

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

AMENDED AGENDA
REGULAR MEETING OF THE CITY COUNCIL
SEPTEMBER 26, 2006
6:30 P.M.
TOWN HALL
5300 BELT LINE ROAD

EXECUTIVE SESSION

- Item #ES1 - 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 attorneys to the Town Council under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with Chapter 551 of the Texas Government Code, regarding matters concerning access to Addison Airport.
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REGULAR SESSION

Item #R1 - Consideration of Old Business.

Item #R2 - Consent Agenda.

CONSENT AGENDA

- #2a - Approval of the Minutes for the September 12, 2006 and the September 19, 2006, Council Meetings.
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- #2b - Consideration and approval of an ordinance amending the Code of Ordinances by amending Chapter 66 (Solid Waste) Article II (Collection and Disposal), Division 2 (Service Charge) by amending Section 66-52 increasing from \$9.89 to \$10.36 the monthly fee for single family residential garbage and recycling collection. This increase will take effect October 1, 2006 and be reflected on the November water bill.
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- #2c - Consideration and approval of a resolution approving a supplemental agreement to the Engineering Services Agreement with Birkhoff, Hendricks and Conway, Inc. in the amount not to exceed \$55,000.00, for additional professional design review services for ongoing projects.
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Item #R3 - **PUBLIC HEARING** regarding the proposed Town of Addison's Annual Budget for the fiscal year beginning October 1, 2006 through September 30, 2007.

Item #R4 - Consideration and approval of an Ordinance adopting the Town of Addison annual budget for the fiscal year beginning October 1, 2006, and ending September 30, 2007.

Attachments:

1. Council Agenda Item Overview
2. Ordinance

Administrative Recommendation:

Administration recommends approval.

Item #R5 - Consideration and approval of an Ordinance fixing and adopting the tax rate on all taxable property for the year 2006; and declaring an emergency.

Attachments:

1. Council Agenda Item Overview
2. Ordinance

Administrative Recommendation:

Administration recommends approval.

Item #R6 - Consideration and approval of an Ordinance amending Chapter 67, Article II, Section 67.17 of the Code of Ordinances, regarding the Town of Addison Conference and Theatre Centre space rental fees.

Attachments:

1. Council Agenda Item Overview
2. Ordinance

Administrative Recommendation:

Administration recommends approval.

Item #R7 - Consideration of an ordinance electing for the City to make current service and prior service contributions to the City's account in the Municipal Accumulation Fund of the Texas Municipal Retirement System at such rate within legal limits, as the actuary annually determines is required to fund within a period of twenty-five years from the most recent valuation date, the costs of employee benefits payable from, or chargeable to, the City's said account in said fund.

Attachments:

1. Council Agenda Item Overview
2. Ordinance

Administrative Recommendation:

Administration recommends approval.

Item #R8 - **PUBLIC HEARING** and second reading of an Ordinance amending Ordinance No. 005-010 of the Town, being a franchise agreement with TXU Electric Delivery Company for the provision of electric service within the Town, by, among other things, amending the time of payment of the municipal franchise charge from annual to quarterly and by extending the term of the franchise agreement.

Attachments:

1. Council Agenda Item Overview
2. Ordinance

Administrative Recommendation:

Administration recommends approval.

Item #R9 - Consideration and approval to contract with Southwest General Services to perform Emergency Medical Billing and Collection Services.

Attachments:

1. Council Agenda Item Overview
2. Contract

Administrative Recommendation:

Administration recommends approval.

Item #R10 - Consideration and approval of an Assignment of Ground Lease between the Town of Addison as Landlord and 16445 LTD, to Scarborough I Airport, L. P.

Attachments:

1. Council Agenda Item Overview
2. Memorandum from Lisa Pyles
3. Assignment of Ground Lease

Administrative Recommendation:

Administration recommends approval.

Item #R11 - Appointment of three members to the Addison Board of Zoning Adjustment (BZA).

Administrative Comment:

Alternates Virgil Burkhardt, Joel Davis and William Green's first terms on the board expire on September 28, 2006. BZA appointments do not belong to individual Councilmembers.

EXECUTIVE SESSION

Item #ES2 - Closed (executive) session of the City Council, pursuant to Section 551.071 of the Texas Government Code, to consult with its attorney(s) on a matter in which the duty of the attorney(s) to the Town Council under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with Chapter 551 of the Texas Government Code, re Chapter 551, Tex. Gov. Code.

Adjourn Meeting

Posted 5:00 p.m.
September 22, 2006
Mario Canizares
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: #ES1

There are no attachments for this item.

OFFICIAL ACTIONS OF THE ADDISON CITY COUNCIL

September 12, 2006
7:30 p.m. - Council Chambers
5300 Belt Line Road

Present: Mayor Chow, Councilmembers Braun, Hirsch, Kraft, Mallory, Mellow,
Niemann
Absent: None

Item #R1 - Consideration of Old Business.

The following employees were introduced to the Council: Truman Akins (Police),
Leigh Garner (Finance).

Item #R2 - Consent Agenda.

Item #2c was considered separately.

#2a – Approval of the Minutes for the August 21, 2006, August 22, 2006 and
August 24, 2006 Council Meetings. (Approved as written)

#2b – Consideration and approval of a resolution to approve a final payment to
Dowager Construction, Inc., in the amount of \$5,250 for the Chatham Court
Phase 1 Water Service Replacement contract. (Approved Resolution R06-072)

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

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

#2c – Consideration and approval of a resolution supporting a Professional
Services Agreement with Ace Pipe Cleaning, Inc., in the amount of \$49,838 for
inspection of the large sanitary sewer tunnel constructed by the North Dallas
County Water Supply Corporation, a joint venture of the Town of Addison and
the City of Farmers Branch.

Councilmember Kraft moved to duly approve Resolution No. R06-073 supporting
a Professional Services Agreement with Ace Pipe Cleaning, Inc., in the amount
of \$49,838 for inspection of the large sanitary sewer tunnel constructed by the
North Dallas County Water Supply Corporation, a joint venture of the Town of
Addison and the City of Farmers Branch. Councilmember Braun seconded.
Motion carried.

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

Item #R3 – **PUBLIC HEARING** regarding the proposed Town of Addison's Annual Budget for the fiscal year beginning October 1, 2006 through September 30, 2007.

Mayor Chow opened the meeting as a public hearing.

Bill Perry, 3837 Azure Lane, had questions regarding the change of dates for Oktoberfest and Addison Airport expenses.

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

No action taken.

Item #R4 – **PUBLIC HEARING** on a proposal to increase the total property tax rate by 3.2% over the calculated effective tax rate.

Mayor Chow opened the meeting as a public hearing.

Bill Perry, 3837 Azure Lane, had questions about the effective tax rate calculations.

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

No action taken.

Item #R5 – Consideration and approval of an ordinance amending the Town's annual budget for the fiscal year ending September 30, 2006.

Councilmember Mallory moved to duly approve Ordinance No. 006-038 amending the Town's annual budget for the fiscal year ending September 30, 2006. Councilmember Niemann seconded. Motion carried.

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

Councilmember Niemann recused himself and left the Council Chambers.

Item #R6 – **PUBLIC HEARING** and first reading of an ordinance amending

Ordinance No. 005-010 of the Town, being a franchise agreement with TXU Electric Delivery Company for the provision of electric service within the Town, by, among other things, amending the time of payment of the municipal franchise charge from annual to quarterly and by extending the term of the franchise agreement.

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

No action taken.

Councilmember Niemann returned to the Council Chambers.

Item #R7 - Consideration and approval of an ordinance adopting the Town of Addison's investment policy for FY 2006-07.

Councilmember Niemann moved to duly approve Ordinance No. 006-040 adopting the Town of Addison's investment policy for FY 2006-07, subject to corrections. Councilmember Mellow seconded. Motion carried.

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

Item #R8 - Consideration and approval of a resolution adopting an investment strategy for FY 2006-07.

Councilmember Niemann moved to duly approval Resolution No. R06-074 adopting an investment strategy for FY 2006-07. Councilmember Kraft seconded. Motion carried.

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

Item #R9 - Consideration and approval of a resolution that authorizes the Town to participate and invest in the Texas Short Term Asset Reserve Program (TexSTAR) local government investment pool.

Councilmember Kraft moved to duly approve Resolution No. R06-075 authorizing the Town to participate and invest in the Texas Short Term Asset Reserve Program (TexSTAR) local government investment pool. Councilmember Niemann seconded. Motion carried.

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

Item #R10 - Consideration and approval of a final 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 final 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:

- The plat meets closure requirements.
- The 5-foot Utility and Pedestrian Access Easement is not sufficient. This easement should be expanded to a width of 10 feet.

Councilmember Kraft seconded. Motion carried.

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

Item #R11 - **PUBLIC HEARING**, regarding, and consideration of approval of, a Special Use Permit for a Christmas Tree Lot in an Industrial-1 district, located at 14345 Dallas Parkway, on application from Patton's Corner, represented by Mr. Jeff Patton.

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 Mellow moved to duly approve Ordinance No. 006-041 approving a Special Use Permit for a Christmas Tree Lot in an Industrial-1 district, located at 14345 Dallas Parkway, on application from Patton's Corner, represented by Mr. Jeff Patton, subject to the following conditions:

- Applicant shall clip off and remove all exposed rebar
- Applicant shall pickup and remove all chunks of broken concrete, asphalt and rock that might cause a trip hazard

-Applicant shall remove or rake out piles of Christmas tree mulch left on the site adjacent to this site from last year

-Applicant shall provide adequate egress and parking on the site to discourage customers from using the Ewing tract.

Councilmember Mallory seconded. Motion carried.

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

Item #R12 - Presentation on the Selective Traffic Enforcement Program (STEP) grant approved by Council in FY 05-06, and consideration and approval of a resolution authorizing the City Manager to enter into another STEP grant with the Texas Department of Transportation for FY 06-07.

Councilmember Niemann moved to duly approve Resolution No. R06-078 authorizing the City Manager to enter into another STEP grant with the Texas Department of Transportation for FY 06-07. Councilmember Mellow seconded. Motion carried.

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

Item #R13 - Consideration and approval of a resolution authorizing the City Manager to enter into a contract with Chevron for the purchase of aviation fuel for the commissioning of the bulk storage fuel facility on Addison Airport.

Councilmember Niemann moved to duly approve Resolution No. R06-076 authorizing the City Manager to enter into a contract with Chevron for the purchase of aviation fuel for the commissioning of the bulk storage fuel facility on Addison Airport, subject to approval of the city attorney. Councilmember Kraft seconded. Motion carried.

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

Item #R14 – Consideration and approval of an appointment of an Addison resident for participation in the Leadership Metrocrest program.

Councilmember Hirsch moved to approve Jamie Gaines, 3826 Canot Lane and Lori Ward, 14801 Lake Forest Drive, to participate in the Leadership Metrocrest program. Councilmember Mallory seconded. Motion carried.

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

Item #R15 - Consideration of a resolution for DART member Cities to support the joint recommendation for Regional Rail as Approved by the Boards of DART, DCTA, and the T.

Councilmember Mallory moved to duly approve Resolution No. R06-077 for DART member Cities to support the joint recommendation for Regional Rail as Approved by the Boards of DART, DCTA, and the T. Councilmember Mellow 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

OFFICIAL ACTIONS OF THE ADDISON CITY COUNCIL

September 19, 2006
6:00 p.m. - Council Chambers
5300 Belt Line Road

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

Absent: None

Item #WS1 – Discussion regarding plans and zoning in and around 5350 Belt
Line Road (Town Finance property).

No action taken.

Item #WS2 – Update regarding the 2030 DART Transit System Plan.

No action taken.

Item #WS3 – Update regarding Citizen Advisory Committee process.

No action taken.

Item #WS4 – Discussion of the FY 2006-07 Budget.

No action taken.

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

Mayor

Attest:

City Secretary

Council Agenda Item: #2b

SUMMARY:

This item is to amend the Code of Ordinance of the City by amending Chapter 66 (Solid Waste) Article II (Collection And Disposal), Division 2 (Service Charge) by amending Section 66-52 increasing from \$9.89 to \$10.36 the monthly fee for single family residential garbage and recycling collection. This increase will take effect October 1, 2006 (instead of 2005) and be reflected on the November water bill.

FINANCIAL IMPACT:

Budgeted Amount: \$0

Cost: \$0

There is no impact to the Street Department operations budget.

BACKGROUND:

The Town has a five-year contract with Waste Management to provide residential garbage and recycling collection to all single-family homes. This contract started October 1, 2000 and automatically renews for additional five-year periods if neither party requests termination.

Our contract rate adjusts up or down each year based on the Producer Price Index (PPI). This increase or reduction, tied to the PPI, has proven to be a fair method of establishing the collection rate while eliminating the need for the Town Council to hear an annual rate increase request.

The Town Finance Department informs the Public Works Department what the PPI should be. If Waste Management concurs, they're free to request a rate increase. In the event of a decrease in the PPI, the Town would request a rate reduction.

The current PPI increased by 4.8%. See the attached letter from WM requesting this increase. A 4.8% increase will raise the monthly garbage/recycling rate from its current \$9.89 per home, per month, to \$10.36. This increase will take effect October I, 2005 and be reflected on the November water bill.

RECOMMENDATION:

Staff recommends passage of this amendment increasing the residential garbage/recycling collection rate to \$10.36.



August 30, 2006

Mr. Robin Jones
Town of Addison
16801 Westgrove
Addison, Texas 75001

Dear Robin:

Waste Management values its relationship with the Town of Addison, and will continue to provide you with an outstanding combination of pricing, service, and community support.

As you know, our contract provides for annual adjustment of prices based upon the Producer Price Index (PPI). Your Finance Department staff has advised of an upward change of 4.8% over the past twelve months. We concur with this assessment, and therefore, are sending this notice of a change in the residential rates. Effective October 1, 2006, the rate will increase from \$9.89 per home, per month to \$10.36 per home, per month. We ask that the Town make this adjustment with the utility bills that will be mailed in September of 2006.

We thank you for your continued confidence in Waste Management, and please contact me if we can be of service in the future.

Sincerely,

John L. Klaiber
Manager – Public Sector Services
P.O. Box 276
Lewisville, Texas 75067
972-316-2205

TOWN OF ADDISON, TEXAS

ORDINANCE NO. _____

AN ORDINANCE OF THE TOWN OF ADDISON, TEXAS AMENDING THE CODE OF ORDINANCES OF THE CITY BY AMENDING CHAPTER 66 (SOLID WASTE), ARTICLE II (COLLECTION AND DISPOSAL), DIVISION 2 (SERVICE CHARGE) BY AMENDING SECTION 66-52 THEREOF BY INCREASING THE MANDATORY MONTHLY FEE FOR GARBAGE COLLECTION, HAULING AND DISPOSAL (CURBSIDE PICKUP) FROM EACH SINGLE DWELLING UNIT WITHIN THE CITY FROM \$9.89 TO \$10.36; PROVIDING THAT SUCH INCREASED RATE SHALL TAKE EFFECT ON OCTOBER 1, 2006; PROVIDING A SAVINGS CLAUSE; PROVIDING A SEVERABILITY CLAUSE; PROVIDING AN EFFECTIVE DATE.

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

Section 1. Amendment. Chapter 66 (Solid Waste), Article II (Collection and Disposal), Division 2 (Service Charge) of the Code of Ordinances (the "Code") of the Town of Addison, Texas (the "City") is hereby amended as set forth below, and all other chapters, articles, sections, subsections, paragraphs, sentences, phrases and words of the Code are not amended but are hereby ratified and affirmed.

A. Section 66-52 (Single dwelling units) of Chapter 66, Article II, Division 2 of the Code is hereby amended to read as follows (additions are underlined, deletions are ~~struck through~~):

All owners, lessees or persons in possession or residential property shall be charged a mandatory monthly fee for garbage collection, hauling and disposal from residences situated within the corporate limits of the town as follows:

Curbside pickup for each single dwelling unit, exclusive of sales tax and applicable state fees . . . \$10.36~~\$9.89~~.

Section 2. Effective Date of Increase. The change in the mandatory monthly fee for garbage collection, hauling and disposal from residences as set forth in Section 1 above shall be effective as of October 1, 2006.

Section 3. Savings. This Ordinance shall be cumulative of all other ordinances of the City and shall not repeal any of the provisions of those ordinances except in those instances

where the provisions of those Ordinances are in direct conflict with the provisions of this Ordinance.

Section 4. Severability. The sections, paragraphs, sentences, phrases, clauses and words of this Ordinance are severable, and if any section, paragraph, sentence, phrase, clause or word in this Ordinance or application thereof to any person or circumstance is held invalid or unconstitutional by a Court of competent jurisdiction, such holding shall not affect the validity of the remaining portion of this Ordinance, and the City Council hereby declares that it would have passed such remaining portion of this Ordinance despite such invalidity, which remaining portion shall remain in full force and effect.

Section 5. Effective Date. This Ordinance shall become effective from and after its date of passage and publication as provided by law.

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

Joe Chow, Mayor

ATTEST:

By: _____
Mario Canizares, City Secretary

APPROVED AS TO FORM:

By: _____
Ken Dippel, City Attorney

Council Agenda Item: #2c

SUMMARY:

This item is the approval of a supplemental agreement, to the Engineering Services Agreement with Birkhoff, Hendricks and Conway, Inc. in an amount not to exceed \$55,000, for professional design review services on miscellaneous projects.

FINANCIAL IMPACT:

Current Design/Inspection Contract Amount:	\$24,000.00
Additional Design/Inspection Cost:	not to exceed \$55,000.00
Source of Funds:	Funding available in salary savings from vacant Engineering positions.

BACKGROUND:

In February 2006, the Assistant City Engineer position became vacant. The Assistant Director of Public Works position was also vacant. Staff contracted with Birkhoff, Hendricks and Conway, Inc. to provide professional design review services. Plans are delivered to BHC's office for review. In June of this year, the Project Engineer position became vacant and there was a greater need for assistance. BHC dedicated an engineer to provide Project Engineering services on several ongoing projects, and conducted timely plan reviews on-site. The demand for these services has exceeded the authorized amount of the original contract. While staff is working to fill the vacant position, we anticipate the need for continuing contract engineering services over the next few months, to ensure continuity of service for several ongoing projects. Staff is requesting this contract amendment be approved to assist in providing timely and thorough reviews of ongoing engineering projects.

RECOMMENDATION:

Staff recommends that Council authorize the City Manager to enter into a supplemental agreement to the Engineering Services Agreement with Birkhoff, Hendricks and Conway, Inc. in an amount not to exceed \$55,000.00, for professional design review services on miscellaneous projects.

Council Agenda Item: #R3

There are no attachments for this item.

Council Agenda Item: #R4

SUMMARY:

Council approval is requested of ordinances adopting the Town of Addison annual budget for the fiscal year 2006-07 and for the property tax rate.

