



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

AGENDA

AUGUST 22, 2006

**WORK SESSION OF THE CITY COUNCIL
6:00 P.M.**

AND

**REGULAR MEETING OF THE CITY COUNCIL
7:30 P.M.**

**TOWN HALL
5300 BELT LINE ROAD**

WORK SESSION

Item #WS1 - Presentation and discussion of city manager's recommended 2006-07 budgets for the Airport and Utility funds.

REGULAR SESSION

Item #R1 - Consideration of Old Business.

Item #R2 - Consent Agenda.

CONSENT AGENDA

#2a - Approval of the Minutes for the August 8, 2006, August 12, 2006 and August 14, 2006, Council Meetings.

#2b - Consideration and approval of a resolution to approve final payment to Allied Builders, Inc. totaling \$2,998.10 for completion of the Blueprints sculpture painting.

#2c - Consideration and approval of a resolution to approve final payment to Northstar Construction, Inc. in the amount of \$126,352.46 for the completion of Miscellaneous Pavement Repairs – Bid 06-23.

#2d - Consideration and approval of a resolution to award a contract in the amount of \$109,680.00 for rehabilitation of the six-inch sanitary sewer line serving Talisker Apartments and the six and eight-inch sanitary sewer line on Lake Forest Drive.

Item #R3 - **PUBLIC HEARING** on a proposal to increase the total property tax rate by 3.2% over the calculated effective tax rate.

Attachment:

1. Council Agenda Item Overview

Administrative Recommendation:

Administration recommends approval.

Item #R4 - Presentation of the Town of Addison financial report for the quarter ended June 30, 2006.

Item #R5 - Consideration and approval of a resolution authorizing the City Manager to enter into an agreement with Krause Advertising for the production of the 2007 Addison calendar.

Attachment:

1. Council Agenda Item Overview

Administrative Recommendation:

Administration recommends approval.

Item #R6 - Consideration and approval of an ordinance granting meritorious exception to Sec. 62-163, Area of Signs, for Stanley Peskind, located at 4800 Belt Line Road.

Attachments:

1. Staff Report
2. Application
3. Memorandum by Lynn Chandler
4. Plans

Administrative Recommendation:

Administration recommends approval.

Item #R7 - Presentation by the Dallas Area Rapid Transit of the DART 2030 Transit System Plan.

Item #R8 - Consideration and approval of a resolution stating the position of the Town of Addison in regard to the Dallas Area Rapid Transit's 2030 Transit System Plan.

Item #R9 - Presentation of the City Manager's recommended funding levels for the non-profits for FY 2006/07 budget.

Item #R10 - Consideration and approval of an appointment of an Addison resident for participation in the Leadership Metrocrest program.

Attachments:

1. Council Agenda Item Overview
2. Letter from Rita Moore
3. Citizen Academy List

Administrative Recommendation:

Administration recommends approval.

Item #R11 - Consideration and approval of a resolution appointing a member to the North Central Texas Council of Governments (NCTCOG) Regional Transportation Council.

Attachments:

1. Letter from Cynthia White, Chair, Regional Transportation Council
2. List of current and former Regional Transportation Council members.

Administrative Recommendation:

Administration recommends approval.

Item #R12 - Consideration and approval of a resolution establishing and setting forth rules of procedures for the Citizens Advisory Committees.

Attachment:

1. Resolution

Administrative Recommendation:

Administration recommends approval.

Item #R13 - Consideration and approval of appointments to the Citizens Advisory Committees.

Item #R14 – Consideration of a resolution regarding certain matters pertaining to a Ground Lease at 4554 Claire Chennault on Addison Airport between the Town of Addison, as Landlord, and KPI Properties Inc., as Tenant, as follows: i) consent to its [sub]Lease Agreement with Keith Products, L.P. and the proposed Amended and Restated Lease Agreement, ii) KPI and Keith are requesting the Town execute an Estoppel Letter affirming that KPI is in good standing with the Town and acknowledges the sub sublease arrangement with Keith, as amended and restated.

Attachments:

1. Council Agenda Item Overview
2. Exhibit A – Sub Lease Agreement & Amended & Restated Agreement
3. Exhibit B – Master Landlord Sub Lease consent
4. Exhibit C – Estoppel Letter

Administrative Recommendation:

Administration recommends approval.

EXECUTIVE SESSION

Item #ES1 - Closed (executive) session of the City Council pursuant to Section 551.074, Texas Government Code, to deliberate the appointment, employment, reassignment, or duties of the City Secretary.

Item #ES2 - Closed (executive) session of the City Council, pursuant to Section 551.071 of the Texas Government Code, to consult with its attorneys to seek the advice of its attorneys regarding certain pending litigation, to wit: *The City of Addison, Texas v. Transcontinental Realty Investors, Inc., et al.*, No. 05-05-01554-CV, Fifth District Court of Appeals, Dallas, Texas, and on a matter in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with this chapter, regarding matters concerning access to Addison Airport.

Item #R15 - Discussion and consideration of any action regarding and relating to the appointment and duties of the City Secretary.

Adjourn Meeting

Posted 5:00 p.m.
August 18, 2006
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.**

Council Agenda Item: #WS1

There are no attachments for this item.

OFFICIAL ACTIONS OF THE ADDISON CITY COUNCIL

August 8, 2006
6:00 p.m. – Town Hall
5300 Belt Line Road

Present: Mayor Chow, Councilmembers Braun, Hirsch, Kraft, Mallory, Mellow,
Niemann

Absent: None

Item #WS1 – City Manger’s General and Hotel Fund Recommendations.

No action taken.

Item #WS2 – Presentation and discussion regarding Airport Management’s guidelines and principles used to quantify the value and other consideration offered by Key Development in exchange for the requested twenty year lease term extension affecting the Ground Lease at 4444 Westgrove Road.

No action taken.

Item #WS3 – Discussion and update on Citizen Advisory Committees.

No action taken.

Item #WS4 – Discussion regarding policies on the naming of Town parks and facilities.

No action taken.

Item #R1 - Consideration of Old Business.

The following employees were introduced to the Council: Angie Logal (Conference and Theatre Centre), Tim Tomlinson (Fire), Gilbert Flores (Parks).

Item #R2 - Consent Agenda.

Item #2a and Item #2e were considered separately.

#2b – Consideration and approval to reject all bids for Miscellaneous Pavement Markings, Bid #06-26, for various pavement marking enhancements. (Approved)

#2c – Consideration and approval of an ordinance amending the Town of Addison Code of Ordinances, Section 78-165, permitting parking on the west side of Quorum Drive in the recessed parking spaces in the 15750 to 15900

blocks, and on the east side of Quorum Drive in the recessed parking spaces in the 15700 to 15900 blocks. (Approved – Ordinance No. 006-034)

#2d – Consideration and approval of an ordinance amending the Town of Addison Code of Ordinances, Section 78-140, changing the maximum speed limit on Arapaho Road between Dallas Parkway and Addison Road to 35 MPH, and Arapaho Road between Surveyor Boulevard and Marsh Lane to 40 MPH. (Approved – Ordinance No. 006-035)

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

Voting Aye: Chow, Braun, Hirsch, Kraft, Mallory, Mellow, Niemann
Voting Nay: None
Absent: None

#2a – Approval of the Minutes for the July 11, 2006, Council Meeting.

Councilmember Braun moved to duly approve the Minutes for the July 11, 2006, Council Meeting, subject to corrections. Councilmember Mallory seconded. Motion carried.

Voting Aye: Chow, Braun, Hirsch, Kraft, Mallory, Mellow, Niemann
Voting Nay: None
Absent: None

#2e – Consideration and approval of a resolution authorizing the City Manager to enter into an agreement with Dallas County to receive reimbursement for major transportation capital improvement projects.

Councilmember Niemann moved to duly approve Resolution No. R06-061 authorizing the City Manager to enter into an agreement with Dallas County to receive reimbursement for major transportation capital improvement projects. Councilmember Mellow seconded. Motion carried.

Voting Aye: Chow, Braun, Hirsch, Kraft, Mallory, Mellow, Niemann
Voting Nay: None
Absent: None

Item #R3 – Presentation of Non-Profit funding requests.

- Metrocrest Family Medical Clinic
- Metrocrest Chamber of Commerce
- DFW International
- The Family Place
- Communities in Schools

- Special Care & Career Services
- Senior Adult Services
- Metrocrest Social Services
- Dance Council
- WaterTower Theatre
- Richardson Symphony Orchestra

No action taken.

Item #R4 – Consideration and approval of a resolution appointing a member to the North Central Texas Council of Governments (NCTCOG) Regional Transportation Council.

Councilmember Hirsch moved to table this item. Councilmember Braun seconded. Motion carried.

Voting Aye: Chow, Braun, Hirsch, Kraft, Mallory, Mellow, Niemann
 Voting Nay: None
 Absent: None

Item #R5 – **PUBLIC HEARING**, consideration of and approval of an ordinance amending the Code of Ordinances of the Town by amending Appendix B, Subdivisions, by adding a new section, VII-A, regarding private street regulations and standards, on application from the Town of Addison.

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

Councilmember Kraft moved to duly approve Ordinance No. 006-036 amending the Code of Ordinances of the Town by amending Appendix B, Subdivisions, by adding a new section, VII-A, regarding private street regulations and standards, on application from the Town of Addison. Councilmember Braun seconded. Motion carried.

Voting Aye: Chow, Braun, Hirsch, Kraft, Mallory, Mellow, Niemann
 Voting Nay: None
 Absent: None

Item #R6 – Consideration and approval of a preliminary plat for 19 lots in a Planned Development district, located on approximately 2.4 acres at the southeast corner of Montfort Drive and Celestial Road, on application from Zachary Custom Builders, represented by Mr. Steven S. Crauford of Jones and Boyd.

Councilmember Mallory moved to duly approve a preliminary plat for 19 lots in a Planned Development district, located on approximately 2.4 acres at the

southeast corner of Montfort Drive and Celestial Road, on application from Zachary Custom Builders, represented by Mr. Steven S. Crauford of Jones and Boyd, subject to the following conditions:

- Plat meets closure requirements.
- Line designations are missing or unclear for the following lots and easements:
 - a. Lot 1, Block B
 - b. Lot 2, Block B
 - c. Lot 20, Block A
 - d. Lot 21, Block A
 - e. Private Access and Utility Easement
 - f. Drainage Easement
 - g. Sanitary Sewer Easement
- Show final plat without contour lines and proposed fence designation and notes.

Councilmember Niemann seconded. Motion carried.

Voting Aye: Chow, Braun, Hirsch, Kraft, Mallory, Mellow, Niemann
Voting Nay: None
Absent: None

Item #R7 – Consideration and approval of a replat for one lot of 15.574 acres, located at the northwest corner of the intersection of Addison Road and Sojourn Drive, on application from Trinity Christian Academy, represented by Paul E. Mannel of Vilbig and Associates, Inc.

Councilmember Mallory moved to duly approve a replat for one lot of 15.574 acres, located at the northwest corner of the intersection of Addison Road and Sojourn Drive, on application from Trinity Christian Academy, represented by Paul E. Mannel of Vilbig and Associates, Inc., subject to no conditions.
Councilmember Kraft seconded. Motion carried.

Voting Aye: Chow, Braun, Hirsch, Kraft, Mallory, Mellow, Niemann
Voting Nay: None
Absent: None

Item #R8 – Consideration and approval of a final development plan, with waivers, in the UC-Urban Center district, Commercial subdistrict, located pm 6.53 acres between Spectrum Drive and Dallas Parkway, just south of The Madison office building, on application from SNK Development, Inc., represented by Mr. Derrick Turnbull.

Councilmember Mellow moved to duly approve a final development plan, with waivers, in the UC-Urban Center district, Commercial subdistrict, located pm 6.53 acres between Spectrum Drive and Dallas Parkway, just south of The Madison office building, on application from SNK Development, Inc., represented by Mr. Derrick Turnbull, subject to the following conditions:

Waiver 1 – Subsection C. *Setbacks.*

Approval of the applicant's request for a minimum 5'-0" front yard with maximum 2'-0" projections into the required front yard for brick and stone pilasters and red columns at the corners of the buildings.

Waiver 2 – Subsection H *Exterior appearance.*

Approval of the applicant's request for facades that are 65% brick or stone.

- The 10-foot wide utility easement located south of the proposed street and adjacent to the Dallas Parkway shall be a minimum 15-foot wide.

- Final plans shall be signed and sealed by the engineer of record.

- Each drive approach along Spectrum Drive shall have a minimum curb return radius of ten feet.

- The trash receptacle, and driveway to service it, that is located at the northeast corner of the project site, shall be eliminated.

- Applicant shall furnish inlet design calculations and storm sewer pipe calculations for the site.

- Applicant shall furnish calculations for existing downstream storm sewer. Applicant must either prove that downstream storm sewer is adequate for post-developed flows or provide on-site detention.

- Plans shall be revised for Sheet 8 to show a note to lower exiting water line as shown on Sheet 7

- Plans shall be revised to show locations of irrigation meters.

- All domestic water services shall have backflow prevention devices.

- All Fire Services shall have a double-check detector assembly in a vault.

-Garage entrance/exit on Dallas Parkway shall be redesigned to provide for emergency vehicle exit only.

- A deceleration lane from Dallas Parkway into the proposed street that bisects the project shall be added to the plans.

Councilmember Mallory seconded. Motion carried.

Voting Aye: Chow, Braun, Mallory, Mellow, Niemann
Voting Nay: Kraft, Hirsch
Absent: None

Item #R9 – Consideration and approval of a final plat of three lots on 6.536 acres, in the UC-Urban Center district, located between Spectrum Drive and Dallas Parkway, just south of The Madison office building, on application from Grantham & Associates, Inc., represented by Mr. Bruce Grantham.

Councilmember Niemann moved to duly approve a final plat of three lots on 6.536 acres, in the UC-Urban Center district, located between Spectrum Drive and Dallas Parkway, just south of The Madison office building, on application from Grantham & Associates, Inc., represented by Mr. Bruce Grantham, subject to the following conditions:

- Plat closure meets the minimum requirements.
- The plat shall be revised to indicate a 15-foot utility easement located south of the proposed street and adjacent to the Dallas Parkway. This additional width is needed to provide sufficient separation and work area for the proposed utility improvements.
- Plans shall be revised to reflect a dedication for a right-turn lane on Dallas Parkway, which shall be constructed by developer.
- Engineering plans shall be approved by the staff prior to filing of final plat.

Councilmember Mellow seconded. Motion carried.

Voting Aye: Chow, Braun, Hirsch, Kraft, Mallory, Mellow, Niemann
Voting Nay: None
Absent: None

Item #R10 – **PUBLIC HEARING**, regarding, and consideration of approval of, an ordinance amending the Town's zoning from C-2 (Commercial-2) to PD (Planned Development) in order to provide for a multi-family residential development of approximately 300 units, and local retail uses, and approval of development

plans, located on 7.37 acres at the southeast corner of the intersection of Addison Road and Keller Springs.

Mayor Chow re-opened and continued the public hearing from the July 11, 2006 meeting. There were no questions or comments. Mayor Chow closed the meeting as a public hearing.

Councilmember Niemann moved to table this item. Councilmember Braun seconded. Motion carried.

Voting Aye: Chow, Braun, Hirsch, Kraft, Mallory, Mellow, Niemann
Voting Nay: None
Absent: None

Item #R11 – Consideration of a resolution regarding certain matters pertaining to a Ground Lease at 4444 Westgrove Drive on Addison Airport between the Town of Addison, as Landlord, and ADS Air 2000, L.P. as Tenant, as follows: i) consent to an assignment of ground lease, ii) consent to an amendment to ground lease, iii) consent to the assumption of a leasehold mortgage.

Councilmember Braun moved to duly approve Resolution No. R06-062 regarding certain matters pertaining to a Ground Lease at 4444 Westgrove Drive on Addison Airport between the Town of Addison, as Landlord, and ADS Air 2000, L.P. as Tenant, as follows: i) consent to an assignment of ground lease, ii) consent to an amendment to ground lease, iii) consent to the assumption of a leasehold mortgage. Councilmember Niemann seconded. Motion carried.

Voting Aye: Chow, Braun, Hirsch, Kraft, Mallory, Mellow, Niemann
Voting Nay: None
Absent: None

Item #R12 – Consideration and approval of a resolution appointing the City Secretary as the Public Information Coordinator for the Town of Addison.

Councilmember Niemann moved to duly approve Resolution No. R06-063 appointing the City Secretary as the Public Information Coordinator for the Town of Addison, subject to corrections. Councilmember Braun seconded. Motion carried.

Voting Aye: Chow, Braun, Hirsch, Kraft, Mallory, Mellow, Niemann
Voting Nay: None
Absent: None

Item #R13 – Consideration and approval of an appointment of an Addison resident for participation in the Leadership Metrocrest program.

Councilmember Niemann moved to duly appoint Kimberly Lay for participation in the Leadership Metrocrest program. Councilmember Braun 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:

Staff recommends that the Council approve final payment totaling \$2,998.10 to Allied Builders Inc. for painting of 25 poles on the Blueprints sculpture.

FINANCIAL IMPACT:

Project Budget:	\$60,000.00
Original Bid Amount:	\$54,300.00
Change Order Number 1:	<u>\$5,662.00</u>
Total Contract Amount	\$59,962.00

This was a budgeted item in the parks operations budget. Change Order Number 1 included the cost to add fade-away die to the paint to insure 100 percent coverage of the surface, which was not included in the original bid specifications. The remaining amount was for additional equipment rental cost to provide a second aerial lift, so the work could be expedited to avoid delays in opening the roundabout to two lanes of traffic.

BACKGROUND:

This project involved painting and sealing of 25 poles on the Blueprints sculpture, not including the art panels. The work was completed one month early, primarily due to adding a second aerial lift.

RECOMMENDATION:

Staff performed daily inspections on the project that included temperature and humidity readings to ensure the work was being done within the limits of the paint specifications. The work was carried out in a satisfactory manner according to the specifications. Staff recommends approval.

Council Agenda Item: #2c

SUMMARY:

This item is to authorize first and final payment to Northstar Construction, Inc. in the amount of \$126,352.46 for Miscellaneous Pavement Repairs – Bid 06-23.

FINANCIAL IMPACT:

Budgeted Amount:	\$120,000
Contract Amount:	\$109,778
Final Contract Amount:	\$126,352.46

This project, including the increased amount, is funded for 2006 in the Street Operations Budget.

BACKGROUND:

On June 13, 2006 Council awarded a contract to Northstar Construction, Inc for miscellaneous pavement repairs on various Town streets. The original contract price was \$109,778. As construction progressed, Town Staff identified eight additional locations on Midway Road in need of repair. The contractor agreed to make the necessary repairs at the contract unit cost per square yard, which came to an additional \$16,574.46.

Northstar Construction, Inc. did an excellent job on all repairs, and completed the work in a timely manner.

RECOMMENDATION:

Staff recommends first and final payment to Northstar Construction, Inc. in the amount of \$126,352.46 for Miscellaneous Pavement Repairs - Bid 06-23.

AUG. 15. 2006 3:05PM

NORTHSTAR CONST.

No. 7105 P. 2/2

#2c-2

Application For Payment

Client : Town of Addison
5350 Beil Line Road
Addison, Texas 75001

Engineer Town of Addison - Public Works
P.O. Box 9010
Addison, Texas 75001-9010

Project : Miscellaneous Pavement Repairs - Bid 06-23
 Period : July 16, 2006 to August 1, 2006
 Est. No. : 1 & Final

Contract Awarded : June 13, 2006
 Contract Amount : \$126,352.46
 Calendar Days Allotted : 30
 Used Previously To Date : 0
 Used This Period : 17
 Remaining Days To Finish : 13

Item No.	Description	Contract Quantity	Units	Unit Price	Previous Quantity	Current Quantity	TOTAL Quantity	Current Amount	Total Amount
101	Mobilization, Bonds, & Insurance	1	LS	\$ 20,000.00	0	1	1	\$ 20,000.00	\$ 20,000.00
102	Barricades, Signs, & Traffic Control	1	LS	\$ 10,000.00	0	1	.1	\$ 10,000.00	\$ 10,000.00
103	Concrete Excavation	662	SY	\$ 16.00	0	662	662	\$ 10,592.00	\$ 10,592.00
104	8" - 3600 PSI Concrete Pavement	662	SY	\$ 103.00	0	662	662	\$ 68,186.00	\$ 68,186.00
105	6" Curb & Gutter	100	LF	\$ 10.00	0	100	100	\$ 1,000.00	\$ 1,000.00
C.O. 1	Additional Pavement Replacement	123.69	SY	\$ 134.00	0	123.69	123.69	\$ 16,574.46	\$ 16,574.46

Certified By :

Michael A. Heimlich
 Northstar Construction, Inc.
 3210 Joyce Drive
 Fort Worth, Texas 76116
 Date 8/15/06

TOTAL COMPLETED THIS PERIOD \$ 109,778.00
 EXTRA WORK COMPLETED THIS PERIOD \$ 16,574.46
 STORED MATERIALS THIS PERIOD \$ -
 TOTAL THIS PERIOD \$ 126,352.46
 TOTAL COMPLETED TO DATE \$ 109,778.00
 EXTRA WORK COMPLETED TO DATE \$ 16,574.46
 STORED MATERIALS TO DATE \$ -
 TOTAL TO DATE \$ 126,352.46
 LESS RETAINAGE - 0% \$ -
 NET AMOUNT EARNED ON CONTRACT \$ 126,352.46
 LESS AMOUNT OF PREVIOUS PAYMENTS \$ -
 AMOUNT DUE THIS ESTIMATE \$ 126,352.46

Town Of Addison _____ Date _____

Council Agenda Item: #2d

SUMMARY:

This item is to award a contract for rehabilitation of the sanitary sewer line serving Talisker Apartments and the sanitary sewer line serving Lake Forest Drive.

FINANCIAL IMPACT:

Budgeted Amount: \$105,600.00

Cost: \$109,680.00

Funding Source: Utilities Capital Projects Fund

BACKGROUND:

The 6-inch sewer line in Talisker Apartments is clay pipe approximately 30 years old. This pipe has deteriorated joints allowing rainwater infiltration. Additionally, there are sewer service connections that protrude into the pipe restricting the flow. The 6 and 8-inch sewer line on Lake Forest Drive is in similar condition, with the addition of cracked pipe and tree roots blockages.

Insituform Technologies, with 15 years experience in Addison, proposed a cost of \$109,680 to rehabilitate approximately 2,500 feet of sanitary sewer line using a lining process that seals all joints and cuts off any protruding connections. This repair process is made from manhole to manhole without street excavations, with the exception of five point repairs.

RECOMMENDATION:

Staff recommends Council authorize the City Manager to enter into a contract with Insituform Technologies in the amount of \$109,680 for the trenchless internal lining of sanitary sewers at Talisker Apartments and on Lake Forest Drive.

Council Agenda Item: #R3

SUMMARY:

Council is requested to hold a public hearing on a proposal to increase the total property tax rate by 3.2% over the calculated effective tax rate. The proposed tax rate of \$0.4640 per \$100 in valuation is \$0.0120 less than the current tax rate of \$0.4760.

FINANCIAL IMPACT:

There is no financial impact associated with holding a public hearing.

BACKGROUND:

The city manager's proposed budget includes a tax rate of \$0.4640. This rate is more than the calculated effective tax rate of \$0.449574, but less than the calculated rollback rate of \$0.464869. According to state law, the Town must publish notices and hold a series of hearings prior to adopting the tax rate. Below is a schedule that meets the requirements of state law, as recently modified by the Texas Legislature.

- August 11 Publication of effective and rollback tax rates, statements and schedules (attached to this memo).
- August 12 Meeting of Council to discuss tax rate and to take record vote and schedule public hearings.
- August 18 Notice of Public Hearing on Tax Increase is the 1st quarter page notice in newspaper and Web site.
- August 22 1st Public Hearing
- September 12 2nd Public Hearing
- September 15 Notice of Vote on Tax Rate published before meeting to adopt tax rate is the 2nd quarter-page notice in newspaper before meeting and published on Web site.
- September 26 Meeting to adopt tax rate. Meeting must be between 3 to 14 days after second public hearing. Taxing unit must adopt tax rate by September 30 or within 60 days of receiving certified appraisal roll, whichever is late.

RECOMMENDATION:

It is recommended council hold a public hearing on a proposal to increase the total property tax rate by 3.2% over the calculated effective tax rate.

