the selection of any contractors or consultants, and obtaining additional or



confirming tests or assessments. Lessor shall use reasonable efforts to seek input from Lessee regarding any Environmental Action. Lessee shall fully cooperate with Lessor or Lessor's agents during any Environmental Action and agrees to provide reasonable access to the Hangar for the same. Lessor shall not unreasonably interfere Lessee's business activities during an Environmental Action. If Lessor knows or has reason to believe there are contaminants, hazardous substances, or underground storage tanks present on or under the Hangar, it shall disclose such knowledge to Lessee either below or on a separate document. If no disclosures are made below and no such document is attached, Lessor represents and warrants that it has no such knowledge. Lessee shall indemnify and hold the Lessor harmless from and against any and all liability and damages, costs and expenses arising out of or related to any violation or alleged violation by Lessee of any government authority pertaining to health or the environment relating to the Hangar.

9. Covenant of Quiet Enjoyment. Provided Lessee has performed all of the terms, covenants, agreements and conditions of this Agreement, Lessee shall peaceably and quietly hold and enjoy uninterrupted possession of the Hangar. Lessor covenants, warrants and represents that it now has, and will have, on the commencement date, a valid and subsisting leasehold estate under the Agreement.

10. Assignment and Subletting. Lessee shall not assign this Agreement, any part hereof, or interest herein, and shall not allow or permit this Agreement, any part hereof or interest herein, to be assigned by operation of law or otherwise (except to a company/affiliate under the control of RR Investment) without the prior written consent of Lessor, which consent shall not be unreasonably withheld. Lessee shall not use, allow or permit the Hangar, or the same to be used, for any purpose other than that specified herein. Should Lessor agree to an assignment or sublet, such assignment or sublet shall not operate to relieve Lessee of its primary liability under this Agreement.

11. Condition of Hangar. Following Lessee's inspection, Lessee shall accept the Hangar in its present condition without any liability or obligation on the part of Lessor to make any alterations, improvements or repairs of any kind to the Hangar that could cause a delay or impact to Lessee's business. Lessee shall make no material alterations, modifications or additions to the Hangar without the prior written consent of Lessor.

12. Insurance. Lessee shall, at Lessee's sole cost and expense, procure and maintain during the Term a policy or policies of insurance insuring Lessee against any and all liability for injury to or death of a person or persons and for damage to or destruction of property occasioned by or arising out of or in connection with the use or occupancy of the Hangar (including the contractual liability of Lessee to indemnify Lessor contained herein), the limits and types of such policy or policies to be as follows:

- (a) Fire and extended coverage insurance on Lessee's personal property, trade fixtures and equipment located in or on the Hangar, in an amount equal to the full replacement value thereof;
- (b) Comprehensive general liability insurance for the Hangar on an occurrence basis having a combined single limit of not less than One Million Dollars (\$1,000,000) per occurrence, insuring Lessee against any liability arising out of the use or occupancy of the Hangar and insuring the performance by Lessee of the indemnity provisions of Paragraph 17;

- (c) Aircraft hull insurance on any aircraft owned, leased, managed or operated by Lessee which is in, on or about the Hangar, in the amount of one hundred percent (100%) of the replacement value of such aircraft.
- (d) Aircraft liability insurance on any aircraft owned, leased, managed or operated by Lessee (including Non-Owned Aircraft Liability Insurance) which is in, or about the Hangar on an occurrence basis having a combined single limit of not less than Ten Million Dollars (\$10,000,000) per occurrence.
- (e) Workers Compensation Insurance at statutory limits and employers liability insurance in an amount not less than One Million Dollars (\$1,000,000) each accident / employee; and
- (f) Comprehensive Automobile Liability Insurance applying to all owned, hired and non-owned vehicles that enter upon the Hangar or ways adjoining the Hangar, with a limit of not less than One Million Dollars (\$1,000,000) per occurrence.

The limits and types of the insurance required by this Agreement will not limit the liability of the Lessee under this Agreement. Lessee shall procure and maintain all insurance required hereunder through insurance companies acceptable to Lessor. Lessee shall name Lessor, including its employees, agents, officers, directors and shareholders, the Town of Addison and Washington Staubach Addison Airport Venture as additional insureds under the liability coverages required herein. The insurance policies required herein are primary, without the right of contribution from any other insurance which is carried by Lessor. Coverages are extended to include contractual liabilities assumed under this Agreement. The insurers agree to waive their rights to any set off or counterclaim or any other deduction, whether by attachment or otherwise, with respect to any liability of Lessor. Any company that provides insurance hereunder shall mail Lessor notice of any change to or termination of any coverage required by this Agreement at least 30 days in advance of the change or termination.

13. Waiver of Subrogation. Lessor and Lessee, on behalf of themselves and their respective insurance carriers, agree to waive rights of subrogation in favor of each other from claims or damages arising from this Agreement to the extent of each party's insured property losses. For the purposes of this Agreement, "property", as it relates to Lessee's interests, is construed and defined to include, but not necessarily limited to, Aircraft (as such term is defined in Paragraph 1 of this Agreement, as well as related interests such as substitute aircraft and additional aircraft), all tools, equipment, office machines, supplies, furniture and other appurtenances which directly or indirectly support Lessee's operation, maintenance and/or administration of Lessee's business conducted from, at and upon the Hangar.

14. Casualty, Indemnity, Force Majeure. In the event fire or other casualty damages the Hangar or the means of access thereto, Lessor or Lessee may terminate this Agreement upon written notice to the non-terminating party. Except as provided in Section 17 below, Lessee agrees to release, indemnify and hold Lessor, its officers, directors, employees and agents harmless from and against any and all liabilities, damages, business interruptions, delays, losses, claims or judgments of any kind whatsoever, including all costs, attorneys fees, and expenses incidental thereto that are suffered by or charged to Lessor by reason of any loss of or damage to any property or injury to or death of any person arising out of or by reason of any breach, violation or non-performance by Lessee or its servants, employees, invitees, sublessees, or agents (collectively, "Lessee Parties") of any covenant or condition of the Agreement or by any Lessee Party action or failure to act. Neither party is liable to the counter party for its failure to perform any provision of this Agreement or for any loss, injury, damage or delay that is caused by any



Act of God, fire, flood, accident, strike, labor dispute, riot, insurrection, act of war or terrorism or any other cause beyond Lessor's control.

15. DISCLAIMER OF LIABILITY. LESSOR HEREBY DISCLAIMS, AND LESSEE HEREBY RELEASES LESSOR FROM, ANY AND ALL LIABILITY INCLUDING, BUT NOT LIMITED TO, INDIRECT, CONSEQUENTIAL, SPECIAL OR EXEMPLARY DAMAGES, WHETHER IN CONTRACT OR TORT (WHICH EMCOMPASSES STRICT LIABILITY AND NEGLIGENCE)(COLLECTIVELY, "ANY LOSS") FOR ANY LOSS, DAMAGE OR INJURY OF ANY NATURE WHATSOEVER SUSTAINED BY A LESSEE PARTIES DURING THE TERM OF THIS AGREEMENT, INCLUDING BUT NOT LIMITED TO LOSS, DAMAGE OR INJURY TO ANY AIRCRAFT OR OTHER PROPERTY OF LESSEE THAT IS LOCATED OR STORED IN THE HANGAR, UNLESS SUCH LOSS, DAMAGE OR INJURY IS CAUSED BY LESSOR'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

16. Lessee Default. This Agreement is breached if: (a) Lessee defaults in the performance of any term, provision, covenant or agreement herein, except that Lessee shall have 10 days to cure such default; (b) a petition is filed by or against Lessee under the United States Bankruptcy Code (including a petition for reorganization or any other arrangement); or (c) Lessee makes an assignment for the benefit of creditors of all or any portion of its assets. In the event of any breach of this Agreement by Lessee, Lessor shall, at its option, and without further notice, be entitled to terminate this Agreement and to remove the Aircraft and any other property of Lessee from the Hangar, by using necessary force, without sustaining any prosecution or adverse judgment for trespass, breach of peace or forcible entry and detainer. Lessee expressly waives the service of any default notice. Lessor's choice to exercise any right specified above shall not prejudice Lessor's right to pursue any other remedy available to Lessor in law or equity. Lessor's waiver of any available covenant or remedy in law or equity shall not thereafter preclude Lessor from pursuing such covenant or remedy or from requiring performance in accordance with the terms hereof. The rights and remedies with respect to any of the terms and conditions of this Agreement are cumulative, not exclusive, and in addition to all other rights and remedies.

17. Lessor Default. This Agreement is breached if Lessor defaults in the performance of any term, provision, covenant, or agreement herein and such default is not cured for thirty (30) days after Lessee notifies Lessor or the same. In the event of any breach of this Agreement by Lessor, Lessee is, at its option, and without further notice, entitled to terminate this Agreement and cease to pay the Rental due from the date of Lessor's default. Lessee's choice to exercise any right specified above shall not prejudice Lessee's right to pursue any other remedy available to Lessee in law or equity. Lessee's choice to exercise any covenant or remedy or from requiring performance in accordance with the terms hereof. The rights and remedies with respect to any of the terms and conditions of this Agreement are cumulative, not exclusive, and are in addition to all other rights and remedies.

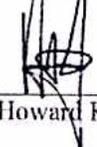
18. Governing Law; Attorney's Fees. This Agreement is governed by and construed in accordance with the laws of the state of Texas, without giving effect to a choice of law or conflict of law provision or rule (whether of the state of Texas or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the state of Texas. The party's agree that the venue for any litigation or action is Dallas, Texas. In the event a party initiates litigation to enforce its rights or interests under this Agreement against the other party, the prevailing party is entitled to receive reasonable court costs and attorney's fees incurred in such proceeding from the counter-party.

19. Entire Agreement. This Agreement constitutes the entire agreement between the parties, and upon its effective date supersedes all prior independent agreements between the parties related to the Hangar lease. Any change or modification hereof must be in writing signed by both parties.
20. Successors Bound. This Agreement is binding and shall inure to the benefit of the heirs, Legal representatives, successors and assigns of the parties hereto.
21. Severability. If any part of this Agreement is found illegal or unenforceable in any respect by an appropriate court, such a finding shall not affect nor impair the validity, legality or enforceability of the remaining provisions.
22. Independent Contractor. Lessor and Lessee are independent contractors, and the employees of one are not the employees or agents of the other.
23. Heading for Convenience. All headings and captions used herein are for convenience only and are of no meaning in the interpretation or effect of this Lease.
24. Early Termination. Notwithstanding anything contained herein to the contrary, in the event the Lessor or its successor (or its affiliate) shall acquire a large corporate jet, Lessor shall have the option, upon 90 days prior written notice to Lessee, to terminate this Agreement.
25. Agreement to be Bound. Lessor's rights to the Hangar arise under the terms and provisions of a certain Ground Lease dated September 28, 1983 between the Town of Addison, Texas and Addison Airport of Texas, Inc. as Landlord and Parkway Jet, Inc. as Tenant (the "Ground Lease"), which Ground Lease was amended by First Amendment to Ground Lease dated September 22, 2004 between the Town of Addison and C.C. Hanger, L.P. (the "Amendment to Ground Lease"). Lessee has been provided a copy of the Ground Lease and Amendment to Ground Lease and Lessee agrees that this Agreement and Lessee's use of the Hangar is expressly subject to the terms and conditions of the Ground Lease and Amendment to Ground Lease. Lessee hereby agrees to be bound by the terms and conditions of the Ground Lease and Amendment to Ground Lease as if each such term and condition were set forth herein. Lessee agrees to provide to the Landlord of the Ground Lease the make, model, aircrate type, and "N" number of each aircraft stored in the Hangar.
26. Consent of Landlord of Ground Lease. This Agreement shall be subject to and conditioned on the receipt of the consent of the Landlord of the Ground Lease within thirty (30) days of the execution of the Agreement. If such consent is not obtained this Agreement shall become null and void.
27. Additional Hangar Space. Lessor is constructing an additional 3,044 square feet of hangar space contiguous to the hangar space currently being leased to Lessee. Such additional space should be ready for occupancy between April 1 and May 1, 2005. Upon receipt of a Certificate of Occupancy or equivalent permit indicating that the additional hangar space is ready for occupancy the Lessee agrees that the definition of "Hangar" in Section 1 of this Agreement shall be amended to read "an area of approximately 13,807 square feet at 4575 Claire Chennault, Addison Airport, Addison, Texas 75001" and the definition of "Rental" in Section 1 of this Agreement shall be amended to read "Rental" is [REDACTED] per month. After receipt of the Certificate of Occupancy described above, the Lessee shall pay monthly Rental to Lessor of [REDACTED] per month for the balance of the Lease Term.

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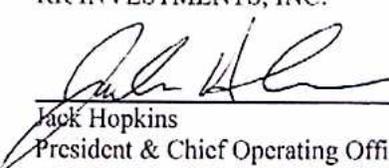
IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the day and year first above written.

LESSOR:
C.C. HANGAR, L.P.



Howard Kollinger, President

LESSEE:
RR INVESTMENTS, INC.



Jack Hopkins
President & Chief Operating Officer

Consent of Town of Addison:

The undersigned, Town of Addison, as the Landlord, under a certain Ground Lease, dated September 28, 1983, and Amendment to Ground Lease, dated September 22, 2004, described in Section 25 of this Hangar Lease Agreement hereby executes this Agreement solely to consent to the sublease created by this Hangar Lease Agreement and for no other purposes and by execution hereof assumes no obligations hereunder.

TOWN OF ADDISON, TEXAS

By: _____
Ron Whitehead, City Manager

Attest:

By: _____
Carmen Moran, City Secretary

Council Agenda Item: #R7**SUMMARY:**

Consideration of a resolution regarding certain matters pertaining to a Ground Lease at 4585 Claire Chennault on Addison Airport between the Town, as Landlord, and Redman Investments, Inc., as Tenant, as follows: (i) Consent to the assignment of their leasehold interests to Triad CSGP, LLC, a wholly owned subsidiary of Triad Hospitals, Inc., (ii) consent to an amendment of ground lease.

BACKGROUND:

Redman Investments, Inc. is requesting the Town's consent to the assignment of their leasehold interests to Triad Hospitals, Inc. On the condition Landlord consents to the aforementioned assignment, Triad is concurrently seeking a 15-year extension to the Ground Lease term. The proposed Assignee Triad CSGP, LLC, is a wholly owned subsidiary of Triad Hospitals, Inc. who intends to base their corporate flight department and fleet at Addison Airport.

Triad was incorporated under the laws of Delaware in 1999 and was formed as a result of a spin-off and stock exchange of certain holdings of Pacific Group of HCA Inc. ("HCA"). Triad's common stock can be found publicly traded on the New York Stock Exchange (symbol: TRI). In April 2001, Triad completed a \$2.4 billion merger with Quorum Health Group, Inc. Forbes recently ranked the company as #1,348 of its Global 2000 Companies and among its 400 Best Big Companies for 2005. Its principal executive offices are located at 5800 Tennyson Parkway in Plano, Texas, making Addison Airport an ideal location for its corporate fleet and flight department.

RECOMMENDATION:

Airport Management and staff recommend (1) the Town consent to the Assignment of the Ground Lease from Redman Investments, Inc. (Assignor) to Triad CSGP, LLC, and (2) consent to the amendment of ground lease granting a 15-year extension to the current lease term subject to the conditions agreed to by Triad as contained within the proposed First Amendment to Ground Lease.

The City Attorney has reviewed the proposed Assignment of Ground Lease and First Amendment to Ground Lease attached as "Exhibit 4" and "Exhibit 5" respectively, and has found them acceptable for the Town's use.

Attachments: Bill Dyer - Memorandum
Exhibit 1 – Map – View of subject property
Exhibit 2 – Original Ground Lease Dated April 4, 1984
Exhibit 3 – Public Ramp Easement Agreement
Exhibit 4 – Proposed Assignment of Ground Lease
Exhibit 5 - Proposed First Amendment To Ground Lease



Memorandum

To: Mark Acevedo, Director
General Services - Town of Addison

From: Bill Dyer, Real Estate Manager

CC: Lisa A. Pyles, A.A.E. - Airport Director

Date: May 12, 2005

Re: Requested Action by Town of Addison
Assignment of Ground Lease and Amendment for Lease Extension
Redman Investments, Inc. Ground Lease 0660-5701 (GL #57)

Summary of Requested Action and Recommendation by Airport Manager

In regard to the Ground Lease between Town of Addison (Landlord) and Redman Investments, Inc. (Tenant) dated April 4, 1984, Tenant is now requesting Landlord's consent to the assignment of their leasehold interests to Triad Hospitals, Inc. On the condition Landlord consents to the aforementioned assignment, Triad is concurrently seeking a 15-year extension to the Ground Lease term.

Airport Management is recommending (1) the Town consent to the Assignment of the Ground Lease from Redman Investments, Inc. (Assignor) to Triad CSGP, LLC, a wholly owned subsidiary of Triad Hospitals, Inc. (Assignee); and (2) provided the assignment is consented to by the Town, granting a 15-year extension to the current lease term in consideration of certain concessions agreed to by Triad as contained within the proposed First Amendment to Ground Lease described more fully below.

The Town's attorney has reviewed the proposed Assignment of Ground Lease and First Amendment to Ground Lease attached as "Exhibit 4" and "Exhibit 5" respectively, and has found them acceptable for the Town's use.

Background Information

The Ground Lease was originally made and entered into by Landlord and Tenant on April 4, 1984 (See "Exhibit 2"), with a commencement date of May 1, 1984 and is for certain 1.144 acres (49,832 SF) of land located at 4585 Claire Chennault (See "Exhibit 1" for Location Map & Aerial). Tenant's leasehold interests include the remaining term of the ground lease and existing improvements made to the premises, which include a three-bay 16,474 square-foot corporate aircraft storage hangar with 4,932 SF of attached split-level executive office. The building was originally constructed in 1985.

Concurrent with the creation of the Ground Lease, Tenant entered into an Easement Agreement (See Exhibit 3) dated April 18, 1984, in which Tenant (and its successors and assigns) granted to Landlord a non-exclusive, perpetual and permanent right-of-way easement for the purpose of aircraft, vehicular and pedestrian access over and across much of the ramp area immediately adjacent to the hangar. The ramp area incorporated into the Easement Agreement contains approximately .431 acres (18,774 SF) of the leased premises. In addition to granting ingress and egress across the ramp, Tenant agrees to maintain and repair the ramp at its Tenant’s own expense.

The Ground Lease has an original term of 480 months and is currently due to expire April 30, 2024. The current rent is \$19,094 per year, which equates to approximately \$.38 per square foot, which is considered in-line with the prevailing market for this particular sector of the airport.

Summary of Ground Lease Terms

Lease Information		Valuation Information	
Lease #	0660-5701	NPV of Contract Rent	\$ 187,007
Tenant Name	Redman Investments, Inc.	DCAD Estimated Value of Imp.	\$ 453,900
Doing Business As	Redman Investments, Inc.	ADS Estimated Value of Imp.	\$ 712,993
Primary Contact:	Roger Chafin	NPV of Contract Rent in Excess of Market	\$ (3,804)
Primary Contact Phone:	972-490-0566 x110	Leasehold Interest (Tenant)	\$ 709,190
Lease Type	Ground Lease	Lease Fee Estate (Landlord)	\$ 187,007
Lease Commencement Date	5/1/1984	Est. FMV of Leased Premises	\$ 896,196
Lease Expiration Date	4/30/2024	Est. FMV of Leased Premises/SF Land	\$ 17.78
Years Remaining in Term	19.61	FMV of Land derived from Leasehold Interests	\$ 183,203
Current Monthly Rent	\$ 1,591.13	FMV of Land from Leasehold Int./SF	\$3.63
Current Annual Rent	\$ 19,093.56	Contract Rent Coverage Ratio	3.813
Annual Rent /SF Land	\$ 0.38	Discount Rate	0.1
Est. Remaining Contract Rent	450,685		
Rent Adjustment	2 year CPI increase		

Current Status:

The proposed Assignee is Triad CSGP, LLC, a wholly owned subsidiary of Triad Hospitals, Inc. (“Triad” or “Assignee”) who intends to base their corporate flight department and fleet at Addison Airport.

Triad Hospitals, Inc. is one of the largest publicly owned hospital companies in the United States. In addition to providing management and consulting services to independent general acute care hospitals throughout the United States, Triad provides health care services through its 56 general acute care hospitals and 16 ambulatory surgery centers primarily located in the southern, Midwestern and western United States.

Triad was incorporated under the laws of Delaware in 1999 and was formed as a result of a spin-off and stock exchange of certain holdings of Pacific Group of HCA Inc. ("HCA"). Triad's common stock can be found publicly traded on the New York Stock Exchange (symbol: TRI). In April 2001, Triad completed a \$2.4 billion merger with Quorum Health Group, Inc. Forbes recently ranked the company as #1,348 of its Global 2000 Companies¹ and among its 400 Best Big Companies for 2005². Its principal executive offices are located at 5800 Tennyson Parkway in Plano, Texas, making Addison Airport an ideal location for its corporate fleet and flight department.

As mentioned above, if this Assignment were to be approved, an Amendment to Ground Lease would ensue, allowing for the lease to extend an additional 15 years (to April 2039). This extension is intended, in part, to induce Triad to acquire the Redman leasehold interests and for Triad to agree to certain concessions affecting the original Ground Lease, including restricting the permitted use of the premises to be more consistent with the Airport's desired long term use of the premises.

Specifically, the ground lease currently permits a rather broad array of commercial aeronautical uses including aircraft maintenance, sales and service. Because of limited off-street parking and the influence the public ramp easement has on the site, it is Airport Management's opinion that this site cannot adequately support such types of commercial operations. Limiting the subject property to corporate and executive aircraft storage aligns the property to be more compatible with other property uses in the area fronting Taxiway Victor.



Figure 1 The area highlighted in yellow shows the approximate ramp area subject to public ramp easements included in Taxiway Victor. The darker yellow is the easement area included with in the subject properties boundaries. The easement prohibits unattended aircraft and vehicles to be left in the easement area that could interfere with aeronautical traffic.

¹ DeCarlo, Scott; Ed. "The Forbes Global 2000" [Forbes.com](http://www.forbes.com/2005/03/30/05f2000land.html) 31 March 2005
<http://www.forbes.com/2005/03/30/05f2000land.html>

² DeCarlo, Scott; Ed. "America's Best Big Companies" [Forbes.com](http://www.forbes.com/2004/12/22/05platinumland.html) 27 December 2004
<http://www.forbes.com/2004/12/22/05platinumland.html>

As proposed, the Amendment to the Ground Lease limits the use of the facility to the storage of aircraft owned by the tenant and its subtenants. An administrative office in support of flight operations and the temporary storage (not to exceed 30 consecutive days, nor more than 180 total days, in any one calendar year) of aircraft owned by third parties with whom the tenant conducts business is also permitted. Further, although incidental support and maintenance in connection with the aircraft being stored is permitted, the service and maintenance of third-party aircraft (commercial maintenance services) is specifically prohibited.

Unlike the original ground lease, the amendment gives the tenant the right to assign or transfer the ground lease to any "Affiliate" of Triad, without Landlord's prior written consent. However, as with such assignments, the Assignor cannot be released of any obligation, responsibility or liability it may continue to have under the ground lease without Landlord's prior written consent. Any assignment or transfer of control of the ground lease to a "non-Affiliate" continues to require Landlord's prior written consent.

In addition to the above, the proposed amendment further strengthens and brings the original ground lease in line with current contract standards required by the Town of Addison including i) property taxes and assessments; ii) maintenance and repair of the premises; iii) securing governmental approvals and compliance with law; iv) insurance requirements; v) indemnifications; vi) environmental compliance; and vii) special events. It also incorporates the inclusion by reference the Airport Minimum Standards and Rules and Regulations, which were adopted by the Airport in 2004.

Conclusion and Recommendation of Airport Operator

4585 Claire Chennault (the Redman hangar facility) is one of several properties fronting Taxiway Victor subject to a public ramp easement that is co-terminus with the respective ground lease. The public ramp easement prohibits property owners, subtenants and their guests to leave aircraft and vehicles unattended anywhere on the easement area at any time. This limitation is not conducive for commercial repair facilities where the staging of aircraft on ramps is inevitable. Also, the majority of these properties are targeted to attract the higher-end multi-tenant corporate/executive-type users who prefer not to be subjected to congested ramps and taxiways. Recently, Airport Management identified the properties fronting along Taxiway Victor to be ideally suited for high-end corporate/executive-type uses due to their proximity and visibility to Westgrove and Addison Road, and close proximity to FBO operational support. Additionally, in recognition of the movement limitations in the area, in its long-term real estate plan, Airport Management has set out the objective to encourage and promote compatible land use (multi-tenant corporate/executive users) in this particular area by way of proactive management and lease modification.

As stated above, the proposed Assignee, Triad CSGP, LLC, is a wholly owned subsidiary of Plano, TX based Triad Hospitals, Inc. and is one of the largest publicly owned hospital companies in the United States. Airport Management views Triad to be an exceptional quality tenant who exceeds the targeted tenant profile established for the Taxiway Victor corridor.

In order to entice Triad to permanently establish their corporate flight operations at Addison Airport, and in consideration of Triad's agreement to accept reduced property rights associated with the ground lease, Airport Management is recommending the Town of Addison agree to the Assignment of Ground Lease and the First Amendment to the Ground Lease as proposed which, among other things, includes a 15-year extension to the ground lease term.

Although it is difficult to ascertain the amount of consideration the Town of Addison is extending the tenant by way of this amendment, Airport Management estimates the value to fall within a range of \$145,000 to \$160,000 (in today's dollars), or approximately 15% to 16% of the property's current market value (See Addendum).

Airport Management is recommending (1) the Town consent to the Assignment of the Ground Lease from Redman Investments, Inc. (Assignor) to Triad CSGP, LLC, a wholly owned subsidiary of Triad Hospitals, Inc. (Assignee); and (2) provided the Assignment is consented to by the Town, granting a 15-year extension to the current lease term in consideration of certain concessions agreed to by Triad as contained within the proposed First Amendment to Ground Lease.

The Town's attorney has reviewed the proposed Assignment of Ground Lease and First Amendment to Ground Lease attached as "Exhibit 4" and "Exhibit 5" respectively, and has found them acceptable for the Town's use.

Exhibit 1

Location Map & Aerial of Subject Property

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Exhibit 2
Original Ground Lease dated April 4, 1984

#57

This Ground Lease (hereinafter referred to as the "Lease" is made and entered into as of April 4, 1984, 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 REDMAN INVESTMENTS, INC. (hereinafter referred to as "Tenant").

WITNESSETH:

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 May 1, 1984, 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 NINE HUNDRED NINETEEN AND 94/100 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 of 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 Hangar 140' x 75' with 140' x 20' single story office and covered parking. Associated vehicle parking and aircraft ramp. Addison Airport to approve construction plans prior to 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 purpose 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 become 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 created hereby shall contain provisions (i) requiring the leasehold mortgagee to give Landlord fifteen (15) days written notice of acceleration of 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 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 mortgagee.

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's "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, therefore, 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 warranty, 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) 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 complete 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 diligently commence Restoration, or after commencement of Restoration, if 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 proceeds 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 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 to 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 interest 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, notify 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, meteorological, 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 the 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 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 National 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 the 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 damages 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 any 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 may arise by reason of any such reletting. In determining the amount of such deficiency, brokerage commissions, attorneys' fees, advertising expenses and other costs of relet 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 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 Regulations; (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 or 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 accordance 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 transferee 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 (of 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 the 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 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 or 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:

Mr. Jim Redman
Redman Investments, Inc.
16475 Dallas Parkway, Suite 510
Dallas, Texas 75248

(214) 353-3600

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 in 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: [Signature]

Its: [Signature]

CITY OF ADDISON, TEXAS

By: [Signature]

Its: _____

TENANT:

By: [Signature]

Its: _____

STATE OF TEXAS }
COUNTY OF DALLAS

BEFORE ME, the undersigned authority, on this day personally appeared Jim Redman
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 11th day of April, 19 84.

Marie Stanley
Notary Public

Dallas
County, Texas

STATE OF TEXAS }
COUNTY OF DALLAS

BEFORE ME, the undersigned authority, on this day personally appeared Robert L. Bore
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 purpose and considerations therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 13th day of April, 19 84.

Barbara L. James
Notary Public

Dallas
County, Texas

STATE OF TEXAS }
COUNTY OF DALLAS

BEFORE ME, the undersigned authority, on this day personally appeared James 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 24 day of April, 19 84.

James Sharp
Notary Public

Dallas
County, Texas



**AGREEMENT FOR
OPERATION OF THE ADDISON AIRPORT
BETWEEN
THE CITY OF ADDISON, TEXAS
AND
ADDISON AIRPORT, INC.**

THIS AGREEMENT, made and entered into the 30th day of December, 1976, by and between the CITY OF ADDISON, TEXAS, a municipal corporation acting by and through the City Council (hereinafter "City") and ADDISON AIRPORT, INC., a Texas corporation (hereinafter "Company"), with an address at P.O. Box 34067, Dallas, Texas 75234.

WITNESSETH:

WHEREAS, the City has entered into a Contract of Sale whereby the City will acquire the principal portions of the existing Airport known as Addison Airport, in Dallas County, Texas, it being contemplated that the City will purchase approximately three hundred sixty-four (364) acres ("Property"), in part with federal funds available for such purpose, the Property being reflected and described on Exhibit "1" attached hereto.

WHEREAS, the City and the Company are desirous of having the Company operate and conduct all lawful, reasonable and appropriate activity at the Airport for the use of the general public and generally in accordance with the operations description set forth in Section 7 hereof, and

WHEREAS, in the exercise of its lawful authority, the City has entered into that certain Grant Agreement with the United States of America (acting through the Federal Aviation Administration (FAA), dated December 30, 1976, for the purpose of obtaining funds for the acquisition of the Property.