FINANCIAL IMPACT:

The budget appropriates \$57,655,890 using \$53,754,290 in revenues and \$3,901,600 in reduction of combined fund balances. The reduction in fund balances is primarily due to capital projects

BACKGROUND:

Exhibit A provides a summary of the FY 2006-07 City Council’s Proposed Budget. Changes to the City Manager’s Recommended FY 2006-07 Budget are summarized as follows:

	Original City Manager’s Budget	City Council’s Adopted Budget	Variance
Revenues	\$53,726,500	\$53,754,290	\$27,790
Total Appropriations	\$57,047,060	\$57,655,890	\$608,830

Major changes made to the City Manager’s budget submitted in July include:

Revenues:

- Additional property tax revenue (\$63,800)
- Decrease in airport revenue from fuel flowage fees and rental fees (\$115,000)
- Additional revenue for homeland security grant for security cameras at Arts and Events District (\$99,000 - Hotel Fund)

Expenditures:

General Fund

- Addition of Oaks Northing Lighting Plan (\$140,000)
- Adjustments to funding for non-profit agencies (\$23,200 – General Fund and Hotel Fund)

Hotel Fund

- Additional funds for the Special Events for water expenses at Addison Circle Park (\$50,000)
- Moving of Historic Depot (\$50,000)
- Addition of Music Man performances (\$47,000)
- Addition of air conditioning expenses at Oktoberfest (\$46,570)
- Security cameras at Arts and Events District (\$150,000)
- Addition of a Theatre Study (\$30,000)

Capital Replacement Fund

- Additional funds for the phone system replacement in the Capital Replacement Fund (\$46,000)

Utility Fund

- Additional funds for wastewater treatment due to an anticipated rate increase by the Trinity River Authority (\$51,400)

RECOMMENDATION:

It is recommended that the council approve the budget for the 2006-07 fiscal year.

ORDINANCE NO. _____

AN ORDINANCE OF THE TOWN OF ADDISON, TEXAS APPROVING AND ADOPTING THE ANNUAL BUDGET FOR THE FISCAL YEAR BEGINNING OCTOBER 1, 2006 AND ENDING SEPTEMBER 30, 2007; PROVIDING THAT SAID EXPENDITURES FOR SAID FISCAL YEAR SHALL BE MADE IN ACCORDANCE WITH SAID BUDGET; PROVIDING FOR A REPEAL CLAUSE

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

WHEREAS, the City Manager of the Town of Addison, Texas has heretofore filed with the City Secretary a proposed general budget for the city covering the fiscal year aforesaid; and

WHEREAS, during a public hearing, all interested persons were given the opportunity to be heard for or against any item contained in said budget, and all said persons were heard, after which said public hearing was closed; and

WHEREAS, the City Council, upon full consideration of the matter, is of the opinion that the budget hereinafter set forth is proper and should be approved and adopted:

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

SECTION 1. That the sum of \$57,655,890 is hereby appropriated for budget expenditures and that expenditures during the fiscal year shall be made in accordance with the budget approved by this ordinance unless otherwise authorized by a duly enacted ordinance of the City.

SECTION 2. The budget as adopted shall be deemed the official budget for the Town of Addison, Texas for the said fiscal year and a copy of the same marked as "Exhibits A through H" shall be kept on file with the City Secretary and shall be open to inspection by any interested persons.

SECTION 3. That all ordinances of the City in conflict with the provisions of this ordinance be, and the same are hereby repealed and all other ordinance of the city not in conflict with the provisions of this ordinance shall remain in full force and effect.

DULY PASSED BY THE CITY COUNCIL OF THE TOWN OF ADDISON, TEXAS on this the 26th day of September 2006.

Mayor Joe Chow

ATTEST:

APPROVED AS TO FORM:

Mario Canizares, City Secretary

Ken Dippel, City Attorney

Council Agenda Item: #R5

SUMMARY:

Council approval is requested of ordinances adopting the property tax rate for FY 2007. The proposed FY07 tax rate is \$0.4640 which compares to a FY06 tax rate of \$0.4760

FINANCIAL IMPACT:

The budget appropriates \$57,655,890 using \$53,754,290 in revenues and \$3,901,600 in reduction of combined fund balances. The reduction in fund balances is primarily due to capital projects.

BACKGROUND:

Exhibit A provides a summary of the FY 2006-07 City Council’s Proposed Budget. Changes to the City Manager’s Recommended FY 2006-07 Budget are summarized as follows:

	Original City Manager’s Budget	City Council’s Adopted Budget	Variance
Revenues	\$53,726,500	\$53,754,290	\$27,790
Total Appropriations	\$57,047,060	\$57,655,890	\$608,830

Major changes made to the City Manager’s budget submitted in July include:

Revenues:

- Additional property tax revenue (\$63,800)
- Decrease in airport revenue from fuel flowage fees and rental fees (\$115,000)
- Additional revenue for homeland security grant for security cameras at Arts and Events District (\$99,000 - Hotel Fund)

Expenditures:

General Fund

- Addition of Oaks Northing Lighting Plan (\$140,000)
- Adjustments to funding for non-profit agencies (\$23,200 – General Fund and Hotel Fund)

Hotel Fund

- Additional funds for the Special Events for water expenses at Addison Circle Park (\$50,000)
- Moving of Historic Depot (\$50,000)
- Addition of Music Man performances (\$47,000)
- Addition of air conditioning expenses at Oktoberfest (\$46,570)
- Security cameras at Arts and Events District (\$150,000)
- Addition of a Theatre Study (\$30,000)

Capital Replacement Fund

- Additional funds for the phone system replacement in the Capital Replacement Fund (\$46,000)

Utility Fund

- Additional funds for wastewater treatment due to an anticipated rate increase by the Trinity River Authority (\$51,400)

RECOMMENDATION:

It is recommended that the council approve the budget and tax rate ordinances for the 2006-07 fiscal year.

ORDINANCE NO. _____

AN ORDINANCE OF THE TOWN OF ADDISON, TEXAS FIXING AND ADOPTING THE TAX RATE ON ALL TAXABLE PROPERTY, FOR THE YEAR 2006, AND DECLARING AN EMERGENCY.

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

WHEREAS, pursuant to V.T.C.A. Tax Code Sections 26.04 through 26.06, the Tax Assessor-Collector has calculated the tax rate for the fiscal year 2006-07 which cannot be exceeded without requisite publications and public hearings; and

WHEREAS, the tax rate for fiscal year 2006-07 as contemplated by the City Council and adopted herein did exceed the rate calculated by the Tax Assessor-Collector; and

WHEREAS, the Town of Addison complied with the State of Texas Truth-in-Taxation laws and advertised the proposed tax rate and conducted two public hearings on the tax rate; and

WHEREAS, upon full review and consideration of the matter, the City Council is of the opinion that the tax rate for the year 2006 set, fixed and adopted herein below is proper;

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

SECTION 1. That for tax year 2006 there is hereby levied an ad valorem of \$.4640 on each \$100.00 of assessed valuation for all taxable property located in the Town of Addison the 1st day of January 2006, and not exempted from taxation by the constitution and laws of the State of Texas.

SECTION 2. That \$.3110 of said tax shall be for the purposes of General Fund maintenance and operation of the Town of Addison.

SECTION 3. That \$.1530 of said tax shall be for the purpose of paying interest and principal on the General Obligation and Certificate of Obligation debt for the Town of Addison.

SECTION 4. That the Tax Assessor-Collector, or his/her designee is hereby authorized to assess and collect the tax rates and amounts herein levied.

SECTION 5. Taxes that are and remain delinquent on July 1, 2007 incur an additional penalty of twenty percent (20%) of the amount of delinquent taxes, penalty and interest collected; such additional penalty is to defray the costs of collection due pursuant to the contract with the Town's attorney authorized by Section 6.30 of the Texas Property Code, as amended.

SECTION 6. That the necessity for setting tax rates as required by the laws of the State of Texas creates an urgency and an emergency and requires that this ordinance shall take effect and be in force from and after its adoption.

DULY PASSED BY THE CITY COUNCIL OF THE TOWN OF ADDISON, TEXAS on this the 26th day of September 2006.

Mayor Joe Chow

ATTEST:

APPROVED AS TO FORM:

Mario Canizares, City Secretary

Ken Dippel, City Attorney

Council Agenda Item: #R6

SUMMARY:

Staff requests approval of an ordinance amending Addison Conference and Theatre Centre (ACTC) Rental Fees.

FINANCIAL IMPACT:

Additional revenue generated from this proposed increase is projected to be \$58,682.

BACKGROUND:

As part of the budget development process staff reviewed the current ACTC fee structure to identify any changes that may need to be made to stay consistent with the area market. The last increase in rental rates at the ACTC was adopted on April 22, 2003.

As part of this review process staff visited a number of area facilities to collect information on the venue including their pricing structure. In addition, staff examined when the facilities last raised their fees, by what percentage and when they planned to increase fees again. Based on the information gathered it was determined that the fees Addison currently charge are below what a similar venue offering the same services would charge.

After reviewing the findings staff recommends a rental fee increase of 20% to the corporate rate only. The social rate is at a level that the Town may see a reduction in business if Town were to increase the rates at this time. As such, staff is recommending that social fees stay where they are currently.

The corporate market is less price-sensitive to room rental fees and accustomed to paying more for space at other venues. A 20% rate increase would not cause any attrition among corporate clients.

Staff is also recommending the establishment of a self-service Stone Cottage rate for social events. This fee would be minimal (\$100) and would require the customer to be responsible for set-up, break-down and clean-up of the facility with no staff assistance.

Staff has also enhanced the theatrical lighting and sound in both the Stone Cottage and the Studio Theatre (formally the Rehearsal Hall). With this added value to theatre companies, staff recommends increasing the fees for non-resident theatre companies. WaterTower Theatre's rental rates would remain the same. Rental fees in other theatre venues would range from \$30-\$50 higher for comparable space and equipment. The Town strives to keep these rates very reasonable to encourage a wide variety of performing arts in our venues.

RECOMMENDATION:

Staff recommends approval of the attached ordinance.

TOWN OF ADDISON, TEXAS

ORDINANCE NO. _____

AN ORDINANCE OF THE TOWN OF ADDISON, TEXAS AMENDING THE CODE OF ORDINANCES OF THE CITY BY AMENDING CHAPTER 67 (SPECIAL EVENTS), ARTICLE II (DISTRICT AND NON-DISTRICT EVENTS), SECTION 67-17 (SITE USE; SPACE AND COMMISSION FEES) THEREOF; SPECIFYING SPACE RENTAL FEES FOR CERTAIN PORTIONS OF THE ARTS AND EVENTS DISTRICT; AUTHORIZING A REDUCTION OR WAIVER OF FEES BY THE CITY MANAGER OR THE MANAGER'S DESIGNEE; PROVIDING THAT FOOD AND BEVERAGE SERVICE COMMISSION FEES APPLY ONLY TO THE OUTDOOR CONFERENCE CENTRE; PROVIDING A SAVINGS CLAUSE; PROVIDING A SEVERABILITY CLAUSE; AND PROVIDING AN EFFECTIVE DATE.

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

Section 1. Amendment. Chapter 67 (Special Events), Article II (District and Non-District Events), Section 67-17 (Site Use, Space and Commission Fees) of the Code of Ordinances (the "Code") of the Town of Addison, Texas (the "City") is hereby amended in the following particulars, and all other chapters, articles, section, subsections, paragraphs and words are not amended but are ratified and confirmed.

A. Section 67-17 of the Code is amended so that it shall hereafter read as follows (additions are underlined, deletions are ~~struck through~~):

Sec. 67-17. Site use, space and commission fees.

(a) *Site use fees.* For district events, site use fees shall be required. For that portion of the Addison Arts & Events District which constitutes the outdoor or exterior portion of the Addison Conference Centre (the "Outdoor Conference Centre"), site use fees include district space rental fees and commission fees.

(b) *Space rental fees.* Rental fees for space within the district shall be as established by the town ~~and may be obtained from the special event manager or from the Conference Centre Manager.~~ The City Manager or the City Manager's designee may waive or reduce these fees to attract additional business to the Town or to market to industry professionals. The rental/services fees for functions held at the following portions of the Addison Conference and Theatre Centre are for eight hour segments. Rates will be prorated based on actual hours booked.

Corporate/Business Functions

<u>Room</u>	<u>Hotel Rate</u>	<u>Walk Up Rate</u>	<u>24 Hour Hold</u>
<u>Buckthorn, Sycamore, Juniper, Acacia</u>	<u>\$170.00</u>	<u>\$215.00</u>	<u>\$270.00</u>
<u>Two of the above rooms (2,400 sq ft)</u>	<u>\$335.00</u>	<u>\$440.00</u>	<u>\$545.00</u>
<u>Two of the above rooms and Sophora (4,200 sq ft)</u>	<u>\$585.00</u>	<u>\$765.00</u>	<u>\$955.00</u>
<u>Sophora</u>	<u>\$252.00</u>	<u>\$320.00</u>	<u>\$400.00</u>
<u>Entire Facility</u>	<u>\$1,380.00</u>	<u>\$1,800.00</u>	<u>\$2,245.00</u>
<u>Deposit</u>	<u>\$100.00</u>	<u>\$100.00</u>	<u>\$100.00</u>

Social Functions

<u>Room</u>	<u>Hotel Rate</u>	<u>Walk Up Rate</u>
<u>Buckthorn, Sycamore, Juniper, Acacia</u>	<u>\$180.00</u>	<u>\$235.00</u>
<u>Two of the above rooms (2,400 sq ft)</u>	<u>\$360.00</u>	<u>\$475.00</u>
<u>Two of the above rooms and Sophora (4,200 sq ft)</u>	<u>\$625.00</u>	<u>\$825.00</u>
<u>Sophora</u>	<u>\$270.00</u>	<u>\$355.00</u>
<u>Entire Facility</u>	<u>\$1,470.00</u>	<u>\$1,960.00</u>
<u>Deposit</u>	<u>Up to \$750.00</u>	<u>Up to \$750.00</u>
<u>Kitchen*</u>	<u>\$150.00</u>	<u>\$150.00</u>

* Kitchen is included with the entire facility, mandatory with any social function.

Theatre Centre

<u>Room</u>	<u>Corporate</u>	<u>Social</u>	<u>Theatre*</u>
<u>Lobby</u>	<u>\$250.00</u>	<u>\$400.00</u>	
<u>Main Space</u>	<u>\$700.00</u>	<u>\$1,200.00</u>	
<u>Rehearsal Space</u>	<u>\$100.00</u>	<u>\$200.00</u>	<u>\$200.00</u>
<u>Lobby and Main Space</u>			<u>\$650.00</u>

* Non-resident theatre company

Stone Cottage

	<u>Corporate</u>	<u>Social</u>	<u>Theatre*</u>
<u>Non-Hotel Rate</u>	<u>\$300.00</u>	<u>\$500.00</u>	<u>\$120.00</u>
<u>Hotel Rate</u>	<u>\$210.00</u>	<u>\$350.00</u>	
<u>Self-Serve Rate</u>		<u>\$100.00</u>	

* Non-resident theatre company

Board Room

	<u>Corporate</u>	<u>Social</u>
<u>Non-Hotel Rate</u>	<u>\$240.00</u>	<u>N/A</u>
<u>Hotel Rate</u>	<u>\$170.00</u>	

Rental fees may also be applicable to non-district events held on public property. The Conference Centre Manager has the authority to establish rates for items such as copies, transparencies, faxes, notary services, audio-visual services and telephone usage. This information can be obtained from the Conference Centre Manager.

(c) Commission fees at the Outdoor Conference Centre. For a district event held or conducted at the Outdoor Conference Centre, a commission equal to ten percent of all food and beverage concessions sold during the event by a vendor whose business is located within the Town of Addison and 15 percent of all food and beverage concessions sold during the event by a vendor whose business is located outside of the Town of Addison must be paid to the town within 30 days after the closing date of the district event. The security deposit required by section 67-16(b)(8) shall not be released until the commission has been received by the town.

Section 2. Effective Date of Increase. The changes in the fees set forth in Section 1 above shall be effective from and after October 1, 2006.

Section 3. Savings. This Ordinance shall be cumulative of all other ordinances of the City and shall not repeal any of the provisions of those ordinances except in those instances where the provisions of those Ordinances are in direct conflict with the provisions of this Ordinance.

Section 4. Severability. The sections, paragraphs, sentences, phrases, clauses and words of this Ordinance are severable, and if any section, paragraph, sentence, phrase, clause or word in this Ordinance or application thereof to any person or circumstance is held invalid or unconstitutional by a Court of competent jurisdiction, such holding shall not affect the validity of the remaining portion of this Ordinance, and the City Council hereby declares that it would have passed such remaining portion of this Ordinance despite such invalidity, which remaining portion shall remain in full force and effect.

Section 5. Effective Date. This Ordinance shall become effective from and after its date of passage and publication as provided by law.

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

Joe Chow, Mayor

ATTEST:

By: _____
Mario Canizares, City Secretary

APPROVED AS TO FORM:

By: _____
Ken Dippel, City Attorney

Council Agenda Item: #R7

SUMMARY:

Council approval is requested of an ordinance that would extend the ceiling for contributions the Town makes to the employee pension plan administered by the Texas Municipal Retirement System.

FINANCIAL IMPACT:

The Town's contribution is a percentage of employee wages. The combined retirement and supplemental death rate that has been calculated for the 2007 calendar year is 13.77%. The budget for the 2006-07 fiscal year includes \$2,002,430 to fund the Town's contribution, an increase of \$30,170 over the 2005-06 budget.

BACKGROUND:

A fundamental component of the Town's compensation plan is the pension administered by the Texas Municipal Retirement system. Over the years, the Town has adopted benefit options in order to effectively compete with other employers in attracting and retaining high-quality employees. These include:

- ◆ 7% Employee Contribution Rate
- ◆ 2 for 1 Town Matching Ratio
- ◆ Recurring Updated Service Credits

Based on these benefit options, the Town's retirement percentage for the 2007 calendar year has been calculated by TMRS actuaries to be 13.54% (not including supplemental death benefit contribution of .23%). This rate exceeds the 13.50% ceiling that had been established by legislation creating the TMRS system almost 60 years ago. Cities are allowed to waive the ceiling altogether or establish a higher ceiling of 15.50%. The alternative to increasing the ceiling would be to significantly reduce retiree benefits.

RECOMMENDATION:

It is recommended that Council approve the ordinance lifting the contribution ceiling to 15.50%.

TOWN OF ADDISON, TEXAS

ORDINANCE NO. _____

AN ORDINANCE OF THE TOWN OF ADDISON, TEXAS ELECTING FOR THE CITY TO MAKE CURRENT SERVICE AND PRIOR SERVICE CONTRIBUTIONS TO THE CITY’S ACCOUNT IN THE MUNICIPAL ACCUMULATION FUND OF THE TEXAS MUNICIPAL RETIREMENT SYSTEM AT SUCH RATE, WITHIN LEGAL LIMITS, AS THE ACTUARY ANNUALLY DETERMINES IS REQUIRED TO FUND, WITHIN A PERIOD OF TWENTY-FIVE YEARS FROM THE MOST RECENT VALUATION DATE, THE COSTS OF EMPLOYEE BENEFITS PAYABLE FROM, OR CHARGEABLE TO, THE CITY’S SAID ACCOUNT IN SAID FUND; PROVIDING A SAVINGS CLAUSE; PROVIDING A SEVERABILITY CLAUSE; PROVIDING AN EFFECTIVE DATE.

WHEREAS, the Town of Addison, Texas is a participating municipality in the Texas Municipal Retirement System (the “System”), and has heretofore undertaken to provide certain retirement, death and disability benefits to its employees pursuant to Subtitle G, Title 8, Government Code (hereinafter, the “TMRS Act”); and

WHEREAS, the actuary for the System has determined that the City cannot fund the existing level of such benefits as are chargeable to its account in the Municipal Accumulation Fund of the System, within a period of twenty-five years from the latest actuarial valuation date by contributions at the present maximum rate allowed by Sections 855.407(a) and 855.501, of the TMRS Act;

WHEREAS, it is in the public interest that adequate provision be made to fund such benefits as authorized by law.

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

Section 1. Pursuant to Section 855.407(f) of the TMRS Act, the Town of Addison, Texas hereby elects to make future normal and prior service contributions to its account in the municipal accumulation fund of the System at such combined maximum rate, not exceeding 15.50% of the total compensation paid by the City to employees who are members of the System, as the System’s actuary shall annually determine as the rate necessary to fund, within a period of twenty-five years from the latest actuarial valuation date, the costs of all benefits heretofore undertaken to be provided by the City and which are chargeable to or are to be paid out of the City’s account in said accumulation fund.