Department of Financial & Strategic Services
Quarterly Review

For the Period Ended June 30, 2006

*Town of Addison
August 2006*

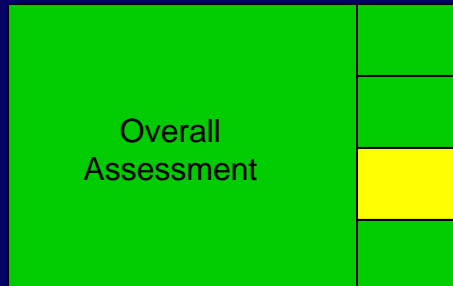
Quarter Ended 6/30/06

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First Southwest Portfolio Report	Attached



Revenues

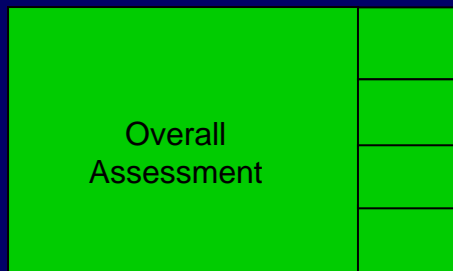


- Ad Valorem Taxes
- Sales Tax
- Franchise Fees
- Long Term Trend

Legend

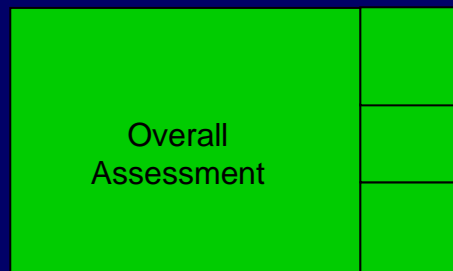
- Positive Outlook
- Area of Concern
- Negative Outlook

Expenses



- YTD Expenditures vs. Relative Position in Year
- Relative Position Compared to Prior Year
- Compensation Issues
- Long Term Trend

Fund Balance

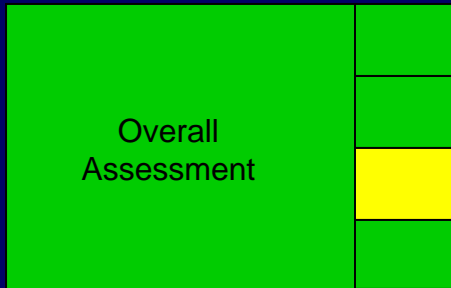


- Level Compared to FY 06 Budget Assumption
- Level Compared to 25% Requirement
- Long Term Trend



Hotel Fund

Revenues

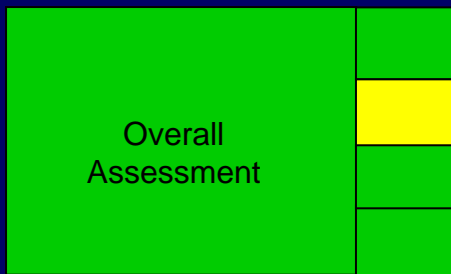


- Hotel Occupancy Taxes
- Special Event Fees
- Conference Centre Rental Fees
- Long Term Trend

Legend

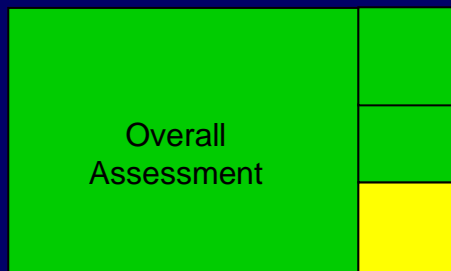
- Positive Outlook
- Area of Concern
- Negative Outlook

Expenses



- YTD Expenditures vs. Relative Position in Year
- Relative Position Compared to Prior Year
- Overtime/Outside Labor Costs
- Long Term Trend

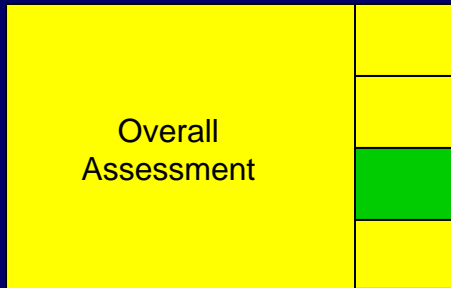
Fund Balance



- Level Compared to FY 06 Budget Assumption
- Level Compared to 25% Requirement
- Long Term Trend



Revenues

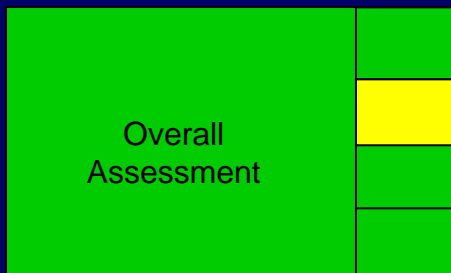


- Fuel Flowage Fees
- Rental Fees
- Grant and Other Revenue
- Long Term Trend

Legend

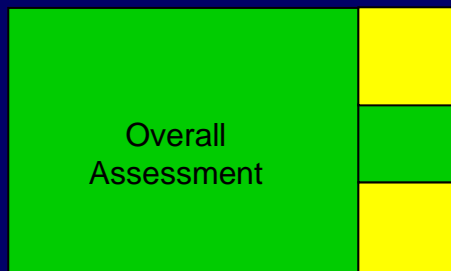
- Positive Outlook
- Area of Concern
- Negative Outlook

Expenses



- YTD Expenditures vs. Relative Position in Year
- Relative Position Compared to Prior Year
- Impact of Potential Capital Projects
- Long Term Trend

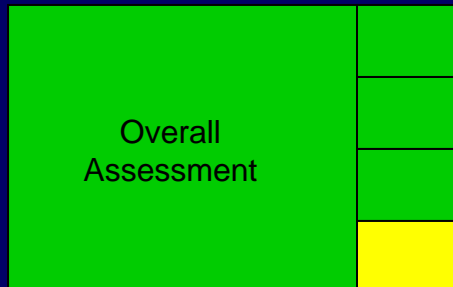
Working Capital Balance



- Level Compared to FY 06 Budget Assumption
- Level Compared to 25% Requirement
- Long Term Trend

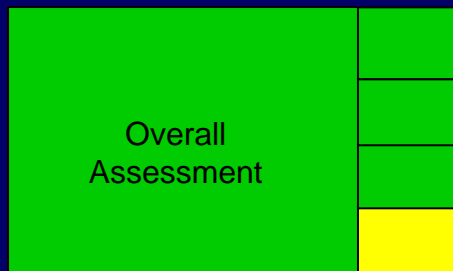


Revenues



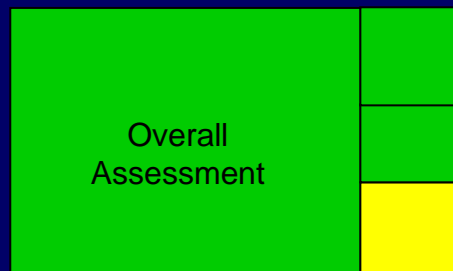
- Water Sales
- Sewer Charges
- Penalties and Other Revenue
- Long Term Trend

Expenses



- YTD Expenditures vs. Relative Position in Year
- Relative Position Compared to Prior Year
- Water Purchases and Treatment Costs
- Long Term Trend

Working Capital Balance



- Level Compared to FY 06 Budget Assumption
- Level Compared to 25% Requirement
- Long Term Trend

Legend

- Positive Outlook
- Area of Concern
- Negative Outlook

To: Ron Whitehead, City Manager

From: Randy Moravec, Director

Re: Third Quarter FY 2006 Financial Report

Date: August 15, 2006

**Financial & Strategic
Services Department**

M E M O

GENERAL FUND

- Revenues for the quarter totaled \$4.1 million, bringing the amount received through nine months to \$19.9 million, which is 79.6% of budget and \$2.5 million more than received this time last year.
- Property tax is up a significant \$1.6 million or 22.7% due to the higher tax rate levied for operations and maintenance this fiscal year.
- Sales tax is \$176k or 2.4% over last year. If this trend continues through the year, projected collections would come in almost exactly as budgeted. Addison's experience continues to lag the increases enjoyed by Dallas County (up 9.6%) and State of Texas (up 14.4%).
- Telecommunication fees are slightly less than the collections from the same period last year. This is one revenue source that will continue to decline due to the propensity of consumers to use cellular phones over landline phones.
- Most other revenue sources are at or exceed budget for this time of the year.
- Second quarter expenditures totaled \$5.5 million bringing the year-to-date amount to \$17.4 million, or 68.7% of budget. If the non-recurring \$263k transfer to the Parks capital project fund is removed, total expenditures would be only 2.5% more than spent through June of last year.

HOTEL FUND

- Through three-quarters of the fiscal year, the fund recorded revenues of \$4.6 million. Hotel occupancy taxes were up 13% for the third quarter and for year-to-date, are up 15%. All but three of the Town's 22 hotels posted gains, with those in the full-services and business moderate categories performing the best. Revenues for the next two quarters may be impacted by the remodeling of the Marriott Quorum, which will take out a third of their rooms for the next few months, although that hotel showed a 6% gain in occupancy tax for the third quarter.
- Conference Center rental recovered the past two quarters but is still down 5% compared to last year.
- YTD expenditures totaled \$4.5 million or \$547k more than last year, but well within this year's budget. The Council's decision to have a fireworks program during the Labor Day weekend will require a budget amendment.

AIRPORT FUND

- Operating revenue for the year totals \$2.9 million, or \$77k more than generated last year. Although rental revenue is up slightly, the amount received is less than anticipated in the budget, which had assumed higher revenues generated by increased rental rates. The shortfall is attributed to various reasons, including concessions granted west-side T-Hangars inconvenienced by paving work and the default of Skytech and the termination of their lease.
- Year-to-date operating expenses of \$2.2 million contributed to net income of \$640k, compared to the \$719k amount recorded this time last year.
- Working capital has not yet been significantly affected by the completion of the fuel farm. Although substantially completed, the Town and contractor are in the process of resolving final issues prior to authorizing final payment to the contractor.
- The long-term trend for airport working capital is one of caution due to the projection of revenues coming in less than budget.

UTILITY FUND

- Through nine months the volume of water sold is up 25.8% from the same time last year. Combined with the higher water and sewer rates in place, the fund has taken in \$1.9 million more than a year ago.
- Net income of \$2.1 million is substantially better than the \$55k income generated through June 2005.
- The general outlook for this fund has improved to positive. The only potential cause for concern is if DWU requires its member cities to go to mandatory water rationing.

CASH AND INVESTMENT REPORT

- Cash for all funds as of June 30, 2006 totaled \$ 37.5 million, a net increase of \$425k from the beginning of the quarter. The increase is attributed to the Utility fund's growth in revenues as well as the receipt of \$1.4 million in DART grant monies for Arapaho road.
- The Town's average investment yield to maturity as of 6/30/06 was 4.67%, a good increase from the 3.94% of the previous quarter and the average weighted maturity was 335 days.
- The Town's return is still below the Texpool return but the variance is now within 35 basis points. As the Town continues to lock-in higher rates with longer maturities, the Town's portfolio will begin to generate rates in excess of this benchmark.

TOWN OF ADDISON

EXECUTIVE SUMMARY OF MAJOR OPERATING FUNDS FOR THE QUARTER ENDED JUNE 30, 2006
UNAUDITED ACTUAL AMOUNTS COMPARED TO THE 2006 ADOPTED BUDGET AND PREVIOUS YEAR ACTUAL FOR SAME PERIOD

All Amounts Expressed in Thousands of Dollars

	General Fund			Hotel Fund			Airport Fund			Utility Fund			Total Major Operating Funds*		
	Budget	Actual	PY Actual	Budget	Actual	PY Actual	Budget	Actual	PY Actual	Budget	Actual	PY Actual	Budget	Actual	PY Actual
RESOURCES															
Ad Valorem Tax	\$ 8,465	\$ 8,516	\$ 6,936	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,465	\$ 8,516	\$ 6,936
Non-Property Tax	10,774	7,943	7,733	4,450	3,410	2,968	-	-	-	-	-	-	15,224	11,354	10,701
Franchise Fees	2,752	766	648	-	-	-	-	-	-	-	-	-	2,752	766	648
Service/Permitting/License Fees	1,633	1,317	1,189	1,049	670	612	1,112	739	727	9,013	6,426	4,559	12,808	9,151	7,087
Rental, Interest and Other Income	1,483	1,438	954	669	530	500	3,419	2,235	2,147	55	100	67	5,626	4,303	3,668
Transfers and Other Sources	-	-	-	-	-	-	-	-	4,400	-	-	-	-	-	4,400
Total Resources	25,107	19,980	17,460	6,168	4,611	4,080	4,531	2,974	7,274	9,069	6,525	4,626	44,874	34,090	33,440
APPLICATION OF RESOURCES															
Personal Services	17,232	11,988	11,297	1,427	936	818	281	189	141	1,227	770	703	20,167	13,883	12,959
Supplies and Materials	1,042	694	630	221	95	119	22	9	3	99	55	60	1,384	853	812
Maintenance	1,762	982	1,296	371	267	227	1,849	937	838	304	119	150	4,286	2,306	2,511
Contractual Services	3,923	2,698	2,550	3,521	2,377	2,211	1,716	1,071	1,073	4,762	3,014	3,023	13,923	9,161	8,857
Capital Equipment Amortization	1,077	803	864	17	13	16	-	-	-	17	13	16	1,112	829	896
Capital Equipment/Projects	65	3	118	150	249	-	3,168	1,471	553	589	42	493	3,972	1,765	1,164
Transfers and Other Uses**	263	263	-	706	529	528	384	288	159	2,350	1,763	1,722	3,703	2,843	2,409
Total Application of Resources	25,365	17,432	16,755	6,413	4,467	3,919	7,420	3,966	2,767	9,349	5,777	6,167	48,547	31,641	29,608
Net Change in Fund Balances	\$ (258)	\$ 2,549	705	\$ (245)	\$ 144	\$ 161	\$ (2,889)	\$ (992)	\$ 4,507	\$ (280)	\$ 749	(1,541)	\$ (3,673)	\$ 2,449	3,832

Notes:

* Totals may not exactly match due to rounding.

** Transfers and other uses includes interfund transfers and and retirement of debt in the Airport and Utility funds.

TOWN OF ADDISON

GENERAL FUND

FY 2006 QUARTERLY STATEMENT OF REVENUES COMPARED TO BUDGET

With Comparative Information from Prior Fiscal Year

Category	2005-06 FY				2004-05	
	Amended Budget	3rd Quarter	Year-to-Date	YTD as % of Budget	Year-to-Date	YTD as % of Budget
Advalorem taxes:						
Current taxes	\$ 8,419,500	\$ 140,322	\$ 8,467,227	100.6%	\$ 6,839,830	98.9%
Delinquent taxes	25,710	(1,105)	9,090	35.4%	48,332	885.2%
Penalty & interest	19,290	13,743	39,965	207.2%	47,651	436.8%
Non-property taxes:						
Sales tax	9,924,100	2,445,034	7,464,203	75.2%	7,291,347	74.7%
Alcoholic beverage tax	849,750	247,214	479,007	56.4%	441,145	56.1%
Franchise / right-of-way use fees:						
Electric franchise	1,619,430	7,959	7,959	0.5%	7,486	0.5%
Gas franchise	194,980	-	241,378	123.8%	189,298	88.8%
Telecommunication access fees*	742,940	176,548	363,000	48.9%	391,625	49.4%
Cable franchise	107,430	30,681	87,614	81.6%	55,068	52.8%
Street rental fees	7,000	7,607	17,440	249.1%	4,753	67.9%
Sanitation	80,000	3,534	48,468	60.6%	-	0.0%
Licenses and permits:						
Business licenses and permits	149,030	43,672	92,896	62.3%	89,632	62.4%
Building and construction permits	303,130	128,955	417,734	137.8%	262,499	103.2%
Intergovernmental revenue	-	-	-	0.0%	119,695	0.0%
Service fees:						
General government	960	92	221	23.0%	561	79.0%
Public safety	759,270	143,856	482,059	63.5%	523,337	72.8%
Urban development	4,450	3,445	7,621	171.3%	3,041	148.3%
Streets and sanitation	184,680	49,815	140,044	75.8%	134,021	75.3%
Recreation	65,150	21,152	51,151	78.5%	46,385	67.4%
Interfund	166,400	41,600	124,800	75.0%	129,680	75.3%
Court fines	944,970	433,380	969,124	102.6%	549,050	74.5%
Interest earnings	267,000	106,044	241,834	90.6%	128,966	113.5%
Rental income	119,000	32,500	75,833	63.7%	80,620	62.0%
Other	152,500	65,015	151,579	99.4%	75,695	336.4%
Total Revenues	\$ 25,106,670	\$ 4,141,063	\$ 19,980,247	79.6%	\$ 17,459,716	73.5%

NOTES:

1) N/A - Not Applicable

2) * Telecommunication fee revenue may be understated since these fees are due 45 days following the end of the quarter.

TOWN OF ADDISON

GENERAL FUND

FY 2006 QUARTERLY STATEMENT OF EXPENDITURES COMPARED TO BUDGET

With Comparative Information from Prior Fiscal Year

Category	2005-06 FY				2004-05	
	Amended Budget	3rd Quarter	Year-to-Date	YTD as % of Budget	Year-to-Date	YTD as % of Budget
General Government:						
City manager	\$ 1,285,600	\$ 291,927	\$ 948,370	73.8%	\$ 884,121	73.0%
Financial & strategic services	1,014,140	234,125	719,873	71.0%	665,304	65.6%
General services	831,450	160,866	493,922	59.4%	474,033	73.2%
Municipal court	429,190	77,741	281,342	65.6%	267,255	64.8%
Human resources	371,570	60,784	260,113	70.0%	259,025	66.1%
Information technology	1,088,010	226,046	713,919	65.6%	658,925	63.0%
Combined services	902,120	194,699	578,411	64.1%	693,757	90.0%
Council projects	419,590	41,890	361,727	86.2%	337,610	90.4%
Public safety:						
Police	7,395,220	1,690,520	5,198,972	70.3%	4,963,867	68.0%
Fire	5,574,320	1,292,119	3,927,847	70.5%	3,766,122	72.3%
Development services	637,340	114,444	383,010	60.1%	392,905	69.3%
Streets	1,456,140	291,204	874,658	60.1%	895,555	63.7%
Parks and Recreation:						
Parks	2,428,830	544,090	1,569,162	64.6%	1,478,124	66.3%
Recreation	1,267,980	311,825	857,186	67.6%	1,018,198	78.8%
OTHER FINANCING USES						
Transfer to parks capital project fund	263,000	-	263,000	100.0%	-	0.0%
Total Expenditures	\$ 25,364,500	\$ 5,532,279	\$ 17,431,513	68.7%	\$ 16,754,800	70.2%

NOTES:

1) N/A - Not Applicable

TOWN OF ADDISON

HOTEL FUND

FY 2006 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET

With Comparative Information from Prior Fiscal Year

Category	2005-06 FY				2004-05	
	Amended Budget	3rd Quarter	Year-to-Date	YTD as % of Budget	Year-to-Date	YTD as % of Budget
Revenues:						
Hotel/Motel occupancy taxes	\$ 4,450,000	1,169,454	\$ 3,410,492	76.6%	\$ 2,968,394	87.3%
Proceeds from special events	1,049,300	589,454	670,029	63.9%	611,511	58.1%
Conference centre rental	490,000	108,714	341,239	69.6%	358,994	102.6%
Theatre centre rental	84,000	13,004	51,701	61.5%	62,056	82.7%
Interest and miscellaneous	94,700	53,105	137,055	144.7%	78,829	137.3%
Total Revenues	6,168,000	1,933,731	4,610,516	74.7%	\$ 4,079,784	82.7%
Expenditures and other uses:						
Visitor services	799,810	212,911	513,900	64.3%	487,203	63.3%
Marketing	996,710	291,164	728,611	73.1%	661,487	74.2%
Special events	2,246,230	868,272	1,284,442	57.2%	1,177,452	58.8%
Conference centre	1,148,260	232,378	850,156	74.0%	616,302	72.5%
Performing arts	516,010	184,072	461,590	89.5%	448,721	88.7%
Capital projects	-	18,777	98,482	0.0%	-	0.0%
Other financing uses:						
Transfer to debt service fund	705,890	176,473	529,418	75.0%	528,457	75.0%
Total Expenditures and Other	\$ 6,412,910	\$ 1,984,046	\$ 4,466,599	69.7%	\$ 3,919,622	68.5%

NOTES:

- 1) N/A - Not Applicable
- 2) Amounts spent by special project:

Public Relations	\$ 663,330	\$ 208,084	\$ 454,750	68.6%	\$ 459,941	75.4%
Oktoberfest	558,170	3,607	8,765	1.6%	2,731	0.6%
Kaboom Town	175,220	60,904	61,053	34.8%	49,299	29.4%
Calendar	44,480	-	39,656	89.2%	40,693	91.5%
Hotel Support Program	260,000	77,431	143,567	55.2%	159,229	79.6%
Taste Addison	613,470	484,979	531,202	86.6%	552,005	99.6%
Jazz Festival	251,400	74,056	152,293	60.6%	231,805	109.4%
Shakespeare Festival	31,000	-	16,528	53.3%	-	0.0%
Summer Jazz Festival	24,100	12,429	12,789	53.1%	-	0.0%
Book Fair	4,580	-	2,268	49.5%	4,070	66.0%
Texas to Tuscany	-	2,397	3,178	N/A	-	0.0%
Lone Star Drive In	-	9,888	9,888	N/A	-	0.0%
Weekend to Wipe Out Cancer	13,000	(874)	-	0.0%	2,655	20.4%
TOTAL	\$ 2,638,750	\$ 932,901	\$ 1,435,937	54.4%	\$ 1,502,428	64.9%

TOWN OF ADDISON
STREET CAPITAL PROJECT FUND
 FY 2006 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET
With Comparative Information from Prior Fiscal Year

Category	2005-06 FY				2004-05	
	Budget	3rd Quarter	Year-to-Date	YTD as % of Budget	Year-to-Date	YTD as % of Budget
Revenues:						
DART Grants	\$ 752,000	\$ -	\$ -	0.0%	\$ -	0.0%
Interest income and other	85,000	43,558	115,764	136.2%	95,230	1.1%
Total Revenues	837,000	43,558	115,764	13.8%	95,230	11.5%
Expenditures:						
Personal services	50,000	4,353	13,789	27.6%	21,155	42.3%
Design and engineering	138,000	10,131	12,734	9.2%	381,896	196.3%
Construction and equipment:	1,298,000	(6,210)	-	0.0%	3,442,342	75.3%
Total Expenditures	\$ 1,486,000	\$ 8,274	\$ 26,523	1.8%	\$ 3,845,393	79.8%

NOTES:

1) N/A - Not Applicable

TOWN OF ADDISON
PARKS CAPITAL PROJECT FUND
 FY 2006 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET
With Comparative Information from Prior Fiscal Year

Category	2005-06 FY				2004-05	
	Budget	3rd Quarter	Year-to-Date	YTD as % of Budget	Year-to-Date	YTD as % of Budget
Revenues:						
Interest income and other	\$ 12,000	\$ 7,270	\$ 16,801	140.0%	\$ 11,531	230.6%
Developer contributions	184,000	-	-	0.0%	-	0.0%
Transfer from street capital project fund	263,000	-	263,000	100.0%	-	0.0%
Total Revenues	459,000	7,270	279,801	61.0%	11,531	230.6%
Expenditures:						
Personal services	5,000	186	1,199	24.0%	3,552	N/A
Design and engineering	53,000	5,346	25,408	47.9%	35,798	N/A
Construction and equipment:	779,000	-	35,230	4.5%	68,596	19.6%
Total Expenditures	\$ 837,000	\$ 5,532	\$ 61,837	7.4%	\$ 107,946	30.8%

NOTES:

1) N/A - Not Applicable

TOWN OF ADDISON
2000 CAPITAL PROJECT FUND
FY 2006 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET
With Comparative Information from Prior Fiscal Year

Category	2005-06 FY				2004-05	
	Budget	3rd Quarter	Year-to-Date	YTD as % of Budget	Year-to-Date	YTD as % of Budget
Revenues and other sources:						
Interest earnings and other	\$ 2,000	\$ -	\$ 755	37.8%	\$ 4,301	215.1%
Total Revenues	2,000	-	755	37.8%	4,301	215.1%
Expenditures:						
Personal services	12,000	685	1,479	12.3%	4,501	45.0%
Design and engineering	122,000	(13,611)	73,812	60.5%	21,028	9.1%
Construction and equipment	-	-	-	0.0%	-	0.0%
Total Expenditures	134,000	(12,926)	75,291	56.2%	25,529	10.6%

NOTES:

- 1) N/A - Not Applicable

TOWN OF ADDISON
2002 CAPITAL PROJECT FUND
FY 2006 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET
With Comparative Information from Prior Fiscal Year

Category	2005-06 FY				2004-05	
	Budget	3rd Quarter	Year-to-Date	YTD as % of Budget	Year-to-Date	YTD as % of Budget
Revenues:						
Intergovernmental income	\$ -	\$ -	\$ -		\$ 555,178	N/A
Interest earnings and other	40,000	23,805	61,140	152.9%	45,216	60.3%
Total Revenues	40,000	23,805	61,140	152.9%	600,394	800.5%
Expenditures and other uses:						
Personal services	-	439	25,342	N/A	69,502	139.0%
Design and engineering	250,000	47,551	177,028	70.8%	217,018	72.3%
Construction and equipment	1,205,280	(264,044)	-	0.0%	924,422	32.7%
Total Expenditures	1,455,280	(216,054)	202,370	13.9%	1,210,942	38.1%

NOTES:

- 1) N/A - Not Applicable

TOWN OF ADDISON
2004 CAPITAL PROJECT FUND
FY 2006 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET
With Comparative Information from Prior Fiscal Year

Category	2005-06 FY				2004-05	
	Budget	3rd Quarter	Year-to-Date	YTD as % of Budget	Year-to-Date	YTD as % of Budget
Revenues:						
Intergovernmental	\$ -	\$ 1,373,045	\$ 1,373,045	N/A	\$ 1,422,812	N/A
Interest earnings and other	150,000	74,483	115,085	76.7%	190,856	127.2%
Total Revenues	150,000	1,447,528	1,488,130	992.1%	\$ 1,613,668	1075.8%
Expenditures and other uses:						
Personal services	50,000	-	325	0.6%	12,640	25.3%
Design and engineering	450,000	12,577	89,311	19.8%	110,704	24.6%
Construction and equipment	8,100,000	199,549	3,597,286	44.4%	5,131,542	63.4%
Total Expenditures	\$ 8,600,000	\$ 212,127	\$ 3,686,922	42.9%	\$ 5,254,886	61.1%

NOTES:

1) N/A - Not Applicable

TOWN OF ADDISON
2006 CAPITAL PROJECT FUND
FY 2006 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET
With Comparative Information from Prior Fiscal Year

Category	2005-06 FY				2004-05	
	Budget	3rd Quarter	Year-to-Date	YTD as % of Budget	Year-to-Date	YTD as % of Budget
Revenues:						
Bond proceeds	\$ 1,500,000	\$ -	\$ 1,500,000	100.0%	\$ -	0.0%
Interest earnings and other	5,000	12,208	26,694	533.9%	-	0.0%
Total Revenues	1,505,000	12,208	1,526,694	101.4%	\$ -	0.0%
Expenditures and other uses:						
Bond sale costs	12,000	-	-	0.0%	-	0.0%
Design and engineering	-	7,042	7,042	0.0%	-	0.0%
Construction and equipment	1,493,000	228,052	228,052	15.3%	-	0.0%
Total Expenditures	\$ 1,505,000	\$ 235,094	\$ 235,094	15.6%	\$ -	0.0%

NOTES:

1) N/A - Not Applicable

AIRPORT FUND
FY 2006 QUARTERLY STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES TO WORKING CAPITAL COMPARED TO BUDGET
With Comparative Information from Prior Fiscal Year

Category	2005-06 FY				2004-05	
	Amended Budget	3rd Quarter	Year-to-Date	YTD as % of Budget	Year-to-Date	YTD as % of Budget
Operating revenues:						
Operating grants	\$ 30,000	\$ -	\$ -	0.0%	\$ -	0.0%
Fuel flowage fees	1,065,000	265,408	716,664	67.3%	695,625	69.6%
Rental	3,330,000	793,132	2,113,453	63.5%	2,048,401	66.7%
User fees	47,000	10,192	22,179	47.2%	31,110	88.9%
Total operating revenues	<u>4,472,000</u>	<u>1,068,732</u>	<u>2,852,296</u>	63.8%	<u>2,775,136</u>	67.1%
Operating expenses:						
Town - Personal services	281,130	67,837	188,785	67.2%	141,413	49.8%
Town - Supplies	22,300	5,074	9,324	41.8%	2,761	18.4%
Town - Maintenance	26,250	6,401	16,730	63.7%	21,758	93.6%
Town - Contractual services	636,100	188,714	389,997	61.3%	280,429	68.8%
Grant - Maintenance	60,000	-	60,000	100.0%	68,537	114.2%
Operator operation & maintenance	1,762,660	396,530	860,364	48.8%	748,024	59.9%
Operator service contract	1,080,000	216,133	681,268	63.1%	792,907	76.2%
Total operating expenses	<u>3,868,440</u>	<u>880,689</u>	<u>2,206,468</u>	57.0%	<u>2,055,830</u>	66.8%
Net operating income	<u>603,560</u>	<u>188,043</u>	<u>645,828</u>	107.0%	<u>719,306</u>	68.2%
Non-Operating revenues (expenses):						
Interest earnings and other	59,000	45,693	121,450	205.8%	98,797	282.3%
Interest on debt, fiscal fees & other	(169,360)	(42,340)	(127,020)	75.0%	(158,850)	75.0%
Total non-operating revenues (expenses)	<u>(110,360)</u>	<u>3,353</u>	<u>(5,570)</u>	5.0%	<u>(60,053)</u>	34.0%
Net income (loss) (excluding depreciation)	<u>\$ 493,200</u>	<u>\$ 191,396</u>	<u>\$ 640,258</u>	129.8%	<u>\$ 659,253</u>	75.0%
CHANGES IN WORKING CAPITAL						
Net income (excluding depreciation)	<u>\$ 493,200</u>	<u>\$ 191,396</u>	<u>\$ 640,258</u>	129.8%	<u>659,253</u>	75.0%
Sources (uses) of working capital:						
Bond proceeds	-	-	-		4,400,000	N/A
Retirement of long-term debt	(215,000)	(53,750)	(161,250)	75.0%	-	0.0%
Net additions to fixed assets with grants	(70,000)	(20,785)	(21,285)	30.4%	-	0.0%
Other net additions to fixed assets	(3,097,500)	(624,832)	(1,449,479)	46.8%	(552,161)	N/A
Net sources (uses) of working capital	<u>(3,382,500)</u>	<u>(699,367)</u>	<u>(1,632,014)</u>	48.2%	<u>3,847,839</u>	-1553.0%
Net increase (decrease) in working capital	(2,889,300)	(507,971)	(991,756)	34.3%	4,507,092	714.4%
Beginning fund balance	<u>3,180,440</u>	<u>2,696,659</u>	<u>3,180,444</u>	100.0%	<u>1,573,835</u>	103.9%
Ending fund balance	<u>\$ 291,140</u>	<u>\$ 2,188,688</u>	<u>\$ 2,188,688</u>	751.8%	<u>\$ 6,080,927</u>	283.4%

NOTES:

- 1) N/A - Not Applicable
- 2) Operating income and portions of operating expenses are underreported by one month due to transactions being accounted for by operator one month and not reported to Town until following month.

