

TOWN OF ADDISON, TEXAS

RESOLUTION NO. \_\_\_\_\_

A RESOLUTION OF THE CITY COUNCIL OF THE TOWN OF ADDISON, TEXAS APPROVING THE PROFESSIONAL CONSULTING AGREEMENT BETWEEN THE TOWN OF ADDISON AND BKD, LLP TO PERFORM THE FY 2015-2016 AUDIT IN AN AMOUNT NOT TO EXCEED \$93,000.00, AUTHORIZING THE CITY MANAGER TO EXECUTE THE AGREEMENT, AND PROVIDING AN EFFECTIVE DATE.

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

**Section 1.** The Professional Consulting Agreement between the Town of Addison and BKD, LLP for auditor services in an amount not to exceed \$93,000.00, a copy of which is attached to this Resolution as **Exhibit A**, is hereby approved. The City Manager is hereby authorized to execute the agreement.

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

**PASSED AND APPROVED** by the City Council of the Town of Addison, Texas this the 14<sup>th</sup> day of June, 2016.

\_\_\_\_\_  
Todd Meier, Mayor

ATTEST:

By: \_\_\_\_\_  
Laura Bell, City Secretary

APPROVED AS TO FORM:

By: \_\_\_\_\_  
Brenda N. McDonald, City Attorney

# EXHIBIT A

## PROFESSIONAL CONSULTING AGREEMENT

This Professional Consulting Agreement (the "Agreement") is made by and between the Town of Addison, Texas, a Texas home rule municipality ("Addison") and BKD, LLP, a Texas limited liability partnership, ("BKD" and together with Addison, the "Parties"), with an effective date of \_\_\_\_\_, 2016. This Agreement consists of the following documents which are attached hereto and incorporated herein:

- **Exhibit A** – Engagement Letter from Consultant dated \_\_\_\_\_, 2016
- **Exhibit B** – Terms and Conditions of Agreement

In consideration of the mutual undertakings set forth below, the Parties agree as follows:

1. **Scope of Services.** This Agreement anticipates the execution of BKD's engagement letter dated \_\_\_\_\_, 2016, **Exhibit A**, attached hereto and incorporated herein (the "Services"), and sets forth the terms and conditions, and tasks and deliverables pursuant to which BKD shall perform Addison's annual audit for FY 2015-16 as described in **Exhibit A**.
2. **Compensation.** Addison will pay BKD \$93,000 (\$105,000 if BKD prepares the comprehensive annual financial report), which includes an administrative fee to cover items such as copies, postage and other delivery charges, supplies, technology-related costs such as computer processing, software licensing, research and library databases and similar expense items. If a Single Audit is not required, BKD's fees will be reduced to \$85,300.00. Additional services, as outlined in **Exhibit A**, will not be performed by BKD without written authorization from Addison for such additional services.
3. **Term and Renewal.** The initial term of this Agreement shall be for three (3) annual audits through the FY 2017-2018 annual audit. Addison, at its sole option, may extend the term to include up to two (2) additional annual audits, FY 2018-2019 and FY 2019-2020 on the terms contained herein.
4. **Terms and Conditions of Agreement.** The Terms and Conditions of Agreement as set forth in **Exhibit B** shall govern the relationship between Addison and BKD. In the event of a conflict between the provisions of **Exhibit A** and the Terms and Conditions of Agreement set forth in **Exhibit B**, the Terms and Conditions of Agreement set forth in **Exhibit B** shall prevail.

Nothing in this Agreement shall be construed to give any rights or benefits in this Agreement to anyone other than Addison and BKD, and all duties and responsibilities undertaken pursuant to this Agreement will be for the sole and exclusive benefit of Addison and its report users and not for the benefit of any other party.

This Agreement constitutes the entire agreement between Addison and BKD and supersedes all prior written or oral understandings.

# EXHIBIT A

Executed with an effective date as set forth above.

