



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

Main: 972-392-4850  
Direct: 972-392-4856  
Fax: 972-788-9334  
[bill.dyer@addisonairport.net](mailto:bill.dyer@addisonairport.net)

## Memorandum

To: Lisa Pyles, Director of Infrastructure Operations & Services  
From: Bill Dyer, Real Estate Manager  
CC: Joel Jenkinson, Airport Director  
Date: 11/5/2013  
Re: Turbine Aircraft Services, Inc. Proposed Assignment of Ground Lease

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Turbine Aircraft Services, Inc. is requesting the Town's consideration and consent to the proposed sale and assignment of the building improvements, together with the leasehold interests in Ground Lease #0200-3502 from Robert Hoff, Independent Executor of the Estate of Tom L. Berscheidt, Deceased and Turbine Aircraft Services, Inc., (Assignor) to 6200 GP LLC, a Texas limited liability company (Assignee). Attached as Exhibit "A" is the proposed Assignment of Ground Lease agreement to be executed by the parties evidencing the Town's consent.

Airport Management is recommending the Town Council give its consent to the proposed transaction and authorize the City Manager to execute the agreement on behalf of the Town. The city attorney has reviewed the proposed Assignment of Ground Lease and finds it acceptable for the Town's use.

### Background Information:

- Ground Lease was first entered into with Hangar Six, Inc., which commenced July 1, 1984 with a 360-month term due to expire June 30, 2014.
- Ground Lease as assigned to TAS July 2, 2002. The Town and TAS also entered into the (First) Amendment to Ground Lease effective July 2, 2002 which increased the demised premises to 2.1 acres and extended the lease 126 months, or to June 30, 2032, on the condition \$1MM in approved capital improvements were made to the Leased Premises, including 10,000 sf. of additional office and mezzanine space.

- On April 16, 2003, TAS and the Town entered into the Second Amendment to Ground Lease modifying the description of the demised premises and rental accordingly.
- On April 9, 2008, the TAS hangar incurred extensive structural damage caused by high winds and heavy rain - to the extent the structural integrity of the hangar was jeopardized. The building improvements were fully insured as required by the Ground Lease.
- With the insurance proceeds and an additional \$175K+/- in capital reinvestment TAS constructed a larger hangar with 28' high hangar doors allowing the facility to accommodate the storage of larger aircraft. Additionally, TAS constructed 7,476 sf. of additional office/shop space. In all, the new structure is 30% larger than the original building.
- In consideration for making these improvements to the premises, TAS and the Town entered into a Third Amendment to Ground Lease which increased the premises to 2.40 acres; adjusted the monthly rental; and extended the term an additional 192 months (16 years). The lease is now due to expire June 30, 2048.
- Tom Berscheidt, the sole stockholder at the time, became deceased 2/11/2011. In his Last Will and Testament, Mr. Berscheidt instructed his estate to sell the building improvements own by TAS and to assign its leasehold interests as soon as practical.



Figure 1: Aerial view of subject property looking north.



Figure 2: Street view of the subject property located at 4550 Jimmy Doolittle

<b>Ground Lease #0200-3502</b>	
	<b>Currently</b>
Land Area	104,718
Hangar Area	21,000
Office Area	7,280
Total Building Area	28,280
Year Built**	2004
Lease Commenced	5/23/1984
Lease Expiration	6/30/2048
Term Remaining	35
Current Monthly Rent	\$5,419.99
Current Annual Rent	\$65,039.88
DCAD 2012 Valuation	\$1,100,000
Insured Value	\$2,225,000

\*\* Original structure was built in 1984, but has since been replaced. Oldest section now is from 2004

### **About the Proposed Assignee**

6200 GP, LLC is a Nevada limited-liability company formed in April 2012 as a vehicle for investments by Realty Advisors, Inc., (RAI), a Nevada corporation and the sole member of the LLC. Acquisition of the ground leasehold and building improvements at 4550 Jimmy Doolittle will be the first investment in real property for 6200 GP, LLC.

RAI was formed in 1990 and holds a number of stock and real estate investments, both directly and through membership/partnership interests in related companies or partnerships. Both entities are registered with the state and qualified to conduct business in Texas.