TOWN OF ADDISON

UTILITY FUND

FY 2006 QUARTERLY STATEMENT OF REVENUES, EXPENDITURES AND CHANGES TO WORKING CAPITAL COMPARED TO BUDGET

With Comparative Information from Prior Fiscal Year

Category	2005-06 FY				2004-05	
	Amended Budget	3rd Quarter	Year-to-Date	YTD as % of Budget	Year-to-Date	YTD as % of Budget
Operating revenues:						
Water sales	\$ 4,210,800	\$ 1,249,899	\$ 3,157,433	75.0%	\$ 1,998,617	54.4%
Sewer charges	4,741,400	1,251,396	3,219,906	67.9%	2,521,960	61.5%
Tap fees	1,000	5,200	6,300	630.0%	1,185	118.5%
Penalties	60,000	17,219	42,003	70.0%	37,532	62.6%
Total operating revenues	9,013,200	2,523,714	6,425,642	71.3%	4,559,294	58.2%
Operating expenses:						
Water purchases	2,469,600	396,136	1,431,066	57.9%	1,424,692	62.6%
Wastewater treatment	1,814,800	318,476	1,213,756	66.9%	1,295,959	76.0%
Utility operations	2,125,260	444,831	1,327,018	62.4%	1,230,733	59.5%
Total operating expenses	6,409,660	1,159,443	3,971,840	62.0%	3,951,384	65.3%
Net operating income	2,603,540	1,364,271	2,453,802	94.2%	607,910	34.1%
Non-Operating revenues (expenses):						
Interest income and other	55,300	38,814	99,808	180.5%	67,189	59.2%
Interest on bonded debt and fiscal charges	(635,130)	(158,783)	(476,348)	75.0%	(620,085)	75.0%
Total non-operating revenues (expenses)	(579,830)	(119,969)	(376,540)	64.9%	(552,896)	77.5%
Net income (excluding depreciation)	\$ 2,023,710	\$ 1,244,302	\$ 2,077,262	102.6%	\$ 55,014	5.1%
CHANGES IN WORKING CAPITAL						
Net income (loss)	2,023,710	1,244,302	2,077,262	102.6%	55,014	5.1%
Sources (uses) of working capital:						
Retirement of long-term debt	(1,715,000)	(429,050)	(1,286,550)	75.0%	(1,101,750)	75.0%
Net additions to fixed assets	(589,200)	(37,496)	(42,177)	7.2%	(493,328)	64.0%
Net sources (uses) of working capital	(2,304,200)	(466,546)	(1,328,727)	57.7%	(1,595,078)	71.2%
Net increase (decrease) in working capital	(280,490)	777,756	748,535	-266.9%	(1,540,064)	131.7%
Beginning fund balance	1,869,470	1,840,245	1,869,466	100.0%	3,151,828	86.5%
Ending fund balance	\$ 1,588,980	\$ 2,618,001	\$ 2,618,001	164.8%	\$ 1,611,764	65.1%

NOTES:

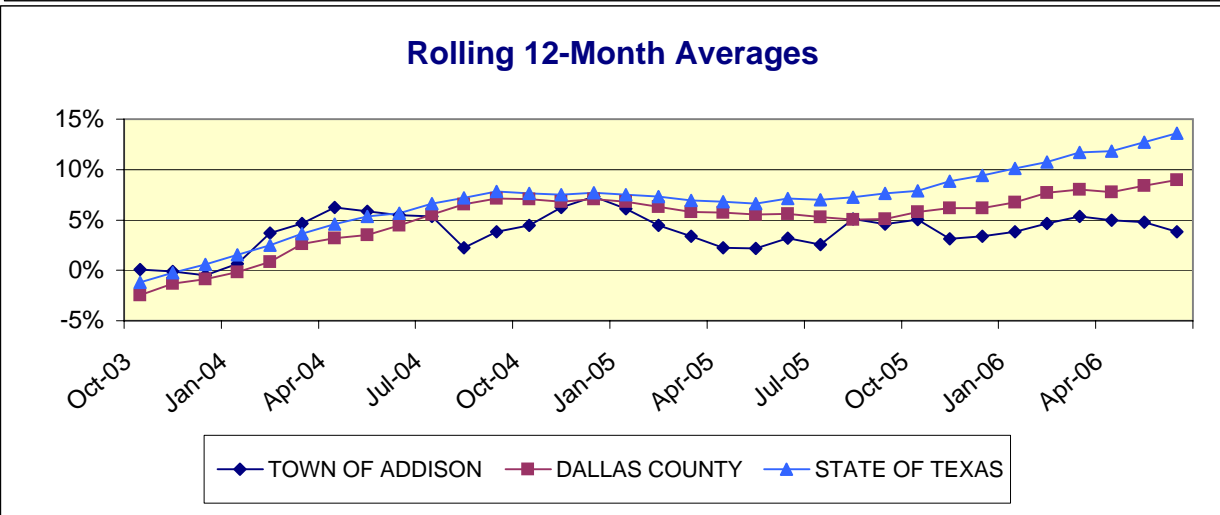
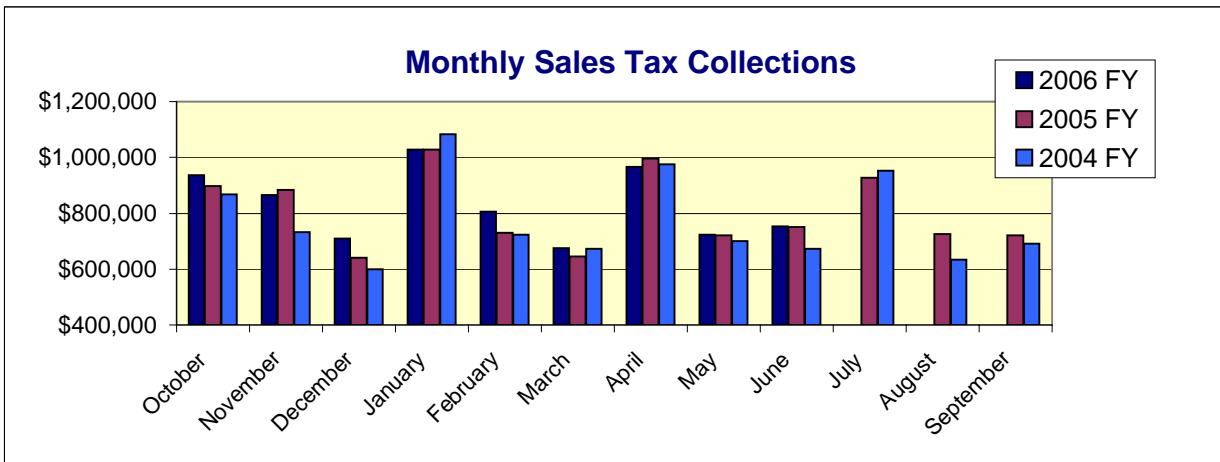
- 1) N/A - Not Applicable
- 2) Purchases of water and wastewater treatment services are underreported by one to two months due to prior year accruals and delay in receiving billings from Dallas Water Utilities.

TOWN OF ADDISON

Schedule of Sales Tax Collections and Related Analyses

For the fiscal year ending September 30, 2006

	TOWN OF ADDISON				DALLAS COUNTY		STATE OF TEXAS	
	2005-06 Collections		% Change from Prior Year		% Change from Prior Year		% Change from Prior Year	
	Monthly	Cumulative	Monthly	Cumulative	Monthly	Cumulative	Monthly	Cumulative
October	\$ 937,156	\$ 937,156	8.0%	4.4%	11.1%	11.1%	8.6%	8.6%
November	\$ 864,460	\$ 1,801,616	-2.1%	1.2%	8.4%	10.0%	15.8%	11.7%
December	\$ 709,412	\$ 2,511,028	10.6%	3.7%	8.4%	9.5%	16.6%	13.2%
January	\$ 1,027,739	\$ 3,538,767	0.1%	2.6%	8.3%	9.1%	13.4%	13.3%
February	\$ 805,255	\$ 4,344,022	10.4%	4.0%	15.0%	10.1%	15.3%	13.6%
March	\$ 675,147	\$ 5,019,169	4.7%	4.1%	10.3%	10.1%	17.8%	14.2%
April	\$ 966,862	\$ 5,986,031	-2.9%	2.9%	3.2%	8.8%	10.2%	13.5%
May	\$ 724,090	\$ 6,710,121	0.5%	2.6%	10.2%	9.0%	15.8%	13.8%
June	\$ 754,082	\$ 7,464,203	0.3%	2.4%	14.8%	9.6%	19.3%	14.4%
July								
August								
September								
Budget 05-06:		\$ 9,924,100						
Projected Year-End		\$ 9,923,700						



TOWN OF ADDISON HOTEL OCCUPANCY TAX COLLECTION
Hotels By Service Type for the Quarter and Year-To-Date Ended June 30, 2006
With Comparisons to Prior Year

	Rooms		3rd Quarter FY 06		06 to 05	YTD FY 06		06 to 05
	Number	Percentage	Amount	Percentage	% Diff.	Amount	Percentage	% Diff.
Full Service								
Marriott Quorum	548	14%	\$ 209,651	18%	6%	\$ 651,066	19%	4%
Intercontinental	529	13%	249,542	21%	9%	718,497	21%	22%
Crown Plaza	429	11%	123,021	11%	35%	347,988	10%	32%
	<u>1,506</u>	<u>38%</u>	<u>582,214</u>	<u>50%</u>	<u>13%</u>	<u>1,717,550</u>	<u>50%</u>	<u>16%</u>
Extended Stay								
Budget Suites	344	9%	18,750	2%	57%	42,565	1%	36%
Best Western	70	2%	12,787	1%	15%	37,121	1%	44%
Marriott Residence	150	4%	51,124	4%	54%	137,619	4%	25%
Summerfield Suites	132	3%	32,026	3%	-5%	99,816	3%	-10%
Homewood Suites	128	3%	39,673	3%	7%	108,002	3%	-3%
Springhill Suites	159	4%	54,993	5%	17%	160,181	5%	16%
	<u>983</u>	<u>24%</u>	<u>209,354</u>	<u>18%</u>	<u>20%</u>	<u>585,304</u>	<u>17%</u>	<u>11%</u>
Business Moderate								
Marriott Courtyard Quorum	176	4%	79,314	7%	24%	228,478	7%	22%
LaQuinta Inn	152	4%	45,676	4%	24%	122,542	4%	24%
Marriott Courtyard Proton	147	4%	30,424	3%	24%	104,265	3%	22%
Country Inn	102	3%	19,739	2%	-10%	70,352	2%	6%
Hilton Garden Inn	96	2%	45,544	4%	22%	124,366	4%	20%
Holiday Inn - Arapaho	101	3%	33,311	3%	40%	91,966	3%	45%
Comfort Inn	86	2%	14,361	1%	4%	42,467	1%	21%
	<u>860</u>	<u>21%</u>	<u>268,370</u>	<u>23%</u>	<u>14%</u>	<u>784,436</u>	<u>23%</u>	<u>17%</u>
Economy								
Motel 6	168	4%	19,431	2%	5%	54,599	2%	6%
Hampton Inn	160	4%	49,693	4%	32%	137,028	4%	34%
Quality Inn *	118	3%	8,112	1%	-63%	35,497	1%	-42%
Addison Comfort Suites	78	2%	18,695	2%	8%	60,570	2%	21%
Super 8	78	2%	9,698	1%	23%	24,636	1%	17%
Best Value Inn	63	2%	3,887	0%	52%	10,872	0%	27%
	<u>665</u>	<u>17%</u>	<u>109,517</u>	<u>9%</u>	<u>3%</u>	<u>323,202</u>	<u>9%</u>	<u>9%</u>
TOTAL	<u>4,014</u>	<u>100%</u>	<u>\$ 1,169,454</u>	<u>100%</u>	<u>13%</u>	<u>\$ 3,410,492</u>	<u>100%</u>	<u>15%</u>

NOTES:

* Property is experiencing change of ownership and is two months delayed in providing tax receipts.

TOWN OF ADDISON
INTERIM STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
For the Quarter Ending June 30, 2006

Fund	Balance 3/31/2006	Quarter Receipts	Quarter Disbursements	Balance 6/30/2006
General Fund	\$ 10,437,762	\$ 4,635,083	\$ 6,367,864	\$ 8,704,981
Special Revenue Funds:				
Hotel	4,440,928	2,174,783	2,124,052	4,491,659
Public Safety	52,509	53,572	-	106,081
Municipal Court	320,964	238,824	229,873	329,915
Arbor	78,772	8,420	12,725	74,467
Debt Service Funds:				
G. O. Bonds	2,289,395	269,805	151,738	2,407,462
Hotel Revenue Bonds	559,825	183,017	-	742,842
Capital Projects Funds:				
Streets	3,918,435	55,979	20,694	3,953,720
Parks	656,007	7,270	5,531	657,746
2000 G. O. Bonds	(16,731)	34,698	21,772	(3,805)
2002 G.O. Bonds	1,957,932	551,893	325,237	2,184,588
2004 G.O. Bonds	(5,199)	1,447,528	700,736	741,593
2006 G.O. Bonds	1,514,486	282,462	769,393	1,027,555
Enterprise Funds:				
Utility	2,653,061	2,511,299	1,268,035	3,896,325
Airport	3,739,195	1,136,195	1,452,441	3,422,949
Internal Service Funds:				
Capital Replacement	2,526,629	304,670	138,470	2,692,829
Information Services	1,910,691	124,839	6,358	2,029,172
TOTAL - ALL FUNDS	\$ 37,034,661	\$ 14,020,337	\$ 13,594,919	\$ 37,460,079

Note: Cash inflows and outflows represent revenues, expenditures, and investment transactions.

INVESTMENTS BY MATURITY AND TYPE				
For the Quarter Ending June 30, 2006				
	Type	% of Portfolio	Yield to Maturity	Amount
	Pools	15.73%	5.00%	\$ 5,930,945
	Agencies	84.27%	4.67%	31,779,557
	Treasuries	0.00%	0.00%	-
Total Investments		100.00%		37,710,502
	Accrued Interest Earnings			286,405
	Demand Deposits			(536,828)
TOTAL				\$ 37,460,079

COLLATERAL SUMMARY

The first and most important objective for public funds investments is safety of assets. Therefore, all non-government security investments and bank accounts in excess of FDIC coverage must be secured by collateral. The bank balances and investments are monitored on a regular basis for appropriate coverage by marking the collateral to market. Collateral levels are adjusted to secure the varying levels of receipts throughout the fiscal year.

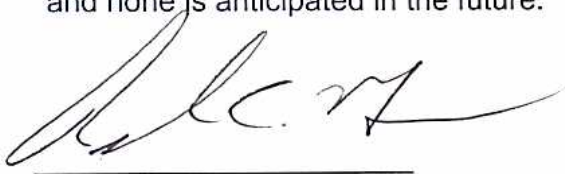
Town of Addison Collateral Analysis Demand Deposit Cash June 30, 2006

Pledging Institution	Safekeeping Location	Account Title	Pledged Security Description	Security Par Value	Market Value	FDIC Insurance	Ending Bank Balance	Difference Over(Under)
Frost Bank	Federal Reserve	Operating	GNMA due:					
			20-Feb-28	\$ 835,240	\$ 852,563			
			15-Oct-35	<u>\$ 1,154,772</u>	<u>\$ 1,086,454</u>			
				<u>\$ 1,990,012</u>	<u>\$ 1,939,017</u>	<u>\$ 100,000</u>	<u>242,662</u>	<u>\$ 1,796,355</u>

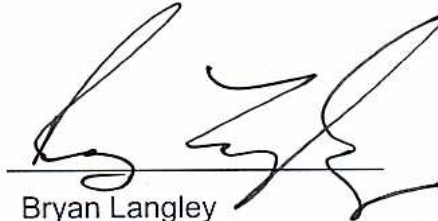
**Quarterly Investment Report
Pooled Investment Funds
Quarter ending June 30, 2006**

This quarterly Investment report has been prepared in compliance with Section 2256.023 "Internal Management Reports", of the Public Funds Investment Act, and in accordance with reporting requirements contained in the Town of Addison Investment Policy as approved by City Council on September 27, 2005.

Activity in the Town's portfolio during this quarter is in compliance with the investment strategy as specified in the Town's Investment Policy. All investments are high-quality securities with no perceived default risk. Securities reflect active and efficient secondary markets in the event of an unanticipated cash requirement. Operating funds require the greatest short-term liquidity. Investment pools have been utilized to provide short-term fund requirements. Investment maturities have been staggered throughout the budget cycle to provide cash flow based on anticipated operating needs of the Town. Diversifying the appropriate maturity structure has reduced market cycle risk. There has been no loss of principal during this quarter of activity, and none is anticipated in the future.



Randolph C. Moravec
Director of Financial & Strategic Services



Bryan Langley
Asst. Director of Financial & Strategic Services



Investment Portfolio Summary
For the Quarter Ended
June 30, 2006

Prepared By



**Second Quarter of Calendar Year 2006
Review**

The equity markets stumbled and the labor market (as measured by non-farm payroll growth) weakened during the quarter. Although the U.S. economy clearly slowed from the rapid 5.6% pace of the first quarter, the second quarter story was less about slowing economic growth and more about rising inflation. Or more precisely, the Fed's perception that inflation could potentially maintain momentum that had recently shown up in several indices, most notably in core consumer inflation which exceeded forecasts in each of three CPI releases during the quarter. Fed talk held particular importance as many Fed Governors and Regional Fed Presidents weighed in, initially on early completion of monetary tightening, then on the possibility of over-tightening and eventually the notion that the Fed might still be a long way away from wrapping up the two year old tightening cycle.

With the Fed hiking short-term rates for the 17th time in row, oil prices drifting toward \$75 per barrel and mortgage rates nearing 6.75%, there was ample reason to expect that the U.S. consumer might not have enough disposable income left at the end of the day to fuel brisk, or even adequate economic growth. But the consumer still spent, simply at a decreasing rate. Consumer confidence reached a four-year high in April before easing-back a notch in response to the shaky stock market. New and existing home sales slowed but still managed to gallop along at just below record pace, while retail sales enjoyed a solid if less spectacular quarter. In the desired soft-landing scenario of gradually slowing economic growth and diminishing inflationary pressure, the economy was doing its part. Unfortunately, inflation wasn't being quite as cooperative.

Key Economic Indicators:

➤ **MANUFACTURING**

The factory sector seemed to decelerate as the quarter ended, although a trend has hardly been established. Factory orders fell 0.1% in May following a 0.8% rise in May. The Institute for Supply Management (ISM)'s factory index declined from 57.3 to 54.4 in May but still managed to extend its streak of 37 consecutive months over 50, a level which indicates a general factory *expansion*. April and May durable goods orders fell by 4.7% and 0.2% respectively although the lion's share of the drop was due to a huge decline in always volatile aircraft orders.

➤ **EMPLOYMENT**

Job creation, as measured by non-farm payrolls, slowed down in each of the last three releases during the quarter, averaging only 125k per month. This is probably indicative of employers sensing an economic decline from the rapid pace of the prior quarter. The unemployment rate actually fell to 4.6%, equaling the recent low from July 2001.

➤ **RETAIL SALES**

Advance retail sales also reflected a slowing trend during the quarter as March, April and May sales rose by 0.7, 0.8% and 0.1%. This was a far cry from the adjusted January jump of 3.0%. Auto sales have been on a steady decline as total sales of cars and light trucks have dropped in each of the last three months of the second quarter. It appears as though shoppers may finally be feeling the crunch of near record gas prices.

➤ **HOUSING**

The trend in home sales is down as well, although from record highs recorded roughly six months ago. Predictably, mortgage rates have been creeping higher – the average 30-year conventional mortgage rate hit a four-year high of 6.61% in May.

➤ **OIL**

Oil prices climbed still higher during the quarter due largely to recent conflict and instability in the Middle East. Crude futures ended June at a record high of \$74.81. The average price for regular unleaded gasoline for the week ending June 26, 2006 was \$2.80 per gallon.

➤ **INFLATION**

Core CPI was probably the single most important data series during the quarter as it topped forecasts and rose by 0.3% in March, April and May. Although the year-over-year increase was still only 2.1%, the three-month annualized rate was a troubling 3.7%, a number that seemingly worried Fed officials a great deal.

The core personal consumption expenditures (PCE) index, a favorite of the Fed, increased by a 2.0% quarter-over-quarter rate through May, near the high end of the Fed's comfort level.

➤ **FED MEETINGS**

- May 10th – Rates increased 25 bps – 5.00% target

As expected, the FOMC tightened monetary policy for the 16th consecutive time. There was a somewhat hawkish tone (inflation fighting mentality) to the official statement as committee members said that “additional increases may yet be needed”.

- June 29th – Rates increased 25 bps – 5.25% target

Again, it was no surprise as the Fed raised the funds target by another 25 bps. The market was anticipating another hawkish statement from the committee, but the official statement said that “economic growth was moderating” and that this moderation “should help limit inflation pressures over time”.

Market Movement:

- Treasury markets remained volatile as the Fed's professed focus on data caused the market to react to every little economic release. The six-month Treasury-bill, which opened the quarter at 4.82%, rose 42 bps to close at 5.24%. The two-year T-note opened the quarter at 4.82% and traded as high as 5.28% before settling in to close 34 bps higher at 5.16%. The yield curve became slightly inverted from six months out.
- Stock markets had a mixed quarter with tech stocks getting hit especially hard. The S&P fell almost 2% and the NASDAQ fell 7%, erasing the 1st quarter's 6% gain, while the DOW squeaked out a very slight gain. Equity investors are being buffeted by geopolitical turmoil, high oil prices, and rising interest rates.
- The TexPool average rate during the second quarter came in at 4.88%, up 44 basis points from the first quarter's 4.44%. This rate will continue to rise along with the overnight fed funds rate and is currently near 5.25%.

➤ **INTEREST RATES**

		Fed Funds	3 mo T-bill	6 mo T-bill	2 yr T-note	3 yr T-note	10 yr T-note
Last	3/31/06	4.75%	4.61%	4.82%	4.82%	4.82%	4.85%
High			5.04%	5.31%	5.28%	5.26%	5.25%
Low			4.64%	4.83%	4.81%	4.79%	4.85%
End	6/30/06	5.25%	4.99%	5.24%	5.16%	5.13%	5.14%

Portfolio Activity since March 31st:

- The second quarter brought a total of \$10.5 million in maturities, with \$6mm in April and \$4.5mm in June. All of these funds were reinvested at much higher yields.
- In mid-April \$3 million was invested in a FFCB 3.24% note maturing 3/17/08. This deep discount callable bond is unlikely to be called due to the very low coupon. The bond fit our strategy of extending maturities and came at a yield to maturity of 5.27%.
- Two additional purchases were made in mid-May. The first was \$1.5 million of another deep discount callable. The FHLB 3.20% matures 3/3/08, again matching our strategy of extending

maturities. The bond came at a yield of 5.36%. The second purchase was \$3mm of a current coupon callable. The FHLMC 5.50% matures 11/23/07 and is callable every quarter starting 8/23/06. While this bond is more likely to be called, the 5.50% yield was very attractive compared to other alternatives.

- Two more purchases were made in June. The first was \$3.076mm of an FFCB 2.52% maturing 11/13/06 at a 5.31% yield. At only six months to maturity, this was the only short maturity bond purchased during the quarter. The second purchase was another discounted callable, \$2mm par of a FHLB 4.00% maturing 6/10/08 at a yield to maturity of 5.59%. This bond matched the extension strategy and the low coupon greatly reduces the likelihood of the call being exercised.

Outlook for the Third Quarter 2006:

The Bloomberg economic survey completed at the end of June suggests that the economy has already begun to moderate. Second quarter GDP is forecast to have grown at around 3%, nearly half of the prior quarter's growth rate, before slowing a bit further during the second half of the year. To add fodder to the expected moderation is the fact that 25% of U.S. mortgages are variable rate. This year, according to the Mortgage Bankers Association, \$300 billion in home loans will reprice for the first time and greatly increase fixed monthly payments. Next year, \$1 trillion will reprice. ARM holders may opt into a fixed-rate mortgage, but all this does is stem the damage, the monthly payment still increases. Fed officials should be walking the precarious line between squelching emerging price pressures and allowing for adequate economic growth. Instead, they're predominantly focused on inflation, as evidenced by the unusually high amount of decidedly hawkish public speaking by Fed officials during the quarter.

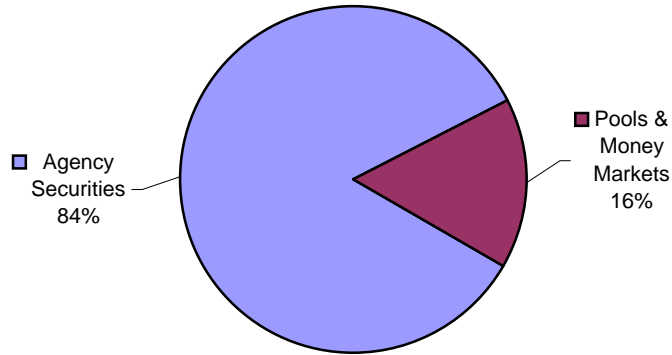
As long as the Fed keeps telling investors what they intend to do, short-term rate projections should be fairly easy. The Fed, and the bond market seem to be nearly certain of another 25 basis point move in August. This would take overnight rates to 5.5%. A year ago, it would have been inconceivable to many economists that the Fed would take interest rates from 1.00% to 5.50% while crude oil prices averaged above \$70 per barrel, but right or wrong, the bond market has positioned itself for even more rate hikes. Several Wall Street firms have revised forecasts sharply higher with Lehman now calling for a 5.75% funds rate and JP Morgan Chase expecting 6%. By contrast, the same Bloomberg economist survey that predicted a slowing of the economy in the months ahead, also expects a corresponding easing of interest rates within the year. In fact, if the survey forecast pans out, bond yields may have already peaked. The median fed funds forecast for each of the next four quarters is 5.25%, 5.25%, 5.25% and 5.00% while the two year T-note yield is expected to average 5.15%, 5.13%, 5.05% and 5.02%. It's impossible to determine whether economist surveys or market forces prove the better prognosticator, but rational thought is on the side of the economists. If the Fed does overshoot, it won't be the first time, and if they do, the easing could start sooner rather than later.

Projected Strategy for the Third Quarter 2006:

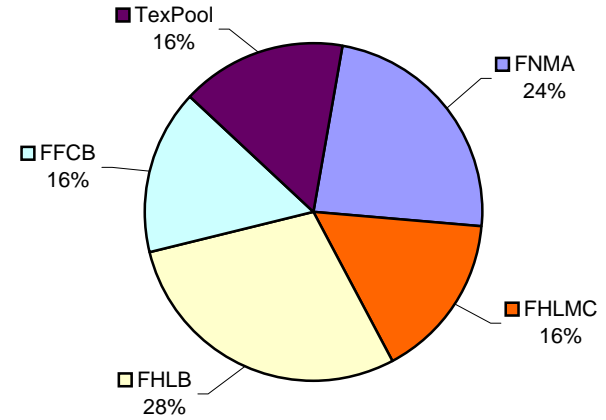
With the end to Fed rate hikes in view we may have already seen the peak in rates for this cycle. To the extent possible investment maturities should be extended into the 24 to 36 month range. History tells us that the peak in yields will precede the peak in the fed funds rate. The yield curve will anticipate future Fed moves, and investors will want to lock in today's high yields before the market begins pricing in the possibility of future rate cuts. We acknowledge the possibility that the Fed may *raise* rates further, but we need to balance this against the risk of falling rates in the intermediate term by locking in longer term yields where possible.