**Town of Addison, Texas**  
a Texas home rule municipality

**BKD, LLP**  
a Texas limited liability partnership

\_\_\_\_\_  
Wesley S. Pierson, City Manager

\_\_\_\_\_  
Name Printed: \_\_\_\_\_  
Title: \_\_\_\_\_

# EXHIBIT A

## EXHIBIT A



14241 Dallas Parkway, Suite 1100 // Dallas, TX 75254-2961  
972.702.8262 // fax 972.702.0673 // [bkd.com](http://bkd.com)

June 10, 2016

Honorable Todd Meier, Mayor  
Members of City Council  
Mr. Wes Pierson, City Manager  
Mr. Scott Neils, Interim Chief Financial Officer  
Mr. Wil Newcomer, CPPB, Purchasing Manager  
Town of Addison, Texas  
P. O. Box 9010  
Addison, Texas 75001

We are pleased to confirm the arrangements of our engagement and the nature of the services we will provide to the Town of Addison, Texas.

### ENGAGEMENT OBJECTIVES AND SCOPE

We will audit the basic financial statements of the Town of Addison, Texas, as of and for the year period ended September 30, 2016, and the related notes to the financial statements.

Our audit will be conducted with the objectives of

- ✓ Expressing an opinion on the financial statements
- ✓ Issuing a report on your compliance based on the audit of your financial statements.
- ✓ Issuing a report on your internal control over financial reporting based on the audit of your financial statements.
- ✓ Expressing an opinion on your compliance, in all material respects, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that are applicable to each of your major federal award programs.
- ✓ Issuing a report on your internal control over compliance based on the audit of your compliance with the types of compliance requirements that are applicable to each of your major federal award programs.
- ✓ Issuing a report on your schedule of expenditures of federal awards.



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### OUR RESPONSIBILITIES

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards require that we plan and perform:

- ✓ The audit of the financial statements to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether caused by fraud or error. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
- ✓ The audit of compliance with the types of compliance requirements described in the *OMB Compliance Supplement* applicable to each major federal award program to obtain reasonable rather than absolute assurance about whether noncompliance having a direct and material effect on a major federal award program occurred.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements or noncompliance having a direct and material effect may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS.

In making our risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit. Also, in the future, procedures could become inadequate because of changes in conditions or deterioration in design or operation. Two or more people may also circumvent controls, or management may override the system.

We are available to perform additional procedures with regard to fraud detection and prevention at your request, subject to completion of our normal engagement acceptance procedures. The actual terms and fees of such an engagement would be documented in a separate letter to be signed by you and BKD.

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Kevin Kemp, partner, is responsible for supervising the engagement and authorizing the signing of the report or reports.

We will issue a written report upon completion of our audit of the Town of Addison, Texas' financial statements. Our report will be addressed to the Mayor and City Council of the Town of Addison, Texas. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis of matter or other matter paragraph(s), or withdraw from the engagement. If we discover conditions that may prohibit us from issuing a standard report, we will notify you as well. In such circumstances, further arrangements may be necessary to continue our engagement.

We will also express an opinion on whether the combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards ("supplementary information") are fairly stated, in all material respects, in relation to the financial statements as a whole.

### YOUR RESPONSIBILITIES

Our audit will be conducted on the basis that management and, where appropriate, those charged with governance acknowledge and understand that they have responsibility:

- a. for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
- b. for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- c. for identifying and ensuring compliance with the laws, regulations, contracts and grants applicable to your activities (including your federal award programs); and
- d. to provide us with
  - i. access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;
  - ii. additional information that we may request from management for the purpose of the audit; and
  - iii. unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.

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Town of Addison, Texas  
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As part of our audit process, we will request from management written confirmation acknowledging certain responsibilities outlined in this engagement letter and confirming:

- The availability of this information
- Certain representations made during the audits for all periods presented
- The effects of any uncorrected misstatements, if any, resulting from errors or fraud aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole

The results of our tests of compliance and internal control over financial reporting performed in connection with our audit of the financial statements may not fully meet the needs of report users. Management is responsible for obtaining audits, examinations, agreed-upon procedures or other engagements that satisfy relevant legal, regulatory or contractual requirements or fully meet other user needs.