RAI and 6200 GP, LLC are affiliates of American Realty Investors, Inc. and Transcontinental Realty Investors, Inc., both of which are publicly-traded real estate investment companies. RAI affiliates have been involved in operations at Addison Airport at 16321 Addison Road, 4745 Frank Luke (each off-airport properties) and Westgrove Plaza, the on airport leasehold located at 4570 Westgrove currently owned and operated by Guardian Texas Management, LLC.

**Proposed Use of the Leased Premises**

The Assignee's assumption of the ground lease is primarily as a real estate investment. No material changes to the current use of the property is being proposed or anticipated. 6200 GP, LLC intends on enter into a sublease arrangement with TAS, allowing them to continue to operate their business; albeit somewhat scaled down compared to before. The Assignee intends to sublease the remaining hangar and office space pursuant to the permitted uses provided for under the ground lease.

**Strategic & Economic Considerations of the Proposed Transaction:**

Because the proposed action is for assignment of the leasehold without any other modification to the lease or building improvements, there isn't any direct economic impact to the airport or Town. The airport will benefit by having a substitute ground tenant committed to operating the property as a quality real estate investment.

The proposed assignment of the TAS leasehold interests and improvements is viewed by airport management to be consistent with the tenets of the Airport Strategic Plan. TAS has always demonstrated a commitment towards quality, service excellence and safe operations. Through the years they have expended considerable resources to improve and upgrade their facility in a manner consistent with the Town's objectives for the airport. The assignee, 6200 GP, LLC, has represented to airport management their intentions to continue to operate the property much in the same manner as TAS by promoting quality, service and safety at the airport while continuing to maintain the property for investment purposes. Also, they have indicated the possibility of making additional improvements to further accommodate the larger aircraft, and these could provide added benefits to the airport.

**Airport Management's Conclusion and Recommendation:**

Turbine Aircraft Services is requesting the Town's consideration and consent to their proposed sale and assignment of their leasehold interests to 6200 GP, LLC, a Nevada limited liability company. The sole member of the company is Realty Advisors, Inc., also a Nevada company. Both entities are affiliates of American Realty Investors, Inc. and Transcontinental Realty Investors, Inc.

It should be known that Transcontinental Realty Advisors is also an affiliate Westgrove Air Plaza, Ltd., which was a former ground tenant of 4750 Westgrove Plaza. Westgrove Air Plaza, Ltd., was foreclosed by Regions Bank in February 2011. Although there is affiliation amongst these entities and the proposed assignee, airport management is of the opinion that

the underlying circumstances relating to Westgrove Air Plaza were quite different and have little, if any, influence on the pending matter.

The proposed tenant, 6200 GP, LLC, intends to continue to commercially operate the property much in the same manner as it has in the past, which should allow the property to continue to thrive and continue to provide added value and benefit to the airport.

Therefore, Airport Management recommends the Town approve the requested action and authorize the City Manager, subject to the City Attorney's final review of the executable agreement, to execute and put into effect the proposed Assignment of Ground Lease from Turbine Aircraft Services to 6200 GP, LLC.



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

**WHEREAS**, Tom Berscheidt, as the sole shareholder of Turbine Aircraft Services, Inc. became deceased on or about February 11, 2011, and by way of his Last Will and Testament instructed Robert Hoff, the estate's independent executor, to assign the Ground Lease and sell the building improvements as soon as practical; 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, assumes, and shall be bound by and comply with all of the terms, provisions, duties, conditions, and obligations of Tenant under the Ground Lease. For purposes of notice under the Ground Lease, the address of Assignee is:

6200 GP, LLC  
Attn: Steven A. Shelley  
1603 LBJ Freeway, Suite 800  
Dallas, Texas 75234

4. Nothing in this Assignment modifies, alters, amends or changes, and shall not be construed or be deemed to modify, alter, amend or change, any term, provision, or condition of the Ground Lease.

5. The above and foregoing premises and recitals to this Assignment are incorporated into and made a part of this Assignment, and Assignor and Assignee both warrant and represent that such premises and statements, and all other provisions of this Assignment, 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.

6. Assignor acknowledges that in addition to any other remedies provided in the Ground Lease or by law, in equity, or otherwise, Landlord may at its own option, collect directly from the Assignee all rents becoming due under such assignment and apply such rent against any sums due to Landlord. No such collection by Landlord from the Assignee shall release Assignor from the payment or performance of Assignor's obligations under the Ground Lease.