WHEREAS, the Company agrees to carry out the terms and conditions set forth in that certain Grant Agreement; and

WHEREAS, the City, during the term of this Agreement, agrees to consult with the FAA on the adjustment or modification of any term or condition in the Grant Agreement which because of the peculiar circumstances of the Airport operation the Company believes to be unworkable or impractical; and

WHEREAS, it has been found and determined by the City in accordance with its lawful duties, that it is essential, appropriate and necessary for its public purposes and for the public to acquire such adequate general aviation facilities; and

WHEREAS, the Mayor of the City of Addison has been duly authorized and empowered to execute the Agreement; and

WHEREAS, it is the intention of the parties that the Airport shall be operated in a manner as would be accomplished by a reasonably prudent airport operator and in accordance with sound business practices;

NOW, THEREFORE, for and in consideration of the mutual covenants, conditions and agreements herein set forth, the parties hereto hereby agree and contract as follows:

The City hereby leases to Company, and the Company hereby takes, upon the terms and conditions hereinafter specified, the following premises:

- (i) the land described in Exhibit "1" as the Property and the improvements thereon owned by the City;
- (ii) all easements, rights and appurtenances relating to the land (all property described in clauses (i) and (ii) above is herein sometimes collectively called the "Leased Premises"); and
- (iii) City hereby assigns to Company all of its right, title and interest in and to the leases set forth in Exhibit "B" to the Contract of Sale.

As consideration for this Agreement, and in addition to the rents payable hereunder, the Company agrees to pay to the City the sum of Eight Hundred Thousand (\$800,000.00) Dollars, in cash, said payment to be made simultaneous with the release of this Agreement from escrow pursuant to that certain Escrow Agreement dated December 30, 1976, by and between the City, Company and Southwest Land and Title Company ("Escrow Agreement").

In the event this Agreement is not delivered out of escrow to the City and is returned to Company by reason of the Escrow Agreement, the Company shall have no liability for any payment to the City hereunder and this entire Agreement shall be null and void and of no force or effect as of the date this Agreement is executed.

Section 1. Definitions

- (a) "Airport" means the Addison Airport as shown on Exhibit "2" hereof;
- (b) "Improvements" means all improvements that specifically serve the Airport, including, but not limited to, streets, roadways, parking areas, aprons, runways, sewers and waterlines, all buildings and structures and additions, substitutions, accessions, and replacements thereto on the Leased Premises.
- (c) "Gross Receipts" means all monies paid to the Company for sales made and for services rendered or agreed to be rendered at or from the Airport regardless of the time or place of receipt of the order therefor, and for sales made and for services rendered or agreed to be rendered outside the Airport if the order therefor is received at the Airport, the charges, rentals, fees and other payments of whatever kind of nature paid to the Company under any lease, sublease, permit, license, or any other agreement, oral or written, relating to the Airport, all landing, parking and other fees and charges paid to the Company from any user of the Airport, revenues paid to the Company for the sale or delivery of aviation fuel, petroleum and other products, including any fuel flowage fees, any other revenues of any type arising out of or in connection with the Company's services and operations at the Airport, including its operations thereof. Any addition, change, modification or alteration in the Company's method of performing its Airport function or responsibility which would adversely effect the Gross Receipts shall first require the approval of the City.

Section 2. Representations by City

The City is the duly and lawfully created, existing and recognized owner of the Leased Premises, having the power to enter into the transactions hereunder, and by proper action the City has been duly authorized to execute and deliver this Agreement.

Section 3. Representations by Company

The Company is a corporation duly incorporated under the laws of the State of Texas, is in good standing under the laws of said State; is duly authorized to do business in the State of Texas; has the power to enter into this Agreement without violating the terms of any other agreement to which it may be a party; and by proper corporate action had been duly authorized to execute and deliver this Agreement.

It generally will occupy and possess the Leased Premises for the public purposes of the City as set forth in Section 7 hereof.

Section 4. Term of Agreement

Subject to the terms, covenants, conditions and agreements contained in this Agreement, the Company shall have and hold the Leased Premises for a term commencing on the date of closing of the purchase of the Property in the Contract of Sale and ending 20 years thereafter.

The Company agrees to yield and deliver peaceably to the City possession of the Leased Premises together with all buildings, structures, improvements, additions and other installations therein or thereon, on the date of the expiration of this Agreement, promptly and in good operating condition, the intention being that when the Leased Premises are returned to the City they shall be in first-class condition giving due consideration to normal wear and tear and shall be free and clear of any and all liens, debts, contracts, leases or encumbrances of whatsoever kind, nature and description.

Section 5. Rent

(a) Company shall pay the City, on demand, the sum of \$100,000.00, as a special assessment for public improvements to be made by the City of Addison. The Company shall not be assessed or otherwise be liable for any further such assessments made outside of the Leased Premises during the term of the Agreement.

(b) The Company agrees to pay the City \$6,250.00 per month, or 3% of the Company's monthly Gross Receipts, whichever amount is the greater. Such installment shall be payable to the City of Addison, Dallas County, Texas, commencing on the 20th day of the second month after the effective date of this Agreement for the first month hereof, and on the 20th day of each calendar month thereafter for the calendar month preceding. Payment of such amounts shall be reduced by any real property or personal property taxes assessed by the City of Addison on the Property or assessed by the City of Addison on the Improvements or this Agreement, commencing with the effective date of this Agreement, such reduction to be credited against the next succeeding installments of rent hereunder from and after the date of payment of such taxes by the Company. The Company shall render to the City, on the 20th day of each calendar month, a sworn statement showing its Gross Receipts for each preceding month.

Section 6. Taxes and Assessments

The Company shall pay when due and before any fine, penalty, interest or cost may be added for non-payment: all levies, fees, water and sewer rents or other rents, rates and charges, permit fees, inspection fees and other charges, if any, in each case whether general and special, ordinary and extraordinary, which are lawfully imposed, whether or not the same were within the contemplation of the parties

Agreement, or which may be a lien upon the Leased Premises. The Company shall pay all of the personal property taxes assessed by the City for the year 1976.

Section 7. Uses of Leased Premises

(a) The Company shall have control of the operation of the Leased Premises and shall operate them on a nondiscriminatory basis consistent with the normal public use of airports of a similar kind, and in accordance with all applicable laws and regulations. The use of the areas thereof shall be for the following purposes only:

- (i) For the handling and accommodation of operators, crews and travelers arriving at or departing from the Leased Premises;
- (ii) For the storage, parking, maintenance and servicing of aircraft in covered and open areas;
- (iii) For the sale, maintenance, repair, servicing, overhaul, conversion and modification of aircraft, and aircraft engine assemblies, accessories and component parts;
- (iv) For the storage of fuel and for the fueling of aircraft;
- (v) For the charter and leasing of aircraft;
- (vi) For schools for the training of aeronautical pilots, mechanics, repairmen, navigators and dispatchers, and other aeronautical personnel;
- (vii) For the storage, parking, maintenance, servicing and fueling of automotive vehicles, automotive equipment and other equipment owned or operated by the Company in connection with the operation of the Leased Premises or by other persons using the Leased Premises for other purposes authorized hereunder;
- (viii) For the operation of stores, concessions and other consumer service activities, reasonably required for the accommodation of operators, crews and travelers arriving at or departing from the Leased Premises by aircraft, and other persons doing business with or who are the guests of the Company or other users of the Leased Premises;
- (ix) For the fabrication, manufacture, testing or development of aeronautical materials which will be used or installed in aircraft at the Leased Premises; and
- (x) For all operational, administrative, office and other such related functions in connection with the activities authorized hereunder;

The provisions of this Section shall be inserted and enforced by the Company in the agreement(s) of any other future user of the Leased Premises.

(b) In the performance of the Uses of the Airport granted by the City hereunder, the Company agrees to operate the Airport for the use and benefit of the public; to make available all airport facilities and services to the public on fair and reasonable terms and without unjust discrimination and to provide space on the Airport, to the extent available, and to grant rights and privileges for use of the land facilities of the Airport to all qualified persons, firms and corporations desiring to conduct aeronautical operations at the Airport.

(c) The Company shall perform the above-named Uses in a manner which shall be compatible with the latest FAA-approved Airport Layout Plan.

(d) Any clause or provision of this Agreement to the Company notwithstanding:

(i) The Company agrees to operate the Airport in accordance with the obligations of the City to the Federal Government under the above-described Grant Agreement. In furtherance of this general covenant, but without limiting its general applicability, the Company specifically agrees to operate the Airport for the use and benefit of the public; to make available all airport facilities and services to the public on fair and reasonable terms and without discrimination and to provide space on the Airport, to the extent available, and to grant rights and privileges for use of the landing area facilities of the Airport to all qualified persons, firms and corporations desiring to conduct aeronautical operations on the Airport. In this connection, the Company may from time to time adopt standard rules and regulations concerning the use and operation of the Airport, provided such rules and regulations shall not constitute a violation of the Grant Agreement.

(ii) It is specifically understood and agreed that nothing herein contained shall be construed as granting or authorizing the granting of an exclusive right within the meaning of Section 308a of the Federal Aviation Act.

(iii) The City reserves the right to take any action it considers necessary to protect the aerial approaches to the Airport against obstruction, together with the right to prevent the Company from erecting, or permitting to be erected, any building or other structures on the Airport which, in the opinion of the City, would limit the usefulness of the Airport or constitute a hazard to aircraft.

(iv) This Agreement shall be subordinate to the provisions of any existing or future agreement entered into between the City and the United States to obtain federal aid for the improvement or operation and maintenance of the Airport.

Section 8. Orderly Conduct of Operations

The Company shall conduct its operations in a proper and orderly manner and will not annoy, disturb or be offensive to others. The Company shall take all reasonable measures to control the conduct, demeanor and appearance of its employees, agents, representative contractors, and the conduct and demeanor of its customers, invitees and those doing business with it in the Leased Premises.

The terms of this Section shall be inserted and enforced by the Company in the agreement(s) of any other user of the Airport.

Section 9. Standards of Operation

The Company shall not knowingly commit any nuisances on the Leased Premises, or do or permit to be done anything which might result in the creation or commission of a nuisance on the Leased Premises.

The terms of this Section shall be inserted and enforced by the Company in the agreement(s) of any other user of the Airport.

Section 10. Insurance

The Company will maintain at its expense insurance on the Leased Premises of the following character:

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

(b) General public liability insurance against claims for bodily injury, death or property damage occurring on, in or about the Leased Premises, such insurance to afford protection to the City of not less than \$500,000.00 with respect to any one accident, and not less than \$200,000.00 with respect to property damage. Policies of such insurance shall be for the benefit of the City and the Company.

(c) Workmen's compensation insurance covering all persons employed by the Company in connection with any work done on or about the Leased Premises with respect to which claims for death or bodily injury could be asserted against the City, the Company or the Leased 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.

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

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

(f) In addition to all other insurance required hereunder, the Company will maintain at its expense 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 the Company.

Section 11. Carriers, Insureds, etc.

The insurance referred to in Section 10 shall be effected under a valid and enforceable policy or policies or contract or contracts issued by (i) an insurer or insurers permitted to do business in the State of Texas approved by the City, which approval will not be unreasonably withheld. Such insurance shall name as the insured parties thereunder the City and the Company, as their respective interest may appear. The Company may prosecute any claim against, or contest any settlement proposed by, any insurer at its expense. In such event, the Company may bring such prosecution or contest any settlement in the name of the City, the Company or both, and the City will join therein at the Company's written request upon the City's receipt of an agreement by the Company to indemnify the City against all costs, liabilities and expenses in connection with such prosecution or contest.

Section 12. Delivery of Evidence of Insurance

The Company shall deliver to the City at the execution and delivery of this Agreement the original or duplicate policies or satisfactory

insurance of insurance or insurance... expiration of any such insurance... Insurers endorsed as in above... Section 10 hereof evidencing renewal... The Company shall within ten days prior to the expiration of any such insurance... duplicate policies or other certificates of insurance.

Section 13. Casualty

If any Improvements or any part thereof owned by the City shall be damaged or destroyed by fire, theft or other casualty, the Company shall with reasonable promptness and diligence, rebuild, replace, and repair any damage or destruction to the Improvements, at its expense in conformity with the requirements of Section 14, in such manner as to restore the same to a unit of equal size, quality and condition to that which existed prior to such damage or destruction. Insurance proceeds payable with respect to such casualty shall belong to the Company to the extent necessary to make such repairs.

It is agreed that damage or destruction, whether partial or total, by any cause whatsoever, of the Improvements, except upon termination of this Agreement as is provided for herein, shall not release the Company from any obligation under this Agreement.

Section 14. Maintenance and Repair

The Company agrees and acknowledges that it has received the Leased Premises in good order and condition, and further agrees to accept the premises as is. The Company further agrees that it will, at its expense, keep and maintain the Leased Premises, and the Improvements in good repair and appearance, and in good mechanical condition, except for ordinary wear and tear, and will with reasonable promptness make all, interior and exterior, structural and non-structural, foreseen and unforeseen, ordinary and extraordinary changes, repairs, substitutions and replacements (substantially equivalent to the original work) of any kind and nature which may be required to be made upon or in connection with the Leased Premises and Improvements or any part thereof, in order to keep and maintain the Leased Premises and Improvements in as good repair, mechanical condition and appearance as they were originally, except for ordinary wear and tear.

Section 15. Failure to Commence and Complete Repairs

In the event the Company fails to commence or complete repairs, replacements or painting which is required hereunder within a period of thirty days after written notice from the City, or fails to continue and diligently complete any such repair, the City may at its option make such repairs, replacement or do such painting, the cost of which shall be paid by the Company upon written demand.

Subject to the right of existing sub-leases, the City, by its officers, employees, agents, representatives and contractors shall have the right at all reasonable times to enter upon the Airport for the purpose of inspecting the Leased Premises, for observing the performance by the Company of its obligations under this Agreement, and for the doing of any act or thing which the City may be obligated or have the right to do under this Agreement.

Nothing in this Section shall impose or shall be construed to impose upon the City any obligations to construct or maintain or to make repairs, replacements, alterations or additions, or shall create any liability for any failure to do so. The City shall not in any event be liable for any injury or damage to any property or to any person happening on or about the Leased Premises nor for any injury or damage to the Leased Premises nor to any property of the Company or of any other person located in or thereon other than those occasioned by the acts of the City.

Section 16. Alterations, Construction by Company for Airport Purposes

Company may erect structures, make improvements, install fixtures, or do any other construction work on the Leased Premises, or alter, modify or make additions, improvements, repairs to, or replacement of any Improvements or any structure now existing or hereafter built on the Leased Premises.

Any such alterations, additions, improvements, installations, repairs, substitutions or replacements shall be expeditiously completed, in compliance with all laws, ordinances, orders, rules, regulations and requirements applicable thereto. All work done in connection with each such alteration, addition, improvement, installation, repair, substitution or replacement shall comply with the requirement of any insurance policy required to be maintained by Company hereunder, with any applicable requirements of the Agreement.

Any improvement to or alteration of the Airport under this Section or under Section 17 shall be consistent with the latest FAA-approved version of the Airport Layout Plan.

Section 17. Alteration, Construction by City

The City may erect structures, make improvements, install fixtures, or do any other construction work on the Airport, whether Airport-related or not; provided, however, the erection of such structures, the making of such improvements, the installation of such fixtures, or the doing of such construction work shall not unreasonably interfere with the operation or development of the Airport including the maximization of revenues. The City shall give the Company reasonable advance written notice of any action taken hereunder.

Any such alterations, additions, improvements, installations, repairs, substitutions or replacements shall be completed in compliance with all laws, ordinances, orders, rules, regulations and requirements applicable thereto. All work done in connection with each alteration, addition, improvement, installation, repair, substitution or replacement shall be done at the City's expense and shall comply with the requirement of the insurance policy required to be maintained by the City or Company, hereunder. As to any construction, buildings or other structures constructed by the City which are not related to the Airport and its operations, Company shall not be required to furnish insurance.

Section 18. Liens

The Company will not directly or indirectly create or permit to be created or to remain, and will promptly discharge, at its expense, any mortgage, lien, security interest, encumbrance or charge on, pledge of, or conditional sale or other title retention agreement with respect to:

- (a) The Leased Premises or any part thereof,
- (b) City's ownership interest, or
- (c) the Rent or other sums payable by Company under this Agreement.

The existence of any mechanic's, laborer's, materialmen's, supplier's, or vendor's lien, or any right in respect thereof shall not constitute a violation of this provision if payment is not yet due upon the contract or for goods or services, or the lien(s) are being contested in good faith by the Company.

This Section shall not apply to security interests or other liens with respect to buildings or improvements on, or which may later be constructed on, the Leased Premises which are not owned by the City.

Section 19. Prices and Rates

The Company shall charge fair, reasonable and not unjustly discriminatory prices for each unit or service. In furtherance of this objective, a list of charges will be maintained and available for inspection by the public for all services, materials, supplies and privileges provided by the Company and any Airport tenant. However, the Company, and any Airport tenant, may be allowed to make reasonable and nondiscriminatory discounts, rebates, or other similar types of price reductions to volume purchasers.

The Company shall, from time to time, as the need arises, make and publish changes in the prices being charged; provided, however, fifteen (15) days prior to any such changes, the Company shall provide to the City a list of such charges. If no objection is received by the City to such changes in prices within fifteen (15) days, the price changes shall become effective. The City may object to any changes in prices within the fifteen-day period; provided, however, the only basis for any such objection by the City will be on the ground that such pricing change would constitute a violation of a present or future Grant Agreement with the Federal Aviation Administration.

It is further understood and agreed that in the event others on the Airport undertake to sell or dispense fuels or lubricants for aircraft or other machinery being used on the Airport, the Company shall impose reasonable standards consistent with any grant agreements with respect to any fueling operations in order to assure adequate safety and efficient operations on or about the Airport. Further, any persons selling or dispensing fuel or lubricants for aircraft or other machinery shall pay to the Company a reasonable and non-discriminatory fuel flowage fee.

Section 20. Subleases

(a) The Company shall have the right and is expressly hereby authorized to sublease such portions of the Leased Premises as it shall deem appropriate for the growth and development of the Airport and the maximization of revenues; provided any such sublease shall be for the purpose of carrying out one or more of the activities set forth in Section 7. During the existence of this Agreement, all revenues from any sublease shall belong to the Company, subject only to the rights of the City to a percentage of Gross Receipts as provided in Section 5 (b).

(b) The Company shall not enter into any sublease with any tenant which is owned or controlled, in whole or in part, by any of the officers, directors or stockholders of the Company without the prior written approval of the City, which approval shall not be unreasonably withheld.

(c) The Company shall not enter into any sublease unless the term of such sublease, including any renewal or option provisions, expires and terminates on or before twenty years after the effective date of this Agreement, without the prior written consent of the City.

(c) Upon request by the City, any, from time to time, that a sublease is entered into by the Company, the City shall deliver to any such Subtenant its estoppel certificate certifying unto the subtenant that this document is in full force and effect.

Section 21. Applicable Governmental Requirements

The Company agrees,

(a) at its expense, to procure from governmental authority, having jurisdiction, all licenses, certificates, permits or other authorization which may be necessary for the conduct of its operations or for any additional construction required pursuant to the terms of this Agreement.

(b) that it shall, at its expense, comply with and cause the Leased Premises and Company's operations to comply with all governmental statutes, laws, rules, orders, regulations and ordinances affecting the Leased Premises or any part thereof or the use or occupancy or any part thereof.

Section 22. Indemnification

Company covenants and agrees that it will defend, indemnify and save harmless the City, its council, officers, agents and employees from and against any and all actions, suits, claims, demands, liabilities, losses, damages, costs, expenses or judgments of any nature whatsoever, arising from:

(a) any injury to, any nuisance, or the death of any person or any damage to property on the Leased Premises, or any damage to property on the Leased Premises, or in any manner growing out of or connected with the use, non-use, condition or occupancy of the Leased Premises or any part thereof or resulting from the condition thereof,

(b) the ownership, use or non-use or condition of the Improvements, or

(c) violation by Company of any agreement or condition of this Agreement, and of any contract or agreement to which Company is a party, or any restriction, statute, law, ordinance or regulation or otherwise, in each case affecting the Leased Premises or the ownership, occupancy or use thereof.

In case any action or proceeding be brought against the City by reason of any such claim, the Company covenants upon notice from the City to resist or defend such action, and the City will cooperate and assist in the defense of such action or proceeding, if reasonably requested so to do by the Company; provided, however, that the Company shall not be liable for damages not covered by insurance required to be carried pursuant to this Agreement and caused solely by the negligence or deliberate act of the City, or any of its council, officers, agents, servants or employees. This provision shall not operate to indemnify others when liability for damages arises due to the fault of such others, unless they are insured or indemnified parties under the insurance policies or contracts required by this Agreement.

Section 23. Federal Airport Aid

The City has made application to the Federal Aviation Administration for a grant(s) of federal funds to partially defray the cost of acquiring the Leased Premises. The Company, in its management, operation, maintenance and use of the Airport, shall be subject to and hereby assumes the terms, conditions and provisions of any and all grant agreements and project applications imposed on the City by the Federal Aviation Administration, and any other federal obligations or restrictions with respect thereto. The Company shall in its agreements with other users of the Airport insert in said agreements the appropriate provisions and requirements as required by any and all of the provisions of the grant agreement and the project applications, the assurances set forth therein and any other federal obligations or restrictions with respect thereto.

To the extent that the City considers it prudent, considering the requirements attached to the acceptance of such funds, the City shall continue to apply for and make maximum use of all available federal and state funds for the development of the Airport; provided nothing in this Section obligates or requires the City to apply for such funds, other than funds necessary to acquire Additional Purchases.

Section 24. Notice to Indemnified Parties

Notwithstanding the indemnification set forth in Section 22, the Company shall forward to the City a copy of every notice, summons, complaint, or other process received in any legal proceedings encompassed by such indemnification or in any way affecting the rights of the City, or any other indemnified party.

Section 25. Liability of Officials

No officers, agent or employee of the City or the Company shall be personally liable for any of their acts carrying out the provisions of the Agreement, in exercising any power or authority granted to them pursuant to the Agreement, it being understood that in such matters they act as agents and representatives of the City and the Company.

Section 26. Non-Discrimination

Company will, in its operations on the Airport, be bound by the Civil Rights obligations imposed on the City. Company will not deny any benefits to or otherwise discriminate against any person or group on the basis of race, color, sex, or national origin. Company will comply with applicable portions of, and will effect City's compliance with the Attachment 2 (Including OST Regulations, Part 21) attached hereto and incorporated herein by reference for all purposes.

Section 27. OMBE: Advertisements, Bids, Concessions:

In addition to complying with the above and normal procedures required of the City by state/federal law and agreements, the Company will send a copy of all invitations for bids, advertised or negotiated, for concessions or other businesses at the Airport to the appropriate Office of Minority Business Enterprise (OMBE) representative as identified by the FAA Regional Civil Rights Office. The Company will disclose and make information about the contracts, contracting procedures and requirements available to the designated OMBE representative and minority firms on the same basis that such information is disclosed and made available to other organizations or firms. Responses by minority firms to invitations for bids shall be treated in the same manner as all other responses to the invitations for bids.

Section 28. Assignment

Except as explicitly set forth herein or contemplated by this Agreement, the Company shall not assign, sublet, sell, convey or transfer its rights under this Agreement or any part thereof without the prior written consent of the City, provided, however, that this Agreement may be assigned in its entirety without such consent for a period of one year from the effective date of this Agreement. The City hereby agrees that it will not unreasonably withhold its consent to such an assignment or sublease, sale, transfer, and shall not make any charge for any such assignment, sublease, sale or transfer made with its consent.

Section 29. Events of Default and Remedies

The following shall be "events of default" as to the Company under this Agreement and the term "event of default" as to the Company shall mean, whenever it is used in this Agreement, any one or more of the following events:

(a) Failure by the Company to pay when due or cause to be paid when due the Rent required to be paid under Section 5 hereof.

(b) Failure by the Company to observe and perform any covenant, condition or agreement on its part to be observed or performed for a period of thirty days after written notice, specifying such failure and requesting that it be remedied, given to the Company by the City, unless the City shall agree in writing to an extension of such time prior to its expiration.

(c) The Leased Premises shall be abandoned, deserted or vacated by the Company or any lien shall be filed against the Leased Premises or any part thereof in violation of this Agreement and shall remain unreleased for a period of sixty days from the date of such filing unless within said period the Company is contesting in good faith the validity of such lien.

(d) The dissolution or liquidation of the Company or the filing by the Company or a voluntary petition in bankruptcy, or failure by the Company within sixty days to lift any execution, garnishment or attachment of such consequence as will impair its ability to carry on its operations at the Leased Premises, or the adjudication of the Company as a bankrupt, or general assignment by the Company for the benefit of its creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Company in any proceeding for its reorganization instituted under the provisions of the general bankruptcy act, as amended, or under any similar act which may hereafter be enacted. The term "dissolution or liquidation of the Company", as used in this subsection, shall not be construed to include cessation of the corporate existence of the Company following a transfer of all or substantially all of its assets as an entirety, under the conditions permitting actions contained in Section 29 hereof, which such dissolution or liquidation it is acknowledged will occur.

Section 30. Remedies on Default

Whenever any event of default as to the Company referred to in Section 30 hereof shall have happened and be subsisting, the City may take any one or more of the following remedial steps as against the Company:

(a) The City may re-enter and take possession of the Leased Premises without terminating this Agreement and sublease (or operate as a sublessee) the Leased Premises for the account of the Company, holding the Company liable for the difference between the rents and other amounts payable by the Company hereunder and the rents and other amounts payable by such sublessee in such subleasing or, if operated by the City, the difference between the net revenues received from such operations and the rents and other amounts payable by the Company hereunder.

(b) The City may terminate this Agreement.

(c) The City may take what other action at law or in equity as may appear necessary or desirable to collect the rent then due and thereafter to become due, or to ensure performance and observance of any obligation, agreement or covenant of the Company under this Agreement.

Section 31. No Remedy Exclusive

No remedy herein conferred upon or reserved to the City 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 under this Agreement or hereafter existing under law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the City to exercise any remedy reserved to it in this Section, it shall not be necessary to give any notice, unless such notice is herein expressly required by law.

Section 32. No Additional Waiver Implied

In the event any covenant contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 33. Termination by Company

The Company may terminate this Agreement upon the occurrence of any one or more of the following reasons:

(a) In the event the Airport shall be closed or its operations curtailed by more than fifty percent of its achieved operating level in terms of daily average departing and arriving flights, the Company in its reasonable discretion may cease or curtail its operations in the Leased Premises during the period that the Airport operations have ceased or have been so curtailed, and if such condition shall continue unabated for more than two years, the Company shall have the right and option to terminate the Agreement upon thirty days prior written notice to the City.

(b) The City shall fail to perform any of its obligations under this Agreement within sixty days after receipt of notice of default hereunder from the Company (except where fulfillment of its obligations require activity over a period of time and the City shall commence to perform whatever may be required for fulfillment within sixty days after the receipt of notice and continue such performance without interruption, except for causes beyond its control).

Upon the occurrence of any of the foregoing events, or at any time thereafter during the continuation of any such condition, the Company may, by sixty days written notice terminate this Agreement, such termination to be effective upon the date set forth in such notice and to have the same effect as if the terms hereof had expired on that date, subject, as aforesaid, to the provisions of this Section.

No waiver by the Company of any default on the part of the City, in the performance of any of the terms, covenants or conditions hereof to be performed, kept or observed by the City shall be or shall be construed to be a waiver by the Company of any other or subsequent default in the performance of any of said terms, covenants and conditions.

Section 34. Access and Egress

Except as set forth in this Agreement, the City hereby grants to the Company full and unrestricted access to and egress from the Leased Premises and between the Leased Premises and the public roadways for the Company, its employees, guests, patrons, invitees, contractors, suppliers of materials, furnishers of services, its or their equipment, vehicles, machinery and other property, without charge to Company or to said employees, guests, patrons, invitees, contractors, suppliers of materials and furnishers of services, or their said equipment, vehicles, machinery or other property.

Section 35. Company's Right to Remove Property

The Company shall have the right at any time during the term of this Agreement or any renewal or extension thereof, or at the expiration or earlier termination thereof, to remove any nonessential personal property which it may have on the Leased Premises, including, without limitation, furniture, equipment and machinery; provided the City will purchase from the Company, at its then fair market value, any personal property which the City deems essential.

Section 36. Termination, Settlement

In the event the City exercises its right to terminate the Agreement or any part thereof, the Company and the City shall endeavor in good faith to negotiate a sale by the Company to the City or its designee of the Company's personal property located on the Leased Premises. Upon termination of the Agreement, the City may, and the Company shall, remove any improvements on the Leased Premises belonging to the Company at the Company's expense if required by the City.

Section 37. Settlement

In the event that any sums due or to become due the Company upon termination of this Agreement are paid or payable to the City, the City shall not have any obligation to make such payment or settlement to the Company,

(i) until receipt of payment due to City from Company in accordance with pertinent provisions of this Agreement under which termination is permitted and,

(ii) until Company has paid all other sums due under this Agreement.

Section 38. Quiet Enjoyment

The City covenants that through the term hereof, the Company shall have, hold and enjoy peaceful and uninterrupted possession of all of the Leased Premises, subject to the performance of the covenants as herein provided.

Section 39. No Third Party Beneficiary

No provision contained in or incorporated by the Agreement shall create or give to any third party or parties any claim or right of action against the Company or the City, beyond such claims or rights of action which legally exist in the absence of any provision of said Agreement.

Section 40. Severability

Each and every covenant and agreement contained in this Agreement is and shall be construed to be a separate and independent covenant and agreement.

Section 41. Binding Effect

All of the covenants, conditions, and obligations contained in this Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of the City and the Company, subject to the limitations contained herein restricting such assignment by the Company, to the same extent as if each such successor and assign were in each case named as a party to this Agreement. This Agreement may not be altered, modified, or discharged except by a writing signed by the City and the Company.