Section 2. The above and foregoing premises are true and correct and are incorporated herein and made a part hereof.

Section 3. This Ordinance shall be cumulative of all other ordinances of the City affecting the City's boundaries and shall not repeal any of the provisions of those ordinances except in those instances where the provisions of those Ordinances are in direct conflict with the provisions of this Ordinance.

Section 4. The sections, paragraphs, sentences, phrases, clauses and words of this Ordinance are severable, and if any section, paragraph, sentence, phrase, clause or word in this Ordinance or application thereof to any person or circumstance is held invalid or unconstitutional by a Court of competent jurisdiction, such holding shall not affect the validity of the remaining portions of this Ordinance, and the City Council hereby declares that it would have passed such remaining portions of this Ordinance despite such invalidity, which remaining portions shall remain in full force and effect.

Section 5. The provisions of this Ordinance shall become effective on January 1, 2007.

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

Joe Chow, Mayor

ATTEST:

By: _____
Mario Canizares, City Secretary

APPROVED AS TO FORM:

By: _____
Ken Dippel, City Attorney

Council Agenda Item: #R8

SUMMARY:

Council's eventual approval is requested of an ordinance amending the franchise agreement the Town has with TXU Electric Delivery Company.

FINANCIAL IMPACT:

The Town received from TXU its annual franchise payment for this fiscal year in August and it totaled \$1,563,239.43 compared to budget of \$1,619,430. We have included in the 2007 budget \$1,668,010. In addition to this amount, the Town will benefit slightly from interest earnings derived from receiving its annual franchise payment in quarterly installments.

BACKGROUND:

The Town is a member of a city coalition known as the Steering Committee of Cities Served by TXU (SC). The Committee has been in existence since the late 1980s. It took on a formal structure in the early 1990s when TXU Cities gave up their statutory right to rate case expense reimbursement in exchange for higher franchise fee payments. Empowered by city resolutions and funded by per capita assessments, the SC has been for years the primary public interest advocate before the Public Utility Commission (PUC), the Courts, and the Legislature on electric utility regulation matters dealing with TXU.

This past February the Town was one of many cities served by TXU that passed a resolution approving terms of a settlement agreement between the SC and the company. Separate from the rate settlement, but linked in benefit under the Settlement Agreement, is the Company's commitment to increase franchise fee factors and permit all Cities who desire to receive quarterly franchise fee payments as opposed to annual payments to obtain that result.

In return for the quarterly payment of the franchise fee, TXU is requesting a five-year extension to its franchise agreement, extending it to July, 2019. For all intents and purposes the electric franchise is indefinite since TXU, or any other company that wishes to supply power to its customers must utilize the Town's right-of-way. There is no disadvantage to the Town in extending the franchise's term.

The Town's charter requires a fairly rigorous process for making changes to franchises. Below is a brief summary of the requirements:

- September 12 First Reading of and Public Hearing on Ordinance
- September 26 Second Reading of and Public Hearing on Ordinance
- October 24 Public Hearing on and Adoption of Ordinance
- Week of October 23 Publish full text of the Ordinance
- Week of October 30 Publish full text of the Ordinance
- Week of November 6 Publish full text of the Ordinance
- Week of November 13 Publish full text of the Ordinance
- November 24 Effective Date of Ordinance

RECOMMENDATION:

The quarterly payments will enhance the Town's cash flow and result in additional interest earnings. It is recommended Council approve the process as noted above culminating with the passage of the ordinance in November.

TOWN OF ADDISON, TEXAS

ORDINANCE NO. _____

AN ORDINANCE OF THE TOWN OF ADDISON, TEXAS AMENDING ORDINANCE NO. 005-010 (THE SAME BEING CONTAINED IN APPENDIX C, ARTICLE II, DIVISION 4 OF THE CODE OF ORDINANCES OF THE TOWN OF ADDISON) BETWEEN THE TOWN OF ADDISON AND TXU ELECTRIC DELIVERY COMPANY, A TEXAS CORPORATION, ITS SUCCESSORS AND ASSIGNS, BY (I) AMENDING THE PAYMENT SCHEDULE THEREIN TO PROVIDE FOR QUARTERLY FRANCHISE PAYMENTS, AND (II) EXTENDING THE TERM OF THE FRANCHISE FOR AN ADDITIONAL FIVE (5) YEARS; PROVIDING FOR TXU ELECTRIC DELIVERY ACCEPTANCE; FINDING AND DETERMINING THAT THE MEETING AT WHICH THIS ORDINANCE IS PASSED IS OPEN TO THE PUBLIC AS REQUIRED BY LAW; PROVIDING AN EFFECTIVE DATE.

WHEREAS, the Town of Addison, Texas (the "City") previously granted to TXU Electric Delivery Company, ("Electric Delivery Utility") by Ordinance No. 005-010 (the same being in Appendix C, Article II, Division 4 of the City's Code of Ordinances) (the "Franchise Ordinance"), the non-exclusive franchise to use the public rights-of-way of the City for the purpose, among other things, of operating facilities for the transmission and distribution of electric power within the City, the terms of which Franchise Ordinance were duly accepted by Electric Delivery Utility; and

WHEREAS, pursuant to that document entitled "Agreement to Resolve Outstanding Franchise Issues" dated January 27, 2006, the City has requested and Electric Delivery Utility has agreed that the terms of the Franchise Ordinance should be amended to provide for a different payment schedule and an extension of the term; and

WHEREAS, the City Council does hereby find that the adoption of this Ordinance is in accordance with applicable provisions of law and the City Charter, and is in the best interests of the citizens of the City.

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

Section 1. The above and foregoing premises are true and correct and are incorporated herein and made a part hereof.

Section 2. Ordinance No. 005-010 of the City, the same being the franchise agreement between the City and Electric Delivery Utility, is hereby amended as follows:

A. Electric Delivery Utility has made an annual payment of the Municipal Franchise Charge (as defined in Ordinance No. 005-010) to the City on or before August 1, 2006, based on each kilowatt hour of electricity delivered by Electric Delivery Utility during the twelve-month

period ending June 30, 2006, to each retail customer whose consuming facility's point of delivery is located within the City's municipal boundaries. This payment is for the rights and privileges granted under the Franchise Ordinance for the twelve-month period August 1, 2006 – July 31, 2007. Such payment is the final annual payment of the Municipal Franchise Charge, and payment of the Municipal Franchise Charge (as described in Section 5.1(a) of Ordinance No. 005-010) shall hereafter be made in accordance with the following:.

Effective November 1, 2006 the annual prospective payment schedule of the Municipal Franchise Charge is hereby changed to a quarterly prospective schedule as follows:

<u>Payment Due Date</u>	<u>Basis Period</u> (period immediately prior to Payment Due Date)	<u>Privilege Period</u> (period immediately following Payment Due Date)
November 1	July 1 - September 30	August 1 - October 31
February 1	October 1 – December 31	November 1 – January 31
May 1	January 1 – March 31	February 1 – April 30
August 1	April 1 – June 30	May 1 – July 31

Notwithstanding the foregoing schedule, the first quarterly payment shall be due and payable on or before December 1, 2006, based on each kilowatt hour of electricity delivered by Electric Delivery Utility during the period beginning July 1, 2006 and ending September 30, 2006 to each retail customer whose consuming facility's point of delivery is located within the City's municipal boundaries; and such quarterly payment is for the rights and privileges granted under Ordinance No. 005-010 during the period beginning August 1, 2007 and ending October 31, 2007. Following the first quarterly payment, subsequent payments shall be made on a quarterly basis as provided in and in accordance with the above schedule, based on each kilowatt hour of electricity delivered by Electric Delivery Utility during the applicable Basis Period as set forth in the above schedule to each retail customer whose consuming facility's point of delivery is located within the City's municipal boundaries; and such payments shall be for the rights and privileges granted under Ordinance No. 005-010 for the applicable Privilege Period as set forth in the said schedule. The final quarterly payment under this Franchise Ordinance will be made on or before August 1, 2018, based on the period beginning April 1, 2018 and ending June 30, 2018, for the rights and privileges beginning May 1, 2019 and ending July 31, 2019.

After the final payment date of August 1, 2018, Company may continue to make additional quarterly payments in accordance with the above schedule. City acknowledges that such continued payments will correspond to applicable privilege periods that extend beyond the term of this Franchise Ordinance and that

such continued payments will be recognized in any subsequent franchise agreement as full payment for the relevant quarterly periods; and

B. The term of the Franchise Ordinance shall be extended for an additional five years, to expire on July 31, 2019.

Section 2. In all respects, except as specifically and expressly amended by this Ordinance, all other terms, conditions, standards, and obligations of Ordinance No. 005-010 heretofore duly passed by the governing body of the City and duly accepted by Electric Delivery Utility shall remain unchanged and in full force and effect according to its terms until said Franchise Ordinance terminates as provided herein. Without limiting the generality of the foregoing, Section 5.1(b) of the Franchise Ordinance is not amended by this Ordinance.

Section 3. This Ordinance shall take effect thirty (30) days from and after the date of the final passage and approval of this Ordinance by the City Council in accordance with the City's Home Rule Charter. Electric Delivery Utility shall, within thirty (30) days from the date of passage of this Ordinance by the City Council, file its written acceptance of this Ordinance with the Office of the City Secretary; this Ordinance shall be rendered null and void and of no force or effect whatsoever if such written acceptance of this Ordinance is not filed by the Electric Delivery Utility within such thirty (30) day period.

Section 4. It is hereby officially found and determined that the meeting at which this Ordinance is passed is open to the public as required by law and that public notice of the time, place and purpose of said meeting was given as required.

First reading of this Ordinance by the City Council of the Town of Addison, Texas occurred on the ____ day of _____, 2006.

Second reading of this Ordinance by the City Council of the Town of Addison, Texas occurred on the ____ day of _____ 2006.

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

Joe Chow, Mayor

ATTEST:

By: _____
Mario Canizares, City Secretary

APPROVED AS TO FORM:

By: _____
Ken Dippel, City Attorney

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

Council approval is requested of contract with Southwest General Services to perform Emergency Medical Billing and Collection Services.

FINANCIAL IMPACT:

Southwest General Services will receive 5.5% of the net revenue that is collected for the Town. Based on the Town's year-to-date collections for FY 2005-06, this would equate to approximately \$14,000 for the entire fiscal year. However, the fee may be higher than this amount if the collection rate improves. The Town's previous contract was for a minimum fee of \$18,000 per year plus 6% in incentive compensation for collections that exceeded a threshold amount.

BACKGROUND:

Over the past several years, the ambulance billing collection services function has become an increasingly difficult task. To address this issue, the Town Council agreed to outsource the collection of ambulance billings to Texas Medical Data Systems (TMDS) in 2001. The contract with TMDS expires on September 30, 2006.

In anticipation of the expiration of our contract with TMDS, staff requested proposals from various firms that specialized in the billing and collection of emergency medical services. In response to our RFP, we received proposals from the Gulf Coast Collection Bureau, Account Management Services, National Reimbursement Services (formerly TMDS), Alexander Billing and Consulting, and Southwest General Services. Staff carefully evaluated all of the proposals according to the below criteria:

- Quality and Scope of Proposal (20%)
- Firm's Experience (30%)
- Reporting and Data Transfer Capabilities (20%)
- Fee Structure (20%)

After reviewing the information submitted in all proposals, staff concluded that the Southwest General Services proposal offers the Town the best combination of value and services. The company has excellent references and currently performs similar services for the cities of Dallas, Plano, Richardson, and Frisco.

The contract with Southwest General Services includes a three-year service agreement with the possibility of two one-year extensions at the Town's option. The Town has the option to cancel the contract at the end of the first six months if the vendor does not perform to the Town's satisfaction.

RECOMMENDATION:

Staff recommends that the Council authorize a contract for emergency medical billing and collection services with Southwest General Services.

CONTRACT BY AND BETWEEN
THE TOWN OF ADDISON, TEXAS AND
SOUTHWEST GENERAL SERVICES OF DALLAS, L.L.C.
FOR EMERGENCY MEDICAL BILLING AND COLLECTION SERVICES

THIS CONTRACT ("Contract") is made and entered by and between **SOUTHWEST GENERAL SERVICES OF DALLAS, L.L.C.**, a Texas limited liability company having, hereinafter referred to as "Contractor," and the **TOWN OF ADDISON, TEXAS**, hereinafter referred to as "Town", to be effective upon approval of the City Council of the Town of Addison (the "Effective Date") (the Contractor and the Town are sometimes referred to herein together as the "parties" and individually as a "party").

For and in consideration of the covenants and agreements contained herein, and for the mutual benefits to be obtained hereby, the Town and Contractor agree as follows:

I. SCOPE OF WORK

Contractor shall provide all supervision, labor, materials and equipment necessary for ground ambulance billing services. Such work shall be performed in accordance with the terms and conditions of the Town's Specifications for Ambulance Billing Services as designated in the Town's Request For Proposal, "Emergency Medical Billing and Collection Services" (hereinafter "Specifications") a copy of which is attached hereto and incorporated herein for all purposes as Exhibit "A", and the Contractor's Proposal in response thereto, (hereinafter "Contractor's Proposal"), a copy of which is attached hereto and incorporated herein for all purposes as Exhibit "B". This Contract consists of the following items which are on file with the Town's Risk/Purchasing Department:

- (a) This Contract by and between the Town of Addison and Southwest General Services of Dallas, L.L.C.;
- (b) The Specifications for Emergency Medical Billing and Collection Services as designated in the Town's Request For Proposal (attached hereto as

Exhibit "A"); and

(c) The Contractor's Proposal (attached hereto as Exhibit "B").

In the event there exists a conflict in interpretation or otherwise between the Contract, the Specifications, and the Contractor's Proposal, the documents shall control in the order listed above. These documents shall be referred to collectively as "Contract Documents".

II. TERM OF CONTRACT

Unless otherwise terminated as provided for herein, and subject to the annual appropriation of funds by the Town to make the Town's payments hereunder, the initial term of this Contract shall be a period of three (3) years commencing upon the Effective Date hereof ("Initial Term"); provided, however, that the Town shall have the right and option to renew this Contract for two (2) additional one (1) year periods under the same terms and conditions as set forth herein by giving written notice to Contractor of Town's election to so extend the term hereof, such notice to be given not more than ninety (90) nor fewer than thirty (30) days prior to the expiration of the said Initial Term.

Either Town or Contractor may cancel and terminate this Contract at any time and for any reason by giving written notice of such termination to the non-terminating party, and this Contract shall terminate at 12:00 A.M. on the thirty-first (31st) day following the date such notice is given to the non-terminating party. In the event of termination of this Contract, Contractor shall be compensated for all work and services properly performed.

III. WARRANTY

Contractor agrees that the products and services are warranted as provided in Exhibits "A" and "B".

IV. PAYMENT

Payments hereunder shall be made to Contractor within thirty (30) days of receiving Contractor's invoice for services performed. Each such invoice shall (a) be in form and format acceptable to the Town, (b) be submitted monthly, on or before the ____ day of each month, and shall reflect the services and work provided by Contractor for the immediately previous month, and (c) include true and correct copies of any and all receipts, invoices, and other documents and materials in support of, and such additional documents, materials and information as the Town may request in connection with, the invoice and Contractor's services and work hereunder. Town agrees to pay Contractor fees based on the Town's Request For Proposal attached as Exhibit "A" and Contractor's Proposal attached as Exhibit "B."

V. PROTECTION AGAINST ACCIDENT TO EMPLOYEES AND THE PUBLIC

Contractor shall at all times exercise reasonable precautions for the safety of employees and others on or near the work and shall comply with all applicable provisions of Federal, State, and County safety laws. The safety precautions actually taken and the adequacy thereof shall be the sole responsibility of the Contractor. **CONTRACTOR SHALL INDEMNIFY TOWN FOR ANY AND ALL LOSSES ARISING OUT OF OR RELATED TO A BREACH OF THIS DUTY BY CONTRACTOR PURSUANT TO PARAGRAPH VII. INDEMNIFICATION AND PARAGRAPH VIII. COMPLIANCE WITH APPLICABLE LAWS SET FORTH HEREIN.**

VI. LOSSES FROM NATURAL CAUSES

Unless otherwise specified, all loss or damage to Contractor arising out of the nature of the work and services to be performed, or from the action of the elements, or from any unforeseen circumstances in the prosecution of the same, or from unusual obstructions or difficulties which may be encountered in the prosecution of the work, shall be sustained and borne by the Contractor at its own cost and expense.

VII. INDEMNIFICATION

(a) CONTRACTOR AGREES TO AND SHALL DEFEND, INDEMNIFY AND HOLD HARMLESS THE TOWN OF ADDISON, TEXAS, ITS OFFICIALS, OFFICERS, AGENTS AND EMPLOYEES (IN BOTH THEIR OFFICIAL AND PRIVATE CAPACITIES) (TOGETHER, "INDEMNIFIED PERSONS") FROM AND AGAINST ANY AND ALL SUITS, ACTIONS, CLAIMS, JUDGMENTS, LIABILITIES, PENALTIES, FINES, EXPENSES, FEES AND COSTS (INCLUDING REASONABLE ATTORNEY'S FEES AND OTHER COSTS OF DEFENSE), AND DAMAGES (TOGETHER, "DAMAGES") ARISING OUT OF OR IN CONNECTION WITH (A) CONTRACTOR'S PERFORMANCE OF THIS CONTRACT, (B) THE USE OF THE FACILITIES, OR ANY OTHER PREMISES OF ACCOUNT, IN CONNECTION WITH THIS CONTRACT BY CONTRACTOR OR CONTRACTOR'S OFFICERS, EMPLOYEES, REPRESENTATIVES, AGENTS, MANAGERS, CONTRACTORS, SUBCONTRACTORS, ASSOCIATES, CONCESSIONAIRES, MEMBERS, PATRONS, CUSTOMERS, INVITEES, OR ANY PERSON FOR WHOM CONTRACTOR IS LIABLE ("CONTRACTOR PARTIES"), OR ANY OF THEM, (C) THE CONDUCT OF CONTRACTOR'S BUSINESS OR ANYTHING ELSE DONE OR PERMITTED BY CONTRACTOR TO BE DONE IN OR ABOUT ANY PREMISES WHERE THE WORK OR ANY PORTION THEREOF IS BEING PERFORMED, (D) ANY BREACH OR DEFAULT IN THE PERFORMANCE OF CONTRACTOR'S OBLIGATIONS UNDER THIS CONTRACT, (E) ANY MISREPRESENTATION OR BREACH OF WARRANTY BY CONTRACTOR UNDER THIS CONTRACT, AND (E) WITHOUT LIMITING ANY OF THE FOREGOING, ANY NEGLIGENT ACT OR OMISSION OF CONTRACTOR OR ANY OF CONTRACTOR PARTIES UNDER, RELATED TO, OR IN CONNECTION WITH, THIS CONTRACT, INCLUDING DAMAGES CAUSED BY THE NEGLIGENCE OF ANY OF THE INDEMNIFIED PERSONS.

(b) With respect to the Contractor's indemnity obligation set forth in subsection (a), Contractor shall have no duty to indemnify an Indemnified Person for any Damages caused by the sole negligence of the Indemnified Person.

(c) If any of the Indemnified Persons suffers Damages arising out of or in connection with the performance of this Contract that are caused by the concurrent negligence of

both Contractor and an Indemnified Person, Contractor's indemnity obligation set forth in subsection (a) will be limited to a fraction of the total Damages equivalent to the Contractor's own percentage of responsibility in accordance with the final judgment, after all appeals are exhausted, determining such percentage of responsibility.

