



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

Fax: (972) 450-7043

AGENDA

WORK SESSION OF THE CITY COUNCIL

6:00 P.M.

AND

REGULAR MEETING OF THE CITY COUNCIL

7:30 P.M.

JANUARY 22, 2008

TOWN HALL

5300 BELT LINE ROAD

WORK SESSION

Item #WS1 - Discussion regarding existing and future Special Use Permits issued pursuant to the zoning processes of the Town, including the issuance, modification, amendment, review, renewal, and repeal of such Special Use Permits.

Item #WS2 - Discussion regarding zoning and policing efforts at Addison hotels.

Item #WS3 - Discussion and review of the status of the Citizen Advisory Committee Process.

REGULAR SESSION

Item #R1 - Consideration of Old Business.

Item #R2 - Consent Agenda.

#2a - Approval of the Minutes for:
January 8, 2008, Regular City Council Meeting

Item #R3 - Presentation of Annual Planning and Zoning Commission report to the Council, presented by P&Z Chairman, Alan Wood.

Item #R4 - Consideration and approval to enter into an agreement with Krause Advertising to coordinate the market research and brand development for the Town as outlined in the Bonner Group Proposal.

Attachments:

1. Council Agenda Item Overview
2. Proposal

Administrative Recommendation:

Administration recommends approval.

Item #R5 - Consideration of and approval to enter into an agreement with RD&F Advertising to design, write and print a bi-monthly newsletter to be mailed and distributed to Addison residents and businesses.

Attachments:

1. Council Agenda Item Overview
2. RD&F Proposal

Administrative Recommendation:

Administration recommends approval.

Item #R6 - Consideration and approval to award the bid for Stage, Sound and Lighting services (08-08) to three bidders as follows for the 2008 special event season with the option to renew for two additional years.

Attachments:

1. Council Agenda Item Overview
2. Memorandum

Administrative Recommendation:

Administration recommends approval.

Item #R7 - Discussion and consideration and approval of the Town of Addison Business Retention Program.

Attachments:

1. Memorandum-Business Retention Plan Summary
2. Categories
3. Business Incentive Thresholds
4. List of Addison Companies
5. Script for Business Visits
6. Richardson Economic Development Sales Calls

Administrative Recommendation:

Administration recommends approval.

Item #R8 - Consideration and approval of an Assignment of Ground Lease between the Town of Addison, as Landlord, and Triad CSPG, LLC, as Tenant, Ground Lease 0660-5702, from Triad CSPG, LLC to JJS Hangar, LLC.

Attachments:

1. Council Agenda Item Overview
2. Lease

Administrative Recommendation:

Administration recommends approval.

Item #R9 - Consideration and approval to participate in the Project Lifesaver Program with the Senior Adult Services.

Attachments:

1. Council Agenda Item Overview
2. Memorandum
3. Agreement

Administrative Recommendation:

Administration recommends approval.

Item #R10 - Consideration and approval authorizing the City Manager to negotiate a development agreement with UDR, Inc.

Attachments:

1. Stainback Analysis

Administrative Recommendation:

Administration recommends approval.

Item #R11 - Consideration and approval of an ordinance approving a settlement agreement between the Atmos Cities Steering Committee (including the Town of Addison) and Atmos Energy Corp., Mid-Tex Division regarding Atmos' Statement of Intent to change gas rates in all cities, including Addison; declaring existing rates to be unreasonable, adopting tariffs with rate adjustments consistent with the settlement agreement, and finding the rates to be set by the attached tariffs to be just and reasonable.

Attachments:

1. Council Agenda Item Overview
2. Ordinance

Administrative Recommendation:

Administration recommends approval.

Item #R12 - Consideration and approval of a business private switch agreement for 9-1-1 service with Frito Lay Incorporated.

Attachments:

1. Council Agenda Item Overview
2. Frito Lay Request

Administrative Recommendation:

Administration recommends approval.

EXECUTIVE SESSION

Item #ES1 - Closed (executive) session of the City Council pursuant to Section 551.071, Texas Government Code, to conduct a private consultation with its attorney(s) to seek the advice of its attorney(s) about pending litigation, to wit: *In re Henley's Aviation Investments, Inc.*, Case No. 07-34905, United States Bankruptcy Court for the Northern District of Texas, Dallas Division, or a settlement offer in connection therewith.

Item #ES2 - Closed (executive) session of the City Council pursuant to Section 551.071, Texas Government Code, to conduct a private consultation with its attorney(s) to seek the advice of its attorney(s) about pending litigation, to wit: *Thielsch Engineering, Inc. v. Town of Addison, Texas*, Cause No. 08-00463, 95th District Court, Dallas County, Texas.

Item #R13 - Consideration of any action in connection with pending litigation, to wit: *In re Henley's Aviation Investments, Inc.*, Case No. 07-34905, United States Bankruptcy Court for the Northern District of Texas, Dallas Division, or a settlement offer in connection therewith.

Item #R14 - Consideration of any action regarding pending litigation, to wit: *Thielsch Engineering, Inc. v. Town of Addison, Texas*, Cause No. 08-00463, 95th District Court, Dallas County, Texas.

Adjourn Meeting

Posted:
January 18, 2007 at 5:00 P.M.
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 WS#1

There are no attachments for this Item.

Council Agenda Item WS#2

There are no attachments for this Item.

Council Agenda Item #WS3

There are no attachments for this Item.

**OFFICIAL ACTIONS OF THE ADDISON CITY COUNCIL
WORK SESSION**

January 8, 2008
6:00 P.M. – Town Hall
5300 Belt Line Road
Upstairs Conference Room

Present: Mayor Chow, Councilmembers Braun, Hirsch, Meier, Mellow and Niemann

Absent: Councilmember Kraft.

Work Session

Item #WS1 - Discussion of Special Events Bidding Process.

Barbara Kovacevich led the discussion regarding the Special Events Bidding Process.

There was no action taken on this item.

Item #WS2 - Discussion of Operational Status of Addison Airport Bulk Fuel Storage Facility.

Aaron Russell, Assistant Director of Public Works, led the discussion regarding Operational Status of Addison Airport Bulk Fuel Storage Facility.

There was no action taken on this item.

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

Mayor

Attest:

City Secretary

**OFFICIAL ACTIONS OF THE ADDISON CITY COUNCIL
REGULAR SESSION**

January 8, 2008
7:30 P.M. – Town Hall
5300 Belt Line Road
Council Chambers

Present: Mayor Chow, Councilmembers Braun, Hirsch, Meier, Mellow and Niemann

Absent: Councilmember Kraft

Regular Session

Item #R1- Consideration of Old Business.

The following employees were introduced to the Council: Grayson Sanders with the Fire Department, Beverly Gaume with the General Services Department and Tim Hastings with the Environmental Services Department.

Item #R2- Consent Agenda.

#2a - Approval of the Minutes for:

December 11, 2007, Regular City Council Meeting.

Councilmember Meier asked for clarification of Item #R11.

Councilmember Niemann moved to duly approve the Minutes for the December 11, 2007, Regular City Council Meeting as written.

Councilmember Braun seconded. Motion carried.

Voting Aye: Chow, Braun, Hirsch, Meier, Mellow, Niemann

Voting Nay: None

Absent: Kraft

Item #R3- Presentation and briefing on the town wide WiFi network upgrade by a representative from RedMoon.

Bryan Thompson of RedMoon led the presentation and briefing on the town wide WiFi network upgrade.

There was no action taken on this Item.

Item #R4- Consideration and approval of a Resolution for the appointment of Scott Wheeler to the Dallas Central Appraisal District (DCAD) Board of Directors.

Councilmember Niemann moved to duly approve Resolution No. R08-001 for the appointment of Scott Wheeler to the Dallas Central Appraisal District (DCAD) Board of Directors.

Councilmember Mellow seconded. Motion carried.

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

Item #R5- Consideration and approval for the purchase and installation of new carpet and area rugs at various town facilities under the Town's Inter-local Agreement with The Cooperative Purchasing Network (TCPN) in the amount of \$164,824.88.

Councilmember Braun moved to duly approve the purchase and installation of new carpet and area rugs at various town facilities under the Town's Inter-local Agreement with The Cooperative Purchasing Network (TCPN) in the amount of \$164,824.88.

Councilmember Meier seconded. Motion carried.

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

Item #R6- Consideration and approval of a bid for Electrical Services (Bid No. 7-20) for Addison special events for a three year period beginning 2008.

Councilmember Braun moved to duly approve a bid for Electrical Services (Bid No. 7-20) for Addison special events for a three year period beginning 2008.

Councilmember Mellow seconded. Motion carried.

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

Item #R7- Consideration and approval of a bid for Tent Services (Bid No. 7-21) for Addison special events for a three year period beginning 2008.

Councilmember Meier moved to duly approve a bid for Tent Services (Bid No. 7-21) for Addison special events for a three year period beginning 2008.

Councilmember Braun seconded. Motion carried.

Voting Aye: Chow, Braun, Hirsch, Meier, Mellow, Niemann

Voting Nay: None

Absent: Kraft

Item #R8- Rejection of a bid for Stage, Sound and Lighting Services (Bid No. 7-22) for Addison special events for a three year period beginning 2008.

Councilmember Niemann moved to duly approve the rejection of a bid for Stage, Sound and Lighting Services (Bid No. 7-22) for Addison special events for a three year period beginning 2008.

Councilmember Meier seconded. Motion carried.

Voting Aye: Chow, Braun, Hirsch, Meier, Mellow, Niemann

Voting Nay: None

Absent: Kraft

Item #R9- Consideration and approval of bid for Fencing Services (Bid No. 7-23) for Addison special events for a three year period beginning 2008.

Councilmember Braun moved to duly approve a bid for Fencing Services (Bid No. 7-23) for Addison special events for a three year period beginning 2008.

Councilmember Niemann seconded. Motion carried.

Voting Aye: Chow, Braun, Hirsch, Meier, Mellow, Niemann

Voting Nay: None

Absent: Kraft

Item #R10- Consideration and approval of bid for Restroom and Trash Services (Bid No. 7-24) for Addison special events for a three year period beginning 2008.

Councilmember Hirsch moved to duly approve a bid for Restroom and Trash Services (Bid No. 7-24) for Addison special events for a three year period beginning 2008.

Councilmember Meier seconded. Motion carried.

Voting Aye: Chow, Braun, Hirsch, Meier, Mellow, Niemann

Voting Nay: None

Absent: Kraft

Item #R11- Consideration and approval of bid for Trash Pick-up Services (Bid No. 7-25) for Addison special events for a three year period beginning 2008.

Councilmember Niemann moved to duly approve a bid for Trash Pick-up Services (Bid No. 7-25) for Addison special events for a three year period beginning 2008.

Councilmember Hirsch seconded. Motion carried.

Voting Aye: Chow, Braun, Hirsch, Meier, Mellow, Niemann

Voting Nay: None

Absent: Kraft

Item #R12- Consideration and approval of bid for Miscellaneous Rental Services (Bid No. 7-27) for Addison special events for a three year period beginning 2008.

Councilmember Braun moved to duly approve a bid for Miscellaneous Rental Services (Bid No. 7-27) for Addison special events for a three year period beginning 2008.

Councilmember Meier seconded. Motion carried.

Voting Aye: Chow, Braun, Hirsch, Meier, Mellow, Niemann

Voting Nay: None

Absent: Kraft

Item #R13- Presentation and discussion by the Bonner Group regarding market research and brand development for the Town.

Margaret Bonner, Bonner Group, made the presentation and led the discussion for the Bonner Group regarding market research and brand development for the Town.

There was no action taken on this Item.

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

At 9:12 P.M., Mayor Chow announced that Council would convene into Executive Session to discuss the following items:

Item #ES1 - Closed (executive) session of the City Council, pursuant to Section 551.071 of the Texas Government Code, to conduct a private consultation with its attorney(s) to seek the advice of its attorney(s) about contemplated litigation, and/or on a matter or matters 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, regarding and relating to the Addison Airport Bulk Fuel Storage Facility.

The Council came out of Executive Session at 9:46 P.M.

Item #R-14- Consideration of approval of any action regarding the Addison Airport Bulk Fuel Storage Facility.

There was no action taken on this Item.

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

Mayor

Attest:

City Secretary

ITEM #R3

There are no Attachments for this Item.

Council Agenda Item: #R4

SUMMARY:

Consideration and approval to enter into an agreement with Krause Advertising to coordinate the market research and brand development for the Town as outlined in the Bonner Group Proposal.

FINANCIAL IMPACT:

\$50,000 allocated in FY08 budget
Total cost to conduct and analyze the research is \$46,000.

BACKGROUND:

One of the recommendations resulting from the work of the Public Relations Citizens Advisory Committee and embraced by the City Council was that additional research to determine the perceptions regarding the Addison brand needed to be conducted. Based on the results of that research a campaign to reintroduce and enhance the Addison brand would be developed.

Based on Council's discussion at the January 8 meeting, the proposal was revised to include an employee survey. The cost for the additional survey and analysis is \$3500.

RECOMMENDATION:

Staff recommends that Council contract with Krause Advertising to coordinate the market research and brand development for the Town.

the**bonner**group

Research Proposal Town of Addison

January 16, 2008



the**bonner**group

About the Bonner Group



- Independent, privately held, Dallas based
- Specializing in market research and strategy
- Emphasis in retail and entertainment industries
- Founded 2004 by Margaret Bonner

Principal Background

- Brand Director Revlon New York
- 16 years with Tracy-Locke/ DDB Dallas
- Managing Partner DDB Dallas
- Trained internationally in consumer planning and marketing strategy

the**bonner**group

Why the Bonner Group?



Right Approach

- Focus on information gathering to arrive at practical *marketing solutions*
- Emphasis in *retail and entertainment industries*
- Alliance with long-time Town of Addison partner-Krause Agency

Recent Relevant Firm Experience

Landry's Restaurants

Friends of Fair Park

Houston Livestock Show and Rodeo

American Heart Association

Wine Growers of Bordeaux



Background/Current Situation:

- Addison has been role model for other towns and cities with:
 - Innovative management and governance
 - Unique and evolving marketing techniques
 - Highly successful special events program to drive traffic and trial
 - A disciplined and forward thinking approach to retail mix and town planning

Background/Current Situation:

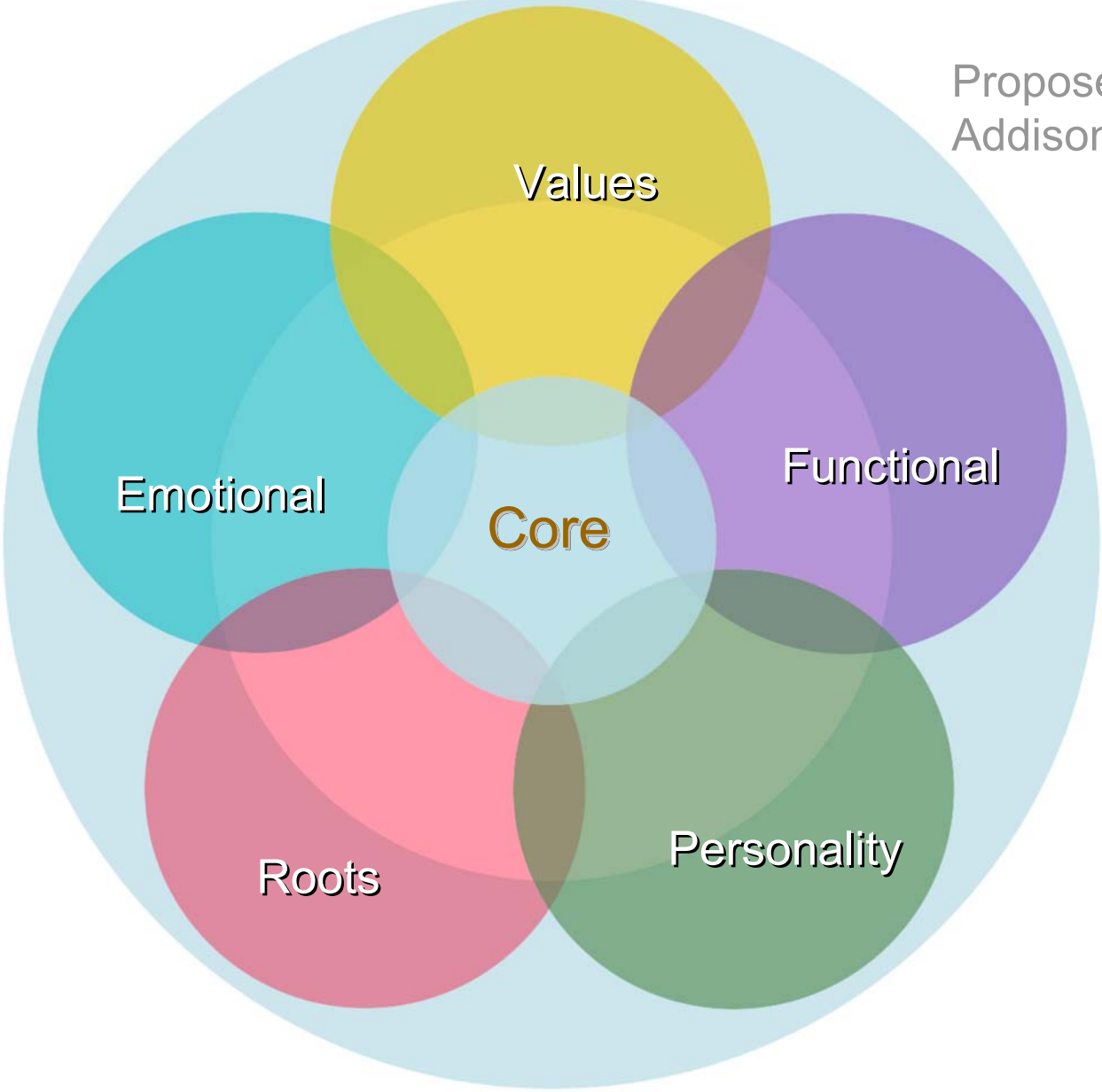
- Changes to Addison's competitive environment and audiences could adversely impact future success.
 - Growth of northern suburbs
 - More “wet” areas nearby
 - More area events e.g. Wildflower Festival
 - Change in citizen base with higher end condo and apartment expansion
- Potential to create a **blurring** of what the Town of Addison stands for and its **unique brand identity**

Background/Current Situation:

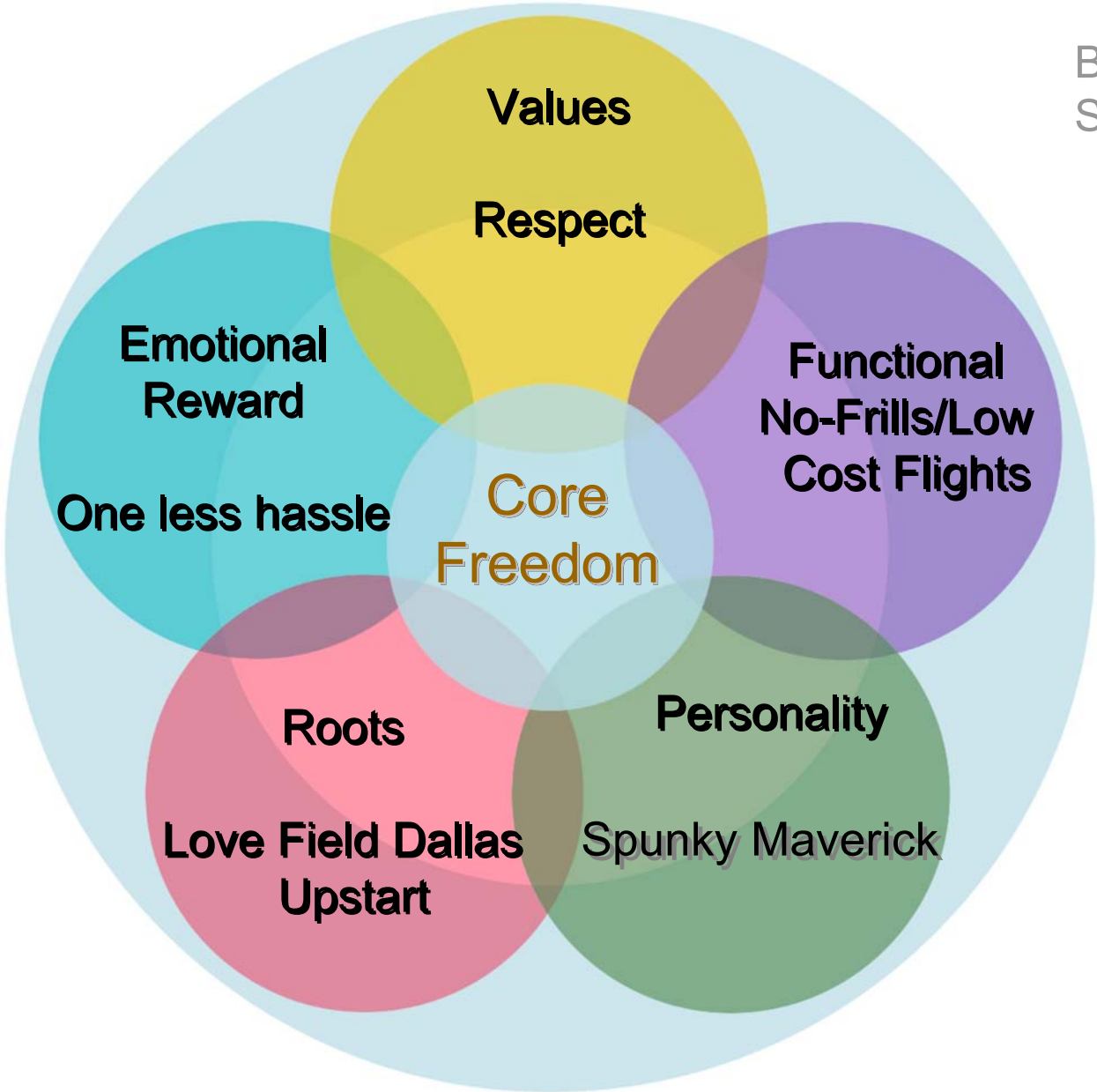
- The last research for Addison was done in 2000 (qualitative focus groups)
- Town management and council recognizes the need to **update** and **expand** on that research in light of changes to environment
- Need to understand the Addison **brand** through its audiences' eyes:
 - *What makes Addison **DISTINCTIVE** from other choices I have for entertainment/dining/shopping?*
 - *What does Addison have that makes it more **RELEVANT** to me?*
 - *Why is the Addison experience more **COMPELLING** than other choices?*

- **What's a Brand?**
 - More than a logo
 - More than a product or experience
 - More than the people behind it
 - More than its history
 - More than its management's ideals and values
- **It is all of these things seen through the lenses of its audiences.**

Proposed Brand Wheel:
Addison



Brand Wheel Example
Southwest Airlines



Strengths

Loyal Core
Franchise Position Time of Year
High overall awareness/familiarity
Historical brand/logo familiarity & appeal
Brand stands separate from Competition

Weaknesses

Value perception (pricing ambiguity)
Accessibility perception
Security perception
Appeal to growing ethnic & younger audiences

Opportunities

Expanding Trading Radius
Non-supporting businesses
Non-country-music consumers
Younger/ethnic markets
Expanded marketing mix
Converting trial to frequency

Threats

History construction/obstacles
Stagnant/declining concert attendance
Animal rights pressure
General economic conditions

A Brand that is Unique, Relevant and
Compelling has:
Value, Loyalty and Regard

the**bonner**group



Consumer Entrée Premium 15% vs. Competition



Price/Earnings ratio of 18 versus AMR's of 10

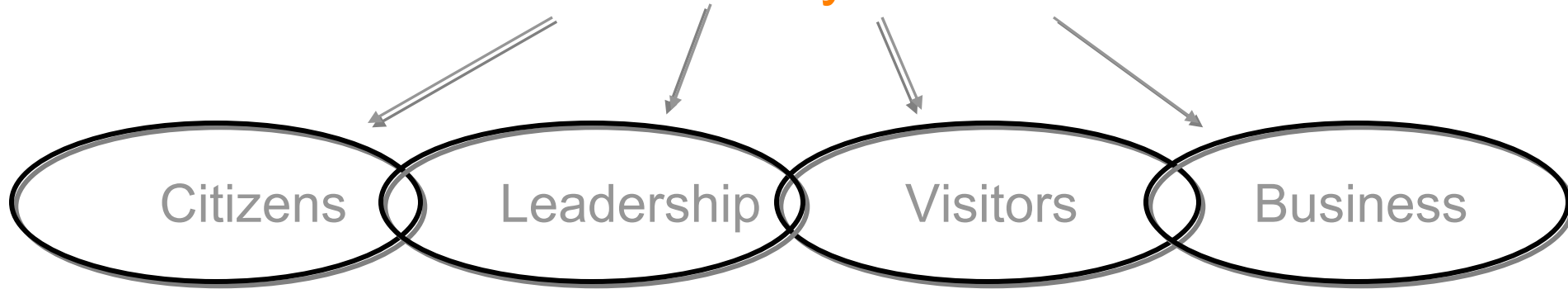


Brand Approval Among Target: 88%

Project Objective:

- Develop an understanding of what are the Town of Addison's strengths, weaknesses and opportunities informed by research among *all key audiences*
- Identify specific strategies and tactics to help reach the town's objectives
- Create a clear vision of the Addison brand

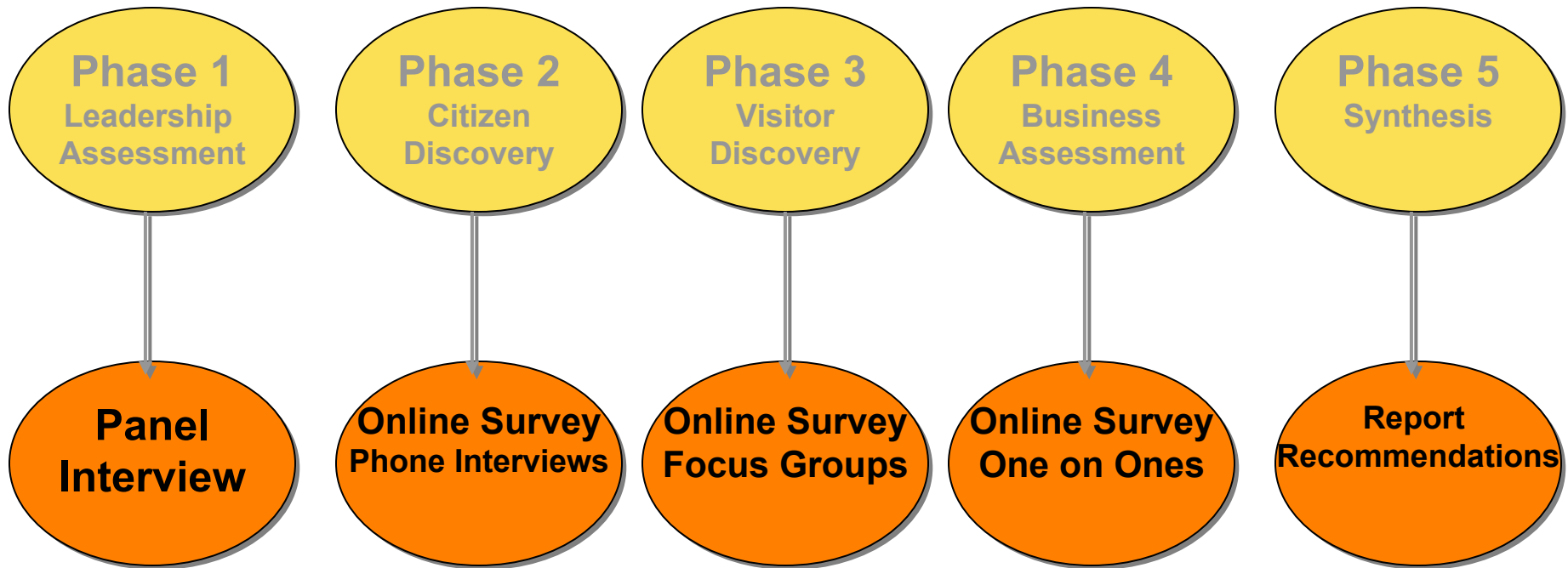
Addison Primary Audiences



Additional audience consideration Town of Addison employees

Research Proposal Addison

- **Research Phases and Methodology**



Research Proposal Addison

- **Research Phases and Methodology Description**



In person panel discussion with council members and town management to uncover:

- Key issues
- Growth, quality of life and marketing objectives
- Consensus on project outcomes
- Specific initiative emphasis

Research Proposal Addison

- **Research Phases and Methodology Description**

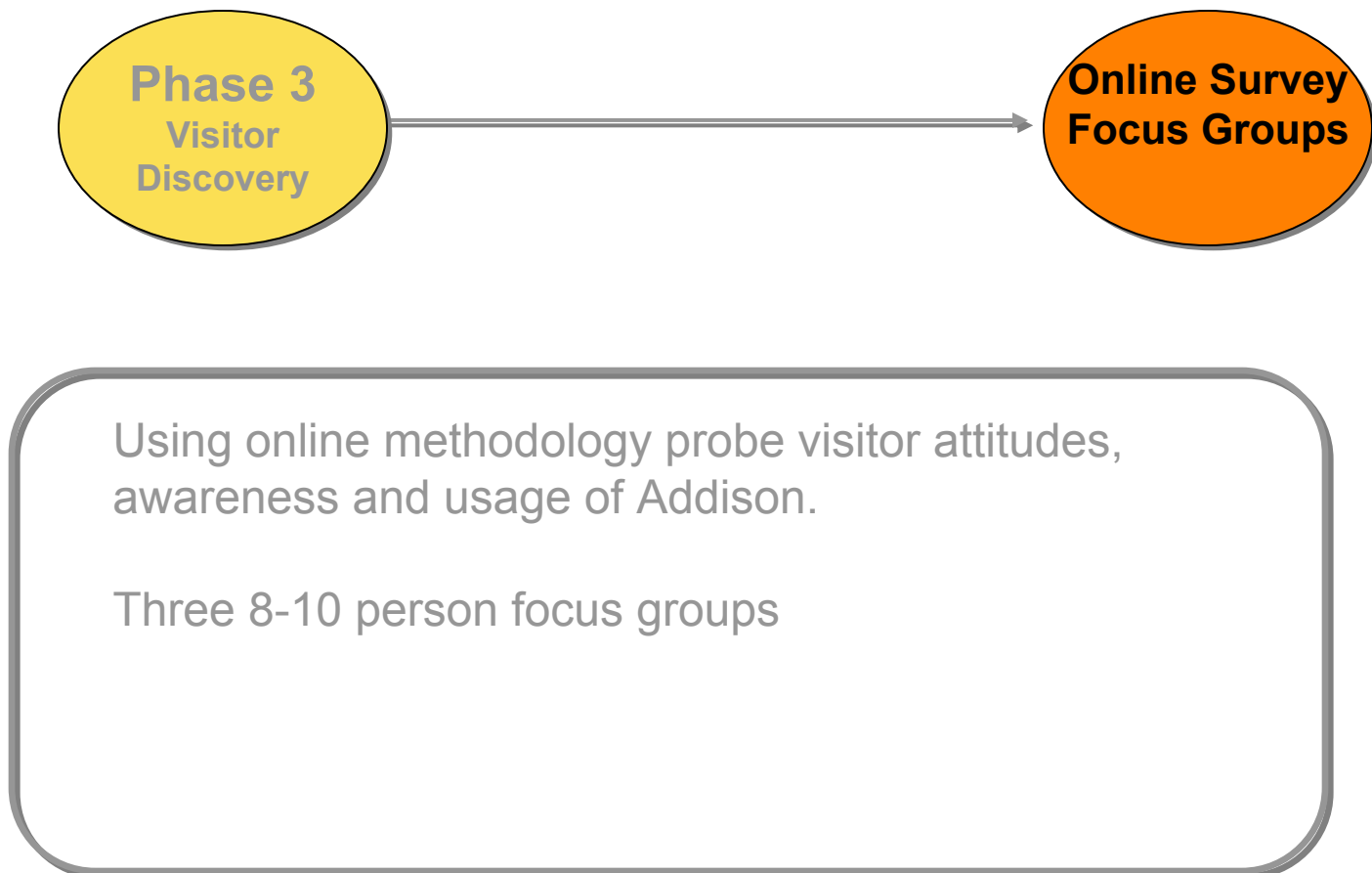


Using online methodology probe citizen attitudes, awareness and usage of Addison.

- Piggy back with satisfaction phone survey, use database of emails, invite citizens through water bills
- Current perceptions regarding competitive set versus Addison strengths and weaknesses
- Media usage

Research Proposal Addison

- **Research Phases and Methodology Description**



Research Proposal Addison

- **Research Phases and Methodology Description**



Using online methodology and one on one interviews probe business leaders regarding Addison's strengths, weaknesses and opportunities versus its competitive set

- Business environment
- Opportunities for enhancements
- Test specific events/ ideas

Research Proposal Addison

- **Research Phases and Methodology Description**



Full report combining all phases of research:

- Specific recommendations for communications, Town initiatives and audience opportunities
- SWOT Analysis
- Brand Wheel

Deliverables

Phase 1

- Discussion guide for leadership panel
- Report from leadership discussion

Phase 2

- Online questionnaire for citizens
- Design, launch, monitor and report of online citizen questionnaire

Phase 3

- Online questionnaire for visitors for two data bases (opt-in email and large employers)
- Design, launch, monitor and report of online visitor questionnaire
- Recruitment, screener, incentives, discussion guide, moderating, video recording and report development for three visitor focus group
- Positioning statements
- Report on results and recommendations

Phase 4

- Create online questionnaire and discussion guide for business
- Design, launch, monitor and report of online business questionnaire
- Conduct one on ones with business leaders

Phase 5

- Report combining all phases of research

thebonnergroup

Description	Week One	Week Two	Week Three	Week Four	Week Five	Week Six	Week Seven	Week Eight	Week Nine	Week Ten	Week Eleven	Week Twelve
Leadership Discussion	✓											
Development online questionnaires		→										
Field online				✓								
Focus group preparation					→							
Online reports								→				
Conduct groups										✓		
Focus group report											✓	
Final Report												✓

Item	Cost
Interviews with leadership	\$1,180
Citizen questionnaire development and report	\$2,295
Three visitors focus groups	\$17,650
Visitor online and report	\$4,120
Business online and report	\$2,295
Business one on ones	\$2,295
Employee online and report	\$3,470
Final report and recommendations	\$3,550
Management, strategy and brand recommendations	\$8,800
TOTAL	\$45,655

Council Agenda Item: #R5

SUMMARY: Consideration of and approval to enter into an agreement with RD&F Advertising to design, write and print a bi-monthly newsletter to be mailed and distributed to Addison residents and businesses.

FINANCIAL IMPACT:

Total cost: \$74,500

Funds are budgeted in the Council and Marketing Budget for this expense.

BACKGROUND:

One of the areas of concern noted by several of the Citizens Advisory Committee was the need to provide more timely information on the variety of activities occurring in Addison in both electronic and written format; and to provide the information in such a manner that it could be more widely distributed. Staff visited with RD&F Advertising who has produced the newsletter for a number of years and based on those discussions, RD&F developed a template that addresses those needs. The template is designed to be flexible and provide information in a concise manner.

RECOMMENDATION:

Staff recommends approval.

RID&F

Town of Addison
Resident and Visitor Communications Proposal
January 2008

RD&F

- At RD&F we build brands that build business. Working with clients in a wide range of industries, we move with purpose to develop brands with stronger strategies, bigger voices, and better creative executions. From dynamic brand positioning and bold content creation to focused media implementation, RD&F excels at creating work that works.

- 2008 Resident and Visitor Communications Plan

The Town of Addison has always been a great place to live, work and play. The Addison Newsletter has served a vital role in communicating to residents all that the Town has to offer. However, because of the progressive, ever-changing nature of the Town, there are increasingly more things going on in Addison. Therefore, a need for more frequent, more dynamic communications pieces has arisen.

The following proposal details a dynamic, multi-media resident and visitor communications plan that, if implemented, will serve to keep Addison as the top-of-mind destination for shopping, dining, events, meetings and more. In 2008, we will reach out to more people, in more ways, more frequently.

• **Printed Newsletter (Bimonthly)**

RD&F will design, write, produce, print and coordinate mailing and delivery of a full color, 6-page, 6" x 11" newsletter for Addison residents and businesses.

20,000 pieces will be printed. 15,000 will be mailed to zip codes 75001 and 75254. The remaining 5,000 will be cut-down and shrink wrapped into quantities of 25 and delivered to area businesses for distribution.

With this new, more frequent, more compact version, residents will now more than ever be able to stay current with "Happenings" in Addison. A new look and feel for 2008 will be established and carried over into future communication pieces (e-blasts, kiosks) giving the Town a unified brand presence.

• **\$2,500 one-time concept fee**

• **\$12,000 each edition**



MUST SEE & MUST DO:

FEBRUARY 3
SUPERBOWL XLII
 CHECK OUT
 ADDISONTEXAS.NET
 FOR FAN FRIENDLY
 PLACES TO WATCH
 THE BIG GAME!

FEBRUARY 5
MARDI GRAS
 CELEBRATE FAT
 TUESDAY AT YOUR
 FAVORITE ADDISON
 PUB.

FEBRUARY 14
VALENTINE'S DAY
 MAKE ROMANTIC
 RESERVATIONS
 FOR THAT SPECIAL
 LOVE OF YOUR LIFE.
 ONE OF THE MANY
 RESTAURANTS OR
 HOTELS IN THE
 ADDISON AREA.

JANUARY FEBRUARY
ADDISON HAPPENINGS

Your bi-monthly source for events, attractions and everything that's hip and happening in Addison.



SUPERATMOSPHERE

This February 3rd, come to Addison and watch the Big Game in a big way, then keep the party going on February 5th! With specials on appetizers, drinks and more, everyone wins this Super Bowl Sunday and Fat Tuesday!

- | | |
|--|---|
| Addison Point
4578 Belt Line Road
972-661-2330 | Koesters
5005 Belt Line Road
972-392-9464 |
| BlackFin
4440 Bartling Road
469-374-7667 | Humperdinck's
3820 Belt Line Road
972-484-5051 |
| Benignus Sport
5260 Belt Line Road
972-233-2707 | Ker's Winphouse & Grill
4080 Belt Line Road
972-716-9464 |
| Buffalo Wild Wings Grill
5000 Belt Line Road
972-701-9464 | Outer Marker Sports Cafe
16101 Addison Road
972-380-0426 |
| Champs
4951 Belt Line Rd.
972-991-3335 | Pastazios Pizza
5026 Addison Circle
972-496-9200 |
| Duke's Roadhouse
4180 Belt Line Road
972-503-2337 | Sherlock's
5100 Belt Line Rd.
972-726-6700 |
| Flying Saucer
14599 Montfort Dr.
972-991-7093 | Stadium Cafe
4872 Belt Line Road
972-701-0030 |
| Logan's Sports Bar
5920 Belt Line Rd.
972-503-5605 | TwoRows
17225 N. Dallas Parkway
972-267-2739 |

LOVELY LOCALES

This February 14th, show your Valentine how much you care with candlelight dinner reservations at one of Addison's hottest restaurants.



Firefly

14905 Midway Road • 972-788-9270

Newly opened in Addison, Firefly is a modern Asian fusion restaurant that combines the best and most unique tastes of Vietnamese, Chinese, Korean, Japanese, French and Italian cuisines.

Kobe Steaks

5000 Belt Line Road • 972-934-8150

Watch your date flip as your chef prepares delicious dinners of seafood, steaks, and chicken at your table in an atmosphere designed by one of Japan's hottest architects.



Ounce Prime Steakhouse

14866 Pantford Road • 972-593-5800

A prime location for a romantic evening, Ounce serves classics like Steak Diane, Chateaubriand for two and Beef Wellington, tempered with innovative departures like Lobster Mashed Potatoes, Champagne Miso, and Chilean Sea Bass.