Town of Addison
Portfolio Composition
June 30, 2006

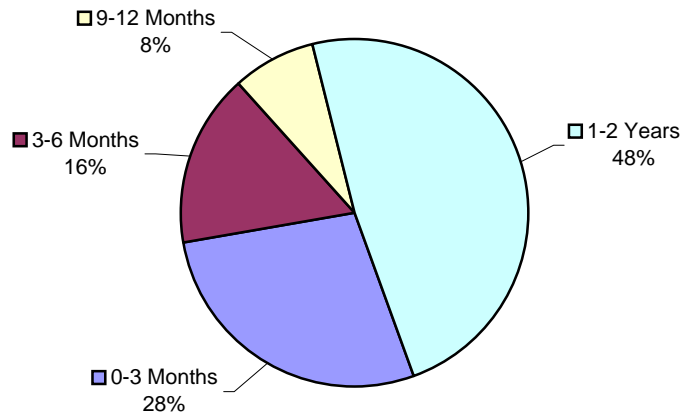
Portfolio Composition by Security Type



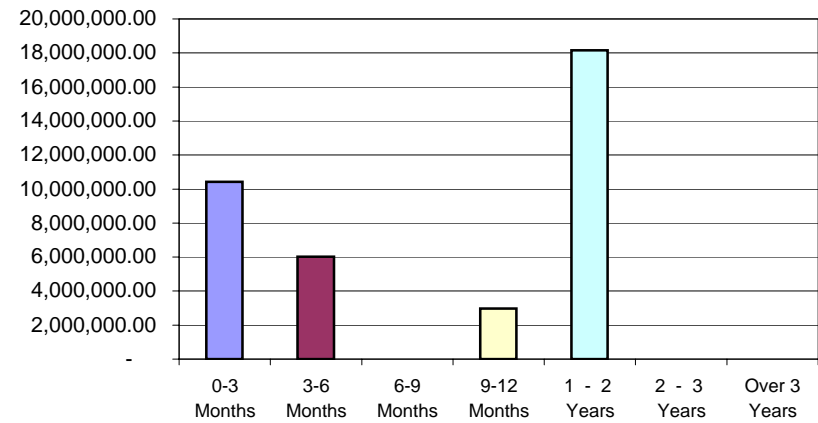
Portfolio Composition By Issuer



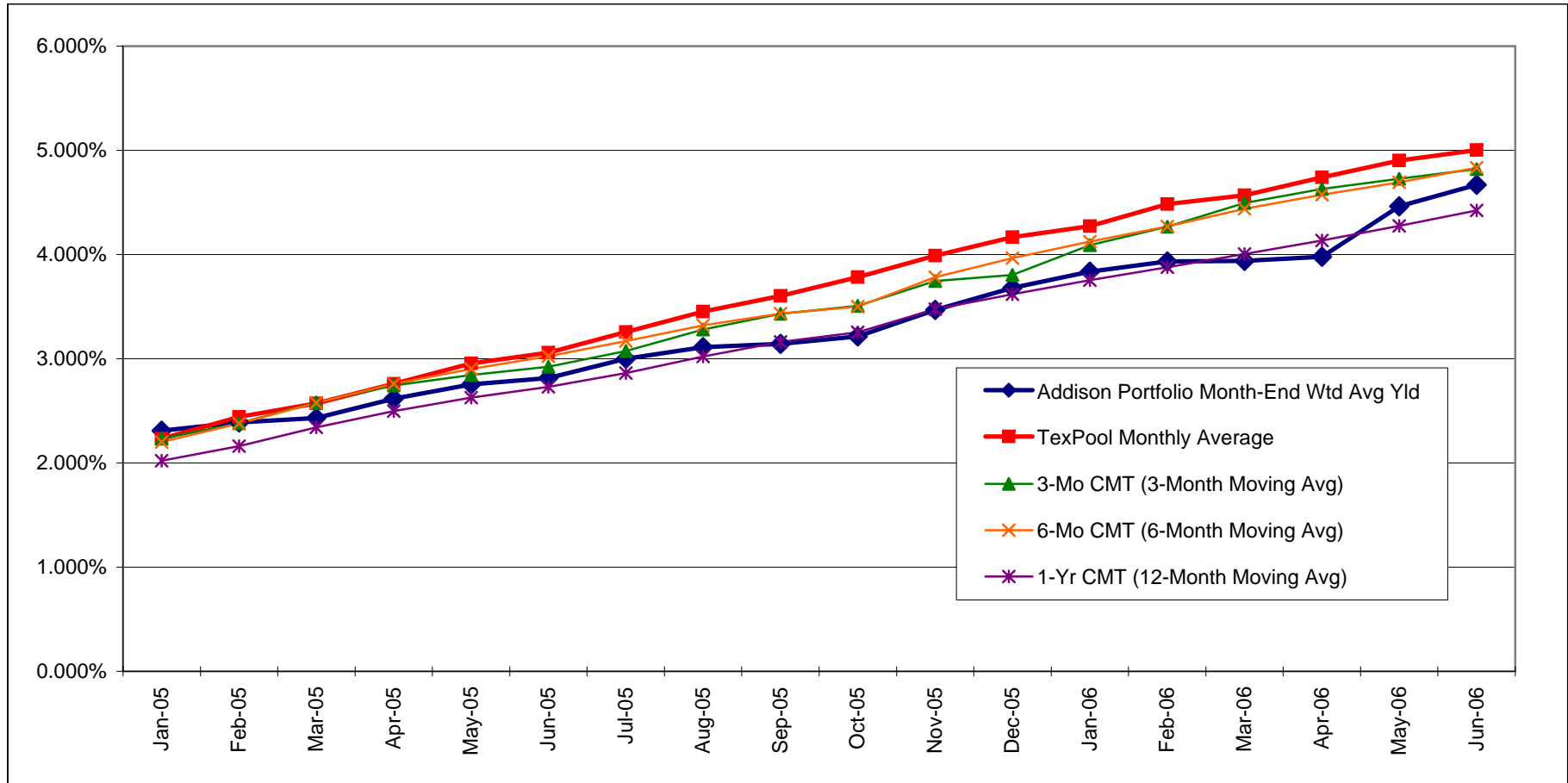
Portfolio Composition by Maturity (Percentage)



Portfolio Composition by Maturity (Amount)



**Town of Addison
Benchmark Comparison
June 30, 2006**



Notes:

- 1.) Benchmark data for TexPool is the monthly average yield.
- 2.) CMT stands for Constant Maturity Treasury. This data is published in Federal Reserve Statistical Release H.15 and represents an average of all actively traded Treasury securities having that time remaining until maturity. This is a standard industry benchmark for Treasury securities.
- 3.) The CMT benchmarks are moving averages. The 3-month CMT is the daily average for the previous 3 months, the 6-month CMT is the daily average for the previous 6 months, and the 1-year CMT is the daily average for the previous 12-months.

Town of Addison
Pooled Funds
FIXED INCOME DISTRIBUTION

June 30, 2006

Summary Information

	Totals		Weighted Averages
Par Value	38,006,944.97	Average YTM	4.668
Market Value	37,552,654.44	Average Maturity (yrs)	0.9
Adjusted Cost	37,710,501.75	Average Coupon (%)	3.992
Net Gain/Loss	-157,847.31	Average Duration	0.9
Annual Income	1,515,587.00		
Number of Issues	13		

Distribution by Maturity

<u>Maturity</u>	<u>Number</u>	<u>Mkt Value</u>	<u>% Bond Holdings</u>	<u>Average Y T M</u>	<u>Average Coupon</u>	<u>Average Duration</u>
0 - 3 Months	3	10,414,069.97	27.7	3.982	3.988%	0.060
3 - 6 Months	2	6,021,778.75	16.0	4.221	2.812%	0.338
9 - 12 Months	1	2,966,250.00	7.9	4.664	4.000%	0.734
1 - 2 Years	7	18,150,555.72	48.3	5.171	4.384%	1.526

Town of Addison
DETAIL OF SECURITY HOLDINGS
As of June 30, 2006

Security Description	Security CUSIP	Coupon	Settlement Date	Maturity Date	Next Call Date	Par Value	Purchase Price	Purchase Cost	Book Value	Market Price	Market Value	Accrued Interest	Days to Maturity	Days to Next Call	Yield to Maturity	Yield to Next Call
Pooled Funds																
TEXPOOL	texpool	5.002				5,930,944.97	100.000	5,930,944.97	5,930,944.97	100.000	5,930,944.97	0.00	1		5.002	
FHLB	3133X07J2	2.570	08-18-03	08-18-06		3,000,000.00	100.000	3,000,000.00	3,000,000.00	99.625	2,988,750.00	28,484.17	49		2.570	
FHLB	3133X3U84	2.800	02-25-04	08-25-06		1,500,000.00	100.000	1,500,000.00	1,500,000.00	99.625	1,494,375.00	14,700.00	56		2.800	
FNMA	3136F6GH6	3.110	10-27-04	10-27-06	07-27-06	3,000,000.00	99.950	2,998,500.00	2,999,757.53	99.250	2,977,500.00	16,586.67	119	27	3.136	3.141
FFCB	31331TQQ7	2.520	06-12-06	11-13-06		3,076,000.00	98.856	3,040,810.56	3,045,152.11	98.969	3,044,278.75	29,714.16	136		5.315	
FHLB	3133XB6F7	4.000	01-19-06	04-05-07		3,000,000.00	99.188	2,975,628.00	2,984,605.44	98.875	2,966,250.00	28,666.67	279		4.693	
FHLMC	3128X46H9	5.500	05-23-06	11-23-07	08-23-06	3,000,000.00	100.000	3,000,000.00	3,000,000.00	99.779	2,993,384.86	17,416.67	511	54	5.500	5.500
FHLMC	3128X4WA5	5.000	12-28-05	12-28-07		3,000,000.00	100.000	3,000,000.00	3,000,000.00	99.098	2,972,952.12	1,250.00	546		5.000	
FNMA	3136F7TB3	4.960	02-13-06	02-08-08	02-08-07	3,000,000.00	99.784	2,993,534.20	2,994,764.77	99.156	2,974,687.50	59,106.67	588	223	5.075	5.186
FNMA	3136F6YB9	4.000	01-11-06	02-25-08	08-25-06	3,000,000.00	98.390	2,951,700.00	2,962,368.82	97.531	2,925,937.50	42,000.00	605	56	4.805	6.674
FHLB	3133X4E49	3.200	05-22-06	03-03-08	07-03-06	1,500,000.00	96.365	1,445,475.00	1,448,827.68	96.406	1,446,093.75	15,733.33	612	3	5.365	36.178
FFCB	31331TWH0	3.240	04-17-06	03-17-08	07-17-06	3,000,000.00	96.336	2,890,080.00	2,901,864.16	96.375	2,891,250.00	28,080.00	626	17	5.273	18.525
FHLB	3133X9L40	4.000	06-20-06	06-10-08	07-10-06	2,000,000.00	97.066	1,941,320.00	1,942,216.27	97.312	1,946,250.00	4,666.67	711	10	5.591	58.462
		3.992				38,006,944.97	99.123	37,667,992.73	37,710,501.75	98.818	37,552,654.44	286,404.99	335		4.668	
GRAND TOTAL		3.992				38,006,944.97	99.123	37,667,992.73	37,710,501.75	98.818	37,552,654.44	286,404.99	335		4.668	

Town of Addison
Pooled Funds
INVESTMENT TRANSACTIONS
From 04-01-06 To 06-30-06

Settle Date	Security	CUSIP	Coupon	Mature Date	Call Date	Quantity	Unit Price	Amount
PURCHASES								
04-17-06	FFCB	31331TWH0	3.240	03-17-08	09-17-06	3,000,000	96.336	2,890,080.00
	Accrued Interest							8,100.00
05-22-06	FHLB	3133X4E49	3.200	03-03-08	09-03-06	1,500,000	96.365	1,445,475.00
	Accrued Interest							10,533.33
05-23-06	FHLMC	3128X46H9	5.500	11-23-07	08-23-06	3,000,000	100.000	3,000,000.00
06-12-06	FFCB	31331TQQ7	2.520	11-13-06		3,076,000	98.856	3,040,810.56
	Accrued Interest							25,623.08
06-20-06	FHLB	3133X9L40	4.000	06-10-08	09-10-06	2,000,000	97.066	1,941,320.00
	Accrued Interest							2,222.22
								12,364,164.19
MATURITIES								
04-12-06	FHLMC	3128X3XE8	2.700	04-12-06	01-12-05	3,000,000	100.000	3,000,000.00
	Accrued Interest							40,500.00
04-30-06	U.S. T-Note	912828CF5	2.250	04-30-06		3,000,000	100.000	3,000,000.00
	Accrued Interest							33,750.00
06-20-06	FHLMC	3128X4CQ2	3.700	06-20-06	03-20-07	2,580,000	100.000	2,580,000.00
	Accrued Interest							47,730.00
06-30-06	U.S. T-Note	912828CM0	2.750	06-30-06		2,000,000	100.000	2,000,000.00
	Accrued Interest							27,500.00
								10,729,480.00

Town of Addison
EARNED INCOME
From 03-31-06 To 06-30-06

	Beginning Accrued Interest	Purchased Interest	Sold Interest	Interest Received	Earned Interest	Ending Accrued Interest	Amortization/ Accretion	Adjusted Earned Income
Pooled Funds								
TEXPOOL (texpool)	0.00	0.00	0.00	-91,595.52	91,595.52	0.00	0.00	91,595.52
FHLMC 2.700% Due 04-12-06 (3128x3xe8)	38,025.00	0.00	-40,500.00	0.00	2,475.00	0.00	0.00	2,475.00
U.S. T-Note 2.250% Due 04-30-06 (912828cf5)	28,342.54	0.00	-33,750.00	0.00	5,407.46	0.00	765.94	6,173.40
FHLMC 3.700% Due 06-20-06 (3128x4cq2)	26,781.83	0.00	-47,730.00	0.00	20,948.17	0.00	1,670.61	22,618.77
U.S. T-Note 2.750% Due 06-30-06 (912828cm0)	13,825.97	0.00	-27,500.00	0.00	13,674.03	0.00	4,481.67	18,155.71
FHLB 2.570% Due 08-18-06 (3133x07j2)	9,209.17	0.00	0.00	0.00	19,275.00	28,484.17	0.00	19,275.00
FHLB 2.800% Due 08-25-06 (3133x3u84)	4,200.00	0.00	0.00	0.00	10,500.00	14,700.00	0.00	10,500.00
FNMA 3.110% Due 10-27-06 (3136f6gh6)	39,911.67	0.00	0.00	-46,650.00	23,325.00	16,586.67	186.99	23,511.99
FFCB 2.520% Due 11-13-06 (31331tqq7)	0.00	25,623.08	0.00	0.00	4,091.08	29,714.16	4,341.55	8,432.63
FHLB 4.000% Due 04-05-07 (3133xb6f7)	58,666.67	0.00	0.00	-60,000.00	30,000.00	28,666.67	5,011.94	35,011.94
FHLMC 5.500% Due 11-23-07 (3128x46h9)	0.00	0.00	0.00	0.00	17,416.67	17,416.67	0.00	17,416.67
FHLMC 5.000% Due 12-28-07 (3128x4wa5)	38,750.00	0.00	0.00	-75,000.00	37,500.00	1,250.00	0.00	37,500.00
FNMA 4.960% Due 02-08-08 (3136f7tb3)	21,906.67	0.00	0.00	0.00	37,200.00	59,106.67	811.46	38,011.46
FNMA 4.000% Due 02-25-08 (3136f6yb9)	12,000.00	0.00	0.00	0.00	30,000.00	42,000.00	5,677.56	35,677.56
FHLB 3.200% Due 03-03-08 (3133x4e49)	0.00	10,533.33	0.00	0.00	5,200.00	15,733.33	3,352.68	8,552.68
FFCB 3.240% Due 03-17-08 (31331twh0)	0.00	8,100.00	0.00	0.00	19,980.00	28,080.00	11,784.16	31,764.16
FHLB 4.000% Due 06-10-08 (3133x9140)	0.00	2,222.22	0.00	0.00	2,444.45	4,666.67	896.27	3,340.71
	291,619.51	46,478.63	-149,480.00	-273,245.52	371,032.38	286,404.99	38,980.83	410,013.20
GRAND TOTAL	291,619.51	46,478.63	-149,480.00	-273,245.52	371,032.38	286,404.99	38,980.83	410,013.20

Council Agenda Item: #R5

SUMMARY:

Consideration of a resolution authorizing the City Manager to enter into an agreement with Krause Advertising for the production of the 2007 Addison calendar.

FINANCIAL IMPACT:

Budgeted Amount: \$80,000

BACKGROUND:

The purpose of the calendar is to showcase attributes of the Town and provide pertinent information about the Town. The calendar is distributed to Addison residents and businesses as well as to associates, prospects and friends of Addison. The calendar serves both as an annual report for the Town as well as a marketing tool for prospective businesses and visitors.

A total of 12,500 calendars are produced and delivered to the Town for distribution in December. The total cost to produce the calendar is \$80,000. Staff will present the 2007 calendar theme at the August 22 meeting.

RECOMMENDATION:

Staff recommends that Council authorize the City Manager to enter into an agreement to produce the 2007 calendar.

MERITORIOUS EXCEPTION TO THE ADDISON SIGN ORDINANCE
STAFF REPORT

ME 2006-9

Business: Inwood Quorum Village

Date: August 11, 2006

Address: 4800 Belt Line Rd

Ordinance Requirement

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:

Sign Height (feet)	Letter/Logo Height (inches)	Maximum
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.

Sec. 62-285. Luminescent gaseous tubing.

The use of tubes which contain luminescent inert gases, but not limited to, neon, argon, and krypton and which are visible from the exterior of structures, is specifically prohibited except as an attached sign which shall conform to this chapter.

STAFF RECOMMENDATION: Staff recommends approval of the 24" and 30" letters as designated on the site plan.

STAFF:

Lynn Candler

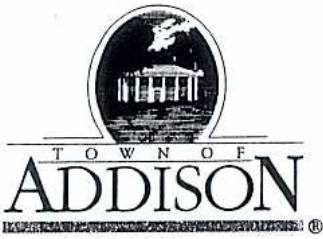
Lynn Candler, Building Official

Request

The applicant is requesting attached signs with letter heights of 24" and 30".

Variance

The ordinance allows 1 Sq. Ft. of signage for each Ft. of building length up to 100 Sq. Ft. and a maximum letter height of 20" for 50% of the letters with the remaining letters to be 16" or less in height.



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: August 14, 2006

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 a setback of 120' from Excel Parkway. July 2002.
11. Hibernia Bank located at 14651 Dallas Parkway was granted an exception to place an additional sign on the east façade. October 2002.
12. 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.
13. 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.
14. 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.
15. 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.
16. 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.
17. 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.
18. 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.
19. 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.
20. 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.
21. 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.

22. 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.
23. Wachovia Bank located at 5080 Spectrum Dr was granted an exception for more than one attached sign on the south façade of the building and 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.
24. 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.
25. 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.
26. 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.
27. Auto Care European located at 4304 Wiley Post Rd was granted an exception for a sign with letters 24" in height due to a set back of 130 ft from Wiley Post Rd.
28. Café Japon and Boba Tea located at 4933 Belt line Rd were granted an exceptions for signs with logos 30" in height and letters 24" and 22" in height due to a setback of 95" from Belt Line Rd.
29. On The Border located at 4855 Belt line Rd was granted exceptions for signs with logo and letter heights of 31', 35.5", 34.5", a projection greater than 18" from the façade and LED or neon skeleton type lighting that was recessed in a cove. The signs were located 109', 160', 175', 300' and 320' from the ROW. August 2005.
30. Wachovia Bank located at 5080 Spectrum was granted an exception for an 8,649 sq ft sign located on the south façade for a maximum of 60 days. September 2005.
31. Sprint located at 4943 Belt Line rd was granted an exception for a sign with a logo height of 27.5" and letters 18.75" in height. January 2006.
32. Capitol One located at 14651 Dallas Pkwy was granted an exception for additional sign on the east façade of the building. February 2006.
33. AMF Fun Fest Lanes located at 3805 Belt Line Rd was granted an exception for signs with logo heights of 5'3" and numerals with heights of 3'9" and 2'9" due to the size of the façade and setbacks of 250' from Commercial Dr. and Business Ave.
34. Majestic Fine Wines & Spirits located at 14733 Inwood Rd was granted an exception for a 102. 5 square foot sign with letters 28" in height and LED lighting to accent building elements. The LED lighting was approved exposed on the arched portion of the façade and installed in a cove on the horizontal portions of the façade.



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: _____

Filing Fee: \$200.00

Applicant: Stanley M. Peskind, Donald Zale, Southbrook Enterprises, Ltd., and BJB Real

Address: Estate Holdings, Ltd.
P.O. Box 835183 Suite#: _____

Richardson, TX 75083-5183 Phone#: 972.980.0080
City State Zip

Fax#: 972.701.0028

Status of Applicant: Owner Tenant _____ Agent _____

Location where exception is requested:

4800 - 4872 Belt Line Road

Reasons for Meritorious Exception:

To make signs more visible from adjoining streets

YOU MUST SUBMIT THE FOLLOWING:

12 COPIES OF THE PROPOSED SIGN SHOWING:

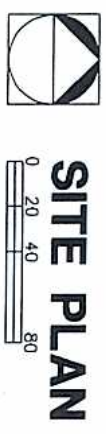
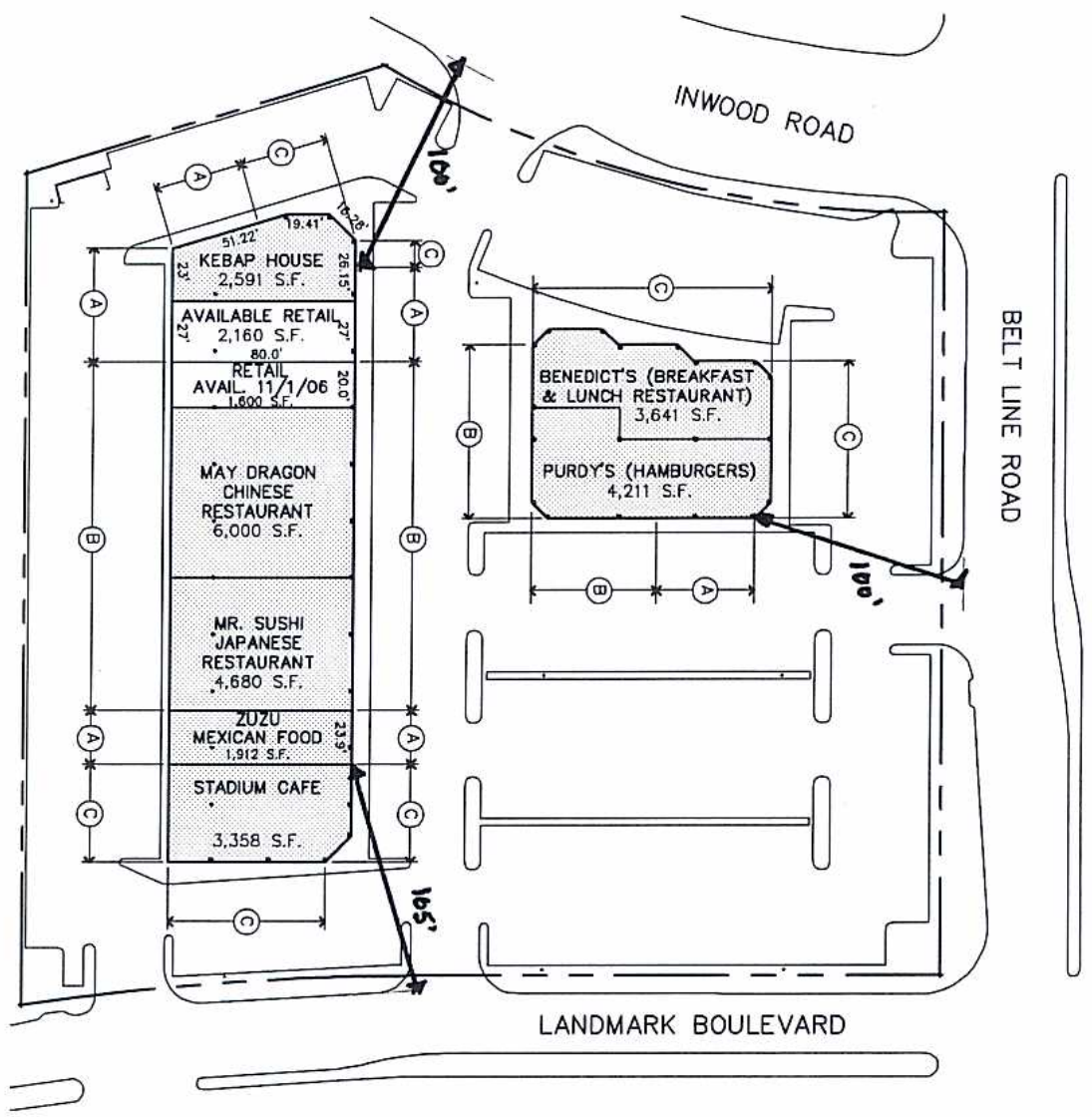
- | | |
|-----------------------------------|---|
| 1. Lot Lines | 5. Proposed Signs |
| 2. Names of Adjacent Streets | 6. Sketch of Sign with Scale and Dimensions Indicated |
| 3. Location of Existing Buildings | (8.5 x 11 PLEASE) |
| 4. Existing Signs | |

Date Fees Paid 8-9-06 Check # 1861 Receipt # _____

INWOOD QUORUM VILLAGE

ADDISON, TEXAS

PESKIND DEVELOPMENT COMPANY
P.O. BOX 835183
RICHARDSON, TEXAS 75083-5183
PHONE: (972) 980-0080



SIGN LEGEND

- (A) 24" MAX. SIZE
- (B) 30" MAX. SIZE
- (C) PER ORDINANCE (16" WITH SOME EXCEPTIONS)

TABULATION

SITE AREA:	145,861 SQ FT
GROSS BLDG. AREA:	22,301 SQ FT
BLDG. #1	7,852 SQ FT
BLDG. #2	30,153 SQ FT
TOTAL GROSS BLDG. AREA:	38,005 SQ FT

GENERAL AREA MAP
ADDISON, TEXAS



Council Agenda Item: #R7

There are no attachments for this item.

Council Agenda Item: #R8

There are no attachments for this item.

Council Agenda Item: #R9**SUMMARY:**

To review the City Manager's recommendation for the funding levels of the non-profit agencies for the FY 2006/07 budget.

FINANCIAL IMPACT:

	General Fund	Hotel Fund
Cost:	<u>\$104,500</u>	<u>\$426,800</u>

BACKGROUND:

Every year during the budget process the Council reviews and considers the funding levels of the non-profits that the Town provides grants to. This year the Town received a proposal from a new agency, the Richardson Symphony Orchestra. The RSO submitted a proposal that was intended to fill the gap of the previous musical group that has since been discontinued.

General Fund:	Amount	Hotel Fund	Amount
Communities in Schools –Dallas	\$40,000	WaterTower Theatre	\$240,000
Senior Adult Services	\$15,000	WaterTower Theatre – Matching	\$150,000
Metrocrest Social Service Center	\$20,000	Dance Council	\$6,800
Metrocrest Family Medical Clinic	\$2,000	Richardson Symphony Orchestra	\$30,000
Metrocrest Chamber of Commerce	\$10,000		
The Family Place	\$5,000		
Special Care and Career Services	\$5,000		
DFW International	\$7,500		
TOTAL	\$104,500	TOTAL	\$426,800

RECOMMENDATION:

No approval is needed at this time. This information is the recommended amounts that will be included in the City Manager's final budget.

Non-Profit Funding Recommendation for FY 2006/07 Budget

AGENCY	FY 02/03 Funded	FY 03/04 Funded	FY 04/05 Funded	FY 05/06 Funded	FY 06/07 Request	FY 06/07 CM's Rec.
GENERAL FUND:						
Metrocrest Family Medical Clinic	\$0	\$0	\$0	\$2,000	\$2,000	\$2,000
Metrocrest Chamber of Commerce	\$9,000	\$9,000	\$9,000	\$10,000	\$10,000	\$10,000
DFW International	\$0	\$0	\$0	\$0	\$7,500	\$7,500
The Family Place	\$5,000	\$5,000	\$5,000	\$5,000	\$10,000	\$5,000
Communities in Schools	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000
Special Care & Career Services	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Senior Adult Services	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
Metrocrest Social Services	\$15,000	\$15,000	\$15,000	\$30,000	\$20,000	\$20,000
SUBTOTAL	\$89,000	\$89,000	\$89,000	\$107,000	\$109,500	\$104,500
HOTEL FUND:						
Dance Council	\$6,600	\$6,600	\$6,600	\$6,600	\$6,800	\$6,800
WaterTower Theatre	\$230,000	\$230,000	\$230,000	\$230,000	\$240,000	\$240,000
WaterTower Theatre Matching	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000
Richardson Symphony Orchestra	\$0	\$0	\$0	\$0	\$182,739	\$30,000
Other Sources No longer Funded	\$23,700	\$35,000	\$30,000	\$0	\$0	\$0
SUBTOTAL	\$410,300	\$421,600	\$416,600	\$386,600	\$579,539	\$426,800

Note: Metrocrest Social Services one-time additional funding of \$15,000 for a total of \$30,000 in FY 2005/06

Richardson Symphony Orchestra	\$19,289	First of two concerts called "Addison at the Eisemann Center".
	\$21,760	Second of two concerts called "Addison at the Eisemann Center".
	\$92,951	(\$23,238 per concert) Provide a regulary scheduled orchestra subscription package at the Water Tower Theatre. There will be four concerts.
	\$20,460	(\$10,230 per concert) Provide a full orchestra concert for elementary school children in public schools that serve Addison.
	\$28,279	(\$1,178 per concert) To provide a two concert per month series available for any business or office building with the desire to host an ensemble.