With regard to supplementary information:

- Management is responsible for its preparation in accordance with applicable criteria
- Management will provide certain written representations regarding the supplementary information at the conclusion of our engagement
- Management will include our report on this supplementary information in any document that contains this supplementary information and indicates we have reported on the supplementary information
- Management will make the supplementary information readily available to intended users if it is not presented with the audited financial statements

### OTHER SERVICES

We will provide you with the following routine activity:

- Assistance in formatting the financial statements and related notes

In addition, we may perform other services for you not covered by this engagement letter. You agree to assume full responsibility for the substantive outcomes of the services described above and for any other services that we may provide, including any findings that may result. You also acknowledge that those services are adequate for your purposes and that you will establish and monitor the performance of those services to ensure that they meet management's objectives. Any and all decisions involving management responsibilities related to those services will be made by you, and you accept full responsibility for such decisions.

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We understand that you will designate a management-level individual to be responsible and accountable for overseeing the performance of those services, and that you will have determined this individual is qualified to conduct such oversight.

### ENGAGEMENT FEES

Our fees will be \$93,000 (\$105,000 if BKD prepares the comprehensive annual financial report), which includes an administrative fee to cover items such as copies, postage and other delivery charges, supplies, technology-related costs such as computer processing, software licensing, research and library databases and similar expense items. If a Single Audit is not required, our fees will be reduced to \$85,300.

Our pricing for this engagement and our fee structure are based upon the expectation that our invoices will be paid promptly. We will issue progress billings during the course of our engagement, and payment of our invoices is due upon receipt. Interest will be charged on any unpaid balance after 30 days at the rate of 10% per annum.

Our engagement fee does not include any time for post-engagement consultation with your personnel or third parties, consent letters and related procedures for the use of our reports in offering documents, inquiries from regulators or testimony or deposition regarding any subpoena. Charges for such services will be billed separately.

Our fees may also increase if our duties or responsibilities are increased by rulemaking of any regulatory body or any additional new accounting or auditing standards.

If our invoices for this or any other engagement you may have with BKD are not paid within 30 days, we may suspend or terminate our services for this or any other engagement. In the event our work is suspended or terminated as a result of nonpayment, you agree we will not be responsible for any consequences to you.

### OTHER ENGAGEMENT MATTERS AND LIMITATIONS

BKD is not acting as your municipal advisor under Section 15B of the *Securities Exchange Act of 1934*, as amended. As such, BKD is not recommending any action to you and does not owe you a fiduciary duty with respect to any information or communications regarding municipal financial products or the issuance of municipal securities. You should discuss such information or communications with any and all internal or external advisors and experts you deem appropriate before acting on any such information or material provided by BKD.

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Our workpapers and documentation retained in any form of media for this engagement are the property of BKD. We can be compelled to provide information under legal process. In addition, we may be requested by regulatory or enforcement bodies to make certain workpapers available to them pursuant to authority granted by law or regulation. You agree that we have no legal responsibility to you in the event we provide such documents or information.

To the extent permitted by the laws of the state of Texas, you agree to indemnify and hold harmless BKD and its personnel from any claims, liabilities, costs and expenses relating to our services under this agreement attributable to false or incomplete representations by management, except to the extent determined to have resulted from the intentional or deliberate misconduct of BKD personnel.

To the extent permitted by the laws of the state of Texas, you agree that any dispute regarding this engagement will, prior to resorting to litigation, be submitted to mediation upon written request by either party. Both parties agree to try in good faith to settle the dispute in mediation. The American Arbitration Association will administer any such mediation in accordance with its Commercial Mediation Rules. The results of the mediation proceeding shall be binding only if each of us agrees to be bound. We will share any costs of mediation proceedings equally.

Either of us may terminate these services at any time. Both of us must agree, in writing, to any future modifications or extensions. If services are terminated, you agree to pay us for time and costs expended to date.

If any provision of this agreement is declared invalid or unenforceable, no other provision of this agreement is affected and all other provisions remain in full force and effect.