Sambuca

15207 Addison Road • 972-385-8455

Romance your special someone with dinner, drinks and dancing to live jazz music at Sambuca Jazz Café. You're sure to enjoy Sambuca's mix of New American cuisine in an upscale supper club atmosphere.

The Melting Pot

4900 Belt Line Road • 972-960-7027

In addition to cheese and chocolate fondues that will have your date melting, The Melting Pot offers delicious entrée fondues of beef, poultry, seafood, and fresh vegetables.

HOTTICKETS

If dinner and a movie leaves you wanting more, quench your thirst for live theater and comedy at Addison's Watertower Theatre or Addison Improv Comedy.

WaterTower Theatre

15650 Addison Road
Box Office: 972-450-6232 • boxoffice@watertow theatre.org

William Shakespeare's As You Like It

January 17- February 10

One of Shakespeare's most magical and romantic adventures, *As You Like It* celebrates the enduring power of love in all its many disguises. Driven from her home by her uncle, Rosalind seeks protection in the Forest of Arden. There she must use her wit and wisdom to mend wicker hearts, redeem the wrongfully slandered and explore the uncharted landscape of the heart.



Almost, Maine

February 14 - March 2

With its hilarious and heartbreaking stories of love in the time of frostbite, *Almost, Maine* aims for the heart by way of the funnybone - a perfect romantic comedy for young and old alike. Snuggle up with your loved one and enjoy a winter tale that is sure to warm your heart.



Addison Improv Comedy

4960 Beltline Road • Box Office: 972-404-8501 • www.improv2.com

Greg Behrendt • February 14 - 17

Come laugh at love with Greg Behrendt. As the co-author of the two-million-copy bestseller, *He's Just Not That Into You*, Greg has established himself as the voice of reason and inspiration for all of us negotiating the waters of romantic relationships.

SWEETHEART GIFTS

Lavish your loved one with unique gifts from local Addison boutiques. From flowers and candy to fine jewelry, there's something for everyone in Addison.

Jools

5100 Belt Line Road, Suite #708 • 972-788-4143

Jewelry meets art in this delightful gallery featuring the one-of-a-kind creations of local and world-renowned jewelry artists.

The Urban Blossom

5935 Addison Circle-East • 972-763-0808

Inspire your special someone with gifts of everything from flowers and art to unique items from around the world.

J Dorian Chocolatier

972-392-9499 • 5312 Belt Line Rd

If you're sweet on someone, give them the gift of delicious chocolates from J Dorian's, or enjoy romantic dessert and ice cream.

ADDISON COMMUNITY

An inside look at local news concerning Addison area residents.

Strong and Growing: Addison Residential Updates

Construction of Ashton-Woods Homes is now under way on Asbury Circle! This development will feature 73 three-story townhomes with prices starting at \$300,000. Residents will enjoy the tree-lined walkable streets, small parks and plazas. The town also plans to tie the development into the Lee Lucas jogging trail by extending the trail north across Beltway Drive.



"Next Great Ideas" for the community

In August 2006 the Addison City Council identified and charged a group of 100 residents and interested parties with researching the "Next Great Ideas" for the community. The work of the groups was intense and comprehensive resulting in a series of recommendations to the City Council.

The recommendations of the Citizen Advisory Committees have been synthesized into the following categories for further pursuit.

- Expedite DART's Cotton Belt Line
- Pursue Enhanced Communication
- Create Addison Community Foundation
- Create a Sustainability Philosophy
- Redevelop Inwood Road
- Research Education opportunities
- Pursue Performing and Visual Art opportunities
- Explore opportunities for developing Cavanaugh Flight Museum
- Implement Business Retention and Development Strategies
- Redevelopment of Belt Line Road
- Enhance Quality of Life offerings

For further information and updates on the "Next Great Ideas" process, visit the Town's web site.

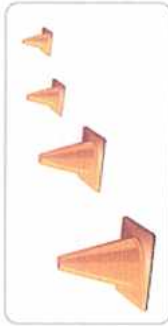
ADDISONCOMMUNITY

An inside look at local news concerning Addison area residents.



Heart Saver Courses

- When:** 1st and 3rd Saturday of each month
8 a.m. - Noon
- Where:** Town of Addison Fire Department
Fire Station 1, 4798 Airport Parkway
- What:** This is a four-hour American Heart
Association course.
- Cost:** Free. Required textbook is \$15.
- Info:** For more details or information on special
arrangements for on-site classes for large groups
please contact Monica Hernandez: 972.450.7201.



Addison Road is Complete

The construction on Addison Road is complete! Next time you are out and about, take advantage of the great restaurants on Addison Road. The Town of Addison thanks you for your patience.

COUNCIL SPOTLIGHT



The Town of Addison is a happening place to live and visit with lots of restaurants, unique shops, and fun events. Since there's always something going on, Addison is striving to keep you up-to-date with more timely information with a new, bi-monthly newsletter.

Look inside to check out what's going on in the Town of Addison, and see our fresh, new look for 2008. Be sure to visit AddisonTX.net for additional info on Addison Happenings!



WILL WINTER BE LONG OR SHORT?

This February 2nd, Celebrate Groundhog Day by spotting your shadow (or not) at one of Addison's many parks.

Addison!

TOWN OF ADDISON
P.O. Box 5210
Addison, TX 75001
972.450.7201

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Addison, Texas 75001

RD&F

- Together, we'll build stronger strategies, bigger voices, and better creative executions.

Let's go to work.

Council Agenda Item: #R6

SUMMARY:

Consideration and approval to award the bid for **stage, sound and lighting services** (08-08) to three bidders as follows for the 2008 special event season with the option to renew for two additional years:

- 1) Crossroads Audio in the amount of \$23,990.00
- 2) Onstage Systems in the amount of \$87,900.00
- 3) Executive Lighting and Sound in the amount of \$18,354.00

FINANCIAL IMPACT:

Budgeted Amount: \$140,018.20

Cost: \$130,244.00

If over budget or not budgeted, what is the budget impact? Cost is under budget.

BACKGROUND:

See attached memorandum from Barbara Kovacevich.

RECOMMENDATION:

Staff recommends approval as outlined in the attached memorandum.



MEMORANDUM

P.O. Box 9010 • 16801 Westgrove Drive • Addison, TX 75001-9010 • 972-450-6221 • 972-450-2834FAX

DATE: January 16, 2008
TO: Chris Terry, Assistant City Manager
FROM: Barbara Kovacevich, Special Event Administrator
RE: Bids for **Stage, Sound and Lighting Rentals and Services** for the 2008 Special Events
CC: Shanna Sims-Bradish, Strategic Services Manager

We would like to place an agenda item on the January 22, 2008 City Council Agenda to award the bid for **stage, sound and lighting rentals and services** for the 2008 special event season.

Background: The bid was sent to six companies and was advertised for two weeks in the newspaper and on Demand Star. A pre-bid meeting was conducted on January 3, 2008, and bids were received from six companies. The bid was divided into six sections (Jazz Festival, Taste Addison, Kaboom Town, Summer Series, Oklahoma, and Oktoberfest) that can be awarded by section or in total. Bidders submitted a bid for a total quantity of stage, sound and lighting equipment and services on an annual basis with the option to renew for two additional years.

Selection Committee:

Barbara Kovacevich, Special Event Administrator Nicole Newkham, Sr. Special Event Coordinator
Michelle Holland, Special Event Coordinator Chris McMurtry, Special Event Coordinator

Recommendation: The following chart summarizes the bids that were received along with the selection committee's unanimous recommendation for approval of the following companies (highlighted in yellow). A point system was used to analyze the bids and select the best-qualified bidder. Each of the events have unique stage and sound needs; therefore, three different bidders were selected to provide these services. The following will highlight our thoughts on selecting the right vendor for each event.

Crossroads Audio was selected for the Jazz Festival because of their experience in working with the jazz faculty at the University of North Texas. While they were not the lowest bidder, they received the highest ratings score for this event. UNT is comfortable with Crossroads' equipment and, most importantly, their ability to professionally mix jazz music according to their standards.

Onstage Systems was selected for Taste Addison, Kaboom Town, Oklahoma and Oktoberfest. The Town has worked with Onstage Systems for over ten years and they have provided exceptional equipment and service at competitive prices. They are the leader in providing these services for many of the larger events in the DFW Metroplex. Their quality equipment, knowledgeable staff and attention to detail resulted in a timely production that impressed the headline talent and made our concerts run

smoothly. With the \$2,500 discount offered if awarded more than one event, they are the lowest bidder for these events in addition to receiving the highest ratings scores.

ELS was selected for the Summer Series. They have provided outstanding services for these events for the past three years and understand the needs of these smaller scale events. ELS received the highest ratings score and were the lowest bidder for this section of events.

COMPANY	JAZZ	TASTE	KABOOM	SUMMER	MUSICAL	OKT.	COMMENTS
Crossroads	\$23,990	NA	NA	NA	NA	NA	
Onstage	\$20,700	\$41,000	\$15,900	\$18,900	\$13,600	\$19,900	\$2,500 discount for multiple events
Gemini	\$28,006	\$22,950*	\$9,050*	\$33,000	NA	\$24,181	* Bid sound only; no stage; 5% discount for multiple events
Miller Pro	\$24,070	\$48,856	\$23,250	\$25,400	\$18,500	\$23,200	\$7,000 discount for multiple events
Stage Right	\$4,416	\$11,380	\$4,800*	\$576	3,200	\$5,303	* Bid stages only; no sound
ELS		NA	\$15,500	\$18,354	\$14,025	18,700	
Total All Recommended Bids (with discounts)							\$130,244

Budget: Proposed bid amount is \$130,244 which is \$5,696 less than the amount spent in 2007 and \$9,744 less than the 2008 budget. The variance is mostly due to the reduced scope of the new Jazz Festival venue and eliminating the overflow area at Taste Addison that was added last year for the Daughtry concert.

Memorandum

To: The Honorable Mayor and City Council
From: Mario Canizares, Assistant City Manager
Date: January 15, 2008
Subject: Business Retention Plan

Over the last several weeks the Business Retention/Development Subcommittee comprised of Councilmembers Todd Meier and Jimmy Niemann have been meeting with staff to discuss the Addison's approach to business retention.

During that time, the committee has had discussions related to the resources available to make contact with existing businesses, establishing business categories, and determining their financial impact to Addison's coffers. The committee concluded with the following strategies regarding Addison's business retention efforts.

1. Conduct a 30-60 day pilot program
2. Utilize Co-Star an online database that provides a myriad of information on commercial properties in Addison
3. Choose 24 existing businesses in a variety of areas
4. Obtain data and background information on these businesses
5. Develop a profile and conduct analysis of its financial impact to Addison
6. Schedule business visits during the pilot program for Mr. Meier and Mr. Niemann with staff (maximum of two people per visit)
7. During each visit, provide the Councilmember a script of questions, Addison's benefits, and incentive options (if applicable)
8. Provide a brochure/leave behind at the conclusion of each business visit
9. Use an off-the shelf computer program to keep track of visits, comments, etc.
10. Update the Town's Economic Development section of the website for easier use
11. Council to approve economic incentive categories
12. Council approve performance-based incentive instruments

In conclusion, the committee requests that the City Council approve a 30-60 pilot program with the above objectives. Also, in the coming days, staff will begin to schedule meetings with various company officials and provide the Councilmember with the background information needed to conduct the meeting. At the conclusion of the pilot program, it is requested that the Council conduct a worksession to discuss their experience and make any needed changes to the business retention program.

Categories: Existing Business

Retail:

Contributions

Sales Tax; Property Tax; Water Sales

Office Tenant

Contributions

Real Property Tax (for those that own); Business Personal Property Tax; Water Sales;

Hotel

Contributions

Property Tax, Sales (City and Hotel) Tax, Water Sales, Mixed Beverage,

Restaurant

Contributions

Property tax, sales tax, mixed beverage, water sales

Light Industrial

Contributions

Property (real/business personal) tax, sales tax, water sales

Wholesales/Distribution

Contribution;

Property (real/business personal) tax, sales tax

Office Space Leases Expiring:

6 Mos.

12 Mos.

18 Mos.

Addison Business Retention and Development:

The Town of Addison's Business Retention and Development Program is designed to expand, enhance, and diversify the local economy and tax base. In order to meet these objectives, the Town should establish and maintain positive relationships with Addison's existing business community. In addition the Town should pursue new business and expansion efforts that fit within Addison's goal of promoting a sustainable economically diverse business climate.

Categories for Economic Incentives to be Considered:

- Eligibility of the project for State of Texas Enterprise Funds
- Amount of Office Space Occupied and Length of Lease Term
- Significant Capital Improvements to the Property
- Filling a Gap in a Low Performing Property
- Signification Investment of Business Personal Property
- New Emerging Market or Industry
- Satisfactory evidence of increased FTE's and/or payroll
- Satisfactory evidence of taxable gross sales
- Agree to a Performance-based Incentive Rebates program (Rebate funds after satisfactory evidence of project completion)

Performance-Based Incentive Instruments:

In order to qualify for these incentives, the company must be willing to accept that all incentives that have been agreed upon by the Town will be honored and paid once there is satisfactory evidence that all conditions have been met per the original agreement.

- Property Tax Rebates
- Sales Tax Rebates
- Permit Fee Rebates
- Water Fee Rebates
- Expedited Building Inspections and Permitting
- Sharing Costs of Infrastructure Improvements
- Assistance with State of Texas Enterprise Fund Applications
- Assistance with Obtaining grant funds through Texas Workforce Commission

List of Addison Companies for Council Review

#R7

Vantex Enterprises Inc.

15055 Inwood
Addison, Texas 75001
(972) 239-5891

Financial Impact to Addison: \$100-200k

They are the parent company of Centennial Fine Wine and Spirits.

Fogo De Chao Churrascaria (Dallas) LLP

4300 Beltline Road
Addison Texas 75001
(972) 503-7300

Financial Impact to Addison: \$300-400k

They are a Brazilian churrascaria style restaurant. Addison is the first U.S. city to welcome Fogo de Chão. They currently have 9 other locations in the United States and 5 more in Brazil.

Titlestar Mortgagee Services LLC

15000 Surveyor Blvd
Addison, TX 75001
(972) 341-0506

Financial Impact to Addison: \$100-200k

Their line of business is information retrieval services.

Moline Construction Management Inc.

4500 Ratliff, Suite 118
Addison, Texas 75001
(972) 713-7200

Financial Impact to Addison: \$50-100k

Their services include turn-key construction management, renovations, retail and commercial finish out, project management and architectural/engineering assistance.

Dallas Desk Inc.

15207 Midway Road
Addison, TX 75001
(972) 788-1802

Financial Impact to Addison: \$100-200k

They are an office furniture store. They will also help design professional spaces for hundreds of employees.

List of Addison Companies for Council Review

#R7

First Equipment Company

4851 Keller Springs Road, Suite 100

Addison, TX 75001

(972) 380-2300

Financial Impact to Addison: \$50-100k

They specialize in providing flexible IT hardware solutions.

Cadence McShane Corporation

14860 Montfort Drive, Suite 270

Dallas, TX 75254

(972) 239.2336

Financial Impact to Addison: \$50-100k

They are a general construction, construction management and design/build firm with offices in Addison, Houston and Austin.

A.J. Bart Incorporated

4130 Lindbergh Drive

Addison, TX 75001

(972) 960-8300

Financial Impact to Addison: \$50-100k

They are a fully equipped printing facility that started in New York in 1956 and because a major account moved to the Dallas area, they opened an office in Addison in 1987. They currently have utilize a 105,000 square foot facility with 105 employees.

Epicor Software Corporation

15305 Dallas Pkwy. Ste. 300

Addison, TX 75001

(972) 455-2851

Financial Impact to Addison: \$50-100k

Epicor is a world wide company with headquarters in Irvine California. It was named one of FORTUNE magazine's 100 Fastest-Growing Companies in 2006, is a global leader dedicated to providing integrated enterprise resource planning (ERP), customer relationship management (CRM), supply chain management (SCM) and professional service automation (PSA) software solutions to mid-market companies and divisions of the Global 1000.

CGI Technologies and Solutions Inc.

15305 Dallas Parkway, Suite 1100

Addison, TX 75001

(972) 788-0400

Financial Impact to Addison: \$50-100k

They are a worldwide company with headquarters in Montreal Canada. They offer technology systems that transform the clients' business environments. CGI has developed and evolved a full

List of Addison Companies for Council Review

#R7

portfolio of services—consulting, systems integration, the full management of IT and business functions, and approximately 100 proprietary solutions to improve clients' operations, helping them become more efficient and productive.

Hotel Intercontinental

15201 DALLAS PARKWAY
ADDISON, TX 75001
(972) 3866000

Financial Impact to Addison: \$2.3-2.4 Million

The Intercontinental is a 559 room full service hotel with 115,000 square feet of meeting facilities.

Marriott Quorum

14901 Dallas Parkway
Dallas, TX 75254
(972) 661 2800

Financial Impact to Addison: \$2.0-2.1 Million

This is a full service hotel with 547 rooms and 18,000 square feet of meeting space.

Crowne Plaza North Dallas

14315 Midway Road
Addison, TX 75001
(214) 259-0088

Financial Impact to Addison: \$1.2-1.3 Million

This is a full service hotel with 446 rooms and 30,000 square feet of meeting space.

Marriott Courtyard Quorum

15160 Quorum Drive
Addison, TX 75001
(972) 404-1555

Financial Impact to Addison: \$500-600k

This is a limited service hotel with 176 sleeping rooms and 1,597 square feet of meeting space.

Springhill Suites

15255 Quorum Drive
Addison, TX 75001
(972) 774-1010

Financial Impact to Addison: \$400-500k

This is a 159 suite limited service hotel with 1,200 square feet of meeting space

List of Addison Companies for Council Review

#R7

Addison Courtyard on Midway

4165 Proton Drive
Addison, TX 75001
(972) 490-7390

Financial Impact to Addison: \$400-500k

This is a 145 room limited service hotel with 1,250 square feet of meeting space

Hampton Inn

4505 Beltway Drive
Addison, TX 75001
(972) 991-2800

Financial Impact to Addison: \$300-400k

This is a 158 room limited service hotel with 300 square feet of meeting space

Summerfield Suites

4900 Edwin Lewis Drive
Addison, TX 75001
(972) 661-3113

Financial Impact to Addison: \$300-400k

This is a limited service hotel with 132 suites and 1840 square feet of meeting space

Sam's Club

4150 Belt Line Road
Addison, Texas 75001
(972) 934-9274

Financial Impact to Addison: \$300-400k

They are a membership-only warehouse club owned and operated by Wal-Mart Stores, Inc.

Goody Goody Liquors

14851 Inwood Road
Addison, Texas 75001
214-765-6874

Financial Impact to Addison: \$100-200k

The #1 volume liquor retail store chain in Dallas and they service between 600 and 700 hotels and restaurants in the Dallas Metroplex area.

Houston's Restaurant

Chamberlain's Fish Market & Chamberlain's Chop House

Remington's Seafood

List of Addison Companies for Council Review

#R7

NJ Malin and Associates

15870 Midway Rd.
Addison, TX 75001
(972)458-2680

Financial Impact to Addison: \$200-300k

Private Company, Headquarters Located in Addison. Primary SIC: Industrial Machinery and Equipment, Primary NAICS: Industrial Machinery and Equipment Merchant Wholesalers. Description: Wholesale: Industrial Machinery

Bank of America (formerly MBNA)

16001 Dallas Pkwy.
Addison, Texas 75001

Financial Impact to Addison: \$500-600k

They are one of the the largest commercial banks in the United States. They operate a credit card processing center in Addison.

Diageo North America

Local Contact: Unknown at this time
801 Main Ave
Norwalk, CT 06901-0274
www.diageo.com

Financial Impact to Addison: \$50-100k

A subsidiary of [Diageo plc](http://www.diageo.com), one of the world's largest producers of alcoholic drinks, Diageo North America makes up the largest portion (almost 40%) of its parent company's total sales. North America is also Diageo's largest market by volume. In the US, Diageo asks distributors to dedicate people exclusively to the sale of Diageo brands. Included among the company's brands are many well-known libations, including Baileys Irish Cream, Captain Morgan rum, Crown Royal Canadian whiskey, Cuervo tequila, Gilbey's Gin, Guinness Draught, Harp beer, J&B scotch, Johnnie Walker, Seagram's VO, Smirnoff vodka, Sterling Vineyards wines, and Tanqueray.

Cressman Tubular Products Corp.

3939 Beltline Road, Suite 540
Addison, Texas 75001
Phone: (214) 352-5252
www.cressmantubular.com

Financial Impact to Addison: \$100-200k

Cressman Tubular Products Corporation is a 30 year old stocking distributor of new, steel tubing, casing and line pipe for the oil and gas drilling industry. Cressman Tubular also distributes new pumping units, engines, compressors and their respective spare parts.

Script for Business Visits – The script should be tailored to the visit you are making

- a. Thank them for being in our community and for taking time out of their day to visit.
- b. Briefly discuss purpose of these visits
- c. Listen proactively and express Town's desire to help
- d. Discuss the benefits of Addison and the exciting activities occurring in our community
 - i. Community features
 1. Low tax rate and excellent tax base
 2. Business friendly Town; direct access to policy makers/leaders
 3. Excellent employment base
 4. Location, location, location
 5. Infrastructure is in place
 6. Superior Town Services
 7. Quality of Life
 8. Addison Conference Centre
 - ii. Addison Airport
 1. Airport activities
 2. New development activities on the airport
 - iii. New developments
 1. Addison Sustainability Initiatives
 2. Economic Development/Business Retention Efforts
 3. Residential developments
 4. Cavanaugh Flight Museum
 5. Expanded WaterTower Theatre
 6. Culinary District
 7. DART: Cotton Belt and Rail Transit
 - iv. Special events (when applicable)
 - v. Entertainment areas/Restaurants/Hotels

Phone conversation with John Jacobs, Senior Vice President, Richardson
Economic Development Partnership January 10, 2008

He said Economic Development is more art than science

How to make sales call

Develop Target List

- Large companies with multiple employees (most important one and they call on 1 time per year)
- Smaller but fast growing companies (usually high Tech)
- Utilize Costar (target companies with 24 months left on the lease. This gives enough time to possibly make an impact on their future decision)
- New companies --- Just to say welcome, thank you and how can we help you.

Making the call

- Two weeks prior to setting up the appointment, send introductory letter from Mayor (works best). Say that Addison is interested in your business and we want to be proactive. We want to schedule an appointment so we can understand your needs and how we can help you with those. Call your group a business development team and not business retention.
- Letter should go to whoever is in charge of that office. It is usually the CEO or other top executive.
- Schedule call
- Usually best to have 1 to 2 people on call (never more than 4) try not to have more people with you than the number of people you are calling on.
- Call should take only 30 minutes to 1 hour depending on their interest in talking. Begin meeting with non threatening questions like how did you get started? After they feel more comfortable then follow up with the nitty gritty questions like are you planning to expand your business or do you see any facility change needs in your future?
- Take hand written notes during the meeting.
- Leave behind materials such as Land use map, map of things of importance in the town. Map showing dots and description of current projects in town, and directory of city offices.

After the sales call

- Input sales data into the database. Richardson uses just a excel spread sheet and does not see any need to spend funds for a proper sales management tool. Types of informational fields would be:

Name of company
Brief description of what they do
Name of contacts that you called on
Date of call
Are they big, fast growing etc?
How much real estate do they lease or own
Number of employees
Meeting notes
Follow up items from meeting

- Conduct any follow up that was promised at the meeting
- Send thank you letter

Council Agenda Item: #R8

SUMMARY:

Consideration and approval of an Assignment of Ground Lease between the Town of Addison as Landlord and Triad CSPG, LLC, Ground Lease #0660-5702 to JJS Hangar, LLC.

BACKGROUND:

Triad CSGP, LLC, the current ground tenant, is seeking the Town's consent to the sale and assignment of their leasehold interests to JJS Hangar, LLC. Triad Hospital, Inc. was acquired and merged into Community Health Systems, Inc. last year and no longer has a need for their corporate hangar facility at 4585 Claire Chennault. JJS Hangar, LLC is a Texas limited liability company founded and managed by Mr. James D. Shelton, former Chairman of the Board and CEO of Triad Hospitals, Inc. Ira Allstadt, manager of The Allstadt Companies, LLC, also a Texas limited liability company, will manage the day-to-day operations at the property. The assignee's intended use of the premises is to continue to store corporate aircraft owned and operated by JJS Hangar, LLC, its affiliates and/or its subtenants, which is consistent with the permitted use under the amended Ground Lease.

RECOMMENDATION:

Airport Management is recommending the Town consent to the requested action. The Town's attorney has reviewed the proposed Assignment of Ground Lease attached hereto and finds the agreement acceptable for the Town's use. Staff recommends approval.

Attachments: Bill Dyer- Memorandum
Exhibit 1: Location Map & Aerial View of Subject Property
Exhibit 2: First Amendment to Ground Lease
Exhibit 3: Agreement between the Town of Addison and AATI for the Operation of Addison Airport
Exhibit 4: Assignment of Ground Lease



Memorandum

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

From: Bill Dyer, Real Estate Manager

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

Date: January 11, 2007

Re: Requested Action by Town of Addison
Assignment of Ground Lease 0660-5702
Triad CSGP, LLC, to JJS Hangar, LLC

Summary of Requested Action and Recommendation by Airport Manager

Triad CSPG, LLC, a Delaware limited liability company and current tenant of record for the above referenced Ground Lease also known to be the premises located at 4585 Claire Chennault is now requesting the Town's consent to the assignment of their leasehold interests to JJS Hangar, LLC, a Texas limited liability company.

Airport Management is recommending the Town consent to the requested action. The Town's attorney has reviewed the proposed Assignment of Ground Lease attached hereto as "Exhibit 3", and finds the agreement acceptable for the Town's use.

Background Information

The Ground Lease was originally made and entered into April 4, 1984 by the Town of Addison and AATI as Landlord and Redman Investment, Inc., a Texas corporation as Tenant ("Redman"). The lease commenced May 1, 1984 and is for a certain 1.144 acres (49,832 SF) of improved land located at 4585 Claire Chennault (See "Exhibit 1" for Location Map & Aerial). Together with the Ground Lease, Redman executed and conveyed to the Landlord a non-exclusive, perpetual and permanent right-of-way easement affecting .431 acres (18,774 SF) of the leased premises as set forth in that Easement Agreement dated April 18, 1984 (refer to "Exhibit 2"; First Amendment To Ground Lease – Exhibit "C"). The easement is similar to other easements affecting neighboring properties at the end of Taxiway Victor where there is insufficient land available to support exclusive uses. The easement creates a common ramp for aircraft, vehicular and pedestrian access over and across such portion, and wherein the grantor agrees, at its sole expense, to construct and maintain said ramp over the term of the Ground Lease.

On May 24, 2005 the Town considered and gave its consent of Redman's sale and assignment of its leasehold interests to Triad CSPG, LLC, a wholly owned subsidiary of Triad Hospitals, Inc ("Triad"). Concurrently, Triad and the Town agreed to amend the Ground Lease to include, among other things, a fifteen (15) year term extension in consideration of and in exchange for significantly reducing the existing broad permitted use under the Ground Lease to that of corporate or personal aircraft storage only, owned by the tenant and/or its subtenants. This limitation to the permitted use was a key objective of the Town in keeping with its strategic goal of promoting higher-end corporate aircraft storage along Taxiway Victor, where existing shared aircraft ramps are incompatible with conventional aircraft maintenance operations.

The Ground Lease had an original term of 480 months and was due to expire in 2024 but, as a result of the amendment, the lease is now due to expire April 30, 2039 (or in 31 years). The current rent is \$20,383.44 per year, which equates to approximately \$.41 per square foot, which is considered in line with the prevailing market for restricted corporate hangars similar to the subject property within this particular sector of the airport. The Ground Lease provides for a bi-annual rent adjustments with the next adjustment to be made effective April 30, 2008.

Summary of Ground Lease Terms

Lease Information	
Lease #	0660-5702
Tenant Name	Triad, CSGP, LLC.
Doing Business As	Non-commercial operator
Primary Contact:	David Twomey
Primary Contact Phone:	615.465.7188
Lease Type	Ground Lease
Lease Commencement Date	5/1/1984
Lease Expiration Date	4/30/2039
Years Remaining in Term	31.25
Land Area	49,832 SF
Current Monthly Rent	\$ 1,698.62
Current Annual Rent	\$20,383.44
Annual Rent /SF Land	\$0.41
Next Rent Adjustment	4/30/2008

Valuation Information	
Est. Remaining Contract Rent	\$ 799,902
NPV of Contract Rent	\$ 328,852
DCAD Estimated Value of Imp.	\$ 1,106,020
ADS Estimated Value of Imp.	\$ 914,188
NPV of Contract Rent in Excess of Market	\$ (3,804)
Leasehold Interest (Tenant)	\$ 1,327,148
Lease Fee Estate (Landlord)	\$ 328,852
Est. FMV of Leased Premises	\$ 1,656,000
FMV of Land from Leasehold Int./SF	\$7.00
Contract Rent Coverage Ratio	3.36
Discount Rate	10%
Hangar Area	16,080
Office Area	5,400

Current Status:

4585 Claire Chennault is currently improved with three corporate hangar bays totaling 16,080 square feet with three adjoining office suites totaling 5,400 square feet. According to DCAD and airport records, the building was first constructed in 1985.

Triad CSGP, LLC's parent, Triad Hospital, Inc., was acquired and merged into Community Health Systems, Inc. (NYSE: CYH) as a wholly owned subsidiary in July 2007. Because Community Health Systems' corporate aircraft fleet is based in Nashville,

Tennessee, the parent company made the strategic decision to sell the leasehold interest acquired through merger at Addison Airport.

The proposed purchaser and assignee is JJS Hangar, LLC, a Texas limited liability company founded and managed by Mr. James D. Shelton, founder and former Chairman of the Board and CEO of Triad Hospitals, Inc. As Chairman of the Board and CEO, Mr. Shelton built Triad into a Fortune 500 company. He recently served a three-year term on the Board of the American Hospital Association and also served as Chairman of the Federation of American Hospitals. For the past five years, Mr. Shelton has been listed among the 100 most influential Americans on healthcare issues. Mr. Shelton and his family reside in Plano, Texas.

JJS Hangar's day-to-day operations will be managed by Ira C. Allstadt, professional pilot and owner of The Allstadt Companies, LLC. Mr. Allstadt has lived in the Dallas area his entire life. A pilot for over 37 years, Mr. Allstadt has dedicated 31 years to corporate flight management where he has also logged over 20,000 hours of flight time. In addition to currently storing his own aircraft at the subject property, Mr. Allstadt successfully managed the property for Triad during the previous three years.

The assignee intends to use the subject property for the storage of corporate aircraft owned by JJS Hangar, LLC, its affiliates and subtenants, which is consistent with the permitted use outlined in the amended Ground Lease.

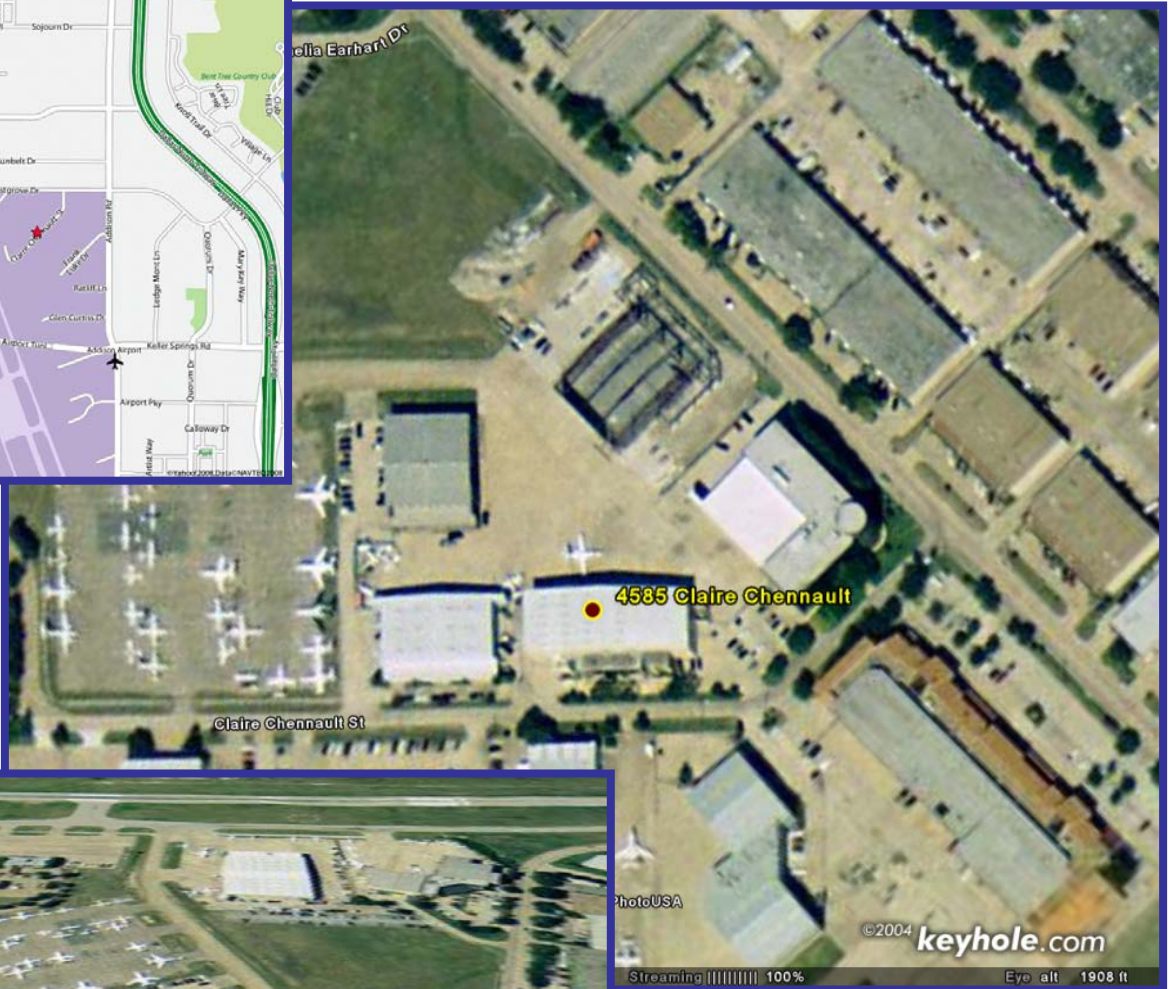
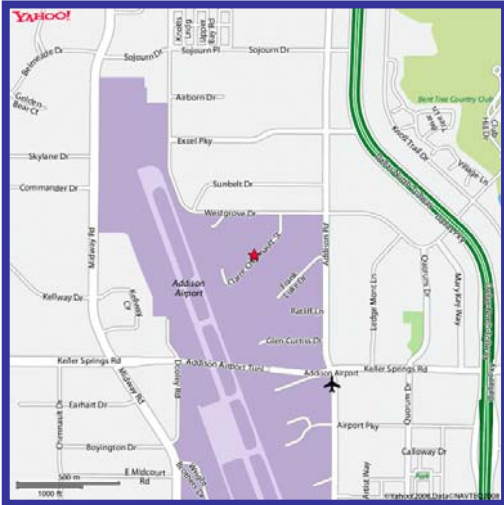
Conclusion and Recommendation of Airport Manager

Triad CSGP, LLC, the current ground tenant, is seeking the Town's consent to the sale and assignment of their leasehold interests to JJS Hangar, LLC. Triad Hospital, Inc. was acquired and merged into Community Health Systems, Inc. last year and no longer has a need for their corporate hangar facility at 4585 Claire Chennault. JJS Hangar, LLC is a Texas limited liability company founded and managed by Mr. James D. Shelton, former Chairman of the Board and CEO of Triad Hospitals, Inc. Ira Allstadt, manager of The Allstadt Companies, LLC, also a Texas limited liability company, will manage the day-to-day operations at the property. The assignee's intended use of the premises is to continue to store corporate aircraft owned and operated by JJS Hangar, LLC, its affiliates and/or its subtenants, which is consistent with the permitted use under the amended Ground Lease.

Airport Management is recommending the Town consent to the requested action. The Town's attorney has reviewed the proposed Assignment of Ground Lease attached hereto and finds the agreement acceptable for the Town's use.

EXHIBIT 1

Location Map & Aerial of Subject Property



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

EXHIBIT 2

STATE OF TEXAS §
 § FIRST AMENDMENT TO GROUND LEASE
COUNTY OF DALLAS §

This First Amendment to Ground Lease (hereinafter referred to as the "First Amendment to Ground Lease" or "Amendment") is entered into and effective as of June 8, 2005 between the Town of Addison, Texas a municipal corporation (hereinafter sometimes referred to as the "City" or the "Landlord"), and Triad CSGP, LLC, a Delaware limited liability company ("Tenant"), a wholly owned subsidiary of Triad Hospitals, Inc.

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

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

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

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

WHEREAS, Redman's leasehold interest in the Ground Lease (together with Redman's rights, responsibilities, duties and obligations under the Easement Agreement) was thereafter assigned by Redman to Tenant by that certain Assignment of Ground Lease dated June 7, 2005, 2005 (the "Assignment", a true and correct copy of which is attached hereto as Exhibit D), and Tenant is the current tenant under the Ground Lease and is the current holder of the rights, responsibilities, duties and obligations of the Grantor under the Easement Agreement; and

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

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

AGREEMENT

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

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

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

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

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

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

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

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

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

8. Securing Governmental Approvals and Compliance with Law.

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

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

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

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

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

9. Assignment, Subletting and Mortgaging of Leasehold Estates:

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

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

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

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

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

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

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

In connection with Landlord's consideration of giving its consent to an assignment or subletting of this Lease or any right, interest, obligation, or liability of Tenant hereunder or portion of its leasehold estate, or undivided interest(s) therein, or any part of the Leased Premises, Landlord may require, in its sole discretion and as a condition of Landlord's consent to such assignment or sublease, to amendments and modifications to this Lease. Any assignment or any subletting shall be expressly subject to all the terms and provisions of this Lease, including the provisions of Paragraph 6 pertaining to the use of the demised premises. In the event of any assignment or any subletting, Tenant shall not assign Tenant's rights hereunder or sublet the demised premises without first obtaining a written agreement from each such assignee or sublessee whereby each such assignee or sublessee agrees to be bound by the terms and provisions of this Lease (and Tenant shall provide a copy of such written agreement to Landlord). No such assignment or subletting shall constitute a novation. In the event of the occurrence of an event of default while the demised premises are assigned or sublet, Landlord, in addition to any other remedies provided herein or by law, may at Landlord's option, collect directly from such assignee or subtenant all rents becoming due under such assignment or subletting and apply such rent against any sums due to Landlord hereunder. No direct collection by Landlord from any such assignee, transferee, pledgee, or person or entity to whom this Lease is otherwise conveyed or to such subtenant shall release Tenant from the payment or performance of Tenant's obligations hereunder. Tenant shall provide to Landlord the names and addresses of any subtenants and the make, model, aircraft type and "N" number of any aircraft stored or located on or in the demised premises.