Council Agenda Item: #R10

SUMMARY:

The Metrocrest Chamber of Commerce is in the process of recruiting nominations for the Leadership Metrocrest program.

FINANCIAL IMPACT:

Budgeted Amount: \$1,620.00 (cost covers two participants)

Cost: \$1,620.00

BACKGROUND:

Nominations for the 2006/07 Class of Leadership Metrocrest are currently being solicited. The Leadership Metrocrest program takes place over a nine-month period beginning with a two-day retreat in September. Participants gain knowledge on a wide range of community and governmental issues, meet community leaders, and generally broaden their knowledge of the Metrocrest community.

The Town has generally sponsored one resident and one staff member to attend Leadership Metrocrest. Feedback from attendees indicates that this has been a very valuable experience. The attendees gain knowledge, understanding, and insights that benefit the Town and the community as a whole.

RECOMMENDATION:

Staff recommends that Council consider sponsoring one resident in the 2006/2007 Leadership Metrocrest class. The City Manager will select the staff member.

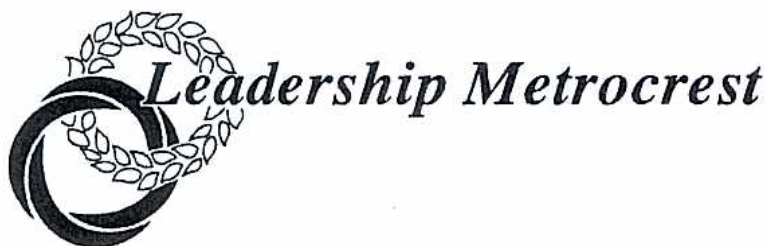
Previous Leadership Metrocrest Participants

Resident Appointments

Rich Beckert
Brad Bradbury
Virgil Burkhart
Greg Hirsch
Elizabeth Knott
Roger Mellow
Scott Wheeler
Todd Meier

Staff Appointments

Mark Acevedo
Sharon Bell
Rob Bourestom
Ron Davis
Hamid Khaleghipour
Noel Padden
Robert Phillips
Chris Terry
Judy Stafford



June 7, 2006

Mr. Ron Whitehead
Town of Addison
P. O. Box 9010
Addison, TX 75001-9010

Dear Ron:

It is recruiting time again for Leadership Metrocrest. We look forward to the Town of Addison participating again this year for Class XVIII of this award winning Leadership Metrocrest Program! This program is a community leadership network and forum, conducted by the **METROCREST Chamber of Commerce**, to assist leaders in better understanding their communities and to facilitate their ability to contribute to the future well-being of those communities. Graduates of the program have found the experience not only educational and enlightening, but have found it useful in facilitating their participation in many levels of community service.

Over 400 area business, education, government, civic and community participants have graduated from the program over the past seventeen years. Please feel free to contact me at 972-416-6600 regarding the program or the application process. The deadline for submitting your application is August 11, 2006.

Can we count on the Town of Addison to join this group of involved citizens and send a participant through the program this year?

Sincerely,

A handwritten signature in cursive script that reads "Rita Moore".

Rita Moore
Program Coordinator

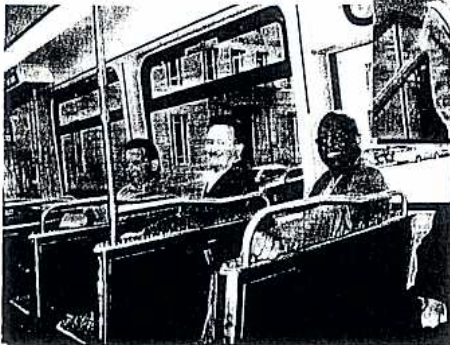
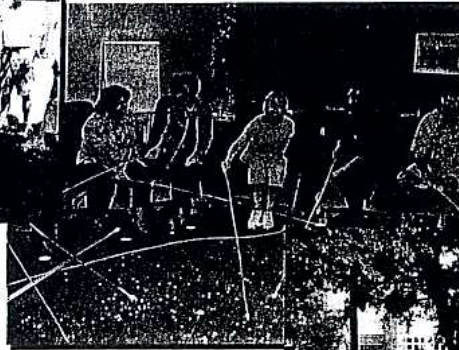
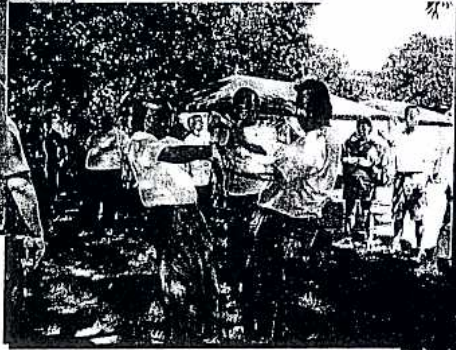
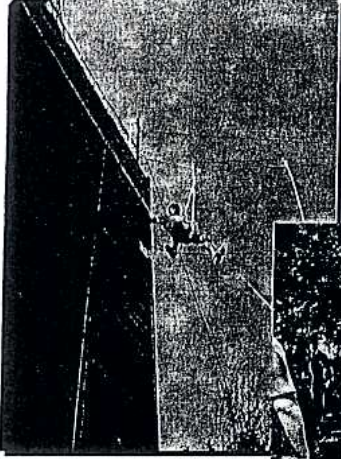


METROCREST

CHAMBER OF COMMERCE
ADDISON, CARROLLTON, FARMERS BRANCH

LEADERSHIP METROCREST

LEADERSHIP METROCREST is a program of the Metrocrest Chamber of Commerce which identifies, educates, trains and motivates potential community leaders. The goal is to provide an extensive and knowledgeable base of understanding and communication links that allow graduates to take leaderships roles in the Metrocrest civic, business and non-profit organizations.



The nine-month course begins in September with a mandatory two-day retreat. Class members meet one day a month studying various aspects of the Metrocrest's inner workings, such as city, county and state government, education, business, criminal justice, economic development, transportation and environment, human services and arts and recreation. Tuition is \$800.00.

**BE PART OF
CLASS XVIII!**

CALL RITA MOORE TODAY FOR
MORE INFORMATION

972-416-6600

Citizen Academy Graduates
All Classes

FirstName	LastName	Street	Suite	City	State	Zip	HomePhone	OfficePhone	Email Address	Class
Anne	Adams	14893 Oaks North Dr.		Dallas	TX	75254	9723863954	9723869656	anne.adams@worldspan.com	CA00
Judy	Barrett	14637 Lexus Ave.		Addison	TX	75001-3132	9723867944	9723867944	jrbrb@msn.com	CA00
Brad	Bradbury	3918 Bobbin Ln.		Addison	TX	75001-3101	9729808106	9729808106	HCbtex@aol.com	CA00
Gilbert	Bruneman	14848 Winnwood Rd.		Dallas	TX	75254	9722333304	9724897678	gbruneman@aol.com	CA00
Merle	Bruneman	14848 Winnwood Rd.		Dallas	TX	75254	9722333304			CA00
Virgil	Burkhardt	4007 Winter Park Ln.		Addison	TX	75001-4904	9724908517		vgburk@attbi.com	CA00
Karen	Gassett	16301 Ledgemont Ln.	Apt. 262	Addison	TX	75001-6213	9722489513	2142372015	kkgassett@worldnet.att.net	CA00
Linda	Groce	4102 Pokolodi Cir.		Addison	TX	75001-3152	9724904326			CA00
Neil	Hewitt	4014 Morman Ln.		Addison	TX	75001-4901	9729341260	9722806716	nhewitt@us.ibm.com	CA00
Gregory	Hirsch	14713 Sherlock Dr.		Addison	TX	75001-3116	4693740717	4693846531	ghirsch@ci.addison.tx.us	CA00
Andrew	Hoelle	3914 Azure Ln.		Addison	TX	75001-3105	9722478106		ahoelle@hotmail.com	CA00
Richard	Jeffcoat	4910 Goodman Ave.	Apt. 1921	Addison	TX	75001-6677	9723851835			CA00
Robert	Karl	15658 Witt Pl.	Apt. 4236	Addison	TX	75001-3379	9727611292	9726874788	Bob_Karl@msn.com	CA00
Elizabeth	Knott	14925 Oaks North Dr.		Dallas	TX	75254	9729606408	2145056555	Elizabeth@knott.org	CA00
Jimmy	Niemann	14921 Bellbrook Dr.		Dallas	TX	75254-7673	9723873135	2147822850	jniemann@e-rewards.com	CA00
Beverly	Roberts	4040 Morman Ln.		Addison	TX	75001-7945	9723929460	9728512181	bevrob2@aol.com	CA00
Kathleen	Schaffer	17037 Knobs Landing		Addison	TX	75001-5033	9722480243	9724232225	shomble@aol.com	CA00
Virginia	Wallace	14820 Le Grande Dr.		Addison	TX	75001-4911	9724507038	9729802665	vballace@comcast.net	CA00
Bob	Baumann	4004 Sherry Lane		Addison	TX	75001	9728660070	9728669199	Bob-baumann@attt.com	CA02
Ted	Bernstein	3875 Weller Run Ct.		Addison	TX	75001	9724069677	N/A	t.bernstein@sbcglobal.net	CA02
Stephen	Blum	17030 Planters Row		Addison	TX	75001	2143947827	9727206645	Steve@frontlineimaging.com	CA02
B.L.	Brady	3876 Weller Run Ct.		Addison	TX	75001	9724886791		blbrady@aol.com	CA02
Anita	Braun	14616 Lexus Avenue		Addison	TX	75001	9723850706		TKBrauns@attbi.com	CA02
Tom	Braun	14616 Lexus Dr.		Addison	TX	75001	9723850706	9725292444	TKBrauns@attbi.com	CA02
Barbara	Colegrove	15022 Bellbrook Drive		Dallas	TX	75254	9723871557		baracole@aol.com	CA02
Patricia	French	3876 Weller Run Ct.		Addison	TX	75001	9724886791	9724886791		CA02
Bob	Jacoby	4016 Rive Lane		Addison	TX	75001	9722334536	2146511447	bjacoby@yahoo.com	CA02
Sheridan	Jones	3911 Bobbin Lane		Addison	TX	75001	9722392239	9722392239	thinkskj@worldnet.att.net	CA02
Ursula	Kelley	14616 Heritage		Addison	TX	75001	9723850171	9725712801	ursula3ita@aol.com	CA02
Dennis	Kraft	14726 Celestial Pl.		Dallas	TX	75254	9727261812	9729915800	Kraffhouse@aol.com	CA02
Irina	Marchenko	4130 Proton 50-B		Addison	TX	75001	9723874244		crockie@swbell.net	CA02
Barbara	Mathews	14625 Lexus Avenue		Addison	TX	75001	9726615485	9722326023		CA02
Roger	Mellow	14840 Lochinvar Drive		Dallas	TX	75254	9723875785	9723875785	Roger@mellownet.com	CA02
Margaret	Miles	14664 Bentwater Ct.		Addison	TX	75001	9722436068		fancitoo@attbi.com	CA02
John	Parker	14677 Wayside Ct.		Addison	TX	75001	9722441833	9724041034	jbpnh20@aol.com	CA02
Skip	Robbins	14770 Maiden Ct.		Dallas	TX	75254	9727884083	9726057526	skip1019@aol.com	CA02
Phyllis	Silver	15720 Artist Way #4912		Addison	TX	75001	9726224340	9726224340		CA02
Donald	Walden	3785 Waterford Drive		Addison	TX	75001-7955	9722412857			CA02
John	Bailey	4093 Oberlin Way		Addison	TX	75001	2147271347	9726618472	jabailey@mtiamerica.com	CA04
Cathy K.	Bernstein	3875 Weller Run Ct.		Addison	TX	75001	9724069677	n/a	t.bernstein@sbcglobal.net	CA04
Robert D.	Brewster	3781 Waterside Ct.		Addison	TX	75001	9722475968	9724208314	Frog4900@aol.com	CA04
James R.	Christensen	3880 Emerald Ct.		Addison	TX	75001	9726201270	9726503434	jim-christensen@webtv.net	CA04
Alessandra	Day	14593 Blueberry Ct.		Addison	TX	75001	97240-0959		m.day7@comcast.net	CA04
Michael	Day	14593 Blueberry Ct.		Addison	TX	75001	9724060959		m.day7@comcast.net	CA04

**Citizen Academy Graduates
All Classes**

Chris	DeFrancisco	3917 Bobbin Ln.	Addison TX	75001	9723923572	2145154964	Christiefrancisco@frostbank.com	CA04
Kathryn	Farrer	4815 Westgrove Dr.	Addison TX	75001	9727139293	n/a	KLFARRER@EV1.net	CA04
Gena Lou	Fulmer	17031 Knots Landing	Addison TX	75001	9722500127	9727536841	genaf@comcast.net	CA04
Carlana	Gilbreth	3728 Brookhaven Club Dr.	Addison TX	75001	9722432861	n/a	n/a	CA04
Glenda	Hoelle	3914 Azure Ln.	Addison TX	75001	9722478106	n/a	ghoelle@yahoo.com	CA04
Albert	Jandura	14936 Oaks North Dr.	Dallas TX	75254	9727020202	9727020202	AJANDURA@swbell.net	CA04
Richard E.	Jeffcoat	15725 Artist Way	Addison TX	75001	9723851835	n/a	n/a	CA04
Todd C.	Meier	14857 Towne Lake Cir.	Addison TX	75001	9722395882	21456618731	TCM51@msn.com	CA04
Daniel	Moulton	3901 Azure Ln.	Addison TX	75001	9726207523	9726207523	dan.moulton@comcast.net	CA04
Bianca	Noble	4008 Bobbin Ln.	Addison TX	75001	9723858573	9724533186	bianca.noble@verizon.com	CA04
Scott	Noble	4008 Bobbin Ln.	Addison TX	75001	9723858573	9723851880	snoble_99@yahoo.com	CA04
Cathy A.	Norton	14640 Waterview Cr.	Addison TX	75001	9722474047	2143609951	calicalmortone@yahoo.com	CA04
Teresa	Perry	3837 Azure Ln.	Addison TX	75001	9724881862	4692313353	bperrybap@comcast.net	CA04
Sandra	Silver	3822 Canot Ln.	Addison TX	75001	9722430023	9724580400	SJSILVER@swbell.net	CA04
Sheldon	Srulevitch	3832 Park Pl.	Addison TX	75001	9722479667	n/a	RBS99@aol.com	CA04
Sara Lynn	Stokes	3901 Azure Ln.	Addison TX	75001	9726207523	21476882270	lynnstokes@comcast.net	CA04
Alden D.	Tinnin	4130 Proton Dr.	Addison TX	75001	9723874244	9727649386	atinnin@swbell.net	CA04
Lori	Ward	14801 Lake Forest Dr.	Dallas TX	75254	9723929295	2148407188	Loriward@Deloitte.com	CA04
Kathryn	Wheeler	14925 Havenshire Pl.	Dallas TX	75254	9725036777	n/a	wheelerskw@comcast.net	CA04
Teresa J.	Wilkin	4133 Towne Green Cir.	Addison TX	75001	2146931503	n/a	teresawilkin@yahoo.com	CA04
Alan	Wood	14609 Lexus Ave.	Addison TX	75001	9729912911	2145593900	alan.b.wood@sbcglobal.net	CA04
Katherine	Wood	14609 Lexus Ave.	Addison TX	75001	9729912911	n/a	Wood_family@sbcglobal.net	CA04
Stanley	Attuguayefo	17200 Westgrove Dr.	Addison TX	75001	9722503178	N/A		CA04
Bob	Barrett	14637 Lexus Ave.	Addison TX	75001-3132	9723867944	9723867944	jrbrlb@msn.com	CA98
Laurel	Brewster	3822 Azure Ln.	Addison TX	75001-7901			laurel.brewster@dal.frb.org	CA98
Robert	Brewster	3822 Azure Lane	Addison TX	75001				CA98
Laty	Brown	3823 Lakeview Court	Addison TX	752001	9726207098	9729970700		CA98
John	Caris	3883 Weller Run Ct.	Addison TX	75001	9722472988			CA98
Doreen	Cluck	3734 Brookhaven Club Dr.	Addison TX	75001	9722413905			CA98
John	Cummings	3817 Azure Ln.	Addison TX	75001-7902	9722471384			CA98
Don	Daseke	5656 Celestial Rd.	Dallas TX	75254	9729609015			CA98
Carol	Doepfner	4006 Bobbin Ln.	Addison TX	75001-3103	9722339722	9723073229		CA98
Mary	Edrich	4015 Bobbin Ln.	Addison TX	75001-3104	9723927561	9723927561	bibrady1@aol.com	CA98
Bonnie	Hill	14700 Marsh Ln.	Addison TX	75001	9724889991	9724889990		CA98
David	Holmes	3880 Lakeview Ct.	Addison TX	75001	9726209755	9728889382		CA98
Charles	Hughes	14639 Waterview Circle	Addison TX	75001				CA98
Paula	Jandura	14936 Oaks North Dr.	Dallas TX	75254	9727020202		jandura@swbell.net	CA98
John	Jeffers	4015 Bobbin Ln.	Addison TX	75001-3104				CA98
Robert	Mason	3834 Azure Lane	Addison TX	75001	9722410964			CA98
John	Meleky	17030 Vinland Dr.	Addison TX	75001	9722484799	9727132895		CA98
Karen	O'Neill	14723 Sherlock Dr.	Addison TX	75001-3116	9727749534	9726630500		CA98
Peggy	Petty	3768 Waterford Dr.	Addison TX	75001	9724843628	2148558205		CA98
Dee	Saunders	3796 Waterford Dr.	Addison TX	75001-7952	9724881914			CA98
Joan	Tuma	4021 Azure Lane	Addison TX	75001	9723850421			CA98
Dale	Wilcox	3868 Lakeview Ct.	Addison TX	75001				CA98

Citizen Academy Graduates
All Classes

1998 Graduates



2000 Graduates



2002 Graduates



2004 Graduates





Regional Transportation Council

The Transportation Policy Body for the North Central Texas Council of Governments
(Metropolitan Planning Organization for the Dallas-Fort Worth Region)



June 29, 2006

RECEIVED
JUL - 3 2006

CITY MAIL

The Honorable Gary Slagel
Mayor
City of Richardson
P.O. Box 830309
Richardson, TX 75083

The Honorable Joe Chow
Mayor
City of Addison
P.O. Box 9010
Addison, TX 75001-9010

The Honorable John Mondy
Mayor
City of Wylie
2000 Highway 78 North
Wylie, TX 75098

The Honorable Mike Felix
Mayor
City of Sachse
5560 Highway 78
Sachse, TX 75048

The Honorable Bret Baldwin
Mayor
City of Murphy
206 North Murphy Road
Murphy, TX 75094

Dear Mayors Slagel, Chow, Mondy, Felix, and Baldwin:

The North Central Texas Council of Governments (NCTCOG) is the Metropolitan Planning Organization (MPO) for the Dallas-Fort Worth Metropolitan Area. The Regional Transportation Council (RTC), composed primarily of local elected officials, is the transportation policy body for the MPO. The RTC is responsible for direction and approval of the Regional Transportation Plan, the Transportation Improvement Program, the Congestion Management System, and the Unified Planning Work Program, and for satisfying and implementing federal and state laws and regulations pertaining to the regional transportation planning process.

Membership on the Regional Transportation Council is either by direct membership or group representation. Currently, the Cities of Richardson, Addison, Wylie, Sachse, and Murphy share a seat on the Regional Transportation Council (RTC). The RTC's Bylaws and Operating Procedures state that "The person representing a group of several cities shall be selected by the mayors/county judges using a weighted vote of the maximum of the daytime or nighttime population of the cities/counties represented." Please notify us upon completion of your deliberations. One-third of the representatives for Dallas and Fort Worth may be from the private sector; all other representatives must be public sector members from the entities they represent. A table containing population and employment figures is enclosed.

Your current representative on the RTC is John Murphy, Mayor Pro Tem, City of Richardson. You may choose to keep your current representative or appoint a new representative. Please mail or fax (817/640-3028) your correspondence to Vercie Pruitt-Jenkins of NCTCOG. Please note that your designation should be confirmed in writing by all entities included in this group.

June 29, 2006

As required by the RTC Bylaws, enclosed is a table containing meeting attendance from April 2005 to May 2006. This quarterly transmittal to member agencies is standard practice and not indicative of any particular problem.

In addition, the Bylaws state "All RTC members must adhere to Chapter 171 of the Local Government Code and to the Code of Ethics for their respective local governments and public agencies." Please remind your representative to be cognizant of this request.

Please contact Vercie Pruitt-Jenkins at 817/608-2325 if you have any questions. We look forward to hearing from you.

Sincerely,



Cynthia White
Chair, Regional Transportation Council
Commissioner, Denton County

VPJ:cm
Enclosures

cc: Mr. Bill Keffler, City Manager, City of Richardson
Mr. Ron Whitehead, City Manager, City of Addison
Mr. Mark Roath, City Manager, City of Wylie
Mr. Bill Atkinson, City Manager, City of Sachse
Mr. Craig W. Sherwood, City Manager, City of Murphy
The Honorable John Murphy, Mayor Pro Tem, City of Richardson

RTC BYLAWS - 2006 REPRESENTATION DATA

<u>City/County</u>	<u>Population</u>	<u>Employment</u>	<u>Pop/Emp Maximum</u>
<u>Tarrant County</u>			
Fort Worth	661,850	449,793	661,850
Arlington	363,050	140,947	363,050
N. Richland Hills	63,500	20,980	63,500
Bedford	48,600	23,380	48,600
Eules	52,900	18,403	52,900
Hurst	38,300	19,123	38,300
Grapevine	45,600	49,565	49,565
Haltom City	39,450	16,063	39,450
Mansfield	49,000	8,292	49,000
Benbrook	22,350	4,464	22,350
Watauga	24,100	2,430	24,100
Keller	36,350	2,578	36,350
Southlake	25,350	6,125	25,350
Colleyville	21,700	4,965	21,700
Forest Hill	11,750	3,351	11,750
White Settlement	15,750	5,303	15,750
Saginaw	18,400	5,831	18,400
Azle	10,450	3,619	10,450
Crowley	10,300	2,320	10,300
River Oaks	7,050	1,443	7,050
Everman	5,800	1,480	5,800
Kennedale	6,150	2,720	6,150
Richland Hills	8,300	7,965	8,300
<u>Ellis County minus cities of</u>	67,972	14,558	67,972
Ennis	18,300	11,049	18,300
Waxahachie	26,700	16,045	26,700
Midlothian	12,800	4,032	12,800
Red Oak	7,750	1,715	7,750
<u>Johnson County minus cities of</u>	62,931	19,126	62,931
Burleson	30,300	5,139	30,300
Cleburne	29,400	16,249	29,400
Keene	6,050	1,370	6,050
<u>Rockwall County minus city of</u>	39,300	7,873	39,300
Rockwall	29,500	9,692	29,500
<u>Kaufman County minus city of</u>	17,725	4,322	17,725
Forney	10,200	1,444	10,200
<u>Parker County</u>	19,373	5,399	19,373

RTC BYLAWS - 2006 REPRESENTATION DATA

<u>City/County</u>	<u>Population</u>	<u>Employment</u>	<u>Pop/Emp Maximum</u>
<u>Collin County</u>			
Plano	252,950	115,048	252,950
Allen	70,750	9,059	70,750
McKinney	103,800	26,293	103,800
Frisco	84,600	8,437	84,600
Wylie	33,000	5,144	33,000
Murphy	11,300	242	11,300
<u>Dallas County</u>			
Dallas	1,260,950	1,038,314	1,260,950
Carrollton	118,700	68,199	118,700
Garland	222,400	93,265	222,400
Irving	201,950	165,435	201,950
Mesquite	135,900	53,785	135,900
Grand Prairie	156,050	82,664	156,050
Richardson	97,300	94,792	97,300
Rowlett	53,100	7,882	53,100
Duncanville	37,800	13,761	37,800
DeSoto	47,100	16,177	47,100
Addison	14,900	45,649	45,649
Coppell	39,200	18,401	39,200
Cedar Hill	43,150	6,177	43,150
Farmers Branch	27,850	75,013	75,013
Lancaster	33,550	13,119	33,550
University Park	23,250	9,012	23,250
Balch Springs	19,600	5,921	19,600
Seagoville	12,550	4,690	12,550
Sachse	17,300	1,504	17,300
Highland Park	8,750	2,405	8,750
Glenn Heights	10,500	721	10,500
<u>Denton County</u>			
Denton	100,950	58,581	100,950
Lewisville	89,100	37,145	89,100
Flower Mound	61,550	5,130	61,550
The Colony	38,400	3,510	38,400
Highland Village	14,450	1,065	14,450
Corinth	18,550	2,213	18,550
Trophy Club	7,250	568	7,250
Lake Dallas	6,800	1,683	6,800
Little Elm	19,900	672	19,900

REGIONAL TRANSPORTATION COUNCIL ATTENDANCE ROSTER

April 2005 – May 2006

RTC MEMBERS	4/14	5/12	6/9	7/14	9/8	10/13	11/10	1/12	2/9	3/9	4/13	5/11
Terri Adkisson (3/05)	P	P	P	P	P	P	P	P	P	P	P	P
Bill Blaydes (7/05)	--	--	--	P	A	P	P	P	P	A	P	A
Ron Brown (2/93)	P	P	P	P	P	P	P	P	R(1)	P	P	P
Dorothy Burton (6/06)	--	--	--	--	--	--	--	--	--	--	--	--
Sheri Capehart (6/06)	--	--	--	--	--	--	--	--	--	--	--	--
Maribel Chavez (1/02)	P	P	R(1)	R(1)	P	P	P	R(1)	P	P	P	R(1)
Jan Collmer (10/05)	--	--	--	--	(1)	P	P	P	P	R(1)	P	R(1)
Wendy Davis (3/00)	P	P	P	P	P	P	P	P	P	P	P	P
Bob Day (9/02)	P	P	P	P	P	P	P	P	P	P	P	P
Maurine Dickey (4/05)	P	P	R(1)	R(1)	(1)	P	P	P	P	P	P	R(1)
Charles Emery (4/04)	P	P	R(1)	P	P	P	P	P	P	P	P	R(1)
Herbert Gears (7/05)	--	--	--	P	R(1)	A	P	R(1)	P	R(1)	(4)	R(1)
Paul Geisel (11/04)	P	P	P	R(1)	P	P	P	P	P	P	P	P
Bill Hale (11/03)	P	P	R(1)	R(1)	R(1)	P	P	P	P	P	P	P
Roger Harmon (1/02)	P	P	A	P	P	P	P	P	P	(1)	P	(1)
Jack Hatchell (10/90)	P	P	P	P	P	P	P	P	P	P	P	R(1)
John Heiman, Jr. (2/94)	P	P	P	P	P	P	P	P	P	P	P	P
Kathleen Hicks (10/05)	--	--	--	--	--	P	P	P	A	P	P	A
Ron Jensen (6/03)	P	P	R(1)	P	P	P	P	P	P	P	P	P
Scott Johnson (2/06)	--	--	--	--	--	--	--	--	P	P	P	R(1)
Pete Kamp (7/04)	(1)	P	P	(1)	P	P	P	P	P	P	P	P
Linda Koop (7/05)	--	--	--	P	P	P	P	P	P	P	P	P
Kenneth Mayfield (2/95)	R(1)	R(1)	R(1)	R(1)	R(1)	R(3)	P	R(1)	P	P	P	R(1)
Becky Miller (5/05)	--	P	R(1)	R(1)	P	R(1)	P	P	P	P	P	P
Jack Miller (10/02)	P	P	P	P	R(1)	R(1)	P	A	P	P	P	P
Rich Morgan (01/04)	P	P	P	P	P	P	P	P	P	P	P	P
John Murphy (7/93)	P	P	A	R(1)	P	(1)	(1)	P	P	P	P	P
Mel Neuman (5/05)	--	P	P	P	P	P	P	P	P	P	P	P
Mike Nowels (3/00)	A	P	P	P	A	P	(1)	P	P	P	P	R(1)
Ed Oakley (11/03)	P	P	P	R(1)	P	P	P	P	P	P	P	(1)
Chuck Silcox (12/98)	A	P	P	P	P	P	P	P	P	P	P	P
John Tatum (11/02)	P	A	P	A	P	(1)	P	P	P	P	P	P
Maxine Thornton-Reese (9/99)	(1)	(1)	A	R(1)	P	P	(1)	P	(1)	P	(3)	P
Oscar Trevino (6/02)	P	P	P	P	P	P	P	R(1)	P	P	P	P
Carl Tyson (1/00)	R(1)	P	P	P	P	P	P	P	P	P	P	P
Marti VanRavenswaay (2/97)	R(1)	R(1)	P	P	(1)	P	P	P	A	R(1)	R(1)	P
Cynthia White (10/02)	P	(3)	P	P	P	P	P	P	P	R(1)	P	P
Bill Whitfield (6/03)	P	P	R(1)	P	(1)	P	(1)	P	P	P	P	P
B. Glen Whitley (2/97)	P	P	R(1)	R(1)	P	P	P	P	P	P	P	R(1)
Kathryn Wilemon (6/03)	P	P	P	P	P	P	P	P	P	P	P	P

P = PRESENT
R = REPRESENTED
A = ABSENT
-- = NOT YET APPOINTED

(1) Local Government Business Conflict
(2) Jury Duty
(3) Personal Illness
(4) Family Emergency

NOTE: Date in parenthesis indicates when member was first eligible to attend RTC meetings.