Section 42. Governing Law

This Agreement shall be governed by and interpreted under and in accordance with the laws of the State of Texas.

Section 43. Venue

The venue of any action drawn under this Agreement shall lie in Dallas County, in the State of Texas.

Section 44. Force Majeure

Neither the City or the Company shall be deemed in violation of this Agreement if it is prevented from performing any of the obligations hereunder by reason of strikes, boycotts, labor disputes, embargoes, acts of God, acts of the public enemy, acts of superior governmental authority, weather conditions, floods, riots, rebellion, sabotage, or any other circumstances for which it is not responsible or which is not in its control, and the time for performance shall be automatically extended by the period the party is prevented from performing its obligations hereunder.

Section 45. Issuance of Revenue Bonds for Future Improvements

City and Company acknowledge that as the Airport develops such circumstances may require that additional improvements ("Future Improvements") will be needed in order to provide convenient and necessary services at the Airport. Subject to the approval of plans and specifications by the City as submitted by the Company, the City may make such acquisitions, additions, extensions, improvements and modifications to the Airport as shall be recommended by the Company. In order to obtain funds for such purposes, the City, in its discretion, may provide for the issuance of Airport revenue bonds.

Section 46. Airport Boundaries

The City will not grant any access, privilege, license, or permission of any kind to any person, firm or corporation using, owning or occupying any land outside the designated boundaries of the Airport as shown on Exhibit "2" hereof, to use or have access to the Airport.

Section 47. Covenant by Company

It is understood and agreed by the parties hereto, that the Company will not make any improvements, changes, alterations, modifications, or removals at the Airport, which will effectively destroy the ability of the Airport to render firstclass service to its customers and for the maximization of revenues.

The Company shall maintain in accordance with accepted accounting practice the books and records available to an authorized representative of the City for consideration records. Its annual audit prepared by an independent Certified Public Accountant. The Company shall permit such authorized representative of the City to inspect such books and records during ordinary business hours of the Company and at times reasonably convenient to the Company.

Section 49. Notices

Notices provided for in this Agreement shall be sufficient if sent by registered mail, postage prepaid, addressed if to the City — The City of Addison, P. O. Box 144, Addison, Texas, 75001, Attention: City Administrator, or to such other address and person it may direct in writing; and if to Company — Addison Airport, Inc., P. O. Box 34067, Dallas, Texas 75234, or to such other address and person as it may direct in writing. Notices shall be deemed completed when mailed unless otherwise herein required.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed and sealed as of the date first above written.

ATTEST:

Joyce H. Stevens
SECRETARY

CITY OF ADDISON, TEXAS

BY:

Jimmy Redding

APPROVED AS TO FORM:

Robert L. McCall
CITY ATTORNEY

ADDISON AIRPORT, INC.

ATTEST:

Margaret E. Bunch
SECRETARY

BY:

[Signature]

FIELD NOTES

BEING a tract of land out of the E. Cook Survey, Abstract 326, the William Lomax Survey, Abstract 792, the George Syms Survey, Abstract 1344, the William Rowe Survey, Abstract 1257, and part of Lot 1, and Lot 2 of Block "A" of Carroll Estates Addition, Dallas County, Texas, and being more fully described as follows:

BEGINNING at a fence post found for the apparent intersection of the North right-of-way line of Keller Springs Road, a 50 foot street the East line of Dooley Road, a 60 foot street, said beginning point being S 89° 58' 54" E 30.00 feet, thence N 0° 05' 50" E 25.00 feet the apparent northwest corner of the E. Cook Survey, Abstract 326;

THENCE N. 89° 58' 54" W. a distance of 105.72 feet with the North line of said Keller Springs Road to an angle point in the right-of-way;

THENCE N. 56° 19' 03" W. a distance of 90.20 feet with said angle in the right-of-way to a point in the East right-of-way line of Dooley Road;

THENCE N. 0° 03' 47" W. a distance of 1457.70 feet with the East line of said Dooley Road to a point;

THENCE N. 20° 38' 30" W. a distance of 170.87 feet to the apparent West right-of-way line of said Dooley Road;

THENCE S. 0° 03' 47" E. a distance of 313.49 feet with the apparent West line of said Dooley Road to a point;

THENCE N. 89° 23' 56" W. a distance of 208.00 feet to an iron pin;

THENCE N. 0° 14' 32" W. a distance of 161.00 feet to an iron pin;

THENCE N. 89° 56' 00" W. a distance of 203.65 feet to a point;

THENCE N. 20° 38' 30" W. a distance of 2156.07 feet to a point in the apparent East right-of-way line of New Dooley Road, a 100 foot street;

THENCE N. 0° 09' 30" E. a distance of 1189.87 feet with the East line of said New Dooley Road;

THENCE N. 89° 53' 26" E. a distance of 1165.44 feet to a point in the apparent West line of Dooley Road;

THENCE S. 0° 03' 47" E. with the apparent West line of Dooley Road, at 335.02 feet passing a concrete monument for a total distance of 1550.38 feet to an iron pin;

THENCE S. 20° 46' 10" E. a distance of 539.44 feet with the West line of said Dooley Road to an iron pin for the beginning point of a curve to the left;

THENCE in a southeasterly direction with the curved West line of said Dooley Road having a central angle of 69° 19' 04", a radius of 33 feet a distance of 407.93 feet to a point in the South right-of-way line of Keller Springs Road;

THENCE N. 89° 54' 46" E. a distance of 2135.61 feet with the South line of said Keller Springs Road to a point in the West right-of-way of Addison Road;

THENCE S. 0° 14' 20" E. a distance of 307.44 feet with the West line of said Addison Road to an iron pin;

THENCE S. 89° 45' 40" W. a distance of 200.00 feet to a point;

THENCE S. 0° 14' 20" E. a distance of 210.72 feet to a point;

THENCE S. 43° 16' W. a distance of 1595.29 feet to an iron pin;

THENCE S. 46° 44' E. a distance of 202.51 feet to a point;

THENCE S. 20° 43' E. a distance of 350.85 feet to a point;

THENCE N. 69° 17' E. a distance of 30.00 feet to a point;

THENCE N. 71° 12' 51" E. a distance of 185.72 feet to a point;

THENCE N. 44° 44' 08" E. a distance of 7.05 feet to an iron pin found for the Southwest corner of a tract of land conveyed to Broughton and E.E. Ericson by deed recorded in Volume 4350, Page 491, Deed Records of Dallas County;

THENCE N. 89° 54' 40" E. a distance of 819.46 feet with the South line of the Broughton tract to an iron pin in the West line of Addison Road;

THENCE S. 0° 14' 20" E. a distance of 490.82 feet with the West line of said Addison Road to a point in the apparent common survey between the William Lomax Survey, Abstract 792, and the E. Cook Survey, Abstract 326;

THENCE S. 89° 37' 20" E. a distance of 58.08 feet with said common survey line to a point in the West line of said Addison Road and beginning of a curve to the left;

THENCE Southerly with said curve, and the West line of Addison Road, having a central angle of 1° 53' 11", a radius of 746.30 feet, for a distance of 24.57 feet;

THENCE S. 26° 12' 50" E. 34.05 feet with the West line of Addison Road to the beginning of a curve to the right;

THENCE in a southeasterly direction with the curved West line of said Addison Road having a central angle of 25° 50', a radius of 686 feet for a distance of 309.44 feet;

THENCE S. 0° 22' 50" E. a distance of 2081.91 feet with the West line of said Addison Road to an angle point in the right-of-way;

THENCE N. 89° 37' 10" E. a distance of 10.00 feet with said angle in the right-of-way to a point in the West line of said Addison Road;

THENCE S. 0° 22' 50" E. a distance of 812.30 feet with the West line of Addison Road to a point;

THENCE S. 69° 37' W. a distance of 185.70 feet to a point;

THENCE S. 0° 22' 50" E. a distance of 263.11 feet to a point;

THENCE S. 66° 06' 26" W. a distance of 17.27 feet to a point;

THENCE S. 0° 22' 50" E. a distance of 211.04 feet to an iron pin in the North right-of-way line of the St. Louis and Southwestern Railroad;

THENCE S. 66° 06' 26" W. a distance of 759.90 feet with the North line of said St. Louis and Southwestern Railroad to an iron pin and most easterly corner of Addison Airport Industrial District;

THENCE N. 67° 01' 55" W. a distance of 273.80 feet to an iron pin in the easterly line of said Addison Airport Industrial District;

THENCE N. 20° 39' 35" W. a distance of 572.28 feet with the easterly line of said Addison Airport Industrial District to an iron pin;

THENCE S. 75° 48' 25" W. a distance of 65.05 feet to a point;

THENCE N. 89° 56' 35" W. a distance of 656.63 feet to a point;

THENCE N. 0° 03' 25" E. a distance of 160.00 feet to a point;

THENCE N. 89° 56' 35" W. a distance of 160.00 feet to a point in the East right-of-way line of Dooley Road;

THENCE N. 0° 03' 25" E. a distance of 10.00 feet with the East line of Dooley Road to a point;

THENCE S. 89° 56' 35" E. a distance of 797.46 feet to a point;

THENCE N. 75° 48' 25" E. a distance of 408.36 feet to an iron pin in the easterly line of said Addison Airport Industrial District;

THENCE N. 20° 39' 35" W. a distance of 2386.20 feet with the easterly line of said Addison Airport Industrial District to an iron pin for the northeast corner of Addison Airport Industrial District;

THENCE N. 20° 43' 53" W. a distance of 320.72 feet to an iron pin;

THENCE N. 89° 49' 30" E. a distance of 9.98 feet to an iron pin;

THENCE N. 20° 17' 10" W. a distance of 389.50 feet to an iron pin;

THENCE N. 89° 54' 10" W. a distance of 117.08 feet to an iron pin in the apparent East right-of-way line of said Dooley Road;

THENCE N. 0° 05' 50" E. a distance of 502.30 feet with the apparent East line of said Dooley Road to the place of beginning and containing 365.340 acres of land, more or less, save and except the following 1 acre tract;

Beginning at a fence post found for the apparent intersection of the North right-of-way line of Keller Springs Road, a 50 foot street, and the East line of Dooley Road, a 60 foot street, said point being S. 89° 58' 54" E. 30.00 feet, thence N. 0° 05' 50" E. 25.0 feet from the apparent northwest corner of the E. Cook Survey, Abstract 326; Thence N. 89° 58' 54" W. 105.72 feet with the apparent North line of Keller Springs Road; Thence N. 56° 19' 03" W. 90.20 feet to a point in the East line of Dooley Road; Thence N. 0° 03' 47" W. 1457.70 feet with the apparent East line of Dooley Road; Thence N. 20° 38' 30" W. 170.87 feet to a point in the apparent West line of Dooley Road and the BEGINNING POINT of this description;

THENCE S. 0° 03' 47" E. 209.0 feet with the West line of Dooley Road;

THENCE N. 89° 23' 56" W. 208.0 feet to an Iron pin;

THENCE N. 0° 14' 32" W. 209.0 feet to an iron pin;

THENCE S. 89° 23' 56" E. 208.0 feet to the place of beginning and containing 1.0 acres of land, more or less.

The plat hereon is a true and accurate representation of the property as determined by actual survey, the lines and dimensions of said property being as indicated by the plat; all improvements being within the boundaries of the property.

Easements of record that could be located are shown. This plat is subject to any easements of record not shown.

5 JAN 1977

Date

W. J. Wischmeyer
W. J. Wischmeyer
Registered Professional Engineer



EXHIBIT "A"
PROPERTY MAP
ADDISON MUNICIPAL AIRPORT
ADDISON, TEXAS

Riewe & Wischmeyer, Inc.

CONSULTING ENGINEERS
DALLAS TEXAS

DECEMBER 1976

Exhibit 3
Public Ramp Easement Agreement

File

EASEMENT AGREEMENT

This easement agreement by REDMAN INVESTMENTS, INC.
a Texas corporation, (Grantor) witnesseth

Whereas, the City of Addison ("City") is the owner of a certain tract of real property in Dallas County, Texas, more particularly described in the attached Exhibit "A" and incorporated into this agreement for all purposes, and

Whereas, Grantor is the leasehold owner of a certain tract of real property located in Dallas County, Texas more particularly described in the attached Exhibit "B", which is incorporated into this agreement for all purposes ("Tract B"); and

Whereas Addison Airport of Texas, Inc. (AATI) leases the real property described in Exhibit "A" pursuant to an agreement titled "Agreement for Operations of the Addison Airport" (the "Base Lease"); and

Whereas, Grantor agrees that proper movement of aircraft, along with vehicle, equipment, and pedestrian traffic related to airport operations, is desirable and in the best interest of the City, AATI, and Grantor; and

Whereas, Grantor, in the interest of proper airport operation, wishes to create a common ramp upon a tract of land within the leasehold owned by it, more particularly described in the attached Exhibit "C" which is incorporated into this agreement for all purposes (referred to hereafter as "Ramp C");

NOW, THEREFORE, Grantor hereby agrees as follows:

ARTICLE I

Grant of Easements and Rights

Grantor, for itself and its successors and assigns, does hereby grant, sell, convey and deliver to the City and to AATI, their successors and assigns, a non-exclusive, perpetual and permanent right-of-way easement, for the purpose of aircraft, vehicular and pedestrian access over and across the Ramp C area and permanent rights of entry upon the Ramp Carea for the purpose of maintaining and repairing the Improvements (hereinafter defined).

ARTICLE II

Improvements

Grantor hereby covenants and agrees to cause to be constructed, at its own expense, surface improvements on the Ramp C area, sufficient to provide a completely operable ramp meeting all standards for ramp construction configuration, and finish imposed by the City and AATI for ramp construction intended for similar use.

ARTICLE III

Maintenance of Improvements

3.01. Grantor hereby covenants and agrees to maintain and repair the ramp improvements located on the Ramp C area at its own expense. Such maintenance and repair shall include, but not be limited to, cleaning, sweeping, ice and snow removal, repair of paving and lighting, restriping of paving, and such other necessary maintenance and repairs, including the necessary safety measures, to the extent necessary to maintain the Improvements on the Ramp C area in a condition substantially equivalent to their condition and usefulness when newly constructed

2.02. Grantor's covenant to improve, repair and maintain the Improvements on the Ramp C Area shall be a covenant running with Tract B and shall be for the benefit of the City and AATI.

ARTICLE IV

Miscellaneous

4.01. Grantor agrees that no aircraft, vehicle or other equipment will be left unattended on the Ramp area, thereby hindering access to and from the Taxiway, other than during periods of normal loading, unloading or refueling.

4.02 Grantor agrees that if it or any future owner of the Ramp C area shall be in default of any of the easements, covenants, agreements, terms or restrictions contained herein, then the City or AATI shall have the right, but shall not be obligated, to cure such default, provided it is a curable default under this Agreement, and provided that such defaulting owner (hereinafter referred to as the "Defaulting Owner"), and any mortgagee having an interest in the Area upon which the default has occurred are notified in writing of such intended cure in the manner provided hereinafter at least ten (10) days prior to the date of effecting any curative action. All expenses and cost incurred by the City or AATI effecting such cure, together with reasonable attorneys' fees and costs for collecting such costs and interest thereon, shall be a demand obligation owing by the Defaulting Owner to the party effecting such cure and such demand obligation shall bear interest at the lesser of eighteen per cent (18%) per annum or the maximum rate then permitted under applicable law. The City, AATI or any mortgagee electing to effect such cure, its directors, officers, employees, agents, servants and workmen shall have the right of entry and ingress and egress upon that portion of the Area upon which such default occurred as is necessary for effecting any such cure. The Defaulting Owner hereby agrees to indemnify and hold harmless any such party so entering upon such Area from all claims, demands, liabilities and judgments arising from any such entry for the purpose of effecting any such cure. Additionally, the City, AATI or mortgagee effecting such cure, in the event that breach of such covenant, agreement or term is not subject to cure as provided herein, shall have the right to institute suit and obtain protective or mandatory injunction to prevent a continuing breach of or to enforce the continued observance by such Defaulting Owner of the covenants, agreements, terms, conditions and restrictions contained herein, and the City or AATI (but not such mortgagee) shall have the right to ordinary damages against such Defaulting Owner occasioned by any such continuing default under this Agreement.

4.03. Grantor covenants and agrees that the servitudes, easements, rights, rights-of-way, privileges, agreements, covenants and restrictions and all other terms hereof shall be binding upon their respective successors and assigns, and all other persons of entities having or hereafter acquiring any right, title or interest in Tract B, and all other persons and entities claiming by, through or under said owners and their respective successors and assigns. In the event any owner or future owner of all or any part of Tract B shall convey either all or any portion of such Tract, such owner so conveying shall automatically be freed and relieved, from and after the date of recording of such conveyance, of all liability for future performance of any covenants, agreements or obligations on the part of such owner which

are required by this Agreement to thereafter be performed with respect to any such Tract or the portion of any such Tract so conveyed, except as herein otherwise specified. It is intended hereby that the agreements and obligations contained in this Agreement shall be binding on such owner only as to that owner's period of ownership or subsequent periods of ownership, though such conveying owner shall remain liable after the date of recording of such conveyance for any obligations arising or incurred prior to such date of recording during such conveying owner's period of ownership.

4.09. A default under this Easement shall constitute and be deemed an event of default under Grantor's Ground Lease covering Tract B.

4.10. When the context in which words are used in this Agreement indicates that such is the intent, words in the singular number shall include the plural and vice versa, and the words in masculine gender shall include the feminine and neuter genders and vice versa.

4.11. Every provision in this Agreement is intended to be severable. In the event that any provision of this Agreement shall be held to be invalid, the same shall not affect in any respect whatsoever the validity of the remaining provisions of this Agreement.

IN WITNESS WHEREOF, Grantor has executed this Agreement as of the date hereinabove set forth. *April 18, 1984*

By *Jim T. Adams*

By *Robert L. Case*
Vice President

THE STATE OF TEXAS X

COUNTY OF DALLAS X

BEFORE ME, the undersigned authority, a Notary Public in and for said State, on this day personally appeared Jerry Redman, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said Redman Investments, Inc., and that he executed the same for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 11th day of April, 1984₈₄

Marie Stanley

Notary Public, State of Texas
MARIE STANLEY
Notary Public
Dallas County, Texas

(Print Name)

My Commission Expires

3-31-85

THE STATE OF TEXAS X

COUNTY OF DALLAS X

BEFORE ME, the undersigned authority, a Notary Public in and for said State, on this day personally appeared Robert L. Gore, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said Robert L. Gore, and that he executed the same for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 13 day of April, 1984

Doroathy L. James
Notary Public, State of Texas

Doroathy L. James
(Print Name)

My Commission Expires

8-13-84

file



April 19, 1984

Mr. Jim Redman
Redman Investments, Inc.
16475 Dallas Parkway, Suite 510
Dallas, Texas 75248

Re: Easement Agreement

Dear Mr. Redman:

Once again we appreciate your interest in Addison Airport.

Enclosed is your copy of the Easement Agreement which I have dated.

Let us know how we can help.

Sincerely,

Robert L. Gore
Vice President

RLG/dj

cc: Henry Stuart

Exhibit 4
Proposed Assignment Agreement between Redman Investments, Inc., (Assignor)
and Triad CSGP, LLC (Assignee)

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

ASSIGNMENT OF GROUND LEASE

This Assignment of Ground Lease (the "Assignment") is entered into and effective as of _____ 20___, at Addison, Texas, by and between Redman Investments, Inc., a _____ corporation (herein referred to as "Assignor") and Triad CSGP, LLC, a Delaware limited liability company (herein referred to as "Assignee").

WHEREAS, a Ground Lease was executed on April 4, 1984 between the City of Addison, Texas (the same being the Town of Addison, Texas) (the "City") and Addison Airport of Texas, Inc. ("AATI"), together as Landlord, and Assignor, as tenant (the "Ground Lease", a true and correct copy of which Ground Lease is attached hereto as Exhibit A), by the terms of which certain real property located at what is commonly known as 4585 Claire Chennault at Addison Airport within the City and owned by the City (and as more fully described in the Ground Lease (the "Property")) was leased to Assignor; and

WHEREAS, following the execution of the Ground Lease, Assignor executed and conveyed to the City and AATI a non-exclusive, perpetual and permanent right-of-way easement on and across a portion of the Property as set forth in that Easement Agreement dated April 18, 1984 (a true and correct copy of which is attached hereto as Exhibit B) for the purpose of creating a common ramp for aircraft, vehicular and pedestrian access over and across such portion, and agreed to construct and maintain the said ramp; 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" (and being an Agreement for Operation of the Addison Airport between the City and AATI), 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 sole 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, and interest in and to the Ground Lease (attached hereto as Exhibit A) and the Easement Agreement (attached hereto as Exhibit B), 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 a 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, and obligations of tenant under the Ground Lease and of grantor under the Easement Agreement. For purposes of notice under the Ground Lease and the Easement Agreement, the address of Assignee is:

Triad CSGP, LLC
c/o Triad Hospitals, Inc.
5800 Tennyson Parkway
Plano, Texas 75024
Attention: Vice President – Real Estate
(address of principal executive offices)

4. Nothing in this Agreement 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. Assignor shall indemnify, defend and protect Assignee and hold Assignee harmless from and against any and all obligations, liabilities, claims, losses, damages, demands, actions, causes of action, costs, and expenses (including, without limitation, reasonable attorneys' fees, charges and disbursements) arising out of or in connection with or in any way related to the Assignor's obligations arising prior to the date hereof under the Lease.

7. Assignee shall indemnify, defend and protect Assignor and hold Assignor harmless from and against any and all obligations, liabilities, claims, losses, damages, demands, actions, causes of action, costs, and expenses (including, without limitation, reasonable attorneys' fees, charges and disbursements) arising out of or in connection with or in any way related to the Assignee's obligations arising on or after the date hereof under the Lease.

8. The above and foregoing premises to this Assignment and all other 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 (as defined in the Consent of Landlord attached hereto) is entitled to rely upon such representations and statements.

9. The undersigned officers and/or agents of the parties hereto are the properly authorized persons and have the necessary authority to execute this Assignment on behalf of the parties hereto, and each party hereby certifies to the other that any necessary resolutions or other act extending such authority have been duly passed and are now in full force and effect.

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

ASSIGNOR:

REDMAN INVESTMENTS, INC.

By: _____
Typed/printed name: _____
Title: _____

ASSIGNEE:

**TRIAD CSGP, LLC,
a Delaware limited liability company**

By: _____
Typed/printed name: _____
Title: _____

ACKNOWLEDGMENT

STATE OF TEXAS §
COUNTY OF DALLAS §

This instrument was acknowledged before me on _____, 2005 by _____, _____ of Redman Investments, Inc., a _____ corporation, on behalf of said corporation.

[SEAL]

Notary Public, State of Texas
Commission expires: _____

STATE OF TEXAS §
COUNTY OF DALLAS §

This instrument was acknowledged before me on _____, 2005 by _____, _____ of Triad CSGP, LLC, a Delaware limited liability company, on behalf of said limited liability company.

GIVEN under my hand and seal of office this _____ day of _____, 2005.

[SEAL]

Notary Public, State of Texas
Commission expires: _____

CONSENT OF LANDLORD

The Town of Addison, Texas ("Landlord") is the Landlord in the Ground Lease described in the foregoing Assignment. In executing this Consent of Landlord, Landlord is relying upon the warranty and representations made in the foregoing Assignment by both Assignor and Assignee, and, in reliance upon the same, hereby consents to the foregoing Assignment of Ground Lease from Assignor to Assignee, waiving none of its rights under the Ground Lease as to the Assignor or the Assignee.

LANDLORD:

TOWN OF ADDISON, TEXAS

By: _____
Ron Whitehead, City Manager

Exhibit 5

**Proposed First Amendment to the Ground Lease
Triad CDGP, LLC as proposed Assignee/Tenant**

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

FIRST AMENDMENT TO GROUND LEASE

This First Amendment to Ground Lease (hereinafter referred to as the "First Amendment to Ground Lease" or "Amendment") is entered into and effective as of _____, 2005 between the Town of Addison, Texas a municipal corporation (hereinafter sometimes referred to as the "City" or the "Landlord"), and Triad CSGP, LLC, a Delaware limited liability company ("Tenant"), a wholly owned subsidiary of Triad Hospitals, Inc.

WHEREAS, a Ground Lease was entered into as of April 4, 1984 between the City of Addison, Texas (the same being the Town of Addison, Texas) and Addison Airport of Texas, Inc. ("AATI"), together as Landlord, and Redman Investments, Inc. ("Redman"), as tenant, in which Landlord leased to Redman a 1.144 acre (49,832 square feet) tract of land located at 4585 Claire Chennault at Addison Airport (the said tract of land, which tract of land is shown and described on the survey attached hereto as "Exhibit B" and is referred to in the Ground Lease and herein as the "Demised Premises" or "demised premises"), which Ground Lease provides that its term commenced on May 1, 1984 (or the first day of the first calendar month the tenant completes certain construction as described in the Ground Lease, whichever is earlier) and will end 480 months thereafter, or on April 30, 2024 (hereinafter referred to as the "Ground Lease", a true and correct copy of which is attached hereto as Exhibit A); 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" (and being an Agreement for Operation of the Addison Airport between the City and AATI), 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 sole Landlord under the Ground Lease; and

WHEREAS, in connection with the execution of the Ground Lease, Redman executed that certain Easement Agreement dated April 18, 1984 (the "Easement Agreement"), a true and correct copy of which is attached hereto as Exhibit C), in which Redman, as Grantor, granted an easement (as described therein) on and across a portion of the Demised Premises for the purpose of creating a common ramp for aircraft, vehicular and pedestrian access over and across such portion, and agreed to construct and maintain the said ramp; and

WHEREAS, Redman's leasehold interest in the Ground Lease (together with Redman's rights, responsibilities, duties and obligations under the Easement Agreement) was thereafter assigned by Redman to Tenant by that certain Assignment of Ground Lease dated _____, 2005 (the "Assignment", a true and correct copy of which is attached hereto as Exhibit D), and Tenant is the current tenant under the Ground Lease and is the current holder of the rights, responsibilities, duties and obligations of the Grantor under the Easement Agreement; and

WHEREAS, in connection with the Assignment, Tenant has requested an extension of the term of the Ground Lease, and (among other consideration) in consideration therefor and the City's consent to the same and to the Assignment, Landlord and Tenant desire to amend the Ground Lease in the manner set forth below.

NOW, THEREFORE, for and in consideration of the above and foregoing premises, the sum of Ten and No/100 Dollars (\$10.00), the terms and conditions of this Amendment, and other good and valuable consideration, the sufficiency of which is hereby acknowledged, the Town of Addison, Texas, Landlord, and Triad CSGP, LLC, Tenant, hereby agree as follows:

AGREEMENT

Section 1. Incorporation of Premises. The above and foregoing premises are true and correct and are incorporated herein and made a part hereof for all purposes.

Section 2. Amendments and Modifications to Ground Lease. The Ground Lease is hereby amended and modified by amending certain paragraphs of the Ground Lease as set forth below, by stating and affirming certain terms in connection with the Ground Lease, and by adding provisions to the Ground Lease to read as follows:

A. **Term Adjustment.** The Term of the Ground Lease, currently scheduled to end on April 30, 2024, is hereby extended by an additional one hundred eighty (180) months so that it shall end on April 30, 2039, , subject, however, to the termination and other provisions of the Ground Lease.

B. **Use of the Demised Premises and Construction of Improvements:** The Demised Premises shall be used and occupied by Tenant (or any authorized subtenant) only for the following purposes: (i) storage of aircraft owned by Tenant and its authorized subtenants and incidental support and services in connection therewith, including maintenance and repair of such aircraft; and (ii) administrative offices in support thereof, including flight operation offices; and (iii) the temporary storage (not to exceed 30 consecutive days, nor more than 180 total days, in any one calendar year) of aircraft owned by third parties with whom Tenant conducts business; and not otherwise without the prior written consent of Landlord. Notwithstanding the foregoing, Tenant will not allow any mechanical work to be performed on third-party airplanes stored at the Demised Premises.

All construction shall be strictly in accordance with plans and specifications submitted by Tenant to Landlord for Landlords' review and consideration of approval, and such construction shall be performed in a first class, workmanlike manner and in compliance with all applicable building codes, standards, ordinances, rules, and regulations. 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. Except as provided for in the Ground Lease, Tenant may not construct, locate, install, place or erect any other improvements upon the Demised Premises without the prior written consent of Landlord. It is expressly understood and agreed that Tenant's construction of any building or other improvements shall include the finish-out of such building and improvements in accordance with the plans and specifications for the finish-out of the building or other improvements as agreed by Landlord and Tenant. Landlord's approval of any plans and specifications does not impose on Landlord any

responsibility whatsoever, including, without limitation, any responsibility for the conformance of the plans and specifications with any governmental regulations, building codes, and the like, for which Tenant and its contractors shall have full and complete responsibility.

C. Amendment to Paragraph 7. Paragraph 7 of the Ground Lease is hereby amended so that it shall hereafter read as follows:

7. Acceptance of Demised Premises: Tenant acknowledges that Tenant has fully inspected the demised premises and accepts the demised premises as suitable for the purpose for which the same are leased in their present condition "**AS IS, WHERE IS**" and with all faults and defects, whether known or unknown to either Landlord or Tenant and without representation or warranty of any kind from Landlord as to the status or condition thereof, and further the Ground Lease is subject to any and all currently existing title exceptions or other matters of record or visible or apparent from an inspection affecting the demised premises. Without limiting the foregoing, THERE IS NO WARRANTY, EXPRESS OR IMPLIED, OF SUITABILITY, MERCHANTABILITY, and HABITABILITY, OR FITNESS FOR ANY PARTICULAR PURPOSE GIVEN IN CONNECTION WITH THIS LEASE.