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

E. Landlord further agrees to execute and deliver to any proposed leasehold mortgagee of Tenant a "Non-Disturbance Agreement" wherein Landlord agrees that Landlord will (i) recognize such mortgagee and its successors and assigns after foreclosure, or transfer in lieu of foreclosure, as Tenant hereunder, and (ii) continue to perform all of Landlord's obligations hereunder so long as such mortgagee or its successors and assigns performs all of the obligations of Tenant hereunder; provided, however, that notwithstanding the foregoing or any other provision of this Lease, such mortgagee shall not and does not have the right and shall not and does not have the power to assign, sell, transfer, pledge, encumber, license, or otherwise convey this Lease, or any right, interest, obligation, or liability hereunder, or sublet the whole or any part of the Demised Premises, without the prior written approval of the Landlord, and any such assignment, sale, transfer, pledge, encumbrance, license, or other conveyance and any such subletting without the prior written consent of Landlord shall be null and void and cause for immediate termination of this Lease by Landlord, it being the intent of this provision that such mortgagee shall have no greater right to assign, sell, transfer, pledge, encumber, license, or otherwise convey this Lease (or any right, interest, obligation, or liability hereunder), or to sublet the Demised Premises (or any portion thereof), or to use the demised premises, than the Tenant has. Landlord also agrees to reasonably consider the execution and delivery to such proposed leasehold mortgagee of any other documents which such proposed leasehold mortgagee may reasonably request concerning the mortgaging by Tenant of the leasehold estate created hereby; provided, however, that Landlord shall never be required to subordinate Landlord's interest in the demised premises to the mortgage of such proposed leasehold mortgagee.—

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

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

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

11. Maintenance and Repair of Demised Premises:

A. Tenant shall, throughout the term hereof, maintain in good repair and in a first class condition (in accordance with, among other things, any construction and/or maintenance standards and specifications established by Landlord or Manager and all applicable ordinances, rules, regulations, standards, and permits of the Town of Addison, Texas) all the demised premises and all fixtures, equipment and personal property on the demised premises and keep them free from waste or nuisance and, at the expiration or termination of this Lease, deliver up the demised premises clean and free of trash and in good repair and condition, with all fixtures and equipment situated in the demised premises in good working order, reasonable wear, tear, casualty and condemnation excepted.

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

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

(i) Insurance against loss or damage to improvements by fire, lightning, and all other risks from time to time included under standard extended coverage policies, and sprinkler, vandalism and malicious mischief, all in amounts sufficient to prevent Landlord or Tenant from becoming co-insurers of any loss under the applicable policies but in any event in amounts not less than one hundred percent (100%) of the full insurable value of the demised premises and any and all improvements thereon. The term "full insurable value" as used herein means actual replacement value at the time of such loss. Upon request, such replacement value shall be determined by a qualified appraiser, a copy of whose findings shall be submitted to Landlord, and, therefore, proper adjustment in the limits of insurance coverage shall be effected.

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

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

(iv) If applicable, boiler and pressure vessel insurance on all steam boilers, parts thereof and appurtenances attached or connected thereto which by reason of their use or existence are capable of bursting, erupting, collapsing, imploding or

exploding, in the minimum amount of \$500,000.00 for damage to or destruction of property resulting from such perils.

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

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

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

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

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

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

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

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

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

18. Airport Minimum Standards and Rules and Regulations:

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

B. Landlord has adopted Rules and Regulations (hereinafter referred to as the "Rules and Regulations"), which shall govern Tenant in the use of the demised premises and all common facilities, a copy of which has been furnished to Tenant. The Rules and Regulations are incorporated by reference as if written verbatim herein, and Tenant agrees to comply fully at all times with the Rules and Regulations. Landlord shall have the right to amend, modify and alter the Rules and Regulations from time to time for the purpose of assuring the safety, welfare and convenience of Landlord, Tenant and all other tenants and customers of the Airport.

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

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

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

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

21. Indemnity and Exculpation.

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

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

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

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

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

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

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

C. LANDLORD AND MANAGER, AND LANDLORD'S AND MANAGER'S OFFICIALS, OFFICERS, AGENTS AND EMPLOYEES (BOTH IN THEIR OFFICIAL AND PRIVATE CAPACITIES) SHALL BE DEFENDED, INDEMNIFIED AND HELD HARMLESS BY AND NOT BE LIABLE TO TENANT FOR ANY DEATH OR INJURY TO ANY PERSON OR PERSONS OR DAMAGE TO OR DESTRUCTION OF PROPERTY OF ANY KIND RESULTING FROM THE DEMISED PREMISES BECOMING OUT OF REPAIR OR BY DEFECT IN OR FAILURE OF EQUIPMENT, PIPES, OR WIRING, OR BROKEN GLASS, OR BY THE BACKING UP OF DRAINS, OR BY GAS, WATER, STEAM, ELECTRICITY OR OIL LEAKING, ESCAPING OR FLOWING INTO THE DEMISED PREMISES, REGARDLESS OF THE SOURCE, OR BY DAMPNES OR BY FIRE, EXPLOSION, FALLING PLASTER OR CEILING OR FOR ANY OTHER REASON WHATSOEVER. LANDLORD AND MANAGER, AND LANDLORD'S AND MANAGER'S OFFICIALS, OFFICERS, AGENTS AND EMPLOYEES, SHALL NOT BE LIABLE TO TENANT FOR ANY LOSS OR DAMAGE THAT MAY BE OCCASIONED BY OR THROUGH THE ACTS OR OMISSIONS OF OTHER TENANTS OF LANDLORD OR CAUSED BY OPERATIONS IN CONSTRUCTION OF ANY PRIVATE, PUBLIC OR QUASI-PUBLIC WORK, OR OF ANY OTHER PERSONS WHOMSOEVER, EXCEPTING ONLY THE DULY AUTHORIZED AND RESPECTIVE AGENTS AND EMPLOYEES OF LANDLORD OR MANAGER, AS THE CASE MAY BE.

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

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

Section 21.1. Environmental Compliance.

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

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

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

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

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

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

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

22. Default by Tenant: The following events shall be deemed to be events of default by Tenant under this Lease:

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

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

C. Insolvency, the making of a transfer in fraud of creditors, or the making of an assignment for the benefit of creditors by Tenant or any guarantor of Tenant's obligations.

D. Filing of a petition under any section or chapter of the National Bankruptcy Act, as amended, or under any similar law or statute of the United States or any State thereof by Tenant or any guarantor of Tenant's obligations, or adjudication as a bankrupt or insolvent in proceedings filed against Tenant or such guarantor and such petition is not discharged within ninety (90) days following the filing thereof.

E. Appointment of a receiver or trustee for all or substantially all of the assets of Tenant or any guarantor of Tenant's obligations.

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

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

26. Title to Improvements: Any and all improvements on the demised premises shall become the property of Landlord upon the expiration or termination of this Lease; provided, however: (i) if Tenant is not then in default hereunder, Tenant shall have the right to remove all personal property and trade fixtures owned by Tenant from the demised premises, but Tenant shall be required to repair any damage to the demised premises caused by such removal in a good and workmanlike manner and at Tenant's sole cost and expense; and (ii) Landlord may elect to require Tenant to remove all improvements from the demised premises and restore the demised premises to the condition in which the same existed on the date hereof, in which event Tenant shall promptly perform such removal and restoration in a good and workmanlike manner and at Tenant's sole cost and expense. Upon such termination or expiration, Tenant shall deliver the demised premises to Landlord in good condition, reasonable wear, casualty and condemnation excepted, and shall, at Landlord's request, execute a recordable instrument evidencing the termination or expiration of this Lease and stating the termination or expiration date.

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

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

A. TENANT AGREES TO INDEMNIFY AND HOLD LANDLORD HARMLESS OF AND FROM ALL LIABILITY ARISING OUT OF THE FILING OF ANY MECHANICS' OR MATERIALMEN'S LIENS AGAINST THE DEMISED PREMISES BY REASON OF ANY ACT OR OMISSION OF TENANT OR ANYONE CLAIMING UNDER TENANT, and Landlord, at Landlord's option, may satisfy such liens and collect the amount expended from Tenant together with interest thereon as provided in Paragraph 37 as additional rent; provided, however, that Landlord shall not so satisfy such liens until fifteen (15) days after written notification to Tenant of Landlord's intention to do so and Tenant's failure during such fifteen (15) day period to bond such liens or escrow funds with appropriate parties to protect Landlord's interest in the demised premises.

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

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

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

29. Quiet Enjoyment and Subordination: Landlord covenants, represents and warrants that Landlord has full right and power to execute and perform this Lease and to grant the estate demised herein, and that Tenant, upon payment of the rents herein reserved, and performance of the terms, conditions, covenants and agreements herein contained, shall (subject to all of the terms and conditions of this Lease) peaceably and quietly have, hold and enjoy the demised premises during the full term of this Lease; provided, however, that Tenant accepts this Lease subject and subordinate to any recorded mortgage, deed of trust or other lien presently existing upon, or to any other matter affecting, the demised premises. Landlord further is hereby irrevocably vested with full power and authority by Tenant to subordinate Tenant's interest hereunder to any mortgage, deed of trust or other lien now existing or hereafter placed on the demised premises or to declare this Lease prior and superior to any mortgage, deed of trust or other lien now existing or hereafter placed on the demised premises; provided, however, any such subordination shall be upon the express conditions that (i) this Lease shall be recognized by the mortgagee and that all of the rights of Tenant shall remain in full force and effect during the full term of this Lease on condition that Tenant attorn to the mortgagee, its successors and assigns, and perform all of the covenants and conditions required by the terms of this Lease, and (ii) in the event of foreclosure or any enforcement of any such mortgage, the rights of Tenant hereunder shall expressly survive and this Lease shall in all respects continue in full force and effect so long as Tenant shall fully perform all Tenant's obligations hereunder and attorn to the purchaser. Tenant also agrees upon demand to execute further instruments declaring this Lease prior and superior to any mortgage, deed of trust or other lien and specifically providing that this Lease shall survive the foreclosure of such mortgage, deed of trust or other lien.

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

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

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

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

48. Governing Law and Venue; Survivability of Rights and Remedies. This Lease and all of the transactions contemplated herein shall be governed by and construed in accordance with the laws of the State of Texas and with respect to any conflict of law provisions, the parties agree that such conflict of law provisions shall not affect the application of the law of Texas (without reference to its conflict of law provisions) to the interpretation, validity and enforcement of this Agreement, and Landlord and Tenant both irrevocably agree that venue for any dispute concerning this Lease or any of the transactions contemplated herein shall be in any court of competent jurisdiction in Dallas County, Texas. Any rights and remedies either party may have with respect to the other arising out of the performance of or failure to perform this Lease during the term hereof shall survive the cancellation, expiration or termination of this Lease.

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

49. Entire Agreement and Amendments. This Lease, consisting of the above and foregoing through this Paragraph 49 and Exhibits A through F attached hereto, embodies the entire agreement between Landlord and Tenant and supersedes all prior agreements and understandings, whether written or oral, and all contemporaneous oral agreements and understandings relating to the subject matter hereof. Except as otherwise specifically provided herein, no agreement hereafter made shall be effective to change, modify, discharge or effect an abandonment of this Lease, in whole or in part, unless such

agreement is in writing and signed by or in behalf of the party against whom enforcement of the change, modification, discharge or abandonment is sought.

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

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

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

IN WITNESS WHEREOF, the undersigned parties execute this Agreement this 8th day of June, 2005

LANDLORD:

TOWN OF ADDISON, TEXAS

By: Ron Whitehead
Ron Whitehead, City Manager

ATTEST:

By: Carmen Moran
Carmen Moran, City Secretary

TENANT:

TRIAD CSGP, LLC,

a Delaware limited liability company

By: Donald P. Fay

Typed Name: DONALD P. FAY

Title: EVP

#57

This Ground Lease (hereinafter referred to as the "Lease") is made and entered into as of April 4, 1984, by and among the City of Addison, Texas, a municipal corporation (hereinafter sometimes referred to as the "City"), Addison Airport of Texas, Inc., a Texas Corporation (hereinafter sometimes referred to as "AATI") and REDMAN INVESTMENTS, INC. (hereinafter referred to as "Tenant").

WITNESSETH:

WHEREAS, AATI leases that certain real property (hereinafter referred to as the "demised premises") described in attached Exhibit A from the City pursuant to that certain Instrument captioned Agreement for Operation of the Addison Airport (hereinafter referred to as the "Base Lease") between the City and Addison Airport, Inc. (predecessor 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 May 1, 1984, or the first day of the first calendar month after Tenant completes the construction hereinbelow described and opens for business at the demised premises (the applicable date being hereinafter referred to as the "Commencement Date"), and shall end four hundred eighty (480) months thereafter; provided, however, that any entry upon the demised premises by Tenant prior to the Commencement Date shall be subject to all of the terms and conditions hereof except that rental shall not accrue.

4. **Rental:** Subject to adjustment as hereinbelow provided, Tenant agrees to pay to Landlord, without offset or deduction, rent for the demised premises at the rate of NINE HUNDRED NINETEEN AND 95/100 per month in advance. The first of such monthly installment shall be due and payable on or before the Commencement Date, and a like installment shall be due and payable on or before the first day of each calendar month thereafter during the term hereof.

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

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

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

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

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

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

- 1 - Metal Hangar 140' x 75' with 140' x 20' single story office and covered parking. Associated vehicle parking and aircraft ramp. Addison Airport to approve construction plans prior to start of construction.

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

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

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

9. **Assignment, Subletting and Mortgaging of Leasehold Estate:**

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

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

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

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

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

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

11. Maintenance and Repair of Demised Premises:

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

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

12. **Alterations, Additions and Improvement.** After completion of the improvements described in paragraph 6, Tenant shall not create any openings in the roof or exterior walls, or make any alterations, additions or improvements to the demised premises without the prior written consent of Landlord. Consent for non-structural alterations, additions or improvements shall not be unreasonably withheld by Landlord. Tenant shall have the right to erect or install shelves, bins, machinery, air conditioning or heating equipment and trade fixtures, provided that Tenant complies with all applicable governmental laws, ordinances and regulations.

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

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

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

(ii) General public liability insurance against claims for bodily injury, death or property damage occurring on, in or about the demised premises, such insurance to afford protection to Landlord of not less than \$500,000.00 with respect to any one person, \$1,000,000.00 with respect to any one accident and not less than \$200,000.00 with respect to property damage.

(iii) Workmen's compensation insurance covering all persons employed by Tenant in connection with any work done on or about the demised premises with respect to which claims for death or bodily injury could be asserted against Landlord or the demised premises, or in lieu of such workmen's compensation insurance, a program of self-insurance complying with the rules, regulations and requirements of the appropriate state agency of the State of Texas.

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

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

(vi) Hangar keeper's liability insurance providing for coverage in the following limits: \$200,000.00 per aircraft and \$400,000.00 per occurrence on property damage to aircraft in the care, custody or control of Tenant.

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

All such policies of insurance (i) shall be issued by insurance companies acceptable to Landlord, (ii) shall name Landlord as an additional insured or loss payee, as the case may be, and (iii) shall provide for at least ten (10) days written notice to Landlord prior to cancellation or modification. Tenant shall provide Landlord with duplicate originals of all insurance policies required by this paragraph.

14. Casualty Damage or Destruction:

A. In case of any damage to or destruction of the buildings, structures and equipment on the demised premises, or any part thereof, Tenant will promptly give written notice thereof to Landlord, generally describing the nature and extent of such damage and/or destruction.

B. In case of any damage to or destruction of the buildings, structures and equipment on the demised premises, or any part thereof, Tenant, whether or not the insurance proceeds, if any, payable on account of such damage and/or destruction shall be sufficient for such purpose, at Tenant's sole cost, risk and expense will promptly commence and complete the restoration, repair and replacement of said buildings, structures and equipment as nearly as possible to their value, condition and character immediately prior to such damage and/or destruction, with such alterations in and additions thereto as may be approved in writing by Landlord (hereinafter sometimes referred to as the "Restoration").

C. All insurance proceeds, if any, payable on account of such damage to or destruction of the buildings, structures and equipment on the demised premises shall be held by Landlord. Landlord shall be protected in acting upon any certificate believed by Landlord to be genuine and to have been executed by the proper party and shall receive such certificate as conclusive evidence of any fact or as to any matter therein set forth. Such certificate shall be full warranty, authority and protection to Landlord in acting thereon, and Landlord shall be under no duty to take any action other than as set forth in this paragraph 14.

D. Insurance proceeds received by Landlord on account of any damage to or destruction of the buildings, structures and equipment on the demised premises, or any part thereof (less the costs, fees and expenses incurred by Landlord and Tenant in the collection thereof, including, without limitation, adjuster's and attorney's fees and expenses) shall be applied as follows:

(i) Net insurance proceeds as above defined shall be paid to Tenant or as Tenant may direct from time to time as Restoration progresses to pay (or reimburse Tenant for) the cost of Restoration, upon written request of Tenant to Landlord accompanied by (a) certificate of a supervising architect or engineer approved by Landlord, describing in reasonable detail the work and material in question and the cost thereof, stating that the same were necessary or appropriate to the Restoration and constitute a complete part thereof, and that no part of the cost thereof has theretofore been reimbursed, and specifying the additional amount, if any, necessary to complete the Restoration, and (b) an opinion of counsel satisfactory to Landlord that there exist no mechanics', materialmen's or similar liens for labor or materials except such, if any, as are discharged by the payment of the amount requested.

(ii) Upon receipt by Landlord of evidence of the character required by the foregoing clauses (i)(a) and (b) that Restoration has been completed and the cost thereof paid in full, and that there are no mechanics', materialmen's or similar liens for labor or materials supplied in connection therewith, the balance, if any, of such proceeds shall be paid to Tenant or as Tenant may direct.

E. In the event that Tenant does not commence Restoration, or after commencing Restoration if Tenant does not diligently proceed to the completion of same, Landlord shall have the right to commence or complete Restoration after Landlord has given Tenant thirty (30) days prior written notice requesting the commencement of Restoration or that Tenant diligently proceeds to the completion of same. If Tenant during such thirty (30) day period does not so commence or proceed to diligently complete Restoration. In such event, Landlord shall retain the insurance proceeds, and Tenant shall pay any deficiency if such proceeds are not sufficient for Restoration.

15. Condemnation:

A. If during the term hereof, any part of the demised premises shall be acquired or condemned by eminent domain for any public or quasi-public use or purpose, or are sold to a condemning authority under threat of condemnation, and after such taking by or sale to said condemning authority the remainder of the demised premises is not susceptible to efficient and economic occupation and operation by Tenant, this Lease shall automatically terminate as of the date that said condemning authority takes possession of the demised premises, and Landlord shall refund to Tenant any prepaid but unaccrued rental less any sum then owing by Tenant to Landlord.

B. If after such taking by or sale to said condemning authority the remainder of the demised premises is susceptible to efficient and economic occupation and operation by Tenant, this Lease shall not terminate but the rental due hereunder shall be adjusted so that Tenant shall be required to pay for the remainder of the term hereof the sum obtained by multiplying each monthly rental installment due hereunder, as adjusted from time to time pursuant to paragraph 5, by a fraction, the numerator of which shall be the number of square feet remaining in the demised premises after the taking by or sale to said condemning authority and denominator of which shall be the square footage originally contained in the demised premises. The rental adjustment called for herein shall not commence until said condemning authority actually takes possession of the condemned portion of the demised premises.

C. If this Lease is not terminated pursuant to Section A, Tenant shall promptly restore the improvements on the demised premises, and the condemnation proceeds to which Landlord and Tenant are entitled shall be awarded and paid first to cover the costs and expenses for restoring the remaining portion of the demised premises to a condition susceptible to efficient and economic occupation and operation by Tenant, and any remaining proceeds to which Landlord and Tenant are entitled shall be awarded and paid to Landlord and Tenant, as their interest may appear. If this Lease is terminated pursuant to Section A, condemnation proceeds to which Landlord and Tenant are entitled shall be awarded and paid to Landlord and Tenant as their interests may appear.

16. Utilities. Tenant shall be responsible at Tenant's sole cost and expense for obtaining all utility connections at or for the demised premises and Tenant shall pay all charges for water, electricity, gas, sewer, telephone or any other utility connections, tap-in fees and services furnished to the demised premises during the term hereof. Landlord shall in no event be liable or responsible for any cessation or interruption in any such utility services.

17. Common Facilities. Tenant and Tenant's employees, agents, servants, customers and other invitees shall have the non-exclusive right to use all common facilities, improvements, equipment and services which may now exist or which may hereafter be provided by Landlord for the accommodation and convenience of Landlord's customers and tenants, including landing and takeoff facilities, means of ingress and egress to the demised premises, other airport installations, and all other reasonable services which may be provided without charge from time to time by Landlord in operating the Airport. All such common facilities shall at all times be under the exclusive control and management of Landlord and may be rearranged, modified, changed or terminated from time to time at Landlord's sole discretion.

18. Rules and Regulations. Landlord has adopted Rules and Regulations (hereinafter referred to as the "Rules and Regulations") which shall govern Tenant in the use of the demised premises and all common facilities, a copy of which has been furnished to Tenant. The Rules and Regulations are incorporated by reference as if written verbatim herein, and Tenant agrees to comply fully at all times with the Rules and Regulations. Landlord shall have the right to amend, notify and alter the Rules and Regulations from time to time in a reasonable manner for the purpose of assuring the safety, welfare and convenience of Landlord, Tenant and all other Tenants and customers of the Airport.

19. Signs and Equipment. After first securing Landlord's approval which will not be unreasonably withheld, Tenant shall have the right from time to time to install and operate advertising signs and radio, communications, meteorological, aerial navigation and other equipment and facilities in or on the demised premises that may be reasonably necessary for the operation of Tenant's business.

20. Landlord's Right of Entry. Landlord and Landlord's authorized representatives shall have the right, during the normal business hours, to enter the demised premises (i) to inspect the general condition and state of repair thereof, (ii) to make repairs permitted under this Lease, (iii) to show the demised premises to any prospective tenant or purchaser or (iv) for any other reasonable and lawful purpose.

During the final one hundred eighty (180) days of the term hereof, Landlord and Landlord's authorized representatives shall have the right to erect and maintain on or about the demised premises customary signs advertising the demised premises for lease or for sale.

21. Indemnity and Exculpation:

A. Landlord shall not be liable to Tenant or to Tenant's employees, agents, servants, customers, invitees, or to any other person whomsoever, for any injury to persons or damage to property on or about the demised premises or any adjacent area owned by Landlord caused by the negligence or misconduct of Tenant, Tenant's employees, servants, customers, invitees, subtenants, licensees or concessionaires or any other person entering the demised premises under express or implied invitation of Tenant, or arising out of the use of the demised premises by Tenant and the conduct of Tenant's business thereon, or arising out of any breach or default by Tenant in the performance of Tenant's obligations hereunder; and Tenant hereby agrees to indemnify Landlord and hold Landlord harmless from any loss, expense or claims arising out of such damage or injury.

B. Landlord and Landlord's agents and employees shall not be liable to Tenant for any injury to persons or damage to property resulting from the demised premises becoming out of repair or by defect in or failure of equipment, pipes, or wiring, or broken glass, or by the backing up of drains, or by gas, water, steam, electricity or oil leaking, escaping or flowing into the demised premises, regardless of the source, or dampness or by fire, explosion, falling plaster or ceiling or for any other reason whatsoever. Landlord shall not be liable to Tenant for any loss or damage that may be occasioned by or through the acts or omissions of other tenants of Landlord or caused by operations in construction of any private, public or quasi-public work, or of any other persons whomsoever, excepting only duly authorized agents and employees of Landlord.

22. Default by Tenant. The following events shall be deemed to be events of default by Tenant under this Lease:

A. Failure of Tenant to pay any installment of rent or any other sum payable to Landlord hereunder on the date that same is due and such failure shall continue for a period of ten (10) days.

B. Failure of Tenant to comply with any term, condition or covenant of this Lease, other than the payment of rent or other sum of money, and such failure shall not be cured within thirty (30) days after written notice thereof to Tenant.

C. Insolvency, the making of a transfer in fraud of creditors, or the making of an assignment for the benefit of creditors by Tenant or any guarantor of Tenant's obligations.

D. Filing of a petition under any section or chapter of the National Bankruptcy Act, as amended, or under any similar law or statute of the United States or any State thereof by Tenant or any guarantor of Tenant's obligations, or adjudication as a bankrupt or insolvent in proceedings filed against Tenant or such guarantor.

E. Appointment of a receiver or trustee for all or substantially all of the assets of Tenant or any guarantor of Tenant's obligations.

F. Abandonment by Tenant of any substantial portion of the demised premises or cessation of use of the demised premises for the purpose leased.

23. Remedies of Landlord. Upon the occurrence of any of the events of default listed in paragraph 22, Landlord shall have the option to pursue any one or more of the following remedies without the notice or demand whatsoever:

A. Terminate this Lease, in which event Tenant shall immediately surrender the demised premises to Landlord. If Tenant fails to so surrender the demised premises, Landlord may, without prejudice to any other remedy which Landlord may have for possession of the demised premises or arrearages in rent, enter upon and take possession of the demised premises and expel or remove Tenant and any other person who may be occupying the demised premises or any part thereof, without being liable for prosecution or any claim for damages therefor. Tenant shall pay to Landlord on demand the amount of all loss and damages which Landlord may suffer by reason of such termination, whether through inability to relet the demised premises on satisfactory terms or otherwise.

B. Terminate this Lease, in which event Tenant shall immediately surrender the demised premises to Landlord. If Tenant fails to so surrender the demised premises, Landlord may, without prejudice to any other remedy which Landlord may have for possession of the demised premises or arrearages in rent, enter upon and take possession of the demised premises and expel or remove Tenant and any other person who may be occupying the demised premises or any part thereof, without being liable for prosecution or any claim for damages therefor. Tenant shall pay to Landlord on the date of such termination damages in any amount equal to the excess, if any, of the total amount of all monthly rental and other amounts to be paid by Tenant to Landlord hereunder for the period which would otherwise have constituted the unexpired portion of the term of this Lease over the then fair market rental value of the demised premises for such unexpired portion of the term of this Lease.

C. Enter upon and take possession of the demised premises without terminating this Lease and without being liable for prosecution or for any claim for damages therefor, and expel or remove Tenant and any other person who may be occupying the demised premises or any part thereof. Landlord may relet the demised premises and receive the rent therefor. Tenant agrees to pay to Landlord monthly or on

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

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

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

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

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

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

If any mortgagee of Landlord has given Tenant its address for notices and specifically requests such notice, Tenant agrees to give the notice required hereinabove to such mortgagee at the time Tenant gives same to Landlord, and to accept curative action, if any, undertaken by such mortgagee as if such curative action had been taken by Landlord.

25. **Waiver of Subrogation.** Each party hereto waives any and every claim which arises or may arise in such party's favor against the other party hereto during the term of this Lease for any and all loss of, or damage to, any of such party's property located within or upon, or constituting a part of, the demised premises, which loss or damage is covered by valid and collectible fire and extended coverage insurance policies, to the extent that such loss or damage is recoverable under such insurance policies. Such mutual waivers shall be in addition to, and not in limitation or derogation of, any other waiver or release contained in this Lease with respect to any loss of, or damage to, property of the parties hereto. Inasmuch as such mutual waivers will preclude the assignment of any aforesaid claim by way of subrogation or otherwise to an insurance company (or any other person), each party hereby agrees immediately to give to each insurance company which has issued to such party policies of fire and extended coverage insurance, written notice of the terms of such mutual waivers, and to cause such insurance policies to be properly endorsed, if necessary, to prevent the invalidation of such insurance coverages by reason of such waivers.

26. **Title to Improvements.** Any and all improvements on the demised premises shall become the property of Landlord upon the expiration or termination of this Lease; provided, however: (i) If Tenant is not then in default hereunder, Tenant shall have the right to remove all personal property and trade fixtures owned by Tenant from the demised premises, but Tenant shall be required to repair any damage to the demised premises caused by such removal in a good and workmanlike manner and at Tenant's sole cost and expense; and (ii) Landlord may elect to require Tenant to remove all improvements from the demised premises and restore the demised premises to the condition in which the same existed on the date hereof, in which event Tenant shall promptly perform such removal and restoration in a good and workmanlike manner and at Tenant's sole cost and expense.

27. **Mechanics' and Materialmen's Liens.** Tenant agrees to indemnify and hold Landlord harmless of and from all liability arising out of the filing of any mechanics' or materialmen's liens against the demised premises by reason of any act or omission of Tenant or anyone claiming under Tenant, and Landlord, at Landlord's option, may satisfy such liens and collect the amount expended from Tenant together with interest thereon as provided in paragraph 37 as additional rent; provided, however, that Landlord shall not so satisfy such liens until fifteen (15) days after written notification to Tenant of Landlord's intention to do so and Tenant's failure during such fifteen (15) day period to bond such liens or escrow funds with appropriate parties to protect Landlord's interest in the demised premises.

28. **Title.** Tenant accepts the demised premises subject to: (i) the Base Lease; (ii) the Rules and Regulations; (iii) easements and rights-of-way and (iv) zoning ordinances and other ordinances, laws, statutes or regulations now in effect or hereafter promulgated by any governmental authority having jurisdiction over the demised premises.

29. **Quiet Enjoyment and Subordination.** Landlord covenants, represents and warrants that Landlord has full right and power to execute and perform this Lease and to grant the estate demised herein, and that Tenant, upon payment of the rents herein reserved, and performance of the terms, conditions, covenants and agreements herein contained, shall peaceably and quietly have, hold and enjoy the demised premises during the full term of this Lease; provided, however, that Tenant accepts this Lease subject and subordinate to any recorded mortgage, deed of trust or other lien presently existing upon the demised premises. Landlord further is hereby irrevocably vested with full power and authority by Tenant to subordinate Tenant's interest hereunder to any mortgage, deed of trust or other lien now existing or hereafter placed on the demised premises or to declare this Lease prior and superior to any mortgage, deed of trust or other lien now existing or hereafter placed on the demised premises; provided, however, any such subordination shall be upon the express conditions that (i) this Lease shall be recognized by the mortgagee and that all of the rights of Tenant shall remain in full force and effect during the full term of this Lease on condition that Tenant attorn to the mortgagee, its successors and assigns, and perform all of the covenants and conditions required by the terms of this lease, and (ii) in the event of foreclosure or any enforcement of any such mortgage, the rights of Tenant hereunder shall expressly survive and this Lease shall in all respects continue in full force and effect so long as Tenant shall fully perform all Tenant's obligations hereunder and attorn to the purchaser. Tenant also agrees upon demand to execute further instruments declaring this Lease prior and superior to any mortgage, deed or trust or other lien and specifically providing that this Lease shall survive the foreclosure of such mortgage, deed of trust or other lien.

30. **Tenant 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 (if there have been modifications, that this Lease as modified is in full force and effect and stating the modifications).

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

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

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

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

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

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

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

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

37. Interest on Tenant's Obligations and Manner of Payment. All monetary obligations of Tenant to Landlord under this Lease remaining unpaid ten (10) days after the due date of the same (if no due date has been established under other provisions hereof, the "due date" shall be the date upon which Landlord demands payment from Tenant in writing) shall bear interest at the rate of ten percent (10%) per annum from and after said tenth (10th) day until paid. If more than twice during the term of the Lease Tenant's personal or corporate check is not paid by the bank on which it is drawn for whatever reason, Landlord may require by giving written notice to Tenant that the payment of all future monetary obligations of Tenant under this Lease are to be made on or before the due date by cash, cashier's check, certified check or money order, and the delivery of Tenant's personal or corporate check will no longer constitute payment of such monetary obligations. Any acceptance by Landlord of a personal or corporate check after such notice shall not be deemed or construed as a waiver or estoppel of Landlord to require other payments as required by said notice.

38. Independent Contractor. It is understood and agreed that in leasing and operating the demised premises, Tenant is acting as an independent contractor and is not acting as agent, partner, joint venturer or employee of Landlord.

39. Force Majeure. In the event performance by Landlord of any term, condition or covenant in this Lease is delayed or prevented by any Act of God, strike, lockout, shortage of material or labor, restriction by any governmental authority, civil riot, flood, or any other cause not within the control of Landlord, the period for performance of such term, condition or covenant shall be extended for a period equal to the period Landlord is so delayed or hindered.

40. Exhibits. All exhibits, attachments, annexed instruments and addenda referred to herein shall be considered a part hereof for all purposes with the same force and effect as if copied verbatim herein.

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

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

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

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

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

LANDLORD:

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

City of Addison, Texas

P. O. Box 144

Addison, Texas 75001

TENANT:

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

(214) 353-3600

46. Fees or Commissions. Each party hereto hereby covenants and agrees with the other that such party shall be solely responsible for the payment of any brokers', agents' or finders' fees or commissions agreed to by such party arising from the execution of this Lease or the performance of the terms and provisions contained herein, and such party agrees to indemnify and hold the other party harmless from the payment of any such fees or commissions.

47. Counterparts. This Lease may be executed in multiple counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

48. Governing Law and Venue. This Lease and all of the transactions contemplated herein shall be governed by and construed in accordance with the laws of the State of Texas, and Landlord and Tenant both irrevocably agree that venue for any dispute concerning this Lease or any of the transactions contemplated herein shall be in any court of competent jurisdiction in Dallas County, Texas.

49. Entire Agreement and Amendments. This Lease, consisting of forty-nine (49) paragraphs and Exhibits A through B attached hereto, embodies the entire agreement between Landlord and Tenant and supersedes all prior agreements and understandings, whether written or oral, and all contemporaneous oral agreements and understandings relating to the subject matter hereof. Except as otherwise specifically provided herein, no agreement hereafter made shall be effective to change, modify, discharge or effect an abandonment of this Lease, in whole or in part, unless such agreement is in writing and signed by or in behalf of the party against whom enforcement of the change, modification, discharge or abandonment is sought.

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

LANDLORD:

ADDISON AIRPORT OF TEXAS, INC.

By: Robert P. Hall

Its: Vice President

CITY OF ADDISON, TEXAS

By: John Kelly

Its: _____

TENANT:

By: Jim Redman

Its: _____

STATE OF TEXAS
COUNTY OF DALLAS

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

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 11th day of April, 19 84.

Mavis Stanley
Notary Public

Dallas
County, Texas

STATE OF TEXAS
COUNTY OF DALLAS

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

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

Barbara L. Jansen
Notary Public

Dallas
County, Texas

STATE OF TEXAS
COUNTY OF DALLAS

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

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 24 day of April, 19 84.

James Sharp
Notary Public

Dallas
County, Texas



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

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

WITNESSETH:

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

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

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

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

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

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

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

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

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

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

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

As consideration for this Agreement, and in addition to the rents payable hereunder, the Company agrees to pay to the City the sum of Eight Hundred Thousand (\$800,000.00) Dollars, in cash, said payment to be made simultaneous with the release of this Agreement from Title Company ("Escrow Agreement").

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

Section 1. Definitions

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

Section 2. Representations by City

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

Section 3. Representations by Company

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

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

Section 4. Term of Agreement

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

Section 5. Rent

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

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

Section 6. Taxes and Assessments

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

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

Section 7. Uses of Leased Premises

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

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

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

(b) In the performance of the Uses of the Airport granted by the City hereunder, the Company agrees to operate the Airport to the use and benefit of the public; to make available all airport facilities and services to the public on fair and reasonable terms and with no 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 the above-described Grant Agreement. In furtherance of this general covenant, but without limiting its general applicability, the Company specifically agrees to operate the Airport for the use and benefit of the public; to make available all airport facilities and services to the public on fair and reasonable terms and without discrimination and to provide space on the Airport, to the extent available, and to grant rights and privileges for use of the landing area facilities of the Airport to all qualified persons, firms and corporations desiring to conduct aeronautical operations on the Airport. In this connection, the Company may from time to time adopt standard rules and regulations concerning the use and operation of the Airport, provided such rules and regulations shall not constitute a violation of the Grant Agreement.

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

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

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

Section 8. Orderly Conduct of Operations

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

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

Section 9. Standards of Operation

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

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

Section 10. Insurance

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

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

(b) General public liability insurance against claims for bodily injury, death or property damage occurring on, in or about the Leased Premises, such insurance to afford protection to 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 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 connected thereto which by reason of their use or existence are capable of bursting, erupting, collapsing, imploding or exploding, in a minimum amount of \$100,000.00 for damage to property resulting from such perils.

(e) Such other insurance on the improvements in such amounts and against such other insurable hazards which at the time 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 (1) 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

insurance or insurance of insurance indicates for insurance required in Section 10 hereof. The Company shall within ten days prior to the expiration of any such insurance, in the place of expired policies other than duplicate policies or other certificates of insurance, insure in the place of expired policies other than duplicate policies or other certificates of insurance. Section 10 hereof evidencing renewal of insurance.

Section 13. Casualty

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

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

Section 14. Maintenance and Repair

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

Section 15. Failure to Commence and Complete Repairs

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

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

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

Section 16. Alterations, Construction by Company for Airport Purposes

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

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

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

Section 17. Alteration, Construction by City

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

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

Section 18. Liens

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

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

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

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

Section 19. Prices and Rates

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

The Company shall, from time to time, as the need arises, make and publish changes in the prices being charged; provided, however, fifteen (15) days prior to any such changes, the Company shall provide to the City a list of such 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.

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

Section 21. Applicable Governmental Requirements

The Company agrees,

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

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

Section 22. Indemnification

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

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

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

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

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

Section 23. Federal Airport Aid

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

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

Section 24. Notice to Indemnified Parties

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

Section 25. Liability of Officials

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

Section 26. Non-Discrimination

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

Section 27. OMBE: Advertisements, Bids, Concessions:

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

Section 28. Assignment

Except as explicitly set forth herein or contemplated by this Agreement, the Company shall not assign, sublet, sell, convey or transfer its rights under this Agreement or any part thereof without the prior written consent of the City, provided, however, that this Agreement agrees that it will not unreasonably withhold its consent to such an assignment or sublease, sale, transfer, and shall not make any charge for any such assignment, sublease, sale or transfer made with its consent.

Section 29. Events of Default and Remedies

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

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

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

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

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

Section 30. Remedies on Default

Whenever any event of default as to the Company referred to in Section 29 hereof shall have happened and be subsisting, the City may take any one or more of the following remedial steps as against the Company:

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

(b) The City may terminate this Agreement.

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

Section 31. No Remedy Exclusive

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

Section 32. No Additional Waiver Implied

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

Section 33. Termination by Company

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

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

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

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

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

Section 34. Access and Egress

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

Section 35. Company's Right to Remove Property

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

Section 36. Termination, Settlement

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

Section 37. Settlement

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

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

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

Section 38. Outlet Enjoyment

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

Section 39. No Third Party Beneficiary

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

Section 40. Severability

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

Section 41. Binding Effect

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

Section 42. Governing Law

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

Section 43. Venue

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

Section 44. Force Majeure

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

Section 45. Issuance of Revenue Bonds for Future Improvements

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

Section 46. Airport Boundaries

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

Section 47. Covenant by Company

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

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

Section 49. Notices

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

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

ATTEST:

Joyce H. Devers
SECRETARY

CITY OF ADDISON, TEXAS

BY: Jerry Redding

APPROVED AS TO FORM:

Robert H. Wall
CITY ATTORNEY

ATTEST:

Margaret E. Bush
SECRETARY

ADDISON AIRPORT, INC.

BY: [Signature]

FIELD NOTES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

THENCE Southerly with said curve, and the West line of Addison Road, having a central angle of 1° 53' 11", a radius of 746.30 feet, 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 68 feet for a distance of 309.44 feet;

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

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

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

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

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

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

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

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

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

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

THENCE S. 75° 48' 25" W. a distance of 10.05 feet to a point;
 THENCE N. 89° 56' 35" W. a distance of 656.63 feet to a point;
 THENCE N. 0° 03' 25" E. a distance of 160.00 feet to a point;
 THENCE N. 89° 56' 35" W. a distance of 160.00 feet to a point in the East right-of-way line of Dooley Road;
 THENCE N. 0° 03' 25" E. a distance of 10.00 feet with the East line of Dooley Road to a point;
 THENCE S. 89° 56' 35" E. a distance of 797.46 feet to a point;
 THENCE N. 75° 48' 25" E. a distance of 408.36 feet to an Iron pin in the easterly line of said Addison Airport Industrial District;
 THENCE N. 20° 39' 35" W. a distance of 2386.20 feet with the easterly line of said Addison Airport Industrial District to an iron pin for the northeast corner of Addison Airport Industrial District;
 THENCE N. 20° 43' 53" W. a distance of 320.72 feet to an Iron pin;
 THENCE N. 89° 49' 30" E. a distance of 9.98 feet to an iron pin;
 THENCE N. 20° 17' 10" W. a distance of 389.50 feet to an Iron pin;
 THENCE N. 89° 54' 10" W. a distance of 117.08 feet to an iron pin in the apparent East right-of-way line of said Dooley Road;
 THENCE N. 0° 05' 50" E. a distance of 502.30 feet with the apparent East line of said Dooley Road to the place of beginning and containing 365.340 acres of land, more or less, save and except the following 1 acre tract;

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

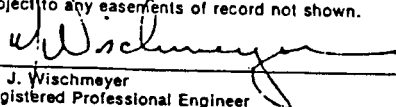
THENCE S. 0° 03' 47" E. 209.0 feet with the West line of Dooley Road;
 THENCE N. 89° 23' 56" W. 208.0 feet to an iron pin;
 THENCE N. 0° 14' 32" W. 209.0 feet to an iron pin;
 THENCE S. 89° 23' 56" E. 208.0 feet to the place of beginning and containing 1.0 acres of land, more or less.