-----Original Message-----

From: Vercie Pruitt-Jenkins [mailto:vpruittjenkins@nctcog.org]

Sent: Thursday, July 13, 2006 5:47 PM

To: Eric Strong

Subject: RE: Addison RTC appointment

Mr. Strong,

Listed below are the names of the current and former Regional Transportation Council members representing the cluster group of Richardson, Addison, Wylie, Sachse, and Murphy.

1993 – Present: John Murphy (City of Richardson)
1989 – 1993: Gary Slagel (City of Richardson)
1987 – 1989: F.F. "Buddy" Dean (City of Richardson)
1983 – 1986: Gary L. Skaggs (City of Richardson)
1978 – 1983: Raymond D. Noah (City of Richardson)

This information has also been officially transmitted by mail. If you have any additional questions regarding RTC membership, please contact me at (817) 608-2325 or vpruittjenkins@nctcog.org.

Vercie Pruitt-Jenkins
Administrative Program Coordinator
North Central Texas Council of Governments
P.O. Box 5888
Arlington, TX 76005-5888
(817) 608-2325 – direct line
(817) 640-3028 – fax
vpruittjenkins@nctcog.org

TOWN OF ADDISON, TEXAS

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE TOWN OF ADDISON, TEXAS PROVIDING FOR CERTAIN CITIZEN ADVISORY COMMITTEES AS SET FORTH HEREIN; ESTABLISHING THE PURPOSES AND DURATION OF EACH OF THE COMMITTEES; ADOPTING RULES AND PROCEDURES FOR EACH OF THE COMMITTEES; PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City Council of the Town of Addison, Texas ("City") desires to study and evaluate certain ideas and concepts regarding the future planning, development and growth of the City, including ideas and concepts concerning museums, education, culinary matters, the performing and visual arts, public relations, transportation, business development, recreation, human services and environment design; and

WHEREAS, to facilitate the study and evaluation, the City Council desires (i) to create temporary, advisory committees comprised of members of the City Council, members of the City Planning and Zoning Commission, and other persons, (ii) to establish the subjects and matters to be reviewed by, and the duration of, each of the respective committees, and (iii) to establish the general structure of and procedures for meetings of the committees; and

WHEREAS, the City is a home rule municipality pursuant to Article 11, Section 5 of the Texas Constitution, applicable State law, and its Home Rule Charter; and

WHEREAS, the City Council is authorized by subsection g. of Section 2.08 of the City Charter to "[p]rovide for such additional boards and commissions, not otherwise provided for in this Charter, as may be deemed necessary, and appoint the members of all such boards and commissions", and the citizens advisory committees provided for by this Resolution are not provided for in the Charter, and

WHEREAS, the City Council finds that the adoption of this Resolution is in the best interests of the City and its citizens.

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

Section 1. Creation of Citizen Advisory Committees. Those advisory committees identified on Exhibit A attached hereto and incorporated herein are hereby created, which shall be known as "Citizen Advisory Committees." Each Citizen Advisory Committee serves only in an advisory capacity to the City Council of the Town of Addison, Texas ("City"), and each member of a Citizen Advisory Committee serves at the pleasure of the City Council and may be removed by the City Council from the Citizen Advisory Committee at any time and for any reason. Membership on a Citizen Advisory Committee is as set forth in Exhibit B attached

hereto and incorporated herein. Each of the Citizen Advisory Committees may be terminated or discontinued by the City Council at any time and for any reason, at which time the membership of each then-current member shall terminate. The termination, discontinuance, or extension of a Citizen Advisory Committee by the City Council, and the appointment or removal of a member of a Citizen Advisory Committee by the City Council, may be by motion or other action duly adopted by the City Council.

Section 2. Purpose of Citizen Advisory Committees. The purpose of each of the Citizen Advisory Committees is to review, study and evaluate certain ideas and concepts regarding the future planning, development and growth of the City, and to make recommendations regarding the same to the City Council. The specific purpose for each of the respective Committees is identified in the attached Exhibit A.

Section 3. Duration of Citizen Advisory Committees. Each of the respective Citizen Advisory Committees shall be in existence for the period of time set forth in the attached Exhibit A, subject, however, to the earlier termination or discontinuance, or the extension, of any of the Committees by the City Council in its sole discretion.

Section 4. Rules of Procedure. Each of the Citizen Advisory Committees and their members shall abide and be subject to those "Citizen Advisory Committees Rules and Procedures " set forth in Exhibit B attached hereto.

Section 5. Incorporation of Exhibits. The Exhibits referenced herein and attached hereto are incorporated herein and made a part of this Resolution for all purposes.

Section 6. Effective Date. This Resolution shall take effect from and after its adoption.

PASSED AND APPROVED by the City Council of the Town of Addison, Texas this ___ day of _____, 2006.

Joe Chow, Mayor

ATTEST:

By: _____
Carmen Moran, City Secretary

APPROVED AS TO FORM:

By: _____
Ken Dippel, City Attorney

EXHIBIT A

Citizen Advisory Committees

The Citizen Advisory Committees, the matters that each of the Committees is to review, study, evaluate, and make recommendation to the City Council regarding, and the duration of each of the Committees is set forth below:

Museums Citizen Advisory Committee

Matters to be Reviewed and Studied

Current and future museum options in Addison; what would generate more opportunities for people to visit Addison. Museum opportunities to be researched include: the proposed Cavanaugh Flight Museum, the Mary Kay Museum and other museum offerings.

Committee Duration

From _____, 2006 through _____, 2007, unless otherwise extended, or earlier terminated or discontinued, by the City Council

Education Citizen Advisory Committee

Matters to be Reviewed and Studied

How Addison can expand or enhance the educational experiences provided to members of the region. Educational opportunities to be explored include: college education, professional training and charter schools.

Committee Duration

From _____, 2006 through _____, 2007, unless otherwise extended, or earlier terminated or discontinued, by the City Council

Culinary Citizen Advisory Committee

Matters to be Reviewed and Studied

The possibility of establishing an epicurean district within the Town. Other options the committee may consider as part of the epicurean district include providing cooking classes, specialty retail stores and food services training.

Committee Duration

From _____, 2006 through _____, 2007, unless otherwise extended, or earlier terminated or discontinued, by the City Council

Performing and Visual Arts Citizen Advisory Committee

Matters to be Reviewed and Studied

Options for providing an affordable and inviting arts environment for people to visit. Topics to be researched may include: theatres, music, art studios and film.

Committee Duration

From _____, 2006 through _____, 2007, unless otherwise extended, or earlier terminated or discontinued, by the City Council

Pubic Relations Citizen Advisory Committee

Matters to be Reviewed and Studied

Internal and external operations, orientation programs, and special events. Topics to be considered also include the Town of Addison' branding, marketing efforts, and special programs.

Committee Duration

From _____, 2006 through _____, 2007, unless otherwise extended, or earlier terminated or discontinued, by the City Council

Transportation Citizen Advisory Committee

Matters to be Reviewed and Studied

The different ways in which people move around the Town of Addison. How and why people come to Addison and where they are coming from. Transportation includes all forms of transportation: planes, trains, cars, buses, and pedestrian traffic. Conversations about transit oriented development.

Committee Duration

From _____, 2006 through _____, 2007, unless otherwise extended, or earlier terminated or discontinued, by the City Council

Business Development Citizen Advisory Committee

Matters to be Reviewed and Studied

Issues that involve business development, retention and attraction. Zoning issues and the possibility of redevelopment in certain areas of the Town of Addison. Explore what national and international relationships are important to the Town's future success.

Committee Duration

From _____, 2006 through _____, 2007, unless otherwise extended, or earlier terminated or discontinued, by the City Council

Recreation and Community Facilities Citizen Advisory Committee

Matters to be Reviewed and Studied

How the Town of Addison's recreation facilities currently operate and how to appropriately provide programs for the Town's various generational demographics. Topics will include sharing services with other cities, providing more services, and addressing the expectations of the community.

Committee Duration

From _____, 2006 through _____, 2007, unless otherwise extended, or earlier terminated or discontinued, by the City Council

Human Services Citizen Advisory Committee

Matters to be Reviewed and Studied

The different services currently provided or supported by the Town of Addison. What types of services the Town should be offering. The relationship the Town has with various non-profit organizations, as well as inter-local agreements with other cities and agencies.

Committee Duration

From _____, 2006 through _____, 2007, unless otherwise extended, or earlier terminated or discontinued, by the City Council

Environment Design Citizen Advisory Committee

Matters to be Reviewed and Studied

The different ways in which the Town of Addison can be a more environmentally conscious organization. Issues ranging from appropriate plant materials to alternative fuel sources that the town should be using. Consider green building programs, recycling, impervious paving programs and other environmentally friendly initiatives.

Committee Duration

From _____, 2006 through _____, 2007, unless otherwise extended, or earlier terminated or discontinued, by the City Council

EXHIBIT B

Citizen Advisory Committees Rules and Procedures

ARTICLE I – ADVISORY COMMITTEES; PURPOSE

Each Citizen Advisory Committee ("Citizen Advisory Committee" or "Committee") serves only in an advisory capacity to the City Council of the Town of Addison ("City"), and each Committee member serves at the pleasure of the City Council and may be removed by the City Council from the Committee at any time and for any reason.

The Committee may be terminated or discontinued by the City Council at any time and for any reason, at which time the membership of each then-current member shall terminate. The term of each Citizen Advisory Committee is as set forth on Exhibit A to Resolution No. _____, subject to the earlier termination or discontinuance, or the extension, of the Citizen Advisory Committee. Upon the expiration, or earlier termination or discontinuance, of a Citizen Advisory Committee, membership of each then-current Committee member shall end.

Each Citizen Advisory Committee shall review, evaluate and study, and make recommendations to the City Council regarding, those matters set forth in Exhibit A to Resolution No. _____.

ARTICLE II - ORGANIZATION AND STRUCTURE OF THE COMMITTEE

A. Membership

Each Citizen Advisory Committee consists of eleven (11) members, each appointed by a majority of the City Council. Membership shall be as follows:

Two (and only two) members shall be members of the City Council

Two (and only two) members shall be members of the Planning and Zoning Commission of the City

Seven other Committee members shall be appointed by the City Council (the "Citizen Members")

In appointing the Citizen Members, each member of the City Council shall have the right to recommend one of the Citizen Members for consideration of appointment to the Committee by the Council, it being the intent that all of the Citizen Members shall have each been appointed upon the recommendation of a different member of the City Council. In the event of the resignation or removal of a Citizen Member, the member of the Council who recommended the Citizen Member shall have the right to recommend a replacement for the Citizen Member.

Membership on each Citizen Advisory Committee shall terminate with the expiration, or earlier discontinuance or termination, of a Citizen Advisory Committee or upon the removal of a

Citizen Advisory Committee member by the City Council. If any member misses three (3) consecutive meetings of a Committee, the member shall be deemed to have automatically resigned and vacated the member's position on the Committee, and the Council may appoint a new member to the Committee.. Members of the Committee shall receive no compensation for their services on the Committee.

B. Committee Chair, Vice-Chair, Secretary

Upon the appointment by the City Council of all of the members of a Committee, the Committee shall hold an initial meeting and shall there elect a Chair and Vice-Chair from among its members before proceeding to any other matters of business. The Chair and Vice-Chair must each be one of the Citizen Members. The City Manager of the City may assign a City Staff representative or representatives to serve as an ex-officio member (non-voting and non-presiding) of the Committee ("Staff Member").

The Chair, or in the Chair's absence or disability, the Vice-Chair, shall, preside at all meetings of the Committee, and shall be entitled to vote on all matters coming before the Committee. In the absence or disability of both the Chair and Vice-Chair, an Acting Chair shall be selected by members present to preside at the meeting where elected.

The Committee member presiding at a Committee meeting shall decide all points of order and procedure, subject to these rules, unless otherwise directed by a majority of the members of the Committee present.

The Secretary shall be responsible for all routine correspondence of the Committee, for all notices, shall attend all meetings or hearings of the Committee, keep the minutes, compile the records and maintain the files and indexes. The Committee may appoint a Staff Member as the Secretary for the Committee.

ARTICLE III - MEETINGS

A. Quorum; Vote

A quorum of the Committee shall consist of six (6) members. The affirmative vote of a majority of voting members of the Committee present at a Committee meeting shall be necessary to adopt or approve any matter or to take any action.

B. Agenda

An agenda shall be prepared by the Secretary for each meeting of the Committee. A copy of the agenda shall be posted in accordance with the Texas Open Meetings Act (Chapter 551, Tex. Gov. Code).

C. Meetings

Meetings of the Committee may be held (1) on the call of the Chair, or (2) on request of two or more Committee members, or (3) as may be scheduled by a majority of the Committee at any previous meeting. Notice of a meeting shall be given to the members of the Committee at

the same time as notice of the meeting it posed in accordance with the Texas Open Meetings Act, Chapter 551, Tex. Gov. Code. The time and place of a meeting shall be determined by the convening authority.

D. Recording of Vote

The minutes of the Committee's proceeding shall show the vote of each member, or if absent or failing to vote shall indicate that fact.

Council Agenda Item: #R13

**Attachments for this item will be presented
at the meeting.**

Council Agenda Item: #R14

SUMMARY:

BACKGROUND:

Paragraph 9 of the underlying ground lease between KPI and the Town requires that the Town must give its prior written consent to any subletting or assignment of any portion of KPI's leasehold interests. Ever since KPI acquired the ground lease in 1991, KPI has sublet its leasehold to its related entity, Keith Products, L.P. KPI and Keith most recently entered into a new sublease agreement effective November 1, 2005 with a five-year term due to expire October 31, 2010. KPI and Keith now desire to amend this sublease agreement to include two 5-year options that could effectively extend the sublease term to October 31, 2020. The proposed sublease extension does not conflict with the underlying ground lease which, continues until May 30, 2030. Keith Products uses the demised premises in support of their manufacturing of air conditioning components for aircraft.

KPI and Keith have advised the Town that Keith may be acquired by or merged with a third party in the immediate future. Therefore, KPI and Keith request the Town to execute an Estoppel Letter affirming, among other things, that KPI is currently in good standing with the Town and that the Town acknowledges and consents to KPI's sublease to Keith, as amended.

RECOMMENDATION:

Airport Management has reviewed KPI's request and recommends the Town give its written consent to the [sub]Lease Agreement and the proposed Amendment and Restated Lease Agreement, provided that a fully executed copy of the Master Landlord's Consent to Sublease (see "Exhibit B") is attached to and made a part of the [sub]Lease Agreement and Amended and Restated Lease Agreement. Additionally, Airport Management has reviewed the Estoppel Letter and recommends the Town execute this Estoppel Letter for the benefit of KPI and Keith.

The Town's attorney has reviewed the Master Landlord's Consent to Sublease and the Estoppel Letter and finds both to be acceptable for the Town's use.

Staff recommends approval.

Attachments: Bill Dyer - Memorandum
Exhibit A - Sub Lease Agreement & Amended & Restated Agreement
Exhibit B - Master Landlord Sublease Consent
Exhibit C - Estoppel Letter



MEMORANDUM

To: Mark Acevedo, Director of General Services

From: Bill Dyer, Addison Airport Real Estate Manager

Cc : Lisa A. Pyles, A.A.E., Airport Director

Date: August 17, 2006

RE: Addison Airport Ground Lease Tenant KPI Properties, Inc.'s
Request for an Estoppel Letter and Landlord's Consent to Sublease to
Keith Products, L.P. (Ground Lease No. 0570-4801)

KPI Properties Inc., ("KPI"), the ground lease tenant for the property located at 4554 Claire Chennault, is seeking the Town's consent to its [sub]Lease Agreement with Keith Products, L.P. ("Keith") and the proposed Amended and Restated Lease Agreement (see "Exhibit A"). Additionally, KPI and Keith are requesting the Town execute an Estoppel Letter affirming, among other things, that KPI is in good standing with the Town as of the date of the Estoppel Letter and that the Town consents to KPI's sublease arrangement with Keith, as amended and restated (see "Exhibit C").

Paragraph 9 of the underlying ground lease between KPI and the Town requires that the Town must give its prior written consent to any subletting or assignment of any portion of KPI's leasehold interests. Ever since KPI acquired the ground lease, KPI has sublet its leasehold to its related entity, Keith Products, L.P. KPI and Keith most recently entered into a new sublease agreement effective November 1, 2005 with a five-year term due to expire October 31, 2010. KPI and Keith now desire to amend this sublease agreement to include two 5-year options that could effectively extend the sublease term to October 31, 2020. The term of the underlying ground lease continues until May 30, 2030. Keith Products uses the demised premises in support of their manufacturing of air conditioning components for aircraft.

Airport Management has reviewed KPI's request and recommends the Town give its written consent to the [sub]Lease Agreement and the proposed Amendment and Restated Lease Agreement, provided that a fully executed copy of the Master Landlord's Consent to Sublease (see "Exhibit B") is attached to and made a part of the [sub]Lease Agreement and Amended and Restated Lease Agreement.

The Master Landlord's Consent to Sublease provides, among other things, that an assignment of the sublease by Keith Products, L.P. to its successor entity (by way of merger or acquisition) prior to January 1, 2007 does not require the written consent of the Master Landlord.

KPI and Keith have advised the Town that Keith may be acquired by or merged with a third party in the immediate future. Therefore, KPI and Keith request the Town to execute an Estoppel Letter affirming, among other things, that KPI is currently in good standing with the Town and that the Town acknowledges and consents to KPI's sublease to Keith, as amended. **Airport Management has reviewed the Estoppel Letter and recommends the Town execute this Estoppel Letter for the benefit of KPI and Keith.**

The Town's attorney has reviewed the Master Landlord's Consent to Sublease and the Estoppel Letter and finds both to be acceptable for the Town's use.

EXHIBIT "A"

AMENDED AND RESTATED LEASE AGREEMENT

Pursuant to that certain Lease Agreement dated as of November 1, 2005 (the "Existing Lease Agreement") between Landlord and Tenant (as defined below) Landlord leased certain premises to Tenant. Landlord and Tenant now wish to amend and restate the Existing Lease Agreement and hereby agree that the terms and provisions of the Existing Lease Agreement shall be, and hereby are, amended and restated in their entirety by the terms and conditions of this Amended and Restated Lease Agreement (this "lease"), and the terms and provisions of the Existing Lease Agreement, shall be superseded in their entirety by this lease and in the event of any conflict between the Existing Lease Agreement and this lease, the terms and provisions of this lease shall control.

NOW THEREFORE, in consideration of the mutual promises contained herein, the terms, conditions and provisions of the Existing Lease Agreement are amended and restated in their entirety as follows:

1.0 PARTIES

The parties to this lease are:

- 1.1 KPI PROPERTIES, INC. ("Landlord"),
4554 Claire Chennault
Addison, Texas 75001; and,
- 1.2 KEITH PRODUCTS, L.P. or its successor entity ("Tenant"),
4554 Claire Chennault
Addison, Texas 75001.

2.0 LEASED PREMISES

2.1 Description. An office-hangar facility situated on a 1.4966 acre tract of land in the William Lomax Survey, Abstract No. 792 in the Town of Addison, Dallas County, Texas which is subject to that certain Ground Lease dated as of December 28, 1982, by and among the City of Addison, Texas, Addison Airport of Texas, Inc. ("Addison Airport") and Omega Industries, Inc., and recorded in Volume 89046, Page 5093, of the Real Property Records of Dallas County, Texas (the "Ground Lease"), which Ground Lease has been assigned to Landlord pursuant to that certain Assignment of Lease dated November 1, 1991, from RR Investments, Inc. to Landlord; the address of the lease premises being 4554 Claire Chennault (the "premises").

2.2 Grant and Acceptance. Landlord leases the premises to Tenant and Tenant accepts them, subject to the terms and provisions of this lease and subject to the terms and provisions of the Ground Lease.

2.3 Condition. Tenant accepts the premises in their present condition, without reliance upon any representations, express or implied.

2.4 Trade Fixtures. Tenant shall have the right at all times during the term of this lease and any renewals or extensions thereof to install and maintain movable wall partitions, cabinets, shelves, furniture, equipment and other fixtures (the “trade fixtures”), provided that Tenant complies with all applicable governmental laws, ordinances and regulations and the Ground Lease. Tenant shall have the right to remove the trade fixtures at the termination of this lease, provided such items can be removed without structural damage to the premises. Tenant shall repair any damage caused by the removal of any fixtures.

2.5 Alterations.

A. Subject to the Rules and Regulations of Addison Airport and the terms of the Ground Lease, Tenant shall have the right to make such alterations, changes and improvements (the “work”) to the premises as it deems necessary for its purposes, at its own expense, provided that such alterations or changes will not damage existing improvements and will comply with applicable law and the Ground Lease.

B. Tenant shall have no power to do any act or make any contract which may create or be the foundation for any lien, mortgage or other encumbrance upon the premises or Landlord’s interest therein.

C. Tenant shall indemnify Landlord and hold it harmless from and against liability, loss and cost of defense, upon any claim for materials or labor furnished in connection with the work, and upon any claim for damages or injuries arising therefrom.

D. All alterations, additions, or improvements made by Tenant shall become the property of Landlord and shall remain upon and be surrendered with the premises at the termination of this lease.

3.0 DURATION

3.1 Initial Term.

A. Subject to the terms of the Ground Lease, the term of this lease (the “initial term”) shall be five (5) years, beginning November 1, 2005 (the Commencement Date”), and continuing through October 31, 2010, unless earlier terminated as herein provided.

B. Subject to the terms of the Ground Lease, Tenant shall have the option to extend the term for an additional five (5) year period, to October 31, 2015, by delivering written notice of such extension to Landlord at least one hundred eighty (180) days before the fifth (5th) anniversary of the Commencement Date. If (i) Tenant has exercised such option, (ii) the lease has not been terminated prior to October 31, 2015, and (iii) Tenant has not been dispossessed from the premises prior to October 31, 2015, Tenant shall have the additional option to extend the Term for a second five (5) year period, to October 31, 2020, by delivering written notice of such extension to Landlord at least one hundred eighty (180) days before the tenth (10th) anniversary of the Commencement Date. Except for the extension options, all of the terms of this Agreement shall continue to apply without change during any extension period(s), and “the Term” as used in this

Agreement shall refer to both the initial term of this Agreement and any extension(s) thereof.

3.2 Holdover. Unless this lease is extended or a new lease is executed by the parties, any holding over by Tenant after the expiration of the initial term shall operate and be construed as a tenancy from month-to-month and otherwise subject to all of the conditions, provisions and obligations of this lease insofar as the same are applicable to a month-to-month tenancy beyond the initial term.

3.3 Termination Upon Casualty Loss or Condemnation. Notwithstanding anything to the contrary contained herein, this lease may be terminated at the option of either party if (i) the building is totally destroyed by fire, tornado or other casualty; (ii) the premises should be so damaged by such a cause that reconstruction or repairs cannot reasonably be completed within 60 days; or, (iii) any part of the premises should be taken through or conveyed under threat of eminent domain, if such taking would render their continued use by Tenant impractical or materially impair the ability of the building's occupants to conduct their businesses upon or within the premises.

4.0 COVENANTS OF TENANT

4.1 Rent. In consideration for the possession and use of the premises, Tenant shall pay to Landlord, at such place as Landlord may from time to time specify by notice given to Tenant, without deduction or offset of any kind except as specifically provided herein, the sum of \$12,500.00 for each calendar month of the term, payable in advance, and without demand, upon the fifth day of each such calendar month. For any period less than a full calendar month, the monthly rental shall be proportionately reduced. The monthly rental shall increase by 2% over the then-existing monthly rental beginning on each November 1 anniversary of the lease.

4.2 Maintenance and Repairs.

A. Tenant Responsibilities. Except as set forth in clause 4.2.B below, Landlord shall not be called upon to make any improvements or repairs of any kind upon the premises. Tenant, at the sole cost and expense of Tenant, shall keep the premises in a clean, sanitary and safe condition in accordance with the applicable laws and ordinances of the United States, State of Texas, the Town of Addison, Addison Airport and any other governmental authority with jurisdiction over the premises, and in accordance with the Ground Lease and all directions, rules and regulations of the health officer, fire marshal, building inspector or other proper officers of the governmental agencies having jurisdiction; otherwise, Tenant shall have no obligation to make any improvements or repairs of any kind upon the premises. Tenant shall comply with all requirements of law, ordinances, restrictions and other matters, touching or affecting the premises. In addition to maintenance and repair obligations of Tenant set forth in this lease, Tenant is also obligated to perform, at Tenant's own cost and expense and risk, all other maintenance and repairs within the premises necessary or appropriate to cause the premises to be suitable for Tenant's intended commercial purpose, in Tenant's sole discretion. If any repairs required to be made by Tenant hereunder are not made within ten (10) days after written notice delivered to Tenant by Landlord, Landlord may at its option make such

repairs without liability to Tenant for any loss or damage which may result to its inventory or other property or business by reason of such repairs; and Tenant shall pay to Landlord upon demand, as additional rent hereunder, the cost of such repairs plus interest at the maximum legal rate, such interest to accrue continuously from the date of payment by Landlord until repayment by Tenant.

B. Landlord Responsibilities. Landlord shall be responsible for making any necessary replacements to the roof, walls and foundation of the premises.

4.3 Taxes and Insurance. Tenant shall timely pay ad valorem taxes levied against, and obtain and maintain throughout the Term and pay for premiums for standard casualty insurance and commercial general liability insurance on the premises. Landlord shall furnish reasonable documentation and records relating to such expenditures. Tenant reserves the right to contest the valuation assigned to the premises for purposes of ad valorem taxation, and Landlord has agreed to notify Tenant promptly upon any change in valuation and cooperate with Tenant in prosecuting any protest. This paragraph applies to calendar years in which this lease commences and terminates, but Tenant's liability for such years shall be subject to a pro rata adjustment based on the number of days during which this lease is in effect. Landlord shall be the named insured and loss payee on the casualty insurance policy and an additional insured on the commercial general liability policy.

4.4 Utilities. Tenant shall pay promptly as they come due all charges for telephone, gas, electricity, water and sewer, trash and garbage removal, and all other utility and service charges incurred in connection with Tenant's use of the premises before they shall become delinquent, and shall hold Landlord harmless from any liability therefor.

4.5 Use. Tenant shall not use the premises for any illegal purpose or in any manner that results in waste or constitutes a nuisance.

4.6 Compliance with Legal Requirements. Tenant, at its sole expense, shall comply with (a) the terms of the Ground Lease, (b) the Rules and Regulations of Addison Airport and (c) all laws, ordinances, rules, regulations, requirements and directives of the Federal, State and Municipal governments and public authorities and all of their departments, bureaus and subdivisions, applicable to and affecting the premises and their use and occupancy. Tenant shall be solely responsible for acquiring and maintaining any and all building permits, special use permits, zoning approvals or variances, and any other license or authorization necessary for Tenant's intended use of the premises. Notwithstanding the foregoing, nothing herein shall obligate Tenant to make any capital improvements to the premises.

4.7 Subletting. Other than to a successor entity to it, Tenant may not assign its interests in this case, or sublet the premises or any part thereof, without Landlord's consent.