D. Amendment to Paragraph 8. Paragraph 8 is hereby amended so that it shall hereafter read as follows:

8. Securing Governmental Approvals and Compliance with Law.

A. 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. This Lease is subject to and Tenant shall comply at all times with all laws, ordinances, rules, regulations, directives, permits, or standards of any governmental authority, entity, or agency (including, without limitation, the Town of Addison, Texas, the State of Texas, the Federal Aviation Administration, the Texas Department of Transportation, the United States Environmental Protection Agency, and the Texas Commission on Environmental Quality) applicable or related to, whether directly or indirectly the use and occupancy of the demised premises and whether in existence or hereafter enacted, adopted or imposed. Tenant 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, and shall comply with and be subject to (and this Lease is made and entered into subject to) any and all grant agreements or grant assurances now existing or as hereafter agreed to, adopted or imposed.

Tenant agrees that any new construction or modification of existing improvements on the demised premises will comply with all standards and rules published by the Landlord or by any person or entity authorized by Landlord to manage and/or operate the Airport ("Airport Manager"), including, but not limited to, the Airport's published "Construction/Maintenance Standards and Specifications," will comply with the Town of Addison building codes and zoning requirements or any other laws, ordinances, permits, rules, regulations, or policies of the Town of Addison, Texas, and will meet or exceed all applicable State and Federal standards, permits, laws, rules, or regulations. Tenant

recognizes that the referenced Construction/Maintenance Standards and Specifications, Town of Addison building codes and zoning requirements and other laws, ordinances, permits, rules, regulations or policies, and all applicable State and Federal standards, laws, rules, or regulations may be modified or amended from time to time and that compliance will be measured by such standards in effect at the time of a particular construction or modification of improvements. Tenant will properly and timely submit to the Federal Aviation Administration, the Texas Department of Transportation, and any other governmental entity or agency having jurisdiction regarding or related to Addison Airport, a Notice of Proposed Construction, when and as required. Tenant further agrees that the Landlord shall be authorized at all times during any project of construction to enter upon the demised premises, and all parts thereof, in order to observe the performance of such construction, and Tenant agrees to provide the Landlord a construction schedule setting out the time of commencement, final completion and completion of significant elements of the construction, which schedule shall be delivered to Landlord prior to the start of any construction project on the demised premises. Failure of Tenant to observe and comply with any provision or requirement of this Section 8 shall be an Event of Default.

B. Tenant shall comply with noise abatement standards at the Airport at all times and shall notify any aircraft operator using any portion of the demised premises of such standards.

E. Amendments to Paragraph 9. Paragraph 9, subparagraphs A, B, and E of the Ground Lease are hereby amended so that they shall hereafter read as follows:

9. Assignment, Subletting and Mortgaging of Leasehold Estates:

A. Without the prior written consent of Landlord which, shall not be unreasonably withheld, Tenant shall have no power to and may not assign, sell, pledge, encumber, license, transfer, or otherwise convey (together, "assign" or "assignment") this Lease or any rights or obligations of Tenant hereunder (except to a leasehold mortgagee as hereinbelow provided and in accordance with all of the terms and conditions of this Lease) or sublet the whole or any part of the demised premises, and any such assignment or any subletting shall be null and void and may be deemed by Landlord (in Landlord's sole discretion) an event of default under this Lease; provided, however, that without the consent of Landlord (but with written notice to Landlord of such assignment at least thirty (30) days prior to the assignment), Tenant may assign this Lease to (i) Triad Hospitals, Inc. ("Triad"), its successor, or any Affiliate of Triad or its successor, or (ii) to any person, firm or corporation who is the purchaser of all or substantially all of the assets of Triad or is the successor to substantially all of the assets and business of Triad by virtue of a corporate merger or consolidation of, with or into Triad ("successor"). In no event shall an assignment relieve or release Tenant or a subsequent assignee or assignor from any liability, duties, or obligations under this Agreement, except as may be permitted or authorized in writing by Landlord. For purposes hereof, "Affiliate" means any person or entity which controls or is controlled by or is under common control with Triad or its successor. Tenant's transfer in violation of the foregoing will be an event of default under this Lease.

For purposes hereof, an assignment will be deemed to occur if the person or persons who own or have voting control of 51% or more of Tenant on the date of the First Amendment to Ground Lease cease to own or have voting control of 51% or more of Tenant at any time during the Term. Tenant shall provide to Landlord from time to time, as requested by Landlord and in a form acceptable to Landlord, a written certification as to the ownership of voting securities or voting control of Tenant; such certification shall be provided to Landlord within thirty (30) days following Landlord's written request therefor. For purposes hereof, "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of an entity, whether through ownership of voting securities or partnership interests, by contract, or otherwise.

If consent by Landlord to an assignment is required hereunder, Tenant shall request, in writing, Landlord's consent to a proposed assignment and such request must include: (i) the name of the proposed assignee; (ii) the nature and character of the assignee's business; (iii) the term, use, rental rate, and all other material terms of the proposed assignment; and (iv) audited financial statements or other evidence of the proposed assignee's assets, liabilities, net cash flow, operating history, and other evidence Landlord may request to evaluate the financial capacity of the proposed assignee to perform its obligations.

For purposes hereof and any applicable law, and without limitation as to other grounds for Landlord withholding consent, it shall be deemed reasonable for Landlord to withhold its consent when any one or more of the following apply:

- (i) the proposed assignee is of a character or of a reputation or is engaged in a business, which is not consistent with the master or strategic plan of Addison Airport as determined by Landlord;
- (ii) the proposed assignee has not demonstrated sufficient financial responsibility or creditworthiness to the satisfaction of Landlord in light of the duties, obligations, and responsibilities of the tenant under this Lease at the time when the consent is requested;
- (iii) the proposed assignee's intended use of the demised premises is inconsistent with the Lease;
- (iv) the proposed assignment would cause Landlord to be in violation of another lease or agreement to which Landlord is a party or to which Landlord or the Addison Airport is subject (including, without limitation, any grant agreements or grant assurances of the Federal Aviation Administration or any other governmental entity or agency);
- (v) if at any time consent is requested or at any time prior to the granting of consent, Tenant is in default under the Lease or would be in default under the Lease but for the pendency of a grace or cure period or

- (vi) the proposed assignee does not intend to occupy the entire demised premises as described in the Lease and conduct its business therefrom for the then remaining term of the Lease.

For purposes hereof and any applicable law, and without limitation as to other grounds for Landlord delaying consent, it shall be deemed to be reasonable for Landlord to delay its consent for a period of forty-five (45) business days after the receipt by Landlord of all information requested by Landlord regarding or in connection with the proposed assignment and the propose assignee.

In connection with Landlord's consideration of giving its consent to an assignment or subletting of this Lease or any right, interest, obligation, or liability of Tenant hereunder or portion of its leasehold estate, or undivided interest(s) therein, or any part of the Leased Premises, Landlord may require, in its sole discretion and as a condition of Landlord's consent to such assignment or sublease, to amendments and modifications to this Lease. Any assignment or any 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 any 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 (and Tenant shall provide a copy of such written agreement to Landlord). 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, transferee, pledgee, or person or entity to whom this Lease is otherwise conveyed or to such subtenant shall release Tenant from the payment or performance of Tenant's obligations hereunder. Tenant shall provide to Landlord the names and addresses of any subtenants and the make, model, aircraft type and "N" number of any aircraft stored or located on or in the demised premises.

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 (i) 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, or (ii) for other purposes which may be 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.

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; provided, however, that notwithstanding the foregoing or any other provision of this Lease, such mortgagee shall not and does not have the right and shall not and does not have the power to assign, sell, transfer, pledge, encumber, license, or otherwise convey this Lease, or any right, interest, obligation, or liability hereunder, or sublet the whole or any part of the Demised Premises, without the prior written approval of the Landlord, and any such assignment, sale, transfer, pledge, encumbrance, license, or other conveyance and any such subletting without the prior written consent of Landlord shall be null and void and cause for immediate termination of this Lease by Landlord, it being the intent of this provision that such mortgagee shall have no greater right to assign, sell, transfer, pledge, encumber, license, or otherwise convey this Lease (or any right, interest, obligation, or liability hereunder), or to sublet the Demised Premises (or any portion thereof), or to use the demised premises, than the Tenant has. Landlord also agrees to reasonably consider the execution and delivery to such proposed leasehold mortgagee of 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 mortgagee.→

F. Amendment to Paragraph 10. Paragraph 10 of the Ground Lease is hereby amended so that it shall hereafter read as follows:

10. Property Taxes and Assessments: Tenant shall pay, before they become delinquent, any and all property taxes or assessments, and any other governmental charges, fees or expenses (collectively, the "Taxes"), levied or assessed on any 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. In the event Tenant shall fail to pay any such taxes, assessments, or charges prior to delinquency, Landlord shall have the right to pay (but not the obligation) or cause all taxes, assessments, or charges to be paid and the reasonable costs thereof expended by Landlord plus interest thereon as provided in paragraph 37 of the Lease shall be paid by Tenant on demand. Subject to the payment of any outstanding Taxes, Tenant may protest, appeal or institute other formal proceedings to effect a reduction or abatement of real estate taxes and assessments with respect to real estate taxes and assessments levied against the improvements on the demised premises and/or the Tenant's leasehold interest in the Lease for any tax fiscal year that ends after the Commencement Date of this Lease. Such protest, appeal or other proceedings may be conducted only in the name of Tenant. To this end and at Tenant's expense, Tenant shall give Landlord written notice of any such protest or appeal.

G. Amendment to Paragraph 11. Paragraph 11, subparagraph A. of the Ground Lease is hereby amended so that it shall hereafter read as follows:

11. Maintenance and Repair of Demised Premises:

A. Tenant shall, throughout the term hereof, maintain in good repair and in a first class condition (in accordance with, among other things, any construction and/or maintenance standards and specifications established by Landlord or Manager and all applicable ordinances, rules, regulations, standards, and permits of the Town of Addison, Texas) 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 good working order, reasonable wear, tear, casualty and condemnation excepted.

H. Amendment to Paragraph 13 Paragraph 13 of the Ground Lease is hereby amended so that it shall hereafter read as follows:

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 all 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 one hundred percent (100%) of the full insurable value of the demised premises and any and all improvements thereon. 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, therefore, proper adjustment in the limits of insurance coverage shall be effected.

(ii) Commercial General Liability insurance against claims for bodily injury, death or property damage or destruction occurring on, in or about the demised premises, with limits of liability of not less than \$2,000,000.00 for each occurrence, CSL/\$4,000,000.00 general aggregate. Coverage must include contractual liability.

(iii) Statutory limits of workers compensation insurance and employer's liability with limits of liability of not less than \$1,000,000.00 each-occurrence each accident/\$1,000,000.00 by disease each-occurrence/\$1,000,000.00 by disease aggregate.

(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 \$500,000.00 for damage to or destruction of 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) Hangarkeepers Legal Liability insurance, at limits of \$1,000,000.00 per-occurrence is required if Tenant is engaged in maintenance, repair, or servicing of aircraft belonging to a third-party, or if Tenant is otherwise involved in any operation in which Tenant has care, custody, or control of an aircraft that belongs to a third-party.

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

(viii) Aircraft liability insurance against third party bodily injury or death and property damage or destruction at minimum limits required by regulatory agencies having jurisdiction at the Airport and which are acceptable to Landlord, but in any event not less than \$1,000,000.00 each occurrence (applies to the ownership, operation or use of aircraft by Tenant or any subtenant).

With reference to the foregoing insurance requirements, Tenant's insurance policies shall comply with the following:

1. The Town of Addison, Texas and Airport Manager shall be named as an additional insured with respect to all liability policies.
2. All liability policies shall contain no cross liability exclusions or insured versus insured restrictions.
3. A waiver of subrogation in favor of the Town of Addison, Texas and Airport Manager shall be contained in the Workers Compensation, Builders Risk, and all liability policies.
4. Such insurance shall be maintained in full force and effect and shall not be cancelled, altered or amended without thirty (30) days prior written notice having first been furnished to the Town of Addison and the Airport Manager.
5. All insurance policies, which name the Town of Addison and the Airport Manager as an additional insured, shall be primary and non-contributory.
6. Required limits may be satisfied by any combination of primary and umbrella liability insurances.
7. Contractor may maintain reasonable and customary deductibles, subject to reasonable approval by Landlord.

8. Insurance must be purchased from insurers that are financially acceptable to Landlord in its commercially reasonable discretion, and provided that any insurer with an AM Best (or equivalent) rating of A or better shall be deemed acceptable to Landlord.

All insurance must be written on forms filed with and approved by the Texas Department of Insurance. Certificates of all such insurance (together with the declaration page of such policies, along with the endorsement naming the Town of Addison, Texas and the Manager as an additional insured), satisfactory to Landlord, evidencing all coverage above, shall be promptly delivered to Landlord and updated as may be appropriate, with complete copies of such policies furnished to the Landlord upon request. Landlord reserves the right to review the insurance requirements contained herein and to reasonably adjust coverages and limits when deemed necessary and prudent by Landlord.

I. Amendment to Paragraph 18. Paragraph 18 of the Ground Lease is hereby amended so that it shall hereafter read as follows:

18. Airport Minimum Standards and Rules and Regulations:

A. Landlord has adopted Minimum Standards for all operators at the Airport (hereinafter referred to as the "Minimum Standards") 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 Minimum Standards are incorporated by reference as if written verbatim herein, and Tenant agrees to comply fully at all times with the Minimum Standards. Landlord shall have the right to amend, modify and alter the Minimum Standards from time to time for the purpose of assuring the safety, welfare and convenience of Landlord, Tenant and all other tenants and customers of the Airport.

B. 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 for the purpose of assuring the safety, welfare and convenience of Landlord, Tenant and all other tenants and customers of the Airport.

J. Amendment to Paragraph 19. Paragraph 19 of the Ground Lease is hereby amended so that it shall hereafter read as follows:

19. Signs and Equipment. After first securing Landlord's approval, which shall not be unreasonably withheld, Tenant shall have the right from time to time to install signs depicting Tenant's name and operate radio, communications, meteorological, 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, provided such signs and equipment are installed and maintained in compliance with all applicable governmental laws, rules, and regulations, including without limitation the Town of Addison's sign ordinance, and do not interfere with the operation of any navigation facilities or Airport

communications (including, without limitation, navigation facilities or Airport communications used or operated by the Federal Aviation Administration).

K. Amendment to Paragraph 21. Paragraph 21 of the Ground Lease is hereby amended so that it shall hereafter read as follows:

21. Indemnity and Exculpation.

A. LANDLORD AND MANAGER, AND LANDLORD'S AND MANAGER'S OFFICIALS, OFFICERS, EMPLOYEES AND AGENTS (BOTH IN THEIR OFFICIAL AND PRIVATE CAPACITIES) SHALL NOT BE LIABLE TO TENANT OR TO TENANT'S EMPLOYEES, AGENTS, SERVANTS, CUSTOMERS, INVITEES, SUBTENANTS, LICENSEES, CONCESSIONAIRES, CONTRACTORS, SUBCONTRACTORS, OR TO ANY OTHER PERSON WHOMSOEVER, FOR ANY DEATH OR INJURY TO PERSONS OR DAMAGE TO OR DESTRUCTION OF PROPERTY OR ANY OTHER HARM ON OR ABOUT THE DEMISED PREMISES OR ANY ADJACENT AREA OWNED BY LANDLORD CAUSED BY OR RESULTING FROM ANY ACT OR OMISSION OF TENANT, TENANT'S EMPLOYEES, AGENTS, SERVANTS, CUSTOMERS, INVITEES, SUBTENANTS, LICENSEES, CONCESSIONAIRES, CONTRACTORS, SUBCONTRACTORS, OR ANY OTHER PERSON ENTERING THE DEMISED PREMISES UNDER EXPRESS OR IMPLIED INVITATION OF TENANT, OR ARISING OUT OF THE USE OR OCCUPATION OF THE DEMISED PREMISES BY TENANT, ITS EMPLOYEES, AGENTS, SERVANTS, CUSTOMERS, INVITEES, SUBTENANTS, LICENSEES, CONCESSIONAIRES, CONTRACTORS, OR SUBCONTRACTORS AND/OR 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 AND SHALL DEFEND AND INDEMNIFY LANDLORD AND MANAGER, AND LANDLORD'S AND MANAGER'S RESPECTIVE OFFICIALS, OFFICERS, EMPLOYEES AND AGENTS AGAINST, AND HOLD LANDLORD AND MANAGER, AND LANDLORD'S AND MANAGER'S RESPECTIVE OFFICIALS, OFFICERS, EMPLOYEES AND AGENTS HARMLESS FROM ANY AND ALL LIABILITY, DAMAGES, COSTS, PENALTIES, LOSS, EXPENSE OR CLAIMS ARISING OUT OF SUCH DAMAGE, DESTRUCTION, INJURY, DEATH OR HARM.

B. (i) TENANT AGREES TO AND SHALL DEFEND, INDEMNIFY AND HOLD HARMLESS THE LANDLORD, ITS OFFICIALS, OFFICERS, AGENTS AND EMPLOYEES (IN BOTH THEIR OFFICIAL AND PRIVATE CAPACITIES) AND MANAGER, ITS OFFICERS, AGENTS AND EMPLOYEES (EACH AN "INDEMNITEE") FROM AND AGAINST ANY AND ALL SUITS, ACTIONS, JUDGMENTS, LIABILITIES, PENALTIES, FINES, EXPENSES, FEES AND COSTS (INCLUDING REASONABLE ATTORNEY'S FEES AND OTHER COSTS OF DEFENSE), AND DAMAGES (TOGETHER, "DAMAGES") ARISING OUT OF OR IN CONNECTION WITH (A) TENANT'S PERFORMANCE

OF THIS LEASE, (B) THE USE OF THE DEMISED PREMISES BY TENANT OR BY ANY OWNER, OFFICER, PARTNER, SHAREHOLDER, EMPLOYEE, AGENT, REPRESENTATIVE, CONTRACTOR, SUBCONTRACTOR, SUBTENANT, LICENSEE, CUSTOMER, GUEST, INVITEE, OR CONCESSIONAIRE OF TENANT, OR ANY PERSON ACTING BY OR UNDER THE AUTHORITY OR WITH THE PERMISSION OF TENANT, OR ANY OTHER PERSON ENTERING THE DEMISED PREMISES UNDER EXPRESS OR IMPLIED INVITATION OF TENANT, OR ANY OTHER PERSON OR ENTITY FOR WHOM TENANT MAY BE LIABLE (TOGETHER, "TENANT PARTIES"), OR ANY OF THEM, (C) THE CONDUCT OF TENANT'S BUSINESS OR ANYTHING ELSE DONE OR PERMITTED BY TENANT (OR ANY OF TENANT PARTIES) TO BE DONE IN OR ABOUT THE DEMISED PREMISES, (D) ANY BREACH OR DEFAULT IN THE PERFORMANCE OF TENANT'S OBLIGATIONS UNDER THIS LEASE, (E) ANY MISREPRESENTATION OR BREACH OF WARRANTY BY TENANT UNDER THIS LEASE, AND (F) WITHOUT LIMITING ANY OF THE FOREGOING, ANY ACT OR OMISSION OF TENANT OR OF ANY OF TENANT PARTIES UNDER, RELATED TO, OR IN CONNECTION WITH, THIS AGREEMENT, INCLUDING DAMAGES CAUSED BY AN INDEMNITEE'S OWN NEGLIGENCE.

(ii) With respect to the Tenant's indemnity obligation set forth in subparagraph B.(i) of this paragraph 21, Tenant shall have no duty to indemnify an Indemnitee for any Damages caused by the sole negligence of the Indemnitee.

(iii) If an Indemnitee suffers Damages arising out of or in connection with the performance of this Lease that are caused by the concurrent negligence of both Tenant and the Indemnitee, the Tenant's indemnity obligation set forth in subparagraph B.(i) will be limited to a fraction of the total Damages equivalent to the Tenant's own percentage of responsibility.

(iv) With respect to Tenant's duty to defend set forth in subsection B.(i) or any other duty of Tenant to defend or indemnify set forth in this Lease, Tenant shall have the duty, at its sole cost and expense, through counsel of its choice, to litigate, defend, settle or otherwise attempt to resolve any claim, lawsuit, cause of action, or judgment arising out of or in connection with this Lease.

(v) In the event that Tenant fails or refuses to provide a defense to any claim, lawsuit, judgment, or cause of action arising out of or in connection with this Lease for which Tenant's indemnity obligations would apply, Landlord shall have the right to undertake the defense, compromise, or settlement of any such claim, lawsuit, judgment, or cause of action, through counsel of its own choice, on behalf of and for the account of, and at the risk of Tenant, and Tenant shall be obligated to pay the reasonable and necessary costs, expenses and attorneys' fees incurred by Landlord in connection with handling the prosecution or defense and any appeal(s) related to such claim, lawsuit, judgment, or cause of action.

C. LANDLORD AND MANAGER, AND LANDLORD'S AND MANAGER'S OFFICIALS, OFFICERS, AGENTS AND EMPLOYEES (BOTH IN THEIR OFFICIAL AND PRIVATE CAPACITIES) SHALL BE DEFENDED, INDEMNIFIED AND HELD HARMLESS BY AND NOT BE LIABLE TO TENANT FOR ANY DEATH OR INJURY TO ANY PERSON OR PERSONS OR DAMAGE TO OR DESTRUCTION OF PROPERTY OF ANY KIND 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 DAMPNES OR BY FIRE, EXPLOSION, FALLING PLASTER OR CEILING OR FOR ANY OTHER REASON WHATSOEVER. LANDLORD AND MANAGER, AND LANDLORD'S AND MANAGER'S OFFICIALS, OFFICERS, AGENTS AND EMPLOYEES, 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 THE DULY AUTHORIZED AND RESPECTIVE AGENTS AND EMPLOYEES OF LANDLORD OR MANAGER, AS THE CASE MAY BE.

D. THE PROVISIONS OF THIS SECTION 21 SHALL SURVIVE THE EXPIRATION OR TERMINATION OF THIS LEASE.

L. Addition of Paragraph 21.1. A new Paragraph 21.1 is hereby inserted and made a part of the Ground Lease to read as follows:

Section 21.1. Environmental Compliance.

A. Tenant shall not install, store, use, treat, transport, discharge or dispose (or permit or acquiesce in the installation, storage, use, treatment, transportation, discharge or disposal by Tenant, its agents, employees, invitees, contractors, subcontractors, independent contractors, or subtenants) on the demised premises or any portion of the common facilities (described in Paragraph 17), any: (a) asbestos in any form; (b) urea formaldehyde foam insulation; (c) transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls in excess of 50 parts per million; or (d) any other chemical, material, air pollutant, toxic pollutant, waste, or substance which is regulated as toxic or hazardous or exposure to which is prohibited, limited or regulated by the Resource Conservation Recovery Act (42 U.S.C. §6901, et seq., as amended or superseded), the Comprehensive and Environmental Response Compensation and Liability Act (42 U.S.C. §9601, et seq, as amended or superseded), the Hazardous Materials Transportation Act, the Toxic Substances Control Act, the Clean Air Act, and/or the Clean Water Act or any other federal, state, county, regional, local or other governmental authority law, rule, regulation, standard, permit, directive or policy, or which, even if not so regulated may or could pose a hazard to the health and safety of the occupants of the demised premises and/or any portions of the common facilities, and

which is either: (i) in amounts in excess of that permitted or deemed safe under applicable law; or (ii) in any manner prohibited or deemed unsafe under applicable law. (The substances referred to in (a), (b), (c) or (d) are collectively referred to hereinafter as "Hazardous Materials").

B. TENANT SHALL, AT TENANT'S OWN EXPENSE, COMPLY WITH ANY PRESENTLY EXISTING OR HEREAFTER ENACTED LAWS, RULES, REGULATIONS, STANDARDS, DIRECTIVES, PERMITS, OR NOTICES RELATING TO HAZARDOUS MATERIALS (COLLECTIVELY, "CLEANUP LAWS"). IN FURTHERANCE AND NOT IN LIMITATION OF THE FOREGOING, TENANT SHALL, AT TENANT'S OWN EXPENSE, MAKE ALL SUBMISSIONS TO, PROVIDE ALL INFORMATION TO, AND COMPLY WITH ALL REQUIREMENTS OF THE APPROPRIATE GOVERNMENTAL AUTHORITY (THE "AUTHORITY") UNDER THE CLEANUP LAWS. SHOULD ANY AUTHORITY REQUIRE THAT A CLEANUP PLAN BE PREPARED AND THAT A CLEANUP BE UNDERTAKEN BECAUSE OF THE EXISTENCE OF HAZARDOUS MATERIALS WHICH WERE INSTALLED, STORED, USED, TREATED, TRANSPORTED, DISPOSED OF OR DISCHARGED ON THE DEMISED PREMISES AND/OR ANY PORTION OF THE COMMON FACILITIES (AS DESCRIBED IN PARAGRAPH 17) BY TENANT OR BY ANY TENANT PARTIES DURING THE TERM OF THIS LEASE, TENANT SHALL, AT TENANT'S SOLE COST AND EXPENSE, PREPARE AND SUBMIT THE REQUIRED PLANS AND FINANCIAL ASSURANCES AND CARRY OUT THE APPROVED PLANS IN ACCORDANCE WITH SUCH CLEANUP LAWS AND TO LANDLORD'S SATISFACTION. TENANT SHALL INDEMNIFY, DEFEND, SAVE AND HOLD HARMLESS LANDLORD, ITS OFFICIALS, OFFICERS, AGENTS AND EMPLOYEES (BOTH IN THEIR OFFICIAL AND PRIVATE CAPACITIES) AND MANAGER, ITS OFFICERS, AGENTS AND EMPLOYEES (EACH AN "INDEMNITEE") FROM AND AGAINST, AND REIMBURSE LANDLORD FOR, ANY AND ALL OBLIGATIONS, DAMAGES, INJUNCTIONS, FINES, PENALTIES, DEMANDS, CLAIMS, COSTS, EXPENSES, ACTIONS, LIABILITIES, SUITS, PROCEEDINGS AND LOSSES OF WHATEVER NATURE (INCLUDING, WITHOUT LIMITATION, ATTORNEYS' FEES AND COURT COSTS), AND ALL CLEANUP OR REMOVAL COSTS AND ALL ACTIONS OF ANY KIND (TOGETHER, "CLAIMS") ARISING OUT OF OR IN ANY WAY CONNECTED WITH THE INSTALLATION, STORAGE, USE, TREATMENT, TRANSPORTING, DISPOSAL OR DISCHARGE OF HAZARDOUS MATERIALS IN OR ON THE DEMISED PREMISES AND/OR ANY PORTION OF THE COMMON FACILITIES BY TENANT OR BY ANY TENANT PARTIES DURING THE LEASE TERM, AND FROM AND AGAINST ALL CLAIMS OF ANY KIND ARISING OUT OF TENANT'S OR ANY TENANT PARTIES' FAILURE TO PROVIDE ALL INFORMATION, MAKE ALL SUBMISSIONS AND TAKE ALL STEPS REQUIRED BY THE AUTHORITY UNDER THE CLEANUP LAWS OR ANY OTHER LAW (ENVIRONMENTAL OR OTHERWISE), INCLUDING CLAIMS CAUSED BY AN INDEMNITEE'S OWN NEGLIGENCE. With respect to such indemnity obligation, Tenant shall have no duty to indemnify an Indemnitee for any Claims caused by the sole negligence of the

Indemnitee; and if an Indemnitee suffers Claims that are caused by the concurrent negligence of both Tenant and an Indemnitee, Tenant's indemnity obligation set forth in this subparagraph will be limited to a fraction of the total Claims equivalent to the Tenant's own percentage of responsibility. **TENANT'S OBLIGATIONS AND LIABILITIES UNDER THIS SUBPARAGRAPH SHALL CONTINUE (AND SURVIVE THE TERMINATION OR EXPIRATION OF THIS LEASE) SO LONG AS THERE MAY BE HAZARDOUS MATERIALS AT THE DEMISED PREMISES AND/OR ANY PORTION OF THE COMMON FACILITIES, THAT WERE INSTALLED, STORED, USED, TREATED, TRANSPORTED, DISPOSED OF OR DISCHARGED DURING THE LEASE TERM BY TENANT OR ANY TENANT PARTIES.**

C. Tenant shall promptly supply Landlord with copies of any written notices, correspondence and submissions made by Tenant to or received by Tenant from any governmental authorities of the United States Environmental Protection Agency, the United States Occupational Safety and Health Administration, or any other local, state or federal authority that requires submission of any information concerning environmental matters or Hazardous Materials.

D. Tenant's obligations and liability pursuant to the terms of this Paragraph 21.1 shall survive the expiration or earlier termination of this Lease.

M. Amendment to Paragraph 22. Paragraph 22 of the Ground Lease is hereby amended so that it shall hereafter read as follows:

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 to pay or cause to be paid taxes (to the extent Tenant is obligated to pay or cause same to be paid), utilities, or insurance premiums, or any other payment or sum which Tenant is to make under this Lease, on the date that same is due and such failure shall continue for a period of ten (10) days after the date on which such payment is to be made.

B. Failure of Tenant to comply with any term, condition or covenant of this Lease, other than the payment of rent or the payment of taxes, utilities or insurance premiums, or other payment Tenant is to make under this Lease, as set forth in subparagraph A. of this Paragraph 22, and such failure shall not be cured within thirty (30) days after written notice thereof to Tenant (and if such failure cannot reasonably be cured within the said thirty (30) day period, Tenant may, with Landlord's prior written consent (which consent shall not be unreasonably withheld), have such additional reasonable time (as agreed upon by Landlord and Tenant) to cure such default, provided that Tenant pursues such cure with all due diligence).

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 National 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 and such petition is not discharged within ninety (90) days following the filing thereof.

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 for a period of six (6) months of any substantial portion of the demised premises or cessation of use of the demised premises for the purpose leased.

N. Amendment to Paragraph 26. Paragraph 26 of the Ground Lease is hereby amended so that it shall hereafter read as follows:

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. Upon such termination or expiration, Tenant shall deliver the demised premises to Landlord in good condition, reasonable wear, casualty and condemnation excepted, and shall, at Landlord's request, execute a recordable instrument evidencing the termination or expiration of this Lease and stating the termination or expiration date.