This engagement letter represents the entire agreement regarding the services described herein and supersedes all prior negotiations, proposals, representations or agreements, written or oral, regarding these services. It shall be binding on heirs, successors and assigns of you and BKD.

We may from time to time utilize third-party service providers, *e.g.*, domestic software processors or legal counsel, or disclose confidential information about you to third-party service providers in serving your account. We remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures and safeguards to protect the confidentiality of your information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information. In the event we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider.

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We will, at our discretion or upon your request, deliver financial or other confidential information to you electronically via email or other mechanism. You recognize and accept the risk involved, particularly in email delivery as the Internet is not necessarily a secure medium of communication as messages can be intercepted and read by those determined to do so.

You agree you will not modify these documents for internal use or for distribution to third parties. You also understand that we may on occasion send you documents marked as draft and understand that those are for your review purpose only, should not be distributed in any way and should be destroyed as soon as possible.

If you intend to include these financial statements and our report in an offering document at some future date, you agree to seek our permission to do so at that time. You agree to provide reasonable notice to allow sufficient time for us to perform certain additional procedures. Any time you intend to publish or otherwise reproduce these financial statements and our report and make reference to our firm name in any manner in connection therewith, you agree to provide us with printers' proofs or masters for our review and approval before printing or other reproduction. You will also provide us with a copy of the final reproduced material for our approval before it is distributed. Our fees for such services are in addition to those discussed elsewhere in this letter.

You agree to notify us if you desire to place these financial statements or our report thereon along with other information, such as a report by management or those charged with governance on operations, financial summaries or highlights, financial ratios, etc., on an electronic site. You recognize that we have no responsibility as auditors to review information contained in electronic sites.

Any time you intend to reference our firm name in any manner in any published materials, including on an electronic site, you agree to provide us with draft materials for our review and approval before publishing or posting such information.

BKD is a registered limited liability partnership under Missouri law. Under applicable professional standards, partners of **BKD, LLP** have the same responsibilities as do partners in a general accounting and consulting partnership with respect to conformance by themselves and other professionals in BKD with their professional and ethical obligations. However, unlike the partners in a general partnership, the partners in a registered limited liability partnership do not have individual civil liability, directly or indirectly, including by way of indemnification, contribution, assessment or otherwise, for any debts, obligations or liabilities of or chargeable to the registered limited liability partnership or each other, whether arising in tort, contract or otherwise.

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*Government Auditing Standards* require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2014 peer review report accompanies this letter.

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities. If the signed copy you return to us is in electronic form, you agree that such copy shall be legally treated as a "duplicate original" of this agreement.

*BKD, LLP*

**BKD, LLP**

*Kevin Kemp 6-10-16*

Kevin Kemp, CPA  
Partner | **BKD, LLP**

Acknowledged and agreed to on behalf of

**Town of Addison, Texas**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Date

# EXHIBIT A

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A Professional Accounting Corporation  
Associated Offices in Principal Cities of the United States  
[www.pncpa.com](http://www.pncpa.com)

### System Review Report

To the Partners of BKD, LLP  
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of BKD, LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2014. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*, audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers, and examinations of service organizations (SOC 1).

In our opinion, the system of quality control for the accounting and auditing practice of BKD, LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2014, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. BKD, LLP has received a peer review rating of *pass*.