(d) Contractor represents that its agents and employees are fully familiar with the provisions of the Texas Debt Collection Act, Texas Finance Code Chapter 392, and the Federal Fair Debt Collection Practices Act, 15 U.S.C.A. § 1692 *et seq.* (the "Acts"). Contractor agrees that its agents and employees will take no action which in any way violates any provision of either of the Acts or any other applicable law, rule, code, or regulation ("other law"). In the event that any provision of either of the Acts or other law is violated in connection with the collection of any account under this Agreement, Contractor shall be responsible for any and all penalties, fines, and damages under said Acts, and shall immediately take all necessary actions to correct such violation, including the payment of any penalties, fines, and damages. ADDITIONALLY, CONTRACTOR SHALL INDEMNIFY, HOLD HARMLESS, AND DEFEND TOWN, ITS OFFICERS AND EMPLOYEES FROM ALL DAMAGES, COSTS OF COURT, CONNECTED WITH, OR ARISING OUT OF, ANY CLAIM OR CHARGE AGAINST TOWN OR ANY OF ITS OFFICERS OR EMPLOYEES BROUGHT UNDER EITHER OF THE ACTS IN CONNECTION OF ANY ACCOUNT UNDER THIS AGREEMENT.

(e) In its sole discretion, Town shall have the right to select or to approve defense counsel to be retained by Contractor in fulfilling its obligation hereunder to defend and indemnify Town, unless Town expressly waives such right in writing. Town reserves the right to provide a portion or its own entire defense; however, Town is under no obligation to do so. Any such action by Town is not to be construed as a waiver of Contractor's obligation to defend Town or as a waiver of Contractor's obligation to indemnify Town pursuant to this Contract. Contractor shall retain Town approved defense counsel within seven (7) business days of Town's written notice that Town is invoking its right to indemnification under this Contract. If Contractor fails to retain Counsel within such time period, Town shall have the right to retain defense counsel on its own behalf, and Contractor shall be liable for all costs incurred by Town.

(f) In the event Contractor fails or refuses to provide a defense to any claim, lawsuit, judgment, or cause of action arising out of or in connection with this Contract, Town

shall have the right to undertake the defense, compromise, or settlement of any such claim, lawsuit, judgment, or cause of action, through counsel of its own choice, on behalf of and for the account of, and at the risk of Contractor, and Contractor shall be obligated to pay the reasonable and necessary costs, expenses and attorneys' fees incurred by Town in connection with handling the prosecution or defense and any appeal(s) related to such claim, lawsuit, judgment, or cause of action.

(g) The indemnity, hold harmless and defense obligations of Contractor set forth in this Contract shall survive the expiration or termination of this Contract.

VIII. COMPLIANCE WITH APPLICABLE LAWS

The Contractor shall at all times observe and comply with all Federal, State, and local laws, ordinances, regulations and policies of the Town including all amendments and revisions thereto, which in any manner affect the Contractor or the work. Contractor shall indemnify and save harmless the Town against any claim arising from the violation of any such laws, ordinances and regulations whether by the Contractor or his employees. If the Contractor observes that the work is at variance therewith, Contractor shall promptly notify Town in writing.

IX. ASSIGNMENT AND SUBLETTING

Contractor agrees to retain control and to give full attention to the fulfillment of this Contract, that this Contract will not be assigned or sublet without the prior written consent of the Town, and that no part or feature of the work will be sublet to anyone objectionable to the Town. Contractor further agrees that the subletting of any portion or feature of the work, or materials required in the performance of this Agreement, shall not relieve the Contractor from his full obligations to the Town as provided by this Agreement.

X. INDEPENDENT CONTRACTOR

The Contractor is and shall be an Independent Contractor and shall not, with respect to its acts or omissions or otherwise, be deemed an agent or employee of the Town; that Contractor shall have exclusive control of and exclusive right to control the details of the work performed hereunder and all persons performing same, and shall be responsible for the acts and omissions of its officers, agents, employees, contractors, subcontractors and consultants; that the doctrine of respondent superior shall not apply as between Town and Contractor, its officers, agents, employees, contractors, subcontractors and consultants, and nothing herein shall be construed as creating a partnership, joint venture, or joint enterprise between Town and Contractor.

XI. INSURANCE AND CERTIFICATES OF INSURANCE

Contractor shall procure and maintain insurance for the duration of the contract insurance as set forth in Exhibit "A". With reference to the insurance requirements, Contractor shall specifically endorse applicable insurance policies as follows:

- (1) The Town of Addison, Texas shall be named as an additional insured with respect to all liability policies.
- (2) All liability policies shall contain no cross liability exclusions or insured versus insured restrictions.
- (3) A waiver of subrogation in favor of the Town of Addison shall be contained in the Workers Compensation and all liability policies.
- (4) All insurance policies shall be endorsed to require the insurer to immediately notify the Town of Addison of any material change in the insurance coverage.
- (5) All insurance policies shall be endorsed to the effect that the Town of Addison will receive at least sixty (60) days' notice prior to cancellation or non-renewal of the insurance.
- (6) All insurance policies, which name the Town of Addison as an additional insured, must be endorsed to read as primary coverage regardless of the application of other insurance.

- (7) Required limits may be satisfied by any combination of primary and umbrella liability insurances.
- (8) Contractor may maintain reasonable and customary deductibles, subject to approval by the Town of Addison.
- (9) Insurance must be purchased from insurers that are financially acceptable to the Town of Addison.

Certificates of Insurance shall be prepared and executed by the insurance company or its authorized agent and shall contain provisions representing and warranting the following:

- (1) Sets forth all endorsements and insurance coverages according to requirements and instructions contained herein.
- (2) Shall specifically set forth the notice-of-cancellation or termination provisions to the Town of Addison.

XII. HINDRANCES AND DELAYS

Contractor shall make no claims for damages resulting from hindrances or delays from any cause during the progress of any portion of the work embraced in this Contract.

XIII. CONTRACT INTERPRETATION

Although drafted by Contractor, this Contract shall, in the event of any dispute over its meaning or application, be interpreted fairly and reasonably, and neither more nor less strongly for or against either party.”

XIV. SUCCESSORS AND ASSIGNS

This Contract shall be binding upon the parties hereto, their successors, heirs, personal representatives and assigns. Notwithstanding any other provision of this Contract, Contractor shall not assign, transfer, subcontract, sell, or otherwise convey, nor have the right or power to assign, transfer, subcontract, sell, or otherwise convey, any or all of its rights, duties or obligations under this Contract without the prior written consent of

the Town, and any such assignment, transfer, subcontract, sale or other conveyance without the prior written consent of the Town shall be null and void *ab initio*.

XV. HEADINGS

The headings of this Contract are for the convenience of reference only and shall not affect in any manner any of the terms and conditions hereof.

XVI. TEXAS LAW TO APPLY

This Contract shall be construed under, and in accordance with, the law of Texas without reference to its conflict of laws provisions, and all obligations of the parties created hereunder are performable in Dallas County, Texas. Venue of any suit concerning this Contract shall be a state court in Dallas County, Texas, or in the event that a federal court has jurisdiction, in the United States District Court in Dallas, Texas.

XVII. NOTICE

Except as otherwise provided in this Contract, all notices required or permitted shall be in writing and be deemed to be delivered when received at the address provided below. Each party shall notify the other in writing upon change of address.

Town

City Manager
Town of Addison
5300 Belt Line Road
Dallas, TX 75254

Contractor

Scott Fothergill
C.O.O.
Southwest General Services of Dallas, L.L.C.
9441 LBJ Frwy., Ste. 600
Dallas, Texas 75243
PH: (214) 573-2901
FAX: (214) 741-1430

XVIII. MISCELLANEOUS

A. All accounts receivable, including documentation of any kind furnished by the Town, shall and at all times remain the property of the Town. In the event of termination of this Contract (including, without limitation, the expiration hereof) for any reason, any account balances, monies collected under this Contract, account receivables and all other materials, reports, records and documentation (whether written, in electronic form, or in any other form) generated, supplied or prepared by or for the Town and in the possession of the Contractor or which the Contractor has a right to possess, shall be returned within five (5) days to the Town (which obligation shall survive the termination of this Contract). Contractor shall receive and handle all billing collections for the use and benefit of Town with that degree of duty and care as a trustee owes to a beneficiary in the handling of funds on behalf of the beneficiary. Contractor may not, under any circumstances, withhold such funds.

B. Contractor agrees and covenants that all work and services hereunder shall be completed in a timely and diligent manner.

C. Contractor shall keep and make available (at its address set forth herein or at another location in within Dallas County, Texas) for inspection and copying by Town all records and other documents and materials, whether written or electronically generated and stored, which sufficiently and adequately contain all bills and collections, accounts,

activity, disposition, etc., relative to this Contract. These records shall be available for inspection upon request by Town from the inception of the Contract and for two years following termination or expiration of the Contract.

D. The provisions of this Contract are solely for the benefit of the parties hereto and are not intended to create or grant any rights, contractual or otherwise, to any third person or entity.

E. The entire agreement of the parties is contained herein and this Contract supersedes all oral agreements and negotiations between the parties relating to the subject matter hereof as well as any previous agreements presently in effect between the parties relating to the subject matter hereof.

F. The rights and remedies provided by this Agreement are cumulative and the use of any one right or remedy by either party shall not preclude or waive its right to use any or all other rights and remedies, and said rights and remedies are given in addition to any other rights and remedies the parties or either or them may have in law, in equity, or otherwise.

G. The undersigned officers and/or agents of the parties hereto are the properly authorized officials and have the necessary authority to execute this Agreement on behalf of the parties hereto.

IN WITNESS WHEREOF, the parties have executed this Contract by signing below. This Contract shall be effective upon approval of the Town Council of the Town of Addison and upon the signature by the parties hereto.

SOUTHWEST GENERAL SERVICES OF DALLAS, L.L.C.

By: _____ Date: _____
Scott Fothergill / COO

TOWN OF ADDISON

By: _____ Date: _____
City Manager

Council Agenda Item: #R10**SUMMARY:**

Consideration and approval of an Assignment of Ground Lease between the Town of Addison as Landlord and 16445 LTD, to Scarborough I Airport, L. P.

BACKGROUND:

Section 9 of the Ground Lease restricts the Tenant from assigning any rights under the Lease without the prior written consent of the Landlord. 16445 Addison, Ltd., the current ground tenant, is requesting the Town's consideration and consent to the assignment of its ground lease to Scarborough I Airport L.P., a Texas limited partnership. Scarborough has already acquired the adjacent off-airport fee-simple property located at 16445 Addison Rd. It is Scarborough's intent to market and lease the fee-simple property as office and commercial hangar space together with the subject ground lease as supporting aircraft apron.

The ground lease has a 40-year term due to expire February 27, 2022 (15.42 years remaining) and the current annual ground rental is \$7,883.64, or approximately \$.36 per square foot.

Scarborough has been advised by Airport Management of the Town's requirement for off- airport access under its current ordinance. Airport Management has also apprised Scarborough of the TCI and Friendly Aviation complaints now pending with the Town. The City Attorney recommends the Town momentarily set aside these complaints while considering this requested action brought before the council.

RECOMMENDATION:

Airport Management recommends to the Town that it consent to 16445 Ltd's assignment of the Ground Lease subject to the terms and conditions of the Ground Lease Assignment Agreement attached hereto as Exhibit "A." The Town's attorney has reviewed this agreement and has no objection to its form for the Town's use.

Staff recommends approval.

Attachments: Lisa Pyles / Bill Dyer- Memorandum
Exhibit A – Assignment of Ground Lease



To: Mark Acevedo, Director of General Services

From: Lisa A. Pyles, A.A.E. Airport Director
Bill Dyer, Real Estate Manager

Date: September 11, 2006

Re: Requested Action by the Town of Addison by
16445 LTD. and SCARBOROUGH I AIRPORT, L.P.
Ground Lease 0550-2801; Aircraft Ramp Ground Lease

Summary of Requested Action and Recommendation by Airport Manager

16445 LTD., the current tenant of the above-referenced Ground Lease, is requesting the Town's consideration and consent to the assignment of its Ground Lease to Scarborough I Airport, L. P. ("Scarborough"). Scarborough recently acquired the off-airport property located at 16445 Addison Road from Pleasant Run Lancaster, a related entity to 16445 LTD, and now desires to acquire 16445 LTD's leasehold interests in the subject Ground Lease which is contiguous to Scarborough's recently acquired off-airport property.

Airport Management recommends to the Town that it consent to the above requested action. The Town's attorney has reviewed the attached Assignment of Ground Lease Agreement and has no objection to its form.

Background Information

The subject Ground Lease commenced February 28, 1982 by and between the Town of Addison and AATI as Landlord and Texas Federal Savings and Loan as Tenant. According to the terms of the Ground Lease, the Tenant was to improve and use the .5079-acre demised premises as a concrete aircraft apron (see blue highlighted area on aerial). The leased premises is generally used in connection with the operations of the adjacent off-airport property located at 16445 Addison Rd (red highlighted area on aerial). In recent years, these facilities were used by Pratt & Whitney Engine Services, Inc., in support of their aircraft engine reconditioning operations. However Pratt & Whitney relocated their operation to Fort Worth in 2004. Ever since Pratt & Whitney's departure, the building and aircraft ramp have remained vacant except for the authorized use by the ground tenant for occasional helicopter operations by Summit Helicopters, which is based at Addison Airport.

The ground lease has a 40-year term due to expire February 27, 2022 (15.42 years remaining) and the current annual ground rental is \$7,883.64, or approximately \$.36 per square foot.



Figure 1. Above is an aerial view of the property subject to this request looking to the southwest from above the Addison Rd/Westgrove intersection. The subject ground lease premises is highlighted in blue. The fee simple off-airport property located at 16445 Addison Rd. already acquired by the proposed assignee, Scarborough I Airport, L.P. is highlighted in red. 4765 Frank Luke, owned and operated by Friendly Aviation/RSP Mgmt, is highlighted in green. (Friendly Aviation is the leaseholder of Ground Lease #0540-2201 under similar terms and conditions as the subject property.) The airport boundary line is shown as a thin yellow line between the two ground leases and fee simple properties.

Immediately to the west of the leased premises is similar ramp ground lease (#0540-2201) held by Friendly Aviation (a.k.a RSP Mgmt., Inc.) used in connection with the off-airport facility located at 4765 Frank Luke. Since both of these properties are off-airport properties they are subject to the Town of Addison Airport Access Ordinance (Ordinance 001-043). Friendly Aviation/RSP Mgmt. Inc. recently filed suit against the Town of Addison contesting the imposition of an Access Fee in connection with their use of their leasehold. Neither 16445, Ltd. nor Scarborough is a party to this or any other litigation against the Town.

History of the leasehold ownership is as follows:

Assignor	Assignee	Date of Assignment
Texas Federal Savings & Loan	Blakely Airport Joint Venture	June 30, 1983
The Resolution Trust Corporation ("RTC") as receiver of Empire Federal Savings & Loan, successor in interest of Blakely Airport Joint Venture	Itex Environmental Services, Inc. & Richie Studer	December 2, 1993
Itex Environmental Services, Inc. & Richie Studer	16445 LTD.	July 11, 1997

Summary of Ground Lease Terms

<i>Name of Tenant</i>	<i>Description</i>
Name of Tenant	16445, LTD.
Doing Business As	
Lease #	0550-2801
Lease Type	Ground Lease
Other Lease Ref. Or ID	GL28
AA Survey Lot Reference	55-1 & 55-2
Property Name	16445 Addison Rd. Aircraft Ramp
Legal Address (1)	None
City	Addison
State	Texas
Zip	75001
Primary Contact	Ty Underwood, SLJ Company
Contact Phone #	
On-Property Address	U-26
Web site	
Brief Description of Premises	.0579 acres of paved aircraft apron used for aircraft storage and movement only.
Land Area (SF)	22,124 SF (per survey dated 8/18/2006)
Building Area (SF)	NA
Office	NA
Hangar/Air Serv.	NA
Ramp Area (SF)	22,124 SF
Lease Commencement Date	02/28/1982
Lease Expiration Date	02/27/2022
Current Monthly Rental Rate	\$656.97/MO or \$7,883.64/YR
Rental Rate/Building Area SF	0
Rental Rate/ Land Area SF	\$.36
Lease Amendment	05/31/1984 (changed land area and monthly rate)
Last CPI Adjustment Date	3/1/2006
Next CPI Adjustment Date	3/1/2008

Current Status:

The demised premises consist of 22,124 square feet of paved aircraft apron situated at the very east end of Taxiway Uniform. No other improvements exist on the premises. The apron area is essential for the movement and staging of aircraft in support of the 16445 Addison Rd facility. If the building ceased to be used for aeronautical purposes, and the ground lease terminated, the most viable alternative use for the site would be limited public aircraft parking.

Analysis of Leased Estate Valuation to Landlord

An estimated valuation of the Landlord's interest in the leased premises based upon the terms and conditions of the ground lease and other salient facts is as follows:

Estimated remaining rent obligation over the term of the lease ¹	\$152,124
Net Present Value (NPV) of these rental payments ²	\$ 66,655
Estimated value of Building Improvements ³	\$ 0
Estimated value of lease fee interest	\$ 2,715

Note 1: As of 9/11/2006 and assumes no change to lease terms, CPI increase of 3% every two years

Note 2: Based upon 10% discount rate

Note 3: Source is the DCAD valuation

Note: Any projections, opinions, assumptions or estimates of value are intended for the use and benefit of the Town of Addison, WSAAV and SAMI only and for no other purpose; valuations of real estate and leasehold interest depend on a wide array of variables and factors, which must be independently confirmed and carefully evaluated by qualified professionals.

Conclusion and Recommendation of Airport Manager

Section 9 of the Ground Lease restricts the Tenant from assigning any rights under the Lease without the prior written consent of the Landlord. 16445 Addison, Ltd., the current ground tenant, is requesting the Town's consideration and consent to the assignment of its ground lease to Scarborough I Airport L.P., a Texas limited partnership. Scarborough has already acquired the adjacent off-airport fee-simple property located at 16445 Addison Rd. It is Scarborough's intent to market and lease the fee-simple property as office and commercial hangar space together with the subject ground lease as supporting aircraft apron.

Scarborough has been advised by Airport Management of the Town's requirement for off-airport access under its current ordinance. Airport Management has also apprised Scarborough of the TCI and Friendly Aviation complaints now pending with the Town. The City Attorney recommends the Town momentarily set aside these complaints while considering this requested action brought before the council.

Airport Management recommends to the Town that it consent to 16445 Ltd's assignment of the Ground Lease subject to the terms and conditions of the Ground Lease Assignment Agreement attached hereto as Exhibit "A." The Town's attorney has reviewed this agreement and has no objection to its form for the Town's use.

Exhibit A

ASSIGNMENT OF GROUND LEASE

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

KNOW ALL MEN BY THESE PRESENTS:

This Assignment of Ground Lease (the "Assignment") is entered into and effective as of July ___, 2006, at Addison, Texas, by and between 16445, LTD., a Texas limited partnership (herein referred to as "Assignor"), and SCARBOROUGH I AIRPORT, L.P., a Texas limited partnership (herein referred to as "Assignee").