5.0 COVENANTS OF LANDLORD

5.1 Quiet Enjoyment. Provided Tenant fulfills all of its obligations hereunder, and subject to the terms of this lease, Tenant shall and may peaceably have, hold, and enjoy the premises.

5.2 Cooperation. Landlord shall, in good faith, cooperate with and assist Tenant in its efforts to secure such special use permits, zoning approvals or variances as may be necessary for Tenant's intended use of the premises; provided, however, Tenant shall reimburse Landlord for any out-of-pocket expense incurred in connection with such activities.

5.3 Waiver of Liens. Landlord hereby waives all statutory and contractual liens against any of the trade fixtures or other personal property that may, from time to time, be situated upon or within the premises.

6.0 DEFAULT AND REMEDIES

6.1 Tenant's Default. If Tenant defaults in the performance of any term, covenant or condition required to be performed by it under this lease, Landlord shall have, in addition to any other right or remedy it may have under Texas law, the option to pursue one of the following remedies:

A. Upon Tenant's failure to timely pay the rent or any other sum due Landlord under the terms of this lease, Landlord may, after written notice and a fifteen (15) day opportunity to cure (or such longer period as may be required by law), terminate this lease and retake possession of the premises.

B. If the default does not relate to the payment of rent and Tenant has not cured or commenced the effective cure of such non-economic default within thirty (30) days of receiving written notice from Landlord specifying its nature, Landlord may effect a remedy by any necessary action and, in connection with such remedy, may pay expenses and employ counsel. All sums expended or obligations incurred by Landlord in connection with remedying Tenant's default shall be paid by Tenant to Landlord on demand and, on failure of reimbursement, Landlord may recover these costs and expenses plus interest at the maximum legal rate.

6.2 Landlord's Default. If Landlord defaults in the performance of any term, covenant or condition required to be performed by it under this lease, Tenant shall have, in addition to any other right or remedy it may have under Texas law, the option to pursue one of the following remedies:

A. After not less than 30 days notice to Landlord, Tenant may remedy such default by any necessary action and, in connection with such remedy, may pay expenses and employ counsel. All sums expended or obligations incurred by Tenant in connection with remedying Landlord's default shall be paid by Landlord to Tenant on demand and, on failure of such reimbursement, Tenant may deduct these costs and expenses plus interest at the maximum legal rate; *provided, however*, that Tenant may not under any circumstance offset or fail to timely pay rent and other costs which become due under this lease.

B. Tenant may terminate this lease upon giving at least 30 days notice to Landlord of such intention. If Tenant elects this option, the lease will be terminated on the date designated in Tenant's notice, unless Landlord has cured the default prior to the expiration of the 30-day period; *provided, however*, this lease shall not terminate if the

default is of such a nature that it cannot reasonably be cured within 30 days, and Landlord promptly commences to cure said default upon receipt of notice and diligently pursues the necessary actions to cure the default at the earliest possible date.

7.0 LIABILITY OF PARTIES

7.1 Indemnity. Tenant shall indemnify Landlord and hold it harmless against any and all claims, demands, damages, costs and expenses, including reasonable attorney's fees for the defense of such claims and demands arising from the conduct or management of Tenant's business on the premises or its use of the premises, or from the negligence or misconduct of Tenant, its agents, employees or contractors on the premises.

7.2 Reciprocal Release. Notwithstanding anything to the contrary set out in this lease, and provided Tenant has maintained such insurance, Landlord and Tenant agree and covenant that neither shall be liable to the other for any loss arising out of damage to or destruction of the building or the contents thereof or any other part of the premises, when such loss is caused by any perils within the State of Texas standard fire and extended coverage insurance policy; this agreement shall be binding whether or not such damages or destruction shall be caused by the negligence of either party, or their agents, employees, contractors or visitors.

8.0 GENERAL PROVISIONS

8.1 Amendment. This lease may not be amended, modified, altered or changed in any respect whatsoever, except by a further agreement in writing signed by the parties hereto.

8.2 Waiver of Breach. The waiver of any breach of any provision of this lease shall not constitute a continuing waiver or a waiver of any subsequent breach of the same or a different provision of this lease.

8.3 Notices. Any notice required or permitted to be given hereunder shall be in writing, and shall be deemed given whether actually received or not, when deposited in the United States mail, postage pre-paid, registered or certified mail, return receipt requested, and addressed to Landlord or Tenant, as the case may be, at the address set out in Section 1.0.

8.4 Legal Contract; Binding Effect. This lease is intended to be a legally-binding contract. If any provision is not understood, the parties are urged to seek competent and independent legal advice. This lease shall be binding upon, and inure to benefit of the heirs, successors, executors, administrators and permitted assigns of Landlord and Tenant.

8.5 Entire Agreement. This lease constitutes the entire agreement between Landlord and Tenant, there being no oral agreements, representations, conditions, or warranties, express or implied, not set out in this lease.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, each of the parties has executed this lease as of the date written below, and this lease, as amended and restated, shall be effective as of _____, 2006.

TENANT:

KEITH PRODUCTS, L.P.

By: Keith Products Holding Co., Inc., its
General Partner

By: _____
Its: _____

Date: _____

LANDLORD:

KPI PROPERTIES, INC.

By:
Its:

Date: _____

EXHIBIT "B"

MASTER LANDLORD'S CONSENT TO SUBLEASE

The Town of Addison, Texas (the "Master Landlord") is the sole landlord under that certain Ground Lease dated December 28, 1982 wherein by way of any assignment, amendment, modification or other act, the City of Addison, Texas (the same being the Town of Addison, Texas) is the Landlord, and KPI Properties, Inc., is the Tenant (herein so called) (a true and correct copy of the Ground Lease, together with any and all modifications and amendments, if any, is attached hereto as Exhibit A (hereinafter referred to as the "Master Lease")), by the terms of which Tenant leased certain property referred to as the "demised premises", "leased premises" or "premises" (or such similar term) in the Master Lease (and referred to herein as the "Demised Premises") located where commonly known as 4554 Claire Chennault (legal street address) at Addison Airport within the Town of Addison, Texas.

Tenant represents to Master Landlord that Tenant has previously subleased all or part of the Demised Premises to Keith Products, L.P., a Texas corporation ("Subtenant"), and Tenant has requested, in accordance with the Master Lease, Master Landlord's consent to the sublease ("Consent to Sublease") of all or a part of the Demised Premises, as described in the Sublease, by KPI Properties, Inc. to Subtenant, pursuant to that Sublease Agreement dated November 1, 2005 and as amended by that Amendment and Restated Lease Agreement dated _____, 2006 between Tenant and Subtenant (the "Sublease").

Based on Tenant's representations, Master Landlord hereby consents to 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 Master 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 Master Lease. This Consent to Sublease does not constitute approval by Master 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 Master Lease;

2. No further subletting or assignment, conveyance, or other transfer of all or any portion of the Demised Premises shall be made without the prior written consent of the Master Landlord; provided, however, that an assignment of the Sublease by Keith Products, L.P. to its successor entity (by way of merger or acquisition) prior to January 1, 2007 shall not require the written consent of the Master Landlord;

3. Subtenant's use and occupancy of the Demised Premises shall be subject to all of the terms and conditions of the Master Lease, Subtenant agrees to be bound by the terms and provisions of the Master Lease, and in the event of any conflict between the terms of the Master Lease and the terms of the Sublease, the terms of the Master Lease shall control;

4. Subtenant shall be obligated to obtain Master Landlord's consent to any action as to which Tenant is obligated to obtain such consent under the Master Lease;

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

6. Tenant shall be fully liable for any violation by Subtenant of any of the terms and conditions of the Master Lease;

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 Subtenant any rights directly or indirectly against Master Landlord or create or impose any obligation, duty, responsibility, or liability of Master Landlord in favor of or for the benefit of Subtenant;

8. In the event of the occurrence of an event of default under the Master Lease while the Sublease is in effect, Master Landlord in addition to any other remedies provided in the Master Lease or by law, may at Master Landlord's option, collect directly from the Subtenant all rents becoming due under the Sublease and apply such rent against any sums due to Master Landlord hereunder; no direct collection by Master Landlord from Subtenant shall release Tenant from the payment or performance of Tenant's obligations under the round Lease; provided that if Master Landlord collects any rents directly from Subtenant pursuant to this paragraph, Subtenant shall be released from its obligations to pay such rents to Tenant;

9. Tenant and Subtenant each hereby represent and warrant to Master Landlord that other than the Sublease, there are no agreements or understandings, whether written or oral between Tenant and Subtenant with respect to Subtenant's use and occupancy of the demised Premises or any property of Tenant located therein; and

10. Tenant and Subtenant each hereby covenants and agrees with Master Landlord that Tenant and Subtenant shall defend, indemnify and hold Master Landlord, its officials, officers, employees and agents harmless from and against any and all claims, liabilities and obligations to any broker or agent in connection with the Sublease, including, without limitation, any reasonable attorneys' fees and costs incurred by Master Landlord in connection therewith.

11. Tenant and Subtenant attest all information given herein is true and correct.

Subtenant Contact Information:

Primary Contact: Mr. Tom Doell
Mailing Address: 4554 Claire Chennault
City, State, Zip: Addison, Texas 75001
Telephone: (972) 407-1234

Alternate Emergency Contact Information:

Primary Contact _____
24 Hr. Telephone _____

(Note: Subtenant contact information is required for Airport Management's operational purposes)

This Master Landlord's Consent to Sublease shall not be effective unless and until an original copy hereof executed by all parties has been returned to Master Landlord, attention Real Estate Manager, Addison Airport Management, 160051 Addison Rd. # 220, Addison, TX 75001.

ACKNOWLEDGED AND AGREED:

Tenant:

KPI PROPERTIES, INC., a Texas corporation

By: _____

Date: _____

Subtenant:

KEITH PRODUCTS, L.P.

By Keith Products Holding Co., Inc. its
General Partner

By: _____

Date: _____

Master Landlord
Town of Addison, Texas

By: _____
Ron Whitehead, City Manager

Dated: _____

EXHIBIT "C"

LANDLORD'S ESTOPPEL AND CONSENT AGREEMENT

August _____, 2006.

Keith Products, L.P. or its successor entity 4554 Claire Chennault Addison, TX 75001	KPI Properties, Inc. 4554 Claire Chennault Addison, TX 75001
--	--

Re. Ground Lease dated December 28, 1982, by and among the City of Addison, Texas (the same being the Town of Addison, Texas), Addison Airport of Texas, Inc. ("AATI") and Omega Industries, Inc., and recorded in Volume 89046, Page 5093, of the Real Property Records of Dallas County, Texas, the tenant's leasehold interest of which Ground Lease was thereafter conveyed to Gayle Perry d.b.a. G.P. Investments as successor to Omega Industries, Inc., having acquired all of its assets in accordance to the "Omnibus Assignment, Conveyance and Bill of Sale with Assumption of Liabilities" agreement effective January 1, 1986; and then again conveyed by assignment by Gayle Perry d.b.a. G.P. Investments to RR Investments, Inc., by that Assignment of Lease dated February 3, 1989; then subsequently conveyed by assignment by RR Investments, Inc. to KPI Properties, Inc. ("KPI") pursuant to that certain Assignment of Lease dated November 1, 1991, from RR Investments, Inc. to KPI, and as amended pursuant to that certain Amendment to Ground Lease dated May 24, 2000, by and among the Town of Addison, AATI and KPI (as amended and assigned, the "Lease"), and as subleased to Keith Products, L.P. or its successor entity ("Keith") pursuant to that certain Lease Agreement dated November 1, 2005 (the "Sublease"), between KPI and Keith; the address of the leased premises being 4554 Claire Chennault, which comprises 1.4966 acres (the "Premises").

Ladies and Gentlemen:

The undersigned landlord (the "Landlord") is the present sole owner and holder of the landlord's interest in the Lease.

Landlord has been advised by KPI that KPI has agreed to an amended and restated sublease with Keith (the "Amended And Restated Sublease") concerning the Premises. In connection with the foregoing, Landlord states as follows:

1. Landlord is presently the sole landlord under the Lease and is the only party authorized to sign this letter on behalf of the Landlord under the Lease.

2. To the best of Landlord's actual knowledge, a true, correct and complete copy of the Lease and all amendments, assignments, subleases, and modifications to the Lease, including, without limitation, the Sublease and the Amended and Restated Sublease, are attached hereto as Exhibit A.

3. The Lease is in full force and effect at this time. To the best of Landlord's actual knowledge, there are no other agreements between Landlord, KPI, or Keith concerning

the Premises or otherwise affecting the Lease, and the Lease has not been modified or amended other than any modifications, assignments, subleases, or amendments attached as Exhibit A.

4. The rent and other charges due under the Lease have been paid in a timely manner and are currently paid in full.

5. The expiration date of the current term of the Lease is May 30, 2030.

6. The Lease, together with the other documents included on Exhibit A and the documents referenced in the Lease constitute the entire agreement between Landlord, KPI, and Keith with respect to the subject matter of the Lease and the occupancy, use and enjoyment of the Premises.

7. To the best of Landlord's actual knowledge, neither Landlord nor KPI is in default under any of the terms, covenants, or provisions of the Lease.

8. Landlord hereby acknowledges and consents, to the extent set forth in and subject to the Master Landlord's Consent to Sublease executed by the Town of Addison, Texas dated as of _____, 2006, to the sublease arrangement which has existed since November 1, 1991 between KPI and Keith, including, without limitation, the Sublease and the Amended and Restated Sublease.

Very truly yours,

LANDLORD:

TOWN OF ADDISON, TEXAS,
a home ruled municipality

By: _____
Name: _____
Title: _____

EXHIBIT "A"
TO
LANDLORD'S ESTOPPEL AND CONSENT AGREEMENT

See the following attached documents:

1. Ground Lease dated December 28, 1982 by and among the City of Addison and AATI and Omega Industries, Inc.
2. Omnibus Assignment, Conveyance and Bill of Sale with Assumption of Liabilities from Omega Industries to Shareholder Gayle Peery dated January 1, 1986.
3. Assignment of Lease between Gayle Peery d/b/a G.P. Investments, Assignor to RR Investments, Inc., Assignee dated February 3, 1989.
4. Assignment of lease between RR Investments, Inc., Assignor to KPI Properties, Inc., Assignee dated November 1, 1991.
5. Amendment to Ground Lease between Town of Addison and AATI, Landlord and KPI Properties, Inc., Tenant dated May 24, 2000.
6. Letter to Tom C. Doell dated April 9, 2001 extending the Lease to May 30, 2030.
7. (Sub) Lease Agreement between KPI Properties, Inc. ([sub]Landlord) and Keith Products, LP ([sub]Tenant) dated November 1, 1996.

NOTE: The Amended and Restated Sublease referenced as being attached herein may be found as Exhibit A to the Memorandum to Mark Acevedo from Bill Dyer dated August 17, 2006.

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

D. Landlord agrees, if and so long as the leasehold estate of Tenant is encumbered by a leasehold mortgage and written notice to such effect has been given to Landlord, to give the holder of such leasehold 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, 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 mortgage 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 promptly commence Restoration, or after commencement Tenant does not diligently proceed to the completion of same, Landlord shall have the right to commence or complete Restoration. If 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

demanded from time to time any deficiency that may arise by reason of any such reletting. In determining the amount of such deficiency, brokerage commissions, attorneys' fees, remodeling expenses and other costs of reletting shall be subtracted from the amount of rent received under such reletting.

D. Enter upon the demised premises without terminating this Lease and without being liable for prosecution or for any claim for damages therefor, and do whatever Tenant is obligated to do under the terms of this Lease. Tenant agrees to pay Landlord on demand for expenses which Landlord may incur in thus effecting compliance with Tenant's obligations under this Lease, together with interest thereon at the rate of ten percent (10%) per annum from the date expended until paid. Landlord shall not be liable for any damages resulting to Tenant from such action, whether caused by negligence of Landlord or otherwise.

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

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

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

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

If any mortgagee of Landlord has given Tenant its address for notices and specifically requests such notice, Tenant agrees to give the notice required hereinabove to such mortgagee at the 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. **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 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 Landlord's mortgagee and Landlord's mortgage falls 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:

Omega Industries, Inc.
1106 Decker Drive, Suite 260
Irving, Texas 75062

Gayle Peery

(214) 256-7525

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: 

Its: 

CITY OF ADDISON, TEXAS

By: 

Its: 

TENANT:

By: 

Its: 

STATE OF TEXAS }
COUNTY OF DALLAS

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

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 18 day of January, 19 53.

Dorothy L. James
Notary Public
Dallas
County, Texas

STATE OF TEXAS }
COUNTY OF DALLAS

BEFORE ME, the undersigned authority, on this day personally appeared Henry 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 17 day of Feb., 19 53.

Jacques Kowal
Notary Public
Dallas
County, Texas

STATE OF TEXAS }
COUNTY OF DALLAS

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

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 12th day of January, 19 53.

Leta B. Lewis
Notary Public
County, Texas
LETA B. LEWIS
Notary Public State of Texas
Commission Expires July 22, 1954

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 affect 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 hereafter.

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 or 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 or 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

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 and uniform 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 engines, assemblies, accessories and component parts;
- (iv) For the storage of fuel and for the fuelling 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 fuelling 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 landing 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 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, representatives, 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 may 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 the standard extended coverage policies, and sprinkler and vandalism and malicious mischief, all in amounts sufficient to prevent City or Company from becoming co-insurers of any loss under the applicable policies but in any event in amounts not less than 80% of the full insurable value of the Leased 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 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 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 City and Company.

(c) Workmen's compensation insurance covering all persons employed by 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 City, 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 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.

(e) Such other insurance on the improvements in such amounts and against such other insurable hazards which at the time are 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, Company or both, and City will join therein at the Company's written request upon the City's receipt of an agreement by the Company to indemnify City against all costs, liabilities and expenses in connection with such prosecution or contest.

Section 12. Delivery of Evidence of Insurance

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

expiration of any such insurance, deliver in the place of expired policies other original or duplicate policies or other certificates of the insurers, endorsed as in above provided in Section 10 hereof evidencing renewal of such 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, installation, 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, improvements, 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.

any such subtenant its estoppel certificate, certifying unto the subtenant that this Agreement 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 this 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.

and thereafter to become due, or to enforce 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 first-class service to its customers and for the maximization of revenues.

The Company shall maintain in accordance with accepted accounting practice and make available to an authorized representative of the City for consideration records, books and 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. Severs
SECRETARY

CITY OF ADDISON, TEXAS

BY: Jerry Redding

APPROVED AS TO FORM:

Robert L. McCall
CITY ATTORNEY

ADDISON AIRPORT, INC.

ATTEST:

Margaret E. Bush
SECRETARY

BY: [Signature]

FIELD NOTES

ING a tract of land out of the E. Cook Survey, tract 326, the William Lomax Survey, Abstract 72, the George Syms Survey, Abstract 44, 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:

GINNING 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 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 from apparent northwest corner of the E. Cook Survey, Abstract 326;

ENCE 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;

ENCE 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;

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

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

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

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

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

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

ENCE 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;

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

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

ENCE 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 0.38 feet to an iron pin;

ENCE 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;

ENCE in a southeasterly direction with the curved West line of said Dooley Road having a central angle of 69° 19' 04", a radius of 337.18 feet for a distance of 407.93 feet to a point in the South right-of-way line of Keller Springs Road;

ENCE 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 line of Addison Road;

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

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

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

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

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

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

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

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

ENCE 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 O.J. Broughton and E.E. Erlson by deed recorded in Volume 4350, Page 491, Deed Records of Dallas County;

ENCE 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 said Addison Road;

ENCE 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 line between the William Lomax Survey, Abstract 792, and the E. Cook Survey, Abstract 326;

ENCE 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 the beginning of a curve to the left;

ENCE 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;

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

ENCE in a southeasterly direction with the curved West line of said Addison Road having a central angle of 25° 50', a radius of 686.30 feet for a distance of 309.44 feet;

ENCE 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;

ENCE 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;

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

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

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

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

ENCE 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;

ENCE 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 the easterly corner of Addison Airport Industrial District;

ENCE 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;

ENCE 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;

NCE N. 89° 56' 35" W. a distance of 658.67 feet to a point;
 NCE N. 0° 03' 25" E. a distance of 160.00 feet to a point;
 NCE N. 89° 56' 35" W. a distance of 160.00 feet to a point in the East right-of-way line of Dooley Road;
 NCE N. 0° 03' 25" E. a distance of 10.00 feet with the East line of Dooley Road to a point;
 NCE S. 89° 56' 35" E. a distance of 797.46 feet to a point;
 NCE 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;
 NCE 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 east corner of Addison Airport Industrial District;
 NCE N. 20° 43' 53" W. a distance of 320.72 feet to an iron pin;
 NCE N. 89° 49' 30" E. a distance of 9.98 feet to an iron pin;
 NCE N. 20° 17' 10" W. a distance of 389.50 feet to an iron pin;
 NCE 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;
 NCE 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 140 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 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 west 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 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 of this description;

NCE S. 0° 03' 47" E. 209.0 feet with the West line of Dooley Road;
 NCE N. 89° 23' 56" W. 208.0 feet to an iron pin;
 NCE N. 0° 14' 32" W. 209.0 feet to an iron pin;
 NCE S. 89° 23' 56" E. 208.0 feet to the place of beginning and containing 1.0 acres of land, more or less.

This 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.

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

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

LEGAL DESCRIPTION

STATE OF TEXAS:
 COUNTY OF DALLAS:

BEING a tract of land situated in the WILLIAM LOMAX SURVEY, ABSTRACT NO. 792, Dallas County, Texas and located on Addison Municipal Airport, Addison, Texas, and being more fully described as follows;

COMMENCING at a point for the intersection of the west Right-of-Way line of Addison Road, a 60 foot street, and the South Right-of-way line of Westgrove Road a 60 foot street, and the south Right-of-Way line of Westgrove Road a 60 foot street;

THENCE South 39 degrees 54 minutes 46 seconds West along the South line of said Westgrove Road a distance of 730.0 feet to a point for the centerline of a proposed 60 foot street (Claire Chennault Road) (an undedicated street):

THENCE South 43 degrees 24 minutes 39 seconds West, in the R.O.W. of Claire Chennault Road, (an undedicated street) 1150.71 feet to an angle point;

THENCE South 69 degrees 24 minutes 39 seconds West, 62.59 feet in the R.O.W. of Claire Chennault Road, to an angle point in the center and the end of Claire Chennault Road, (an undedicated street);

THENCE South 20 degrees 38 minutes 30 seconds East along the Southwest end of Claire Chennault Road, 30 feet to the Place of Beginning;

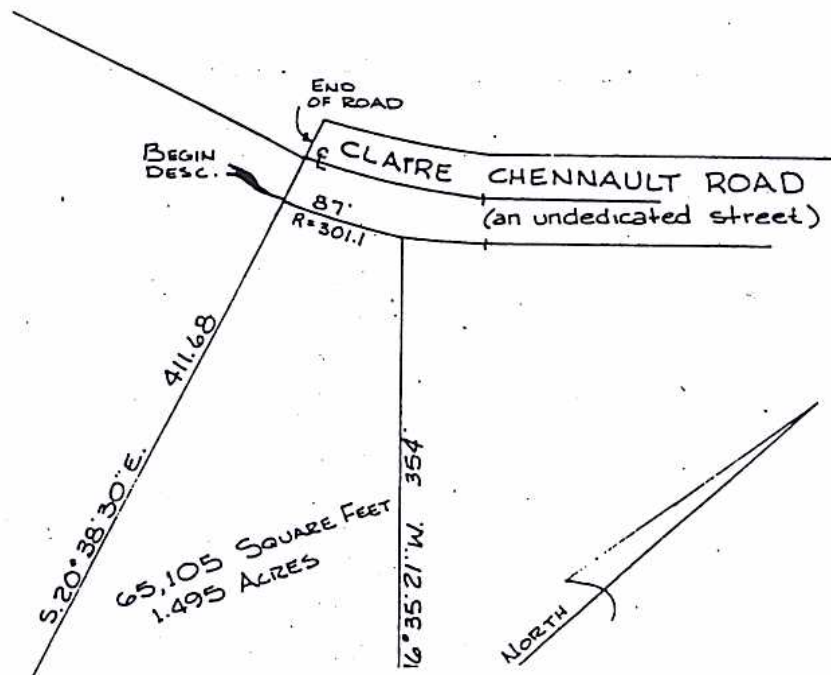
THENCE South 20 degrees 38 minutes 30 seconds East, 411.68 feet to a point in a curve to the left having a radius of 365 feet; said point also being in the Northwest R.O.W. line of an existing taxiway;

THENCE along said curve to the left and in a Northeasterly direction 87.55 feet;

THENCE North 43 degrees 24 minutes 39 seconds East along the Northwest line of the existing taxiway, 176.33 feet;

THENCE North 46 degrees 35 minutes 21 seconds West, 354 feet to a point in the Southeast R.O.W. line of Claire Chennault Road (an undedicated street), said point being in a curve to the right having a radius of 301.1 feet;

THENCE in a Southwesterly direction around said curve to the right, 87 feet to the PLACE OF BEGINNING and containing 65,105 square feet or 1.495 acres of land.



OMNIBUS ASSIGNMENT, CONVEYANCE AND BILL OF SALE
WITH ASSUMPTION OF LIABILITIES

THE STATE OF TEXAS §
 §
COUNTY OF DALLAS §

WHEREAS, OMEGA INDUSTRIES, INC., a Texas corporation (the "Company"), pursuant to that certain Plan of Liquidation and Dissolution (the "Plan of Liquidation" or the "Plan") of the Company approved by the shareholder of the Company (the "Shareholder") on May 22, 1985, and ratified on December 26, 1985, wherein the Shareholder adopted a Plan of Liquidation under Section 337 of the Internal Revenue Code of 1954, as amended, directed that, in complete liquidation and dissolution of the Company, the Company shall transfer to the Shareholder all of the Transferred Properties (as herein defined) and that the Shareholder assume all of the debts, liabilities and obligations of the Company (the "Liabilities"), including, without limitation, the Transferred Properties and Liabilities more particularly described on Exhibit A attached hereto and incorporated herein by reference for all purposes.

NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS:

(1) THAT, the Company has conveyed, granted, bargained, sold, set over, assigned, aliened, remised, released, delivered and confirmed, and by these presents does hereby convey, grant, bargain, sell, transfer, set over, assign, alien, remise, release, deliver and confirm unto the Shareholder, its legal representatives, successors and assigns forever, all of the properties, assets, business, contracts and goodwill, whether tangible or intangible, whether real, personal or mixed of the Company (said properties, assets, business, contracts and goodwill being hereinafter referred to as the "Transferred Properties").

(2) THAT, the Shareholder hereby assumes and agrees to discharge the Liabilities not in fact discharged nor otherwise adequately provided for in the dissolution of the Company.

(3) THAT, the Company hereby irrevocably constitutes and appoints Gayle Peery, his successors and assigns, its true and lawful attorney, with full power of substitution, and in its name and stead, (i) to demand and receive from time to time any and all of the Transferred Properties and to give receipts, releases and acquittances for and in respect of the same or any part thereof; (ii) to collect for the account of the Shareholder and/or the Company, their successors and assigns, all receivables of any character and all other items sold and transferred or intended to be sold and transferred to the Shareholder and to endorse with the name of either the Company or the Shareholder any checks or drafts received on account of any such receivables or other items; (iii) from time to time to institute and prosecute any and all proceedings at law, in equity or otherwise, which the Company or the Shareholder, shall deem proper in order to collect, assert or enforce any claim, right, title or interest of any kind in or to the Transferred Properties; (iv) to defend or compromise any and all actions, suits or proceedings in respect to the Transferred Properties and to do all such acts and things in relation thereto as the Shareholder, his successors and assigns, shall deem advisable or convenient; (v) to pay or provide for the payment of the Liabilities; and (vi) to take all action which the Shareholder or such attorney-in-fact shall deem proper or convenient in order to provide the Shareholder, his successors and assigns, the benefits under any claims, contracts, licenses, leases, commitments, sales orders or purchase orders assigned or to be assigned hereby; and the Company hereby declares that the appointment made and the powers granted hereby are coupled with an interest and are and shall be irrevocable by the Company, its successors and assigns.