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

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

5 JAN 1977

Date


 W. J. Wischmeyer
 Registered Professional Engineer

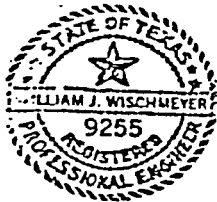


EXHIBIT "A"
 PROPERTY MAP
 ADDISON MUNICIPAL AIRPORT
 ADDISON, TEXAS

Riewe & Wischmeyer, Inc.

CONSULTING ENGINEERS
 DALLAS TEXAS

DECEMBER 1976

EASEMENT AGREEMENT

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

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

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

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

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

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

NOW, THEREFORE, Grantor hereby agrees as follows:

ARTICLE I

Grant of Easements and Rights

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

ARTICLE II

Improvements

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

ARTICLE III

Maintenance of Improvements

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

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

ARTICLE IV

Miscellaneous

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

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

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

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

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

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

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

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

By *Jim Tedman*

By *Robert L. Love*
Vice President

THE STATE OF TEXAS I
COUNTY OF DALLAS X

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

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 11th day of April, 1984

Marie Stanley
Notary Public, State of Texas
MARIE STANLEY
Notary Public
Dallas County, Texas
(Print Name)

My Commission Expires
3-31-85

THE STATE OF TEXAS X
COUNTY OF DALLAS X

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

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

Deborah L. James
Notary Public, State of Texas
Deborah L. James
(Print Name)

My Commission Expires
8-13-84

addison airport

April 19, 1984

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

Re: Easement Agreement

Dear Mr. Redman:

Once again we appreciate your interest in Addison Airport.

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

Let us know how we can help.

Sincerely,

Robert L. Gore
Vice President

RLG/dj

cc: Henry Stuart

ROAD

EAST 1345.28'

04'44" W
9.16'

230.0'

Steve Adams
Dave Simmons
WESTGROVE
ASSOCIATES
1.392 Ac.

Mike Clark
931-8487
ALLAN CLARK
1.672 Ac.

LAWSON RIDGEWAY
1.554 Ac.
Charles C. Conroy
987-3085

30 30

2600'

NORTH 260.0'

50°07'20" E - 261.58'

15' EASEMENT

190.0'

60'

150'

60' INGRESS/EGRESS ESMT.

248.03'

280.0'

3198'

WEST 260.55'

158'

S 21°41'11" W
52.01'

30'

30'

~~Admiral~~
BONFANT
1.157 Ac.

Bill McGee
386-0756

INGRESS/EGRESS ESMT.

108.59'

19.79'

N 43°22'56" E

412'

N 46°30'18" W

40.34' W

232.41'

COMMORTGAGE
1.011 Ac.

O'Neal Gray
385-0716

220.0'

RAY BLANCHARD
383-3722
1.135 Ac.

679.37'

S 81°23'

581.25'

N 43°22'26" E

319.15'

TKIWAY

319.15'

INGRESS/EGRESS ESMT.

561.53'

S 43°22'56" E

1800'

50.17' W

191.95'

INGRESS/EGRESS ESMT.

220.0'

S 50°07'20" E

261.58'

APPROPRIATE LOCATION OF
EASEMENT DECIDED.
MUST BE SECURED BEFORE
SERVICE WILL BE PROVIDED
TO CUSTOMER.

11/10/03
320-1173
320-1173

EXHIBIT "D"

ASSIGNMENT OF GROUND LEASE

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

ASSIGNMENT OF GROUND LEASE

This Assignment of Ground Lease (the "Assignment") is entered into and effective as of June 7 2005, at Addison, Texas, by and between Redman Investments, Inc., a Texas corporation (herein referred to as "Assignor") and Triad CSGP, LLC, a Delaware limited liability company (herein referred to as "Assignee").

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

WHEREAS, following the execution of the Ground Lease, Assignor executed and conveyed to the City and AATI a non-exclusive, perpetual and permanent right-of-way easement on and across a portion of the Property as set forth in that Easement Agreement dated April 18, 1984 (a true and correct copy of which is attached hereto as Exhibit B) for the purpose of creating a common ramp for aircraft, vehicular and pedestrian access over and across such portion, and agreed to construct and maintain the said ramp; and

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

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

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

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

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

AGREEMENT

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

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

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

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

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

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

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

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

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

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

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

ASSIGNOR:

REDMAN INVESTMENTS, INC.

By: 

Typed/printed name: ROGER D. CHAFIN

Title: PRESIDENT

ASSIGNEE:

TRIAD CSGP, LLC,
a Delaware limited liability company

By: 

Typed/printed name: DONALD P. FAY

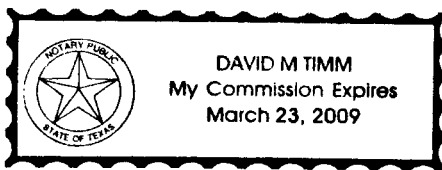
Title: **EVP**

ACKNOWLEDGMENT

STATE OF TEXAS §
COUNTY OF DALLAS §

This instrument was acknowledged before me on 6/6, 2005 by Roger Chabin, President of Redman Investments, Inc., a S corporation, on behalf of said corporation.

[SEAL]



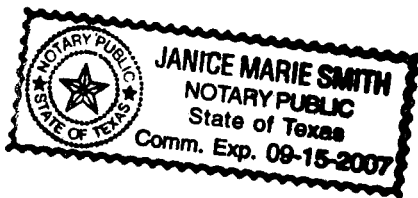
[Signature]
Notary Public, State of Texas
Commission expires: 03/23/2009

STATE OF TEXAS §
COUNTY OF DALLAS §

This instrument was acknowledged before me on May 27, 2005 by Donald P. Mac, EVP of Triad CSGP, LLC, a Delaware limited liability company, on behalf of said limited liability company.

GIVEN under my hand and seal of office this 27th day of May, 2005.

[SEAL]



[Signature]
Notary Public, State of Texas
Commission expires: 9/15/07

CONSENT OF LANDLORD

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

LANDLORD:

TOWN OF ADDISON, TEXAS

By: 
Ron Whitehead, City Manager

#57

This Ground Lease (hereinafter referred to as the "Lease" is made and entered into as of April 4, 1984, by and among the City of Addison, Texas, a municipal corporation (hereinafter sometimes referred to as the "City"), Addison Airport of Texas, Inc., a Texas Corporation (hereinafter sometimes referred to as "AATI") and REDMAN INVESTMENTS, INC. (hereinafter referred to as "Tenant").

WITNESSETH:

WHEREAS, AATI leases that certain real property (hereinafter referred to as the "demised premises") described in attached Exhibit A from the City pursuant to that certain Instrument captioned Agreement for Operation of the Addison Airport (hereinafter referred to as the "Base Lease") between the City and Addison Airport, Inc. (predecessor 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 May 1, 1984, or the first day of the first calendar month after Tenant completes the construction hereinbelow described and opens for business at the demised premises (the applicable date being hereinafter referred to as the "Commencement Date"), and shall end four hundred eighty (480) months thereafter; provided, however, that any entry upon the demised premises by Tenant prior to the Commencement Date shall be subject to all of the terms and conditions hereof except that rental shall not accrue.

4. **Rental:** Subject to adjustment as hereinbelow provided, Tenant agrees to pay to Landlord, without offset or deduction, rent for the demised premises at the rate of NINE HUNDRED NINETEEN AND 94/100 per month in advance. The first of such monthly installment shall be due and payable on or before the Commencement Date, and a like installment shall be due and payable on or before the first day of each calendar month thereafter during the term hereof.

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

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

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

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

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

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

- 1 - Metal Hangar 140' x 75' with 140' x 20' single story office and covered parking. Associated vehicle parking and aircraft ramp. Addison Airport to approve construction plans prior to start of construction.

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

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

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

9. **Assignment, Subletting and Mortgaging of Leasehold Estate:**

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

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

C. All mortgages or deeds of trust created hereby shall contain provisions (i) requiring the leasehold mortgagee 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.

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

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

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

11. Maintenance and Repair of Demised Premises:

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

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

12. **Alterations, Additions and Improvement.** After completion of the improvements described in paragraph 6, Tenant shall not create any openings in the roof or exterior walls, or make any alterations, additions or improvements to the demised premises without the prior written consent of Landlord. Consent for non-structural alterations, additions or improvements shall not be unreasonably withheld by Landlord. Tenant shall have the right to erect or install shelves, bins, machinery, air conditioning or heating equipment and trade fixtures, provided that Tenant complies with all applicable governmental laws, ordinances and regulations.

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

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

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

(ii) General public liability insurance against claims for bodily injury, death or property damage occurring on, in or about the demised premises, such insurance to afford protection to Landlord of not less than \$500,000.00 with respect to any one person, \$1,000,000.00 with respect to any one accident and not less than \$200,000.00 with respect to property damage.

(iii) Workmen's compensation insurance covering all persons employed by Tenant in connection with any work done on or about the demised premises with respect to which claims for death or bodily injury could be asserted against Landlord or the demised premises, or in lieu of such workmen's compensation insurance, a program of self-insurance complying with the rules, regulations and requirements of the appropriate state agency of the State of Texas.

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

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

(vi) Hangar keeper's liability insurance providing for coverage in the following limits: \$200,000.00 per aircraft and \$400,000.00 per occurrence on property damage to aircraft in the care, custody or control of Tenant.

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

All such policies of insurance (i) shall be issued by insurance companies acceptable to Landlord, (ii) shall name Landlord as an additional insured or loss payee, as the case may be, and (iii) shall provide for at least ten (10) days written notice to Landlord prior to cancellation or modification. Tenant shall provide Landlord with duplicate originals of all insurance policies required by this paragraph.

14. Casualty Damage or Destruction:

A. In case of any damage to or destruction of the buildings, structures and equipment on the demised premises, or any part thereof, Tenant will promptly give written notice thereof to Landlord, generally describing the nature and extent of such damage and/or destruction.

B. In case of any damage to or destruction of the buildings, structures and equipment on the demised premises, or any part thereof, Tenant, whether or not the insurance proceeds, if any, payable on account of such damage and/or destruction shall be sufficient for such purpose, at Tenant's sole cost, risk and expense will promptly commence and complete the restoration, repair and replacement of said buildings, structures and equipment as nearly as possible to their value, condition and character immediately prior to such damage and/or destruction, with such alterations in and additions thereto as may be approved in writing by Landlord (hereinafter sometimes referred to as the "Restoration").

C. All insurance proceeds, if any, payable on account of such damage to or destruction of the buildings, structures and equipment on the demised premises shall be held by Landlord. Landlord shall be protected in acting upon any certificate delivered by Landlord to be genuine and to have been executed by the proper party and shall receive such certificate as conclusive evidence of any fact or as to any matter therein set forth. Such certificate shall be full warranty, authority and protection to Landlord in acting thereon, and Landlord shall be under no duty to take any action other than as set forth in this paragraph 14.

D. Insurance proceeds received by Landlord on account of any damage to or destruction of the buildings, structures and equipment on the demised premises, or any part thereof (less the costs, fees and expenses incurred by Landlord and Tenant in the collection thereof, including, without limitation, adjuster's and attorney's fees and expenses) shall be applied as follows:

(i) Net insurance proceeds as above defined shall be paid to Tenant or as Tenant may direct from time to time as Restoration progresses to pay (or reimburse Tenant for) the cost of Restoration, upon written request of Tenant to Landlord accompanied by (a) certificate of a supervising architect or engineer approved by Landlord, describing in reasonable detail the work and material in question and the cost thereof, stating that the same were necessary or appropriate to the Restoration and constitute a complete part thereof, and that no part of the cost thereof has theretofore been reimbursed, and specifying the additional amount, if any, necessary to complete the Restoration, and (b) an opinion of counsel satisfactory to Landlord that there exist no mechanics', materialmen's or similar liens for labor or materials except such, if any, as are discharged by the payment of the amount requested.

(ii) Upon receipt by Landlord of evidence of the character required by the foregoing clauses (i)(a) and (b) that Restoration has been completed and the cost thereof paid in full, and that there are no mechanics', materialmen's or similar liens for labor or materials supplied in connection therewith, the balance, if any, of such proceeds shall be paid to Tenant or as Tenant may direct.

E. In the event that Tenant does not diligently commence Restoration, or after commencement of Restoration, if Tenant does not diligently proceed to the completion of same, Landlord shall have the right to commence or complete Restoration after Landlord has given Tenant thirty (30) days prior written notice requesting the commencement of Restoration or that Tenant diligently proceeds to the completion of same. If Tenant during such thirty (30) day period does not so commence or proceed to diligently complete Restoration. In such event, Landlord shall retain the insurance proceeds, and Tenant shall pay any deficiency if such proceeds are not sufficient for Restoration.

15. Condemnation:

A. If during the term hereof, any part of the demised premises shall be acquired or condemned by eminent domain for any public or quasi-public use or purpose, or are sold to a condemning authority under threat of condemnation, and after such taking by or sale to said condemning authority the remainder of the demised premises is not susceptible to efficient and economic occupation and operation by Tenant, this Lease shall automatically terminate as of the date that said condemning authority takes possession of the demised premises, and Landlord shall refund to Tenant any prepaid but unaccrued rental less any sum then owing by Tenant to Landlord.

B. If after such taking by or sale to said condemning authority the remainder of the demised premises is susceptible to efficient and economic occupation and operation by Tenant, this Lease shall not terminate but the rental due hereunder shall be adjusted so that Tenant shall be required to pay for the remainder of the term hereof the sum obtained by multiplying each monthly rental installment due hereunder, as adjusted from time to time pursuant to paragraph 5, by a fraction, the numerator of which shall be the number of square feet remaining in the demised premises after the taking by or sale to said condemning authority and denominator of which shall be the square footage originally contained in the demised premises. The rental adjustment called for herein shall not commence until said condemning authority actually takes possession of the condemned portion of the demised premises.

C. If this Lease is not terminated pursuant to Section A, Tenant shall promptly restore the improvements on the demised premises, and the condemnation proceeds to which Landlord and Tenant are entitled shall be awarded and paid first to cover the costs and expenses for restoring the remaining portion of the demised premises to a condition susceptible to efficient and economic occupation and operation by Tenant, and any remaining proceeds to which Landlord and Tenant are entitled shall be awarded and paid to Landlord and Tenant, as their interest may appear. If this Lease is terminated pursuant to Section A, condemnation proceeds to which Landlord and Tenant are entitled shall be awarded and paid to Landlord and Tenant as their interests may appear.

16. Utilities. Tenant shall be responsible at Tenant's sole cost and expense for obtaining all utility connections at or for the demised premises and Tenant shall pay all charges for water, electricity, gas, sewer, telephone or any other utility connections, tap-in fees and services furnished to the demised premises during the term hereof. Landlord shall in no event be liable or responsible for any cessation or interruption in any such utility services.

17. Common Facilities. Tenant and Tenant's employees, agents, servants, customers and other invitees shall have the non-exclusive right to use all common facilities, improvements, equipment and services which may now exist or which may hereafter be provided by Landlord for the accommodation and convenience of Landlord's customers and tenants, including landing and takeoff facilities, means of ingress and egress to the demised premises, other airport installations, and all other reasonable services which may be provided without charge from time to time by Landlord in operating the Airport. All such common facilities shall at all times be under the exclusive control and management of Landlord and may be rearranged, modified, changed or terminated from time to time at Landlord's sole discretion.

18. Rules and Regulations. Landlord has adopted Rules and Regulations (hereinafter referred to as the "Rules and Regulations") which shall govern Tenant in the use of the demised premises and all common facilities, a copy of which has been furnished to Tenant. The Rules and Regulations are incorporated by reference as if written verbatim herein, and Tenant agrees to comply fully at all times with the Rules and Regulations. Landlord shall have the right to amend, notify and alter the Rules and Regulations from time to time in a reasonable manner for the purpose of assuring the safety, welfare and convenience of Landlord, Tenant and all other Tenants and customers of the Airport.

19. Signs and Equipment. After first securing Landlord's approval which will not be unreasonably withheld, Tenant shall have the right from time to time to install and operate advertising signs and radio, communications, meteorological, aerial navigation and other equipment and facilities in or on the demised premises that may be reasonably necessary for the operation of Tenant's business.

20. Landlord's Right of Entry. Landlord and Landlord's authorized representatives shall have the right, during the normal business hours, to enter the demised premises (i) to inspect the general condition and state of repair thereof, (ii) to make repairs permitted under this Lease, (iii) to show the demised premises to any prospective tenant or purchaser or (iv) for any other reasonable and lawful purpose.

During the final one hundred eighty (180) days of the term hereof, Landlord and Landlord's authorized representatives shall have the right to erect and maintain on or about the demised premises customary signs advertising the demised premises for lease or for sale.

21. Indemnity and Exculpation:

A. Landlord shall not be liable to Tenant or to Tenant's employees, agents, servants, customers, invitees, or to any other person whomsoever, for any injury to persons or damage to property on or about the demised premises or any adjacent area owned by Landlord caused by the negligence or misconduct of Tenant, Tenant's employees, servants, customers, invitees, subtenants, licensees or concessionaires or any other person entering the demised premises under express or implied invitation of Tenant, or arising out of the use of the demised premises by Tenant and the conduct of Tenant's business thereon, or arising out of any breach or default by Tenant in the performance of Tenant's obligations hereunder; and Tenant hereby agrees to indemnify Landlord and hold Landlord harmless from any loss, expense or claims arising out of such damage or injury.

B. Landlord and Landlord's agents and employees shall not be liable to Tenant for any injury to persons or damage to property resulting from the demised premises becoming out of repair or by defect in or failure of equipment, pipes, or wiring, or broken glass, or by the backing up of drains, or by gas, water, steam, electricity or oil leaking, escaping or flowing into the demised premises, regardless of the source, or dampness or by fire, explosion, falling plaster or ceiling or for any other reason whatsoever. Landlord shall not be liable to Tenant for any loss or damage that may be occasioned by or through the acts or omissions of other tenants of Landlord or caused by operations in construction of any private, public or quasi-public work, or of any other persons whomsoever, excepting only duly authorized agents and employees of Landlord.

22. Default by Tenant. The following events shall be deemed to be events of default by Tenant under this Lease:

A. Failure of Tenant to pay any installment of rent or any other sum payable to Landlord hereunder on the date that same is due and such failure shall continue for a period of ten (10) days.

B. Failure of Tenant to comply with any term, condition or covenant of this Lease, other than the payment of rent or other sum of money, and such failure shall not be cured within thirty (30) days after written notice thereof to Tenant.

C. Insolvency, the making of a transfer in fraud of creditors, or the making of an assignment for the benefit of creditors by Tenant or any guarantor of Tenant's obligations.

D. Filing of a petition under any section or chapter of the National Bankruptcy Act, as amended, or under any similar law or statute of the United States or any State thereof by Tenant or any guarantor of Tenant's obligations, or adjudication as a bankrupt or insolvent in proceedings filed against Tenant or such guarantor.

E. Appointment of a receiver or trustee for all or substantially all of the assets of Tenant or any guarantor of Tenant's obligations.

F. Abandonment by Tenant of any substantial portion of the demised premises or cessation of use of the demised premises for the purpose leased.

23. Remedies of Landlord. Upon the occurrence of any of the events of default listed in paragraph 22, Landlord shall have the option to pursue any one or more of the following remedies without the notice or demand whatsoever:

A. Terminate this Lease, in which event Tenant shall immediately surrender the demised premises to Landlord. If Tenant fails to so surrender the demised premises, Landlord may, without prejudice to any other remedy which Landlord may have for possession of the demised premises or arrearages in rent, enter upon and take possession of the demised premises and expel or remove Tenant and any other person who may be occupying the demised premises or any part thereof, without being liable for prosecution or any claim for damages therefor. Tenant shall pay to Landlord on demand the amount of all loss and damages which Landlord may suffer by reason of such termination, whether through inability to relet the demised premises on satisfactory terms or otherwise.

B. Terminate this Lease, in which event Tenant shall immediately surrender the demised premises to Landlord. If Tenant fails to so surrender the demised premises, Landlord may, without prejudice to any other remedy which Landlord may have for possession of the demised premises or arrearages in rent, enter upon and take possession of the demised premises and expel or remove Tenant and any other person who may be occupying the demised premises or any part thereof, without being liable for prosecution or any claim for damages therefor. Tenant shall pay to Landlord on the date of such termination damages in any amount equal to the excess, if any, of the total amount of all monthly rental and other amounts to be paid by Tenant to Landlord hereunder for the period which would otherwise have constituted the unexpired portion of the term of this Lease over the then fair market rental value of the demised premises for such unexpired portion of the term of this Lease.

C. Enter upon and take possession of the demised premises without terminating this Lease and without being liable for prosecution or for any claim for damages therefor, and expel or remove Tenant and any other person who may be occupying the demised premises or any part thereof. Landlord may relet the demised premises and receive the rent therefor. Tenant agrees to pay to Landlord monthly or on

demand from time to time any deficiency may arise by reason of any such reletting. In determining the amount of such deficiency, brokerage commissions, attorneys' fees, filing expenses and other costs of relet 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 AATI is the Landlord hereunder, it is intended that the rent provided for in this Lease shall be an absolutely net return to Landlord for the term of this Lease, free of any loss, expenses or charges with respect to the demised premises, including, without limitation, maintenance, repairs, replacement, insurance, taxes and assessments, and this Lease shall be construed in accordance with and to effectuate such intention.

31. **Holding Over.** Should Tenant, or any of Tenant's successors in interest fail to surrender the demised premises, or any part thereof, on the expiration of the term of this Lease, such holding over shall constitute a tenancy from month to month only terminable at any time by either Landlord or Tenant after thirty (30) days prior written notice to the other, at a monthly rental equal to two hundred percent (200%) of the rent paid for the last month of the term of this Lease.

32. **Waiver of Default.** No waiver by the parties hereto of any default or breach of any term, condition or covenant of this Lease shall be deemed to be a waiver of any subsequent default or breach of the same or any other term, condition or covenant contained herein.

33. **Release of Landlord Upon Transfer.** All of Landlord's personal liability for the performance of the terms and provisions of this Lease (except for any liability accruing prior to such transfer) shall terminate upon a transfer of the demised premises by Landlord, provided that the obligations of Landlord under this Lease are covenants running with the land and shall be binding upon the transferee of Landlord's interest in this Lease and the demised premises.

34. **Attorneys' Fees.** If, on account of any breach or default by Landlord or Tenant of their respective obligations under this Lease, it shall become necessary for the other to employ an attorney to enforce or defend any of such party's rights or remedies hereunder, and should such party prevail, such party shall be entitled to collect reasonable attorneys' fees incurred in such connection from the other party.

35. **Financial Information.** Tenant agrees that Tenant will from time to time upon the written request of Landlord during the term of this Lease furnish to Landlord such credit and banking references as Landlord may reasonably request.

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

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

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

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

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

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

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

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

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

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

37. Interest on Tenant's Obligations and Manner of Payment. All monetary obligations of Tenant to Landlord under this Lease remaining unpaid ten (10) days after the due date of the same (if no due date has been established under other provisions hereof, the "due date" shall be the date upon which Landlord demands payment from Tenant in writing) shall bear interest at the rate of ten percent (10%) per annum from and after said tenth (10th) day until paid. If more than twice during the term of the Lease Tenant's personal or corporate check is not paid by the bank on which it is drawn for whatever reason, Landlord may require by giving written notice to Tenant that the payment of all future monetary obligations of Tenant under this Lease are to be made on or before the due date by cash, cashier's check, certified check or money order, and the delivery of Tenant's personal or corporate check will no longer constitute payment of such monetary obligations. Any acceptance by Landlord of a personal or corporate check after such notice shall not be deemed or construed as a waiver or estoppel of Landlord to require other payments as required by said notice.

38. Independent Contractor. It is understood and agreed that in leasing and operating the demised premises, Tenant is acting as an independent contractor and is not acting as agent, partner, joint venturer or employee of Landlord.

39. Force Majeure. In the event performance by Landlord of any term, condition or covenant in this Lease is delayed or prevented by any Act of God, strike, lockout, shortage of material or labor, restriction by any governmental authority, civil riot, flood, or any other cause not within the control of Landlord, the period for performance of such term, condition or covenant shall be extended for a period equal to the period Landlord is so delayed or hindered.

40. Exhibits. All exhibits, attachments, annexed instruments and addenda referred to herein shall be considered a part hereof for all purposes with the same force and effect as if copied verbatim herein.

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

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

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

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

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

LANDLORD:

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

City of Addison, Texas

P. O. Box 144

Addison, Texas 75001

TENANT:

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

(214) 353-3600

46. Fees or Commissions. Each party hereto hereby covenants and agrees with the other that such party shall be solely responsible for the payment of any brokers', agents' or finders' fees or commissions agreed to by such party arising from the execution of this Lease or the performance of the terms and provisions contained herein, and such party agrees to indemnify and hold the other party harmless from the payment of any such fees or commissions.

47. Counterparts. This Lease may be executed in multiple counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

48. Governing Law and Venue. This Lease and all of the transactions contemplated herein shall be governed by and construed in accordance with the laws of the State of Texas, and Landlord and Tenant both irrevocably agree that venue for any dispute concerning this Lease or any of the transactions contemplated herein shall be in any court of competent jurisdiction in Dallas County, Texas.

49. Entire Agreement and Amendments. This Lease, consisting of forty-nine (49) paragraphs and Exhibits A through B attached hereto, embodies the entire agreement between Landlord and Tenant and 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: Robert L. Hale

Its: Jim Redman

CITY OF ADDISON, TEXAS

By: Jim Redman

Its: _____

TENANT:

By: Jim Redman

Its: _____

STATE OF TEXAS }
COUNTY OF DALLAS

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

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 11th day of April, 19 84.

Mazie Stanley
Notary Public

Dallas
County, Texas

STATE OF TEXAS }
COUNTY OF DALLAS

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

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

Barbara L. James
Notary Public

Dallas
County, Texas

STATE OF TEXAS }
COUNTY OF DALLAS

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

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 24 day of April, 19 84.

James Sharp
Notary Public

Dallas
County, Texas



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

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

WITNESSETH:

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 1. Definitions

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

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

Section 7. Uses of Leased Premises

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

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

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

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

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

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

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

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

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

Section 8. Orderly Conduct of Operations

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

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

Section 9. Standards of Operation

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

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

Section 10. Insurance

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

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

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

(c) Workmen's compensation insurance covering all persons employed by the Company in connection with any work done on or about the Leased Premises with respect to which claims for death or bodily injury could be asserted against the City, the Company or the Leased Premises, or in lieu of such workmen's compensation insurance, a program of self-insurance complying with the rules, regulations and requirements of the appropriate state agency of the State of Texas.

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

(e) Such other insurance on the improvements in such amounts and against such other insurable hazards which at the time 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 (1) an insurer or insurers permitted to do business in the State of Texas approved by the City, which approval will not be unreasonably withheld. Such insurance shall name as the insured parties thereunder the City and the Company, as their respective interest may appear. The Company may prosecute any claim against, or contest any settlement proposed by, any insurer at its expense. In such event, the Company may bring such prosecution or contest any settlement in the name of the City, the Company or both, and the City joins therein at the Company's written request upon the City's receipt of an agreement by the Company to indemnify the City against all costs, liabilities and expenses in connection with such prosecution or contest.

Section 12. Delivery of Evidence of Insurance

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

...vidence of insurance or insurance ...icates for insurance required in Section 10 hereof. The Company shall within ten days prior to th
expiration of any such insurance, ...er in the place of expired policies other ... duplicate policies or other certificates of th
insurers endorsed as in above ... Section 10 hereof evidencing renewa ... insurance.

Section 13. Casualty

If any Improvements or any part thereof owned by the City shall be damaged or destroyed by fire, theft or other casualty, the Compar shall with reasonable promptness and diligence, rebuild, replace, and repair any damage or destruction to the Improvements, at i expense in conformity with the requirements of Section 14, in such manner as to restore the same to a unit of equal size, quality ar condition to that which existed prior to such damage or destruction. Insurance proceeds payable with respect to such casualty shi 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 upc 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 t accept the premises as is. The Company further agrees that it will, at its expense, keep and maintain the Leased Premises, and th Improvements in good repair and appearance, and in good mechanical condition, except for ordinary wear and tear, and will wit reasonable promptness make all, interior and exterior, structural and non-structural, foreseen and unforeseen, ordinary and extraordinai changes, repairs, substitutions and replacements (substantially equivalent to the original work) of any kind and nature which may b required to be made upon or in connection with the Leased Premises and Improvements or any part thereof, in order to keep and maintai the Leased Premises and Improvements in as good repair, mechanical condition and appearance as they were originally, except fo 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 period of thirty days after written notice from the City, or fails to continue and diligently complete any such repair, the City may at it 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 th right at all reasonable times to enter upon the Airport for the purpose of inspecting the Leased Premises, for observing the performance b 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 th 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 t make repairs, replacements, alterations or additions, or shall create any liability for any failure to do so. The City shall not in any event b liability for any injury or damage to any property or to any person happening on or about the Leased Premises nor for any injury or damag 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 th 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, o alter, modify or make additions, improvements, repairs to, or replacement of any improvements or any structure now existing or hereaft built on the Leased Premises.

Any such alterations, additions, improvements, installations, repairs, substitutions or replacements shall be expeditiousl 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 th requirement of any insurance policy required to be maintained by Company hereunder, with any applicable requirements of th 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, wheth Airport-related or not; provided, however, the erection of such structures, the making of such improvements, the installation of suc 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 th requirement of the insurance policy required to be maintained by the City or Company, hereunder. As to any construction, buildings o other structures constructed by the City which are not related to the Airport and its operations, Company shall not be required to furnis insurance.

Section 18. Liens

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

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

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

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

Section 19. Prices and Rates

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

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

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

Section 20. Subleases

(a) The Company shall have the right and is expressly hereby authorized to subleases 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.

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

Section 21. Applicable Governmental Requirements

The Company agrees,

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

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

Section 22. Indemnification

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

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

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

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

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

Section 23. Federal Airport Aid

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

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

Section 24. Notice to Indemnified Parties

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

Section 25. Liability of Officials

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

Section 26. Non-Discrimination

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

Section 27. OMBE: Advertisements, Bids, Concessions:

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

Section 28. Assignment

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

Section 29. Events of Default and Remedies

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

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

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

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

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

Section 30. Remedies on Default

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

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

(b) The City may terminate this Agreement.

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

Section 31. No Remedy Exclusive

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

Section 32. No Additional Waiver Implied

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

Section 33. Termination by Company

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

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

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

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

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

Section 34. Access and Egress

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

Section 35. Company's Right to Remove Property

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

Section 36. Termination, Settlement

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

Section 37. Settlement

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

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

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

Section 38. Quiet Enjoyment

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

Section 39. No Third Party Beneficiary

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

Section 40. Severability

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

Section 41. Binding Effect

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

Section 42. Governing Law

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

Section 43. Venue

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

Section 44. Force Majeure

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

Section 45. Issuance of Revenue Bonds for Future Improvements

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

Section 46. Airport Boundaries

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

Section 47. Covenant by Company

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

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

CITY OF ADDISON, TEXAS

BY:

Jerry Redding

APPROVED AS TO FORM:

Robert L. McCall
CITY ATTORNEY

ADDISON AIRPORT, INC.

ATTEST:

Margaret C. Dunch
SECRETARY

BY:

[Signature]

FIELD NOTES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

THENCE N. 89° 54' 46" E. a distance of 2135.61 feet with the South line of said Keller Springs Road to a point in the West right-of-way 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 Broughton and E.E. Ericson by deed recorded in Volume 4350, Page 491, Deed Records of Dallas County;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

THENCE S. 75° 48' 25" W. a distance of 10.05 feet to a point;
 THENCE N. 89° 56' 35" W. a distance of 656.63 feet to a point;
 THENCE N. 0° 03' 25" E. a distance of 160.00 feet to a point;
 THENCE N. 89° 56' 35" W. a distance of 160.00 feet to a point in the East right-of-way line of Dooley Road;
 THENCE N. 0° 03' 25" E. a distance of 10.00 feet with the East line of Dooley Road to a point;
 THENCE S. 89° 56' 35" E. a distance of 797.46 feet to a point;
 THENCE N. 75° 48' 25" E. a distance of 408.36 feet to an iron pin in the easterly line of said Addison Airport Industrial District;
 THENCE N. 20° 39' 35" W. a distance of 2386.20 feet with the easterly line of said Addison Airport Industrial District to an iron pin for the northeast corner of Addison Airport Industrial District;
 THENCE N. 20° 43' 53" W. a distance of 320.72 feet to an iron pin;
 THENCE N. 89° 49' 30" E. a distance of 9.98 feet to an iron pin;
 THENCE N. 20° 17' 10" W. a distance of 389.50 feet to an iron pin;
 THENCE N. 89° 54' 10" W. a distance of 117.08 feet to an iron pin in the apparent East right-of-way line of said Dooley Road;
 THENCE N. 0° 05' 50" E. a distance of 502.30 feet with the apparent East line of said Dooley Road to the place of beginning and containing 365.340 acres of land, more or less, save and except the following 1 acre tract;

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

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

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

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

5 JAN 1977

Date

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

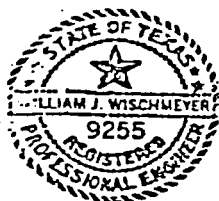


EXHIBIT "A"
 PROPERTY MAP
 ADDISON MUNICIPAL AIRPORT
 ADDISON, TEXAS

Riewe & Wischmeyer, Inc.

CONSULTING ENGINEERS
 DALLAS TEXAS

DECEMBER 1976

EASEMENT AGREEMENT

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

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

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

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

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

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

NOW, THEREFORE, Grantor hereby agrees as follows:

ARTICLE I

Grant of Easements and Rights

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

ARTICLE II

Improvements

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

ARTICLE III

Maintenance of Improvements

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

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

ARTICLE IV

Miscellaneous

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

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

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

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

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

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

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

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

By *Jim T. [Signature]*

By *Robert L. [Signature]*
Vice President

THE STATE OF TEXAS X

COUNTY OF DALLAS X

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

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 11th day of April, 1984.

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

(Print Name)

My Commission Expires
3-31-85

THE STATE OF TEXAS X

COUNTY OF DALLAS X

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

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

Dorothy L. James
Notary Public, State of Texas
Dorothy L. James
(Print Name)

My Commission Expires
8-13-84

file

addison airport

April 19, 1984

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

Re: Easement Agreement

Dear Mr. Redman:

Once again we appreciate your interest in Addison Airport.

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

Let us know how we can help.

Sincerely,

Robert L. Gore
Vice President

RLG/dj

cc: Henry Stuart

EXHIBIT 3

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

ASSIGNMENT OF GROUND LEASE

This Assignment of Ground Lease (the "Assignment") is entered into and effective as of _____ 2008, at Addison, Texas, by and between Triad CSGP, LLC, a Delaware Limited Liability Company (herein referred to as "Assignor") and JJS Hangar, LLC, a Texas limited liability company (herein referred to as "Assignee").

WHEREAS, a Ground Lease was executed on April 4, 1984 between the City of Addison, Texas (the same being the Town of Addison, Texas) (the "City") and Addison Airport of Texas, Inc. ("AATI"), together as Landlord, and Redman Investments, Inc., as Tenant, the "Ground Lease" (a true and correct copy of which is attached hereto as "Exhibit A" to the First Amendment To Ground Lease dated June 8, 2005), by the terms of which certain real property located at what is commonly known as 4585 Claire Chennault at Addison Airport within the City and owned by the City (and as more fully described in the Ground Lease) (the "Property") was leased to Tenant; and

WHEREAS, following the execution of the Ground Lease, Tenant executed and conveyed to the City and AATI a non-exclusive, perpetual and permanent right-of-way easement on and across a portion of the Property as set forth in that Easement Agreement dated April 18, 1984 (a true and correct copy of which is attached hereto as Exhibit "B" to the "First Amendment To Ground Lease" dated June 8, 2005) for the purpose of creating a common ramp for aircraft, vehicular and pedestrian access over and across such portion, and agreed to construct and maintain the said ramp; and

WHEREAS, by that Assignment of Ground Lease dated June 7, 2005 (a true and correct copy is attached hereto as Exhibit "C" to the "First Amendment To Ground Lease" dated June 8, 2005), the Ground Lease was assigned from Redman Investments, Inc., a Texas Corporation, as assignor, to Triad CSGP, LLC, a Delaware Limited Liability Company, as assignee; and

WHEREAS, the Ground Lease was amended by that First Amendment to Ground Lease dated June 8, 2005 (a true and correct copy is attached hereto); and

WHEREAS, this Assignment of Ground Lease (the "Assignment") is entered into and effective as of the date written above, at Addison, Texas, by and between Triad CSGP, LLC, a Delaware Limited Liability Company (herein referred to as "Assignor") and JJS Hangar, LLC, a Texas limited liability company (herein referred to as "Assignee").

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

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

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

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

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

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

AGREEMENT

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

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

3. Assignee hereby agrees to and shall be bound by and comply with all of the terms, provisions, duties, conditions, and obligations of tenant under the Ground Lease and of grantor under the Easement Agreement (attached hereto as Exhibit B to the

Assignment Agreement
Ground Lease #0660-5702
Assignor: Triad CSGP, LLC
Assignee: JJS Hangar, LLC

"First Amendment To Ground Lease" dated June 8, 2005). For purposes of notice under the Ground Lease, the address of Assignee is:

1708 Cliffview Drive
Plano, TX 75093-2416

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

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

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

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

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

9. 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.

10. The undersigned officers and/or agents of the parties hereto are the properly authorized persons and have the necessary authority to execute this Assignment

Assignment Agreement
Ground Lease #0660-5702
Assignor: Triad CSGP, LLC
Assignee: JJS Hangar, LLC

on behalf of the parties hereto, and each party hereby certifies to the other that any necessary resolutions or other act extending such authority have been duly passed and are now in full force and effect.

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

ASSIGNOR:

TRIAD CSGP, LLC,
a Delaware Limited Liability Company

By: _____

(printed name)

(title)

ASSIGNEE:

JJS HANGAR, LLC
a Texas Limited Liability Company

By: _____

(printed name)

(title)

Assignment Agreement
Ground Lease #0660-5702
Assignor: Triad CSGP, LLC
Assignee: JJS Hangar, LLC

ACKNOWLEDGMENT

STATE OF TEXAS §
COUNTY OF DALLAS §

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

GIVEN under my hand and seal of office this _____ day of _____, 2008.

[SEAL]

Notary Public, State of Texas

STATE OF TEXAS §
COUNTY OF DALLAS §

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

GIVEN under my hand and seal of office this _____ day of _____, 2008.