WHEREAS, a Ground Lease was executed on March 2, 1981, between the Town of Addison, Addison Airport of Texas, Inc., as lessor, and Texas Federal Savings and Loan ("Texas Federal") as lessee (the "Ground Lease," a true and correct copy of which Ground Lease is attached hereto as Exhibit A), by the terms of which certain real property located at Addison Airport within the Town of Addison, Texas (the "City") and owned by the City was leased to Texas Federal; and

WHEREAS, by that Assignment of Lease dated June 30, 1983 (a true and correct copy of which is attached hereto as Exhibit B), the Ground Lease was assigned from Texas Federal, as assignor, to Blakely Airport Joint Venture ("Blakely"), as assignee; and

WHEREAS, the Resolution Trust Corporation ("RTC"), as receiver for Empire Federal Savings Bank of America, became the successor in interest to Blakely on November 3, 1992, documentation of such succession being attached hereto as Exhibit C; and

WHEREAS, by that Assignment of Ground Lease dated December 2, 1993 (a true and correct copy of which is attached hereto as Exhibit D), the Ground Lease was assigned from RTC, as assignor, to ITEX Environmental Service, Inc. ("ITEX") and Ritchie Studer as assignee; and

WHEREAS, by that Assignment of Ground Lease dated July 11, 1997 (a true and correct copy of which is attached hereto as Exhibit E), the Ground Lease was assigned from ITEX and Ritchie Studer, as assignor, to 16445, Ltd. as assignee; and

WHEREAS, by virtue of such assignments, Assignor is the Tenant under the Ground Lease; and

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

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

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

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

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

AGREEMENT

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

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

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

Scarborough I Airport, L.P.
16660 N. Dallas Parkway
Suite 2900
Dallas, Texas 75248
Attn: James R. Feagin

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

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

6. The above and foregoing premises to this Assignment and all other statements made herein are true and correct, and Assignor and Assignee both warrant and represent that such premises and statements are true and correct, and that in giving its consent, Landlord (as defined in the Consent of Landlord attached hereto) is entitled to rely upon such representations and statements.

7. The parties hereto are authorized to execute this Assignment, and each party hereby certifies to the other that any necessary resolutions or other acts extending such authority have been duly passed and are now in full force and effect.

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

ASSIGNOR:

16445, LTD., a Texas limited partnership

By: SLJ Company, G.P.

By: _____
Louis H. Lebowitz, President

THE STATE OF TEXAS §
 §
COUNTY OF _____ §

This instrument was acknowledged before me on this ____ day of _____, 2006, by Louis H. Lebowitz, President of SLJ Company, G.P., General Partner of 16445, Ltd., a Texas limited partnership, on behalf of said entities.

NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS

ASSIGNEE:

SCARBOROUGH I AIRPORT, L.P., a Texas limited partnership

By: Scarborough I Airport GP, LLC, a Texas limited liability company, its General Partner

By: _____
James R. Feagin, its Manager

THE STATE OF TEXAS §
 §
COUNTY OF _____ §

This instrument was acknowledged before me on the _____ day of _____, 2006, by James R. Feagin, Manager of Scarborough I Airport GP, LLC, a Texas limited liability company, General Partner of Scarborough I Airport, L.P., a Texas limited partnership, on behalf of said entities.

NOTARY PUBLIC IN AND FOR
THE STATE OF _____

My Commission Expires:

(Printed Name of Notary)

CONSENT OF LANDLORD

The Town of Addison, Texas ("Landlord") is the Landlord in the Ground Lease described in the Assignment of Ground Lease (the "Assignment") entered into and effective as of June ____, 2006, at Addison, Texas, by and between 16445, Ltd., a Texas limited partnership, (herein referred to as "Assignor") and Scarborough I Airport, L.P., a Texas limited partnership (herein referred to as "Assignee"). In executing this Consent of Landlord, Landlord is relying upon the warranty and representations made in the foregoing Assignment by both Assignor and Assignee, and in relying upon the same Landlord hereby consents to the foregoing Assignment from Assignor to Assignee. Notwithstanding, Landlord does not release Assignor from its obligations under the Ground Lease. In addition, notwithstanding any provision of this Consent of Landlord or the above and foregoing Assignment to the contrary, this Consent shall not operate as a waiver of any prohibition against further assignment, transfer, conveyance, pledge, change of control, or subletting of the Ground Lease or the premises described therein without Landlord's prior written consent.

LANDLORD:

TOWN OF ADDISON, TEXAS

By: _____
Ron Whitehead, City Manager

EXHIBIT A

This Ground Lease (hereinafter referred to as the "Lease") is made and entered into as of March 2, 19 81, by and among the City of Addison, Texas, a municipal corporation (hereinafter sometimes referred to as the "City"), Addison Airport of Texas, Inc., a Texas Corporation (hereinafter sometimes referred to as "AATI") and TEXAS FEDERAL SAVINGS & LOAN (hereinafter referred to as "Tenant").

WITNESSETH:

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

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

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

NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS:

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

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

3. **Term:** The term hereof shall commence on the earlier of February 28, 1982, or the first day of the first calendar month after Tenant completes the construction hereinbelow described and opens for business at the demised premises (the applicable date being hereinafter referred to as the "Commencement Date"), and shall end four hundred eighty (480) months thereafter; provided, however, that any entry upon the demised premises by Tenant prior to the Commencement Date shall be subject to all of the terms and conditions hereof except that rental shall not accrue.

4. **Rental:** Subject to adjustment as hereinbelow provided, Tenant agrees to pay to Landlord, without offset or deduction, rent for the demised premises at the rate of FOUR HUNDRED SEVEN AND 07/100 (\$407.07) per month in advance. The first of such monthly installment shall be due and payable on or before the Commencement Date, and a like installment shall be due and payable on or before the first day of each calendar month thereafter during the term hereof.

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

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

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

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

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

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

Lessee to construct aircraft concrete ramp tracks 1 and 2.

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

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

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

9. Assignment, Subletting and Mortgaging of Leasehold Estate:

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

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

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

D. Landlord agrees, if and so long as the leasehold estate of Tenant is encumbered by a leasehold mortgage and written notice to such effect has been given to Landlord, to give the holder of such leasehold mortgagee at such address or addresses as may be specified in such written notice to Landlord for the giving of notices to the leasehold mortgagee, or as otherwise may be specified by the leasehold mortgagee to Landlord in writing, written notice of any default hereunder by Tenant, simultaneously with the giving of such notice to Tenant, and the holder of any such leasehold mortgage shall have the right, for a period of fifteen (15) days after its receipt of such notice or within any longer period of time specified in such notice, to take such action or to make payment as may be necessary or appropriate to cure any such default so specified, it being the intention of the parties hereto that Landlord shall not exercise Landlord's right to terminate this Lease without first giving any such leasehold mortgagee the notice provided for herein and affording any such leasehold mortgagee the right to cure such default as provided for herein.

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

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

11. Maintenance and Repair of Demised Premises:

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

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

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. *SEE RIDER*

(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.

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E. In the event that Tenant does not promptly commence Restoration, or after commencement Tenant does not diligently proceed to the completion of same, Landlord shall have the right to commence or complete Restoration after Landlord has given Tenant thirty (30) days prior written notice requesting the commencement of Restoration or that Tenant diligently 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. *SEE RIDER*

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. *SEE RIDER*

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

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derianc 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 of trust or other lien and specifically providing that this Lease shall survive the foreclosure of such mortgage, deed of trust or other lien.

30. **Rent on Net Return Basis.** Except for the rental due under the Base Lease during the time that AAT 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 (or if there have been modifications, that this Lease as modified is in full force and effect and stating the modifications).
- B. The dates to which rent and other charges have been paid.
- C. Landlord is not in default under any term or provision of this Lease or if in default the nature thereof in detail in accordance with an exhibit attached thereto.
- D. If requested by Landlord, Tenant will not pay rent for more than one (1) month in advance and that this Lease will not be amended without notice to Landlord's mortgagee and that the same will not be terminated without the same notice required by the Lease to be

 4

furnished to Landlord also being furnished to Landlord's mortgagee and Landlord's mortgagee fails to cure such default within the curative period allowed Landlord under this Lease.

Landlord agrees that from time to time, and 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. *SEE RIDER*

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:

Texas Federal Savings & Loan
8300 Preston Road
Dallas, Texas 75225

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 E 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: PRES

CITY OF ADDISON, TEXAS

By: 

Its: Mayor

TENANT:

By: 

Its: Vice President

STATE OF TEXAS }
COUNTY OF DALLAS

BEFORE ME, the undersigned authority, on this day personally appeared James Stewart
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 26 day of March, 1981

Clarence J. Stewart
Notary Public

Dallas
County, Texas

STATE OF TEXAS }
COUNTY OF DALLAS

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

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 26 day of March, 1981

Clarence J. Stewart
Notary Public

Dallas
County, Texas

STATE OF TEXAS }
COUNTY OF DALLAS

BEFORE ME, the undersigned authority, on this day personally appeared James Stewart
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 21 day of April, 1981

James Stewart
Notary Public

Dallas
County, Texas

EXHIBIT "C"

TRACT NO. 1

BEING a tract of land situated in the William Lomax Survey, Abstract 792, Dallas County, Texas and located on Addison Municipal Airport, Addison, Texas, and being more fully described as follows:

BEGINNING 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;

THENCE South 00 deg. 14 min. 20 sec. East, 307.44 feet with the West line of said Addison Road to an iron pin for the Northeast corner of the Texas Federal Subdivision #2, as recorded in Volume 79147, Page 1915, Map Records of Dallas County;

THENCE South 89 deg. 45 min. 40 sec. West, 200.00 feet to the BEGINNING POINT of this description;

THENCE South 89 deg. 45 min. 40 sec. West, 75.0 feet;

THENCE South 00 deg. 14 min. 20 sec. East, 180.79 feet;

THENCE South 68 deg. 29 min. 10 sec. East, 80.75 feet;

THENCE North 00 deg. 14 min. 20 sec. West, 210.72 feet to the PLACE OF BEGINNING containing 0.337 acres of land, more or less.

TRACT NO. 2

BEING a tract of land situated in the William Lomax Survey, Abstract 792, Dallas County, Texas, and located on Addison Municipal Airport, Addison Texas, and being more fully described as follows:

BEGINNING 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 Street;

THENCE South 00 deg. 14 min. 20 sec. East, 307.44 feet with the West line of said Addison Road to an iron pin for the Northeast corner of the Texas Federal Subdivision #2 as recorded in Volume 79147, Page 1915, Map Records of Dallas County;

THENCE South 89 deg. 45 min. 40 sec. West, at 200.00 feet passing the Northwest corner of said Texas Federal Subdivision #2 for a total distance of 350.0 feet to the BEGINNING POINT of this description;

THENCE South 00 deg. 14 min. 20 sec. East, 150.87 feet;

THENCE South 68 deg. 29 min. 10 sec. East, 80.75 feet;

THENCE North 00 deg. 14 min. 20 sec. West, 180.79 feet;

THENCE South 89 deg. 45 min. 40 sec. West, 75.0 feet to the PLACE OF BEGINNING containing 0.286 acres of land, more or less.

Handwritten signature/initials

RIDER

to

Lease dated 3-2-81 by and between the City of Addison, Texas
and Addison Airport of Texas, Inc. as Landlord and
Texas Federal Savings and Loan Association as
Tenant

The printed part of this Ground Lease (the "Lease") is hereby supplemented and modified as follows: Wherever there is any conflict between this Rider and the printed part of the Lease, the provisions of this Rider are paramount and the Lease shall be construed accordingly.

1. Paragraph 8 of the Lease is hereby amended by adding thereto the following sentence:

Tenant shall have the right, after written notice to Landlord, to contest by appropriate legal proceedings, diligently conducted in good faith, the validity or application of any such governmental laws, ordinances and regulations and governmental orders and directives, and to delay compliance therewith pending the prosecution of such proceedings, provided no civil or criminal penalty would be incurred by Landlord and no lien or charge would be imposed upon or satisfied out of the demised premises by reason of such delay.

2. Paragraph 11B of the Lease is hereby amended by adding at the end thereof the following sentence:

Landlord shall not exercise such right prior to giving Tenant written notice of such default and the opportunity to cure such default within a reasonable time which shall be not less than ten days nor more than 30 days after receipt by Tenant of such notice of default.

3. Paragraph 14D(i)(b) is hereby amended to delete the words "an opinion of counsel" and substituting the words "reasonable evidence."

4. Paragraph 15C of the Lease is hereby amended by adding to the end thereof the following sentence:

The termination of this Lease shall not affect the rights of Landlord or Tenant to said awards.

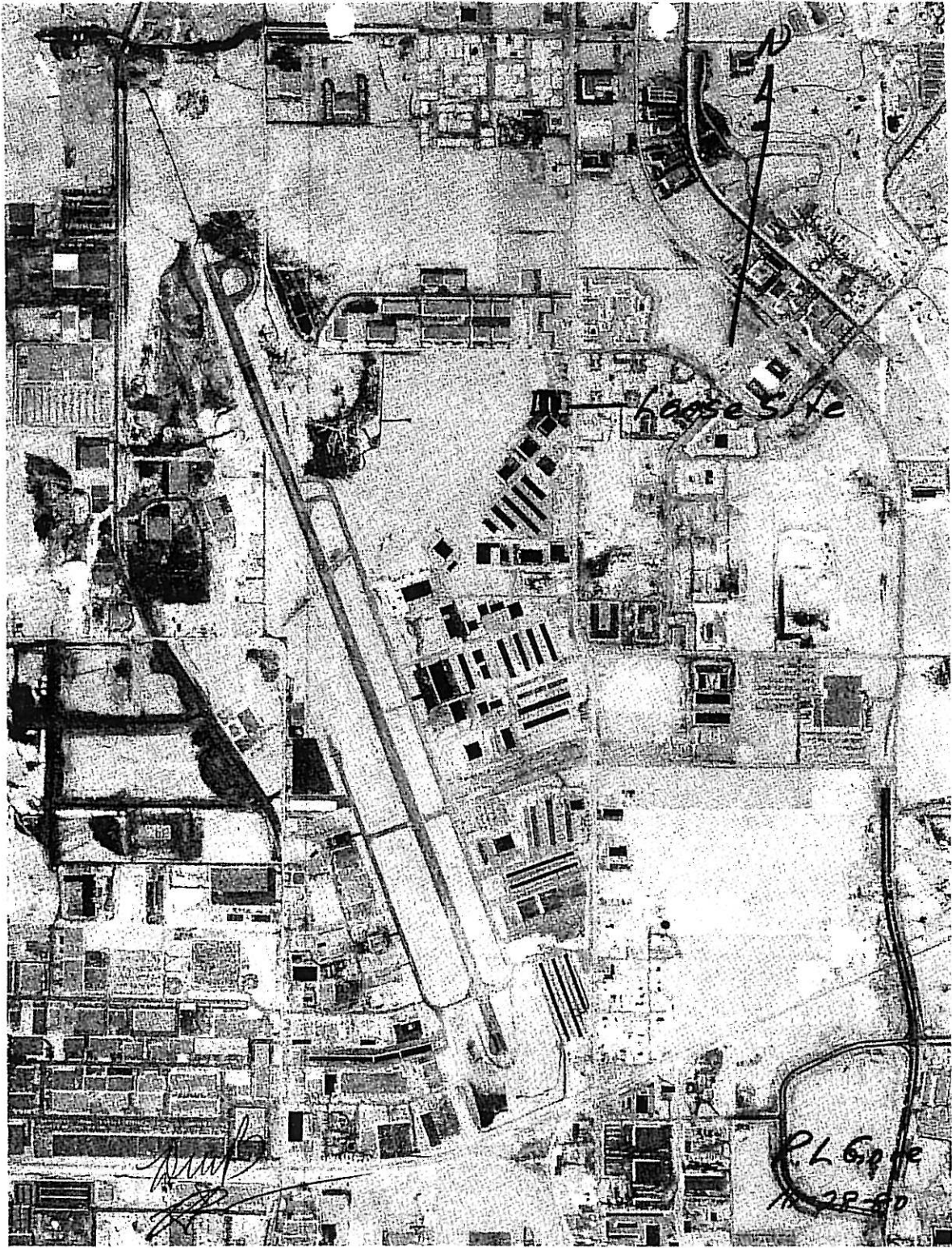
5. Paragraph 20 of the Lease is hereby amended by adding to the end thereof the following sentence:

The right of Landlord to enter upon the demised premises to show them to a prospective tenant shall be limited to the last one hundred eighty (180) days prior to the expiration of the term of this lease.

6. Paragraph 39 of the Lease is hereby amended to change "Landlord" wherever it appears therein to read "Landlord or Tenant" and is further amended to add the following language at the end of said Paragraph 39:

provided that this paragraph 39 shall not apply to any monetary obligation owed by Tenant to Landlord or by Landlord to Tenant pursuant to this Lease."

AmB
RB



P-83-0577 WKW

EXHIBIT B

DEED RECORD

ASSIGNMENT OF LEASE

THIS AGREEMENT is made this the 30 day of June,
 1983 at Addison, Texas, between Texas Federal Savings and
Loan Association, hereinafter called "Assignor",
 and Blakely Airport Joint Venture hereinafter called "Assignee".

41.00 DEED
2 07/08/83

WHEREAS, a lease executed on March 2, 1981, be-
 tween CITY OF ADDISON and ADDISON AIRPORT OF TEXAS, INC., as the
 lessor, and the Assignor as Lessee, by the terms of which certain
 real property located on the Addison Airport was leased to the
 Assignor as Lessee upon the terms and conditions provided
 therein; 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 ~~its~~ ^{its} right, title and interest
 in and to the lease hereinbefore described, a copy of which is
 attached hereto as Exhibit Aⁿ, 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 Lessee hereunder, including the
 making of all payments due to or payable on behalf of the Lessor
 under said lease 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.

93133 2122

EXECUTED the day and year first above written.

ASSIGNOR:

ASSIGNEE:

Blakely Airport Joint Venture

By:

CONSENT OF LESSOR

The undersigned is the Lessor 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 Lessee or the Assignee.

LESSOR:

CITY OF ADDISON

By:

ADDISON AIRPORT OF TEXAS, INC.

By:

THE STATE OF TEXAS

COUNTY OF DALLAS

This instrument was acknowledged before me on June 30, 1983 by Michael E. Biquai, EXECUTIVE VICE PRES of Texas Federal Savings and Loan Association, a federally chartered savings and loan association on behalf of said association.

My Commission Expires



William A. Kramer
My Commission Expires
7/31/84

Notary Public, State of Texas

Typed or Printed Name of Notary Public

This Ground Lease hereinafter referred to as the "Lease" is made and entered into as of March 2, 19 81 by and among the City of Addison, Texas, a municipal corporation (hereinafter sometimes referred to as the "City"), Addison Airport of Texas, Inc., a Texas Corporation (hereinafter sometimes referred to as "AATI") and TEXAS FEDERAL SAVINGS & LOAN (hereinafter referred to as "Tenant").

WITNESSETH:

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

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

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

NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS:

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

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

3. Term: The term hereof shall commence on the February 28, 1982, or the first day of the first calendar month after Tenant completes the construction hereinafter described and opens for business at the demised premises (the applicable date being hereinafter referred to as the "Commencement Date"), and shall end four hundred eighty (480) months thereafter; provided, however, that any entry upon the demised premises by Tenant prior to the Commencement Date shall be subject to all of the terms and conditions hereof except that rental shall not accrue.

4. Rental: Subject to adjustment as hereinbelow provided, Tenant agrees to pay to Landlord, without offset or deduction, rent for the demised premises at the rate of FOUR HUNDRED SEVEN AND 07/100 (\$407.07) per month in advance. The first of such monthly installment shall be due and payable on or before the Commencement Date, and a like installment shall be due and payable on or before the first day of each calendar month thereafter during the term hereof.

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

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

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

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

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

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

Lessee to construct aircraft concrete ramp tracks 1 and 2.