O. Amendment to Paragraph 27. Paragraph 27 of the Ground Lease is hereby amended so that it shall hereafter read as follows:

27. Mechanics' and Materialmen's Liens; Landlord's Lien.

A. 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.

P. Amendment to Paragraph 28. Paragraph 28 of the Ground Lease is hereby amended so that it shall hereafter read as follows:

28. Title. Tenant accepts the demised premises subject to: (i) the Base Lease; (ii) the Minimum Standards; (iii) the Rules and Regulations; (iv) easements and rights-of way and (v) 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 (including, without limitation, the City, the Federal Aviation Administration, and the Texas Department of Transportation), and (vi) any and all grant agreements or assurances regarding the Airport whether now in effect or hereafter agreed to or imposed.

Q. Amendment to Paragraph 29. Paragraph 29 of the Ground Lease is hereby amended so that it shall hereafter read as follows:

29. Quiet 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 (subject to all of the terms and conditions of this Lease) 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, or to any other matter affecting, 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.

R. Addition of Paragraph 37.1. A new Paragraph 37.1 is hereby inserted and made a part of the Ground Lease to read as follows:

37.1. Special Events: Landlord may sponsor certain special events, including, but not limited to, air shows, to be conducted on portions of the Airport, which may limit or obstruct access to the demised premises and/or to the Airport ("Special Events"). As a material inducement to Landlord to enter into this Lease, and notwithstanding anything to

the contrary contained herein, Tenant, on behalf of Tenant and on behalf of all directors, officers, shareholders, partners, principals, employees, agents, contractors, subtenants, licensees invitees, or concessionaires of Tenant and on behalf of any other party claiming any right to use the demised premises by, through or under Tenant, hereby: (i) agrees that Landlord has the right to sponsor any or all Special Events and to allow use of portions of the Airport therefor even if the same limit or obstruct access to the demised premises and/or to the Airport (and such use for Special Events may preclude Tenant's use of all Airport facilities, except that Tenant will continue to have vehicular (excluding any aircraft) access to the demised premises from roadways outside of the Airport); (ii) releases, waives and discharges Landlord and Manager, and their respective officials, officers, employees and agents, from all liability for any loss, damage, cost, expense or claim arising or resulting from or pertaining to the limitation or obstruction of access to the demised premises and/or to the Airport from the conduct of Special Events and/or activities relating or pertaining thereto, including, without limitation, death, injury to person or property or loss of business or revenue (the "Released Claims"); (iii) covenants not to sue the Landlord or Manager or their respective officials, officers, employees and agents (whether in their official or private capacities) for any Released Claims; (iv) agrees that the terms contained in this Section are intended and shall be construed to be as broad and inclusive as possible under the laws of the State of Texas; and (v) agrees that if any portion of this Section is held to be invalid or unenforceable, the remainder of this Paragraph shall not be affected thereby but shall continue in full force and effect.

S. Amendment to Paragraph 48. Paragraph 48 of the Ground Lease is hereby amended so that it shall hereafter read as follows:

48. Governing Law and Venue; Survivability of Rights and Remedies. 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 with respect to any conflict of law provisions, the parties agree that such conflict of law provisions shall not affect the application of the law of Texas (without reference to its conflict of law provisions) to the interpretation, validity and enforcement of this Agreement, 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. Any rights and remedies either party may have with respect to the other arising out of the performance of or failure to perform this Lease during the term hereof shall survive the cancellation, expiration or termination of this Lease.

T. Amendment to Paragraph 49. Paragraph 49 of the Ground Lease is hereby amended so that it shall hereafter read as follows:

49. Entire Agreement and Amendments. This Lease, consisting of the above and foregoing through this Paragraph 49 and Exhibits A through F 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 in behalf of the party against whom enforcement of the change, modification, discharge or abandonment is sought.

Section 2. No Other Amendments. Except to the extent modified or amended herein, all other terms and obligations of the Ground Lease shall remain unchanged and in full force and effect.

Section 3. Applicable Law; Venue. This Amendment shall be construed under, and in accordance with, the laws of the State of Texas (without reference to its conflict of laws provisions), and all obligations of the parties created by this Amendment are performable in Dallas County, Texas. Venue for any action under this Amendment shall be in Dallas County, Texas.

Section 4. Authority to Execute. The undersigned officers and/or agents of the parties hereto are the properly authorized officials and have the necessary authority to execute this Amendment on behalf of the parties hereto, and each party hereby certifies to the other that any necessary resolutions or other act extending such authority have been duly passed and are now in full force and effect.

IN WITNESS WHEREOF, the undersigned parties execute this Agreement this _____ day of _____, 2005

LANDLORD:

TENANT:

TOWN OF ADDISON, TEXAS

TRIAD CSGP, LLC,
a Delaware limited liability company

By: _____
Ron Whitehead, City Manager

By: _____

ATTEST:

Typed Name: _____

Title: _____

By: _____
Carmen Moran, City Secretary

Addendum

Current Scenario

Hangar Area	16,474	\$	8.00	\$	131,792		
Building Area	4,932	\$	10.00	\$	49,320		
	21,406			\$	181,112	\$	8.46
Operating Costs	21,406	\$	3.00	\$	(64,218)		
Ground Rent				\$	(19,094)		
				\$	97,800	\$	4.57
Capitalization	10%				978,000	\$	45.69
Discount Rate			10.00%				

This analysis determines the NPV of total rental received assuming the building can be relet at 86% of the prevailing market NNN rental rate 15 years beyond the original lease term expiration date. Market rent is assumed to appreciate 2% per annum and ground rent is adjusted annually based upon a 1.5% CPI factor. The NPV of this cashflow stream is \$369,152.

		Ground Rent		NPV		Net Income B4		Obsoles. Factor Proj Rent		Percent of Market
		1.5%				Ground Rent		-1.1746%		
		\$	\$	\$	\$	\$	\$	\$	\$	
1	5/1/2005	\$ 19,094	\$ 17,358	\$ 116,894	\$ 5.46	\$ 116,894	\$ 5.46	\$ 5.46	100%	
2	5/1/2006	\$ 19,380	\$ 33,375	\$ 119,232	\$ 5.57	\$ 118,267	\$ 5.52	\$ 5.52	99%	
3	5/1/2007	\$ 19,671	\$ 48,154	\$ 121,617	\$ 5.68	\$ 119,656	\$ 5.59	\$ 5.59	98%	
4	5/1/2008	\$ 19,966	\$ 61,791	\$ 124,049	\$ 5.80	\$ 121,062	\$ 5.66	\$ 5.66	98%	
5	5/1/2009	\$ 20,266	\$ 74,375	\$ 126,530	\$ 5.91	\$ 122,484	\$ 5.72	\$ 5.72	97%	
6	5/1/2010	\$ 20,570	\$ 85,986	\$ 129,060	\$ 6.03	\$ 123,923	\$ 5.79	\$ 5.79	96%	
7	5/1/2011	\$ 20,878	\$ 96,700	\$ 131,642	\$ 6.15	\$ 125,378	\$ 5.86	\$ 5.86	95%	
8	5/1/2012	\$ 21,191	\$ 106,586	\$ 134,274	\$ 6.27	\$ 126,851	\$ 5.93	\$ 5.93	94%	
9	5/1/2013	\$ 21,509	\$ 115,708	\$ 136,960	\$ 6.40	\$ 128,341	\$ 6.00	\$ 6.00	94%	
10	5/1/2014	\$ 21,832	\$ 124,125	\$ 139,699	\$ 6.53	\$ 129,848	\$ 6.07	\$ 6.07	93%	
11	5/1/2015	\$ 22,159	\$ 131,891	\$ 142,493	\$ 6.66	\$ 131,374	\$ 6.14	\$ 6.14	92%	
12	5/1/2016	\$ 22,492	\$ 139,058	\$ 145,343	\$ 6.79	\$ 132,917	\$ 6.21	\$ 6.21	91%	
13	5/1/2017	\$ 22,829	\$ 145,671	\$ 148,250	\$ 6.93	\$ 134,478	\$ 6.28	\$ 6.28	91%	
14	5/1/2018	\$ 23,172	\$ 151,773	\$ 151,215	\$ 7.06	\$ 136,058	\$ 6.36	\$ 6.36	90%	
15	5/1/2019	\$ 23,519	\$ 157,403	\$ 154,239	\$ 7.21	\$ 137,656	\$ 6.43	\$ 6.43	89%	
16	5/1/2020	\$ 23,872	\$ 162,598	\$ 157,324	\$ 7.35	\$ 139,273	\$ 6.51	\$ 6.51	89%	
17	5/1/2021	\$ 24,230	\$ 167,392	\$ 160,470	\$ 7.50	\$ 140,909	\$ 6.58	\$ 6.58	88%	
18	5/1/2022	\$ 24,593	\$ 171,815	\$ 163,680	\$ 7.65	\$ 142,564	\$ 6.66	\$ 6.66	87%	
19	5/1/2023	\$ 24,962	\$ 175,897	\$ 166,953	\$ 7.80	\$ 144,239	\$ 6.74	\$ 6.74	86%	
20	5/1/2024	\$ 145,933	\$ 197,589	\$ 170,292	\$ 7.96	\$ 145,933	\$ 6.82	\$ 6.82	86%	
21	5/1/2025	\$ 147,647	\$ 217,540	\$ 173,698	\$ 8.11	\$ 147,647	\$ 6.90	\$ 6.90	85%	
22	5/1/2026	\$ 149,381	\$ 235,891	\$ 177,172	\$ 8.28	\$ 149,381	\$ 6.98	\$ 6.98	84%	
23	5/1/2027	\$ 151,136	\$ 252,770	\$ 180,716	\$ 8.44	\$ 151,136	\$ 7.06	\$ 7.06	84%	
24	5/1/2028	\$ 152,911	\$ 268,294	\$ 184,330	\$ 8.61	\$ 152,911	\$ 7.14	\$ 7.14	83%	
25	5/1/2029	\$ 154,708	\$ 282,573	\$ 188,017	\$ 8.78	\$ 154,708	\$ 7.23	\$ 7.23	82%	
26	5/1/2030	\$ 156,525	\$ 295,707	\$ 191,777	\$ 8.96	\$ 156,525	\$ 7.31	\$ 7.31	82%	
27	5/1/2031	\$ 158,363	\$ 307,786	\$ 195,613	\$ 9.14	\$ 158,363	\$ 7.40	\$ 7.40	81%	
28	5/1/2032	\$ 160,224	\$ 318,897	\$ 199,525	\$ 9.32	\$ 160,224	\$ 7.48	\$ 7.48	80%	
29	5/1/2033	\$ 162,106	\$ 329,116	\$ 203,515	\$ 9.51	\$ 162,106	\$ 7.57	\$ 7.57	80%	
30	5/1/2034	\$ 164,010	\$ 338,515	\$ 207,586	\$ 9.70	\$ 164,010	\$ 7.66	\$ 7.66	79%	
31	5/1/2035	\$ 165,936	\$ 347,160	\$ 211,737	\$ 9.89	\$ 165,936	\$ 7.75	\$ 7.75	78%	
32	5/1/2036	\$ 167,885	\$ 355,111	\$ 215,972	\$ 10.09	\$ 167,885	\$ 7.84	\$ 7.84	78%	
33	5/1/2037	\$ 169,857	\$ 362,425	\$ 220,291	\$ 10.29	\$ 169,857	\$ 7.94	\$ 7.94	77%	
34	5/1/2038	\$ 171,853	\$ 369,152	\$ 224,697	\$ 10.50	\$ 171,853	\$ 8.03	\$ 8.03	76%	
35	5/1/2039	\$ 173,871	\$ 375,339	\$ 229,191	\$ 10.71	\$ 173,871	\$ 8.12	\$ 8.12	76%	
36	5/1/2040	\$ 175,914	\$ 381,029	\$ 233,775	\$ 10.92	\$ 175,914	\$ 8.22	\$ 8.22	75%	
37	5/1/2041	\$ 177,980	\$ 386,263	\$ 238,451	\$ 11.14	\$ 177,980	\$ 8.31	\$ 8.31	75%	
38	5/1/2042	\$ 180,071	\$ 391,078	\$ 243,220	\$ 11.36	\$ 180,071	\$ 8.41	\$ 8.41	74%	
39	5/1/2043	\$ 182,186	\$ 395,505	\$ 248,084	\$ 11.59	\$ 182,186	\$ 8.51	\$ 8.51	73%	
40	5/1/2044	\$ 184,326	\$ 399,578	\$ 253,046	\$ 11.82	\$ 184,326	\$ 8.61	\$ 8.61	73%	

\$ 369,152 NPV of Rent without Extension

\$ (211,175) NPV of Rent with 15 yr Extension

\$ 157,976 Difference in NPV

Est. Economic Impact

With 15-year Extension

Hangar Area	16,474	\$	8.00	\$	131,792	
Building Area	4,932	\$	10.00	\$	49,320	
	<u>21,406</u>			\$	181,112	\$ 8.46

Operating Costs	21,406	\$	3.00	\$	(64,218)	
Ground Rent				\$	(19,094)	
				\$	97,800	\$ 4.57

Capitalization 10% 978,000 \$ 45.69

Discount Rate 10.00%

This analysis assumes the ground lease is extend 15 years beyond the original lease term based upon an annual CPI adjustment of 1.5%. The NPV of this cashflow stream is estimated to be \$211,175.

		Ground Rent		NPV	Net Income B4		Obsoles. Factor Proj Rent		Percent of
		1.5%			Ground Rent		-1.1746%		Market
					2%				
1	5/1/2004	\$ 19,094	\$ 17,358	\$ 116,894	\$ 5.46	\$ 116,894	\$ 5.46	100%	
2	5/1/2005	\$ 19,380	\$ 33,375	\$ 119,232	\$ 5.57	\$ 118,267	\$ 5.52	99%	
3	5/1/2006	\$ 19,671	\$ 48,154	\$ 121,617	\$ 5.68	\$ 119,656	\$ 5.59	98%	
4	5/1/2007	\$ 19,966	\$ 61,791	\$ 124,049	\$ 5.80	\$ 121,062	\$ 5.66	98%	
5	5/1/2008	\$ 20,266	\$ 74,375	\$ 126,530	\$ 5.91	\$ 122,484	\$ 5.72	97%	
6	5/1/2009	\$ 20,570	\$ 85,986	\$ 129,060	\$ 6.03	\$ 123,923	\$ 5.79	96%	
7	5/1/2010	\$ 20,878	\$ 96,700	\$ 131,642	\$ 6.15	\$ 125,378	\$ 5.86	95%	
8	5/1/2011	\$ 21,191	\$ 106,586	\$ 134,274	\$ 6.27	\$ 126,851	\$ 5.93	94%	
9	5/1/2012	\$ 21,509	\$ 115,708	\$ 136,960	\$ 6.40	\$ 128,341	\$ 6.00	94%	
10	5/1/2013	\$ 21,832	\$ 124,125	\$ 139,699	\$ 6.53	\$ 129,848	\$ 6.07	93%	
11	5/1/2014	\$ 22,159	\$ 131,891	\$ 142,493	\$ 6.66	\$ 131,374	\$ 6.14	92%	
12	5/1/2015	\$ 22,492	\$ 139,058	\$ 145,343	\$ 6.79	\$ 132,917	\$ 6.21	91%	
13	5/1/2016	\$ 22,829	\$ 145,671	\$ 148,250	\$ 6.93	\$ 134,478	\$ 6.28	91%	
14	5/1/2017	\$ 23,172	\$ 151,773	\$ 151,215	\$ 7.06	\$ 136,058	\$ 6.36	90%	
15	5/1/2018	\$ 23,519	\$ 157,403	\$ 154,239	\$ 7.21	\$ 137,656	\$ 6.43	89%	
16	5/1/2019	\$ 23,872	\$ 162,598	\$ 157,324	\$ 7.35	\$ 139,273	\$ 6.51	89%	
17	5/1/2020	\$ 24,230	\$ 167,392	\$ 160,470	\$ 7.50	\$ 140,909	\$ 6.58	88%	
18	5/1/2021	\$ 24,593	\$ 171,815	\$ 163,680	\$ 7.65	\$ 142,564	\$ 6.66	87%	
19	5/1/2022	\$ 24,962	\$ 175,897	\$ 166,953	\$ 7.80	\$ 144,239	\$ 6.74	86%	
20	5/1/2023	\$ 25,337	\$ 179,663	\$ 170,292	\$ 7.96	\$ 145,933	\$ 6.82	86%	
21	5/1/2024	\$ 25,717	\$ 183,138	\$ 173,698	\$ 8.11	\$ 147,647	\$ 6.90	85%	
22	5/1/2025	\$ 26,103	\$ 186,345	\$ 177,172	\$ 8.28	\$ 149,381	\$ 6.98	84%	
23	5/1/2026	\$ 26,494	\$ 189,304	\$ 180,716	\$ 8.44	\$ 151,136	\$ 7.06	84%	
24	5/1/2027	\$ 26,892	\$ 192,034	\$ 184,330	\$ 8.61	\$ 152,911	\$ 7.14	83%	
25	5/1/2028	\$ 27,295	\$ 194,553	\$ 188,017	\$ 8.78	\$ 154,708	\$ 7.23	82%	
26	5/1/2029	\$ 27,704	\$ 196,877	\$ 191,777	\$ 8.96	\$ 156,525	\$ 7.31	82%	
27	5/1/2030	\$ 28,120	\$ 199,022	\$ 195,613	\$ 9.14	\$ 158,363	\$ 7.40	81%	
28	5/1/2031	\$ 28,542	\$ 201,002	\$ 199,525	\$ 9.32	\$ 160,224	\$ 7.48	80%	
29	5/1/2032	\$ 28,970	\$ 202,828	\$ 203,515	\$ 9.51	\$ 162,106	\$ 7.57	80%	
30	5/1/2033	\$ 29,404	\$ 204,513	\$ 207,586	\$ 9.70	\$ 164,010	\$ 7.66	79%	
31	5/1/2034	\$ 29,845	\$ 206,068	\$ 211,737	\$ 9.89	\$ 165,936	\$ 7.75	78%	
32	5/1/2035	\$ 30,293	\$ 207,503	\$ 215,972	\$ 10.09	\$ 167,885	\$ 7.84	78%	
33	5/1/2036	\$ 30,748	\$ 208,826	\$ 220,291	\$ 10.29	\$ 169,857	\$ 7.94	77%	
34	5/1/2037	\$ 31,209	\$ 210,048	\$ 224,697	\$ 10.50	\$ 171,853	\$ 8.03	76%	
35	5/1/2038	\$ 31,677	\$ 211,175	\$ 229,191	\$ 10.71	\$ 173,871	\$ 8.12	76%	
36	5/1/2039	\$ 175,914	\$ 216,866	\$ 233,775	\$ 10.92	\$ 175,914	\$ 8.22	75%	
37	5/1/2040	\$ 177,980	\$ 222,100	\$ 238,451	\$ 11.14	\$ 177,980	\$ 8.31	75%	
38	5/1/2041	\$ 180,071	\$ 226,914	\$ 243,220	\$ 11.36	\$ 180,071	\$ 8.41	74%	
39	5/1/2042	\$ 182,186	\$ 231,342	\$ 248,084	\$ 11.59	\$ 182,186	\$ 8.51	73%	
40	5/1/2043	\$ 184,326	\$ 235,415	\$ 253,046	\$ 11.82	\$ 184,326	\$ 8.61	73%	

Council Agenda Item: #R8

SUMMARY: Presentation of the Aviation Museum Strategic Assessment report and Council direction to Town staff regarding next steps.

FINANCIAL IMPACT:

Budgeted Amount: none

Cost: \$100,000 to \$150,000

BACKGROUND:

See attached memorandum.

RECOMMENDATION:

Staff recommends proceeding with the next steps (see attached memorandum).

Memorandum

To: Mayor and City Council
From: Lea Dunn, Deputy City Manager
Date: May 24, 2005
Subject: Aviation Museum Strategic Assessment

For a number of years the Town has provided marketing support to the Cavanaugh Flight Museum. Throughout this time there have been a number of conversations with Mr. Cavanaugh and the Flight Museum staff about developing a more permanent relationship between the Town and the Museum by working collaboratively to design and build a state of the art museum complex. In an effort to begin the discussion regarding a more permanent facility, the attorneys for the Cavanaugh Flight Museum had provided a draft term sheet to the Town that discussed the development and construction of a new flight museum and the specific roles of the two entities. Before responding to the term sheet, staff felt that a number of key questions had to be addressed and as a result entered into a contract with Museums+moreLLC. The purpose of the study was to provide a strategic assessment of the key issues, challenges and opportunities presented by the proposed museum. A preliminary draft of the report was completed in April and provided to the Cavanaugh Team for their initial review and comment. The Cavanaugh team concurred with the recommendations of the draft report and was in support of proceeding with the next steps.

The report is very thorough and provides a number of recommendations regarding the museum. The report's basic conclusion is that a renewed museum would provide another reason to visit or stay in Addison and that the museum should produce a net positive economic impact on the Town, its restaurants, hotels and other businesses that serve the public. The recommendation is made with the caveat that to be successful there are certain steps that must be addressed before proceeding further. Those next steps are as follows:

1. Negotiation with the Cavanaugh Flight Museum – there are several major differences between the term sheet prepared by the Cavanaugh team and the report’s recommendations.
2. Feasibility Study – detailed market and attendance estimates must be developed along with a business plan that is based on conservative projections and diversified sources of operating revenue. The cost to implement this step should be approximately \$25,000 to \$35,000.
3. Master Planning – the programmatic focus of the Cavanaugh Museum must be developed and agreed upon. The cost to implement this step would be approximately \$75,000 to \$115,000 depending on the number of people involved.

For your information and review attached is a copy of the strategic assessment. Staff’s recommendation is that the Town proceed with the next steps, which could be initiated simultaneously. Dave Ucko of Museum+more LLC will be present to review the report’s findings. If you have any questions, please let me know.

R8-3

Museums+*more* LLC

**Aviation Museum
Strategic Assessment**

for

Town of Addison, Texas

April 2005

Aviation Museum Strategic Assessment
for Town of Addison, Texas
by Museums+*more* LLC

Final Report
April 2005

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Executive Summary

Situation. The Cavanaugh Flight Museum (CFM) has proposed to the Town of Addison a Term Sheet for the joint development of an expanded aviation museum. To obtain professional guidance, Addison has contracted with the consulting firm Museums+more LLC (M+m) to carry out a strategic assessment of the key issues, challenges, and opportunities presented by the proposed museum. The purposes of this study are: to enable Addison to establish realistic expectations of the potential benefits, along with accompanying risks and liabilities; to provide a framework and recommendations for making decisions about the prospect of taking CFM to the next level as an educational and cultural attraction; and to lay the groundwork for more detailed planning.

In preparing this study, M+m interviewed key stakeholders, visited aviation museums in the D/FW metroplex, obtained comparative data from other aviation museums nationally, and carried out additional research. The following is a summary of the findings.

Conclusions. It is not likely that Addison would create a museum based primarily on military aircraft if none existed today. However, the Town is home to the outstanding CFM collection and would derive benefits from a potential museum expansion, assuming that it is carried out based on the advice offered in this report. Taking all factors into account, it is the recommendation of this analysis that Addison proceed to the next stages of decision-making and planning, as further described.

A renewed museum will provide another reason to visit or stay in Addison. If properly executed, the facility should increase the numbers of regional and out-of-town visitors and lengthen stay time of existing visitors through museum visits and synergies with the Arts and Events District. It should produce a net positive economic impact on the Town, its restaurants, hotels, and other businesses that serve the public. Addison Airport should benefit as well as a result of increased numbers of general aviation visitors attracted by the programs, along with the possibility of a mid-range restaurant or even a boutique hotel.

On the other hand, creating an expanded museum facility is a complex project that should not be lightly undertaken. Many museums today are struggling financially and reassessing their roles for the 21st century. The recommended planning steps would address these concerns by managing the financial and public relations risks.

Strategic Niche. One of the most critical recommendations is to broaden the CFM scope in order to expand its audience beyond the limited number of “war bird” enthusiasts and differentiate itself from the other aviation museums in the region, such as the American Airlines C.R. Smith Museum, Frontiers of Flight Museum (FOFM), and Vintage Flying Museum. The proposed expanded focus is to engage visitors in the experience of flight, taking full advantage of the location on Addison Airport, third busiest general aviation airport in the nation and busiest in Texas. CFM must visually open onto the airport (unlike FOFM at Love Field), allowing visitors to observe aircraft take-off and land

during the nearly 500 flight operations daily. By adding general aviation to its scope, CFM can become a “working,” rather than static, museum. Instead of the typical “looking from the outside-in” approach of museums, it can offer an “insider” view of aviation that is more dynamic and less common.

From an exhibition standpoint, this approach could be enhanced by a thematic focus on flight training. That theme would let visitors engage in the process of preparing for flight, taking off, flying, and landing through interactive exhibits, along with flight training simulators and motion simulators. Interpretation can be further enhanced through immersive environments and visitor-accessible cockpits. Existing aircraft can support this approach by dramatically illustrating the history and technology in themed hangars from the World War II and Cold War eras. Thus the experience of flight will be exemplified through actual flights, observation, hands-on experiences, simulation, and historic collections. These activities can stimulate an interest in flying as well as in the science and technology that make human flight possible. Through this broadened focus, CFM can create an expanded niche complementary to the other aviation museums in the region.

Additional Recommendations. Among the most important recommendations made for the development of CFM are:

- CFM should seek a site at Addison airport within walking distance of the Arts and Events District to gain the advantages of audience access, shared parking, and shared use of existing facilities.
- The CFM board should be diversified by recruiting new members strategically from the community.
- CFM should diversify its revenue stream through increased public funding, the return from an endowment, and additional sources of earned income.
- As part of an expansion program, Addison should consider increasing the amount of annual CFM funding towards the range of public funding for other museums of this type (20 to 25% of operating budget).
- A lead gift by Mr. Cavanaugh (which could incorporate endowment) should be pursued to set the standard for a capital campaign and to open the door to contributions by other donors.

Term Sheet Analysis. CFM proposed a 100,000 sq ft museum facility, roughly a doubling of its current space and a reasonable starting point for discussion, along with a 30,000 sq ft hangar for maintenance and restoration. Before initiating actual architectural or exhibition design, detailed facility requirements should be determined through a planning process that includes development of:

- Preliminary conceptual plans for museum exhibits and programs;
- Space use analysis based on programmatic and facility requirements;
- Site plan and analysis, including parking;
- *Pro-forma* operating budget (based on conservative attendance and earned revenue projections);
- Capital campaign budget (based on fundraising feasibility).

The steps in the development process should follow those normally used by Addison in managing complex projects; one or more of its staff should be part of the planning team.

Although the Term Sheet contemplates that the Town be responsible for paying the capital and all unfunded operating costs for the Museum, Addison should pursue the more typical arrangement in which a public entity contributes a portion of the operating budget, a portion of the capital costs, and donates land or charges a nominal rent.

Next Steps. The following next steps are proposed:

1. **Negotiation with CFM.** Recommendations in this analysis differ in several material respects from the Term Sheet proposed by CFM. Agreement must be reached by Addison and CFM over major issues, including extent of public funding for capital and operating costs, willingness of CFM to expand its board membership, and level at which Mr. Cavanaugh intends to contribute towards a capital campaign, annual fund, and endowment. A revised Term Sheet satisfactory to both parties must be the outcome of these discussions.
2. **Feasibility Study.** Detailed market and attendance estimates must be developed, along with a business plan based on conservative projections and diversified sources of operating revenue. A specialized firm can be retained to carry out this step in about three months. Approximate costs for a market study are \$25,000 plus \$10,000 for an operating plan. Addison may also wish to consider obtaining a study of the economic impact of the expansion (approx. \$10,000).

To accelerate the process, Step 2 could be carried out in parallel with Step 1. Although doing so increases the initial outlay by Addison before assurance of an agreement, the study will more sharply define the financial parameters of future CFM operations that can inform Term Sheet negotiations.

3. **Master Planning.** The programmatic focus for CFM must be developed and agreed upon, whether along the lines proposed here or in alternative directions. The planning should include development of a conceptual plan for museum exhibits and programs; space use analysis based on programmatic and facility requirements; site plan and analysis, including parking; and a capital campaign budget. This process should involve both an exhibit design firm and museum planning consultant. The duration and cost for this step are best determined after the scope of the project has been defined in Steps 1 and 2.

These initial planning steps should take place prior to beginning formal architectural or exhibition design. Although they add little to the final cost, these critical steps often do not receive sufficient attention, leading to projects that later require expensive modification or do not fulfill their expected potential. Architectural design often begins too early in the process. A thoughtfully developed program including financial feasibility and initial exhibit plans must guide facility design and provide a firm groundwork for successful implementation and operation.

Summary of Key Issues and Recommendations

Note: Priorities for recommended actions and issues to be decided are indicated as 1 (highest), 2, and 3.