7. The undersigned representatives of the Assignor and Assignee have the necessary authority to execute this Assignment on behalf of each of the respective parties hereto, and Assignor and Assignee certify one 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:**

\_\_\_\_\_  
Robert Hoff, Independent Executor of the  
Estate of Tom L. Berscheidt, Deceased

TURBINE AIRCRAFT SERVICES, INC.,  
a Texas corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ASSIGNEE:**

6200 GP, LLC,  
a Nevada limited liability company

By: \_\_\_\_\_  
Steven A. Shelley  
Vice President

*[Acknowledgments Follow On Next Page]*

**ACKNOWLEDGMENT**

**STATE OF TEXAS           §**  
**COUNTY OF DALLAS       §**

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

GIVEN under my hand and seal of office this \_\_\_\_ day of \_\_\_\_\_, 2013.

[SEAL]

\_\_\_\_\_  
Notary Public, State of Texas

My commission expires:\_\_\_\_\_

**STATE OF TEXAS           §**  
**COUNTY OF DALLAS       §**

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

GIVEN under my hand and seal of office this \_\_\_\_ day of \_\_\_\_\_, 2013.

[SEAL]

\_\_\_\_\_  
Notary Public, State of Texas

My commission expires:\_\_\_\_\_

**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 executed the same for the purposes and consideration therein stated.

GIVEN under my hand and seal of office this \_\_\_\_ day of \_\_\_\_\_, 2013.

[SEAL]

\_\_\_\_\_  
Notary Public, State of Texas

My commission expires:\_\_\_\_\_

**CONSENT OF LANDLORD**

The Town of Addison, Texas ("Landlord") is the Landlord in the Ground Lease described in the Assignment of Ground Lease (the "Assignment") entered into and effective as of \_\_\_\_\_, \_\_\_\_, at Addison, Texas, by and between Robert Hoff, Independent Executor of the Estate of Tom L. Berscheidt, Deceased, and Turbine Aircraft Services, Inc. (herein referred to as "Assignor") and 6200 GP, LLC, a Nevada limited liability company (herein referred to as "Assignee"). In executing this Consent of Landlord ("Consent"), Landlord is relying upon the warranty, representations, provisions, and statements made and included in the foregoing Assignment, and in relying upon the same Landlord hereby consents to the foregoing Assignment from Assignor to Assignee. However, notwithstanding this Consent, Landlord does not waive any of its rights under the Ground Lease as to the Assignor or the Assignee, and does not release Assignor from its covenants, obligations, duties, or responsibilities under or in connection with the Ground Lease, and Assignor shall be and remain liable and responsible for all such covenants, obligations, duties, and responsibilities. In addition, notwithstanding any provision of this Consent or of the above and foregoing Assignment to the contrary, this Consent shall not operate as a waiver of any prohibition against further assignment, transfer, conveyance, pledge, change of control, or subletting of the Ground Lease or the premises described therein without Landlord's prior written consent.

This Consent shall be and remain valid only if and provided that, by no later than 6:00 o'clock p.m. on \_\_\_\_\_, 2013:

(i) the Assignment has been executed and notarized by both Assignor and Assignee, and a fully executed and notarized original of the Assignment has been delivered to Bill Dyer at the address set forth below; and

(ii) all other matters in connection with the transfer, sale, and/or conveyance by Assignor to Assignee of the Assignor's interest in the Ground Lease have been fully consummated and completed and the transaction closed as reasonably determined by Landlord (such matters including, without limitation, the full execution and finalization of the Assignment and any other documentation so required by Landlord relating to this transaction) and delivered to Landlord c/o Mr. Bill Dyer, Addison Airport Real Estate Manager, at 16051 Addison Road, Suite 220, Addison, Texas 75001.

Otherwise, and failing compliance with and satisfaction of each all of paragraphs (i) and (ii) above, this Consent shall be null and void *ab initio* as if it had never been given and executed.

Signed this \_\_ day of \_\_\_\_\_, 2013

**LANDLORD:**

**TOWN OF ADDISON, TEXAS**

By: \_\_\_\_\_  
Ron Whitehead, City Manager