[SEAL]

Notary Public, State of Texas

Assignment Agreement
Ground Lease #0660-5702
Assignor: Triad CSGP, LLC
Assignee: JJS Hangar, LLC

CONSENT OF LANDLORD

The Town of Addison, Texas ("Landlord") is the Landlord in the Ground Lease described in the foregoing Assignment of Ground Lease (the "Assignment") entered into and effective as of _____ 2008, at Addison, Texas, by and between Triad CSGP, LLC, a Delaware Limited Liability Company (herein referred to as "Assignor") and JJS Hangar, LLC, a Texas limited liability company (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 this Consent, Landlord does not waive any of its rights under the Ground Lease as to the Assignor or the Assignee, and does not release Assignor from its covenants, obligations, duties, or responsibilities under or in connection with the Ground Lease, and Assignor shall remain liable and responsible for all such covenants, obligations, duties, or responsibilities. In addition, notwithstanding any provisions 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

Council Agenda Item: #R9

SUMMARY:

Consideration and approval to enter into an operational agreement with Project Lifesaver International with Senior Adult Services.

FINANCIAL IMPACT:

\$10,915 which includes purchase of additional unit, training costs and implementation

BACKGROUND:

See attached memorandum

RECOMMENDATION:

Staff recommends approval.

Interoffice Memo

Date: 1/14/2008
To: Ms. Lea Dunn
Cc: Chief Ron Davis
From: Deanna Robinson
RE: Project Lifesaver Proposal

Staff met with Ms. Ellen Toliver, case manager director, Senior Adult Services and with Chief Tommy Carter, Project Lifesaver. Project Lifesaver is a public safety program, which uses electronic technology to locate missing persons. The program is eight years old and began in Chesapeake, Virginia with just four participating jurisdictions. Today Project Lifesaver is presently protecting people in nearly 600 communities in 42 states. Of their 1600 recorded rescues through Year 2007, they have a 100 % success rate with the average rescue time of less than 30 minutes. The program targets persons with Alzheimer's, Autism, Down syndrome, dementia-type disorders, elderly and very young with propensities to wander away from their homes or care locations.

How It Works

Project Lifesaver works off radio telemetry. People who are enrolled in the Project Lifesaver program wear personalized wristbands with a uniquely assigned FM radio frequency. The wrist transmitter emits an automatic tracking signal every second during a 24-hour period.

Interoffice Memo: Project Lifesaver Proposal

This signal can be tracked by land and air over several miles. When the Addison Police is notified of a missing person we will identify the unique radio frequency and set our receiving equipment to same. Addison Police will respond to the last known location of the missing person for Addison, Carrollton and Farmers Branch along with patrol units from the requesting city where the missing person lives. Our patrol vehicles will be equipped with VHF receivers, hand-held Yagi antennas and omni-directional mounted antennas used to track the emitting signals and locate our missing person. There is no computer system to integrate. Currently this system is not operating with GPS; however, a GPS system is scheduled to come out in May 2008.

Why Implement the Program and Cost

Senior Adult Services approached us citing what they feel is a need in the Metrocrest community, as the number of elderly and special needs persons they service is continuing to grow. Over 5 million people in the United States have Alzheimer's or related disorders and an estimated fifty percent of these persons will wander or become lost. This is obviously tragic for the missing person; however, for family members and law enforcement the task of locating these persons quickly is paramount. Special needs missing persons become a critical emergency, as they are often disoriented, unable to ask for help or become crime victims. Senior Adult Services will identify persons needing tracking equipment due to age, medical or general wandering issues. Addison will host the cities of Farmers Branch and Carrollton through purchasing all required equipment, training of officers and responding to all calls regarding missing persons registered into our Project Lifesaver program. In the event a missing person is reported out of Carrollton or Farmers Branch, we will dispatch our Project Lifesaver equipped patrol vehicles into their jurisdiction and will be responsible for the tracking operation. Carrollton and Farmers Branch agree to send their patrol units to these calls and both agencies will work together in the rescue, with Addison directing their units with tracking information. The program's total cost with purchase of a spare unit, and training is \$ 10,915.80. The police will be able to absorb the cost in the current budget.

Interoffice Memo: Project Lifesaver Proposal

Senior Adult Services will purchase, issue and maintain all wrist radio transmitters. The cost of the wrist transmitters are about \$300.00 each. Transmitter batteries are approximately \$10.00 each and are replaced on a monthly basis. In addition, Senior Adult Services will publicize and manage the program.

Community Impact

Project Lifesaver is a local service. It joins law enforcement, community services, civic groups, local business and caregivers on a united front so that our families will have protection and the peace of mind this technology provides.

Recommendation

Staff recommends the purchase and implementation of Project Lifesaver for our Metrocrest community. As our communities continue to grow and age we will be better positioned to respond to the needs of our citizens with the most up-to-date technology and understanding.

dlr

Project Lifesaver Membership

Operational Agreement

1. Must be a recognized public safety organization, i.e.: police, sheriff, fire, or search and rescue that is part of / sponsored by a public safety organization.
 2. Program must utilize title - Project Lifesaver in the name of their program.
 3. Batteries, bands must be changed monthly by personnel certified as Project Lifesaver Operators or volunteers trained and supervised by said Operators. Caregivers are not to be considered as volunteers or permitted to service or change their loved ones batteries or band.
 4. All personnel participating in the program as operators must successfully complete operator training and be certified by a Project Lifesaver instructor. Operator re-certification must be accomplished once every two years.
 5. Personnel not trained or certified as Project Lifesaver operators will not operate any equipment in an actual missing persons search.
 6. All electronic equipment and components must be obtained from Project Lifesaver Headquarters or a source approved by PLS Headquarters. {See proprietary equipment list}.
 1. Transmitters
 2. Receivers
 3. Battery chargers
 4. Lighter adapters
 5. Transmitter testers
 6. Headsets
 7. Antennas - whip and directional
 8. Band pass filters
 9. Transmitter batteries
 10. Wrist bands
 11. Mini 2 antennas
 12. Transmitter and receiver cases
 13. Project Lifesaver videos
- a]. All Project Lifesaver insignia, patches, decals and other identification logos or insignia must be obtained from Project Lifesaver Headquarters.
- b]. Agencies may produce brochures and other printed material; a copy must be forwarded to Project Lifesaver Headquarters for accuracy screening.

7. Personnel trained in Project Lifesaver techniques and protocols may not utilize such training knowledge to instruct anyone, unless approved by the parent organization, Project Lifesaver International.
8. Rescue information and after action reports should be forwarded immediately to Project Lifesaver International Headquarters.
9. Participating organizations agree to assist neighboring Project Lifesaver organizations upon request.
10. Participating organizations will display the Project Lifesaver logo, as prescribed.
11. Agencies not in accordance with these operating procedures are subject to removal from the Project Lifesaver program.
12. Agency may not drop from program and operate an independent program unless agreed on by Project Lifesaver International.
13. All training and search procedures, materials, techniques and certifications copyright Project Lifesaver International.

Agreed _____ (signature)

Name Printed _____

Agency _____

Date _____

Witnessed by: _____

Date signed by Witness: _____

For Project Lifesaver _____

Revised: March 5, 2007

January 16, 2008

To: Ron Whitehead, Randy Moravec and Carmen Moran

From: John Stainback, Will Reed and Philip Williams

RE: Review of UDR's Requested Town Participation for the Brookhaven Redevelopment

EXECUTIVE SUMMARY

Stainback Public/Private Real Estate ("SPPRE") was selected by the Town of Addison, Texas (the "Town") in August 2007 to serve as the Town's "on-call advisor" to structure and implement several public/private real estate partnerships. As one of our assignments, we were asked to review the Brookhaven redevelopment project undertaken by United Dominion Realty Trust ("UDR"). SPPRE has reviewed all of the materials provided by UDR including the Market Demand Study for Rent Mix and Pricing by Foley & Puls, the Site Master Plan by Kevin Sloan Studio, Phasing Plans by Kevin Sloan Studio, Public Infrastructure Budget Icon Consulting Engineers, the Tax Increment Financing Analysis by Stein Planning, LLC, and the UDR Developer Pro Formas and Total Development Budget.

At a development cost of approximately \$1.0 billion, the Brookhaven development is positioned to revitalize and strengthen over 99 acres of commercial development within Addison. In order to make this project a premier development, UDR will construct public improvements, providing enhanced infrastructure and recreational opportunities to both the future residents and greater community. The Brookhaven redevelopment is planned as a "walkable" / pedestrian friendly environment and will enhance the area's open space and commercial attractiveness. ***In order for this development to achieve financial feasibility, UDR is requesting that the Town fund public improvements and infrastructure valued at \$39.9 million.*** This request is \$19.9 million lower than UDR's original October 2007 request of \$58.9 million. Acting as the Town's finance and development advisor, SPPRE has successfully reduced the requested Town participation from \$59.8 million to \$39.9 million, saving the Town approximately \$20 million.

While a \$39.9 million investment is significant, it accounts for only 4.2% of the Total Development Budget. Further, after a review of the Public Infrastructure Budget prepared by Icon Consulting Engineers, we believe that these costs are all eligible public improvements. Based on SPPRE's experience in negotiating public/private real estate partnerships, public participation levels may be between 1% and 25% of the project's Total Development Budget. Based on the project's leverage (private to public investment ratio) of **23:1**, SPPRE considers the requested amount to be reasonable. Based on our thorough financial review, ***SPPRE considers participation of the Town in the range of \$32.0 to \$40.0 million to be both fair and reasonable, but that the Town should place a cap on its investment of \$40.0 to avoid private development risk.*** In addition to our review of all of the above said materials provided to SPPRE by UDR, the basis for our range is largely dependent on the terms of future public financing, which would require further analysis of additional information to determine an exact amount of participation and structure of the final funding.

Please see Section V on page 10 for SPPRE's Summary Conclusion.

OVERVIEW

The following analysis is based on our extensive financial review and numerous discussions and communications with UDR and the Town’s staff. Section I outlines major changes between the UDR Pro Forma submitted on October 31, 2007 and the most recent UDR Pro Form submitted on January 9, 2008. The latest iteration of the Pro Forma was accompanied by a memorandum from UDR outlining the major assumptions which are referenced in this document. Section II is a review of the major assumptions within the UDR Pro Forma and is our review of whether they are in-line with industry averages. Section III contains SPPRE’s Financial Sensitivity Analysis illustrating the impact to Return on Cost (interchangeably as ROC or “returns”) if market rent rates decrease or if hard construction costs increase. Section IV is our comparative review of the Tax Increment Financing Analysis prepared by Stein Planning, LLC. Section V is a summary recommendation of the Town’s participation and our concluding remarks.

Section I: Modifications to the UDR Pro Forma

Reallocation of Public Improvement Costs

SPPRE has reviewed several iterations of the UDR Pro Forma beginning in October 2007. The most recent Pro Forma shows a Total Development Budget (TDB) of \$959.9 million. A notable change from the Pro Forma dated October 31, 2007 includes a reallocation of public improvements by phase. The current Pro Forma reallocates the cost of public improvements to earlier phases, effectively burdening the private returns in earlier phases, resulting in a lower ROC for Phases I and II than that which was previously presented in the Pro Forma dated October 31, 2007.

The following table illustrates the change in the Total Development Budget and the resulting change in ROC, assuming all else is equal based on the updated January 9, 2008 Pro Forma. By allocating more infrastructure costs to Phase I and Phase II, the ROC is reduced without changing other assumptions in the Building Program. The grey shaded box in the table below indicates the effect on the project’s ROC by reallocating costs across different phases. SPPRE believes this reallocation is reasonable since these costs are incurred earlier in the project’s development cycle.

	Phase I 592 Units Beg 3/2008	Phase II 1,243 Units Beg 1/2009	Phase III 652 Units Beg 9/2009	Phase IV 1,155 Units Beg 9/2010	Phase V 937 Units Beg 9/2011	Phase VI 876 Units Beg 9/2012	Total
Total Cost by Phase - 1/9/08	\$96,201,371	\$219,091,372	\$114,710,906	\$200,536,510	\$167,046,050	\$162,300,444	\$959,886,653
Total Cost by Phase - 10/31/07	\$90,701,463	\$214,663,428	\$115,315,498	\$207,037,432	\$168,906,300	\$162,380,929	\$959,005,049
Cost Difference	\$5,499,909	\$4,427,944	-\$604,592	-\$6,500,923	-\$1,860,249	-\$80,485	\$881,604
Return on Cost - 1/9/08	6.60%	6.60%	6.61%	6.70%	6.76%	6.78%	
Return on Cost - 10/31/07*	7.09%	6.75%	6.57%	6.49%	6.68%	6.78%	
ROC Difference	-0.49%	-0.15%	0.04%	0.21%	0.08%	0.00%	

*Assumes all other assumptions remain constant as presented in the 1/9/08 Pro Forma and that ROC includes the Town Investment.

The following table summarizes the change in requested public improvements based on the updated January 9, 2008 Pro Forma and depicts the expected timing of the demolition and abatement costs.

	Phase I	Phase II	Phase III	Phase IV	Phase V	Phase VI	Total
Public Improvements - 1/9/08	\$10,205,305	\$14,476,243	\$4,439,444	\$2,512,568	\$5,485,012	\$6,798,593	\$43,917,165
Public Improvements - 10/31/07	\$4,766,079	\$10,007,156	\$5,249,127	\$9,298,684	\$7,543,608	\$7,052,509	\$43,917,163
Difference in Allocation	\$5,439,226	\$4,469,087	-\$809,683	-\$6,786,116	-\$2,058,596	-\$253,916	\$2
Demo & Abatement - 1/9/08	\$1,207,000	\$3,197,601	\$1,990,602	\$3,816,899	\$2,534,067	\$2,224,418	\$14,970,587
Demo & Abatement - 10/31/07	\$1,207,000	\$3,197,601	\$1,990,602	\$3,816,899	\$2,534,067	\$2,224,418	\$14,970,587
Difference in Allocation	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Major Building Program Assumptions

The apartment units (5,455 total), average unit size (825 SF in Phase I and 950 SF in all other phases), net rentable square footage and densities remained unchanged. The Pro Forma budget line items “debt carry” and “income credit from operations of existing” both increased substantially, but the offsetting effect was a negligible impact to the Pro Forma. Because of this, the net land carry costs remained virtually unchanged.

Return on Cost (Calculated by Phase or Cumulative)

The developer’s ROC is a valuation benchmark used within the industry to gauge the financial attractiveness of a development or investment. This return metric illustrates how much money is returned annually based on how much money is incurred to develop a project. ROC varies significantly by project based on risk and economic factors. ROC thresholds vary by developer and are a function of the developer’s appetite for risk and expected return, access to capital, project location and market demand, among other factors. In general, developers or investors often start with a risk-free rate, or most often the current yield on the 10-Year U.S. Treasury, which is approximately 3.75%. A general premium for real estate risks of between 1.0% and 2.0% is then added along with a premium for property-specific risks of between 2.0% and 4.0%. This results in a total unleveraged ROC estimate of between 6.75% and 9.75%, typical for large, mixed use developments. SPPRE considers UDR’s ROC threshold of 6.60% to be at the low end of the return spectrum, but representative of a largely multifamily product, reflective of UDR’s fund size, access to favorable equity and debt, and ability to leverage a large economy of scale.

A lengthy discussion arose between UDR and SPPRE regarding the methodology of viewing the project on a “phase by phase” basis versus using a cumulative approach to calculate total project returns. In response to this, UDR indicated in their January 9, 2008 memo that “[they] are likely to have multiple equity partners involved and each phase has to stand on it’s own in terms of viability.” SPPRE agrees with UDR in this respect. However, if UDR places the equity alone for the project, estimated to be between \$200 to \$300 million, a cumulative approach to viewing the project’s returns may be appropriate. The discrepancy is that if the project is viewed in its entirety instead of by individual phase, and if inflation and growth are applied to each phase as those phases are successfully leased to stabilization, it will ultimately yield an increased ROC, to the developer exceeding their stated return threshold. It is most likely too early in the project’s life-cycle for SPPRE or UDR to determine the amount of equity or debt which will ultimately be used to finance all six phases of the development (a three year construction start schedule). Based on documents filed with the U.S. Securities and Exchange Commission, SPPRE extracted that UDR has an enterprise value of over \$6.3 billion and is the fourth largest multi-family residential REIT in the country, and accordingly, has significant equity placement capacity.

UDR’s ROC threshold has increased from 6.26% in the October 31, 2007 Pro Forma to 6.60% in the January 9, 2008 Pro Forma. UDR indicated that this was due to the ongoing credit crisis within the capital markets. SPPRE considers this increase of 35 basis points to be an acceptable modification to UDR’s return threshold.

Adjustment in Market Rental Rates

In order to achieve their desired ROC, UDR has raised the projected rents \$0.05 per net rentable square foot, beginning in Phase I. A growth rate of 4.0% is then applied to the rents across each phase during build-out to account for increased demand and inflation. This growth rate is higher than the average 3.1% growth rate presented in the October 31, 2008 Pro Forma. UDR states in the January 9, 2008 memorandum that “we feel this will be achievable based on the positive trends in the market and the unique qualities of this development”.

Other Pro Forma Assumption Adjustments

Economic occupancy of 94.0% remained constant across iterations of the Pro Forma and operating expenses decreased only slightly from 42.9% to 42.1% (Phase 1). SPPRE typically encounters operating expense levels of between 40.0% and 47.0% on similar projects. All other assumptions remained constant or changed only nominally in the latest Pro Forma.

Section II: Developer Pro Forma Assumption Review

The Brookhaven Building Program is partitioned into six separate phases over the course of more than three years (Phase I is set to begin in March 2008 and Phase VI is set to begin in September 2012). This building program occurs on a 99.18 acre site and replaces 2,369 deteriorating apartment units with 5,455 new apartment units, including 150,000 SF of new conjoined retail space. The Brookhaven Development has over 5.1 million net rentable square feet, which is more than 2.5x larger than the net rentable square footage of the existing apartment buildings. The following bullets reiterate some of the key assumptions in UDR’s Pro Forma:

- 1) **Apartment Annual Lease Rate:** The Phase I apartment units are priced at \$1.51/SF per month, substantially higher than the information presented to SPPRE in the Foley & Puls 2006 Market Study. SPPRE has discussed this income assumption at length with UDR and they are confident that this is a reasonable, achievable assumption.
- 2) **Hard Construction Cost:** The hard construction cost amounts to \$628.8 million across all phases of the development. The hard cost in Phase I equates to \$115/SF, increasing by 4.0% each phase to \$130/SF in Phase 6. Based on RSMeans data, SPPRE feels that this growth is reasonable and in-line with local and regional market hard construction costs.
- 3) **Soft Costs:** The soft costs across each Phase are also considered reasonable and amount to \$154.2 million for the entire project, or approximately 24.4% of hard costs. While these costs are slightly higher than what we would expect for soft costs, they still fall within a reasonable range. SPPRE typically encounters soft costs ranging from 17.0% to 25.0% of hard costs (excluding the cost of land).
- 4) **Total Development Budget:** The Pro Forma indicates a Total Development Budget including requested participation of \$959.8 million, or \$188 / SF (\$175,965 per unit). SPPRE typically encounters between \$160 and \$250 per SF, or \$160,000 to \$250,000 per unit. Therefore both of these calculations are within industry averages.
- 5) **Vacancy Rate:** Based on new multifamily developments of this magnitude, SPPRE typically encounters vacancy rates (inverse of economic occupancy) between 4.0% and 7.0%. UDR’s Pro Forma assumes a vacancy rate of 6.0% (94.0% economic occupancy), which is well within industry averages.

- 6) **Market Rent Growth Rate:** Growth in rental rates vary significantly across the country, depending largely on local area demand and other similar demographics. For high quality, new developments, SPPRE typically encounters growth rates at or above the rate of inflation, which is approximately 3.0%. UDR's Pro Forma assumes a 4.0% growth in market rent across all phases. SPPRE considers this assumption to be reasonable.
- 7) **Other Income:** ULI Dollars and Cents indicates an average range of between 4.0% and 7.0% for other income items. Based on this information, SPPRE believes UDR's Pro Forma makes a reasonable assumption.
- 8) **Expense Ratio:** The expense ratios as a percentage of total residential revenues assumed in the Developer Pro Forma range from 42.1% to 40.1% across all phases and generally decrease across each subsequent phase. SPPRE considers this to be a reasonable assumption based on our experience with other similar multifamily projects.

SPPRE has performed a Financial Sensitivity Analysis, which is illustrated on the following pages. Our analysis compares variations in most significant assumptions: (1) the annual lease rate and (2) hard construction cost with the developer's returns. This analysis illustrates how even slight modifications of assumptions can substantially impact the developer's return.

Section III: Financial Sensitivity Analysis

Because of the inherent risk of development, SPPRE assumes that UDR will be responsible for any market changes affecting actual results, or cost overruns in the development. Because of this, SPPRE has used the following Financial Sensitivity Analysis to project the shortfall, or financial gap, which UDR may experience if market lease rates or hard costs were to change. We are not proposing that the Town consider investing, or "contributing", to the project if UDR experiences any future shortfall. This analysis provides an example of how the developer's returns can increase beyond their original threshold (after Town participation in infrastructure and public improvements) if the project's performance is better than anticipated, and if projections are not met, then UDR's return will be negatively impacted and their returns will be below their stated return threshold. Essentially, this is the private development risk that the developer bears commensurate with taking on the project.

Unit Pricing Sensitivity

As previously noted, the apartment unit pricing seems aggressive based on the 2006 Market Study by Foley & Puls, which indicated that weighted average rents should be within the range of \$1.23 to \$1.25/SF per month. However SPPRE has been reassured by UDR that the higher market rates as projected in the Pro Forma are achievable. The table below illustrates the developer's returns (Table Item I) based on the current monthly rent, which begins at \$1.51/SF in Phase I and grows 4.0% across each phase. The grey-shaded box indicates the returns as presented in the January 9, 2008 Pro Forma. To be conservative, SPPRE's Financial Sensitivity Analysis illustrates the impact to the developer's return by reducing starting rents by \$0.01/SF increments. If these lower rents were realized, the ROC to the developer would decrease by a maximum of 20 basis points (from 6.60% to 6.40%).

Based on the Financial Sensitivity Analysis below, a 2.0% decrease in market rent would require approximately \$8.5 million in additional investment (private development risk) to support an acceptable level of return (6.60% ROC). The purpose of this analysis is to illustrate the associated risk UDR assumes by pricing units at these market lease rates and the resulting impact to the developer's return.

	Phase I 592 Units Beg 3/2008	Phase II 1,243 Units Beg 1/2009	Phase III 652 Units Beg 9/2009	Phase IV 1,155 Units Beg 9/2010	Phase V 937 Units Beg 9/2011	Phase VI 876 Units Beg 9/2012	Average
Rent PSF per Month	\$1.51	\$1.57	\$1.63	\$1.70	\$1.77	\$1.84	\$1.67
Growth Rate - %		4.0%	4.0%	4.0%	4.0%	4.0%	
I) Pro Forma Return on Cost	6.60%	6.60%	6.61%	6.70%	6.76%	6.78%	
<u>\$ / SF Hard Cost</u>	Return on Cost Sensitivity per Phase						
\$1.51	6.60%	6.60%	6.61%	6.70%	6.76%	6.78%	
\$1.50	6.56%	6.56%	6.57%	6.66%	6.72%	6.74%	
\$1.49	6.52%	6.52%	6.53%	6.62%	6.67%	6.70%	
\$1.48	6.48%	6.48%	6.49%	6.58%	6.63%	6.66%	
\$1.47	6.44%	6.44%	6.45%	6.53%	6.59%	6.62%	
\$1.46	6.40%	6.40%	6.41%	6.49%	6.55%	6.57%	
<u>\$ / SF Hard Cost</u>	Additional Investment Necessary to Achieve Pro Forma ROC						
Bond Contribution %	14.0%	65.0%	21.0%	0.0%	0.0%	0.0%	
\$1.51	\$0	\$0	\$0				Average
\$1.50 (-0.7%)	\$3,500,000	\$2,000,000	\$3,000,000				\$2,833,333
\$1.49 (-1.3%)	\$7,000,000	\$4,000,000	\$6,500,000	Not Applicable			\$5,833,333
\$1.48 (-2.0%)	\$10,500,000	\$5,750,000	\$9,500,000	Because Funds Dispersed Phase I - III			\$8,583,333
\$1.47 (-2.6%)	\$14,000,000	\$7,500,000	\$12,500,000				\$11,333,333
\$1.46 (-3.3%)	\$17,500,000	\$9,500,000	\$16,000,000				\$14,333,333

Hard Construction Cost Sensitivity

Hard construction cost represents the largest single expense in the Pro Forma, accounting for \$628.8 million, or 65.5% of the Total Development Budget. While this cost is a substantial amount, it is also the amount that is subject to the most variability. Hard construction cost in Phase 1 equals \$115/SF, which is then grown at slightly over 4.0% each year to keep up with inflation. The following table illustrates how the developer's returns would be impacted if there are cost savings realized during construction.

	Phase I 592 Units Beg 3/2008	Phase II 1,243 Units Beg 1/2009	Phase III 652 Units Beg 9/2009	Phase IV 1,155 Units Beg 9/2010	Phase V 937 Units Beg 9/2011	Phase VI 876 Units Beg 9/2012	Total
Total Hard Cost	\$56,166,000	\$141,702,000	\$74,328,000	\$137,156,250	\$111,268,750	\$108,186,000	\$628,807,000
Total Hard Cost (\$ / SF)	\$115	\$120	\$120	\$125	\$125	\$130	
Pro Forma Return on Cost	6.60%	6.60%	6.61%	6.70%	6.76%	6.78%	
\$ / SF Hard Cost	Return on Cost Sensitivity per Phase						
\$115	6.60%	6.60%	6.61%	6.70%	6.76%	6.78%	
\$114	6.64%	6.64%	6.65%	6.74%	6.80%	6.82%	
\$113	6.68%	6.68%	6.69%	6.78%	6.84%	6.86%	
\$112	6.72%	6.72%	6.73%	6.82%	6.88%	6.90%	
\$111	6.76%	6.77%	6.77%	6.86%	6.92%	6.94%	
\$110	6.81%	6.81%	6.81%	6.91%	6.96%	6.99%	
\$ / SF Hard Cost	Reduction in Requested Town Participation to Achieve Pro Forma ROC						
Bond Contribution %	14.0%	65.0%	21.0%	0.0%	0.0%	0.0%	
\$115	\$0	\$0	\$0				Average
\$114 (-0.9%)	-\$3,000,000	-\$2,000,000	-\$3,000,000				-\$2,666,667
\$113 (-1.7%)	-\$7,000,000	-\$4,000,000	-\$6,000,000	Not Applicable			-\$5,666,667
\$112 (-2.6%)	-\$10,000,000	-\$5,500,000	-\$9,500,000	Because Funds Dispersed Phase I - III			-\$8,333,333
\$111 (-3.5%)	-\$14,000,000	-\$7,500,000	-\$12,000,000				-\$11,166,667
\$110 (-4.3%)	-\$17,000,000	-\$9,500,000	-\$15,500,000				-\$14,000,000

The top portion of the table above illustrates only a slight decrease in hard cost (\$1.00/SF), but results in a significantly improved return to UDR (private development risk). This reduction would result in a positive financial impact to the project's investors equal to approximately \$8.3 million. If this reduction in hard cost is achieved, this may be viewed as a performance bonus to UDR and its investors for incurring the risk of developing the project.

Of the two Financial Sensitivities, SPPRE considers the possibility of fluctuating hard construction costs more realistic than UDR not achieving its estimated market rents. This assumption partially rests on the strength of UDR's assertion of its market rent estimates. Thus, SPPRE believes there is more room on the downside of the amount of Town investment (can possibly reduced) than is necessary as an additional investment by the Town (needing more than \$39.9 million).

Section IV: Tax Revenue Analysis

SPPRE has reviewed the tax revenue analysis provided by Stein Planning, LLC and has performed a separate 25-Year Tax Revenue Analysis, taking into account property taxes, retail sales tax and all other applicable taxes associated with the development. The results of both sets of analysis are similar in their conclusions, and as such, the following comments summarize the estimated incremental tax revenue generated by the Brookhaven redevelopment and the level of municipal debt that is supportable for public improvements.

The frozen tax base in 2009 of the value of the existing apartments located on the development site is approximately \$68 million (2007 Dallas Central Appraisal District market valuation). The taxable appraised value of the site upon completion of each phase is projected to be approximately 65% of the total value of improvements (the Total Development Budget of \$959.8 million). The discount of approximately 65% is in line with DCAD historical appraisal district practices. We applied 1.0% growth in taxable real property value over 30 years to adjust for inflation.

The Town's levy (\$0.43370 per \$100 of valuation) is applied to this tax base to determine the annual property tax increment generated to the Town. At stabilization (assumed to be 2014), the Town's real property tax increment is over \$2.7 million annually. Additionally, a nominal business personal property tax assessment (approximately \$30,000 at stabilization) has been added to fully reflect the tax increment to the Town.

A general sales tax assessment (1.0%) is anticipated on the revenues generated from the 150,000 SF of retail space. Assuming \$225/SF in annual sales, a 90% occupancy rate, and 3% annual inflation, the Brookhaven development will generate approximately \$30.0 million in sales tax revenue at project stabilization. With the Town's 1.0% share of sales tax, the Town's annual increment is then over \$300,000. ***Together, the Town's portion of the annual real property tax, business personal property tax and general sales tax increment at stabilization is estimated to be approximately \$3.0 million.***

While this \$3.0 million represents the total tax increment to the Town, a tax increment district could potentially include the Dallas County or the Community College District portion of incremental taxes to finance public improvements. This participation, or "public-public" partnership would reduce the Town's risk, decrease the length of time the public improvements are financed and encourage other public entities which will financially benefit from the project to participate. In our analysis, SPPRE has focused solely on the tax increment generated to the Town as a determination of whether the proposed public improvements can be financed.

Assuming 75% of the Town's total tax increment (or a 1.25x debt coverage ratio) is applied towards servicing the debt payment on the TIF-backed municipal bonds, approximately \$2.3 million is available in the form of cash flow to service debt. The following table shows a range of possible bond amounts which are supportable with this level of cash flow (\$2.3 million) and these financing terms. Only the Town's increment is presented below for illustrative purposes, but as previously mentioned, it may be possible to apply other revenue sources from other taxing authorities to support the bond, such as the Dallas County taxing authority or the Dallas County Community College taxing authority.

Term (Yrs.)	Assuming a Bond Coupon of:				
	5.00%	4.75%	4.50%	4.25%	4.00%
20	\$28,484,556	\$29,098,166	\$29,731,909	\$30,386,593	\$31,063,062
21	\$29,304,982	\$29,960,706	\$30,638,836	\$31,340,304	\$32,066,093
22	\$30,086,339	\$30,784,135	\$31,506,708	\$32,255,136	\$33,030,546
23	\$30,830,489	\$31,570,223	\$32,337,208	\$33,132,672	\$33,957,904
24	\$31,539,204	\$32,320,666	\$33,131,945	\$33,974,433	\$34,849,595
25	\$32,214,170	\$33,037,080	\$33,892,459	\$34,781,877	\$35,706,990

The table above is a matrix of possible municipal bond amounts supported by the Town’s incremental tax revenues. While SPPRE performed a 25-Year Tax Revenue Analysis, the table above illustrates supportable bond amounts maturing over several different terms. Assuming a range of discount rates (bond coupons) of 4.00% to 5.00% and typical maturities of 20 to 25 years, the present values of the estimated \$2.3 million tax increment results in a supportable bond amount in the range of \$28.4 million to \$35.7 million. The grey-shaded area indicates SPPRE’s “comfort-zone”, or the amounts most likely supportable based solely on the on our tax revenue analysis generated to the Town. As previously stated, if other taxing authorities are tapped to support the bond offering, then the bond amounts have the potential to increase.

Section V: Requested Town Participation and Summary Conclusion

As a result of SPPRE’s work over the past several months, UDR has amended its requested public participation from \$58.9 million to \$39.9 (a reduction of \$19.9 million, or 32.4%). A major factor in this reduction is that UDR is now willing to privately fund demolition and abatement of the existing buildings (at a value of approximately \$15.0 million. These costs were originally part of the requested participation from the Town by UDR, but were excluded after further review and negotiations with SPPRE.

The Town has indicated that improvements to Brookhaven Club Drive were already planned (at a value of \$6,196,050) and the creek improvements would serve as a significant public amenity for all Town residents to enjoy (\$6,683,286). UDR is primarily asking for what SPPRE considers to be eligible public improvement costs (utilities, streets, roadways and infrastructure) and not asking for private contributions to offset traditionally private development costs (parking garages, etc.), SPPRE feels the nature of the participation request is reasonable.

SPPRE recommends that the Town incorporate necessary protections such as a Guaranteed Maximum Price (GMP) provision if the Town is going to have UDR build these improvements. It is important for the Town to solidify its investment in these public improvements and not expose itself to any private development risk (resulting or positive or negative returns relative to the developer’s Pro Forma projections).

Based on the eligibility of the infrastructure and public improvement costs, the amount of tax revenue generated by the project, and the Town redevelopment objectives which will be achieved as part of this development, ***SPPRE believes that an investment by the Town in the range of \$32.0 to \$40.0 million is reasonable based on the economics of the project, but that the Town should place a cap on its investment of \$40.0 million.***

Section VI: Next Steps

Because of this investment by the Town, it is in the Town's best interest to negotiate terms with UDR whereby the Town can incrementally fund these public improvements based on milestones achieved by UDR (such as private development construction). SPPRE also suggests that the Town consider having the developer issue a "developer note" to initially fund these costs and the Town reimburse the developer on a "pay-as-you-go" basis with the option to issue municipal debt once the tax revenue has stabilized from the new development. This may require the Town to reimburse the developer for its private cost of capital, but method avoids the Town having to issue municipal bonds before the development is completely built out. This reduces the Town's risk by having the developer complete successive phases on schedule to retire the "developer note" and be reimbursed. We also strongly suggest that the Town / SPPRE team work together to negotiate this agreement as well as any potential "public-public" partnerships with other taxing authorities within the County in order to ensure the Town has an advisor and to mitigate risk to the Town

Council Agenda Item: #R11

SUMMARY:

Council approval is requested of an ordinance recognizing and approving a settlement agreement between the Atmos Cities Steering Committee and Atmos Energy Corp. Mid-Tex Division.

FINANCIAL IMPACT:

The direct financial impact to the Town is insignificant. The Town receives revenue from the company in the form of a franchise fee that is a percentage of gross receipts. If the rates were approved, the Town's annual revenue would increase (assuming constant consumption that is dependent on weather) an estimated \$1,100. The Town is also a consumer of natural gas, and if the settlement rates are approved, we would pay approximately an additional \$2,140 in annual fees.

BACKGROUND:

The Town is one of over 150 cities that are members of the Atmos Cities Steering Committee ("ACSC"), which is responsible for reviewing and contesting rate increases filed by Atmos. On September 20, 2007, Atmos filed with the Town the Company's Statement of Intent to increase natural gas rates system-wide by approximately \$52 million. Atmos' rate request represented the seventh increase in natural gas rates for customers in the Atmos Mid-Tex service area since 2004. Four rate increases are the result of Gas Reliability Infrastructure Program (GRIP) surcharges enacted pursuant to the Texas Utilities Code § 104.301. GRIP is piecemeal ratemaking and only looks at changes in the utility's invested capital, rather than a more comprehensive review of all components affecting rates charged. Despite ACSC's extensive efforts, the Committee has been unsuccessful in defeating GRIP at the Legislature and in court.

In October the Town suspended the October 25th effective date of the Company's rate submittal in order to work with other ACSC members to analyze the schedules and evidence offered by Atmos to support its request to increase rates. Over the intervening months ACSC members have worked diligently with Atmos representatives to explore options to address Atmos' latest request to increase rates by \$52 million and to resolve other outstanding issues. The ordinance and tariffs (Attachment B to the Ordinance) reflect the agreement reached between ACSC and Atmos Mid-Tex to reduce Atmos' requested increase by more than 80 percent and ensure that the Company is able to provide safe and reliable natural gas service. The Settlement Agreement (Attachment A to the Ordinance) also provides rate certainty for customers by resolving outstanding appeals, creates a new process for expedited rate review by the cities, eliminates piecemeal ratemaking, reimburses ACSC for rate case expenses associated with the GRIP surcharge cases, and avoids the necessity of costly litigation. These items are discussed in more detail below.

1. *An 80% Reduction of Atmos' Requested \$52 Million Rate Increase*

Atmos' Statement of Intent filing made with the Cities in September, 2007, requested a \$52 million rate increase. The Settlement Agreement substantially reduces the Company's request, authorizing a \$10 million rate increase effective for bills rendered by Atmos on or after March 1, 2008. During the time that ACSC members have retained original jurisdiction in this case, rate experts working on behalf of ACSC have investigated the support for the Company's requested rate increase. It is likely that if the merits of the Company's requested increase were litigated before the Railroad Commission ("RRC"), testimony filed by ACSC experts would support an increase of approximately \$8 million. However, it is extremely unlikely that the RRC would adopt ACSC's position in its entirety. Below are the changes to average bills of various consumer groups with the settlement rates.

	Current Bill	New Bill	Change (\$)	Change (%)
Residential (using 6 Mcf per month)	\$70.84	\$71.13	\$0.29	0.41%
Commercial (using 30 Mcf per month)	\$296.12	\$299.60	\$3.48	1.18%
Industrial (using 300 MMBtu per month)	\$2,974.82	\$2,978.40	\$3.58	0.12%
Transport (using 300 MMBtu per month)	\$520.03	\$523.62	\$3.59	0.69%

2. *Elimination of Piecemeal Ratemaking ("GRIP") in Favor of a Comprehensive Rate Review Mechanism ("RRM")*

The Settlement Agreement authorizes a three year experiment with an expedited rate review process that replaces GRIP ratemaking. There will be no GRIP filings while RRM is operative. The RRM process, starting with the first filing to be effective in October, 2008, should be a more comprehensive process that will allow cities with original jurisdiction the opportunity to review information regarding changes to Atmos' revenues and expenses as well as its invested capital. In addition, Atmos and ACSC agreed to certain constraints on the magnitude of changes to expenses and invested capital under RRM. The agreement also freezes the Company's rate of return on equity and its capital structure for purposes of the RRM filings to avoid the parent company manipulating Atmos's overall rate of return. If the RRM process is not successful, Cities and the Company are free to revert to the statutory plan for rate changes (GRIP surcharges or a full contested case proceeding). Expenses incurred by ACSC to review RRM filings will be reimbursed by Atmos.

3. *Establishes a Conservation Program to Reduce Natural Gas Consumption*

Atmos' conservation program will be implemented effective with the first RRM in October. The Settlement Agreement calls for contributions of \$1 million from both shareholders and ratepayers, but limits ratepayer-supplied dollars to investment in materials and supplies.

4. *Gas Cost Uncollectibles to be Recovered Through the Gas Cost Recovery Factor Instead of Base Rates*
At Atmos' request, Cities will authorize a transition of gas cost uncollectibles from base rates to the gas cost recovery factor coincident with the RRM experiment in October. The level of uncollectibles recovered in base rates will be reduced dollar for dollar as uncollectibles are shifted to the gas cost recovery factor.
5. *Improves Residential Rate Design*
Atmos agrees to change residential rate design in October 2008 as part of the RRM process and to fix the residential customer charge at \$7.00 (a reduction from \$10.69) with all other costs being recovered through the commodity charge. The settlement achieves what cities could not win through litigation on residential rate design.
6. *Provides for Rate Certainty*
As part of the Settlement Agreement, Atmos and ACSC agree to dismiss their appeals of the two most recent cost of service rate cases. Atmos has continued to pursue the appeal regarding cost responsibility for the replacement of poly-1 pipe. While the Commission came to the right decision in assigning that cost to shareholders, its findings and conclusions are not as strong as they could or should be and thus there is a potential that a business-oriented appellate court could rule in favor of Atmos. The poly-1 pipe issues have an invested capital potential liability in excess of \$80 million if an appellate court reverses the RRC. ACSC also agrees to drop its appeals of GRIP cases with the exception of the declaratory action case (regarding interpretation of the GRIP statute) that has already been argued to the Court of Appeals.
7. *Reimbursement of GRIP Rate Case Expenses*
To date, the ACSC has expended more than \$500,000 litigating the four GRIP surcharges implemented by Atmos. Atmos and the RRC have taken the position that cities are not entitled to rate case expense reimbursement in GRIP surcharge cases. Pursuant to the Settlement Agreement, Atmos will reimburse ACSC for expenses associated with litigation of the four GRIP filings.
8. *Protects Cities' Interest*
The Settlement Agreement includes a "Most Favored Nations" clause so that ACSC members will receive the benefit of any concessions that may be made to other parties, including the RRC.