Strategic Niche and Approach

To increase its impact, CFM should extend its scope beyond military aircraft to engage visitors more broadly in the experience of flight. [1]

Audience and Marketing

A detailed feasibility study should be carried out to provide specific attendance projections that can be used for developing conservative *pro forma* operating budgets for the first five years of operation. [1]

A marketing plan must be created with specific plans for targeting each audience segment; special attention should be given to attracting and serving the needs of the region's rapidly growing Hispanic population. [3]

Site and Facilities

The design of any new facility should open onto the airport, allowing visitors to watch the aircraft take-off and land. [2]

As part of site determination, a decision must be made whether to keep a hangar at the current location for restoration work and storage or to obtain or build one that is adjacent to the new facility, where visitors may be observers. [2]

The new CFM site should be within walking distance of the Arts and Events District to gain the advantages of audience access, shared parking, and shared use of existing facilities. [2]

CFM must carefully decide whether any aircraft are to be suspended, since doing so will create additional structural and engineering requirements. [2]

Airport security issues, such as transition from visitor areas to the working airport, will have to be addressed with ADS. [2]

Exhibits

The development of engaging visitor experiences should be informed by front-end research and a design charette. This planning process should culminate in a program master plan for the new facility. [2]

As one possible organizing theme, exhibits could be integrated within a Flight Training Academy, which would prepare visitors for taking off, flying, and landing. [2]

The working airport should be the largest CFM “exhibit.” A Control Tower observation area for visitors should be created or reconstructed using the old Addison tower. [2]

Collections

The CFM aircraft collection can be displayed theatrically and interpreted in themed hangars from World War and the Cold War eras. [2]

CFM should explore acquiring a very large aircraft (such as a B-36), which would create an icon for the museum but also bring significant space (and potentially, structural) requirements. [2]

CFM will need to designate a core group of permanent aircraft, as well as the capability for others to participate in air shows without detracting from the visitor experience. [2]

Educational Programs

CFM should develop targeted programmatic activities that attract and educate public and school group audiences. [3]

CFM should develop air shows, from small to large, and demonstrations to attract new and repeat visitors. [3]

CFM may wish to explore incorporating pre-packaged programs, such as the Challenger Learning Center, which has potential for corporate team building programs. [3]

CFM should pursue programmatic partnerships that leverage its limited resources. [3]

Governance

The CFM board should be diversified by recruiting new members strategically from the community. [2]

Museum Operations

CFM will need to add complementary staff functions, such as education, exhibits maintenance, public relations/marketing, and development (fundraising and membership) and undergo organizational transformation. [2]

CFM should explore contracting with Addison for administrative services, such as finance and human resources; marketing and public relations; facility maintenance; and security. [2]

Increased numbers of air shows and other flight activities will require coordination with ADS to minimize disruption of airport operations. [3]

Finance

CFM must diversify its revenue sources to include increased public funding, return from an endowment, and increased earned income. [1]

As part of an expansion program, Addison should consider increasing the amount of annual funding for CFM towards the range of public funding for other museums of this type (20 to 25% of budget). [1]

CFM should guide expansion of its retail operation using data from the Museum Store Association; outsourcing this function should be considered. [2]

CFM should explore the financial feasibility of establishing a mid-price restaurant, and possibly a themed boutique hotel. [2]

CFM should consider increasing the number and size of fee-based flights, as well as the financial and operational aspects of offering an airplane washing service. [2]

After the museum program has been established, CFM should carry out a pricing study to determine admission charges. [3]

Development

A lead gift by Mr. Cavanaugh (which can incorporate endowment) should be pursued to set the standard for a capital campaign and to open the door to contributions by other donors. [1]

The need for retaining fundraising counsel and conducting a feasibility study will be determined by the extent of commitment by Mr. Cavanaugh and Addison towards the capital campaign. [1]

For long-term viability, CFM will need to establish a diversified base of private contributions (individuals, foundations, corporations) from which to raise annual and capital funds and grow an endowment. [2]

Analysis of Term Sheet

Although the Term Sheet contemplates that the Town be responsible for paying the capital and all unfunded operating costs for the Museum, Addison should pursue the more typical arrangement in which a public entity contributes a portion of the operating budget, a portion of the capital costs, and donates land or charges a nominal rent. [1]

The steps in the museum development process should follow those normally used by Addison in managing complex projects; one or more of its staff should become part of the planning team. [1]

Before initiating architectural or exhibition design, the planning process should include development of preliminary conceptual plan for museum exhibits and programs; space use analysis based on programmatic and facility requirements; site plan and analysis, including parking; pro-forma operating budget; capital campaign budget. [1]

The CFM request for adjacent hangar space for the Jani-King Aviation Department should be considered as part of the overall business arrangement. [2]

The request for an F-104 or other aircraft on a pedestal at the museum entry should be considered during the architectural planning and costing for the facility. [2]

Background

Addison is a forward-looking business-oriented community that occupies 4.3 sq mi north of Dallas. In addition to its 15,000 residents, Addison is home to some 10 million sq ft of office space and more than 170 restaurants and 22 hotels that serve guests from the North Texas region and beyond. As a result, Addison is vitally interested in enhancing tourism and allocates funds from a hotel tax dedicated for this purpose; it currently generates \$3.4 million per year (down from \$6 million prior to 9-11).

To support its restaurants and hotels, the Town offers a very active program of annual events that include Taste Addison (May), Addison Kaboom Town! (July 3), and Addison Oktoberfest (September), as well as the North Texas Jazz Festival (April), ArtFest (May), and Shakespeare Festival (June), in addition to third-party events. They are presented in the Addison Arts and Events District, which features 10-acre Addison Circle Park (“a conference center without a roof”) and the 16,000 sq ft Addison Conference and Theatre Center (home to WaterTower Theatre), with adjacent parking. The events are organized by the Town staff of 250 based on the customer-focused “Addison way.”

Occupying one-fourth of the town, Addison Airport (ADS) is the busiest in Texas for general aviation and third busiest in U.S., with nearly 500 operations per day on average. More than 700 aircraft are based on the field, which is owned by the Town and has been managed through a contract to Washington Staubach Addison Airport Venture (WS) since 2001. Airport tenants include both aviation service providers and aircraft owners.

The Cavanaugh Flight Museum (www.cavanaughflightmuseum.com) occupies approx. 50,000 sq ft in four hangars at ADS. Opened in 1993, CFM showcases the outstanding aircraft collection of James Cavanaugh, founder and CEO of Jani-King International, the world's leading commercial cleaning franchise company, based in Addison. The collection consists of some 35 historic aircraft: most aircraft are from World War II, followed by the Cold War, plus several from World War I and general aviation. The focus is on “war birds” with combat history. About 13 to 14 remain airworthy and are flown to air shows across the U.S. The aircraft are complemented by a 1,000 sq ft aviation art collection and aviation artifacts.

CFM has proposed to Addison joint development of an expanded and improved facility. In response, Addison entered into a contract on August 30, 2004 with Museums+more LLC (M+m) to carry out a strategic assessment to provide professional guidance for making critical planning decisions regarding this potential new aviation museum facility.

Process

Following an initial orientation in Addison (June 30, 2004), M+m gathered further information through research and subsequent visits (August 10 and 11; September 13). During these trips, M+m president David Ucko interviewed key stakeholders and carried out aviation museum site visits:

- Town of Addison: Ron Whitehead, City Manager; Lea Dunn, Deputy City Manager; Bob Phillips, Director of Visitor Services
- Cavanaugh Flight Museum: Doug Jeanes, Museum Director; Kevin Raulie, Assistant Director
- Addison Airport: Darci Neuzil, Deputy Director
- American Airlines C.R. Smith Museum: Gloria Randles, Museum Administrator
- Frontiers of Flight Museum: Dan Hamilton, Director
- Vintage Flying Museum: Kate Cognale, Volunteer

On these visits, he was accompanied and assisted by Lary and Tery Brown of Museum Arts, a Dallas-based firm that specializes in the planning, design, fabrication, and installation of interpretive exhibits.

In addition to museums in the Dallas-Fort Worth (D/FW) metroplex, data for comparison purposes was gathered from the Lone Star Flight Museum in Galveston, TX, Cradle of Aviation Museum in Garden City, NY, and Air Zoo in Kalamazoo, MI. This data, along with information from the American Association of Museums (AAM) and Association of Science-Technology Centers (ASTC), was used to analyze key parameters for the current CFM and its potential expansion.

The following sections are based on the knowledge gained through this process and the museum experience of M+m. They identify the key issues, challenges, and opportunities presented by the proposed CFM development. Their intent is to help Addison establish realistic expectations concerning the potential benefits, along with accompanying risks and liabilities. They provide a framework and recommendations for making decisions about the prospect of taking CFM to the next level as an educational and cultural attraction. It is designed to lay the groundwork for more detailed planning.

Environmental Scan

Aviation is vital to North Texas. In fact, the North Texas Commission identified the region as the "World Center of Aviation" at its 2002 annual meeting based on the following characteristics:

- The leading aviation businesses and airports in the metroplex contribute more than \$23 billion annually to the economy.
- More than 1,300 aviation-related businesses call North Texas home—more than in any other area of its size in the world.
- More than 181,000 jobs in the North Texas region are aviation-related.
- The aviation industry pays more than \$5 billion annually in salaries in North Texas.

In addition, the D/FW region played an important historic role supporting aviation during World War II.

Not surprisingly, the D/FW metroplex includes other aviation museums: American Airlines C.R. Smith Museum, Frontiers of Flight Museum, and Vintage Flying Museum. At very different stages of institutional development, these three museums display aircraft and exhibits that overlap to varying degrees with CFM. They provide both

potential competition as well as opportunities for collaboration. Appendix A provides an overview of each, along with identification of related museums in the region.

Nationally, aviation museums fill a tiny niche: approximately 360 out of some 16,000 museums overall. They vary tremendously in size, focus, and operations, ranging from all-volunteer organizations with minimal budgets to large institutions with over 500 staff and budgets in excess of \$100 million. To provide a context for assessing the present CFM and its potential expansion, data about facilities, attendance, staffing, and finances was obtained from a variety of other aviation museums. In addition to the Cavanaugh Flight Museum, American Airlines C.R. Smith Museum, and Frontiers of Flight Museum, institutions that generously shared information were: Air Zoo (Kalamazoo, MI), Cradle of Aviation Museum (Garden City, New York), Lone Star Flight Museum (Galveston, TX). Appendix B presents a summary and analysis of this comparative data.

Another way to analyze CFM is by comparison with results from a recent national survey by AAM. From that data, the median U.S. museum has the following characteristics. (Figures in parentheses are the median values specifically for mid-size museums.)

	<i>AAM</i>	<i>CFM</i>
Annual operating income	\$756,600	\$1,506,198
Staff & volunteers	7 FT, 5 PT, 60 vol.	9, FT, 3 PT, 40 vol.
Facility size	22,000 sq ft	57,600 sq ft
Visitors per year	40,185 (25,519)	25,248
Cost per visitor	\$21.45 (\$17.74)	\$62.18
Earned income per visitor	\$5.61 (\$4.04)	\$20.54
Dollars raised per visitor	\$5.08 (\$3.93)	\$37.14

Compared to these medians, CFM currently has higher operating income, a slightly greater staff, a considerably larger facility, fewer visitors per year, a much higher cost per visitor, much greater earned income per visitor, and much greater funds raised per visitor. See Appendix B for further discussion of each attribute.

The sections that follow in this report will build on the comparative data to provide recommendations for directions and issues raised by the potential expansion of CFM.

Strategic Niche

CFM has done well serving aviation enthusiasts interested in historic “war birds.” As one indication, it is given four and one-half stars (out of five) by visitors to the Aviation Enthusiast Corner web site (www.aero-web.org/museums/tx/cfmtx.htm). The following is a sample comment from an Australian visitor:

We traveled extensively on our holiday in the U.S and visited many museums. It was a pity we went to Cavanaugh first because it set the standard and nothing came close. The staff were very friendly, the aircraft are immaculate and the whole experience was fantastic. We have since recommended to friends to visit on their holidays and they were equally impressed. Easily a world-class museum and we'll be back to visit again.

For CFM to increase its impact, however, it must expand its scope beyond military aviation and differentiate itself from other museums, at least in the region. This approach was also a strategy of FOFM, which decided to choose aviation history as its primary focus. CFM can leverage its relationship with Addison Airport to pursue another direction: *to engage visitors in the experience of flight.*

As noted previously, CFM is located at one of the busiest general aviation airports in the nation, with some 170,000 flight operations per year. Any new CFM facility must visually open onto the airport, allowing visitors to watch these aircraft take-off and land. Other local aviation museums are not designed to offer visitors this special experience.

Visitors to CFM can also choose to experience flying first-hand through the program of flights on its historic aircraft. Only a relatively small number can participate directly. Nevertheless, other visitors should be allowed to watch the preparation as well as the flights themselves so they can participate vicariously. Also, this program could potentially be expanded with additional staff and possibly partnership with the Civil Air Patrol. It may also be possible to partner with businesses that offer various other types of flight experiences to visitors.

By adding general aviation to its scope, CFM becomes more of a “working” rather than static museum of aircraft. Instead of the typical looking from the outside-in approach of museums, it offers an “insider” view of aviation that is active, dynamic, and more unusual.

From an exhibition standpoint, this approach could be enhanced by a thematic focus on flight training. That theme can follow the process of preparing for flight, taking off, flying, and landing. It can be interpreted through hands-on exhibits, as well as flight training simulators and motion simulators. Comparisons can be made between small and large planes, gliders, helicopters, and even hot air balloons. Interpretation can be enhanced through immersive environments and visitor-accessible cockpits. This approach will be described further in sections to follow.

Of course, CFM also has an outstanding collection. These aircraft illustrate the application of aviation principles and experiences at key times in the history of our nation. The emphasis on World War II is fitting, since that was the first time in which aviation played a critical role in combat. Also, planes from that era are closer to those still used in civil aviation than the larger and more sophisticated military aircraft of today.

In these ways, the experience of flight will be exemplified through actually flying, observation, hands-on experiences, simulation, and historic collections. The activities can stimulate an interest in flying as well as in the science and technology that make human flight possible. Through this focus, CFM can create an expanded niche that will be complementary to the other aviation museums in the region.

town visitors. CFM should find creative ways to engage more closely with its community, consistent with the AAM Museums and Community Initiative; further information can be found at www.aam-us.org/initiatives/m&c/index.cfm and in *Mastering Civic Engagement: A Challenge to Museums*. Washington, DC: AAM, 2002.

During weekdays, Addison serves the needs of business visitors through its hotels, restaurants, retail, and entertainment venues. This market offers relatively little synergy with CFM other than facility rental, which is discussed later. During the daytime on special event days and weekends, however, Addison attracts regional families to “the place fun calls home” with the reputation of being safe and family-friendly. An enhanced CFM, particularly were its new location in walking distance from the Arts and Events District, would likely strengthen the draw and lengthen stay time during events. By working with the Addison hotels, CFM could develop a marketing package that includes an overnight stay, admission, and other benefits to attract families from outside the area. Addison currently provides marketing support for CFM; further integration within existing marketing and promotion efforts, including packages with the other local aviation museums, can create synergies among the attractions.

Currently CFM serves few school groups. A renewed facility with greater emphasis on educational experiences is likely to attract more school groups if marketed to teachers and school districts. The most common grades served by field trips are third through sixth, when it is easiest for classes to spend a portion of the day away from school. However, the increased emphasis on standardized testing and the decrease in funding for bus transportation are resulting in fewer field trips in general. Also, the number of school groups in the region is limited, and CFM will be competing directly with CR Smith, FOFM and all the other regional museums and attractions. Because schools have limited funds for trips, fees are modest, and visits typically require some form of subsidy. Nevertheless, because CFM can provide valuable educational services and encourage pursuit of aviation careers, teachers in the region should definitely be given opportunities to learn about CFM offerings and to bring their classes.

In addition to serving regional audiences, CFM will be better positioned to attract and capture a higher percentage of out-of-town tourists. Texas provides an attractive picture for tourism. It was the destination for 133.7 million domestic leisure travelers in 2003 (108 million Texan, 25.7 million non-Texan), in addition to 55.1 million business travelers. The state has experienced an upward trend in tourism during the past decade compared to no growth nationally. 52% were day-trips, while the remaining included stays for one or more nights. The greatest numbers of trips (61%) are between 50 to 200 miles; the distances traveled are trending shorter. Research gathered by the Office of the Governor and Texas Economic Development and Tourism Department (2002) shows:

- Texas ranks second behind California as a pleasure travel destination for U.S. residents.
- Tourism is the third largest industry in the State, generating \$41.4 billion in tourist spending.

- Tourism directly supported over 450,900 jobs with an annual payroll of \$11.9 billion; total tax impact (local, state and federal) of visitor spending was \$2.8 billion.

The Dallas/Fort Worth area in particular is the number one tourist destination in Texas and generates one-third of all tourist spending for the state. Dallas has about six million and Fort Worth two million leisure traveler days annually. [Note: As of 2004, the Metropolitan Statistical District (MSD) for the metroplex now encompasses Dallas-Fort Worth-Arlington, and is broken down into two separate Metropolitan Districts (MD): Dallas-Plano-Irving and Fort Worth-Arlington.] Attracting tourists requires appropriately targeted promotion and marketing, which can be costly. Texas Tourism (Office of the Governor, Economic Development and Tourism) offers cooperative advertising programs in which the state shares a portion of the cost.

If Addison makes the decision to move ahead, a detailed feasibility study should be carried out to provide specific attendance projections that can be used for developing conservative *pro forma* operating budgets for the first five years of operation. These attendance estimates will depend on the ultimate size and program of the new CFM and the effectiveness of the marketing effort, in addition to the demographics of the resident and tourist audiences. Market testing and focus groups will be needed prior to exhibit development as part of “front-end” research to understand the needs and interests of the target audiences and to begin testing initial concepts to obtain feedback to inform exhibit development. CFM will need to develop a “brand” that reflects its new expanded focus; it may even wish to consider changing its name to place greater emphasis on the experience of flying, keeping Cavanaugh Flight Museum as the secondary name. A marketing plan must be created with specific plans for targeting each audience segment (families, school children, teens, adults, seniors, etc.); special attention should be given to attracting and serving the needs of the region’s rapidly growing Hispanic population (22%, approximately twice the U.S. average).

Site and Facilities

Proper positioning on the Addison Airport will be a key factor in the success of a new CFM facility. The site should be selected to provide visitors with unobstructed visual access to planes landing and taking off, as well as physical access to the runway for CFM flights. The building on the site should also be as prominently visible as possible to serve as a visually exciting (and potentially dynamic) attractor to the public from Addison Road or other thoroughfares and from the Arts and Events district, if possible.

Possible sites exist at the southeast corner of ADS, where the two Collins hangars and the T-hangars are now located. Alternate hangars would be needed for existing tenants who would be displaced. At the same time, CFM would be vacating hangars that it currently rents on the field, potentially freeing up space for other tenants. It will need to decide whether to keep a hangar at the current location for restoration work and storage or to obtain or build one that is adjacent to the new facility, potentially allowing visitor observation of these activities.

Of course, plans for CFM and timing of their implementation must be integrated with the Addison Airport Master Plan, particularly the intermediate-term landside development portion. Since others on the airport will be affected by these decisions, they should be kept informed about the possible options, and the process should be conducted openly. Airport meetings and publications should be used as vehicles for sharing information and obtaining feedback.

The size of the site will be determined by both the initial programmatic requirements of the new facility and the capital funding available. The site must allow for facility expansion over time. As part of the feasibility study, operating costs of the new facility, especially the numbers of permanent staff required, must be balanced conservatively by revenue projections.

In addition to the typical indoor functions, a program for outdoor activities should be planned, including exterior space from which the runway can be viewed by visitors and by those attending special events after hours. Access will be needed for visitor flights on CFM aircraft or those provided by others, such as the Civil Air Patrol. Adjacent space for tie-down of visiting aircraft would be valuable. Creating nearby space for an airplane washing service would provide another interesting activity for visitors to watch.

As noted, a critical requirement for the building itself is to open visually onto the field. If the building is properly designed, the airport itself should become CFM's largest and most dynamic "exhibition." To enhance this role, CFM should explore obtaining and reusing the upper level of the old Control Tower after it is replaced. The new National Air and Space Museum facility adjoining Dulles Airport created an observation tower that has become one of its most popular attractions.

Site location within walking distance from the Arts and Events District would provide numerous advantages. One is access to large numbers of family visitors attending daytime special events who may wish to extend their stay or to decide to visit another time. Because the District has parking for 2,100 cars plus 5,000 more within walking distance, CFM would need a reduced amount of parking that could be reserved for handicapped visitors and others that require immediate access, such as caterers. (School and other buses would not need dedicated parking on site, but a protected area for drop-off and pick-up.) Shared uses may be possible with other District facilities such as the Theater and the Conference Center, where special daytime activities that require large spaces could take place. Ideally, an overpass would connect CFM to the District to avoid visitors having to cross busy Addison Road. The new CFM should be added as an Addison Shuttle stop; the potential DART light-rail stop will enhance access.

Several publications are available that describe typical public and behind-the-scenes space needs for museums:

- *Building Type Basics for Museums*, Arthur Rosenblatt, Wiley, 2001
- *Before the Blueprint: Science Center Buildings*, Peter Anderson, ASTC, 1991

Aviation museums, of course, have special requirements for handling and displaying aircraft that are extremely large and heavy. An important question will be whether any are to be suspended, since doing so will present additional structural and engineering requirements. In any case, a mezzanine level for viewing planes from different heights would be very valuable.

The many planning issues involving CFM and ADS will need to be resolved in mutually acceptable ways. In addition to those already mentioned, airport security issues, such as transition from visitor areas to the working airport, will have to be addressed, especially after the heightened concerns following 9-11. (General security guidelines can be found at www.dot.state.tx.us/AVN/avninfo.htm.) Approvals by the FAA may be necessary for aspects of the plan, such as Control Tower transfer. Once the scale of the basic parameters of CFM has been set, initial site plans should be developed to explore the planning implications. A preliminary program of space needs should be developed based on the sections of this report that follow.

Exhibits

CFM currently provides relatively limited interpretation of its collections, primarily through labels and a museum guide available for purchase. In addition to expanding the scope to increase its drawing power, CFM will need to develop creative strategies for engaging visitors and providing rich learning environments. The goal of the exhibit program should be to create memorable informal learning experiences. A recommended reference is: Falk, John H. and D. Lynn Dierking, *Learning from Museums: Visitor Experiences and the Making of Meaning*, AltaMira Press, 2000, which presents a model for informal or free-choice learning based on the personal, social, and physical contexts in which it takes place.

The process for conceptualizing and designing exhibits will be critical to the success of the institution both from an educational and marketing point of view. It often begins with a planning charette that involves diverse creative thinkers who are assembled for one to two days to brainstorm possible directions. Front-end research also will be vital for understanding the needs and interests of the potential audience, as well as obtaining feedback on initial concepts. Too often, exhibits are designed based solely on the content interests of a curator or the aesthetics of a designer without thoughtful development based on careful consideration of the intended audience, research on informal learning, and the lessons derived from related prior exhibits.

The following is one possible direction for exhibit development and should be viewed in that light. The new CFM could be organized and themed as a Flight Training Academy with immersive environments devoted to pre-flight preparation, flying, and landing, as well as aircraft maintenance and other key aspects. In this way, it could involve visitors in role-playing, which can be an effective technique for engagement as the first step towards learning. A themed orientation area could set up visitors for this experience.

Suggested techniques for consideration include: flight trainers; cockpits to climb into; interactive Virtual Reality (VR) simulations; and hands-on exhibits based on the science and technology underlying flight and aviation. Media could be used in interesting ways, such as a virtual “flight instructor” who follows the visitor, providing guidance and support throughout the “training.” Another application might be views of the U.S. by day or night from different altitudes that enable visitors to see the Earth the way that a pilot does and let them try to identify the natural and human-made features.

Technology (ranging from simple bar codes to RFIDs, Radio Frequency Identification Devices) is now available to customize the museum experience. It can also make possible individualized follow-up activities from home via the Internet. Extending the experience is valuable for reinforcing and building on the activities that occurred during the visit. It is important to recognize, however, that museum visits are to very large extent social experiences, and care must be taken to design activities that build on rather than detract from interactions within the visiting family or social group.

Content embedded in the visitor experiences certainly will be derived from operational and technical aspects of flying and related areas. In addition, it can draw from the physical sciences, technology, human physiology, psychology, history, and other fields. Weather, a subject of high visitor interest, could become part of the pre-flight area, for example. To the extent possible, personal interest stories should be woven into the exhibit experiences, perhaps through newspaper clippings, and other means. Contextual career information also would be appropriate, particularly for the key roles that may be less glamorous and well known than the pilot.

To help make Addison airport the largest “exhibit” at CFM, the old Control Tower should be transformed, if possible, into an observation deck for watching take-offs and landings; alternatively, a realistic simulation could be recreated. In either case, visitors would listen to the actual chatter from the working Tower. (For example, this web site offers real-time access to the DFW Airport Tower: webevents.broadcast.com/simuflyite/.) Adding live radar to watch approaches and landings in addition to visual observation would further enhance the visitor experience. With appropriate interpretation, this “exhibit” would showcase the working airport for visitors in a way that no simulation could.

One of the major challenges faced by museums is keeping the experience fresh through change in order to stimulate repeat visitation. The typical method is to host three or more traveling exhibitions over the course of a year. This practice is costly and provides mixed results. Alternatively, CFM may wish to display one or more aircraft on a rotating basis as “temporary exhibitions” that change quarterly. It also may be possible to achieve this goal through other means, as described in the section on Educational Programs. Furthermore, the air traffic at ADS can be considered a constantly changing exhibition.

A program master plan should be developed that outlines conceptually the intended outcomes and approaches taken for the CFM exhibitions. The process may involve a charette, front-end research, and the services of planning and design consultants.

Collections

As noted, CFM holds a significant collection of historic aircraft in excellent condition. Seven have won national recognition with awards for authenticity and restoration excellence, including the EAA Grand Champion Warbird award for its B-25 Mitchell and F9F Panther. These important artifacts are the “real thing.” They illustrate the progression of aviation technology from World War I through the Cold War, with particular emphasis on World War II, which critically stimulated development of now essential elements such as radar. This collection can be interpreted in several complementary ways consistent with the expanded overall theme.

By installing them in theatrical themed hangars or hangar-like settings, they can dramatically illustrate the state-of-the-art at key historical eras: World War II and the Cold War. Their historical role and related human stories can be told through oral histories, actual newsreels, and other means. Because these planes are similar in many respects to those still used today in civil aviation, they can also illustrate the underlying technology and its evolution.

The CFM art and artifact collections should be integrated whenever possible to add another layer of interpretation. Assuming they are properly mounted and protected, they might also be used to theme the restaurant, helping create a unique atmosphere.

A collections issue to be explored is whether additional aircraft should be acquired. Possible directions would be more contemporary aircraft, examples of nonmilitary aircraft, and a large aircraft that could serve as an icon, such as a B-36. (The last B-36 manufactured by Convair in Fort Worth has been restored by volunteers and awaits a permanent home; see <http://www.b-36peacemakermuseum.org/History/current.htm>.) These decisions have significant facility implications (a B-36, for example, has a wingspan of 230 ft, length of 162 ft, and height of 47 ft), regardless of whether the aircraft gets suspended or displayed on the ground. A related question is whether future restoration work is anticipated. If so, will it take place at the new facility and be visible to the public, or will it take place off-site in a separate hangar?

Another issue is which planes will be available for air show use. The museum will need a core collection that does not change and can be interpreted by such means as described earlier. Those available to fly will need to be predetermined so that the facility and exhibits can be designed to accommodate this use.

CFM may wish to consider pursuing accreditation by AAM, which is the highest professional recognition in the museum field. Information can be found at: www.aam-us.org/programs/accreditation/accred.cfm. Few aviation museums are accredited; one of them is the American Airpower Heritage Museum in Midland, TX.

Educational Programs

CFM offers adult visitors fee-based 30-minute rides on authentic single-passenger World War II trainers, the N254 “Stearman” open-cockpit biplane or the AT-6 “Texan.” These flights, which could be expanded by adding staff or aircraft with greater seating capacity, provide authentic experiences difficult to obtain anywhere else. They are relatively costly and can serve only limited numbers of visitors. However, others can participate vicariously if the fight preparations, take-offs, and landings are announced and made into public “demonstrations” that interpret the steps involved. In addition, CFM could offer other demonstration flights or aerial acrobatics that are observable by and explained to visitors, particularly when paying customers have not booked them.

In addition, CFM could offer changing “mini”-air shows on a regular basis, perhaps monthly, with major events scheduled quarterly or annually. Although they require considerable effort to arrange, these shows can help attract repeat visitors and generate public relations interest. In addition to drawing from private collections, the Southwest Region of the Civil Air Patrol (level2.cap.gov/), the military, and commercial operators may be glad to have the chance to interact with the public. Air shows and flights require careful coordination with ADS to minimize disruption of airport operations. Such events could be complemented by appearances of fighter “aces” and other special guests who may be willing to make public presentations.

Because CFM does not currently offer education programs *per se*, this aspect of the museum provides a great opportunity and must be developed. The most flexible educational element of a museum, programs can target various audiences and can take a wide variety of forms. For this reason, 82% of all Texas museums present public programs in addition to their permanent and changing exhibition. In the most recent member survey, the Association of Science-Technology Centers (ASTC) found the following public programs offered by mid-size institutions: classes and demonstrations (85%); camp-ins (80%); camp programs (75%); after-school programs (45%).

Addison offers an active program of ongoing activities through its Recreation Department. CFM has the opportunity to develop unique offerings that serve Addison residents and are promoted by the Town. Particular audience segments could be targeted through specialized programs, such as ones designed to attract young adults for evening activities that include wine and live music. Evening events would certainly have very different feel and offer visitors the chance to view an operating airport after dark.

Nearly half of Texas museums offer pre- and post-visit classroom activities and workshops designed expressly for teachers. The ASTC survey found that mid-size institutions offer the following school and teacher programs: teacher workshops (90%); field trips (85%); school outreach (75%). These types of programs should be developed with the assistance of local teachers and should follow the Texas Essential Knowledge and Skill (TEKS) state guidelines; see www.tenet.edu/teks/science/ (and also the section on informal education, www.tenet.edu/teks/science/profdev/informal_ed/).

Some education programs are “pre-packaged,” such as Challenger Learning Centers, which were developed by the families of the astronauts who perished in 1986; see www.challenger.org/clc/. Currently, there are no Learning Centers in the D/FW metroplex. Although their target audience is middle school children, some museums have developed public and corporate programs. In fact, adult team building programs could provide a way to serve corporations in Addison as well as generate earned income; they could be based on a simulated mission or flight requiring trust, coordination, and communication skills.