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

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

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

9. Assignment, Subletting and Mortgaging of Leasehold Estate:

A. Without the prior written consent of Landlord, Tenant may not assign this Lease or any rights of Tenant hereunder (except to a leasehold mortgage as hereinbelow provided) or sublet the whole or any part of the demised premises. Any assignment or subletting shall be expressly subject to all the terms and provisions of this Lease, including the provisions of paragraph 9 hereof. In the event of the occurrence of an event of default while the demised premises are assigned or sublet, Landlord, in addition to any other remedies provided herein or by law, may at Landlord's option, collect directly from such assignee or subtenant all rents becoming due and/or such assignment or subletting and apply such rent against any sums due to Landlord hereunder. No direct collection by Landlord from any such assignee or subtenant shall release Tenant from the payment or performance of Tenant's obligations hereunder.

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

[Handwritten signature]

(1) The notice herein to cure Tenant's default shall be in full and final satisfaction and for foreclosure proceedings and thereafter of Landlord's option to assume Tenant's position under said mortgage or deeds of trust.

D. Landlord agrees, 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 mortgage 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 as specified, if being the intention of the parties hereto that Landlord shall not exercise Landlord's right to terminate the lease without first giving any such leasehold mortgage 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, or Tenant hereunder, and (ii) continue to perform all of Landlord's obligations hereunder so long as such mortgagee or its successors and assigns perform all of the obligations of Tenant hereunder. Landlord also agrees to execute and deliver to such proposed leasehold mortgagee any other documents which such proposed leasehold mortgagee may reasonably request concerning the mortgaging by Tenant of the leasehold estate created hereby; provided, however, that Landlord shall never be required to subordinate Landlord's interest in the 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 (without the obligation) to cause all repairs or other maintenance to be made and the reasonable costs thereof expended by Landlord, plus interest thereon as provided in paragraph 37 shall be paid by Tenant on demand. SEE RIDEK

12. Alterations, Additions and Improvements: 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 signs, billboards, machinery, air conditioning or heating equipment and trade fixtures, provided that Tenant complies with all applicable governmental laws, ordinances and regulations.

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

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

- (i) Insurance against loss or damage to improvements by fire, lightning, and other risks from time to time included under standard extended coverage policies, and sprinkler, vandalism and malicious mischief, all in amounts sufficient to prevent Landlord or Tenant from becoming co-insurers of any loss under the applicable policies but in any event in amounts not less than eighty percent (80%) of the full insurable value of the demised premises. The term "full insurable value" as used herein means actual replacement value at the time of such loss. Upon request, such replacement value shall be determined by a qualified appraiser, a copy of whose findings shall be submitted to Landlord, and, thereafter, proper adjustment in the limits of insurance coverage shall be effected.
- (ii) General public liability insurance against claims for bodily injury, death or property damage occurring on, in or about the demised premises, such insurance to afford protection to Landlord of not less than \$500,000.00 with respect to any one person, \$1,000,000.00 with respect to any one accident and not less than \$200,000.00 with respect to property damage.
- (iii) Workmen's compensation insurance covering all persons employed by Tenant in connection with any work done on or about the demised premises with respect to which claims for death or bodily injury could be asserted against Landlord or the demised premises, or in lieu of such workmen's compensation insurance, a program of self-insurance complying with the rules, regulations and requirements of the appropriate state agency of the State of Texas.
- (iv) If applicable, boiler and pressure vessel insurance on all steam boilers, parts thereof and appurtenances attached or connected thereto which by reason of their use or existence are capable of bursting, erupting, collapsing, imploding or exploding, in the minimum amount of \$100,000.00 for damage to property resulting from such perils.
- (v) Such other insurance on improvements in such amounts and against such other insurable hazard which at the time are commonly obtained in the case of property similar to such improvement.
- (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. Casually 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 returned 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) The insurance proceeds as above defined shall be paid to Tenant or as Tenant may direct from time to time as Restoration proceeds 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 materials required, 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 heretofore 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. SEE RIDEK
- (ii) Upon receipt by Landlord of evidence of the character required by the foregoing clauses (i)(a) and (i)(b) that Restoration has been completed and the position of paid in full, and that there are no mechanics', materialmen's or similar liens for labor or materials, so placed in connection therewith, the balance, if any, of such proceeds shall be paid to Tenant or as Tenant may direct.

W. W. W. S. JR.

It is the intent of the parties to this lease that the premises shall be used for the purpose of a retail store, and the parties agree that the premises shall be used for no other purpose. If the premises are used for any other purpose, the lease shall terminate immediately and the tenant shall be liable for all damages and costs incurred by the landlord in connection with the termination of the lease.

15. Condemnation.

If going into 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 return 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 according 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 interests may appear. If the 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. **SEE RIDER**

16. Utilities. Tenant shall be responsible for 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 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 loading 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, installed, changed or terminated from time to time at Landlord's sole discretion.

18. Rules and Regulations. Landlord has adopted Rules and Regulations (hereinafter referred to as the "Rules and Regulations") which shall govern Tenant in the use of the demised premises and all common facilities, a copy of which has been furnished to Tenant. The Rules and Regulations are incorporated by reference as if written verbatim herein, and Tenant agrees to comply fully at all times with the Rules and Regulations. Landlord shall have the right to amend, modify and alter the Rules and Regulations from time to time in a reasonable manner for the purpose of assuring the safety, order 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 signs, 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 first one hundred eighty (180) days of the term hereof, Landlord and Landlord's authorized representatives shall have the right to enter and maintain on or about the demised premises customary signs advertising the demised premises for lease or for sale. **SEE RIDER**

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 whatsoever, 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, subcontractors, licensees or concessionaires or any other person entering the demised premises upon express or implied invitation of Tenant, or arising out of the use or 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 damage to 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 subject premises of other tenants of Landlord or caused by operations in construction of any private, public or quasi-public work, or of any other persons whatsoever, 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 damages 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 at any part hereof, 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 damages 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 at any part hereof, 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 at any part hereof. Landlord may relet the demised premises and receive the rent therefor. Tenant agrees to pay to Landlord monthly of an

Handwritten signature

Landlord 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 damages 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.

Person or persons 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 released 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 respect 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 regular 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 the address for notices and specifically requests such notice, Tenant agrees to give the notice required hereunder to such mortgagee at the time Tenant gives same to Landlord, and to accept curative action, if any, undertaken by such mortgagee if such curative action has been taken by Landlord.

25. Waiver of Subrogation. Each party hereby 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, that 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 thereof, 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 peacefully 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 affirm 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 attain to the purchase. Tenant also agrees upon demand to execute further instruments declaring this Lease prior and superior to any mortgage, deed of trust or other lien and specifically providing that this Lease shall survive the foreclosure of such mortgage, deed of trust or other lien.

30. Rent on Net Return Basis. Except for the rental due under the Base Lease during the time that AAT 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 (or if there have been modifications, that this Lease as modified is in full force and effect and stating the modifications).

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

C. Landlord is not in default under any term or provision of this Lease or is in default the nature thereof in detail in a certificate 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 continued without notice to Landlord's mortgagee and that the Lease will not be terminated without the same notice required by the Lease to be given to Landlord.

Handwritten signature and initials.

Landlord agrees that this lease is to be held in full force and effect for a period of 30 days after written notice is given by Tenant. Landlord will deliver to Tenant a duplicate 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 hereto.

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 dismissal 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 of 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, drawings, instruments and addenda referred to herein shall be considered a part hereof for all purposes with the same force and effect as if copied verbatim herein.

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

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

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

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

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

LANDLORD:

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

City of Addison, Texas

P. O. Box 144

Addison, Texas 75001

TENANT:

Texas Federal Savings & Loan
8300 Preston Road
Dallas, Texas 75225

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 to be 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 D/attached hereto, embodies the entire agreement between Landlord and Tenant and supercedes all prior agreements and understandings, whether written or oral, and all contemporaneous oral agreements and understandings relating to the subject matter hereof. Except as otherwise specifically provided herein, no agreement hereafter made shall be effective to change, modify, discharge or effect an abandonment of this Lease, in whole or in part, unless such agreement is in writing and signed by or in behalf of the party against whom enforcement of the change, modification, discharge or abandonment is sought.

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

LANDLORD:

ADDISON AIRPORT OF TEXAS, INC.

By: _____

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 James Stewart
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 _____ day of _____, 19__

James Stewart
Notary Public
County, Texas

STATE OF TEXAS
COUNTY OF DALLAS

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

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the _____ day of _____, 19__

James Stewart
Notary Public
County, Texas

STATE OF TEXAS
COUNTY OF DALLAS

BEFORE ME, the undersigned authority, on this day personally appeared James Stewart
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 21 day of April, 19 81

James Stewart
Notary Public
County, Texas

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



1961. 1. 1. 1.

83153 2130

EXHIBIT C

AFTER RECORDATION
RETURN TO:

Michael D. Weinberg
800 Trammell Crow Center
2001 Ross Avenue
Dallas, Texas 75201

DEED 14.00
TOTL 14.00
ADD1 770: 0000000 3305 10:28AM 11/03/92

SUBSTITUTE TRUSTEE'S DEED

THE STATE OF TEXAS

§
§
§

COUNTY OF DALLAS

WHEREAS, by instrument dated May 29, 1987 and recorded in the Real Property Records of Dallas County, Texas in Volume 87104, Page 0917, Blakely Airport Joint Venture (hereinafter called "Borrower") executed a Deed of Trust (the "Deed of Trust") to Bill W. Butner, Trustee, for the benefit of Empire of America Federal Savings Bank ("Empire"), covering the hereinafter described property, which Deed of Trust was executed for the purpose of securing and enforcing the payment of a certain promissory note and indebtedness set out and described in the Deed of Trust;

WHEREAS, The Resolution Trust Corporation, Receiver for Empire Federal Savings Bank of America, successor in interest to Empire ("Lender"), the present owner and holder of said promissory note and indebtedness and the beneficiary under the Deed of Trust, acting under the authority granted by the terms and provisions of the Deed of Trust, did duly appoint the undersigned, Michael D. Weinberg to serve as Substitute Trustee ("Substitute Trustee") under the Deed of Trust;

WHEREAS, said promissory note has matured and Lender, the owner and holder of said promissory note and indebtedness and the beneficiary under the Deed of Trust, requests that the Substitute Trustee enforce said trust by advertising and selling the property covered by the Deed of Trust in accordance with the terms and provisions thereof;

WHEREAS, pursuant to the request of Lender and the provisions of the Deed of Trust, I proceeded to sell the hereinafter described property at public auction at the Courthouse door of the County Courthouse of Dallas County, Texas, in the City of Dallas, Dallas County, Texas, between the hours of 10:00 o'clock A.M. and 4:00 o'clock P.M. (and between the hours stated in the notice of sale) on the first Tuesday in November, 1992, the same being November 3, 1992, after having given public notice of the time, place and terms of such sale by posting written notice thereof at least twenty-one days before the date of such sale at the Courthouse door of the County Courthouse of Dallas County, Texas, and by filing a copy of such notice in the Office of the County Clerk of such County at least twenty-one days preceding

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the date of such sale, and after written notice of such sale was served by certified mail on each debtor obligated to pay such debt according to Lender's records, such notice having been served at least twenty-one days before the date of such sale; and

WHEREAS, at such sale such property was sold to Lender for the sum of \$ 699,796 said sum being the highest and best bid for said property and Lender being the highest and best bidder.


NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS: That I, Michael D. Weinberg of Dallas County, Texas, Substitute Trustee as aforesaid, by virtue of the power granted to me by the above described Deed of Trust and appointment, and in consideration of the sum of \$ 699,796 credited against the indebtedness held by Lender, have granted, sold and conveyed, and by these presents do grant, sell and convey unto Lender, the property described in Exhibit "A" attached hereto and incorporated herein for all purposes together with all improvements then or thereafter constructed on the real property and all of the other property described in the Deed of Trust, including the property described in Exhibit "B" attached hereto and made a part hereof for all purposes.

The above described property is sold subject to all matters of record which are prior to the Deed of Trust, which affect title thereto, and which are a superior interest therein.

The Lender's mailing address is c/o Coopers & Lybrand Sigma, 555 North Lane, Suite 6020, Conshohocken, Pennsylvania 19428-2233.

TO HAVE AND TO HOLD the above described property, together with all and singular the rights and appurtenances thereunto in anywise belonging, unto the Lender and Lender's heirs, successors and assigns, forever; and for and on behalf of Borrower and Borrower's heirs, legal representatives, successors and assigns, I do hereby bind the Borrower and Borrower's heirs, legal representatives, successors and assigns, to warrant and forever defend the above described property unto Lender and Lender's heirs, successors and assigns against the claims of all persons whomsoever lawfully claiming, or to claim the same or any part thereof.

WITNESS MY HAND THIS 3rd day of November, 1992



Michael D. Weinberg
Substitute Trustee

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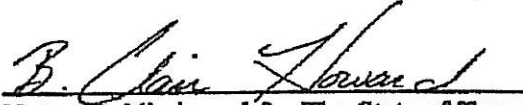
STATE OF TEXAS

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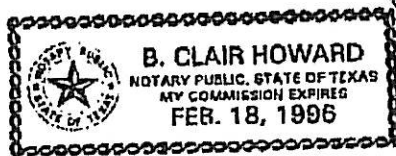
COUNTY OF DALLAS

BEFORE ME, the undersigned authority, on this day personally appeared Michael D. Weinberg, Substitute Trustee, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 3rd day of November, 1992.


Notary Public in and for The State of Texas

[N.S.]



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Exhibit A

FREE SIMPLE TRACT:

BEING a 1.3025 acre tract of land out of the BLAKELY AIRPORT ADDITION to the City of Addison, Dallas County, Texas, according to the Map thereof recorded in Volume 84088, Page 4362, situated in the WILLIAM LOMAX SURVEY, ABSTRACT NO. 792, said 1.3025 acre tract being more particularly described as follows:

- COMMENCING at a nail for the intersection of the existing south line of Westgrove Road (60' R.O.W.) with the west line of Addison Road (60' R.O.W.);
- THENCE, South 00 degrees 14 minutes 20 seconds East along said west line of Addison Road a distance of 311.61 feet to the point of beginning;
- THENCE south 00 degrees 14 minutes 20 seconds east along said west line of Addison Road a distance of 323.40 feet to a 1/2" I.R.;
- THENCE, South 44 degrees 14 minutes 47 seconds West a distance of 43.17 feet to a 1/2" I.R.;
- THENCE, North 46 degrees 44 minutes 00 seconds West a distance of 221.48 feet to an "X" cut in concrete;
- THENCE, South 89 degrees 45 minutes 48 seconds West a distance of 9.11 feet to an "X" cut in concrete;
- THENCE, North 00 degrees 14 minutes 20 seconds West a distance of 201.72 feet to a point;
- THENCE, North 89 degrees 45 minutes 48 seconds East a distance of 200.00 feet to the point of beginning containing 1.3025 acres of land, more or less.

LEASEHOLD TRACT:

BEING A 0.5079 ACRE TRACT OF LAND SITUATED IN THE WILLIAM LOMAX SURVEY, ABSTRACT NO. 792, CITY OF ADDISON, DALLAS COUNTY, TEXAS, SAID TRACT BEING PART OF THAT 0.3370 ACRE PARCEL DESCRIBED AS TRACT NO. 1 AND ALSO BEING PART OF THAT 0.2855 ACRE PARCEL DESCRIBED AS TRACT NO. 2, BY INSTRUMENT RECORDED IN VOLUME 81089, PAGE 1274, DEED RECORDS OF DALLAS COUNTY, TEXAS, SAID 0.5079 ACRE TRACT BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHWEST CORNER OF THE BLAKELY AIRPORT ADDITION, A REPLAT OF TEXAS FEDERAL SUBDIVISION NO. 2, AN ADDITION TO THE CITY OF ADDISON, TEXAS AS RECORDED IN VOLUME 79147, PAGE 1915, DEED RECORDS OF DALLAS COUNTY, TEXAS, THENCE SOUTH 00° 14' 20" EAST, 24.30 FEET TO THE POINT OF BEGINNING;

THENCE, SOUTH 00° 14' 20" EAST, 177.42 FEET ALONG WEST LINE OF SAID ADDITION TO A POINT FOR CORNER;

THENCE, NORTH 68° 29' 10" WEST, 161.50 FEET TO A POINT FOR CORNER;

THENCE, NORTH 00° 14' 20" WEST, 117.57 FEET TO A POINT IN THE SOUTH LINE OF TRACT NO. 2;

THENCE, NORTH 89° 56' 40" EAST, 150.00 FEET ALONG SAID SOUTH LINE TO THE POINT OF BEGINNING AND CONTAINING 0.5079 ACRES OF LAND MORE OR LESS.

EXHIBIT B

The real property described in Exhibit A together with all improvements thereon and personal property which is fixtures, and all rights, hereditaments and appurtenances in anywise appertaining or belonging thereto.

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UNOFFICIAL DOCUMENT

Unofficial Copy

COUNTY CLERK, Dallas County, Texas



Earl Bullock

NOV 18 1992

Any provision herein which restricts the sale, rental, or use of the described real property because of color or race is invalid and unenforceable under Federal Law.
COUNTY OF DALLAS
STATE OF TEXAS
I hereby certify this instrument was filed on the 18th day of November, 1992, and a stamped version by me and was duly recorded in the volume and page of the record records of Dallas County, Texas as depicted herein by me.

FILED
92 NOV -3 AM 10:25
EARL BULLOCK
COUNTY CLERK
DALLAS COUNTY

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EXHIBIT D**ORIGINAL**ASSIGNMENT OF GROUND LEASE

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THIS AGREEMENT is made this 2nd day of December, 1993, between Resolution Trust Corporation as Receiver for Empire Federal Savings Bank of America, ("RTC") successor in interest to Blakely Airport Joint Venture as to the ground lease described herein, hereinafter called "Assignor", and Itex Environmental Service, Inc., hereinafter called "Assignee".

**

WHEREAS, a ground lease ("Ground Lease"), as amended, was executed on March 2, 1981, between CITY OF ADDISON AND ADDISON AIRPORT OF TEXAS, INC., as the Lessor, and Texas Federal Savings and Loan, ("Texas Federal") as Lessee, by the terms of which certain real property located on the Addison Airport was leased to Texas Federal, as Lessee, upon the terms and conditions provided therein; and

WHEREAS, by Assignment of Lease dated June 30, 1983, Texas Federal assigned the Ground Lease to Blakely Airport Joint Venture ("Blakely") and Blakely thereupon became the Lessee; and

WHEREAS, RTC is the successor in interest to Blakely as to the Ground Lease; and

WHEREAS, the Assignor now desires to assign the Ground Lease to the 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 the Assignor's right, title and

** amended to read and Itex Environmental Services, Inc., a Delaware corporation and Ritchie Studer

EXHIBIT "E"

interest in and to the Ground Lease hereinbefore described, a copy of which is attached hereto as Exhibit "A", and the Assignee hereby agrees to and does accept the assignment, and in addition expressly assumes and agrees to keep, perform and fulfill all terms, covenants, conditions and obligations required to be kept, performed and fulfilled by the Assignor as the Lessee thereunder, including the making of all payments due to or payable on behalf of the Lessor under said Ground Lease when due and payable.

The Assignee hereby agrees to indemnify and hold the Assignor, its successors and assigns, harmless from and against any and all actions, claims and demands whatsoever, including reasonable attorney's fees, arising subsequent to the execution of this Assignment as the result of the failure of the Assignee to comply with and perform all of the covenants, terms and conditions to be performed by the Assignee under and pursuant to this agreement.

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

EXECUTED the day and year first above written.

ASSIGNOR:

Resolution Trust Corporation, in its
capacity as Receiver for Empire
Federal Savings Bank of
America

By: G. Patrick Hallenbeck
G. Patrick Hallenbeck
Attorney-In-Fact

ASSIGNEE:

Itex Environmental Service, Inc.