RECOMMENDATION:

A contested case proceeding before the RRC on the Company's current application will take several months and could cost ratepayers millions of dollars in rate case expenses. The \$10 million rate increase provided by the Settlement Agreement is within the zone of reasonableness based on the evidence that would be offered at hearing. Cities' experience before the RRC indicates that it is likely that the \$10 million rate increase agreed to as part of the settlement is a better result than what would be ordered by the RRC. The ACSC Executive Committee recommends that ACSC members approve the Settlement Agreement and Town staff concurs with this recommendation.

TOWN OF ADDISON, TEXAS

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY COUNCIL OF THE TOWN OF ADDISON, TEXAS, ("CITY") APPROVING A SETTLEMENT AGREEMENT BETWEEN THE ATMOS CITIES STEERING COMMITTEE AND ATMOS ENERGY CORP., MID-TEX DIVISION ("ATMOS MID-TEX" OR "THE COMPANY") REGARDING THE COMPANY'S STATEMENT OF INTENT TO CHANGE GAS RATES IN ALL CITIES EXERCISING ORIGINAL JURISDICTION; DECLARING EXISTING RATES TO BE UNREASONABLE; ADOPTING TARIFFS THAT REFLECT RATE ADJUSTMENTS CONSISTENT WITH THE SETTLEMENT AGREEMENT AND FINDING THE RATES TO BE SET BY THE ATTACHED TARIFFS TO BE JUST AND REASONABLE; ADOPTING A SAVINGS CLAUSE; DETERMINING THAT THIS ORDINANCE WAS PASSED IN ACCORDANCE WITH THE REQUIREMENTS OF THE TEXAS OPEN MEETINGS ACT; DECLARING AN EFFECTIVE DATE; AND REQUIRING DELIVERY OF THIS ORDINANCE TO THE COMPANY AND LEGAL COUNSEL.

WHEREAS, the Town of Addison, Texas ("City") is a gas utility customer of Atmos Energy Corp., Mid-Tex Division ("Atmos Mid-Tex" or "the Company"), and a regulatory authority with an interest in the rates and charges of Atmos Mid-Tex; and

WHEREAS, on or about September 20, 2007, Atmos Mid-Tex, pursuant to Gas Utility Regulatory Act § 104.102 filed with the City a Statement of Intent to increase system-wide gas rates by approximately \$52 million, such increase to be effective in all municipalities exercising original jurisdiction within its Mid-Tex Division service area effective on October 25, 2007; and

WHEREAS, the City took action to suspend the October 25, 2007 Effective Date and to coordinate a response to Atmos' filing with more than 150 other similarly situated municipalities through the Atmos Cities Steering Committee ("ACSC") (such participating cities are referred to herein as "ACSC Cities"); and

WHEREAS, Atmos has agreed to extend the October 25, 2007 Effective Date such that the City's jurisdiction over this matter ends March 1, 2008; and

ATTACHMENT A

STATEMENT OF INTENT FILED BY ATMOS ENERGY, CORP., MID-TEX DIVISION ON SEPTEMBER 20, 2007

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into by and between Atmos Energy Corp. (“Atmos” or “the Company”) and the Atmos Cities Steering Committee (“ACSC”), whose members include the Cities of Abilene, Addison, Allen, Alvarado, Angus, Anna, Argyle, Arlington, Bedford, Bellmead, Benbrook, Beverly Hills, Blue Ridge, Bowie, Boyd, Bridgeport, Brownwood, Buffalo, Burkburnett, Burleson, Caddo Mills, Carrollton, Cedar Hill, Celeste, Celina, Cisco, Cleburne, Clyde, College Station, Colleyville, Colorado City, Comanche, Coolidge, Coppell, Corinth, Corral City, Crandall, Crowley, Dalworthington Gardens, Denison, DeSoto, Duncanville, Eastland, Edgecliff Village, Emory, Ennis, Euless, Everman, Fairview, Farmers Branch, Farmersville, Fate, Flower Mound, Forest Hill, Fort Worth, Frisco, Frost, Gainesville, Garland, Garrett, Grand Prairie, Grapevine, Haltom City, Harker Heights, Haskell, Haslet, Heath, Hewitt, Highland Park, Highland Village, Honey Grove, Hurst, Iowa Park, Irving, Justin, Kaufman, Keene, Keller, Kemp, Kennedale, Kerrville, Killeen, Krum, Lakeside, Lake Worth, Lancaster, Lewisville, Lincoln Park, Little Elm, Malakoff, Mansfield, McKinney, Melissa, Mesquite, Midlothian, Murphy, Newark, Nocona, North Richland Hills, Northlake, Oak Leaf, Ovilla, Palestine, Pantego, Paris, Parker, Pecan Hill, Plano, Ponder, Pottsboro, Prosper, Putnam, Quitman, Red Oak, Reno (Parker County), Richardson, Richland Hills, Roanoke, Robinson, Rockwall, Roscoe, Rowlett, Sachse, Saginaw, Seagoville, Sherman, Snyder, Southlake, Springtown, Stamford, Stephenville, Sulphur Springs, Sweetwater, Temple, Terrell, The Colony, Throckmorton, Tyler, University Park, Venus, Vernon, Waco, Watauga, Waxahachie, Westlake, Westworth Village, Whitesboro, White Settlement, Wichita Falls, Woodway, and Wylie (collectively “ACSC Cities”).

WHEREAS, the Settlement Agreement resolves all issues relating to the Atmos Energy Corp., Mid-Tex Division Statement of Intent filed with the ACSC Cities on September 20, 2007, in a manner that Atmos and ACSC (“the Signatories”) believe is consistent with the public interest, and the Signatories represent diverse interests;

WHEREAS, the Signatories believe that a fully contested hearing in the case would be time-consuming and entail substantial additional expense for all parties and that the public interest will be served by adoption of an ordinance consistent with the Settlement Agreement;

NOW, THEREFORE, in consideration of the mutual agreements and covenants established herein, the Signatories, through their undersigned representatives, agree to and recommend for approval by the ACSC Cities the following Settlement Terms as a means of fully resolving all issues raised in the September 20, 2007 Statement of Intent filed by Atmos on behalf of its Mid-Tex division:

Settlement Terms

1. Atmos and the ACSC Cities agree to the rates, terms and conditions reflected in the tariffs attached to this Settlement Agreement as Exhibit A. Said tariffs should allow Atmos an additional \$10 million in annual revenue by implementation of rates shown in

the proof of revenues attached as Exhibit B. Atmos and the ACSC Cities further agree that the rates, terms, and conditions reflected in Exhibit A to this Settlement Agreement comply with the rate-setting requirements of Chapter 104 of the Texas Utilities Code. The gas rates, terms and conditions established by this Settlement Agreement shall be effective for bills rendered on or after March 1, 2008.

2. The net plant amounts shown in the attached Exhibit B are reasonable for the plant that is used and useful in providing gas utility service.
3. Included as part of Exhibit A is a Rate Review Mechanism ("Rider RRM") that provides for an annual rate adjustment to reflect changes in billing determinants, operating and maintenance expense, depreciation expense, other taxes expense, and revenues as well as changes in capital investment and associated changes in gross revenue related taxes. Atmos agrees that effective with the implementation of the first RRM rate adjustment, Atmos shall file with the ACSC Cities a revised Rate R-Residential Sales Tariff to reduce the customer charge per bill from \$10.69 per month to \$7.00 per month and to increase the volumetric portion of the rate (shown as \$1.271 in Exhibit A) to the appropriate level to reflect reduction in customer charge from \$10.69 to \$7.00, as well as to reflect any change resulting from the RRM implementation. The first RRM rate adjustment is expected to occur October 1, 2008. Atmos and the ACSC Cities agree that following the initial RRM adjustment any subsequent implementation of RRM adjustments shall be supported as described in the Rider RRM, and shall limit changes to residential and commercial customer charge to no more than 20%. Further, the parties agree that any approved adjustment in excess of the 20% limitation on the residential and commercial customer charge shall be recovered through the volumetric portion of the rate.
4. With respect to the RRM, Atmos and the ACSC Cities agree that the rate increase limitations set forth in Rider RRM under Calculation of Rate Adjustment, subpart (c) shall not preclude Atmos from recovering any excluded costs during a subsequent Evaluation Period in which the 5% limitation for O&M expenses or net plant investment, respectively, is not reached or in a subsequent Statement of Intent case. To the extent that Atmos seeks to recover any excluded costs during a subsequent Evaluation Period in which the 5% limitation for O&M expenses or net plant investment, respectively, is not reached or in a subsequent Statement of Intent case, Atmos shall identify these costs as a specific line item in the schedule accompanying the RRM rate adjustment filing.
5. With respect to the RRM, Atmos further agrees to pay all reasonable and necessary expenses of each entity having original jurisdiction that are incurred to review the Company's annual RRM filings. Atmos further agrees that in calculating the proposed rate for any Rate Effective Period, the Company shall not include: (1) any external legal, expert, or consultant costs to prepare and/or provide supportive information related to its filing; or (2) reimbursements to original jurisdiction entities.
6. Notwithstanding paragraph 5 of this Settlement Agreement, Atmos and ACSC agree that in the event of an appeal of an original jurisdiction entity's decision regarding a proposed RRM adjustment, recovery of rate case expenses shall be determined according to Chapters 103 and 104, TEX. UTIL. CODE ANN. Further, in the event of such appeal(s),

Atmos shall recover any reimbursement made to the original jurisdiction entity through a surcharge to customer rates whether such reimbursements are made during the initial review period or appeal period.

7. Atmos agrees that it will make no filings on behalf of its Mid-Tex division under the provisions of TEX. UTIL. CODE ANN. § 104.301 while the Rider RRM is in place, and any such filings pending at the time the RRM is approved will be trued-up for revenue and rate base components prior to implementation of the annual RRM. In the event that a regulatory authority fails to act or enters an adverse decision regarding the proposed annual RRM adjustment, the Railroad Commission of Texas shall, pursuant to the provisions of the Texas Utilities Code, have exclusive appellate jurisdiction to review the action or inaction of the regulatory authority exercising exclusive original jurisdiction over the RRM request. In addition, the Signatories agree that this Settlement Agreement shall not be construed as a waiver of the ACSC Cities' right to initiate a show cause proceeding or the Company's right to file a Statement of Intent under the provisions of the Texas Utilities Code.
8. Atmos and the ACSC Cities commit that during the Initial Implementation Period, as defined in the RRM tariff, Atmos and the ACSC Cities will not devote resources or efforts to advocate statutory changes involving rate stabilization mechanisms or the Gas Reliability Infrastructure Plan that is currently codified under TEX. UTIL. CODE §104.301.
9. Atmos and the ACSC Cities agree that the gas cost portion of uncollectible expense shall be recovered through the Company's Rider GCR rather than through base rates. The change in accounting for the gas cost portion of uncollectible expense (including both the accrual of expense and write-off of accounts) shall become effective with the implementation of the first RRM rate adjustment. The first RRM rate adjustment is expected to occur October 1, 2008. In calculating the rate for the first Rate Effective Period, the Company shall utilize the same methodology as used in the Company's September 20, 2007 Statement of Intent with the only modification being to exclude the effects of the gas cost portion of uncollectible expense from the base rate calculation.
10. Atmos and the ACSC Cities further agree that expense associated with lost and unaccountable gas shall, based on an annual period, be recoverable through the Company's Rider GCR up to a maximum of five (5) percent of the quantity of metered gas, as provided under Commission Rule 7.5525, Lost and Unaccounted for Gas. Such change shall be effective with the complete 12 month reporting period ending June 30, 2008.
11. Included as part of Exhibit A to this Settlement Agreement is a new gas conservation program tariff (Rider CEE) that will be effective October 1, 2008. Atmos and the ACSC Cities agree that Atmos will fund \$1 million of the allowable expenses incurred annually, with a customer rate component providing the remainder \$1 million of funding. All customer-supplied funds will, prior to the commencement of the program, be used toward program implementation efforts and, upon implementation, be applied directly to the gas conservation materials and supplies.

12. Atmos and the ACSC Cities agree that the Company's requested revision of its weather normalization adjustment ("WNA") mechanism is appropriate, as modified by ACSC, and should be approved as set forth in Exhibit A to this Settlement Agreement. Specifically, the revision excludes non-weather sensitive commercial customers and modifies the WNA mechanism to calculate the WNA adjustment based on weather stations at a regional level rather than under the current practice of associating all customers with a single weather location for purposes of determining the WNA adjustment.
13. Atmos and the ACSC Cities agree that the three-year gas cost review process that is currently in effect for the Mid-Tex division should be eliminated. Atmos and the ACSC Cities further agree to collaborate to establish an alternate process wherein the prudence of gas costs recovered through the Rider GCR can be addressed. Until an agreed upon replacement mechanism has been established, the current gas cost review process shall remain in effect, unless changed by order of the Commission.
14. It is the intention of the Signatories that the ACSC Cities receive the benefit of any settlement agreement that Atmos enters into with other entities arising out of GUD No. 9672 (consolidated cases) or any associated appeals of GUD No. 9672. Therefore, Atmos agrees that if the rates, revenues, terms and conditions, or benefits accruing to the settling entity would be more beneficial to the ACSC Cities than the terms of this Settlement Agreement, as determined by the ACSC Cities, such more favorable rates, revenues, terms and conditions, or benefits shall additionally accrue to the ACSC Cities. Similarly, if the Final Order in GUD No. 9672 or orders resulting from any associated appeals are determined by the ACSC Cities to result in rates, revenues, terms and conditions, or benefits that are more beneficial than the terms of this Settlement Agreement, such more favorable terms, revenues, terms and conditions shall additionally accrue to the ACSC Cities. However, the Signatories agree that the approval of the Rider RRM, the Rider WNA, the Rider CEE, and the Rider GCR, as shown in Exhibit A hereto, shall not be affected by the application of the "most favored nations" provisions contained in this paragraph, it being the understanding and the intent of the Signatories hereto that such tariffs shall continue in effectiveness according to their terms. The Signatories further agree that the agreement reflected in paragraph 10 of this Settlement Agreement shall not be affected by the application of the "most favored nations" provisions contained in this paragraph.
15. Atmos agrees to reimburse the ACSC Cities previously incurred rate case expenses within 30 days of the date the last ACSC City ordinance approving this Settlement Agreement is entered, and any additional rate case expenses incurred through the date of the entry of the last ACSC City ordinance, within 30 days of receipt of invoices.
16. Atmos agrees to reimburse the ACSC Cities for expenses associated with all 2003, 2004, 2005, and 2006 GRIP filings and related court appeals up to \$567,213 within 30 days of the date the last ACSC City ordinance approving this Settlement Agreement is entered.
17. Atmos and the ACSC Cities further agree that all expenses reimbursed pursuant to paragraphs 15 and 16 of this Settlement Agreement, as well as all reasonable rate case

expenses directly incurred by Atmos in connection with the September 20, 2007 Statement of Intent filed on behalf of its Mid-Tex Division through February 29, 2008, shall be recoverable through a surcharge to customer rates within the ACSC Cities. With respect to the rate case expenses directly incurred by Atmos, the amount to be recovered through the surcharge to customers within the ACSC Cities shall be determined on a pro rata basis, consistent with the ACSC Cities' percentage of total Mid-Tex residential load (52%). The surcharge shall be recovered over a twelve month period beginning in April of 2008.

18. Within 30 days of the date the last ACSC City ordinance approving this Settlement Agreement is entered, Atmos and the ACSC Cities agree to file a Notice of Non-Suit or Motion to Dismiss, whichever is applicable, in the following proceedings:

Cause No. D-1-GN-06-000337 (Consolidated), *Atmos Cities Steering Committee v. The Railroad Commission of Texas*, In the 345th District Court, Travis County, Texas. This case includes the following cases:

- a. Cause No. D-1-GN-06-000333; *Atmos Cities Steering Committee v. The Railroad Commission of Texas*, In the 345th District Court, Travis County, Texas.
- b. Cause No. D-1-GN-06-000334; *Atmos Cities Steering Committee v. The Railroad Commission of Texas*, In the 345th District Court, Travis County, Texas.
- c. Cause No. D-1-GN-06-000335; *Atmos Cities Steering Committee v. The Railroad Commission of Texas*, In the 345th District Court, Travis County, Texas.
- d. Cause No. D-1-GN-06-000336; *Atmos Cities Steering Committee v. The Railroad Commission of Texas*, In the 345th District Court, Travis County, Texas.
- e. Cause No. D-1-GN-06-000332; *Atmos Cities Steering Committee v. The Railroad Commission of Texas*, In the 345th District Court, Travis County, Texas.
- f. Cause No. D-1-GN-05-002182; *Atmos Cities Steering Committee v. The Railroad Commission of Texas*, In the 345th District Court, Travis County, Texas.
- g. Cause No. D-1-GN-06-004206; *Atmos Cities Steering Committee v. The Railroad Commission of Texas*, In the 345th District Court, Travis County, Texas.

Cause No. D-1-GN-06-001612; *Atmos Cities Steering Committee v. The Railroad Commission of Texas*, In the 345th District Court, Travis County, Texas.

Cause No. D-1-GN-06-001852; *Atmos Cities Steering Committee v. The Railroad Commission of Texas*, In the 345th District Court, Travis County, Texas.

Cause No. D-1-GV-06-000603; *Atmos Cities Steering Committee v. The Railroad Commission of Texas*, In the 345th District Court, Travis County, Texas.

Cause No. D-1-GV-06-000605; *Atmos Cities Steering Committee v. The Railroad Commission of Texas*, In the 345th District Court, Travis County, Texas.

Cause No. D-1-GN-06-004518; *Atmos Cities Steering Committee v. The Railroad Commission of Texas*, In the 345th District Court, Travis County, Texas.

Cause Number: 03-06-00580-CV; *Atmos Energy Corporation, as successor by merger to TXU Gas Company, Allied Coalition of Cities, and City of Dallas v. Railroad Commission of Texas*; In the Third District Court of Appeals at Austin, Texas.

Cause No. D-1-GN-07-002871, *Atmos Cities Steering Committee v. Railroad Commission of Texas*, In the 53rd District Court, Travis County, Texas.

Cause No. D-1-GN-07-002796, *Atmos Energy Corporation v. Railroad Commission of Texas*, In the 250th District Court, Travis County, Texas.

Cause No. GV5-00875; *Allied Coalition of Cities v. The Railroad Commission of Texas*, In the 345th District Court, Travis County, Texas.

19. Atmos and the ACSC Cities agree that Atmos may make all future filings, including, but not limited to, the annual RRM adjustment and any Statement of Intent filing with the ACSC Cities on an electronic basis, rather than by paper copy. Electronic Filings shall fulfill the requirements of TEX. UTIL. CODE §104.103. The appropriate ACSC Cities representative shall provide a list of the ACSC Cities to Atmos by March 1, 2008, and agrees to notify Atmos of any change in the ACSC Cities Coalition within 30 days of the effective date of any such change in order for Atmos to maintain adequate service records. Atmos further agrees to make paper copies of filings available to any ACSC City that requests a copy.
20. Atmos and the ACSC Cities agree that the ACSC Cities should pass ordinances approving the Settlement Agreement and establish rates and services for the ACSC Cities consistent with those set forth in Exhibit A to this Settlement Agreement.
21. The Signatories agree that the terms of the Settlement Agreement are interdependent and indivisible, and that if any ACSC City enters an order that is inconsistent with this Settlement Agreement, then any Signatory may withdraw without being deemed to have waived any procedural right or to have taken any substantive position on any fact or issue by virtue of that Signatory's entry into the Settlement Agreement or its subsequent withdrawal.
22. The Signatories agree that all negotiations, discussions and conferences related to the Settlement Agreement are privileged, inadmissible, and not relevant to prove any issues associated with the September 20, 2007 Statement of Intent filed by Atmos on behalf of its Mid-Tex Division pursuant to Texas law.
23. The Signatories agree that neither this Settlement Agreement nor any oral or written statements made during the course of settlement negotiations may be used for any purpose other than as necessary to support the entry by the ACSC Cities of an order implementing this Settlement Agreement.

SETTLEMENT AGREEMENT
STATEMENT OF INTENT FILED BY ATMOS ENERGY, CORP.,
MID-TEX DIVISION ON SEPTEMBER 20, 2007

24. The Signatories agree that this Settlement Agreement is binding on each Signatory only for the purpose of settling the issues set forth herein and for no other purposes, and, except to the extent the Settlement Agreement governs a Signatory's rights and obligations for future periods, this Settlement Agreement shall not be binding or precedential upon a Signatory outside this proceeding.
25. The Signatories agree that this Settlement Agreement may be executed in multiple counterparts and may be filed with facsimile signatures.

SETTLEMENT AGREEMENT
STATEMENT OF INTENT FILED BY ATMOS ENERGY, CORP.,
MID-TEX DIVISION ON SEPTEMBER 20, 2007 WITH THE ACSC COALITION OF CITIES

Agreed to this 9th day of January, 2008.

ATMOS ENERGY CORP., MID-TEX DIVISION

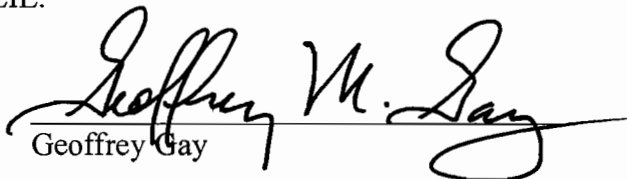
By: John A. Paris
John A. Paris
President, Mid-Tex Division

SETTLEMENT AGREEMENT
STATEMENT OF INTENT FILED BY ATMOS ENERGY, CORP.,
MID-TEX DIVISION ON SEPTEMBER 20, 2007

Agreed to this 9th day of January, 2008.

ATTORNEY FOR ATMOS CITIES STEERING COMMITTEE,
WHOSE MEMBERS INCLUDE THE CITIES OF ABILENE,
ADDISON, ALLEN, ALVARADO, ANGUS, ANNA, ARGYLE,
ARLINGTON, BEDFORD, BELLMEAD, BENBROOK,
BEVERLY HILLS, BLUE RIDGE, BOWIE, BOYD,
BRIDGEPORT, BROWNWOOD, BUFFALO, BURKBURNETT,
BURLESON, CADDO MILLS, CARROLLTON, CEDAR HILL,
CELESTE, CELINA, CISCO, CLEBURNE, CLYDE, COLLEGE
STATION, COLLEYVILLE, COLORADO CITY, COMANCHE,
COOLIDGE, COPPELL, CORINTH, CORRAL CITY,
CRANDALL, CROWLEY, DALWORTHINGTON GARDENS,
DENISON, DESOTO, DUNCANVILLE, EASTLAND,
EDGECLIFF VILLAGE, EMORY, ENNIS, EULESS,
EVERMAN, FAIRVIEW, FARMERS BRANCH,
FARMERSVILLE, FATE, FLOWER MOUND, FOREST HILL,
FORT WORTH, FRISCO, FROST, GAINESVILLE, GARLAND,
GARRETT, GRAND PRAIRIE, GRAPEVINE, HALTOM CITY,
HARKER HEIGHTS, HASKELL, HASLET, HEATH, HEWITT,
HIGHLAND PARK, HIGHLAND VILLAGE, HONEY GROVE,
HURST, IOWA PARK, IRVING, JUSTIN, KAUFMAN, KEENE,
KELLER, KEMP, KENNEDALE, KERRVILLE, KILLEEN,
KRUM, LAKESIDE, LAKE WORTH, LANCASTER,
LEWISVILLE, LINCOLN PARK, LITTLE ELM, MALAKOFF,
MANSFIELD, MCKINNEY, MELISSA, MESQUITE,
MIDLOTHIAN, MURPHY, NEWARK, NOCONA, NORTH
RICHLAND HILLS, NORTHLAKE, OAK LEAF, OVILLA,
PALESTINE, PANTEGO, PARIS, PARKER, PECAN HILL,
PLANO, PONDER, POTTSBORO, PROSPER, PUTNAM,
QUITMAN, RED OAK, RENO (PARKER COUNTY),
RICHARDSON, RICHLAND HILLS, ROANOKE, ROBINSON,
ROCKWALL, ROSCOE, ROWLETT, SACHSE, SAGINAW,
SEAGOVILLE, SHERMAN, SNYDER, SOUTHLAKE,
SPRINGTOWN, STAMFORD, STEPHENVILLE, SULPHUR
SPRINGS, SWEETWATER, TEMPLE, TERRELL, THE
COLONY, THROCKMORTON, TYLER, UNIVERSITY PARK,
VENUS, VERNON, WACO, WATAUGA, WAXAHACHIE,
WESTLAKE, WESTWORTH VILLAGE, WHITESBORO,
WHITE SETTLEMENT, WICHITA FALLS, WOODWAY, AND
WYLIE.

By:


Geoffrey Gay

RATE SCHEDULE:	TABLE OF CONTENTS	
APPLICABLE TO:	Entire System	REVISION DATE: February 1, 2008
EFFECTIVE DATE: February 1, 2008		PAGE: 1 OF 1

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III. DEFINITIONS

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EXHIBIT A

TARIFF FOR GAS SERVICE

**ATMOS ENERGY CORP.,
MID-TEX DIVISION**

RATE SCHEDULE:	Rate R - Residential Sales	
APPLICABLE TO:	Entire System	REVISION: DATE:
EFFECTIVE DATE: February 1, 2008		PAGE: 1 OF 1

RATE R - RESIDENTIAL SALES

Application

Applicable to Residential Customers for all natural gas provided at one Point of Delivery and measured through one meter.

Type of Service

Where service of the type desired by Customer is not already available at the Point of Delivery, additional charges and special contract arrangements between Company and Customer may be required prior to service being furnished.

Monthly Rate

Customer's monthly bill will be calculated by adding the following Customer and Mcf charges to the amounts due under the riders listed below:

Charge	Amount
Customer Charge per Bill	\$ 10.69 per month
Commodity Charge – All Mcf	\$1.2710 per Mcf

Gas Cost Recovery: Plus an amount for gas costs and upstream transportation costs calculated in accordance with Part (a) and Part (b), respectively, of Rider GCR.

Weather Normalization Adjustment: Plus or Minus an amount for weather normalization calculated in accordance with Rider WNA.

Rate Review Mechanism: Plus or Minus an amount for rates as calculated in accordance with Rider RRM.

Franchise Fee Adjustment: Plus an amount for franchise fees calculated in accordance with Rider FF.

Tax Adjustment: Plus an amount for tax calculated in accordance with Rider TAX.

Surcharges: Plus an amount for surcharges calculated in accordance with the applicable rider(s).

Agreement

An Agreement for Gas Service may be required.

Notice

Service hereunder and the rates for services provided are subject to the orders of regulatory bodies having jurisdiction and to the Company's Tariff for Gas Service.

EXHIBIT A

TARIFF FOR GAS SERVICE

ATMOS ENERGY CORP.,
MID-TEX DIVISION

RATE SCHEDULE:	Rate C - Commercial Sales	
APPLICABLE TO:	Entire System	REVISION: DATE:
EFFECTIVE DATE: February 1, 2008		PAGE: 1 OF 1

RATE C - COMMERCIAL SALES

Application

Applicable to Commercial Customers for all natural gas provided at one Point of Delivery and measured through one meter and to Industrial Customers with an average annual usage of less than 3,000 Mcf.

Type of Service

Where service of the type desired by Customer is not already available at the Point of Delivery, additional charges and special contract arrangements between Company and Customer may be required prior to service being furnished.

Monthly Rate

Customer's monthly bill will be calculated by adding the following Customer and Mcf charges to the amounts due under the riders listed below:

Charge	Amount
Customer Charge per Bill	\$ 20.28 per month
Commodity Charge - All Mcf	\$ 0.7104 per Mcf

Gas Cost Recovery: Plus an amount for gas costs and upstream transportation costs calculated in accordance with Part (a) and Part (b), respectively, of Rider GCR.

Weather Normalization Adjustment: Plus or Minus an amount for weather normalization calculated in accordance with Rider WNA.

Rate Review Mechanism: Plus or Minus an amount for rates as calculated in accordance with Rider RRM.

Franchise Fee Adjustment: Plus an amount for franchise fees calculated in accordance with Rider FF.

Tax Adjustment: Plus an amount for tax calculated in accordance with Rider TAX.

Surcharges: Plus an amount for surcharges calculated in accordance with the applicable rider(s).

Agreement

An Agreement for Gas Service may be required.

Notice

Service hereunder and the rates for services provided are subject to the orders of regulatory bodies having jurisdiction and to the Company's Tariff for Gas Service.

EXHIBIT A

TARIFF FOR GAS SERVICE

**ATMOS ENERGY CORP.,
MID-TEX DIVISION**

RATE SCHEDULE:	Rate I - Industrial Sales	
APPLICABLE TO:	Entire System	REVISION: DATE:
EFFECTIVE DATE: February 1, 2008		PAGE: 1 OF 2

RATE I - INDUSTRIAL SALES

Application

Applicable to Industrial Customers with a maximum daily usage (MDU) of less than 3,500 MMBtu per day for all natural gas provided at one Point of Delivery and measured through one meter. Service for Industrial Customers with an MDU equal to or greater than 3,500 MMBtu per day will be provided at Company's sole option and will require special contract arrangements between Company and Customer.

Type of Service

Where service of the type desired by Customer is not already available at the Point of Delivery, additional charges and special contract arrangements between Company and Customer may be required prior to service being furnished.

Monthly Rate

Customer's monthly bill will be calculated by adding the following Customer and MMBtu charges to the amounts due under the riders listed below:

Charge	Amount
Customer Charge per Meter	\$ 344.75 per month
First 0 MMBtu to 1,500 MMBtu	\$ 0.2200 per MMBtu
Next 3,500 MMBtu	\$ 0.1600 per MMBtu
All MMBtu over 5,000 MMBtu	\$ 0.0493 per MMBtu

Gas Cost Recovery: Plus an amount for gas costs and upstream transportation costs calculated in accordance with Part (a) and Part (b), respectively, of Rider GCR.

Rate Review Mechanism: Plus or Minus an amount for rates as calculated in accordance with Rider RRM.

Franchise Fee Adjustment: Plus an amount for franchise fees calculated in accordance with Rider FF.

Tax Adjustment: Plus an amount for tax calculated in accordance with Rider TAX.

Surcharges: Plus an amount for surcharges calculated in accordance with the applicable rider(s).

Curtailment Overpull Fee

Upon notification by Company of an event of curtailment or interruption of Customer's deliveries, Customer will, for each MMBtu delivered in excess of the stated level of curtailment or interruption, pay Company 200% of the midpoint price for the Katy point listed in *Platts Gas Daily* published for the applicable Gas Day in the table entitled "Daily Price Survey."

EXHIBIT A

TARIFF FOR GAS SERVICE

ATMOS ENERGY CORP.,
MID-TEX DIVISION

RATE SCHEDULE:	Rate I - Industrial Sales	
APPLICABLE TO:	Entire System	REVISION: DATE:
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Replacement Index

In the event the "midpoint" or "common" price for the Katy point listed in *Platts Gas Daily* in the table entitled "Daily Price Survey" is no longer published, Company will calculate the applicable imbalance fees utilizing a daily price index recognized as authoritative by the natural gas industry and most closely approximating the applicable index.

Agreement

An Agreement for Gas Service may be required.

Notice

Service hereunder and the rates for services provided are subject to the orders of regulatory bodies having jurisdiction and to the Company's Tariff for Gas Service.

Special Conditions

In order to receive service under Rate I, Customer must have the type of meter required by Company. Customer must pay Company all costs associated with the acquisition and installation of the meter.

EXHIBIT A

TARIFF FOR GAS SERVICE

**ATMOS ENERGY CORP.,
MID-TEX DIVISION**

RATE SCHEDULE:	Rate T – Transportation	
APPLICABLE TO:	Entire System	REVISION: DATE:
EFFECTIVE DATE: February 1, 2008		PAGE: 1 OF 2

RATE T - TRANSPORTATION

Application

Applicable, in the event that Company has entered into a Transportation Agreement, to a customer directly connected to the Atmos Energy Corp., Mid-Tex Division Distribution System (Customer) for the transportation of all natural gas supplied by Customer or Customer's agent at one Point of Delivery for use in Customer's facility.

Type of Service

Where service of the type desired by Customer is not already available at the Point of Delivery, additional charges and special contract arrangements between Company and Customer may be required prior to service being furnished.

Monthly Rate

Customer's bill will be calculated by adding the following Customer and MMBtu charges to the amounts and quantities due under the riders listed below:

Charge	Amount
Customer Charge per Meter	\$ 344.75 per month
First 0 MMBtu to 1,500 MMBtu	\$ 0.2200 per MMBtu
Next 3,500 MMBtu	\$ 0.1600 per MMBtu
All MMBtu over 5,000 MMBtu	\$ 0.0493 per MMBtu

Upstream Transportation Cost Recovery: Plus an amount for upstream transportation costs in accordance with Part (b) of Rider GCR.

Rate Review Mechanism: Plus or Minus an amount for rates as calculated in accordance with Rider RRM.

Retention Adjustment: Plus a quantity of gas as calculated in accordance with Rider RA.

Franchise Fee Adjustment: Plus an amount for franchise fees calculated in accordance with Rider FF.

Tax Adjustment: Plus an amount for tax calculated in accordance with Rider TAX.

Surcharges: Plus an amount for surcharges calculated in accordance with the applicable rider(s).

Imbalance Fees

All fees charged to Customer under this Rate Schedule will be charged based on the quantities determined under the applicable Transportation Agreement and quantities will not be aggregated for any Customer with multiple Transportation Agreements for the purposes of such fees.

Monthly Imbalance Fees

Customer shall pay Company the greater of (i) \$0.10 per MMBtu, or (ii) 150% of the difference per MMBtu between the highest and lowest "midpoint" price for the Katy point listed in *Platts Gas Daily* in the table entitled "Daily Price Survey" during such month, for the MMBtu of Customer's monthly Cumulative

EXHIBIT A

TARIFF FOR GAS SERVICE

**ATMOS ENERGY CORP.,
MID-TEX DIVISION**

RATE SCHEDULE:	Rate T - Transportation	
APPLICABLE TO:	Entire System	REVISION: DATE:
EFFECTIVE DATE: February 1, 2008		PAGE: 2 OF 2

Imbalance, as defined in the applicable Transportation Agreement, at the end of each month that exceeds 10% of Customer's receipt quantities for the month.

Curtailment Overpull Fee

Upon notification by Company of an event of curtailment or interruption of Customer's deliveries, Customer will, for each MMBtu delivered in excess of the stated level of curtailment or interruption, pay Company 200% of the midpoint price for the Katy point listed in *Platts Gas Daily* published for the applicable Gas Day in the table entitled "Daily Price Survey."

Replacement Index

In the event the "midpoint" or "common" price for the Katy point listed in *Platts Gas Daily* in the table entitled "Daily Price Survey" is no longer published, Company will calculate the applicable imbalance fees utilizing a daily price index recognized as authoritative by the natural gas industry and most closely approximating the applicable index.

Agreement

A transportation agreement is required.

Notice

Service hereunder and the rates for services provided are subject to the orders of regulatory bodies having jurisdiction and to the Company's Tariff for Gas Service.

Special Conditions

In order to receive service under Rate T, customer must have the type of meter required by Company. Customer must pay Company all costs associated with the acquisition and installation of the meter.

EXHIBIT A

TARIFF FOR GAS SERVICE

**ATMOS ENERGY CORP.,
MID-TEX DIVISION**

RIDER:	Rider GCR - Gas Cost Recovery	
APPLICABLE TO:	Entire System	REVISION: DATE:
EFFECTIVE DATE: October 1, 2008		PAGE: 1 OF 3

Rider GCR - Gas Cost Recovery

Applicable to Rate R, Rate C, and Rate I for all gas sales made by Company, and applicable to Rate R, Rate C, Rate I, and Rate T for recovery of Pipeline System costs. The total gas cost recovery amount due is determined by adding the gas cost calculated in Section (a) below and the pipeline cost calculated in Section (b) below.

The amount due for gas cost (Section (a)) is determined by multiplying the Gas Cost Recovery Factor (GCRF) by the Customer's monthly volume. For Customers receiving service under Rate R and Rate C, monthly volume will be calculated on an Mcf basis. For Customers receiving service under Rate I, monthly volume will be calculated on an MMBtu basis and the quantities will be adjusted as necessary to recover actual costs.

The amount due for pipeline cost (Section (b)) is determined by multiplying the Pipeline Cost Factor (PCF) by the Customer's monthly volume. For Customers receiving service under Rate R and Rate C, monthly volume will be calculated on an Mcf basis. For Customers receiving service under Rate I and Rate T, monthly volume will be calculated on an MMBtu basis and the quantities will be adjusted as necessary to recover actual costs.

(a) Gas Cost

Method of Calculation

The monthly gas cost adjustment is calculated by the application of a Gas Cost Recovery Factor (GCRF), as determined with the following formula:

$$\text{GCRF} = \text{Estimated Gas Cost Factor (EGCF)} + \text{Reconciliation Factor (RF)} + \text{Taxes (TXS)} + \text{Adjustments (ADJ)}$$

EGCF = Estimated cost of gas, including lost and unaccounted for gas attributed to residential, commercial, and industrial sales, and any reconciliation balance of unrecovered gas costs, divided by the estimated total residential, commercial, and industrial sales.

RF = Calculated by dividing the difference between the Actual Gas Cost Incurred, inclusive of interest, over the preceding twelve-month period ended June 30 and the Actual Gas Cost Billed over that same twelve-month period by the estimated total residential, commercial, and industrial sales for the succeeding October through June billing months.

Actual Gas Cost Incurred = The sum of the costs booked in Atmos Energy Corp., Mid-Tex Division account numbers 800 through 813 and 858 of the NARUC Uniform System of Accounts, including the net impact of injecting and withdrawing gas from storage. Also includes a credit or debit for any out-of-period adjustments or unusual or nonrecurring costs typically considered gas costs and a credit for amounts received as Imbalance Fees or Curtailment Overpull Fees.

Actual Gas Cost Billed = EGCF multiplied by the monthly volumes billed to Residential, Commercial and Industrial Sales customers, less the total amount of gas cost determined to have been uncollectible and written off which remain unpaid for each month of the reconciliation period.

EXHIBIT A

TARIFF FOR GAS SERVICE

**ATMOS ENERGY CORP.,
MID-TEX DIVISION**

RIDER:	Rider GCR - Gas Cost Recovery	
APPLICABLE TO:	Entire System	REVISION: DATE:
EFFECTIVE DATE: October 1, 2008		PAGE: 2 OF 3

Any amount remaining in the reconciliation balance after the conclusion of the period of amortization will be maintained in the reconciliation balance and included in the collection of the next RF.

Atmos Energy shall file annual reports with the Commission, providing by month the following amounts: Gas Cost Written Off, Margin Written Off, Tax and Other Written Off, Total Written Off, Gas Cost Collected and Margin Collected.

TXS = Any statutorily imposed assessments or taxes applicable to the purchase of gas divided by the estimated total residential, commercial, and industrial sales.

ADJ = Any surcharge or refund ordered by a regulatory authority, inclusive of interest, divided by the estimated total residential, commercial, and industrial sales.