CFM should pursue programmatic partnerships with the aviation-related organizations in the area, which include the Lone Star Aero Club (www.lonestaraeroclub.org/), Dallas Chapter of the International Organization of Women Pilots—“Ninety-Nines” (www.dallasninetyines.org/pages/1/index.htm), and the Vought Retiree Club (www.vought.com/heritage/). CFM is a member of the North Texas Association of Aviation Museums (www.notaam.org/), which offers additional programmatic and marketing opportunities. CFM air show activities should be coordinated if possible with the NAS Fort Worth Air Show, Alliance Air Show, Fina Dallas Air Show, and other related events. Activities also might be offered in conjunction with the education programs of the Federal Aviation Administration and the Civil Air Patrol. Although at times difficult to establish and implement, collaboration offers great potential for leveraging limited resources.

Governance

CFM, originally organized as a privately held S-corporation, is forming two 501(c)(3) not-for-profit corporations: Cavanaugh Aviation Museum and CAM Foundation. CFM is the entity that owns 24 airplanes, which will be transferred to CAM over time. It is not clear why a separate foundation is being formed, since CAM itself will be able to accept charitable contributions.

A not-for-profit corporation is the typical museum governance structure. In fact, 69.4% are set up this way based on the most recent survey of U.S. museums by AAM. Of the remainder, approximately 10% are college or university museums, and the other 20% have some form of public governing authority, either federal (2.5%), state (7.3%), county (3.5%), or municipal (6.9%).

The CAM board consists primarily of family members. That composition is understandable given the origin of the museum and collection. However, if CFM is to become part of the Addison and greater D/FW communities, its board will need to be diversified considerably. Members should be recruited strategically based on their expertise, influence, and ability to contribute and raise funds. Potential targets are top executives at major regional corporations, wealthy individuals, entrepreneurs, and others who share an interest in flying. The board should reflect diversity by gender and of the D/FW metroplex that the institution serves, including the Hispanic community.

Many resources are available for board development. One is BoardSource (www.boardsource.org/), which provides information on its web site and has many publications. The Management Assistance Program for nonprofits offers a useful “toolkit” of references: www.mapnp.org/library/boards/boards.htm. The Museum Trustee Association (www.mta-hq.org/index.html) holds an annual meeting and provides assistance specific to the museum field. Locally, the Center for Nonprofit Management in Dallas (www.cnmdallas.org/) offers board development among its services.

Museum Operations

CFM is open Monday through Saturday from 9:00 a.m. to 5:00 p.m. and Sunday from 11:00 a.m. to 5:00 p.m. These hours are fairly standard, although some museums close for financial or maintenance reasons on one or more days, typically at the beginning of the week. An expanded CFM may wish to experiment with limited evening hours.

The CFM staff of nine consists of the Director/Pilot/Aircraft Maintenance Manager; Assistant Director/Pilot/Facility Maintenance Manager; Museum Administrator; Gift Shop Supervisor/Receptionist; Administrative Assistant (reception and clerical); Facility Assistant (janitorial, computer maintenance); and three Aircraft Mechanics. Existing staff demonstrate great flexibility and expertise in flight operations. Although the ultimate staffing plan will depend on the scale of the facility and the program, it is likely that other functions will need to be added: education, exhibits maintenance, public relations/marketing, development (fundraising and membership). One of the challenges that CFM will face is the organizational transformation from a smaller to larger institution, with higher public expectations and increased responsibility for existing staff.

Assuming involvement of Addison in the new operation, there may be cost-saving opportunities for sharing functions with Town staff. For example, CFM should explore contracting with Addison for administrative services, such as finance and human resources; marketing and public relations; facility maintenance; and security. Positions should be analyzed based on whether the expertise can best be served by CFM, Addison, or outsourced to another entity (such as Jani-King).

As noted, operational issues need to be addressed relating to the integration of museum and airport functions. Museum activities, such as air shows, will require careful coordination and may be restricted to weekends, when airport traffic is lower (and museum attendance is higher.) In addition, the new CFM must develop plans for different modes of operation for heavier crowds that might be expected on Addison event days. Liability insurance for CFM flights may become an expense issue as the numbers increase.

Finance

CFM has an unusual distribution of revenue. The following table compares it with museum data from AAM and ASTC; see Appendix B for comparable aviation museum data. Note that the ASTC percentages represent medium-size science-technology centers,

which tend to be more entrepreneurial than the average museum represented by the AAM data. As a result, their percentage of earned income is approximately double and the portions from contributions and endowment correspondingly reduced.

Source	CFM	AAM	ASTC
Earned	34%	30%	66%
Government	3%	25%	20%
Private	62%	35%	15%
Investment	0%	10%	--

The percentage of public funding is low, private contributions high, and investment return zero, since there is no endowment. CFM should seek to diversify its revenue sources to include increased public funding, the return from an endowment, and increased earned income. As discussed later, sources for private contributions should also be increased.

Currently Addison provides CFM with \$50,000 annually for marketing. As part of an expansion program, Addison should consider increasing that amount. Assuming for simplicity an approximate doubling of the CFM operating budget to \$3 million, “average” public funding would amount to \$600,000 to \$750,000 annually from all public sources. By way of comparison, the WaterTower Theatre currently receives \$380,000 from Addison from the hotel fund.

Earned income offers the greatest flexibility for generating revenue. Its main sources are indicated in the following table for mid-size science centers:

Admissions tickets	44%
Ancillary services	22%
Education fees	11%
Memberships	9%
Other earned	9%
Interest	4%

Admissions, the largest component of earned income should be the primary focus. To attract visitors, museums typically spend 5% to 10% of their operating budget on staff and activities for marketing and promotion. As noted, admissions prices can vary considerably and should be based on a pricing study that determines the elasticity of what the public would be willing to pay for the experiences offered. Perception of value for the money (and time) spent will be critical for generating positive word-of-mouth (the most effective form of marketing) and repeat visits. Most museums have some form of membership program, which typically offers unlimited free admission, a publication, and other benefits that vary with membership level. Together, these revenues may account for half or more of all earned income.

Other sources of earned income cover a very wide range. The educational programs described in a previous section are typically offered on a fee basis and some are subsidized, particularly for school group visits. Ancillary services include retail, food service, parking, and facility rental. Retail is currently a major source for CFM, and a

new facility should allow for a store that is larger than the current 400 sq ft. The Museum Store Association (www.museumdistrict.com/) is an excellent source of information for planning and operating information. Based on MSA data, about 40% of museum stores range in size from 600 to 1,599 sq ft. The median net sales per visitor are \$1.96 and the per square foot are \$183. Based on these measures, CFM easily exceeds industry norms. Outsourcing its operation to an Addison retailer should be considered.

CFM should consider creating a mid-price restaurant (like the Blue Fig Restaurant at Scottsdale Airport) and snack shop that could be outsourced to an existing Addison restaurant through an RFP process. The mid-price restaurant should have an aviation theme, views of ADS flights, and both indoor and outdoor seating. It should have the capacity to cater special events on site.

Although CFM revenue from hosting special events is low, it has been designated the Meeting Professionals International Facility of the Year for 2003-2004. An expanded facility would increase the opportunity to offer corporations and others a themed venue for events complementary to the hotels and convention center. Facility use could potentially be marketed through meeting planners, preferred caterers, or broadly through the hotels and restaurants in Addison to leverage CFM's own marketing efforts. These catered events should be able to take advantage of both indoor and outdoors spaces from which flights can be observed. In the facility rental niche, CFM competes directly with the C.R. Smith (which can serve 700 for buffet and 300 for sit-down events around its DC-3) and FOFM (which can accommodate 1000 seated); FOFM hopes to generate one-third of its operating revenue from this source.

CFM has the capacity to generate other forms of earned income. Its airplane flights offer a high-priced but unique experience. It should study the potential for maximizing this revenue through increased numbers of flights and planes that can hold multiple passengers, as mentioned previously. Another possibility is instituting an airplane washing service, which has the dual potential of generating earned income and providing a living "exhibit" for visitor observation. Here CFM must carry out a financial feasibility analysis and determine what size rack would be most productive from business and operational perspectives.

Another opportunity worth exploring would be a boutique hotel similar to the Hangar Hotel (www.hangarhotel.com/), which is in a recreated World War II military hangar at the Gillespie County Airport in Fredericksburg, Texas. This type of enterprise would also require a feasibility study to gauge market demand and potential return on investment.

Development

Establishing a diversified base of private contributions from which to raise annual and capital funds and grow an endowment will be essential to CFM. The Board of Trustees must play a key role, in making personal and corporate gifts, but also by building on the relationships of its members with other donor prospects. Appendix C identifies regional businesses that may be sources of potential funding.

Special events, such as a fundraising gala, should be considered after a strong community-based Board has been established. Creating an active and well-connected volunteer group whose interest is planning and carrying out social activities rather than airplane restoration will be needed. Although these types of events require great effort to produce, they can generate increased awareness and positive public relations in addition to raising funds. CFM will be competing in this area with an established FOFM Gala and a lower-priced VFM annual event, along with the many other fundraising events by not-for-profits in the area.

For any organization to widen its donor base, it must demonstrate strong support from its closest existing supporters. In the case of CFM the primary supporter is Mr. James Cavanaugh. He already has made major contributions by acquiring the collections, in addition to significant annual gifts to balance the CFM operating budget. Other potential donors will be looking at his level of support for any expansion of the facility, which might take the form of the lead gift to a capital campaign. A recognized community or corporate leader should lead this campaign. Addison will need to determine its level of commitment to providing capital funds towards this campaign. One strategy would be for both Mr. Cavanaugh and Addison to provide capital funds that would match other private contributions, based on an assessment of the feasibility of attracting additional private donors to such an effort.

Raising funds for an endowment is an important step towards helping maintain the new museum in perpetuity and building confidence among other potential supporters of its long-term viability. A lead gift from Mr. Cavanaugh again would send a strong signal to the community and is essential for soliciting additional contributions. It is unlikely that other major donors will step forward absent major commitments from the museum founder. Establishing the endowment can be incorporated into the capital campaign.

Fundraising counsel is generally retained to assist the board and staff in conducting a major capital campaign. The firm typically begins with a feasibility study to assess the willingness of others in the community to contribute to the cause. Such a study should follow diversification of the CFM board, since its members will certainly increase the pool of potential donors. The larger the campaign contribution made by Mr. Cavanaugh and by Addison, the less important the need for fundraising counsel and feasibility study.

Term Sheet Analysis

CFM proposed to Addison the outline of an agreement for developing and operating an expanded facility; see Term Sheet in Appendix C. The general intent (Section II) is:

“The Town and the Non-Profit intend to design, construct, operate, and under certain circumstances, expand the Cavanaugh Flight Museum (the “Museum”). Generally speaking, the Town will support the Museum by providing funding, land, and promotional and marketing services; the Non-Profit will support the Museum by providing technical advice and leadership during the design and construction of the Museum, undertaking the management and operation of the Museum (subject to certain

oversight and approval rights conferred on the Town), and providing the aircraft, artwork, displays, memorabilia and other materials exhibited in the Museum.”

Assuming interest by Addison, this general statement is not unreasonable. However, the details of how this intent gets implemented will be critical.

The Term Sheet proposes the following seven project phases:

1. Negotiation and Execution of Agreement
2. Selection and Approval of the Design and Budget Team
3. Completion and Approval of the Conceptual Plans
4. Completion and Approval of the Development and Operations Budget
5. Completion and Approval of the Museum PS&E [Plan, Specification & Estimate]
6. Approval and Award of the Museum Construction Contract
7. Completion of the Museum and Commencement of Operation

CFM proposes to take the lead in these steps, with review and approval by Addison. Since Addison has extensive development experience, it would make sense for one or more its staff to become part of the planning team, with further review and approval as required. The steps in the development process should follow those normally used by Addison in managing complex projects. Described in terms of a Technical Work Group, the process for communicating with all constituencies should be incorporated into the planning, both to share openly relevant information and to gather valuable feedback from stakeholders and the community.

CFM proposes a 100,000 sq ft museum facility, roughly a doubling of its current space and a reasonable starting point for discussion (see Appendix B for comparable facility data), along with a 30,000 sq ft hangar for maintenance and restoration. Actual facility requirements should be based on a planning process that includes development of:

- Preliminary conceptual plan for museum exhibits and programs;
- Space use analysis based on programmatic and facility requirements;
- Site plan and analysis, including parking;
- *Pro-forma* operating budget (based on conservative attendance and earned revenue projections);
- Capital campaign budget (based on fundraising feasibility).

These initial planning steps should take place prior to beginning formal architectural or exhibition design. Although they add little to the final cost, these critical steps often do not receive sufficient attention, leading to projects that later require expensive modification or do not fulfill their expected potential. Architectural design often begins too early in the process. A thoughtfully developed program including initial exhibit plans and financial feasibility must guide facility design.

The CFM request for adjacent hangar space for the Jani-King Aviation Department should be considered as part of the overall business arrangement. Jani-King staff and operations, however, will need to be clearly delineated from the museum since this aspect would violate the public purpose and endanger the not-for-profit status. The request for an F-104 or other aircraft on a pedestal at the museum entry is a detail that can be explored during the architectural planning and costing for the facility.

The Term Sheet contemplates that Addison be responsible for paying the capital and unfunded operating costs for the Museum. Although ideal for CFM, such an arrangement would be very unusual. As described earlier, a more typical operating arrangement is for one or more public entities to contribute portions of the operating revenue to supplement earned income, private contributions, and return from an endowment. Similarly, taxpayers often contribute a portion of the capital costs for new museum facilities through issuance of bonds and other means. Land is frequently donated by a public entity or offered at a nominal rent or \$1 per year.

Other matters raised in the Term Sheet have been addressed earlier in this report, such as facility issues (shared use of existing theater and parking, programmatic integration of art works, control tower for observation, wash rack); need to identify core aircraft for display; cooperation on programs and marketing.

Next Steps

It is not likely that Addison would create a museum based primarily on military aircraft if none existed today. However, the Town is home to the outstanding CFM collection and would derive benefits from a potential expansion carried out in the manner described. A new museum with broadened appeal will provide another reason to visit or extend a stay in Addison. If well executed, the facility should increase the numbers of regional and out-of-town visitors and lengthen stay time of existing visitors through museum visits and synergies with the Arts and Events District. It should produce a net positive economic impact on the Town, its restaurants, hotels, and other businesses that serve the public.

Addison Airport should benefit as well. An expanded CFM can increase the number of general aviation visitors and make it more attractive to existing ones through its exhibits, mid-range restaurant, and even possibly a boutique hotel. Added operations would require additional fuel and other flight services, generating increased revenue. (For example, the 36,728 transient arrivals in 2002 resulted in 110,070 visitor days that generated some \$14.9 million in revenue, not counting indirect multiplier effects.) An airplane washing service operated by CFM would provide another useful service for tenants and transients. The new facility also would provide a way to satisfy the need to provide a safe way for the public to view flights at the airport.

On the other hand, creating an expanded museum facility is a complex project that should not be lightly undertaken. Many museums today are struggling financially and reassessing their roles for the 21st century. The recommended planning steps would address these concerns. Addison can manage financial risk through making annual dollar-limited contributions (rather than carrying all the exposure), as part of a diversified CFM revenue stream capable of supporting ongoing operations. Careful planning can control the public relations risk posed by the potential for an unsuccessful museum. The low risk of an aviation accident can be managed through constant emphasis on flight safety.

Taking all factors into account, it is the recommendation of this analysis that Addison proceed to the next stages of decision-making and planning. Specifically, the following next steps are proposed.

1. **Negotiation with CFM.** Recommendations in this analysis differ in several material respects from the Term Sheet proposed by CFM. Agreement must be reached by Addison and CFM over major issues, including extent of public funding for capital and operating costs, willingness of CFM to expand its board membership, and level at which Mr. Cavanaugh intends to contribute towards a capital campaign, annual fund, and endowment. A revised Term Sheet satisfactory to both parties must be the outcome of these discussions.
2. **Feasibility Study.** Detailed market and attendance estimates must be developed, along with a business plan based on conservative projections and diversified sources of operating revenue. A specialized firm can be retained to carry out this step in about three months. Approximate costs for a market study are \$25,000 plus \$10,000 for an operating plan. Addison may also wish to consider obtaining a study of the economic impact of the expansion (approx. \$10,000).

To accelerate the process, Step 2 could be carried out in parallel with Step 1. Although doing so increases the initial outlay by Addison before assurance of an agreement, the study will more sharply define the financial parameters of future CFM operations that can inform Term Sheet negotiations.

3. **Master Planning.** The programmatic focus for CFM must be developed and agreed upon, whether along the lines proposed here or in alternative directions. The planning should include development of a conceptual plan for museum exhibits and programs; space use analysis based on programmatic and facility requirements; site plan and analysis, including parking; and a capital campaign budget. This process should involve both an exhibit design firm and museum planning consultant. The duration and cost for this step are best determined after the scope of the project has been defined in Steps 1 and 2.

Appendix A

Aviation Museums in D/FW Metroplex

American Airlines C.R. Smith Museum (www.crsmithmuseum.org), Fort Worth.

This 35,000 sq ft corporate museum also opened in 1993. Since then, it has celebrated its one-millionth visitor. Its focus is commercial aviation, the history of American Airlines ("Beginnings" 1918-1930; "Consolidation" 1931-1939; "Transition" 1940-1959; "Jets" 1960-1978; "Deregulation and Growth" 1979-1993). In addition, it includes a restored DC-3; area for children with hands-on activities; a two-seat custom flight simulator (requires volunteer assistance); and a 110-seat theater (Iwerks 8/70), where the 14 min. "Spirit of American" film is shown to visitors in business-class seats. The museum is operated by the C.R. Smith Foundation as 501(c)(3) and is currently open five days per week; admission is free, but a charge is being considered. Attendance is now approx. 65,000 visitors per year with one-third school children. C.R. Smith visitors must pass through a security gate to access the museum building. The approx. \$1 million operating budget is supported by earned income from retail and facility rental, earnings from a \$6 million endowment, and an annual contribution from American Airlines (\$50,000 - \$200,000).

Frontiers of Flight Museum (www.flightmuseum.org), Dallas.

Founded in 1988 by Senator Kay Bailey Hutchison, Jan Collmer, and William E. Cooper, the museum originally was located within the airport terminal at Love Field in Dallas. Its new 100,000 sq ft city-owned facility, which opened on June 5, sits on a six-acre site on the field. Expansion was made possible by a \$7.2 million State Transportation Enhancement Project (STEP) grant plus \$1.8 million in matching funds. With the aid of the UT Dallas aviation collection of George E. Haddaway, FOFM has positioned itself as a museum on the history of aviation and not just an "airplane museum," although it currently has 22 aircraft (of which it owns one-third). A highlight is the Apollo 7 Command Module, obtained on loan from the National Air and Space Museum until 2007 through the assistance of astronaut and FOFM board member Walter Cunningham. FOFM is a developing institution that remains a work in progress. About 20-25% of its exhibits have been installed, including portions of three separate "education experience centers" for pre-school, middle school, and high school children. (This unusual arrangement is beneficial for school groups but may be problematic for families.) Ultimate FOFM attendance has been targeted at 300,000 to 500,000 per year; initial visitation has been about 6,000 per month. The facility includes a 200-seat theater and gift shop.

Vintage Flying Museum (www.vintageflyingmuseum.org), Fort Worth.

Located at Meacham Field, VFM was created from the private collection of Dr. William D. Hosper. It includes 18 aircraft (12 owned, 6 flyable), with an emphasis on World War II, and the prime holding is a B-17 Flying Fortress. Open on weekends, it is an emerging institution run at present entirely by 50 to 60 volunteers, many of whom are actively

involved in restoration. VFM includes some 300 airplane models and simple exhibits. VFM rents part of its B-29 hangar to the independent OV-10 Bronco Association, which has created its own simulated “ready room.”

Other members of the North Texas Association of Aviation Museums (NOTAM) include the Naval Air Station JRB Fort Worth, Texas Air Command (Meacham Airport), and D/FW Wing of the Commemorative Air Force (Lancaster Airport), as well as the History of Aviation Collection at the Eugene McDermott Library of UT-Dallas. In addition, the Aviation Heritage Association (Melvin Haas, board chairman), which runs an Aviation Hall of Fame program and International Air Show, is at the planning stage of developing an Aviation Heritage Museum - Education and Training Center at Alliance Airport in Fort Worth. The greater D/FW region also is home to the Silent Wings Museum in Lubbock, Hangar 10 Flying Museum in Denton, and #1 British Flying Training School in Terrell. The Pate Museum of Transportation near Cresson had an outdoor collection of aircraft, but most of them have been reclaimed by the U.S. Air Force Museum due to their deteriorating condition. Texas has 36 aviation museums in total, more than any other state.

Appendix B

Comparative Aviation Museum Data

Because of the small size of the subset of aviation museums, it is difficult to make “apples to apples” comparisons, especially when considering the diverse locations and local circumstances of these museums. In addition, although most museums share similar objectives, they carry them out in varying ways in differing settings with few uniform reporting standards. Thus finding facilities that are similar in all or most respects is not possible in so small a niche. Nevertheless, it is possible to identify and obtain data from other aviation museums that can shed comparative light. Information regarding the operation of these other institutions provides a context for assessing both the present Cavanaugh Flight Museum (CFM) and its potential expansion.

In addition to CFM, American Airlines C.R. Smith Museum (C.R. Smith), and Frontiers of Flight Museum (FOFM), the following others generously shared data about their facilities, attendance, staffing, and finances:

Air Zoo (www.airzoo.org/), Kalamazoo, MI (contact: Bob Ellis, Executive Director). The Air Zoo just opened in May of this year on 60 acres as a \$20 million expansion of the Kalamazoo Aviation History Museum, which originally opened in 1979. It seeks to bring aviation history to life through character actors and hands-on experiences, including flight simulators, amusement rides, and 3-D films. Its collection of 80 vintage aircraft includes World War II fighters and a SR-71B Blackbird spy plane.

Cradle of Aviation Museum (www.cradleofaviation.org/), Mitchel Field, Garden City, Long Island, NY (contact: Claudia Oakes, COO). The Cradle of Aviation was a \$40 million project that opened in May 2002. It is based on a collection of 70 military and civilian aircraft and spacecraft associated with Long Island that was assembled over two decades. They are located in two renovated historic pre-World War II military hangars near the Long Island Children’s Museum. It includes an IMAX Dome theater. Cradle is operated by the not-for-profit organization Nassau Heritage in cooperation with Nassau County.

Lone Star Flight Museum (www.lsfm.org/index.htm), Scholes Field, Galveston, TX (contact: Ralph Royce, Executive Director). LSFM, which began as a private collection in 1985 and opened in 1990, considers itself the largest aviation collection housed in a single facility in the south central U.S. It has been officially designated the Texas Aviation Hall of Fame by the Texas legislature. Its collection includes 32 aircraft, 3,000 artifacts, 2,500 reference works, and 1,000 historic photographs, as well as artworks and oral histories.

Facility Data

	<i>CFM</i>	<i>CR Smith</i>	<i>FOFM</i>	<i>Lone Star</i>	<i>Air Zoo</i>	<i>Cradle</i>
Total Interior Space sf	57,600	35,000	100,000	105,800	138,000	130,000
Interior Public Sp sf	46,500	35,000	80,000	87,500	110,000	83,000
Exhibit Space sf	44,000	25,000	60,000	64,405	92,000	48,000

The facilities range in size from the C.R. Smith Museum and CFM at the low end to the Air Zoo and Cradle of Aviation at the upper end. Aviation museums tend to have larger facilities than most other types of museums due to the size of the objects they display. As a result, they are less “dense” than other types of museums. Interior public space may be a better measure of aviation museum visitor experience than exhibit space because of institutional differences in defining what “exhibit” means in the context of displaying large aircraft. Cradle public space also includes a 330-seat IMAX 15/70 theater, which is not counted towards exhibit space.

Attendance Data

	<i>CFM</i>	<i>CR Smith</i>	<i>FOFM</i>	<i>Lone Star</i>	<i>Air Zoo</i>	<i>Cradle</i>
Total on-site, #	25,248	65,000	72,000	74,862	240,000	205,000
Visitors/ sq ft Public Sp	0.5	1.9	0.9	0.9	0.7	2.5
School Children, #	6,436	21,000	18,000	11,905	7,500	47,000
% School Children	25%	32%	25%	16%	3%	23%
Memberships (family), #	5	5,000	-	600	2,000	-
Metro Population	5.8 m	5.8 m	5.8 m	4.7 m	450 k	2.7 m
Visitor Capture %	0.4%	1.1%	1.2%	1.6%	17.8%	7.6%

Attendance ranges from CFM at the low end to the Air Zoo and Cradle at the high end. Note that attendance for Frontiers and Air Zoo are annualized projections that are extrapolated from only a portion of the year since both opened recently. First year attendance can be expected to drop by as much as one-third after the first year of operation as the newness of the attraction wears off. Cradle and C.R. Smith have the highest numbers of visitors per square foot of public space, indicating the greatest internal pressure for expansion.

The low figure for Air Zoo school children attendance is based on actuals, while the number for Frontiers is a projection by the Director. If the anomalous Air Zoo number is dropped, the others all fall within a reasonable range. As overall attendance increases, this percentage naturally tends to decline since the school group population in a region is limited and fixed in number.

Memberships, which provide free admission during the year along with other benefits, vary tremendously across these museums. It is a major factor for the C.R. Smith and likely linked with personal affiliation with American Airlines as employee or retiree.

Size of metropolitan area is clearly a major factor in attendance. The two D/FW museums are situated in the most populous metroplex, with Lone Star in the Houston-Galveston area close behind, followed by Cradle in Nassau-Suffolk on Long Island, and Air Zoo in Kalamazoo-Battle Creek, the smallest region by far. The visitor (market) capture rate or penetration is derived by dividing total attendance by the metro area population. (Note that this number does not take tourist visitation into account.) Capture rates for CFM, C.R. Smith, and Lone Star fall at the low end by this measure compared to Cradle and Air Zoo. The latter are the largest facilities in this group; in addition, both have significantly extended their appeal through interactive visitor experiences that go beyond traditional exhibits and traditional aircraft displays.

Staff Data

	<i>CFM</i>	<i>CR Smith</i>	<i>FOFM</i>	<i>Lone Star</i>	<i>Air Zoo</i>	<i>Cradle</i>
FT, #	9	5	9	9	40	21
PT, #	3	1	6	4	20	40
PT, FTE	1	0.3	2	1	6	12
Total FTE	10	5.3	11	10	46	33
Visitors/FTE	2,533	12,213	6,643	7,321	1,734	6,164
Volunteers, #	40	45	80	160	200	240

As seen, staffing levels generally increase with facility size and attendance, although each institution has its own set of needs, access to external resources, and outsourced functions. The larger facilities use more part-time staff, who offer flexibility for scaling up or down to meet seasonal and weekly trends. All the museums use volunteers.

Financial Data

	<i>CFM</i>	<i>CR Smith</i>	<i>FOFM</i>	<i>Lone Star</i>	<i>Air Zoo</i>	<i>Cradle</i>
Op Expenses \$	\$1,570,000	\$1,000,000	\$1,000,000	\$1,700,000	\$3,200,000	\$5,040,368
Capital Expenses \$	\$0	\$0	nd	nd	\$5,800,000	\$0
Income						
Admissions \$	\$110,561	\$0	nd	nd	\$700,000	\$1,777,546
Adult Admission	\$6.00	free	\$8.00	\$8.00	\$19.50	\$7.00
Retail \$	\$313,986	\$350,000	nd	nd	\$250,000	\$27,651
Facility Rental \$	\$7,325	\$100,000	nd	nd	\$20,000	\$370,630
Other Earned \$	\$86,682	\$125,000	nd	nd	\$200,000	\$269,595
Total Earned \$	\$518,554	\$575,000	nd	nd	\$1,170,000	\$2,445,422
Public Funds \$	\$50,000	\$0	nd	nd	\$0	\$1,641,736
Endowment \$	\$0	\$6,000,000	nd	nd	\$0	\$0.00
Endowment Income \$	\$0	\$200,000	nd	nd	\$0	\$0
Contributions \$	\$937,644	\$200,000	nd	nd	\$1,800,000	\$69,221
Total Income	\$1,506,198	\$975,000	nd	nd	\$2,970,000	\$4,156,379

Financial information was provided by all museums except Frontiers and Lone Star, where “nd” in the table indicates no data. Sources of operating income for each institution vary considerably, as indicated below:

	<i>CFM</i>	<i>CR Smith</i>	<i>FOFM</i>	<i>Lone Star</i>	<i>Air Zoo</i>	<i>Cradle</i>
% Earned \$	34%	59%	nd	nd	39%	59%
% Public \$	3%	0%	nd	nd	0%	39%
% Contrib + Endow	62%	41%	nd	nd	61%	2%

The only museum to receive significant public income is Cradle, which receives nearly 40% of its operating revenue from Nassau County. Nationally, approximately one-fourth of the average museum funding comes from some form of public support.

Earned income is critical for all the museums. Generally, gate revenue is the primary source and is determined by the admission charge, attendance, membership program, and discount strategies. The price of admission varies very widely among these institutions, ranging from free admission (C.R. Smith) to \$19.50 (Air Zoo), which is at the extreme high end for museums in general. (The Museum of Modern Art in New York City charges \$20 for adult admission, reputed to be the highest charge.) The Cradle of Aviation has an IMAX theater and offers an adult combo ticket for \$16.50. All institutions discount for children, seniors, and groups. Admission revenue for CFM is low due to its attendance.

Other sources of earned income include retail, facility rental, educational program fees, and air shows. CFM has unusually high retail revenue and also generates additional revenue through its airplane flights. Earned income typically contributes 30% to 50% of the revenue in a museum budget.

Most museums raise private funds through contributions and benefit events. About one-third of museum revenue is derived from this source in general. CFM receives nearly double that percentage. It also has no endowment, like C.R. Smith, to serve as a base of long-term support.