*Postlethwaite & Netterville*

Baton Rouge, Louisiana  
September 19, 2014

8550 United Plaza Blvd, Suite 1001 • Baton Rouge, LA 70809 • Tel: 225.922.4600 • Fax: 225.922.4611

# EXHIBIT A

## EXHIBIT B

### TERMS AND CONDITIONS OF AGREEMENT

1. **Changes.** Addison, without invalidating the Agreement, may order changes within the general scope of the services required by the Agreement by altering, adding to, or deleting from the Services to be performed by BKD. Should the total cost of the Services under this Agreement be greater than the Compensation, BKD will notify Addison prior to performing the Services. Failure by the Parties to renegotiate in good faith the terms and conditions of the Agreement may result in suspension of work without penalties, and termination of this Agreement by either party.
2. **Ownership of Instruments of Service.** All notes, reports, documents and drafts (the "Instruments of Services") developed in the execution of the Services provided hereunder shall be the property of Addison, provided however, that BKD may retain one (1) copy of all such documents for record keeping purposes. Exclusive ownership and title to all such Instruments of Service shall be held by Addison. Any reuse by Addison without written verification or adaptation by BKD will be at Addison's sole risk and without liability or legal exposure to BKD.
3. **Independent Contractor.** BKD will perform the Services as an independent contractor and shall not act as an agent or employee of Addison. BKD shall be solely responsible for the conduct of its own employees and for any of its employees' compensation, benefits, contributions, and payroll taxes.
4. **Termination.** The obligation to provide Services under this Agreement may be terminated as set forth in **Exhibit A**. In the event of termination, BKD will be paid for all Services rendered to the date of termination. All Instruments of Service will be returned to Addison within twenty days of termination. Notwithstanding the termination of this Agreement, this Agreement will survive until all of the rights and obligations of the Parties hereunder have been fulfilled. Addison shall compensate BKD for all Services performed hereunder through the date of any termination.
5. **Insurance.** BKD shall provide to Addison certificates of insurance which shall contain the following minimum coverage:

<b>Commercial General Liability</b>	
General Aggregate	\$2,000,000.00
<b>Automobile Liability (Any Auto)</b>	
CSL	\$1,000,000.00
<b>Workers' Compensation</b>	Statutory limits per occurrence
<b>Professional Liability</b>	
Annual Aggregate	\$1,000,000.00

6. **Subcontracts.** If for any reason, at any time during the progress of providing the Services, Addison determines that any subcontractor for BKD is incompetent or

# EXHIBIT A

## EXHIBIT B

undesirable, Addison will notify BKD accordingly and BKD shall take immediate steps for cancellation of such subcontract. Subletting by subcontractors shall be subject to the same regulations. Nothing in this Agreement shall create any contractual relation between any subcontractor and Addison.

7. Assignment. This Agreement is not assignable by BKD without the written consent of Addison, exercised in its sole discretion.
8. Representations. Each party to this Agreement represents that the individual signing on its behalf is duly authorized to bind the party to the terms and conditions contained herein and the other party is entitled to rely on this representation without further investigation in to the matter.
9. Waiver of Terms and Conditions. The failure of either party in any one or more instances to enforce one or more of the terms or conditions of this Agreement, or to exercise any right or privilege in this Agreement, or the waiver by either Addison or BKD of any breach of the terms or conditions of this Agreement shall not be construed as thereafter waiving any such terms, conditions, rights, or privileges, and the same shall continue and remain in force and effect as if no such waiver had occurred.
10. Severability. Every term or condition of this Agreement is severable from the others. Notwithstanding any possible future finding by a duly constituted authority that a particular term or provision is invalid, void, or unenforceable, this Agreement has been made with the clear intention that the validity and enforceability of the remaining parts, terms, and provisions shall not be affected thereby.
11. Dispute Resolution. If a claim or dispute arises out of or relates to the interpretation, application, enforcement, or performance of the Services under this Agreement, both Parties agree to attempt to resolve the claim or dispute (1) at a meeting between the principals within fifteen (15) days of receipt by either party of a notice and description of the dispute, and failing resolution, (2) mediation of at least ½ day in duration conducted by a mediator of the Parties mutual agreement within forty-five (45) days from the service of written notice. If the claim or dispute cannot be resolved through mediation, either party may file suit in accordance with the provisions contained herein.
12. Venue and Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of Texas. Any suit arising out of this Agreement shall be brought in a court of appropriate jurisdiction in Dallas County, Texas.
13. Entire Agreement. The terms and conditions set forth herein constitute the entire understanding and agreement of both Parties with respect to the Services. Any amendment or revision to this Agreement shall be in writing and signed by an authorized representative from each party. Any oral modification or revision of this Agreement shall not operate to modify this Agreement.