(b) Pipeline Cost

Method of Calculation

Each month, a Pipeline Cost Factor (PCF) is calculated separately for each Pipeline Cost Rate Class listed below. The formula for the PCF is:

$PCF = PP / S$, where:

$PP = (P - A) \times D$, where:

P = Estimated monthly cost of pipeline service calculated pursuant to Rate CGS

D = Pipeline service allocation factor for the rate class as approved in the Company's most recent rate case, as follows:

Pipeline Cost Rate Class	Allocation Factor (D)
Rate R - Residential Service	.634783
Rate C - Commercial Service	.302805
Rate I - Industrial Service and Rate T - Transportation Service	.062412

A = Adjustment applied in the current month to correct for the difference between the actual and estimated pipeline cost revenue of the second preceding month, calculated by the formula:

$A = R - (C - A2)$, where:

R = Actual revenue received from the application of the PP component in the second preceding month.

C = Actual pipeline costs for the second preceding month.

A2 = The adjustment (A) applied to the PP component in the second preceding month.

S = Estimated Mcf or MMBtu for the rate class for the current billing month.

The PCF is calculated to the nearest 0.0001 cent.

EXHIBIT A

TARIFF FOR GAS SERVICE

ATMOS ENERGY CORP.,
MID-TEX DIVISION

RIDER:	Rider GCR - Gas Cost Recovery	
APPLICABLE TO:	Entire System	REVISION: DATE:
EFFECTIVE DATE: October 1, 2008		PAGE: 3 OF 3

The Pipeline Cost to be billed is determined by multiplying the Mcf or MMBtu used by the appropriate PCF. The Pipeline Cost is determined to the nearest whole cent.

RIDER:	Rider WNA – Weather Normalization Adjustment	
APPLICABLE TO:	Entire System	REVISION: DATE:
EFFECTIVE DATE: November 1, 2008		PAGE: 1 OF 3

RIDER WNA – Weather Normalization Adjustment

Provisions for Adjustment

The base rate per Mcf (1,000,000 Btu) for gas service set forth in any Rate Schedules utilized by the cities of the Mid-Tex Division service area for determining normalized winter period revenues shall be adjusted by an amount hereinafter described, which amount is referred to as the "Weather Normalization Adjustment." The Weather Normalization Adjustment shall apply to all temperature sensitive residential, and commercial bills based on meters read during the revenue months of November through April.

Computation of Weather Normalization Adjustment

The Weather Normalization Adjustment Factor shall be computed to the nearest one-hundredth cent per Mcf by the following formula:

$$WNAF_i = R_i \frac{(HSF_i \times (NDD-ADD))}{(BL_i + (HSF_i \times ADD))}$$

Where

- i = any particular Rate Schedule or billing classification within any such particular Rate Schedule that contains more than one billing classification
- $WNAF_i$ = Weather Normalization Adjustment Factor for the i^{th} rate schedule or classification expressed in cents per Mcf
- R_i = base rate of temperature sensitive sales for the i^{th} schedule or classification approved by the entity exercising original jurisdiction.
- HSF_i = heat sensitive factor for the i^{th} schedule or classification calculated as the slope of the linear regression of average sales per bill (Mcf) and actual heating degree days by month for the test year by schedule or classification and weather station as part of the RRM filing.
- NDD = billing cycle normal heating degree days calculated as the simple ten-year average of actual heating degree days.
- ADD = billing cycle actual heating degree days.
- BL_i = base load sales for the i^{th} schedule or classification calculated as the y-intercept of the linear regression of average sales per bill (Mcf) and actual heating degree days by month for the test year by schedule or classification

RIDER:	Rider WNA – Weather Normalization Adjustment	
APPLICABLE TO:	Entire System	REVISION: DATE:
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and weather station as part of the RRM filing.

The Weather Normalization Adjustment for the jth customer in ith rate schedule is computed as:

$$WNA_i = WNAF_i \times q_{ij}$$

Where q_{ij} is the relevant sales quantity for the jth customer in ith rate schedule.

Filings with Entities Exercising Original Jurisdiction

As part of its annual RRM filing the Company will file (a) a copy of each computation of the Weather Normalization Adjustment Factor, (b) a schedule showing the effective date of each such Weather Normalization Adjustment, (c) a schedule showing the factors of values used in calculating such Weather Normalization Adjustment and (d) a random sample and audit of thirty (30) actual customer bills, with customer information deleted, for each rate schedule or classification to which the WNA was applied in the preceding 12 month period. To the extent that source data is needed to audit the WNA application, such data will be provided by the Company as part of the annual RRM filing.

If the RRM is discontinued, as provided in the Rider RRM tariff, the information required herein to be filed with the entities exercising original jurisdiction shall be filed on March 1 of each year.

Base Use/Heat Sensitivity (HSF) Factors

Weather Station	<u>Residential</u>		<u>Commercial</u>	
	Base use Mcf	HSF Mcf/HDD	Base use Mcf	HSF Mcf/HDD
Abilene	1.14	.0131	8.11	.0631
Austin	1.31	.0136	18.05	.0669
Dallas	1.57	.0185	18.08	.0925
Waco	1.20	.0138	10.97	.0606
Wichita Falls	1.27	.0147	11.58	.0581

EXHIBIT A

TARIFF FOR GAS SERVICE

ATMOS ENERGY CORP.,
MID-TEX DIVISION

RIDER:	Rider WNA – Weather Normalization Adjustment	
APPLICABLE TO:	Entire System	REVISION: DATE:
EFFECTIVE DATE: November 1, 2008		PAGE: 3 OF 3

Sample WNAF_i Calculation:

$$.1533 \text{ per Mcf} = 1.2267 \times \frac{(.0131 \times (30-17))}{(1.14 + (.0131 \times 17))}$$

Where

i = Residential Single Block Rate Schedule

R_i = 1.2267 per MCF (Rate R - Final Order GUD No. 9670)

HSF_i = .0131 (Residential - Abilene Area)

NDD = 30 HDD (Simple ten-year average of Actual HDD for Abilene Area – 9/15/06 – 10/14/06)

ADD = 17 HDD (Actual HDD for Abilene Area – 9/15/06 – 10/14/06)

Bl_i = 1.14 Mcf (Residential - Abilene Area)

EXHIBIT A

TARIFF FOR GAS SERVICE

ATMOS ENERGY CORP.,
MID-TEX DIVISION

RIDER:	Rider RRM – Rate Review Mechanism	
APPLICABLE TO:	Entire Mid-Tex Division	REVISION DATE:
EFFECTIVE DATE: February 1, 2008		PAGE: 1 of 5

RIDER RRM – RATE REVIEW MECHANISM

Purpose:

This mechanism is designed to provide annual earnings transparency. If, through the implementation of the provisions of this mechanism, it is determined that rates should be decreased or increased, then rates will be adjusted accordingly in the manner set forth herein. The rate adjustments implemented under this mechanism will reflect annual changes in the Company’s cost of service and rate base. This adjustment will be authorized for an Initial Implementation Period. With the conclusion of the final rate adjustment, if any, for the Initial Implementation Period, each entity having original jurisdiction may revoke, amend, or approve Subsequent Implementation Period(s) for, the mechanism.

Definitions

- a) The **Annual Evaluation Date** shall be the date the Company will make its annual filing under this mechanism. The Annual Evaluation Date shall be no later than March 1, of each year. This filing shall be effective in electronic form where practicable. The initial filing shall be made March 31, 2008.
- b) **Audited Financial Data** shall mean the Company’s books and records related to the Company’s Mid-Tex operating area and shared services operations. Audited Financial Data shall not require the schedules and information provided under this tariff to undergo a separate financial audit by an outside auditing firm similar to the Company’s annual financial audit.
- c) The **Evaluation Period** is defined as the twelve month period ending December 31, of each calendar year. The initial Evaluation Period shall be calendar year 2007.
- d) The **Rate Effective Period** is defined as the earlier of the twelve month period for which rates determined under this mechanism will be in effect or subsequent rates are implemented.
- e) **Per Connection Basis** is defined as the average number of connections during the Evaluation Period.
- f) **Initial Implementation Period** is defined as the three (3) year period commencing with the Company’s filing under this mechanism for the calendar year 2007, effective October 1, 2008, and shall conclude with the implementation of rate adjustments, if any, for the third Rate Effective Period.
- g) **Subsequent Implementation Period** is defined as any three (3) year period after the conclusion of the Initial Implementation Period.
- h) **Final Order** is defined as the most recent order establishing the Company’s latest effective rates for the area in which the mechanism is implemented, and shall include municipal rate ordinances and resolutions.

Rate Review Mechanism

The Company shall file with each regulatory authority having original jurisdiction over the Company’s rates the schedules specified below for the Evaluation Period, with the filing to be made by the Annual

EXHIBIT A

TARIFF FOR GAS SERVICE

ATMOS ENERGY CORP.,
MID-TEX DIVISION

RIDER:	Rider RRM – Rate Review Mechanism	
APPLICABLE TO:	Entire Mid-Tex Division	REVISION DATE:
EFFECTIVE DATE: February 1, 2008		PAGE: 2 of 5

Evaluation Date following the end of the Evaluation Period. The schedules, which will be based upon the Company's Audited Financial Data, as adjusted, and provided in the same format as Atmos' rate filing with municipalities on September 20, 2007, will include the following:

- a) Company's actual gross plant in service, accumulated depreciation, accumulated deferred income taxes, inventory, working capital, and other rate base components. The ratemaking treatments, principles, findings and adjustments included in the Final Order will apply. Regulatory adjustments due to prior regulatory rate base adjustment disallowances will be maintained where applicable. Cash working capital will be calculated using the lead/lag days approved in the Final Order.
- b) The Company's depreciation expense, operating and maintenance expense, income taxes, and taxes other than income taxes. Depreciation rates will be those approved in the Final Order, or the rate most recently approved. All calculation methodologies will be those approved in the Final Order, or in the most recent order addressing the methodology. In addition, the Company shall exclude from operating and maintenance expense the type of expenses related to employee expense accounts disallowed in the GUD No. 9670 Final Order.
- c) Return on Equity (ROE) shall be maintained at 9.6%.
- d) Cost of debt will reflect actual cost. Capital structure will be the actual Evaluation Period ending ratio of long-term debt and equity, with percentage equity not to exceed the percentage established in the Final Order in G.U.D. No. 9670 (48.1% equity).
- e) All applicable accounting and pro forma adjustments along with all supporting workpapers.
- f) Pro-forma adjustments to update and annualize costs and revenue billing determinants for the Rate Effective Period.
- g) Pro-forma or other adjustments required to properly account for atypical, unusual, or nonrecurring events.
- h) Shared Services allocation factors may be recalculated each year based on the latest component factors, but the methodology used will be that approved in the Final Order.

Calculation of Rate Adjustment

- a) The Company shall provide additional schedules indicating the following revenue deficiency/sufficiency calculations using the methodology accepted in the Final Order. These schedules shall identify the rate adjustments necessary for both a true-up of revenue for the Evaluation Period and the setting of prospective rates for the Rate Effective Period. The net result of these rate adjustments shall be reflected in the proposed new rates to be established for the Rate Effective Period. In calculating the required rate adjustments, such adjustments will be made pro-ratably to the customer charge and usage charge based upon actual revenue generated, as adjusted under the Company's approved Weather Normalization Adjustment (WNA) Rider. Provided,

EXHIBIT A

TARIFF FOR GAS SERVICE

ATMOS ENERGY CORP.,
MID-TEX DIVISION

RIDER:	Rider RRM – Rate Review Mechanism	
APPLICABLE TO:	Entire Mid-Tex Division	REVISION DATE:
EFFECTIVE DATE: February 1, 2008		PAGE: 3 of 5

however, that neither the Residential nor the Commercial customer charges may increase more than 20% per year.

- b) If Company’s earnings during the Evaluation Period exceed 9.6% return on common equity, the Company shall calculate an adjustment to rates to refund the revenue required to achieve a return on equity of 9.6% for the Evaluation Period. If Company’s earnings during the Evaluation Period are below 9.6% return on common equity, the Company shall calculate an adjustment in rates to collect the additional revenue required to increase its return on equity for the Evaluation Period to 9.6%. The Company will calculate an adjustment for the Rate Effective Period to refund or collect this difference.
- c) The Company will adjust rates for the Rate Effective Period to include recovery of any known and measurable changes to operating and maintenance costs including, but not limited to, all payroll and compensation expense, all benefit expense, all pension expense, insurance costs, materials and supplies, bad debt costs, all medical expense, transportation and building and lease costs for the Rate Effective Period. Additionally, utility plant for the Rate Effective Period will be established by using the Evaluation Period ending balances, including associated changes in depreciation and amortization expense and taxes. In calculating the Company’s known and measurable changes for prospective RRM adjustment purposes, the following limitations will apply, on a Per Connection Basis.
 - 1. Operating and Maintenance expenses for the Rate Effective Period, cannot increase more than 5% per connection per year without specific identification and justification. The beginning Operation and Maintenance expense for the 2007 RRM filing (the initial filing) will be \$161 million.
 - 2. Net plant investment for the Rate Effective Period cannot increase more than 5% per connection per year without specific identification. However, in performing a cap test to verify compliance, Company shall exclude any changes in net plant investment associated with federal, state, or local mandates related to safety, compliance, or road moves.
- d) The Company also shall provide a schedule demonstrating the “proof of revenues” relied upon to calculate the proposed rate for the Rate Effective Period. The proposed rates shall conform as closely as is practicable to the revenue allocation principles approved in the Final Order.

Attestation

A sworn statement shall be filed by the Company’s Chief Officer in Charge of Mid-Tex Operations affirming that the filed schedules are in compliance with the provisions of this mechanism and are true and correct to the best of his/her knowledge, information and belief. No testimony shall be filed.

EXHIBIT A

TARIFF FOR GAS SERVICE

ATMOS ENERGY CORP.,
MID-TEX DIVISION

RIDER:	Rider RRM – Rate Review Mechanism	
APPLICABLE TO:	Entire Mid-Tex Division	REVISION DATE:
EFFECTIVE DATE: February 1, 2008		PAGE: 4 of 5

Evaluation Procedures

The regulatory authority having original jurisdiction over the Company’s rates shall have ninety (90) days to review the Company’s filed schedules. The Company will be prepared to provide supplemental information as may be requested to ensure adequate review by the relevant regulatory authority. The Company shall not unilaterally impose any limits upon the provision of supplemental information and such information shall be provided within ten (10) working days of the original request. The regulatory authority may propose any adjustments it determines to be required to bring the schedules into compliance with the above provisions.

During and following the ninety (90) day review period and a thirty (30) day response period, the Company and the regulatory authority will work collaboratively and come to agreement on, the proposed adjustments to the Company’s schedule and proposed rates. Once agreement has been reached by the Company and the regulatory authority, the regulatory authority shall authorize an increase or decrease to the Company’s rates so as to achieve the revenue levels indicated for both the Evaluation Period and Rate Effective Period. If, at the end of the thirty (30) day response period, the Company and the regulatory authority have not reached agreement on the proposed adjustments, the Company shall have the right to appeal the regulatory authority’s action or inaction to the Railroad Commission of Texas. Upon the filing of any appeal, the Company shall have the right to implement the proposed RRM rate adjustment, subject to refund.

If approved by the entity exercising original jurisdiction, the rates established pursuant to the Rate Review Mechanism for the first Rate Effective Period shall be effective on October 1, 2008. Thereafter, rates established pursuant to the Rate Review Mechanism for subsequent Rate Effective Periods, if approved as provided herein, shall be effective on July 15 of each year.

Reconsideration and Appeal

Orders issued pursuant to this mechanism are ratemaking orders and shall be subject to appeal under Sections 102.001(b) and 103.021, et seq., of the Texas Utilities Code (Vernon 2007).

Notice

Notice of the annual Rate Review Mechanism filing shall be provided to all affected customers of the Atmos Mid-Tex Division in accordance with the provisions of this section no later than forty-five (45) days after the Company makes its annual filing pursuant to this tariff. Company may provide notice either by mailing or otherwise delivering the notice with its billing statements. Notice by mail shall be presumed to be complete three days after the date of deposit of the paper upon which such notice is written, enclosed in a post-paid, properly addressed wrapper, in a post office or official depository under the care of the United States Postal Service. The notice to customers shall include the following information:

- a) a description of the proposed revision of rates and schedules;
- b) the effect the proposed revision of rates is expected to have on the rates applicable to each customer class and on an average bill for each affected customer;

EXHIBIT A

TARIFF FOR GAS SERVICE

ATMOS ENERGY CORP.,
MID-TEX DIVISION

RIDER:	Rider RRM -- Rate Review Mechanism	
APPLICABLE TO:	Entire Mid-Tex Division	REVISION DATE:
EFFECTIVE DATE: February 1, 2008		PAGE: 5 of 5

- c) the service area or areas in which the proposed rate adjustment would apply;
- d) the date the proposed rate adjustment was filed with the regulatory authority; and
- e) the Company's address, telephone number and website where information concerning the proposed rate adjustment may be obtained.

RIDER:	Rider CEE – Conservation & Energy Efficiency	
APPLICABLE TO:	Entire System	REVISION: DATE:
EFFECTIVE DATE: February 1, 2008		PAGE: 1 OF 1

RIDER CEE – Conservation & Energy Efficiency

Purpose

Atmos Energy Mid-Tex is proposing to institute a complete Conservation & Energy Efficiency program which will offer assistance to qualified customer segments in reducing energy consumption and lowering energy utility bills. The proposal is one where Atmos Energy shareholders will fund a percentage of the allowable expenses incurred annually, with a customer rate component providing the remainder of the funding. Following is a high-level, concept summary of the proposal. Atmos Energy Mid-Tex Division proposes to work with the communities it serves to develop the details of a new tariff and programs addressing conservation and energy efficiency.

Synopsis:

Voucher system to provide free energy savings materials and supplies to qualifying customers of Atmos Mid-Tex. Qualified Customers will receive up to two hundred dollars (\$200.00) worth of caulking, weather-stripping, sheathing, sealing, water heater blankets, and like materials, other energy saving devices such as clock-thermostats, set-back devices (“covered items”) from approved suppliers / retailers. Company will undertake efforts to enlist support from community groups, including its own Employee Action Program, to assist customers with installation. If it is determined that professional installation capabilities are necessary, the parties will agree on labor assistance amounts.

Eligibility

Low Income – Low-income rate-payers that qualify for heating bill assistance through LIHEAP agencies and all agencies that distribute Atmos “Share the Warmth” funds. Agencies that allocate assistance funds denote customer as Low Income, a status that lasts for one year.

Senior Citizen – Primary account holder can request eligibility through ATM call center or web-site. Customer provides primary SSN which is verified through Social Security Administration. And account holder that is or turns 65 years old in that year becomes eligible.

Funding

Initial program funding will be at two million dollars (\$2,000,000). Atmos Energy shareholders will contribute one million dollars (\$1,000,000.00) to this initiative annually with ratepayers providing one million dollars (\$1,000,000.00) per year. It is proposed that the program operate on an October 1 through September 30 year, with benefits being capped at the two million dollar level for the initial program period.

Administration:

A third-party administrator will coordinate qualification of customers, voucher distribution, subsequent verification and reimbursement of eligible expenditures and general program administration. Program administration expenses will be funded from the annual approved budget.

Program audits will be conducted and the results provided to any interested party within 120 days of the end of each program year to determine effectiveness.

**ATMOS ENERGY CORP., MID-TEX DIVISION
REVENUE REQUIREMENTS BY SERVICE CLASS
TEST YEAR ENDING JUNE 30, 2007
EXHIBIT B TO SETTLEMENT AGREEMENT BETWEEN ATMOS ENERGY AND THE ACSC CITIES**

Line No.	Description (a)	Current Revenues (b)	Proposed Revenues ¹ (c)	Proposed Change (d)	Percent Change (e)
1	Residential (Base Revenue)	\$ 277,485,494	\$ 280,887,686	\$ 3,402,192	1.23%
2	Residential (Rider GCR)	625,991,761	625,991,761	-	0.00%
3	Residential (Rider FF & Rider TAX)	52,488,696	52,686,332	197,637	0.38%
4	Total Residential	<u>\$ 955,965,951</u>	<u>\$ 959,565,779</u>	<u>\$ 3,599,828</u>	<u>0.38%</u>
5	Commercial (Base Revenue)	\$ 59,666,416	\$ 65,119,647	\$ 5,453,231	9.14%
6	Commercial (Rider GCR)	399,910,917	399,910,917	-	0.00%
7	Commercial (Rider FF & Rider TAX)	26,699,748	27,016,551	316,803	1.19%
8	Total Commercial	<u>\$ 486,277,080</u>	<u>\$ 492,047,115</u>	<u>\$ 5,770,035</u>	<u>1.19%</u>
9	Industrial/Transportation (Base Revenue)	\$ 8,461,218	\$ 9,057,219	\$ 596,001	7.04%
10	Industrial/Transportation (Rider GCR)	33,616,178	33,616,178	-	0.00%
11	Industrial/Transportation (Rider FF & Rider TAX)	2,444,541	2,479,166	34,625	1.42%
12	Total Industrial/Transportation	<u>\$ 44,521,937</u>	<u>\$ 45,152,563</u>	<u>\$ 630,625</u>	<u>1.42%</u>
13	Other Revenue (Base Revenue)	\$ 17,418,758	\$ 17,418,758	-	0.00%
14	Other Revenue (Rider GCR)	-	-	-	0.00%
15	Other Revenue (Rider FF & Rider TAX)	1,011,966	1,011,966	-	0.00%
16	Total Other Revenue	<u>\$ 18,430,724</u>	<u>\$ 18,430,724</u>	<u>\$ -</u>	<u>0.00%</u>
17	Base Revenue	\$ 363,031,887	\$ 372,483,310	\$ 9,451,423	2.60%
18	Rider GCR	1,059,518,856	1,059,518,856	-	0.00%
19	Rider FF & Rider TAX	82,644,951	83,194,015	549,064	0.66%
20	Total Operating Revenues	<u>\$ 1,505,195,693</u>	<u>\$ 1,515,196,181</u>	<u>\$ 10,000,488</u>	<u>0.66%</u>

27 Note:

28 ¹ Proposed Revenues are the result of the application of the proposed rates to billing determinants.

ATMOS ENERGY CORP., MID-TEX DIVISION
REVENUE REQUIREMENTS
TEST YEAR ENDING JUNE 30, 2007
Settlement Proposal

Line No.	Description (a)	Ref (b)	(c)	Base Revenue (d)	Rider GCR (e)	Rider FF & Rider TAX (f)	Total (g)
1	Rider GCR Part A						
2	Rider GCR Part B	Schedule H		\$ -	\$ 976,143,417	\$ -	\$ 976,143,417
3	Total Rider GCR	Schedule I			83,375,439		83,375,439
4				\$ -	\$ 1,059,518,856		\$ 1,059,518,856
5	Operation and Maintenance Expenses	Schedule F-1		\$ 150,891,394			\$ 150,891,394
6	Taxes Other than Income Taxes	Schedule F-5		20,756,918		\$ 83,194,015	103,950,933
7	Depreciation and Amortization Expense	Schedule F-3		79,148,614			79,148,614
8	Interest on Customer Deposits	Schedule F-7		1,593,388			1,593,388
9	Rate Base	Schedule B	\$ 1,123,773,895				
10	Rate of Return	Schedule G	7.79%	87,535,806			87,535,806
11	Income Taxes	Schedule F-6		32,556,703			32,556,703
12	Revenue Requirements			\$ 372,482,822	\$ 1,059,518,856	\$ 83,194,015	\$ 1,515,195,693
13	Current Revenues	Schedule A					\$ 1,505,195,693
14	Proposed Change						<u>\$ 10,000,000</u>

**ATMOS ENERGY CORP., MID-TEX DIVISION
SUMMARY PROOF OF REVENUE AT PROPOSED RATES
TEST YEAR ENDING JUNE 30, 2007**

Line	Description (a)	Total (b)	Reference (c)
	Rate R		
1	<u>Rate Characteristics:</u>		
2	Customer Charge	\$10.69	CCS
3			
4	Consumption Charge (\$/Mcf)	\$1.2710	CCS
5			
6	Rider GCR Part A	\$7.5520	Schedule H
7	Rider GCR Part B	\$0.5990	Schedule I
8			
9	<u>Billing Units (1):</u>		
10	Bills	17,144,647	WP_J-1.1
11	Total MCF	<u>76,798,906</u>	WP_J-1.1
12			
13	<u>Present Revenue:</u>		
14	Customer Charge	\$ 183,276,276	
15	Consumption Charge	<u>97,611,410</u>	
16	Base Revenue	\$ 280,887,686	
17	Rider GCR Part A	579,988,302	
18	Rider GCR Part B	<u>46,003,459</u>	
19	Subtotal	\$ 906,879,447	
20	Revenue Related Taxes	52,686,332	
21			
22	Total Proposed Revenue- Rate R	<u><u>\$ 959,565,779</u></u>	
23			
24	Note 1: See Billing Determinants Study for details.		

**ATMOS ENERGY CORP., MID-TEX DIVISION
SUMMARY PROOF OF REVENUE AT PROPOSED RATES
TEST YEAR ENDING JUNE 30, 2007**

Line	Description (a)	Total (b)	Reference (c)
	Rate C		
1	<u>Rate Characteristics:</u>		
2	Customer Charge	\$20.28	CCS
3			
4	Consumption Charge (\$/Mcf)	\$0.7104	CCS
5			
6	Rider GCR Part A	\$7.5520	Schedule H
7	Rider GCR Part B	\$0.5001	Schedule I
8			
9	<u>Billing Units (1):</u>		
10	Bills	1,471,279	WP_J-1.2
11	Total MCF	<u>49,665,131</u>	WP_J-1.2
12			
13	<u>Present Revenue:</u>		
14	Customer Charge	\$ 29,837,538	
15	Consumption Charge	<u>35,282,109</u>	
16	Base Revenue	\$ 65,119,647	
17	Rider GCR Part A	375,072,987	
18	Rider GCR Part B	<u>24,837,930</u>	
19	Subtotal	\$ 465,030,564	
20	Revenue Related Taxes	27,016,551	
21			
22	Total Proposed Revenue- Rate C	<u><u>\$ 492,047,115</u></u>	
23			
24	Note 1: See Billing Determinants Study for details.		

**ATMOS ENERGY CORP., MID-TEX DIVISION
SUMMARY PROOF OF REVENUE AT PROPOSED RATES
TEST YEAR ENDING JUNE 30, 2007**

Line	Description (a)	Total (b)	Reference (c)
	Rate I & T		
1	<u>Rate Characteristics:</u>		
2	Customer Charge	\$344.75	CCS
3			
4	Block 1 (\$/MMBTU)	\$0.2200	CCS
5	Block 2 (\$/MMBTU)	\$0.1600	CCS
6	Block 3 (\$/MMBTU)	\$0.0493	CCS
7			
8	Rider GCR Part A	\$7.5520	Schedule H
9	Rider GCR Part B	\$0.2804	Schedule I
10			
11	<u>Consumption Characteristics:</u>		
12	Block 1 (First 1,500 MMBTU)	0.21691	(1)
13	Block 2 (Next 3,500 MMBTU)	0.24651	(1)
14	Block 3 (Over 5,000 MMBTU)	0.53657	(1)
15			
16	<u>Billing Units (1):</u>		
17	Bills	11,542	WP_J-1.3
18	Block 1	9,694,939	WP_J-1.3
19	Block 2	11,018,084	WP_J-1.3
20	Block 3	23,982,442	WP_J-1.3
21	Total MMBTU	<u>44,695,465</u>	
22			
23	Sales Volumes	<u>2,858,579</u>	WP_J-1.3
24			
25	<u>Present Revenue:</u>		
26	Customer Charge	\$ 3,979,105	
27	Block 1	2,132,887	
28	Block 2	1,762,893	
29	Block 3	1,182,334	
30	Base Revenue	<u>\$ 9,057,219</u>	
31	Rider GCR Part A	21,082,128	
32	Rider GCR Part B	12,534,050	
33	Subtotal	<u>\$ 42,673,397</u>	
34	Revenue Related Taxes	2,479,166	
35			
36	Total Proposed Revenue- Rate I&T	<u><u>\$ 45,152,563</u></u>	
37			
38	Note 1: See Billing Determinants Study for details.		

WHEREAS, the Railroad Commission of Texas ("RRC" or the "Commission") in GUD No. 9670, issued an Order approving new system-wide rates for customers of Atmos Energy's Mid-Tex Division in March 2007, which increased residential base rates by approximately \$10 million annually; and

WHEREAS, ACSC and Atmos have each appealed the RRC's decision in Atmos' most recent system-wide rate increase as well as the decision rendered in GUD No. 9400 to the Travis County District Court; and

WHEREAS, Atmos and ACSC have been in continuing disagreement, dispute, and litigation over the application of Section 104.301 of the Texas Utilities Code and the resulting rate increases ("GRIP surcharges") established by the RRC; and

WHEREAS, Atmos filed its application for its fourth GRIP surcharge in four years on May 31, 2007, seeking to increase the rates of all customers by approximately \$12 million annually; and

WHEREAS, the ACSC Cities desire to avoid the litigation expense that would result from another lengthy contested rate case proceeding before the RRC as well as the prosecution of the appeals in various courts of the GRIP surcharges and the two previous system-wide rate decisions; and

WHEREAS, ACSC desires to recoup certain costs it previously incurred in connection with GRIP-related proceedings (costs which Atmos contends are not reimbursable rate case expenses under the Texas Utilities Code), as well as costs incurred in connection with this proceeding; and

WHEREAS, on October 18, 2007, more than 60 ACSC members met in Arlington with officers and executives of Atmos to discuss various issues, including rate making, resulting in a mutual pledge to work toward settlement; and

WHEREAS, ACSC members designated a Settlement Committee made up of ACSC representatives to work with ACSC attorneys and consultants to formulate and review reasonable settlement positions to resolve outstanding matters with Atmos, including the pending rate increase request; and

WHEREAS, the Settlement Committee and lawyers representing ACSC met several times with the Company to negotiate a Settlement Agreement resolving the issues raised in the Company's Statement of Intent filing as well as all outstanding appeals of the two prior rate cases and various GRIP filings; and

WHEREAS, the Settlement Committee, as well as ACSC lawyers and consultants, believe existing rates are unreasonable and should be changed; and

WHEREAS, the ACSC Executive Committee recommends ACSC members approve the negotiated Settlement Agreement and attached tariffs; and

WHEREAS, the attached tariffs provide for an expedited rate review process as a substitute to the current GRIP process instituted by the Legislature; and

WHEREAS, the expedited rate review process as provided by the Rate Review Mechanism Tariff eliminates piecemeal ratemaking, the ACSC's major objection to the current GRIP process; and

WHEREAS, the attached tariffs implementing new rates are consistent with the Settlement Agreement and are just, reasonable, and in the public interest; and

WHEREAS, it is the intention of the parties that ACSC Cities receive the benefit of any Settlement Agreement that Atmos enters into with other entities arising out of its Statement of Intent or any associated appeals of a decision entered by the Railroad Commission regarding the Company's request to increase rates; and

WHEREAS, the Settlement Agreement as a whole is in the public interest.

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

Section 1. That the findings set forth in this Ordinance are hereby in all things approved.

Section 2. That the City Council finds that the Settlement Agreement, **which is attached hereto and incorporated herein as Attachment A**, is in the public interest and is hereby endorsed in all respects.

Section 3. That existing rates for natural gas service provided by Atmos Mid-Tex are unreasonable and new tariffs, **which are attached hereto and incorporated herein as Attachment B**, are just and reasonable and are hereby adopted.

Section 4. That to the extent any resolution or ordinance previously adopted by the Council is inconsistent with this Ordinance, it is hereby repealed.

Section 5. That the meeting at which this Ordinance was approved was in all things conducted in strict compliance with the Texas Open Meetings Act, Texas Government Code, Chapter 551.

Section 6. That if any one or more sections or clauses of this Ordinance is adjudged to be unconstitutional or invalid, such judgment shall not affect, impair or invalidate the remaining provisions of this Ordinance and the remaining provisions of the Ordinance shall be interpreted as if the offending section or clause never existed.

Section 7. That if ACSC Cities determine any rates, revenues, terms and conditions, or benefits resulting from a Final Order or subsequent Settlement Agreement approved in any proceeding addressing the issues raised in Atmos' Statement of Intent would be more beneficial to the ACSC Cities than the terms of the attached Settlement Agreement, then the more favorable rates, revenues, terms and conditions, or benefits shall additionally accrue to the ACSC Cities. However, approval of the attached Rider RRM, Rider CEE, Rider GCR and the Rider WNA

shall not be affected by the application of the provisions contained in this section, it being the understanding and the intent of the parties hereto that such tariffs shall continue according to their terms.

Section 8. That this Ordinance shall become effective from and after its passage with rates authorized by attached Tariffs to be effective for customer bills delivered on or after March 1, 2008.

Section 9. That a copy of this Ordinance shall be sent to Atmos Mid-Tex, care of Joe T. Christian, Director of Rates, at Atmos Energy Corporation, 5420 LBJ Freeway, Suite 1800, Dallas, Texas 75240, and to Geoffrey Gay, General Counsel to ACSC, at Lloyd Gosselink Blevins Rochelle & Townsend, P.C., P.O. Box 1725, Austin, Texas 78767-1725.

PASSED AND APPROVED this _____ day of _____, 2008.

Joe Chow, Mayor

ATTEST:

City Secretary – Mario Canizares

APPROVED AS TO FORM:

City Attorney

RATE SCHEDULE:	TABLE OF CONTENTS	
APPLICABLE TO:	Entire System	REVISION DATE: February 1, 2008
EFFECTIVE DATE: February 1, 2008		PAGE: 1 OF 1

I. UTILITY OPERATIONS**II. CITIES AND COUNTIES SERVED****III. DEFINITIONS****IV. GAS SERVICE RATES & RIDERS**

Rate R - Residential Sales
 Rate C - Commercial Sales
 Rate I - Industrial Sales
 Rate T - Transportation
 Rider CT – Competitive Transport
 Rider GCR - Gas Cost Recovery
 Rider FF - Franchise Fee Adjustment
 Rider SUR – Surcharges
 Rate LEP – Line Extension Policy
 Rate M - Miscellaneous Charges
 Rider RA - Retention Adjustment
 Rider TAX - Tax Adjustment
 Rider WNA – Weather Normalization Adjustment
 Rider RRM – Rate Review Mechanism
 Rider CEE – Conservation and Energy Efficiency

V. SERVICE RULES AND REGULATIONS

RATE SCHEDULE:	Rate R - Residential Sales	
APPLICABLE TO:	Entire System	REVISION: DATE:
EFFECTIVE DATE: February 1, 2008		PAGE: 1 OF 1

RATE R - RESIDENTIAL SALES**Application**

Applicable to Residential Customers for all natural gas provided at one Point of Delivery and measured through one meter.

Type of Service

Where service of the type desired by Customer is not already available at the Point of Delivery, additional charges and special contract arrangements between Company and Customer may be required prior to service being furnished.

Monthly Rate

Customer's monthly bill will be calculated by adding the following Customer and Mcf charges to the amounts due under the riders listed below:

Charge	Amount
Customer Charge per Bill	\$ 10.69 per month
Commodity Charge – All Mcf	\$1.2710 per Mcf

Gas Cost Recovery: Plus an amount for gas costs and upstream transportation costs calculated in accordance with Part (a) and Part (b), respectively, of Rider GCR.

Weather Normalization Adjustment: Plus or Minus an amount for weather normalization calculated in accordance with Rider WNA.

Rate Review Mechanism: Plus or Minus an amount for rates as calculated in accordance with Rider RRM.

Franchise Fee Adjustment: Plus an amount for franchise fees calculated in accordance with Rider FF.

Tax Adjustment: Plus an amount for tax calculated in accordance with Rider TAX.

Surcharges: Plus an amount for surcharges calculated in accordance with the applicable rider(s).

Agreement

An Agreement for Gas Service may be required.

Notice

Service hereunder and the rates for services provided are subject to the orders of regulatory bodies having jurisdiction and to the Company's Tariff for Gas Service.

RATE SCHEDULE:	Rate C - Commercial Sales	
APPLICABLE TO:	Entire System	REVISION: DATE:
EFFECTIVE DATE: February 1, 2008		PAGE: 1 OF 1

RATE C - COMMERCIAL SALES**Application**

Applicable to Commercial Customers for all natural gas provided at one Point of Delivery and measured through one meter and to Industrial Customers with an average annual usage of less than 3,000 Mcf.

Type of Service

Where service of the type desired by Customer is not already available at the Point of Delivery, additional charges and special contract arrangements between Company and Customer may be required prior to service being furnished.

Monthly Rate

Customer's monthly bill will be calculated by adding the following Customer and Mcf charges to the amounts due under the riders listed below:

Charge	Amount
Customer Charge per Bill	\$ 20.28 per month
Commodity Charge - All Mcf	\$ 0.7104 per Mcf

Gas Cost Recovery: Plus an amount for gas costs and upstream transportation costs calculated in accordance with Part (a) and Part (b), respectively, of Rider GCR.

Weather Normalization Adjustment: Plus or Minus an amount for weather normalization calculated in accordance with Rider WNA.

Rate Review Mechanism: Plus or Minus an amount for rates as calculated in accordance with Rider RRM.

Franchise Fee Adjustment: Plus an amount for franchise fees calculated in accordance with Rider FF.

Tax Adjustment: Plus an amount for tax calculated in accordance with Rider TAX.

Surcharges: Plus an amount for surcharges calculated in accordance with the applicable rider(s).

Agreement

An Agreement for Gas Service may be required.

Notice

Service hereunder and the rates for services provided are subject to the orders of regulatory bodies having jurisdiction and to the Company's Tariff for Gas Service.

TARIFF FOR GAS SERVICE

**ATMOS ENERGY CORP.,
MID-TEX DIVISION**

RATE SCHEDULE:	Rate I - Industrial Sales	
APPLICABLE TO:	Entire System	REVISION: DATE:
EFFECTIVE DATE: February 1, 2008		PAGE: 1 OF 2

RATE I - INDUSTRIAL SALES

Application

Applicable to Industrial Customers with a maximum daily usage (MDU) of less than 3,500 MMBtu per day for all natural gas provided at one Point of Delivery and measured through one meter. Service for Industrial Customers with an MDU equal to or greater than 3,500 MMBtu per day will be provided at Company's sole option and will require special contract arrangements between Company and Customer.

Type of Service

Where service of the type desired by Customer is not already available at the Point of Delivery, additional charges and special contract arrangements between Company and Customer may be required prior to service being furnished.

Monthly Rate

Customer's monthly bill will be calculated by adding the following Customer and MMBtu charges to the amounts due under the riders listed below:

Charge	Amount
Customer Charge per Meter	\$ 344.75 per month
First 0 MMBtu to 1,500 MMBtu	\$ 0.2200 per MMBtu
Next 3,500 MMBtu	\$ 0.1600 per MMBtu
All MMBtu over 5,000 MMBtu	\$ 0.0493 per MMBtu

Gas Cost Recovery: Plus an amount for gas costs and upstream transportation costs calculated in accordance with Part (a) and Part (b), respectively, of Rider GCR.

Rate Review Mechanism: Plus or Minus an amount for rates as calculated in accordance with Rider RRM.

Franchise Fee Adjustment: Plus an amount for franchise fees calculated in accordance with Rider FF.

Tax Adjustment: Plus an amount for tax calculated in accordance with Rider TAX.

Surcharges: Plus an amount for surcharges calculated in accordance with the applicable rider(s).

Curtailement Overpull Fee

Upon notification by Company of an event of curtailement or interruption of Customer's deliveries, Customer will, for each MMBtu delivered in excess of the stated level of curtailement or interruption, pay Company 200% of the midpoint price for the Katy point listed in *Platts Gas Daily* published for the applicable Gas Day in the table entitled "Daily Price Survey."