The following key ratios can be used to analyze expense and income data:

	<i>CFM</i>	<i>CR Smith</i>	<i>FOFM</i>	<i>Lone Star</i>	<i>Air Zoo</i>	<i>Cradle</i>
Op Exp \$/sf exhibits	\$35.68	\$40.00	\$16.67	\$26.40	\$34.78	\$105.01
Op Ex \$/sf public	\$33.76	\$28.57	\$12.50	\$19.43	\$29.09	\$60.73
Op Exp \$/visitor	\$62.18	\$15.38	\$13.89	\$22.71	\$40.00	\$24.59
Earned \$/visitor	\$20.54	\$8.85	nd	nd	\$14.63	\$11.93

FOFM has the lowest operating expenses by all measures, although it may be too early in its development to tell whether those figures will be sustained. Lone Star also has low operating costs, likely due to its emphasis on displaying aircraft rather than interactive

exhibits. Cradle has the highest expense ratios per square foot, even when public space is used rather than exhibits. CFM has the highest expense ratio per visitor as a result of its lower attendance. On the other hand, it has the highest ratio of earned income per visitor, which is significant.

Appendix C

Potential Funding Sources

Regional aviation companies are potential contributors because of their special interest in both the field and the need to increase the size of the pool of prospective employees. Possible donors include: American Airlines; Bell Helicopter Textron; Boeing; Bombardier Aerospace Corp.; Consolidated Vultee; General Dynamics; Ling-Temco-Vought; Lockheed Martin Aeronautics Company; North American Aviation; Northrop Grumman; Vought Aircraft Industries, Inc.; Southwest Airlines; in addition to suppliers to the industry such as A. E. Petsche Company and Link Simulation and Training. Some of these companies may be amenable to providing in-kind support in addition to making financial contributions.

Businesses with airplanes at ADS and airport service providers are certainly candidates, along with the larger Addison employers, such as MBNA Hallmark Information Services, Excel Telecommunications, Mary Kay Cosmetics, Pizza Hut, Elcor, CompUSA, and Frito-Lay. Another source of donors is the Addison Business Association, whose members would benefit from attracting more visitors.

Beyond this core group are major companies headquartered in the D/FW metroplex, including: Advance PCS; Affiliated Computer Services; Burlington Northern Santa Fe; Centex; D.R. Horton; Dean Foods; EDS; ExxonMobil; Fleming; JCPenney; Kimberly-Clark; Lennox Intl.; Neiman Marcus; RadioShack; Texas Instruments; Triad Hospitals; TXU. Other donor prospects are major employers in the region, such as Austin Industries; Baylor Health Care System; Ben E. Keith; Brinker Intl.; Builders First Source; ClubCorp; Contran; Dr. Pepper/Seven-Up; Glazer's Wholesale Distribution; Hunt Consolidated; Kinko's; Minyard Food Stores; Sammons Enterprises; SBC; Texas Health Resources; VarTec Telecom; Verizon Communications; and Wal-Mart.

Grants from private philanthropic foundations are also possible and should be pursued. Government grants for museums are limited, however. At the federal level, the most likely candidates are the Institute of Museum and Library Services (IMLS) and National Endowment for the Humanities (NEH). At the state level, the Texas State Historical Commission and Texas Council for the Humanities offer grant programs.

Appendix D

Proposed Term Sheet



TERM SHEET CAVANAUGH FLIGHT MUSEUM

I. PARTIES:

The Town of Addison, a Texas municipal corporation (the "Town"), and Cavanaugh Air Museum, a Texas non-profit corporation and tax-exempt entity under IRC Section 501(c)(3), dba Cavanaugh Flight Museum (the "Non-Profit").

II. THE PARTIES SHARED INTENT:

The Town and the Non-Profit intend to design, construct, operate and, under certain circumstances, expand the Cavanaugh Flight Museum (the "Museum"). Generally speaking, the Town will support the Museum by providing funding, land, and promotional and marketing services; the Non-Profit will support the Museum by providing technical advice and leadership during the design and construction of the Museum, undertaking the management and operation of the Museum (subject to certain oversight and approval rights conferred on the Town), and providing the aircraft, artwork, displays, memorabilia and other materials exhibited at the Museum.

III. ANTICIPATED BENEFITS:

By undertaking their respective obligations regarding the Museum, the Town and the Non-Profit intend to realize various benefits. The Town anticipates that the Museum will (A) attract additional conventioners, tourists and other visitors, thereby increasing restaurant, hotel and related revenues within the Town's corporate limits, (B) serve as an educational resource for its school children and other citizens, and (C) otherwise further enhance the Town's reputation, standing and overall quality of life. The Non-Profit, in turn, anticipates that the Museum will permit it to (1) ensure the continued maintenance and care of its existing aircraft, memorabilia, and other property, (2) enhance its ability to restore and/or acquire additional aircraft, memorabilia and other property, (3) expand its educational and other programs, increase its membership and attendance counts, and generally reach a broader audience, and (4) otherwise better achieve its corporate and philanthropic purpose of preserving military aviation heritage.

IV. THE PROPOSED TERMS:

To accomplish these ends, the Town and the Non-Profit will enter into a Development and Operating Agreement (the "Agreement") that will address the following matters:

A. DEVELOPMENT OF THE MUSEUM

1. **The Facility, Generally:** The Town and the Non-Profit, working collaboratively, shall design and construct a state-of-the-art museum complex composed of a

minimum of 100,000 sq. ft. of climate-controlled museum and hangar facilities and a minimum of 30,000 sq. ft. of climate controlled hangar space to house the Museum's maintenance and restoration facilities, all situated on the property depicted on Attachment 1.

a. **The Museum:** The Museum shall include:

- Classrooms, meeting space, and a theater;
- A research/reference library;
- A hands-on discovery area for children's education and career building;
- An art gallery to house the Museum's art collection;
- A gift shop;
- A restaurant;
- Catering facilities for parties and conferences;
- A large ramp area for aircraft parking and operation;
- An observation area with a replica tower and/or terrace;
- A state-of-the-art security and fire system, including electronic security gate(s);
- Parking for a minimum of 50 cars (plus reciprocal easement rights for the additional parking described below);
- Bus/RV parking;
- Private covered parking for at least 8 cars in the security area;
- Adjacent hangar space for the Jani-King Aviation Department that is suitable for a Falcon 50, King Air and small single engine plane (approx. 120x100 ft., plus office space); and
- F104 or other aircraft on a pedestal at the Museum entry.

b. **The Maintenance Hangar:** The Maintenance Hangar design shall include:

- Shop and storage space;
- A paint booth;
- Outside storage;
- Outside wash rack; and
- The ability to sublease space to the Jani-King Aviation Department.

c. **Other Design Considerations:**

- The Museum shall be sited so as to:
 - maximize the potential for future expansion,
 - facilitate outside displays and special events and shows; and
 - maximize the potential benefits to the Museum of nearby facilities owned or operated by the Town (e.g., convention facilities, reciprocal easement rights in adjacent parking, etc.).

2. **Review and Approval Process:** The review and approval process for finalizing the design, construction, operation and funding of the Museum shall be a sequential process accomplished in the following phases, with the completion of each phase being the condition for proceeding to the succeeding phase:
- a. **Phase 1, Negotiation and Execution of the Agreement:** Once the parties have finalized and approved this Term Sheet, they shall diligently and in good faith negotiate a comprehensive and binding agreement (the "Agreement") in accordance with the terms hereof.
 - b. **Phase 2, Selection and Approval of the Design and Budget Team:** If and when Phase 1 is accomplished, the Non-Profit shall identify and recommend to the Town (i) the architect(s), engineer(s) and other design professionals, and (ii) the expert(s), accountant(s), industry consultant(s) and/or marketing advisor(s) (collectively, the "Design and Budget Team") that will prepare the Conceptual Plans and the Development and Operations Budget (as those terms are defined below). The Town shall review and approve each member of the Design and Budget Team, as well as the terms of all proposed contracts by which they are retained by the Non-Profit (the "Design and Budget Team Contracts"). If and when the Town provides the foregoing approvals for the Design and Budget Team, it shall commit to promptly pay all resulting costs incurred in accordance with the Design and Budget Team Contracts; thereafter, any contract modifications shall require the Town's written consent, provided that the Town will not unreasonably withhold or delay its consent to modifications that neither (x) increase, in the aggregate, the Design and Budget Team Contracts costs more than 10% nor (y) materially and adversely modify the Museum as it is described in the Agreement. The Town and the Non-Profit shall utilize the Technical Work Group (as defined below) to ensure the timely and thorough exchange of information between the parties.
 - c. **Phase 3, Completion and Approval of the Conceptual Plans:** If and when Phase 2 is accomplished, the Non-Profit shall oversee the preparation by the Design and Budget Team of conceptual plans and schematic drawings for the Museum (the "Conceptual Plans"), provided that the Technical Work Group shall be utilized to ensure the Town's participation in that process. The Town shall review and approve the Conceptual Plans prior to the parties proceeding to Phase 4. If the Town and the Non-Profit are unable to agree upon the Conceptual Plans within ___ days following the commencement of Phase 3, either party may terminate the Agreement upon 15-days' prior written notice, whereupon the parties shall have no continuing obligations to one another, except for the Town's obligation to pay Design and Budget Team Contracts costs incurred prior to said termination.
 - d. **Phase 4, Completion and Approval of the Development and Operations Budget:** If and when Phase 3 is accomplished, the Non-Profit shall oversee the preparation by the Design and Budget Team of cost estimates, projections, feasibility analyses, operational costs estimates and a development budget to

design, construct and operate the Museum (the "Development and Operations Budget"), provided that the Technical Work Group shall be utilized to ensure the Town's participation in that process. The Town shall review and approve the Development and Operations Budget prior to the parties proceeding to Phase 5. The Town's review shall include, and the Development and Operations Budget (if approved) shall explicitly address:

- the estimated cost to design and construct the Museum in accordance with the Conceptual Plans (as the Conceptual Plans may be modified by agreement among the parties);
- the estimated costs to operate the Museum (which, if the Museum is completed as anticipated by the Agreement, the Town shall agree to pay); and
- estimated revenues to be generated by the Museum (and the manner in which the Town and the Non-Profit shall allocate those revenues).

If the Town and the Non-Profit are unable to agree upon the Development and Operations Budget within ___ days following the commencement of Phase 4, either party may terminate the Agreement upon 15-days' prior written notice, whereupon the parties shall have no continuing obligations to one another, except for the Town's obligation to pay Design and Budget Team Contracts costs incurred prior to said termination.

- e. **Phase 5, Completion and Approval of the Museum PS&E:** If and when Phase 4 is accomplished, the Non-Profit shall oversee the preparation by the Design and Budget Team of the plans, specifications and estimates for the construction of the Museum (the "Museum PS&E"), provided that the Technical Work Group shall be utilized to ensure the Town's participation in that process. The Town shall review and approve the Museum PS&E prior to the parties proceeding to Phase 6. The Town's review shall include, and this phase shall address, any changes to the Development and Operations Budget resulting from (i) the further refinement of the original cost estimate for the Museum based on the Conceptual Plans in light of the Museum PS&E, (ii) agreed upon changes to the Museum's design generally, or (iii) other factors. If the Town and the Non-Profit are unable to agree upon the Museum PS&E and any indicated changes to the Development and Operations Budget within ___ days following the commencement of Phase 5, either party may terminate the Agreement upon 15-days' prior written notice, whereupon the parties shall have no continuing obligations to one another, except for the Town's obligation to pay Design and Budget Team Contracts costs incurred prior to said termination.
- f. **Phase 6, Approval and Award of the Museum Construction Contract:** If and when Phase 5 is accomplished, the Non-Profit, with assistance from the appropriate numbers of the Design and Budget Team, shall oversee the preparation and award of a contract for the construction of the Museum in accordance with the Museum PS&E (the "Museum Construction Contract"), provided that the Technical Work Group shall be utilized to ensure the Town's participation in that process. The Town shall review and approve the Museum

Construction Contract (including the contractor retained thereunder) prior to the parties proceeding to Phase 7. The Town's review also shall include, and this phase shall address, any changes to the Development and Operations Budget resulting from (i) the further refinement of the previous cost estimate for the Museum based on the Museum PS&E in light of the proposed pricing under the Museum Construction Contract, (ii) agreed upon changes to the Museum's design generally, or (iii) other factors. If and when the Town provides the foregoing approval for the Museum Construction Contract, the Town and the Non-Profit shall award and execute the Museum Construction Contract and the Town shall commit to promptly pay all resulting costs incurred in accordance with its terms; thereafter, any modifications to the Museum Construction Contract shall require the Town's written consent, provided that the Town will not unreasonably withhold or delay its consent to modifications that neither (x) increase, in the aggregate, the Town's payment obligations under the Museum Construction Contract more than 10% nor (y) materially modify the Museum as it is described and depicted in the Museum PS&E. If the Town and the Non-Profit are unable to agree upon the terms of the Museum Construction Contract within ___ days following the commencement of Phase 5, either party may terminate the Agreement upon 15-days' prior written notice, whereupon the parties shall have no continuing obligations to one another, except for the Town's obligations to pay Design and Budget Team Contracts cost incurred prior to said termination.

- g. **Phase 7, Completion of the Museum and Commencement of Operation:** If and when Phase 6 is accomplished, the Non-Profit, with assistance from the appropriate members of the Design and Budget Team, shall oversee the construction of the Museum in accordance with the Museum PS&E and the Museum Construction Contract. Upon completion, the Non-Profit shall commence operation of the Museum pursuant to the Agreement and the Development and Operations Budget (as those items have been modified during the preceding phases), all as generally described in Section IV.B., Operation of the Museum, below.

3. **Technical Work Group:** The Town and the Non-Profit shall form a Technical Work Group composed of representatives from the Town and the Non-Profit, together with such other members representing any other affected quasi-governmental bodies or other entities as the Town or the Non-Profit designates. The Non-Profit will chair and host regularly scheduled meetings which are intended to (a) encourage open and continuous dialogue between the various participants and (b) facilitate the Town's review of the planning and design phases. The goal of the Technical Work Group is to provide a streamlined information disseminating and approval process, and the representatives designated by the Town and the Non-Profit to the Technical Work Group shall be responsible for conveying project information to their respective organizations (including, with respect to the Town's representatives, all of the appropriate municipal departments, committees, commissions, visitors' bureaus, and the Town Council) and forwarding any requested changes and securing any necessary authorizations as promptly as possible.

B. OPERATION OF THE MUSEUM: Upon completion of the Museum, the Non-Profit will commence operation pursuant to the Agreement, upon the following general terms:

1. **Lease Term and Ownership:** The Town shall own full fee simple title to the land and all improvements and fixtures constructed pursuant to the Museum Construction Contract. Except for the rights provided under the Agreement, the Non-Profit shall not have (and shall expressly disclaim) any fee, lien or other rights in the improvements and fixtures constructed pursuant to the Museum Construction Contract. Pursuant to the Agreement, the Town shall lease the Museum and all of the foregoing property to the Non-Profit for twenty-five (25) years, with two (2) ten (10) year extension terms which may be exercisable by the Non-Profit unless the Agreement has been previously terminated due to the Non-Profit's default. The Non-Profit shall own and hold full title to all aircraft, artwork, displays, memorabilia and other materials it places in the Museum at any time (or shall have full contractual rights to display all such aircraft and other materials), and the Town shall not have (and shall expressly disclaim) all statutory or common law landlord's liens or other claims or rights thereto.
2. **The Non-Profit's Operational Obligations:** The Non-Profit shall agree to operate the Museum in a prudent manner, consistent with other air museums of a similar size and scope, and shall devote such reasonable energies to its operation so as to enhance the reputation of the Museum and, consistent with its scope and purpose, maximize its operating revenue. The Non-Profit specifically shall agree to:
 - a. **Displayed Aircraft:** Have at least twenty-five (25) aircraft on display at the Museum at all times, except due to the occurrence of a casualty or other event beyond the Non-Profit's control or during limited periods so as to facilitate maintenance or participation in air shows or other off-site events.
 - b. **Operating Covenant:** Cause the Museum to be open not fewer than ___ () days a week, from ___ A.M. to ___ P.M. on weekdays and from ___ A.M. to ___ P.M. on weekends, except for generally recognized holidays or as a result of the occurrence of a casualty or other event beyond the Non-Profit's control or during limited periods so as to facilitate maintenance or participation in air shows or other off-site events.
 - c. **Special Events:** Host, on average, two (2) special events each year at the Museum.
 - d. **Special Programs and Joint Marketing:** Reasonably cooperate with the Town, its visitors' bureau and similar organizations, as well as the school district, in developing and implementing educational and other programs at the Museum, including those undertaken to promote the Town and its attractions and other joint marketing efforts.

- e. **Books and Records:** Maintain current and complete records of all operating expenses and revenues generated by the Museum and, upon request, make them available for the Town's inspection.
 - f. **Remittance to the Town:** Timely remit to the Town all amounts owed pursuant to the Agreement and/or the Development and Operations Budget.
3. **The Town's Operational Obligations:** The Town shall lease to the Non-Profit the land, together with all improvements and fixtures constructed pursuant to the Museum Construction Contract, for a nominal annual rental in accordance with the Agreement and the Development and Operations Budget. The Town specifically shall agree to:
- a. **Fund Operating Costs:** In consideration for the allocation of operating revenues to the Town as established in the Agreement and the Development and Operations Budget, timely pay all of the Museum's operating costs, including those for labor, employee benefits, utilities, insurance, security services, advertising, maintenance and repair, taxes (if any), restoration and conservation of aircraft, travel to and participation in air shows, and volunteer and employee uniforms.
 - b. **General Promotion:** Highlight and promote the Museum in the Town's general marketing materials, media publications, advertising, and street signage.
 - c. **Joint Contracting and Usage Rights:** Pursue opportunities to minimize the Museum's operating costs by (i) jointly contracting for services or goods, such as insurance, (ii) providing the Town's facilities, such as auditoriums and proximate parking, to the Museum and its patrons at the Town's actual incremental cost and on a priority subordinate only to the Town's own usage, and (iii) waiving airport usage charges and fees for aircraft rides or other flights provided by the Non-Profit as part of the Museum's operation; without limiting the provisions of Section V.A., below, the Museum shall have an exclusive right to all aviation events held at the Town's airport and no competing events shall be conducted there without the Non-Profit's prior approval.
- C. **OTHER OPERATIONAL AGREEMENTS:** In addition to their specific obligations listed above, the Town and the Non-Profit agree that:
- 1. **Maintenance by Jani-King:** Insofar as janitorial services for the Non-Profit's current facility are being provided by Jani-King International, Inc. and that company is familiar with the distinctive requirements for maintaining vintage aircraft and related facilities, the Agreement shall authorize the Non-Profit to retain Jani-King for that purpose.
 - 2. **Aircraft Flights:** The Non-Profit currently employs two members of its staff who are licensed pilots, and it offers visitors to its current facility the opportunity to purchase flights on certain vintage aircraft. The parties intend to continue this practice at the Museum, and to maintain sufficient licensed pilots in the employ of the Non-Profit to do so. Museum fees and charges for the aircraft flights shall be

included in the Museum's operating revenues from which the Town receives its allocated share.

3. **Use Agreements.** The Museum may enter into use agreements permitting the Museum to display vintage aircraft owned by third parties, subject to the owners' rights of reasonable access and use of such aircraft.

D. INTERIM OBLIGATIONS: If and when Phase I is accomplished and the Agreement is fully executed, the Town shall purchase the three (3) hangars currently housing the Non-Profit's vintage aircraft collection and shall lease those facilities back to the Non-Profit for a nominal annual rental. The term of that lease shall extend until the earlier to occur of (1) the ____ () anniversary date of its commencement or (2) the commencement of operation of the Museum. Further, the Town shall assume the Non-Profit's lease of the fourth hangar .

E. SCHEDULE: The Town and the Non-Profit desire to complete the Museum by ____, 200_. To achieve that goal, the parties agree upon the following milestones:

- the negotiation, approval and execution of the Agreement by ____, 2003;
- the selection and approval of the Design and Budget Team by ____, 2003;
- the completion and approval of the Conceptual Plans for the Museum by ____, 200_;
- the completion and approval of the Development and Operations Budget for the Museum by ____, 200_;
- the completion and approval of the Museum PS&E for the Museum by ____, 200_;
- and
- the completion, approval and award of the Museum Construction Contract by ____, 200_.

Additionally, the parties intend to hold a groundbreaking ceremony for the Museum on December 17, 2003 to correspond with the centennial observance of the first flight.

The Town and the Non-Profit acknowledge and agree that the ____, 200_ completion date and each of the above-referenced milestones are reasonable and achievable. Both parties shall devote the necessary staff and other resources to meet the foregoing dates and, without limiting the foregoing, shall complete their respective responsibilities (including the preparation of submittal items and the delivery of approvals and comments) with adequate timeliness so as to achieve the foregoing schedule.

V. MISCELLANEOUS PROVISIONS:

A. MUTUAL SUPPORT; NO COMPETING PROPOSALS, ETC.: The Town and the Non-Profit acknowledge their support for the design, construction, operation, and funding of the Museum upon the general terms outlined in this Term Sheet. Until and unless the review and approval process described in Section IV.A.2. is terminated as provided therein, the Town and the Non-Profit shall (1) take all actions reasonably requested by the other which are consistent with this Term Sheet in the furtherance of the purposes hereof and (2) neither advance nor support any alternative to, or conflicting proposal for, the

development of a facility similar to the Museum or other attraction that reasonably can be expected to adversely affect the Museum or its feasibility. If and when the Agreement is executed, it shall contain similar assurances.

B. OWNERSHIP OF MATERIALS: Notwithstanding any provision of common law or statute to the contrary, all materials prepared pursuant to the review and approval process described in Section IV.A.2. shall be co-owned by the Town and the Non-Profit and, irrespective of whether that process is fully completed or terminated after any phase, the Town and the Non-Profit may retain and fully utilize any materials generated thereby. The Design and Budget Team Contracts shall contain the provisions necessary to effectuate the provisions of this section.

C. OTHER PROVISIONS: The Agreement also shall include the following provisions:

1. **Notice, Default and Remedies:** A comprehensive and exclusive list of the acts or failures to act that constitute a default, the applicable notice and cure periods (which in no event shall be less than thirty [30] days for any default that cannot be cured by the payment of money), and remedies.
2. **Arbitration of Disputes:** A requirement that all disputes and controversies of any kind between the Town and the Non-Profit be submitted to arbitration pursuant to a procedure utilizing the American Arbitration Association.
3. **Assignment:** The prohibition against the assignment, whether by operation of law or otherwise, of either the Town's or the Non-Profit's rights or obligations under the Agreement, without the express written consent of the other party.
4. **Covenants:** The stipulation that all covenants and obligations of the Town and the Non-Profit under the Agreement are covenants and obligation of said parties only, and no officer, director, trustee, employee, council member or other individual affiliated with said parties shall have any personal obligations or liability thereunder.
5. **Relationship of the Parties; No Joint Enterprise:** The statement that nothing in the Agreement is intended to create, nor shall be deemed or construed by any party as creating, (a) the relationship of principal and agent, partnership or joint venture between the Town and the Non-Profit nor (b) a joint enterprise between the Town, the Non-Profit and/or any other party.
6. **Written Amendments:** The acknowledgement that the Agreement constitutes the entire agreement between the parties with respect to the subject matter thereof and that there are no representations, understandings or agreements which are not fully expressed in the Agreement; further, any change in the agreement, terms and/or responsibilities of the Town or the Non-Profit must be reflected in a written amendment to the Agreement, signed by the Town and the Non-Profit.
7. **Sole Benefit:** The stipulation that the Agreement is entered into for the sole benefit of the Town, the Non-Profit and their respective successors and permitted assigns, and nothing in the Agreement or in any approval subsequently provided by either

party shall be construed as giving any benefits, rights, remedies or claims to any other person, firm, corporation or other entity, including, without limitation, the public in general.

- 8. **Authorization:** The representation that each party to the Agreement is fully authorized to enter into the Agreement and to perform its obligations thereunder, and that no waiver, consent, approval, or authorization from any third party is required to be obtained or made in connection with the execution, delivery or performance of the Agreement; further, each signatory on behalf of the Town and the Non-Profit, as applicable, shall represent that he or she is fully authorized to bind that entity to the terms of the Agreement.

VI. EXECUTION OF THIS TERM SHEET:

If the foregoing is acceptable to you, please execute one (1) copy of this Term Sheet in the space provided below acknowledging your willingness to pursue the negotiation of the Agreement upon the terms set forth herein, and return the executed counterpart to the Non-Profit.

CAVANAUGH AIR MUSEUM,
a Texas non-profit corporation

By: _____

Name: _____

Title: _____

Date: _____

ACCEPTED AND AGREED:

ATTEST:

TOWN OF ADDISON,
a Texas municipal corporation

Carmen Moran,
City Secretary

By: _____

Name: _____

Title: _____

APPROVED AS TO FORM:
Cowles & Thompson, PC,
City Attorney

Date: _____

By: _____
Name: _____

Appendix E

Museums+more Qualifications

David Ucko has devoted his career to creating ground-breaking educational experiences and attractions. He has managed their development from vision to execution—concept and planning through implementation and operation—on small to large scale. Through exhibits, media, shows, publications and entire museums, Ucko has engaged diverse audiences with content from science, technology and health to history and social impact.

Museums+more LLC was formed and registered in the District of Columbia in 2002 as a means for Ucko to share his expertise with others. He assists organizations with planning, innovation, and sustainability through creating competitive advantage, developing recreational learning experiences, and offering leadership counsel. Recent projects have included advancing The National Public Health Partnership for the National Health Museum (Washington, DC); guiding the U.S. Department of Energy on interpreting the Manhattan Project in Oak Ridge, TN; advising the Children's Science Explorium for the City of Boca Raton, FL; planning renewal of the East Texas Oil Museum for Kilgore College; and helping conceptualize a major national traveling exhibition for the Arizona Science Center. Other clients include the City of Rockville, MD (Rockville Science Center); Museum of Discovery (Little Rock, AR); and the Chemical Heritage Foundation (Philadelphia, PA). Ucko also has been assisting the National Science Foundation as Section Head for Science Literacy and Program Director for Informal Science Education.

Highlights prior to formation of his consulting practice include:

Developed strategic educational niche for national outreach. As first Executive Director for a new National Academy of Sciences museum, Ucko established its direction as “wholesaler” of the best research underlying current issues in science and technology.

Led major educational attraction from conception through operation. As founding President of Science City at Union Station, Ucko spearheaded the decade-long development of this educational attraction, linchpin for the transformation of Kansas City’s historic landmark into a \$250+ million mixed-use urban entertainment center; included raising \$100+ million private funds.

Conceived pioneering “recreational learning” approach. While serving as Kansas City Museum President, Ucko created the novel Science City concept of engaging visitors in learning adventures by combining hands-on discovery from science centers with immersive environments from theme parks and costumed role-playing characters from theater.

Established new exhibit directions. As Vice President for Chicago’s Museum of Science and Industry and Deputy Director for the California Museum of Science and Industry, Ucko produced innovative interactive exhibitions such as “My Daughter, the Scientist,” “Technology: Chance or Choice?,” “HealthWorks,” and many others.

Created novel learning approaches. As professor at Antioch and CUNY, Ucko published textbooks and created self-teaching A/V modules that enhanced student learning.

Based on these and other achievements, Ucko has been recognized through:

- Presidential appointment, confirmed by the U.S. Senate, to the 15-member National Museum Services Board, which guides the Institute of Museum and Library Services;
- Designation as a Fellow by American Assn. for the Advancement of Science;
- Inclusion by *The Kansas City Star* among “The 150 Most Influential Kansas Citizens”;
- Appointment by the Assn. of Science-Technology Centers to chair its Legislative and Publication Committees and by the American Assn. of Museums to its Accreditation Visiting Committees and Honors Committee;
- Citation in *Who's Who in America* and other leading biographical references.

David Ucko received his Ph.D. from M.I.T. (1972) and B.A. from Columbia College (1969), where he was named a Woodrow Wilson Fellow. He has completed the Leadership Development Program of the Center for Creative Leadership.

Council Agenda Item: #R9

There are no attachments for this item.

Council Agenda Item: #R10

SUMMARY:

To discuss and provide an update regarding the Town's effort to secure the inclusion of the Cotton Belt Rail Line in DART's 2030 Transit System Plan.

FINANCIAL IMPACT:

Revenue Budgeted Amount: \$N/A

Cost: \$ N/A

BACKGROUND:

For some time now, DART has been in the process of developing the 2030 Transit System Plan. The purpose of the System Plan is to evaluate the need and the further development of transit opportunities (bus service, rail, and HOV) for the next 30 years. The transit component of the plan that is getting the most attention is the development of future commuter rail service throughout the region.

The rail corridor that would affect the Town is the Cotton Belt Rail Line, which is a 54-mile long rail corridor owned by DART. The rail line runs from Fort Worth through the north end of D/FW Airport, Coppell, Carrollton, Addison, Dallas, Richardson, Plano, and Wylie. To ensure that the Town is identified for a future rail stop on the System Plan, Council members and Town staff has been working with other local elected officials, DART Board members and staff over a period of time.

In addition to the contacts and visits made with DART, the Council believed that it was prudent to work with a consultant that could assist us with a public relations strategy that would demonstrate the merits of the Cotton Belt. Therefore in early January, the Town entered into a contract with Allyn & Company, a very reputable firm in Dallas that will assist us in a media relations campaign that includes media relations management, the development of contact databases, campaign messages, press releases, media training, target marketing, public opinion surveys, etc. Because of the regional and economic benefits associated with rail, the Town has partnered with the City of Richardson to share the cost of this process.

On Tuesday evening, a representative from Allyn & Company will be in attendance at the Council meeting to brief the Council as to what activities have been completed and provide an overview of the next steps of this process.

RECOMMENDATION:

N/A

Council Agenda Item: #ES1

There are no attachments for this item.