By: Ritchie G Studer
Name: RITCHIE G STUDER
Title: CEO
Ritchie G Studer
Ritchie Studer

CONSENT OF LESSOR

The undersigned are the Lessor in the Ground Lease described
in
the foregoing Assignment and hereby consent to the assignment of
the Ground Lease to the above Assignee, waiving none their rights
thereunder as ^{to} the Lessee or the Assignee.

LESSOR:

City of Addison, Texas

By: NA
Name: _____
Title: _____

Addison Airport of Texas, Inc.

By: Sam Stuart
Name: SAM STUART
Title: President

COMMONWEALTH OF PENNSYLVANIA)
) SS.
COUNTY OF MONTGOMERY)

On this, the 2nd day of December, 1993, before me, the undersigned notary public, personally appeared G. Patrick Hallenbeck who is the Attorney-in-Fact for Resolution Trust Corporation, in its capacity as Receiver for Empire Federal Savings Bank of America, with an office at 1000 Adams Avenue, Norristown, Pennsylvania, 19403, known to me or satisfactorily proven to be so, and that as such is authorized to execute the within Assignment, and acknowledged that he executed the same for the purpose therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and notarial seal.

Jane A. Wolf
Notary Public *Jane A. Wolf*

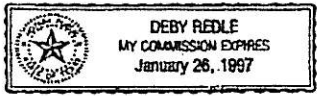
Notarial Seal
Jane A. Wolf, Notary Public
Lower Providence Twp., Montgomery County
My Commission Expires April 28, 1997

STATE OF Texas)
) SS.
COUNTY OF Dallas)

BEFORE ME, the undersigned authority, on this day personally appeared Ritchie Studer who is the CEO of Itex Environmental Service 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.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the ^{3rd day} 2nd day of December 1993.

Deby Redle
Notary Public



STATE OF)
) SS.
COUNTY OF)

BEFORE ME, the undersigned authority, on this day personally appeared NA who is the _____ of the City of Addison, Texas, 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 2nd day of December 1993.

Notary Public

STATE OF Texas)
) SS.
COUNTY OF Dallas)

BEFORE ME, the undersigned authority, on this day personally appeared San Stuart who is 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.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 2nd day of December 1993.



Shawna Henderson
Notary Public

EXHIBIT E

ASSIGNMENT OF GROUND LEASE

This agreement is made this 11th day of July, 1997, at Addison, Texas, between ITEX Environmental Services, Inc., a Delaware corporation and Ritchie Studer collectively hereinafter called "Assignor" and 16445, Ltd. hereinafter called "Assignee".

Whereas, a ground lease ("Lease"), was executed on March 2, 1981, between the CITY OF ADDISON and ADDISON AIRPORT OF TEXAS, INC., as lessor, and the Texas Federal Savings and Loan, ("Texas Federal") as Lessee, by the terms of which certain real property located on the Addison Airport, a copy of which is attached hereto as Exhibit "A" (including an amendment to Ground Lease dated June 1, 1984, a copy attached hereto as Exhibit "B") was leased to Texas Federal, as Lessee, upon the terms and conditions provided therein; and

Whereas, by Assignment of Lease dated June 30, 1983, a copy attached hereto as Exhibit "C", Texas Federal assigned the Ground Lease to Blakely Airport Joint Venture ("Blakely") and Blakely thereupon became the Lessee; and

Whereas, the Resolution Trust Corporation ("RTC") as Receiver for Empire Federal Savings Bank of America became the successor in interest to Blakely on November 3, 1992, a copy attached hereto as Exhibit "D", thereupon became the Lessee; and

Whereas, by Assignment of Ground Lease dated December 2, 1993, a copy attached hereto as Exhibit "E", RTC assigned the Ground Lease to ITEX Environmental Service, Inc., and Ritchie Studer; thereupon became the Lessee; 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 herein before described 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, and covenants, conditions and obligations required to be kept, performed and fulfilled by the Assignor as the Lessee thereunder, including the making of all payments due to or payable on behalf of the Lessor under said lease 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.

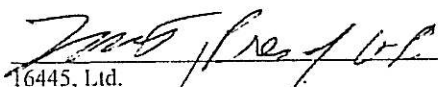
Executed the day and year first above written.

ASSIGNOR



ITEX Environmental Service, Inc.
Ritchie Studer

ASSIGNEE

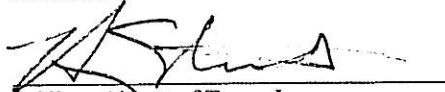


16445, Ltd.
BY: Lou Lebowitz
TITLE: President of General Partner

CONSENT OF LESSOR

The undersigned is the Lessor 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 Lessee or the Assignee.

LESSOR



Addison Airport of Texas, Inc.

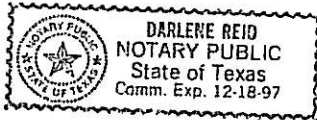
~~Darlene Reid~~ *Henry STUART*
~~Secretary/Treasurer~~ *Chairman of Board*

ACKNOWLEDGEMENT

THE STATE OF TEXAS }
COUNTY OF DALLAS }

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

GIVEN under my hand and seal of office this 21st day of July, 1997.

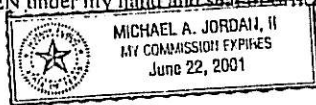


Darlene Reid
Notary Public
Dallas
County, Texas

THE STATE OF TEXAS }
COUNTY OF DALLAS }

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

GIVEN under my hand and seal of office this 17th day of July, 1997.

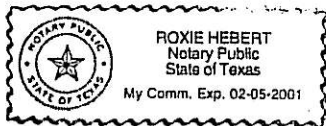


Michael A. Jordan II
Notary Public
Dallas
County, Texas

THE STATE OF TEXAS }
COUNTY OF DALLAS }

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

GIVEN under my hand and seal of office this 20th day of July, 1997.



Roxie Hebert
Notary Public
Dallas
County, Texas

THE STATE OF TEXAS }
COUNTY OF DALLAS }

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

GIVEN under my hand and seal of office this _____ day of _____, 19____.

Notary Public

County, Texas

This Ground Lease (hereinafter referred to as the "Lease" is made and entered into as of March 2, 19 81, by and among the City of Addison, Texas, a municipal corporation (hereinafter sometimes referred to as the "City"), Addison Airport of Texas, Inc., a Texas Corporation (hereinafter sometimes referred to as "AATI") and TEXAS FEDERAL SAVINGS & LOAN (hereinafter referred to as "Tenant")

WITNESSETH:

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

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

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

NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS:

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

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

3. Term: The term hereof shall commence on the earlier of February 28, 1982, or the first day of the first calendar month after Tenant completes the construction hereinafter described and opens for business at the demised premises (the applicable date being hereinafter referred to as the "Commencement Date"), and shall end four hundred eighty (480) months thereafter; provided, however, that any entry upon the demised premises by Tenant prior to the Commencement Date shall be subject to all of the terms and conditions hereof except that rental shall not accrue.

4. Rental: Subject to adjustment as hereinbelow provided, Tenant agrees to pay to Landlord, without offset or deduction, rent for the demised premises at the rate of FOUR HUNDRED SEVEN AND 07/100 (\$407.07) per month in advance. The first of such monthly installment shall be due and payable on or before the Commencement Date, and a like installment shall be due and payable on or before the first day of each calendar month thereafter during the term hereof.

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

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

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

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

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

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

Lessee to construct aircraft concrete ramp tracks 1 and 2.

#28

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

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

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

9. Assignment, Subletting and Mortgaging of Leasehold Estate:

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

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

[Handwritten signature]

... notice to cure Tenant's default... of said acceleration and/or foreclosure... and thereafter at Landlord's option to assume Tenant's position under... of 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 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 within any longer period of time specified in such notice, to take such action or to make payment as may be necessary or appropriate to cure any such default so specified, if being the intention of the parties hereto that Landlord shall not exercise Landlord's right to terminate the 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" herein Landlord agrees that Landlord will (i) recognize such mortgagee and its successors and assigns after foreclosure, or transfer in case of foreclosure, as Tenant hereunder, and (ii) continue to perform all of Landlord's obligations hereunder so long as such mortgagee or its successors and assigns performs all of the obligations of Tenant hereunder. Landlord also agrees to execute and deliver to such proposed leasehold mortgagee any other documents which such proposed leasehold mortgagee may reasonably request concerning the mortgaging by Tenant of the leasehold estate created hereby; provided, however, that Landlord shall never be required to subordinate Landlord's interest in the demised premises to the mortgage of such proposed leasehold mortgagee.

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

11. Maintenance and Repair of Demised Premises:

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

B. In the event Tenant shall fail to so maintain the demised premises and the fixtures, equipment and personal property situated hereon, 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. SEE RIDER

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 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. SEE RIDER

(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.

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... shall retain the insurance proceeds, and ... 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. *SEE RIDER*

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. *SEE RIDER*

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 duty 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

[Handwritten signature]

D. Enter upon the demised premises, and terminate 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. Landlord 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 of trust or other lien and specifically providing that this Lease shall survive the foreclosure of such mortgage, deed of trust or other lien.

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

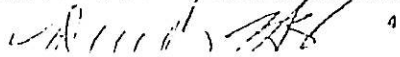
36. Estoppel Certificates. Tenant agrees that from time to time, upon not less than ten (10) days' prior written request by Landlord, Tenant will deliver to Landlord a statement in writing certifying that:

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

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

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

D. If requested by Landlord, Tenant will not pay rent for more than one (1) month in advance and that this Lease will not be amended without notice to Landlord's mortgagee and that the same will not be terminated without the same notice required by the Lease to be

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

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. *W. R. R. I. P. E. R.*

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:

Texas Federal Savings & Loan
8300 Preston Road
Dallas, Texas 75225

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. *AMENDED DATE 11/15/81*

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

LANDLORD:

ADDISON AIRPORT OF TEXAS, INC.

By: 

Its: *Pres*

CITY OF ADDISON, TEXAS

By: 

Its: *Mayor*

TENANT:

By: 

Its: *Vice President*

STATE OF TEXAS }
COUNTY OF DALLAS

BEFORE ME, the undersigned authority, on this day personally appeared Leon Stewart
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 21 day of March, 19 81

Anthony J. [Signature]
Notary Public

Dallas
County, Texas

STATE OF TEXAS }
COUNTY OF DALLAS

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

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 21 day of March, 19 81

Anthony J. [Signature]
Notary Public

Dallas
County, Texas

STATE OF TEXAS }
COUNTY OF DALLAS

BEFORE ME, the undersigned authority, on this day personally appeared James [Signature]
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 21 day of April, 19 81

James [Signature]
Notary Public

Dallas
County, Texas

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

Handwritten signatures in black ink, appearing to be initials or names, located in the lower-left quadrant of the page.

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 storage 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 thereafter.

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

Section 5. Rent

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

(b) The Company agrees to pay the City \$6,250.00 per month, or 3% of the Company's monthly Gross Receipts, whichever amount is the greater. Such installment shall be payable to the City of Addison, Dallas County, Texas, commencing on the 20th day of the second month after the effective date of this Agreement for the first month hereof, and on the 20th day of each calendar month thereafter for the calendar month preceding. Payment of such amounts shall be reduced by any real property or personal property taxes assessed by the City of Addison on the Property or assessed by the City of Addison on the Improvements or this Agreement, commencing with the effective date of this Agreement, such reduction to be credited against the next succeeding installments of rent hereunder from and after 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 taxes, 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 fueling of aircraft;
- (v) For the charter and leasing of aircraft;
- (vi) For schools for the training of aeronautical pilots, mechanics, repairmen, navigators and dispatchers, and other aeronautical personnel;
- (vii) For the storage, parking, maintenance, servicing and fueling of automotive vehicles, automotive equipment and other equipment owned or operated by the Company in connection with the operation of the Leased Premises or by other persons using the Leased Premises for other purposes authorized hereunder;
- (viii) For the operation of stores, concessions and other consumer service activities, reasonably required for the accommodation of operators, crews and travelers arriving at or departing from the Leased Premises by aircraft, and other persons doing business with or who are the guests of the Company or other users of the Leased Premises;
- (ix) For the fabrication, manufacture, testing or development of aeronautical materials which will be used or installed in aircraft at the Leased Premises; and
- (x) For all operational, administrative, office and other such related functions in connection with the activities authorized hereunder;

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

(b) In the performance of the Uses of the Airport granted by the City hereunder, the Company agrees to operate the Airport for the use and benefit of the public; to make available all airport facilities and services to the public on fair and reasonable terms and without unjust discrimination and to provide space on the Airport, to the extent available, and to grant rights and privileges for use of the 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

...of any such member, and ... provide ... other ... policies or other certificates of the insurers endorsed as in above provide ... 10 hereof evidencing renewal of such ...

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 changes. 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.

[Handwritten signature]
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and thereafter to become due, or to enforce performance and observance of any obligation 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 ~~revenue~~

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

Section 49. Notices

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

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

ATTEST:

Joyce N. Seavers
SECRETARY

CITY OF ADDISON, TEXAS

BY: Jerry Redding

APPROVED AS TO FORM:

Robert L. McCall
CITY ATTORNEY

ADDISON AIRPORT, INC.

ATTEST:

Margaret E. Bunch
SECRETARY

BY: [Signature]

FIELD NOTES

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

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

THENCE N. 89° 58' 54" W. a distance of 105.72 feet with the North line of said Keller Springs Road to an angle point in the right-of-way;
 THENCE N. 56° 19' 03" W. a distance of 90.20 feet with said angle in the right-of-way to a point in the East right-of-way line of Dooley Road;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

D. W. B. AB

THENCE S. 75° 48' 25" W. a distance of 48.00 feet to a point;

THENCE N. 89° 56' 35" W. a distance of 658.63 feet to a point;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5 JAN 1977

Date

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



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

Riewe & Wischmeyer, Inc.

CONSULTING ENGINEERS
 DALLAS TEXAS

DECEMBER 1976

RIDER

to

Lease dated 3-2-81 by and between the City of Addison, Texas
and Addison Airport of Texas, Inc. as Landlord and
Texas Federal Savings and Loan Association as
Tenant

The printed part of this Ground Lease (the "Lease") is hereby supplemented and modified as follows: Wherever there is any conflict between this Rider and the printed part of the Lease, the provisions of this Rider are paramount and the Lease shall be construed accordingly.

1. Paragraph 8 of the Lease is hereby amended by adding thereto the following sentence:

Tenant shall have the right, after written notice to Landlord, to contest by appropriate legal proceedings, diligently conducted in good faith, the validity or application of any such governmental laws, ordinances and regulations and governmental orders and directives, and to delay compliance therewith pending the prosecution of such proceedings, provided no civil or criminal penalty would be incurred by Landlord and no lien or charge would be imposed upon or satisfied out of the demised premises by reason of such delay.

2. Paragraph 11B of the Lease is hereby amended by adding at the end thereof the following sentence:

Landlord shall not exercise such right prior to giving Tenant written notice of such default and the opportunity to cure such default within a reasonable time which shall be not less than ten days nor more than 30 days after receipt by Tenant of such notice of default.

3. Paragraph 14D(i)(b) is hereby amended to delete the words "an opinion of counsel" and substituting the words "reasonable evidence."

4. Paragraph 15C of the Lease is hereby amended by adding to the end thereof the following sentence:

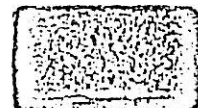
The termination of this Lease shall not affect the rights of Landlord or Tenant to said awards.

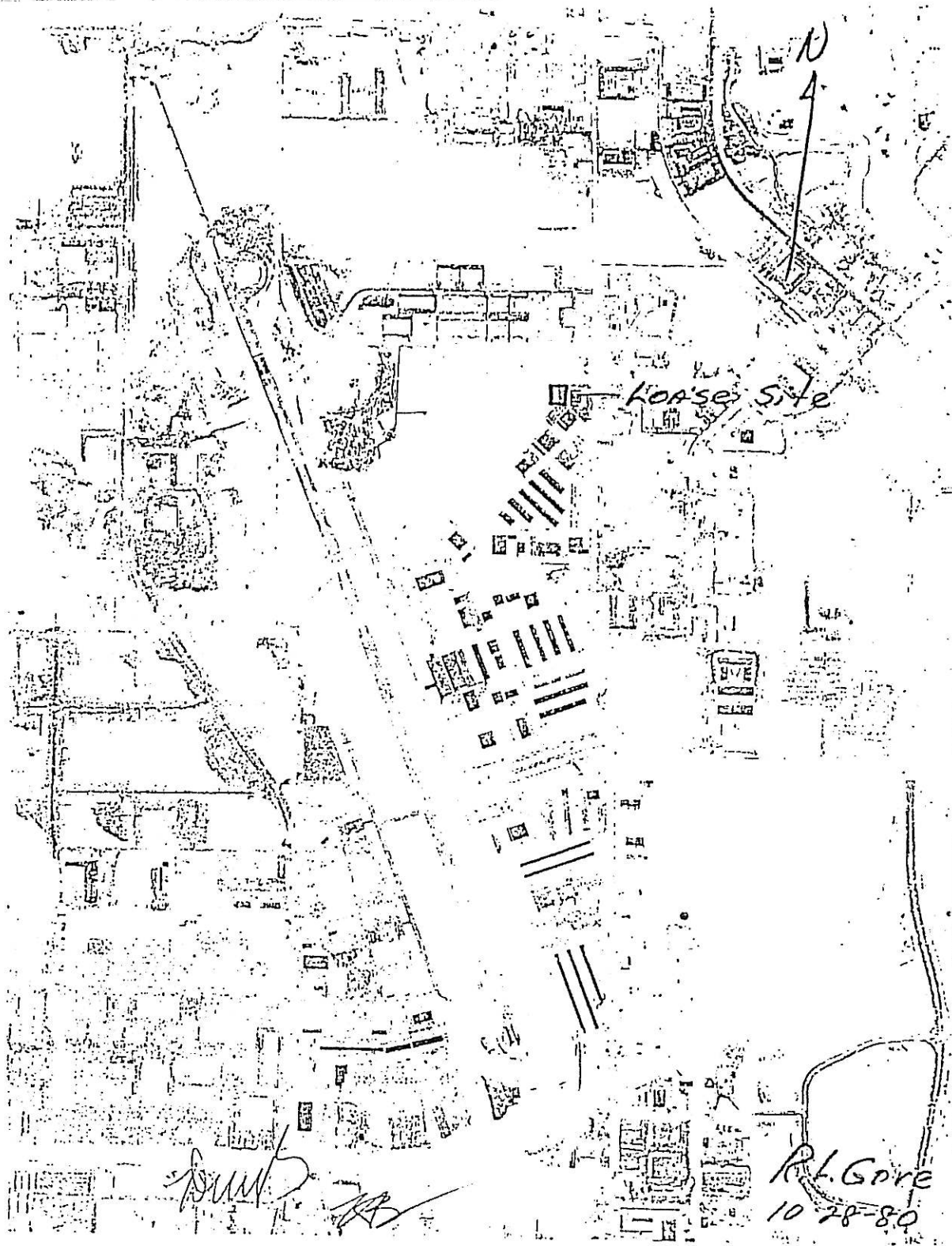
5. Paragraph 20 of the Lease is hereby amended by adding to the end thereof the following sentence:

The right of Landlord to enter upon the demised premises to show them to a prospective tenant shall be limited to the last one hundred eighty (180) days prior to the expiration of the term of this lease.

6. Paragraph 39 of the Lease is hereby amended to change "Landlord" wherever it appears therein to read "Landlord or Tenant" and is further amended to add the following language at the end of said Paragraph 39:

"provided that this paragraph 39 shall not apply to any monetary obligation owed by Tenant to Landlord or by Landlord to Tenant pursuant to this Lease."