TARIFF FOR GAS SERVICE**ATMOS ENERGY CORP.,
MID-TEX DIVISION**

RATE SCHEDULE:	Rate I - Industrial Sales	
APPLICABLE TO:	Entire System	REVISION: DATE:
EFFECTIVE DATE: February 1, 2008		PAGE: 2 OF 2

Replacement Index

In the event the "midpoint" or "common" price for the Katy point listed in *Platts Gas Daily* in the table entitled "Daily Price Survey" is no longer published, Company will calculate the applicable imbalance fees utilizing a daily price index recognized as authoritative by the natural gas industry and most closely approximating the applicable index.

Agreement

An Agreement for Gas Service may be required.

Notice

Service hereunder and the rates for services provided are subject to the orders of regulatory bodies having jurisdiction and to the Company's Tariff for Gas Service.

Special Conditions

In order to receive service under Rate I, Customer must have the type of meter required by Company. Customer must pay Company all costs associated with the acquisition and installation of the meter.

RATE SCHEDULE:	Rate T – Transportation	
APPLICABLE TO:	Entire System	REVISION: DATE:
EFFECTIVE DATE: February 1, 2008		PAGE: 1 OF 2

RATE T - TRANSPORTATION

Application

Applicable, in the event that Company has entered into a Transportation Agreement, to a customer directly connected to the Atmos Energy Corp., Mid-Tex Division Distribution System (Customer) for the transportation of all natural gas supplied by Customer or Customer's agent at one Point of Delivery for use in Customer's facility.

Type of Service

Where service of the type desired by Customer is not already available at the Point of Delivery, additional charges and special contract arrangements between Company and Customer may be required prior to service being furnished.

Monthly Rate

Customer's bill will be calculated by adding the following Customer and MMBtu charges to the amounts and quantities due under the riders listed below:

Charge	Amount
Customer Charge per Meter	\$ 344.75 per month
First 0 MMBtu to 1,500 MMBtu	\$ 0.2200 per MMBtu
Next 3,500 MMBtu	\$ 0.1600 per MMBtu
All MMBtu over 5,000 MMBtu	\$ 0.0493 per MMBtu

Upstream Transportation Cost Recovery: Plus an amount for upstream transportation costs in accordance with Part (b) of Rider GCR.

Rate Review Mechanism: Plus or Minus an amount for rates as calculated in accordance with Rider RRM.

Retention Adjustment: Plus a quantity of gas as calculated in accordance with Rider RA.

Franchise Fee Adjustment: Plus an amount for franchise fees calculated in accordance with Rider FF.

Tax Adjustment: Plus an amount for tax calculated in accordance with Rider TAX.

Surcharges: Plus an amount for surcharges calculated in accordance with the applicable rider(s).

Imbalance Fees

All fees charged to Customer under this Rate Schedule will be charged based on the quantities determined under the applicable Transportation Agreement and quantities will not be aggregated for any Customer with multiple Transportation Agreements for the purposes of such fees.

Monthly Imbalance Fees

Customer shall pay Company the greater of (i) \$0.10 per MMBtu, or (ii) 150% of the difference per MMBtu between the highest and lowest "midpoint" price for the Katy point listed in *Platts Gas Daily* in the table entitled "Daily Price Survey" during such month, for the MMBtu of Customer's monthly Cumulative

RATE SCHEDULE:	Rate T - Transportation	
APPLICABLE TO:	Entire System	REVISION: DATE:
EFFECTIVE DATE: February 1, 2008		PAGE: 2 OF 2

Imbalance, as defined in the applicable Transportation Agreement, at the end of each month that exceeds 10% of Customer's receipt quantities for the month.

Curtailment Overpull Fee

Upon notification by Company of an event of curtailment or interruption of Customer's deliveries, Customer will, for each MMBtu delivered in excess of the stated level of curtailment or interruption, pay Company 200% of the midpoint price for the Katy point listed in *Platts Gas Daily* published for the applicable Gas Day in the table entitled "Daily Price Survey."

Replacement Index

In the event the "midpoint" or "common" price for the Katy point listed in *Platts Gas Daily* in the table entitled "Daily Price Survey" is no longer published, Company will calculate the applicable imbalance fees utilizing a daily price index recognized as authoritative by the natural gas industry and most closely approximating the applicable index.

Agreement

A transportation agreement is required.

Notice

Service hereunder and the rates for services provided are subject to the orders of regulatory bodies having jurisdiction and to the Company's Tariff for Gas Service.

Special Conditions

In order to receive service under Rate T, customer must have the type of meter required by Company. Customer must pay Company all costs associated with the acquisition and installation of the meter.

RIDER:	Rider GCR - Gas Cost Recovery	
APPLICABLE TO:	Entire System	REVISION: DATE:
EFFECTIVE DATE: October 1, 2008		PAGE: 1 OF 3

Rider GCR - Gas Cost Recovery

Applicable to Rate R, Rate C, and Rate I for all gas sales made by Company, and applicable to Rate R, Rate C, Rate I, and Rate T for recovery of Pipeline System costs. The total gas cost recovery amount due is determined by adding the gas cost calculated in Section (a) below and the pipeline cost calculated in Section (b) below.

The amount due for gas cost (Section (a)) is determined by multiplying the Gas Cost Recovery Factor (GCRF) by the Customer's monthly volume. For Customers receiving service under Rate R and Rate C, monthly volume will be calculated on an Mcf basis. For Customers receiving service under Rate I, monthly volume will be calculated on an MMBtu basis and the quantities will be adjusted as necessary to recover actual costs.

The amount due for pipeline cost (Section (b)) is determined by multiplying the Pipeline Cost Factor (PCF) by the Customer's monthly volume. For Customers receiving service under Rate R and Rate C, monthly volume will be calculated on an Mcf basis. For Customers receiving service under Rate I and Rate T, monthly volume will be calculated on an MMBtu basis and the quantities will be adjusted as necessary to recover actual costs.

(a) Gas Cost

Method of Calculation

The monthly gas cost adjustment is calculated by the application of a Gas Cost Recovery Factor (GCRF), as determined with the following formula:

$$\text{GCRF} = \text{Estimated Gas Cost Factor (EGCF)} + \text{Reconciliation Factor (RF)} + \text{Taxes (TXS)} + \text{Adjustments (ADJ)}$$

EGCF = Estimated cost of gas, including lost and unaccounted for gas attributed to residential, commercial, and industrial sales, and any reconciliation balance of unrecovered gas costs, divided by the estimated total residential, commercial, and industrial sales.

RF = Calculated by dividing the difference between the Actual Gas Cost Incurred, inclusive of interest, over the preceding twelve-month period ended June 30 and the Actual Gas Cost Billed over that same twelve-month period by the estimated total residential, commercial, and industrial sales for the succeeding October through June billing months.

Actual Gas Cost Incurred = The sum of the costs booked in Atmos Energy Corp., Mid-Tex Division account numbers 800 through 813 and 858 of the NARUC Uniform System of Accounts, including the net impact of injecting and withdrawing gas from storage. Also includes a credit or debit for any out-of-period adjustments or unusual or nonrecurring costs typically considered gas costs and a credit for amounts received as Imbalance Fees or Curtailment Overpull Fees.

Actual Gas Cost Billed = EGCF multiplied by the monthly volumes billed to Residential, Commercial and Industrial Sales customers, less the total amount of gas cost determined to have been uncollectible and written off which remain unpaid for each month of the reconciliation period.

RIDER:	Rider GCR - Gas Cost Recovery	
APPLICABLE TO:	Entire System	REVISION: DATE:
EFFECTIVE DATE: October 1, 2008		PAGE: 2 OF 3

Any amount remaining in the reconciliation balance after the conclusion of the period of amortization will be maintained in the reconciliation balance and included in the collection of the next RF.

Atmos Energy shall file annual reports with the Commission, providing by month the following amounts: Gas Cost Written Off, Margin Written Off, Tax and Other Written Off, Total Written Off, Gas Cost Collected and Margin Collected.

TXS = Any statutorily imposed assessments or taxes applicable to the purchase of gas divided by the estimated total residential, commercial, and industrial sales.

ADJ = Any surcharge or refund ordered by a regulatory authority, inclusive of interest, divided by the estimated total residential, commercial, and industrial sales.

(b) Pipeline Cost

Method of Calculation

Each month, a Pipeline Cost Factor (PCF) is calculated separately for each Pipeline Cost Rate Class listed below. The formula for the PCF is:

$PCF = PP / S$, where:

$PP = (P - A) \times D$, where:

P = Estimated monthly cost of pipeline service calculated pursuant to Rate CGS

D = Pipeline service allocation factor for the rate class as approved in the Company's most recent rate case, as follows:

Pipeline Cost Rate Class	Allocation Factor (D)
Rate R - Residential Service	.634783
Rate C - Commercial Service	.302805
Rate I - Industrial Service and Rate T - Transportation Service	.062412

A = Adjustment applied in the current month to correct for the difference between the actual and estimated pipeline cost revenue of the second preceding month, calculated by the formula:

$A = R - (C - A2)$, where:

R = Actual revenue received from the application of the PP component in the second preceding month.

C = Actual pipeline costs for the second preceding month.

A2 = The adjustment (A) applied to the PP component in the second preceding month.

S = Estimated Mcf or MMBtu for the rate class for the current billing month.

The PCF is calculated to the nearest 0.0001 cent.

RIDER:	Rider GCR - Gas Cost Recovery	
APPLICABLE TO:	Entire System	REVISION: DATE:
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The Pipeline Cost to be billed is determined by multiplying the Mcf or MMBtu used by the appropriate PCF. The Pipeline Cost is determined to the nearest whole cent.

RIDER:	Rider WNA – Weather Normalization Adjustment	
APPLICABLE TO:	Entire System	REVISION: DATE:
EFFECTIVE DATE: November 1, 2008		PAGE: 1 OF 3

RIDER WNA – Weather Normalization Adjustment

Provisions for Adjustment

The base rate per Mcf (1,000,000 Btu) for gas service set forth in any Rate Schedules utilized by the cities of the Mid-Tex Division service area for determining normalized winter period revenues shall be adjusted by an amount hereinafter described, which amount is referred to as the "Weather Normalization Adjustment." The Weather Normalization Adjustment shall apply to all temperature sensitive residential, and commercial bills based on meters read during the revenue months of November through April.

Computation of Weather Normalization Adjustment

The Weather Normalization Adjustment Factor shall be computed to the nearest one-hundredth cent per Mcf by the following formula:

$$WNAF_i = R_i \frac{(HSF_i \times (NDD-ADD))}{(BL_i + (HSF_i \times ADD))}$$

Where

- i = any particular Rate Schedule or billing classification within any such particular Rate Schedule that contains more than one billing classification
- WNAF_i = Weather Normalization Adjustment Factor for the ith rate schedule or classification expressed in cents per Mcf
- R_i = base rate of temperature sensitive sales for the ith schedule or classification approved by the entity exercising original jurisdiction.
- HSF_i = heat sensitive factor for the ith schedule or classification calculated as the slope of the linear regression of average sales per bill (Mcf) and actual heating degree days by month for the test year by schedule or classification and weather station as part of the RRM filing.
- NDD = billing cycle normal heating degree days calculated as the simple ten-year average of actual heating degree days.
- ADD = billing cycle actual heating degree days.
- Bl_i = base load sales for the ith schedule or classification calculated as the y-intercept of the linear regression of average sales per bill (Mcf) and actual heating degree days by month for the test year by schedule or classification

RIDER:	Rider WNA – Weather Normalization Adjustment	
APPLICABLE TO:	Entire System	REVISION: DATE:
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and weather station as part of the RRM filing.

The Weather Normalization Adjustment for the jth customer in ith rate schedule is computed as:

$$WNA_i = WNAF_i \times q_{ij}$$

Where q_{ij} is the relevant sales quantity for the jth customer in ith rate schedule.

Filings with Entities Exercising Original Jurisdiction

As part of its annual RRM filing the Company will file (a) a copy of each computation of the Weather Normalization Adjustment Factor, (b) a schedule showing the effective date of each such Weather Normalization Adjustment, (c) a schedule showing the factors of values used in calculating such Weather Normalization Adjustment and (d) a random sample and audit of thirty (30) actual customer bills, with customer information deleted, for each rate schedule or classification to which the WNA was applied in the preceding 12 month period. To the extent that source data is needed to audit the WNA application, such data will be provided by the Company as part of the annual RRM filing.

If the RRM is discontinued, as provided in the Rider RRM tariff, the information required herein to be filed with the entities exercising original jurisdiction shall be filed on March 1 of each year.

Base Use/Heat Sensitivity (HSF) Factors

<u>Weather Station</u>	<u>Residential</u>		<u>Commercial</u>	
	<u>Base use Mcf</u>	<u>HSF Mcf/HDD</u>	<u>Base use Mcf</u>	<u>HSF Mcf/HDD</u>
Abilene	1.14	.0131	8.11	.0631
Austin	1.31	.0136	18.05	.0669
Dallas	1.57	.0185	18.08	.0925
Waco	1.20	.0138	10.97	.0606
Wichita Falls	1.27	.0147	11.58	.0581

RIDER:	Rider WNA – Weather Normalization Adjustment	
APPLICABLE TO:	Entire System	REVISION: DATE:
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Sample WNAF_i Calculation:

$$.1533 \text{ per Mcf} = 1.2267 \times \frac{(.0131 \times (30-17))}{(1.14 + (.0131 \times 17))}$$

Where

- i = Residential Single Block Rate Schedule
- R_i = 1.2267 per MCF (Rate R - Final Order GUD No. 9670)
- HSF_i = .0131 (Residential - Abilene Area)
- NDD = 30 HDD (Simple ten-year average of Actual HDD for Abilene Area – 9/15/06 – 10/14/06)
- ADD = 17 HDD (Actual HDD for Abilene Area – 9/15/06 – 10/14/06)
- Bl_i = 1.14 Mcf (Residential - Abilene Area)

RIDER:	Rider RRM – Rate Review Mechanism	
APPLICABLE TO:	Entire Mid-Tex Division	REVISION DATE:
EFFECTIVE DATE: February 1, 2008		PAGE: 1 of 5

RIDER RRM – RATE REVIEW MECHANISM

Purpose:

This mechanism is designed to provide annual earnings transparency. If, through the implementation of the provisions of this mechanism, it is determined that rates should be decreased or increased, then rates will be adjusted accordingly in the manner set forth herein. The rate adjustments implemented under this mechanism will reflect annual changes in the Company's cost of service and rate base. This adjustment will be authorized for an Initial Implementation Period. With the conclusion of the final rate adjustment, if any, for the Initial Implementation Period, each entity having original jurisdiction may revoke, amend, or approve Subsequent Implementation Period(s) for, the mechanism.

Definitions

- a) The **Annual Evaluation Date** shall be the date the Company will make its annual filing under this mechanism. The Annual Evaluation Date shall be no later than March 1, of each year. This filing shall be effective in electronic form where practicable. The initial filing shall be made March 31, 2008.
- b) **Audited Financial Data** shall mean the Company's books and records related to the Company's Mid-Tex operating area and shared services operations. Audited Financial Data shall not require the schedules and information provided under this tariff to undergo a separate financial audit by an outside auditing firm similar to the Company's annual financial audit.
- c) The **Evaluation Period** is defined as the twelve month period ending December 31, of each calendar year. The initial Evaluation Period shall be calendar year 2007.
- d) The **Rate Effective Period** is defined as the earlier of the twelve month period for which rates determined under this mechanism will be in effect or subsequent rates are implemented.
- e) **Per Connection Basis** is defined as the average number of connections during the Evaluation Period.
- f) **Initial Implementation Period** is defined as the three (3) year period commencing with the Company's filing under this mechanism for the calendar year 2007, effective October 1, 2008, and shall conclude with the implementation of rate adjustments, if any, for the third Rate Effective Period.
- g) **Subsequent Implementation Period** is defined as any three (3) year period after the conclusion of the Initial Implementation Period.
- h) **Final Order** is defined as the most recent order establishing the Company's latest effective rates for the area in which the mechanism is implemented, and shall include municipal rate ordinances and resolutions.

Rate Review Mechanism

The Company shall file with each regulatory authority having original jurisdiction over the Company's rates the schedules specified below for the Evaluation Period, with the filing to be made by the Annual

RIDER:	Rider RRM – Rate Review Mechanism	
APPLICABLE TO:	Entire Mid-Tex Division	REVISION DATE:
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Evaluation Date following the end of the Evaluation Period. The schedules, which will be based upon the Company's Audited Financial Data, as adjusted, and provided in the same format as Atmos' rate filing with municipalities on September 20, 2007, will include the following:

- a) Company's actual gross plant in service, accumulated depreciation, accumulated deferred income taxes, inventory, working capital, and other rate base components. The ratemaking treatments, principles, findings and adjustments included in the Final Order will apply. Regulatory adjustments due to prior regulatory rate base adjustment disallowances will be maintained where applicable. Cash working capital will be calculated using the lead/lag days approved in the Final Order.
- b) The Company's depreciation expense, operating and maintenance expense, income taxes, and taxes other than income taxes. Depreciation rates will be those approved in the Final Order, or the rate most recently approved. All calculation methodologies will be those approved in the Final Order, or in the most recent order addressing the methodology. In addition, the Company shall exclude from operating and maintenance expense the type of expenses related to employee expense accounts disallowed in the GUD No. 9670 Final Order.
- c) Return on Equity (ROE) shall be maintained at 9.6%.
- d) Cost of debt will reflect actual cost. Capital structure will be the actual Evaluation Period ending ratio of long-term debt and equity, with percentage equity not to exceed the percentage established in the Final Order in G.U.D. No. 9670 (48.1% equity).
- e) All applicable accounting and pro forma adjustments along with all supporting workpapers.
- f) Pro-forma adjustments to update and annualize costs and revenue billing determinants for the Rate Effective Period.
- g) Pro-forma or other adjustments required to properly account for atypical, unusual, or nonrecurring events.
- h) Shared Services allocation factors may be recalculated each year based on the latest component factors, but the methodology used will be that approved in the Final Order.

Calculation of Rate Adjustment

- a) The Company shall provide additional schedules indicating the following revenue deficiency/sufficiency calculations using the methodology accepted in the Final Order. These schedules shall identify the rate adjustments necessary for both a true-up of revenue for the Evaluation Period and the setting of prospective rates for the Rate Effective Period. The net result of these rate adjustments shall be reflected in the proposed new rates to be established for the Rate Effective Period. In calculating the required rate adjustments, such adjustments will be made pro-ratably to the customer charge and usage charge based upon actual revenue generated, as adjusted under the Company's approved Weather Normalization Adjustment (WNA) Rider. Provided,

RIDER:	Rider RRM – Rate Review Mechanism	
APPLICABLE TO:	Entire Mid-Tex Division	REVISION DATE:
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however, that neither the Residential nor the Commercial customer charges may increase more than 20% per year.

- b) If Company's earnings during the Evaluation Period exceed 9.6% return on common equity, the Company shall calculate an adjustment to rates to refund the revenue required to achieve a return on equity of 9.6% for the Evaluation Period. If Company's earnings during the Evaluation Period are below 9.6% return on common equity, the Company shall calculate an adjustment in rates to collect the additional revenue required to increase its return on equity for the Evaluation Period to 9.6%. The Company will calculate an adjustment for the Rate Effective Period to refund or collect this difference.
- c) The Company will adjust rates for the Rate Effective Period to include recovery of any known and measurable changes to operating and maintenance costs including, but not limited to, all payroll and compensation expense, all benefit expense, all pension expense, insurance costs, materials and supplies, bad debt costs, all medical expense, transportation and building and lease costs for the Rate Effective Period. Additionally, utility plant for the Rate Effective Period will be established by using the Evaluation Period ending balances, including associated changes in depreciation and amortization expense and taxes. In calculating the Company's known and measurable changes for prospective RRM adjustment purposes, the following limitations will apply, on a Per Connection Basis.
1. Operating and Maintenance expenses for the Rate Effective Period, cannot increase more than 5% per connection per year without specific identification and justification. The beginning Operation and Maintenance expense for the 2007 RRM filing (the initial filing) will be \$161 million.
 2. Net plant investment for the Rate Effective Period cannot increase more than 5% per connection per year without specific identification. However, in performing a cap test to verify compliance, Company shall exclude any changes in net plant investment associated with federal, state, or local mandates related to safety, compliance, or road moves.
- d) The Company also shall provide a schedule demonstrating the "proof of revenues" relied upon to calculate the proposed rate for the Rate Effective Period. The proposed rates shall conform as closely as is practicable to the revenue allocation principles approved in the Final Order.

Attestation

A sworn statement shall be filed by the Company's Chief Officer in Charge of Mid-Tex Operations affirming that the filed schedules are in compliance with the provisions of this mechanism and are true and correct to the best of his/her knowledge, information and belief. No testimony shall be filed.

RIDER:	Rider RRM – Rate Review Mechanism	
APPLICABLE TO:	Entire Mid-Tex Division	REVISION DATE:
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Evaluation Procedures

The regulatory authority having original jurisdiction over the Company's rates shall have ninety (90) days to review the Company's filed schedules. The Company will be prepared to provide supplemental information as may be requested to ensure adequate review by the relevant regulatory authority. The Company shall not unilaterally impose any limits upon the provision of supplemental information and such information shall be provided within ten (10) working days of the original request. The regulatory authority may propose any adjustments it determines to be required to bring the schedules into compliance with the above provisions.

During and following the ninety (90) day review period and a thirty (30) day response period, the Company and the regulatory authority will work collaboratively and come to agreement on, the proposed adjustments to the Company's schedule and proposed rates. Once agreement has been reached by the Company and the regulatory authority, the regulatory authority shall authorize an increase or decrease to the Company's rates so as to achieve the revenue levels indicated for both the Evaluation Period and Rate Effective Period. If, at the end of the thirty (30) day response period, the Company and the regulatory authority have not reached agreement on the proposed adjustments, the Company shall have the right to appeal the regulatory authority's action or inaction to the Railroad Commission of Texas. Upon the filing of any appeal, the Company shall have the right to implement the proposed RRM rate adjustment, subject to refund.

If approved by the entity exercising original jurisdiction, the rates established pursuant to the Rate Review Mechanism for the first Rate Effective Period shall be effective on October 1, 2008. Thereafter, rates established pursuant to the Rate Review Mechanism for subsequent Rate Effective Periods, if approved as provided herein, shall be effective on July 15 of each year.

Reconsideration and Appeal

Orders issued pursuant to this mechanism are ratemaking orders and shall be subject to appeal under Sections 102.001(b) and 103.021, et seq., of the Texas Utilities Code (Vernon 2007).

Notice

Notice of the annual Rate Review Mechanism filing shall be provided to all affected customers of the Atmos Mid-Tex Division in accordance with the provisions of this section no later than forty-five (45) days after the Company makes its annual filing pursuant to this tariff. Company may provide notice either by mailing or otherwise delivering the notice with its billing statements. Notice by mail shall be presumed to be complete three days after the date of deposit of the paper upon which such notice is written, enclosed in a post-paid, properly addressed wrapper, in a post office or official depository under the care of the United States Postal Service. The notice to customers shall include the following information:

- a) a description of the proposed revision of rates and schedules;
- b) the effect the proposed revision of rates is expected to have on the rates applicable to each customer class and on an average bill for each affected customer;

RIDER:	Rider RRM – Rate Review Mechanism	
APPLICABLE TO:	Entire Mid-Tex Division	REVISION DATE:
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- c) the service area or areas in which the proposed rate adjustment would apply;
- d) the date the proposed rate adjustment was filed with the regulatory authority; and
- e) the Company's address, telephone number and website where information concerning the proposed rate adjustment may be obtained.

RIDER:	Rider CEE – Conservation & Energy Efficiency	
APPLICABLE TO:	Entire System	REVISION: DATE:
EFFECTIVE DATE: February 1, 2008		PAGE: 1 OF 1

RIDER CEE – Conservation & Energy Efficiency

Purpose

Atmos Energy Mid-Tex is proposing to institute a complete Conservation & Energy Efficiency program which will offer assistance to qualified customer segments in reducing energy consumption and lowering energy utility bills. The proposal is one where Atmos Energy shareholders will fund a percentage of the allowable expenses incurred annually, with a customer rate component providing the remainder of the funding. Following is a high-level, concept summary of the proposal. Atmos Energy Mid-Tex Division proposes to work with the communities it serves to develop the details of a new tariff and programs addressing conservation and energy efficiency.

Synopsis:

Voucher system to provide free energy savings materials and supplies to qualifying customers of Atmos Mid-Tex. Qualified Customers will receive up to two hundred dollars (\$200.00) worth of caulking, weather-stripping, sheathing, sealing, water heater blankets, and like materials, other energy saving devices such as clock-thermostats, set-back devices ("covered items") from approved suppliers / retailers. Company will undertake efforts to enlist support from community groups, including its own Employee Action Program, to assist customers with installation. If it is determined that professional installation capabilities are necessary, the parties will agree on labor assistance amounts.

Eligibility

Low Income – Low-income rate-payers that qualify for heating bill assistance through LIHEAP agencies and all agencies that distribute Atmos "Share the Warmth" funds. Agencies that allocate assistance funds denote customer as Low Income, a status that lasts for one year.

Senior Citizen – Primary account holder can request eligibility through ATM call center or web-site. Customer provides primary SSN which is verified through Social Security Administration. And account holder that is or turns 65 years old in that year becomes eligible.

Funding

Initial program funding will be at two million dollars (\$2,000,000). Atmos Energy shareholders will contribute one million dollars (\$1,000,000.00) to this initiative annually with ratepayers providing one million dollars (\$1,000,000.00) per year. It is proposed that the program operate on an October 1 through September 30 year, with benefits being capped at the two million dollar level for the initial program period.

Administration:

A third-party administrator will coordinate qualification of customers, voucher distribution, subsequent verification and reimbursement of eligible expenditures and general program administration. Program administration expenses will be funded from the annual approved budget.

Program audits will be conducted and the results provided to any interested party within 120 days of the end of each program year to determine effectiveness.

DATE SUBMITTED: January 15, 2008
FOR COUNCIL MEETING: January 22, 2008

Council Agenda Item: #R12

SUMMARY:

Council approval is requested of a business private switch agreement with Frito Lay Incorporated.

FINANCIAL IMPACT:

Revenue generated from 9-1-1 fees amounted to just under \$400,000 in FY 2007. Frito Lay will be required to remit 9-1-1 service fees but these will be minimal. The agreement allows the Town to take charges from the Certified Telecommunications Utility (CTU) for the private switch and pass these on to Frito Lay monthly, including a 5% administrative fee. However, Frito Lay has expressed a desire to incur these charges from the CTU directly, so the Town should see no effect on revenue. AT&T estimates the monthly charges to be just over \$100 for two trunk lines.

BACKGROUND:

Frito Lay has a location in Addison at 4601 Airport Parkway with a 9-1-1 system that is routed to their corporate office in Plano. If a 9-1-1 call is made from the Addison location it is received by the City of Plano with the corporate office address identified. Frito Lay desires to establish the level of 9-1-1 service that correctly identifies the street address location for extension lines, such as the one at 4601 Airport Parkway, associated with the private switch working at their Plano location.

Through the agreement the Town would authorize Frito Lay to route 9-1-1 calls from its location at 4601 Airport Parkway over digital trunks provided by AT&T, the CTU serving Addison. The Town's obligation would be to order Centralized Message Accounting (CAMA) trunks, if required, from AT&T so 9-1-1 service can be provided.

RECOMMENDATION:

It is recommended Council authorize the City Manager to enter into a business private switch agreement with Frito Lay Incorporated.

Business Private Switch Agreement

STATE OF TEXAS §
§
COUNTY OF DALLAS §

This Business Private Switch Agreement ("Agreement") is an agreement between the Town of Addison, Texas (the "City"), a political subdivision of the State of Texas and a Texas home rule municipality, and _____, a [type of entity and state of formation] a private switch provider ("PSP"), with corporate offices located at _____.

RECITALS:

WHEREAS, both _____, a [type of entity and state of formation], the business service user (the "Business Service User") responsible for the business facilities located at the property listed on "Addendum A" attached hereto and incorporated herein (the "Property") and the PSP desire to serve the Property with a private telephone switch; and

WHEREAS, PSP is willing and able to perform the duties imposed on a business service user by the provisions of the Texas Health & Safety Code, Chapter 771 or Chapter 772 and/or Commission on State Emergency Communications ("CSEC") and City requirements related to 9-1-1 service and other applicable law pertaining to home rule cities (including the ordinances, rules and regulations of the City), and is willing to be bound by such provisions in order to provide 9-1-1 service utilizing a private switch to the facilities listed on "Addendum A"; and

WHEREAS, the Business Service User and PSP have entered into an agency agreement whereby PSP agrees to perform the duties imposed on the Business Service User by Texas Health & Safety Code, Chapter 771 or Chapter 772 and/or CSEC and City requirements related to 9-1-1 service and other applicable law pertaining to home rule cities (including the ordinances, rules and regulations of the City); and

WHEREAS, pursuant to this Agreement, both the Business Service User and the PSP are required to maintain for the Property the same level of 9-1-1 service that the telephone companies (the Certificated Telecommunications Utilities approved to provide telecommunications services and covered by the rules of the Public Utility Commission of Texas, hereafter called "CTU") are providing to other end users in the City; and

WHEREAS, the City is a local governmental entity authorized to subscribe to the CTU's 9-1-1 service; and

WHEREAS, the City, to the extent needed, is willing to subscribe to the CTU for the necessary 9-1-1 services in order to facilitate compliance with law and as set forth in this Agreement and the CSEC's approved tariff; and,

WHEREAS, PSP is willing to reimburse the City for certain expenses incurred by the City in subscribing to 9-1-1 service, or PSP is willing to subscribe to those services directly, if available and approved by the City.

NOW, THEREFORE, the City and PSP, in consideration of the mutual promises herein contained, do mutually agree as follows:

I. OBLIGATIONS OF THE CITY

- A. The City agrees to authorize the PSP to route 9-1-1 calls over digital trunks provided by a CTU in lieu of requiring dedicated Centralized Message Accounting (CAMA) trunks. If required, the City agrees to order CAMA trunks in a timely fashion so that Private Switch 9-1-1 service can be established. It is understood and agreed that CAMA trunks are supplied subject to the provisions of the CTU's terms and conditions.
- B. City agrees to approve PSP directly incurring or to incur the CTU's non-recurring charges and monthly rates associated with the provision of 9-1-1 service at the Property, including but not limited to the 9-1-1 CAMA trunks (if necessary) and the maintenance of the 9-1-1 database.

II. OBLIGATIONS OF PSP

A. Same level of 9-1-1 service:

- 1. PSP agrees to utilize a telephone switch that is equipped to transmit properly formatted calling-line identification to the CTU over digital trunks. PSP agrees to test the compatibility of the service arrangement using the digital trunks, and further agrees to convert to the use of dedicated CAMA trunks in the event the digital trunks are not compatible with the Private Switch 9-1-1 service. If CAMA trunks are required, PSP's telephone switch and the CAMA trunks, shall meet the technical requirements stated in "Technical Standards, 9-1-1 CAMA Trunking and Database Update for Private Switch ALI" or such other applicable requirements ("Technical Standards"), as these requirements are modified from time to time.
- 2. PSP agrees that PSP, or its authorized agent, shall keep current the database associated with the 9-1-1 service. To this end, PSP, or its authorized agent, will supply updates to the database **as changes occur** by downloading from PSP's computer to the authorized database provider's computer. PSP, or its authorized agent, must provide a personal computer with modem and appropriate software to access the authorized database provider's database for updates according to the requirements in the Texas PS/ALI New Customer Set Up Guide or such other applicable requirements (9-1-1 Database Requirements). PSP further agrees that PSP, or its authorized agent, shall verify with the authorized database provider **on a daily basis** the accuracy of the download. Should errors be reported by the authorized database provider, PSP will correct such errors **as soon as practicable but no later than the business day following the day the error is reported by the authorized database provider.**
- 3. PSP agrees to transmit the database information according to the NENA standard for ALI format (which standards can be downloaded from www.nena.org).
- 4. PSP must cooperate with City in the development and maintenance of the Master Street Address Guide (MSAG).

B. Collection of 9-1-1 fee.

1. PSP shall collect the 9-1-1 service fee as required by law, including, without limitation, any ordinance or regulation of the City. The fee shall be collected on all stations served by the private switch as determined by the number of active stations on the first day of the month.
2. PSP shall remit the 9-1-1 service fee monthly to the City. The first remittance of the 9-1-1 fee to the City is due 60 days after the end of the month in which service is established. Subsequent remittances shall be due on or before the last day of each month.
3. PSP shall make the remittances with the form provided by City, which includes a sworn affidavit by Provider certifying the number of active stations served by the private telephone switch on the first day of the month the fee was collected.
4. PSP may retain 2% of the collected fees as an administrative fee.
5. PSP shall maintain records of the amounts of fees it collects for at least two years after the date of collection.

C. PSP shall provide City a copy of PSP's agency agreement between the Business Service User and PSP and any amendments as incorporated. PSP shall notify the City to amend the "Attachment A" of this Agreement and shall follow the requirements for providing 9-1-1 service specified in this Agreement contract should the Business Service User request PSP to provide Private Switch telephone services to other locations not listed on "Attachment A".

III. CHARGES

A. To the extent that PSP does not incur the charges directly as may be approved by City under this Agreement, PSP agrees to reimburse City for the charges City incurs by contracting with PSP for Private Switch 9-1-1 Service, including charges for the following:

1. 9-1-1 CAMA trunks, if required: These costs will be the non-recurring charges and monthly rates stated in the CTU's current charges. City shall require PSP to pay an initial deposit prior to City's placing an order with the CTU. The amount of the initial deposit due hereunder is \$_____. The amount of the initial deposit will be applied to the first month's billing if no cancellation occurs. The deposit shall be paid upon execution of this agreement and is not refundable under any circumstances.
2. 9-1-1 Database services: These costs will be the non-recurring charges and monthly rates established in the contract between the City and its selected database services provider.
3. Any necessary costs for repair or revision of 9-1-1 service in order to maintain the level of service established in the Technical Standards and/or 9-1-1 Database Requirements.
4. Administrative costs incurred by City: The City shall assess a monthly administrative fee not to exceed five (5) percent of the CTU and/or Database charges billed to the City for 9-1-1 service at the Property.

B. PSP shall pay these costs within 30 days of billing by City. A one-time 2% late payment charge will be assessed if charges are not paid within 30 days of the billing date.

- C. Cancellation of the use of a private switch, in whole or part, by the Business Service User or PSP prior to the establishment thereof will require payment to City of the charges billed by the CTU and/or Database provider to City for ordering the 9-1-1 service. These charges will include but are not limited to the cost of engineering, manufacturer's billings resulting from equipment order, installation, assembly, labor, cost of removal, and any other cost incurred by the CTU and/or Database provider up to the time of cancellation, but not to exceed the total non-recurring charges. Any deposit paid by the PSP will be credited toward these costs.

IV. TERM

The term of this agreement shall be from year to year beginning on the date of execution and shall be automatically renewed annually unless terminated earlier as herein provided.

V. DEFAULT

- A. Conditions of default. PSP understands and agrees that maintenance of the private telephone switch and of the 9-1-1 database are of the essence of this agreement. The failure of PSP to maintain the telephone switch or the database according to the requirements of the Technical Standards and 9-1-1 Database Requirements, or the failure on PSP's part to cooperate with the development and maintenance of the MSAG, or the non-payment of any charges due hereunder constitutes a condition of default under this agreement. Questions as to whether a condition of default exists shall be settled by City.
- B. Notice of default. Upon the determination by City that a condition of default exists, City shall notify PSP of the type and nature of the condition by written notice given to PSP by registered or certified United States mail, postage prepaid, return receipt requested, or hand delivered by courier, to the following address. Any such notice delivered by United States Postal Service certified mail or by courier service shall be conclusively deemed to have been served upon and received by PSP on the date of delivery as shown on Return Receipt for Certified Mail (PS Form 3811) or the courier service receipt.

(Name and Address of PSP)

- C. Cure. PSP shall have ten working days from the receipt of the notice of default to notify City of PSP's exact plan to cure the default. The Plan proposed by PSP must include the length of time required for the cure. If PSP's proposed cure is approved by City, PSP shall begin to implement the plan immediately. If PSP's proposed cure is not approved by City, PSP shall have five working days to modify the plan according to the concerns specified by City.
- D. Remedies. Should PSP not act promptly to devise a plan acceptable to City to cure the default or be unable to cure the default within the time specified, City reserves the right to pursue all legal remedies, including but not limited to the following:
 - 1. Termination of this agreement, with notice to the Attorney General of the State of Texas that PSP is doing business in Texas without complying with State laws.

2. Seek a restraining order to enjoin the use of the 9-1-1 telephone switch, with notice to the Business Service User.

VI. TERMINATION

As long as PSP provides telephone service through stations served by a private telephone switch, PSP is required to comply with Texas law and/or CSEC and City requirements regarding 9-1-1 service and other applicable law pertaining to home rule cities (including the ordinances, rules and regulations of the City). Should the Business Service User or PSP choose to discontinue the use of a private telephone switch, PSP shall give City 60 days prior written notice of the date of discontinuance of the private telephone switch. This Agreement shall not be terminated until all amounts due City by PSP have been paid. This Agreement shall be terminated upon the date of discontinuance of the private telephone switch or of the date of final payment of all amounts due City by PSP if such amounts are due and unpaid on the date of discontinuance of the private telephone switch.

VII. INSURANCE

PSP covenants and agrees that it will, at all times during the term of this Agreement and at its expense, maintain and carry a commercial general liability insurance policy covering the private telephone switches with coverage in the amount of not less than One Million Dollars (\$1,000,000.00) for injuries or death to any one person; not less than Two Million Dollars (\$2,000,000.00) for injuries or death to more than one person; and not less than Five Hundred Thousand Dollars (\$500,000.00) for any injury to or destruction of property in any one accident or occurrence; or in the amounts of City's maximum limitations of liability under the Texas Tort Claims Act of Vernon's Texas Civil Statutes, as amended, whichever is greater. Said policy shall name both PSP and City as the insured. PSP shall remit, annually, a current certificate of insurance coverage to City.

VIII. NOTICES

Any notice required or permitted to be given by City to PSP under this agreement shall be mailed to PSP certified or registered U. S. Mail, postage prepaid, return receipt requested to the following address:

(Name and Address of PSP)

Any notice required or permitted to be given by the PSP to City under this agreement shall be mailed by certified or registered U. S. Mail, postage prepaid, return receipt requested or delivered to the following address:

(Name and Address of City)

Attention: 9-1-1 Services Director

IX. SUCCESSORS AND ASSIGNS

City and PSP bind themselves and their successors, executors, administrators, and assigns to the other party in respect to all covenants of this Agreement. Neither City nor PSP shall assign, sublet, or transfer its interest in this Agreement without the prior written consent of the other. Any appointment by PSP of an agent to perform any of the duties specified in this Agreement must have the prior written approval of City. Nothing herein shall be construed as creating any liability on the part of any officer or agent of any public body which may be a party hereto.

X. MODIFICATIONS

This instrument contains the entire agreement between the parties relating to the rights herein granted and the obligations herein assumed. Any oral representations or modifications concerning this instrument shall be of no force or effect.

XI. APPLICABLE LAW

This Agreement shall be governed by and construed according to the laws of the State of Texas, without reference to its conflict of laws provisions. Venue for any action or claim arising out of this Agreement shall be in Dallas County, Texas.

EXECUTED this _____ day of _____, _____.

TOWN OF ADDISON, TEXAS

By: Ron Whitehead
Title: City Manager

PRIVATE SWITCH PROVIDER

By:
Title:

ADDENDUM A

NAME OF PRIVATE SWITCH PROVIDER: _____

PROPERTY NAME(S) / ADDRESS(ES): _____

ITEM #ES1

There are no Attachments for this Item.

ITEM #ES2

There are no Attachments for this Item.

ITEM #R13

There are no Attachments for this Item.

ITEM #R14

There are no Attachments for this Item.