(4) THAT, the Company for itself, its successors and assigns, further covenants and agrees that it shall do or cause to be done all such further acts and shall execute, acknowledge and deliver, or shall cause to be executed, acknowledged and

delivered, any and all such further deeds, assignments, transfers, conveyances, powers of attorney, division orders, transfer orders, assurances, and other instruments as the Shareholder may reasonably require (i) for the better assuring, assigning, transferring and conveying unto the Shareholder, all and singular the Transferred Properties; and (ii) to protect the right, title and interest of the Shareholder, in and to, and his enjoyment of all and singular, the Transferred Properties; but all such further acts, deeds, assignments, transfers, coveyances, division orders, transfer orders, assurances and other instruments shall be effective as of and retroactive to the effective date hereof.

EXECUTED as of the 1st day of January, 1986.

COMPANY:

OMEGA INDUSTRIES, INC.

By: *Gayle Peery*
Title: *CFO*

SHAREHOLDER:

Gayle Peery
GAYLE PEERY

THE STATE OF TEXAS §
 §
COUNTY OF DALLAS §

This instrument was acknowledged before me on April 25, 1986, by Gayle Peery, C. E. O. of Omega Industries, Inc., a Texas corporation, on behalf of said corporation.


Nell Bush
Notary Public, State of Texas
NELL BUSH

My Commission Expires: 5/13/86

Printed Name of Notary Public

THE STATE OF TEXAS §
 §
COUNTY OF DALLAS §

This instrument was acknowledged before me on APRIL 25,
1986, by Gayle Peery.



Notary Public, State of Texas

My Commission Expires:
5/13/87

NELL BUSH
Printed Name of Notary Public

6419W

EXHIBIT A

All assets and liabilities set forth in the balance sheet of the Company as of the date hereof, including, without limitation, all right, title and interest of the Company in and to any promissory notes, royalty agreements, non-competition agreements, leases, and other documents, instruments or agreements related to the sale of assets to Nathan Milikowsky, Daniel Milikowsky, Michelle M. Harman and related entities and ASC Pacific, Inc. and related entities.

7045W

ASSIGNMENT OF LEASE

THIS AGREEMENT is made this the 3rd day of February, 1989, at Addison, Texas between GAYLE PEERY D/B/A G.P. INVESTMENTS, hereinafter called "Assignor," and RR INVESTMENTS, INC., hereinafter called "Assignee."

Rev. 5/85 WHEREAS, a Ground Lease (the "Lease") executed on December 28, 1989, between CITY OF ADDISON and ADDISON AIRPORT OF TEXAS, INC., as the Landlord, and OMEGA INDUSTRIES, INC., as Tenant, by the terms of which certain real property located on the Addison Airport described in Exhibit "A" attached hereto and made a part hereof was leased to the Assignor as Tenant upon the terms and conditions provided therein; and

WHEREAS, Assignor is the successor to Omega Industries, Inc., having acquired all of its assets upon liquidation, and is the owner of the interest of the Tenant under the Lease; and

WHEREAS, the Assignor now desires to assign the Lease to Assignee, and the Assignee desires to accept the assignment thereof;

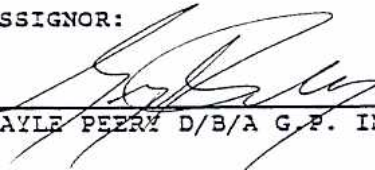
NOW, THEREFORE, for and in consideration of the sum of Ten and No/100 Dollars (\$10.00), receipt of which is hereby acknowledged, and the agreement of the Assignee, hereinafter set forth, the Assignor hereby assigns and transfers to the Assignee, its successors and assigns, all of his right, title and interest in and to the Lease hereinabove described, a copy of which is attached hereto as Exhibit "B", and the Assignee hereby agrees to and does

accept the assignment, and in addition, expressly assumes and agrees to keep, perform and fulfill all the terms, covenants, conditions and obligations required to be kept, performed and fulfilled by the Assignor as the Tenant thereunder arising from and after the date hereof, including the making of all payments due to or payable on behalf of the Tenant under said Lease arising from and after the date hereof when due and payable.

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

EXECUTED the day and year first above written.


ASSIGNOR:



GAYLE PEERY D/B/A G.P. INVESTMENTS

ASSIGNEE:

RR INVESTMENTS, INC.

By: 
Name: Barry W. Wilson
Title: President

CONSENT OF LANDLORD

The undersigned is the Landlord in the Lease described in the foregoing Assignment and hereby consents to the assignment of the Lease to Assignee, waiving none of their rights thereunder as to the Tenant or the Assignee.

LESSOR:

CITY OF ADDISON

By: [Signature]
Name: Lynn Spivill
Title: Mayor

ADDISON AIRPORT OF TEXAS, INC.

By: [Signature]
Name: SAM STUART
Title: President

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, on this day personally appeared Lynn Spivill, the Mayor of the City of Addison, 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 on behalf of the City of Addison.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 21 day of February, 1989.

[Signature]
Notary Public
Dallas County, Texas

STATE OF TEXAS §
COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, on this day personally appeared Sam Stewart, the President of Addison Airport of Texas, Inc., 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 on behalf of such corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 16 day of February, 1989.



Willem Faris
Notary Public

WILLENE FARIS
DALLAS County, Texas

STATE OF TEXAS §
COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, on this day personally appeared Gayle Peery, 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 12^{CA} day of February, 1989.

Gene Southworth
Notary Public

Dallas County, Texas

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, on this day personally appeared William H. [unclear], the [unclear] of RR Investments, Inc., 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 on behalf of such corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 3 day of February, 1944.

[Signature]

Notary Public

Notary Public

Dallas County, Texas

EXHIBIT B

ASSIGNMENT OF LEASE

THIS AGREEMENT is made this the 1ST day of NOVEMBER, 1991, at Addison, Texas, between RR INVESTMENTS, INC., hereinafter called "Assignor," and KPI PROPERTIES, INC., hereinafter called "Assignee."

WHEREAS, a Ground Lease (the "Lease") executed on December 28, 1989, between CITY OF ADDISON and ADDISON AIRPORT OF TEXAS, INC., as the Landlord, and OMEGA INDUSTRIES, INC., as Tenant, by the terms of which certain real property located on the Addison Airport described in Exhibit "A" attached hereto and made a part hereof was leased to the Assignor as Tenant upon the terms and conditions provided therein; and

WHEREAS, Assignor is the owner of the interest of the Tenant under the Lease; and

WHEREAS, the Assignor now desires to assign the Lease to Assignee, and the Assignee desires to accept the assignment thereof;

NOW, THEREFORE, for and in consideration of the sum of Ten and No/100 Dollars (\$10.00), receipt of which is hereby acknowledged, and the agreement of the Assignee, hereinafter set forth, the Assignor hereby assigns and transfers to the Assignee, its successors and assigns, all of his right, title and interest in and to the Lease hereinabove described, a copy of which is attached hereto as Exhibit "B", and the Assignee hereby agrees to and does accept the assignment, and in addition, expressly assumes and agrees to


keep, perform and fulfill all the terms, covenants, conditions and obligations required to be kept, performed and fulfilled by the Assignor as the Tenant thereunder arising from and after the date hereof, including the making of all payments due to or payable on behalf of the Tenant under said Lease arising from and after the date hereof when due and payable.

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

EXECUTED the day and year first above written.


ASSIGNOR:

RR INVESTMENTS, INC.

By: 
Name: Louis T. Rapp
Title: Manager

ASSIGNEE:

KPI PROPERTIES, INC.

By: 
Name: TOM C. DOELL
Title: V. PRES.

CONSENT OF LANDLORD

The undersigned is the Landlord in the Lease described in the foregoing Assignment and hereby consents to the assignment of the Lease to Assignee, waiving none of their rights thereunder as to the Tenant or the Assignee.

LESSOR:

CITY OF ADDISON

BY: John Baumgartner
Name: John Baumgartner
Title: City Manager

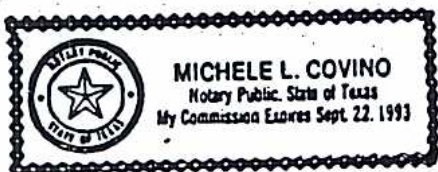
ADDISON AIRPORT OF TEXAS, INC.

BY: Sam Stuart
Name: SAM STUART
Title: PRESIDENT

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, on this day personally appeared John Baumgartner, the City Manager of the CITY OF ADDISON, 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 on behalf of the City of Addison.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 13th day of March, 1992

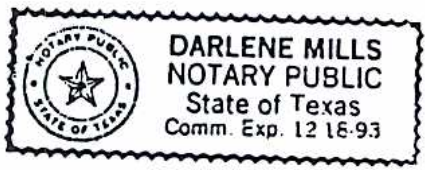


Michele L. Covino
Notary Public, State of Texas

STATE OF TEXAS §
COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, on this day personally appeared SAM STUART, the President of ADDISON AIRPORT OF TEXAS, INC., 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 on behalf of such corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 17th day of Dec, 1991.

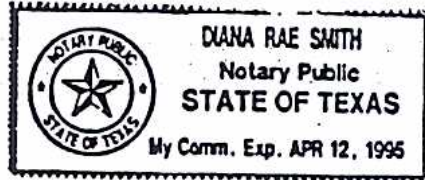


Darlene Mills
Notary Public, State of Texas

STATE OF TEXAS §
COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, on this day personally appeared Toni C. Daell, the VP of KPI PROPERTIES, INC., 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 on behalf of such corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 15th day of November, 1991.



Diana Rae Smith
Notary Public, State of Texas

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

BEFORE ME, the undersigned authority, on this day personally appeared Louis T. Repper, the President RR INVESTMENTS, INC., 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 on behalf of such corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 15th day of November, 1991.

Diana Rae Smith
Notary Public, State of Texas

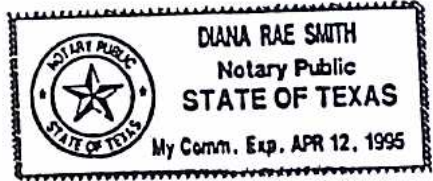


EXHIBIT "A"

PREMISES

Being a tract of land situated in the William Lomax Survey, Abstract No. 792, City of Addison, Dallas County, Texas, and being part of the Addison Municipal Airport, and being more particularly described as follows:

COMMENCING at the intersection of the West line of Addison Road (a 60 foot right-of-way) and the South line of Westgrove Road (a 60 foot right-of-way);

THENCE South $89^{\circ}54'46''$ West, 730.00 feet, with the said South line of Westgrove Road to the centerline of Claire Chennault (an undedicated road);

THENCE South $00^{\circ}03'37''$ East, 296.55 feet, with said Claire Chennault Road;

THENCE South $43^{\circ}24'39''$ West, 1150.71 feet, with said Claire Chennault Road;

THENCE South $69^{\circ}24'39''$ West, 62.59 feet, with said Claire Chennault Road, to the end of said Road;

THENCE South $20^{\circ}38'30''$ East, 30.00 feet to a $1/2''$ diameter iron rod set at the PLACE OF BEGINNING, said iron rod also being in the Southeast line of said Claire Chennault Road;

THENCE South $20^{\circ}38'30''$ East, 411.68 feet to a $1/2''$ diameter iron rod set in the Northwest line of an Existing Taxiway, said iron rod also being at the beginning of a curve to the left having a central angle of $13^{\circ}44'35''$, a radius of 365.00 feet and a tangent bearing North $57^{\circ}09'14''$ East;

THENCE with said curve in a Northeasterly direction and with the said Northwest line of Existing Taxiway, an arc distance of 87.55 feet to a $1/2''$ diameter iron rod set at the end of said curve;

THENCE North $43^{\circ}24'39''$ East, 176.33 feet, with the said Northwest line of Existing Taxiway, to an "X" found in concrete;

THENCE North $46^{\circ}35'21''$ West, 354.00 feet to an $1/2''$ diameter iron rod set in the said Southeast line of Claire Chennault Road, said iron rod also being at the beginning of a curve to the right having a central angle of $16^{\circ}37'46''$, a radius of 301.10 feet and a tangent bearing South $52^{\circ}54'08''$ West;

THENCE with said curve in a Southwesterly direction and with the said Southeast line of Claire Chennault Road, an arc distance of 87.39 feet to the PLACE OF BEGINNING and containing 65,193 square feet (1.4966 acres) of land, more or less.

STATE OF TEXAS §
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COUNTY OF DALLAS §

AMENDMENT TO GROUND LEASE

This Amendment to Ground Lease (hereinafter referred to as the "Amendment") is entered into and effective as of May 24, 2000 between the Town of Addison, Texas (the "City"), a municipal corporation, Addison Airport of Texas, Inc. ("AATI"), a Texas corporation (the City and AATI being hereinafter referred to together as "Landlord"), and KPI Properties, Inc. (hereinafter referred to as "Tenant").

WHEREAS, Landlord and Omega Industries, Inc. entered into that certain Ground Lease dated December 28, 1982 (hereinafter referred to as the "Ground Lease"), a true and correct copy of which is attached hereto as Exhibit A, which leased to Omega Industries, Inc. a tract of land approximately 1.495 acres in size (the "Demised Premises") located within the Addison Airport; and

WHEREAS, the Ground Lease was thereafter assigned to RR Investments, Inc., and later assigned by RR Investments, Inc. to Tenant by that Assignment of Lease dated November 1, 1991 (see Exhibit B); and

WHEREAS, Tenant has proposed to construct certain additional improvements on the Demised Premises, and the Landlord and Tenant desire to amend the Ground Lease in the manner set forth below contingent upon the final completion of such additional improvements and the approval thereof by Landlord.

NOW, THEREFORE, for an in consideration of the sum of Ten and No/100 Dollars (\$10.00) and other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

AGREEMENT

Section 1. Amendment to Paragraph 3. Paragraph 3 of the Ground Lease is hereby amended so that it shall hereafter read as follows:

"3. Term:

A. The term hereof shall commence on the earlier of September 30, 1983, 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."

B. Notwithstanding subparagraph A of this paragraph 3, this Lease shall be extended for an additional six (6) years, eight (8) months from May 30, 2000 so that this Lease shall end on May 30, 2030 (the "Lease Extension Period"); provided, however, that before the Lease Extension Period shall become effective, Tenant shall first fully comply with each of the following terms and conditions:

(i) On or before June 1, 2001, Tenant shall have completed upon the Demised Premises at least 1,200 square feet of additional shop space, 3,800 square feet of additional office space, and 1,300 square feet of additional storage space; and

(ii) Tenant shall present evidence to AATI (in the event the Base Lease is still in effect at the time of such presentation) and to the City that the construction value of the said hangar facilities and the office/shop facilities exceeds \$500,000.00. Such evidence shall include true and correct copies of all receipts or other documents or records indicating the nature of the construction work performed, the cost thereof and the amount paid for such construction work; and

(iii) Tenant shall not, at the time of the issuance of the letter described in subparagraph E of this paragraph 3, then be in default of any provision of this Lease beyond any applicable cure period.

C. For purposes of subparagraph B of this paragraph 3, the Improvements shall be deemed completed upon the issuance by the City of a certificate of occupancy for such facilities.

D. Tenant shall, prior to the construction of the Improvements or any other facilities or improvements on the Demised Premises, present to AATI (in the event the Base Lease is still in effect at the time of such presentation) and to the City for their review and approval the plans and specifications for the construction of the Improvements or any other improvements or facilities. For purposes of this subparagraph D, plans and specifications shall be approved by the City if such plans and specifications are approved by the City Manager or his designee. All construction of the Improvements and any other facilities or improvements shall be strictly in accordance with the approved plans and specifications, and such construction shall be in a first class, workmanlike manner. 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 with any such construction.

E. Upon the completion of the Improvements and the presentation of evidence satisfactory to AATI (if necessary) and the City of the value of the completed facilities, AATI and the City shall promptly issue a letter to Tenant that the terms and conditions precedent to the Lease Extension Period as stated above have been fulfilled, and the Lease Extension Period shall thereafter be in effect. Such letter or letters shall be attached to and shall be made a part of this Lease. In the event the

Improvements are not completed in accordance herewith, this Lease shall not be extended for the Lease Extension Period."

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, 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 28th day of July, 2000.

LANDLORD:

TENANT:

ADDISON AIRPORT OF TEXAS, INC.

KPI PROPERTIES, INC.

By: Sam Stuart
Sam Stuart, President

By: Paul Bell
Its: VICE PRESIDENT

TOWN OF ADDISON, TEXAS

By: Ron Whitehead
Ron Whitehead, City Manager



4651 Airport Parkway • Addison, Texas 75001 • 972-392-4850 • 972-788-9334 Fax

April 9, 2001

Mr. Tom C. Doell
Keith Products, Inc.
4554 Claire Chennault
Addison, TX 75001

Re: Ground Lease Extension
To May 30, 2030

Dear Mr. Doell:

KPI Properties is the tenant by assignment under a ground lease dated December 28, 1982. The ground lease covers a tract of land located at Addison Airport approximately 1.495 acres in size and runs for a term of 480 months. By that document entitled "Amendment to Ground Lease" dated May 24, 2000, the term of the ground lease was extended so that it would end on May 30, 2030 provided the following conditions were satisfied:

1. By June 1, 2001, KPI must have completed construction (as evidenced by a certificate of occupancy issued by the City) of at least 1,200 square feet of additional shop space, 3,800 square feet of additional office space, and 1,300 square feet of additional storage space (total of 6,300 additional square feet of space);
2. The construction value of the additional facilities must have exceeded \$500,000.00 (as evidenced by true and correct copies of receipts, etc.);
3. At the time of issuance of a letter by the City that the conditions to receiving the extension of the term of the lease have been satisfied, KPI must not be in default of any provision of the Lease beyond any applicable cure period.
4. All costs, expenses, liens, etc. in connection with the construction of the improvements must have been paid and discharged.

The Amendment to Ground Lease provides that, upon the above conditions being met, the City would issue a letter confirming the same, and that thereafter the Lease Extension Period (as defined in the Amendment to Ground Lease) would be in effect. Our review of this matter indicates that these conditions have been satisfied. In accordance with the

Amendment to Ground Lease, this letter shall serve as the letter confirming the fulfillment and satisfaction of the conditions to the Lease Extension Period taking effect.

Should you have any questions please contact me at 972-392-4856.

Sincerely,

A handwritten signature in black ink, appearing to be 'RK', with a long horizontal flourish extending to the right.

Robert Katzen
Real Estate Operations Manager

Cc: Mr. Chris Terry, Town of Addison
Mr. Mark Acevedo, Town of Addison
Mr. John Hill
Mr. David Pearce

LEASE AGREEMENT

1.0 PARTIES

The parties to this Lease Agreement (this "lease") are:

- 1.1 KPI PROPERTIES, INC. ("Landlord"),
4554 Claire Chennault
Addison, Texas 75001; and,
- 1.2 KEITH PRODUCTS, L.P. or its successor entity ("Tenant"),
4554 Claire Chennault
Addison, Texas 75001.

2.0 LEASED PREMISES

2.1 Description. An office-hangar facility situated on a 1.4966 acre tract of land in the William Lomax Survey, Abstract No. 792 in the City of Addison, Dallas County, Texas; the address of the lease premises being 4554 Claire Chennault.

2.2 Grant and Acceptance. Landlord leases the premises to Tenant and Tenant accepts them, subject to the terms and provisions of this lease.

2.3 Condition. Tenant accepts the premises in their present condition, without reliance upon any representations, express or implied.

2.4 Trade Fixtures. Tenant shall have the right at all times during the term of this lease and any renewals or extensions thereof to install and maintain movable wall partitions, cabinets, shelves, furniture, equipment and other fixtures (the "trade fixtures"), provided that Tenant complies with all applicable governmental laws, ordinances and regulations. Tenant shall have the right to remove the trade fixtures at the termination of this lease, provided such items can be removed without structural damage to the premises. Tenant shall repair any damage caused by the removal of any fixtures.

2.5 Alterations.

A. Tenant shall have the right to make such alterations, changes and improvements (the "work") to the premises as it deems necessary for its purposes, at its own expense, provided that such alterations or changes will not damage existing improvements.

B. Tenant shall have no power to do any act or make any contract which may create or be the foundation for any lien, mortgage or other encumbrance upon the premises or Landlord's interest therein.

C. Tenant shall indemnify Landlord and hold it harmless from and against liability, loss and cost of defense, upon any claim for materials or labor furnished in connection with the work, and upon any claim for damages or injuries arising therefrom.

D. All alterations, additions, or improvements made by Tenant shall become the property of Landlord and shall remain upon and be surrendered with the premises at the termination of this lease.

3.0 DURATION

3.1 Initial Term. The term of this lease (the "initial term") shall be five (5) years, beginning November 1, 2005, and continuing through October 31, 2010, unless earlier terminated as herein provided.

3.2 Holdover. Unless this lease is extended or a new lease is executed by the parties, any holding over by Tenant after the expiration of the initial term shall operate and be construed as a tenancy from month-to-month and otherwise subject to all of the conditions, provisions and obligations of this lease insofar as the same are applicable to a month-to-month tenancy beyond the initial term.

3.3 Termination Upon Casualty Loss or Condemnation. Notwithstanding anything to the contrary contained herein, this lease may be terminated at the option of either party if (i) the building is totally destroyed by fire, tornado or other casualty; (ii) the premises should be so damaged by such a cause that reconstruction or repairs cannot reasonably be completed within 60 days; or, (iii) any part of the premises should be taken through or conveyed under threat of eminent domain, if such taking would render their continued use by Tenant impractical or materially impair the ability of the building's occupants to conduct their businesses upon or within the premises.

4.0 COVENANTS OF TENANT

4.1 Rent. In consideration for the possession and use of the premises, Tenant shall pay to Landlord, at such place as Landlord may from time to time specify by notice given to Tenant, without deduction or offset of any kind except as specifically provided herein, the sum of \$12,500.00 for each calendar month of the term, payable in advance, and without demand, upon the fifth day of each such calendar month. For any period less than a full calendar month, the monthly rental shall be proportionately reduced. The monthly rental shall increase by 2% beginning on each November 1 anniversary of the lease.

4.2 Maintenance and Repairs. Tenant shall maintain the premises in good condition.

4.3 Taxes and Insurance. Tenant shall pay ad valorem taxes levied against, and premiums for standard casualty insurance on the premises. Landlord shall furnish reasonable documentation and records relating to such expenditures. Tenant reserves the right to contest the valuation assigned to the premises for purposes of ad valorem taxation, and Landlord has agreed to notify Tenant promptly upon any change in valuation and cooperate with Tenant in prosecuting any protest. This

paragraph applies to calendar years in which this lease commences and terminates, but Tenant's liability for such years shall be subject to a pro rata adjustment based on the number of days during which this lease is in effect.

4.4 Utilities. Tenant shall pay promptly as they come due all charges for telephone, gas, electricity, water and sewer, trash and garbage removal, and all other utility and service charges incurred in connection with Tenant's use of the premises before they shall become delinquent, and shall hold Landlord harmless from any liability therefor.

4.5 Use. Tenant shall not use the premises for any illegal purpose or in any manner that results in waste or constitutes a nuisance.

4.6 Compliance with Legal Requirements. Tenant, at its sole expense, shall comply with all laws, ordinances, rules, regulations, requirements and directives of the Federal, State and Municipal governments and public authorities and all of their departments, bureaus and subdivisions, applicable to and affecting the premises and their use and occupancy. Tenant shall be solely responsible for acquiring and maintaining any and all building permits, special use permits, zoning approvals or variances, and any other license or authorization necessary for Tenant's intended use of the premises.

4.7 Subletting. Other than to a successor entity to it, Tenant may not assign its interests in this lease, or sublet the premises or any part thereof, without Landlord's consent.

5.0 COVENANTS OF LANDLORD

5.1 Quiet Enjoyment. Provided Tenant fulfills all of its obligations hereunder, and subject to the terms of this lease, Tenant shall and may peacefully have, hold, and enjoy the premises.

5.2 Cooperation. Landlord shall, in good faith, cooperate with and assist Tenant in its efforts to secure such special use permits, zoning approvals or variances as may be necessary for Tenant's intended use of the premises; provided, however, Tenant shall reimburse Landlord for any out-of-pocket expense incurred in connection with such activities.

5.3 Waiver of Liens. Landlord hereby waives all statutory and contractual liens against any of the trade fixtures or other personal property that may, from time to time, be situated upon or within the premises.

6.0 DEFAULT AND REMEDIES

6.1 Tenant's Default. If Tenant defaults in the performance of any term, covenant or condition required to be performed by it under this lease, Landlord shall have, in addition to any other right or remedy it may have under Texas law, the option to pursue one of the following remedies:

A. Upon Tenant's failure to timely pay the rent or any other sum due Landlord under the terms of this lease, Landlord may, after any notice and opportunity to cure required by law, terminate this lease and retake possession of the premises.

B. If the default does not relate to the payment of rent and Tenant has not cured or commenced the effective cure of such non-economic default within 30 days of receiving notice from Landlord specifying its nature, Landlord may effect a remedy by any necessary action and, in connection with such remedy, may pay expenses and employ counsel. All sums expended or obligations incurred by Landlord in connection with remedying Tenant's default shall be paid by Tenant to Landlord on demand and, on failure of reimbursement, Landlord may recover these costs and expenses plus interest at the maximum legal rate.

6.2 Landlord's Default. If Landlord defaults in the performance of any term, covenant or condition required to be performed by it under this lease, Tenant shall have, in addition to any other right or remedy it may have under Texas law, the option to pursue one of the following remedies:

A. After not less than 30 days notice to Landlord, Tenant may remedy such default by any necessary action and, in connection with such remedy, may pay expenses and employ counsel. All sums expended or obligations incurred by Tenant in connection with remedying Landlord's default shall be paid by Landlord to Tenant on demand and, on failure of such reimbursement, Tenant may deduct these costs and expenses plus interest at the maximum legal rate from rent subsequently becoming due under this lease.

B. Tenant may terminate this lease upon giving at least 30 days notice to Landlord of such intention. If Tenant elects this option, the lease will be terminated on the date designated in Tenant's notice, unless Landlord has cured the default prior to the expiration of the 30-day period. Provided, however, this lease shall not terminate if the default is of such a nature that it cannot reasonably be cured within 30 days, and Landlord promptly commences to cure said default upon receipt of notice and diligently pursues the necessary actions to cure the default at the earliest possible date.

7.0 LIABILITY OF PARTIES

7.1 Indemnity. Tenant shall indemnify Landlord and hold it harmless against any and all claims, demands, damages, costs and expenses, including reasonable attorney's fees for the defense of such claims and demands arising from the conduct or management of Tenant's business on the premises or its use of the premises, or from the negligence or misconduct of Tenant, its agents, employees or contractors on the premises.

7.2 Reciprocal Release. Notwithstanding anything to the contrary set out in this lease, Landlord and Tenant agree and covenant that neither shall be liable to the other for any loss arising out of damage to or destruction of the building or the contents thereof or any other part of the premises, when such loss is caused by any perils within the State of Texas standard fire and extended coverage insurance policy; this agreement shall be binding whether or not such damages or

destruction shall be caused by the negligence of either party, or their agents, employees, contractors or visitors.

8.0 GENERAL PROVISIONS

8.1 Amendment. This lease may not be amended, modified, altered or changed in any respect whatsoever, except by a further agreement in writing signed by the parties hereto.

8.2 Waiver of Breach. The waiver of any breach of any provision of this lease shall not constitute a continuing waiver or a waiver of any subsequent breach of the same or a different provision of this lease.

8.3 Notices. Any notice required or permitted to be given hereunder shall be in writing, and shall be deemed given whether actually received or not, when deposited in the United States mail, postage pre-paid, registered or certified mail, return receipt requested, and addressed to Landlord or Tenant, as the case may be, at the address set out in Section 1.0.

8.4 Legal Contract; Binding Effect. This lease is intended to be a legally-binding contract. If any provision is not understood, the parties are urged to seek competent and independent legal advice. This lease shall be binding upon, and inure to benefit of the heirs, successors, executors, administrators and permitted assigns of Landlord and Tenant.

8.5 Entire Agreement. This lease constitutes the entire agreement between Landlord and Tenant, there being no oral agreements, representations, conditions, or warranties, express or implied, not set out in this lease.

TENANT:

LANDLORD:

KEITH PRODUCTS, L.P.

KPI PROPERTIES, INC.

By: Paul Ball, VP

By: Paul Ball, VP

Date: 11-1-05

Date: 11-1-05

Council Agenda Item: #ES1

There are no attachments for this item.

Council Agenda Item: #ES2

There are no attachments for this item.

Council Agenda Item: #R15

There are no attachments for this item.