KORSE'S SITE

R.L. Gore
10-28-80

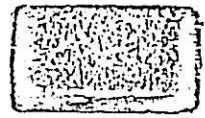
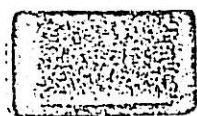


EXHIBIT "C"

TRACT NO. 1

BEING a tract of land situated in the William Lomax Survey, Abstract 792, Dallas County, Texas and located on Addison Municipal Airport, Addison, Texas, and being more fully described as follows:

BEGINNING 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;

THENCE South 00 deg. 14 min. 20 sec. East, 307.44 feet with the west line of said Addison Road to an iron pin for the Northeast corner of the Texas Federal Subdivision #2, as recorded in Volume 79147, Page 1915, Map Records of Dallas County;

THENCE South 89 deg. 45 min. 40 sec. West, 200.00 feet to the BEGINNING POINT of this description;

THENCE South 89 deg. 45 min. 40 sec. West, 75.0 feet;

THENCE South 00 deg. 14 min. 20 sec. East, 180.79 feet;

THENCE South 68 deg. 29 min. 10 sec. East, 80.75 feet;

THENCE North 00 deg. 14 min. 20 sec. West, 210.72 feet to the PLACE OF BEGINNING containing 0.337 acres of land, more or less.

TRACT NO. 2

BEING a tract of land situated in the William Lomax Survey, Abstract 792, Dallas County, Texas, and located on Addison Municipal Airport, Addison Texas, and being more fully described as follows:

BEGINNING 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 Street;

THENCE South 00 deg. 14 min. 20 sec. East, 307.44 feet with the West line of said Addison Road to an iron pin for the Northeast corner of the Texas Federal Subdivision #2 as recorded in Volume 79147, Page 1915, Map Records of Dallas County;

THENCE South 89 deg. 45 min. 40 sec. West, at 200.00 feet passing the Northwest corner of said Texas Federal Subdivision #2 for a total distance of 350.0 feet to the BEGINNING POINT of this description;

THENCE South 00 deg. 14 min. 20 sec. East, 150.87 feet;

THENCE South 68 deg. 29 min. 10 sec. East, 80.75 feet;

THENCE North 00 deg. 14 min. 20 sec. West, 180.79 feet;

THENCE South 89 deg. 45 min. 40 sec. West, 75.0 feet to the PLACE OF BEGINNING containing 0.286 acres of land, more or less.

Handwritten signatures and initials at the bottom of the page. The top signature appears to be 'R. C. ...' and the bottom signature is a stylized set of initials.

AMENDMENT TO GROUND LEASE

STATE OF TEXAS |
 |
COUNTY OF DALLAS |

KNOW ALL MEN BY THESE PRESENTS:

THIS AMENDMENT TO GROUND LEASE is made and entered into this the 31st day of May, 1984, by and among THE TOWN OF ADDISON, TEXAS, a municipal corporation, hereinafter sometimes referred to as the "City", ADDISON AIRPORT OF TEXAS, INC., a Texas corporation, hereinafter sometimes referred to as "AATI" and RALEIGH BLAKELY & ASSOCIATES, INC., hereinafter referred to as "Tenant";

WHEREAS, on March 2, 1981, the parties hereto entered into a Ground Lease whereby Tenant leased from the City and AATI a certain tract of land situated on the Addison Airport, a copy of which Ground Lease is attached hereto and marked Exhibit "A" and made a part hereof ("Ground Lease"); and

WHEREAS, the parties desire to amend such Ground Lease for the purpose of increasing the area of the demised premises and increasing the rental charged therefor;

NOW, THEREFORE, for and in consideration of the premises and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, it is hereby agreed as follows:

1. Paragraph 4 of the Ground Lease is hereby amended to read as follows:

4. Rental: Subject to adjustment as hereinbelow provided, Tenant agrees to pay to Landlord, without offset or deduction, rent for the demised premises at the rate of Three Hundred Fifty-nine and 52/100 (\$359.52) per month in advance. The first of such monthly installment shall be due and payable on the first day of the month following the execution of the Amendment to Ground Lease, and a like installment shall be due and payable on or before the first day of each calendar month thereafter during the term hereof.

2. The Ground Lease is further amended by deleting the description of the demised premises and substituting therefor the description attached hereto and marked Exhibit "A-1", which description shall be considered hereafter as the legal description for the demised premises covered by such Ground Lease.

EXHIBIT "B"

3. Except as expressly provided herein, all terms and provisions of the Ground Lease shall remain unchanged and in full force and effect.

4. This Amendment to Ground Lease shall be binding upon and inure to the benefit of the parties, their respective heirs, personal representatives, successors and assigns.

EXECUTED as of the day and year first above written.

THE TOWN OF ADDISON, TEXAS

By *[Signature]*

ADDISON AIRPORT OF TEXAS, INC.

By *[Signature]*
Raleigh Blakely Sr.
RALEIGH BLAKELY, SR.

THE STATE OF TEXAS |

COUNTY OF DALLAS |

This instrument was acknowledged before me on _____
8/23, 1984, by *Jerry Redding* of The City
of Addison, Texas, a Texas municipal corporation, on behalf of
said corporation.

Barbara M. Scherger
Notary Public in and for Dallas
County, Texas

THE STATE OF TEXAS |

COUNTY OF DALLAS |

This instrument was acknowledged before me on _____
June 15, 1984, by *Henry Stuart* of Addison
Airport of Texas, Inc., a Texas corporation, on behalf of said
corporation.

Alvin L. Jones
Notary Public in and for Dallas
County, Texas

THE STATE OF TEXAS |
 |
COUNTY OF DALLAS |

This instrument was acknowledged before me on 15th day of
JUNE, 1984 by Raleigh Blakely, Sr.

Vicki Blakely
Notary Public in and for
Dallas County, Texas

ASSIGNMENT OF LEASE

THIS AGREEMENT is made this the _____ day of _____, 1983, at Addison, Texas, between Texas Federal Savings and Loan Association, hereinafter called "Assignor", and Blakely Airport Joint Venture, hereinafter called "Assignee".

WHEREAS, a lease executed on March 2, 1981, between CITY OF ADDISON and ADDISON AIRPORT OF TEXAS, INC., as the Lessor, and the Assignor as Lessee, by the terms of which certain real property located on the Addison Airport was leased to the Assignor as Lessee upon the terms and conditions provided therein; and

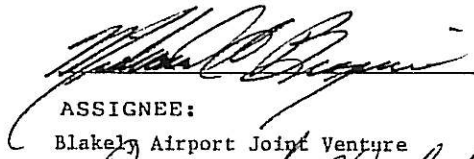
WHEREAS, the Assignor now desires to assign the lease to Assignee, and the Assignee desires to accept the assignment thereof;

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 ~~the~~^{its} right, title and interest in and to the lease hereinbefore described, a copy of which is attached hereto as Exhibit A", 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 Lessee thereunder, including the making of all payments due to or payable on behalf of the Lessor under said lease 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.

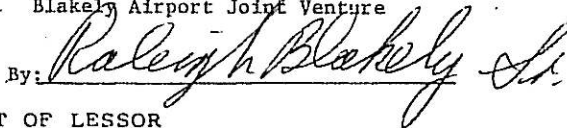
EXECUTED the day and year first above written.

ASSIGNOR:



ASSIGNEE:

Blakely Airport Joint Venture

By: 

CONSENT OF LESSOR

The undersigned is the Lessor 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 Lessee or the Assignee.

LESSOR:

CITY OF ADDISON

By 

ADDISON AIRPORT OF TEXAS, INC.

By 

THE STATE OF TEXAS §
 §
COUNTY OF DALLAS §

This instrument was acknowledged before me on _____, 1983 by _____ of Texas Federal Savings and Loan Association, a federally chartered savings and loan association on behalf of said association.

My Commission Expires: _____

Notary Public, State of Texas

Typed or Printed Name of Notary Public

Coopers
& Lybrand
Sigma

555 North Lane
Suite 6020
Conshohocken, PA 19428-2233

telephone (215) 834-0221
fax (215) 834-0308

December 4, 1992

Shawna Henderson
Accounts Manager
Addison Airport
Addison Airport of Texas, Inc.,
4505 Claire Chennault
Dallas, TX 75248

*Blairly
Airport*

Re: Lease 28
16445 Addison Road
Addison, TX

Dear Ms. Henderson:

I am in receipt of your letter to me dated November 6, 1992. As you know, the foreclosure on the above referenced property was completed, effective November 3, 1992. The property is now owned by the Resolution Trust Corporation, as receiver for Empire Federal Savings Bank of America.

I have forwarded your letter to the Resolution Trust Corporation (RTC). I have been informed by the RTC that they maintain a policy of full self insurance. The Executive Committee of the RTC approved implementation of a full self insurance program on February 18, 1992. Pursuant to that policy, RTC no longer generally maintains third party property and casualty insurance policies and shall not maintain a property or casualty insurance policy under this lease.

I hope that the above explanation is acceptable to Addison Airport. If you need any further information or clarification, please call me directly at (215) 832-2422.

Thank you very much for your help in this matter.

Very truly yours,

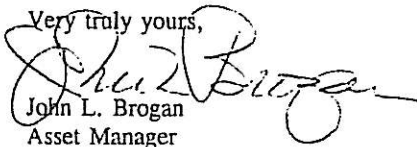

John L. Brogan
Asset Manager

EXHIBIT "D"

ORIGINAL

203

ASSIGNMENT OF GROUND LEASE

THIS AGREEMENT is made this 2nd day of December, 1993, between Resolution Trust Corporation as Receiver for Empire Federal Savings Bank of America, ("RTC") successor in interest to Blakely Airport Joint Venture as to the ground lease described herein, hereinafter called "Assignor", and Itex Environmental Service, Inc., hereinafter called "Assignee".

**

WHEREAS, a ground lease ("Ground Lease"), as amended, was executed on March 2, 1981, between CITY OF ADDISON AND ADDISON AIRPORT OF TEXAS, INC., as the Lessor, and Texas Federal Savings and Loan, ("Texas Federal") as Lessee, by the terms of which certain real property located on the Addison Airport was leased to Texas Federal, as Lessee, upon the terms and conditions provided therein; and

WHEREAS, by Assignment of Lease dated June 30, 1983, Texas Federal assigned the Ground Lease to Blakely Airport Joint Venture ("Blakely") and Blakely thereupon became the Lessee; and

WHEREAS, RTC is the successor in interest to Blakely as to the Ground Lease; and

WHEREAS, the Assignor now desires to assign the Ground Lease to the 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 the Assignor's right, title and

** amended to read and Itex Environmental Services, Inc., a Delaware corporation and Ritchie Studer

interest in and to the Ground Lease hereinbefore described, a copy of which is attached hereto as Exhibit "A", and the Assignee hereby agrees to and does accept the assignment, and in addition expressly assumes and agrees to keep, perform and fulfill all terms, covenants, conditions and obligations required to be kept, performed and fulfilled by the Assignor as the Lessee thereunder, including the making of all payments due to or payable on behalf of the Lessor under said Ground Lease when due and payable.

The Assignee hereby agrees to indemnify and hold the Assignor, its successors and assigns, harmless from and against any and all actions, claims and demands whatsoever, including reasonable attorney's fees, arising subsequent to the execution of this Assignment as the result of the failure of the Assignee to comply with and perform all of the covenants, terms and conditions to be performed by the Assignee under and pursuant to this agreement.

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

EXECUTED the day and year first above written.

ASSIGNOR:

Resolution Trust Corporation, in its capacity as Receiver for Empire Federal Savings Bank of America

By: G. Patrick Hallenbeck
G. Patrick Hallenbeck
Attorney-In-Fact

ASSIGNEE:

Itex Environmental Service, Inc.

By: Ritchie Studer
Name: RITCHIE G STUDER
Title: CEO
Ritchie Studer
Ritchie Studer

CONSENT OF LESSOR

The undersigned are the Lessor in the Ground Lease described in the foregoing Assignment and hereby consent to the assignment of the Ground Lease to the above Assignee, waiving none their rights thereunder as ^{to} the Lessee or the Assignee.

LESSOR:

City of Addison, Texas

By: NA
Name: _____
Title: _____

Addison Airport of Texas, Inc.

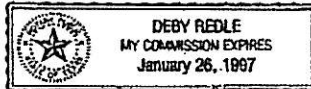
By: Sam Stuart
Name: SAM STUART
Title: President

STATE OF Texas)
) SS.
COUNTY OF Dallas)

BEFORE ME, the undersigned authority, on this day personally appeared Richie Studer who is the CEO of Itex Environmental Service Inc., ^{/ and Ritchie Studer, individually} known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and considerations therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the ^{3rd day} ~~2nd~~ day of December 1993.

Deby Redle
Notary Public



STATE OF)
) SS.
COUNTY OF)

BEFORE ME, the undersigned authority, on this day personally appeared NA who is the _____ of the City of Addison, Texas, 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 2nd day of December 1993.

Notary Public

STATE OF Texas)
) SS.
COUNTY OF Dallas)

BEFORE ME, the undersigned authority, on this day personally appeared Don Stuart who is 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.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 2nd day of December 1993.



Shawna Henderson
Notary Public

ORIGINAL

2023

ASSIGNMENT OF GROUND LEASE

THIS AGREEMENT is made this 2nd day of December, 1993, between Resolution Trust Corporation as Receiver for Empire Federal Savings Bank of America, ("RTC") successor in interest to Blakely Airport Joint Venture as to the ground lease described herein, hereinafter called "Assignor", and Itex Environmental Service, Inc., hereinafter called "Assignee".

**

WHEREAS, a ground lease ("Ground Lease"), as amended, was executed on March 2, 1981, between CITY OF ADDISON AND ADDISON AIRPORT OF TEXAS, INC., as the Lessor, and Texas Federal Savings and Loan, ("Texas Federal") as Lessee, by the terms of which certain real property located on the Addison Airport was leased to Texas Federal, as Lessee, upon the terms and conditions provided therein; and

WHEREAS, by Assignment of Lease dated June 30, 1983, Texas Federal assigned the Ground Lease to Blakely Airport Joint Venture ("Blakely") and Blakely thereupon became the Lessee; and

WHEREAS, RTC is the successor in interest to Blakely as to the Ground Lease; and

WHEREAS, the Assignor now desires to assign the Ground Lease to the 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 the Assignor's right, title and

** amended to read and Itex Environmental Services, Inc., a Delaware corporation and Ritchie Studer

EXHIBIT "E"

interest in and to the Ground Lease hereinbefore described, a copy of which is attached hereto as Exhibit "A", and the Assignee hereby agrees to and does accept the assignment, and in addition expressly assumes and agrees to keep, perform and fulfill all terms, covenants, conditions and obligations required to be kept, performed and fulfilled by the Assignor as the Lessee thereunder, including the making of all payments due to or payable on behalf of the Lessor under said Ground Lease when due and payable.

The Assignee hereby agrees to indemnify and hold the Assignor, its successors and assigns, harmless from and against any and all actions, claims and demands whatsoever, including reasonable attorney's fees, arising subsequent to the execution of this Assignment as the result of the failure of the Assignee to comply with and perform all of the covenants, terms and conditions to be performed by the Assignee under and pursuant to this agreement.

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

EXECUTED the day and year first above written.

ASSIGNOR:

Resolution Trust Corporation, in its capacity as Receiver for Empire Federal Savings Bank of America

By: G. Patrick Hallenbeck
G. Patrick Hallenbeck
Attorney-In-Fact

ASSIGNEE:

Itex Environmental Service, Inc.

By: Ritchie G Studer
Name: RITCHIE G STUDER
Title: CEO
Ritchie G Studer
Ritchie Studer

CONSENT OF LESSOR

The undersigned are the Lessor in the Ground Lease described in the foregoing Assignment and hereby consent to the assignment of the Ground Lease to the above Assignee, waiving none their rights thereunder as the Lessee or the Assignee.

LESSOR:

City of Addison, Texas

By: NA

Name: _____

Title: _____

Addison Airport of Texas, Inc.

By: Sam Stuart

Name: SAM STUART

Title: President

COMMONWEALTH OF PENNSYLVANIA)
) SS.
COUNTY OF MONTGOMERY)

On this, the 2nd day of December, 1993, before me, the undersigned notary public, personally appeared G. Patrick Hallenbeck who is the Attorney-in-Fact for Resolution Trust Corporation, in its capacity as Receiver for Empire Federal Savings Bank of America, with an office at 1000 Adams Avenue, Norristown, Pennsylvania, 19403, known to me or satisfactorily proven to be so, and that as such is authorized to execute the within Assignment, and acknowledged that he executed the same for the purpose therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and notarial seal.

Jane A. Wolf
Notary Public *Jane A. Wolf*

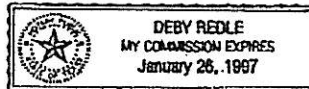
Notarial Seal
Jane A. Wolf, Notary Public
Lower Providence Twp., Montgomery County
My Commission Expires April 28, 1997

STATE OF Texas)
) SS.
COUNTY OF Dallas)

BEFORE ME, the undersigned authority, on this day personally appeared Ritchie Studer who is the CEO of Itex Environmental Service Inc., / and Ritchie Studer, individually whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and considerations therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the ^{3rd day} ~~2nd~~ day of December 1993.

Deby Redle
Notary Public



STATE OF)
) SS.
COUNTY OF)

BEFORE ME, the undersigned authority, on this day personally appeared NA who is the _____ of the City of Addison, Texas, 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.

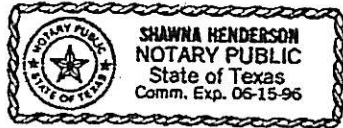
GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 2nd day of December 1993.

Notary Public

STATE OF Texas)
COUNTY OF Dallas) SS.

BEFORE ME, the undersigned authority, on this day personally appeared Don Stuart who is 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.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 2nd day of December 1993.



Shawna Henderson
Notary Public

BOARD OF ZONING ADJUSTMENT

MEMBERS

Corie Ewing

4000 Bobbin Lane
Addison, TX 75001-4901
(H) 972-386-7741
Term Expires: 03-08-2007 – 3rd Term

W. David Griggs

14605 Dartmouth Court
Addison, TX 75001-4439
(W) 214-979-9378
(H) 972-406-9667
Term Expires: 03-08-2007 – 3rd Term

Charles “Chick” Martin

14810 Lochinvar Drive
Dallas, TX 75254-7528
(H) 972-733-3177
Term Expires: 12-13-2007 – 2nd Term

Maggie McQuown

14600 Brookwood Lane
Addison, TX 75001-0234
(W) 972-247-0234
Term Expires: 4-11-2008 2nd Term

Kathryn Wheeler

14925 Havenshire Place
Dallas, TX 75254-7650
(H) 972-503-6777
Term Expires: 6-13-2008 – 1st Term

ALTERNATES

Virgil Burkhardt

4007 Winter Park Lane
Addison, TX 75001-4904
(H) 972-490-8517
Term Expires: 9-28-2006 1st Term

Joel Davis

4067 Beltway Drive #148
Addison, TX 75001-4920
(W) 214-743-5427
(H) 972-490-0440
Term Expires: 9-28-2006 – 1st Term

William Green

3845 Canot Lane
Addison, TX 75001-7904
(W) 214-263-5661
(H) 972-484-3234
Term Expires: 9-28-2006-1st Term

Carmen Moran

Staff Liaison
P.O. Box 9010
Addison, TX 75001-9010
(W) (972) 450-7018
Fax (972) 450-7043

Council Agenda Item: #ES2

There are no attachments for this item.