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## - M E M O R A N D U M -

To: Lisa Pyles, Director  
Infrastructure Operations & Services  
Town of Addison

From: Bill Dyer, Real Estate Manager

Cc: Joel Jenkinson, Airport Director

Date: November 1, 2013

Re: Ground Lease 0670-6702 – Proposed Assignment of Ground Lease from  
C.C. Hangar, LP to Claire Chennault Partners, LLC

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C.C. Hangar, LP is requesting the Town's consideration and consent to the proposed sale and assignment of the building improvements, together with the leasehold interests in Ground Lease #0080-2502 to Claire Chennault Partners, LLC, a Texas limited liability company (Assignee). The Assignee is also requesting the Town to consent to the creation of a leasehold mortgage in favor of SNB, Bank of Dallas ("Bank"). Attached as Exhibit "A" and Exhibit "B" respectively is the proposed Assignment of Ground Lease agreement evidencing the Town's consent to the assignment and, an Estoppel Letter by and between the Town and the Bank recognizing the creation of the subordinated lien to the ground lease.

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



Figure 1: Aerial View of 4575 Claire Chennault



Figure 2: South View from Taxiway Victor

### **Background Information**

- The Ground Lease was first entered into with Parkway Jet, Inc. and commenced September 1, 1984. The lease premise was improved with an 11,000 SF conventional hangar together with 5,400 SF of office/shop space.
- On May 13, 1996 the leasehold interests and building improvements were assign to Aquila Leasing Company.

- Then on September 22, 2004 the improvements and leasehold interests were assigned to C.C. Hangar, LP, the current tenant and assignor to the proposed transaction. With the Town's consent, C.C. Hangar, LP acquired the property subject to a leasehold mortgage created in favor of SNB Bank of Dallas, a division of Stillwater National Bank.
- The Town and C.C. Hangar, LP entered into the First Amendment to Ground Lease on September 22, 2004 where landlord and tenant agreed to modify the ground lease to include, among other things, the tenant would construct an addition to the hangar thereby increasing its size by 3,000 SF at a cost to tenant not to be less than \$350,000. In consideration of tenant completing the capital improvements as required therein, the Town agreed to extend the term of the ground lease by an additional 96 months (8 years) so it that it is now due to expire August 30, 2032.
- The property is subject to a shared ramp easement of same terms and conditions as other property adjacent to it. The easement restricts the tenant's use of their own ramp so not to hinder or obstruct other aircraft in the area.
- For much of C.C. Hangar's tenure of ownership it has subleased its hangar space to Million Air to augment its FBO operations and its office space to various subtenants with the Town's consent.

<b>Ground Lease #0670-3502</b>	
	<b>Currently</b>
Land Area	49,566
Hangar Area	14,000
Office Area	5,428
Total Building Area	19,428
Year Built**	1984/2004
Lease Commenced	9/1/1984
Lease Expiration	8/30/2032
Term Remaining	18.83 yrs.
Current Monthly Rent	\$1,743.55
Current Annual Rent	\$20,933.60
DCAD 2012 Valuation	\$429,610
Insured Value	\$1,500,000

\*\* 3,000 SF hangar expansion completed in 2004

### **About the Proposed Assignee**

The proposed assignee is Claire Chennault Partners LLC a manager/member managed partnership consisting of Rex Nichols, Scott Buzzell, and Wade Decker. This partnership was recently formed to allow for the acquisition of the 4575 Claire Chennault property. The partners are either collectively or individually known to the Town and have other property holdings in the area including 15800 Dooley Road, on the west-side of the airport where they enjoy access privileges via a Town issued Airport Access Permit.

The partnership has represented to airport management that the property will continue to be managed and operated pursuant to the terms of the ground lease, the Airport's Rules and Regulations and the Addison Airport Minimum Standards and Requirements for

Commercial Aeronautical Service Providers. They intend to continue to sublease the hangar space to Million Air and either occupy the office space for their own use or sublease the space as appropriate.

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

The requested action is for the Town's consent to the assignment or substitution of the ground tenant without any modification to the lease or building improvements. Consequently there isn't any direct or measureable economic impact or benefit to the airport or Town other than the property continued to be professionally managed and operated. The estimated value of the building improvements, which serves as the Town's collateral for its lease fee interest, appear to provide sufficient coverage over the tenant's projected rental obligation (nearly 3 times).

The proposed assignment of the C.C. Hangar leasehold interests and building improvements is viewed by airport management to be consistent with the tenets of the Airport Strategic Plan. The facility will continue to support the airport's needs by providing additional hangar space in support of Million Air's operations. The property will continue to be well maintain, which preserves and protects the airport's overall value to the community.

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

C.C. Hangar, LP is requesting the Town's consideration and consent to their proposed sale and assignment of their leasehold interests to Claire Chennault Partners, LLC, a Texas limited liability company. The newly formed partnership established for the purpose of acquiring the ground leasehold and building improvements located at 4575 Claire Chennault.

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

Therefore, Airport Management recommends the Town approve the requested action and authorize the City Manager, subject to the City Attorney's final review of the executable agreements, to execute and put into effect the proposed Assignment of Ground Lease from C.C. Hangar, LP to Claire Chennault Partners, LLC.

STATE OF TEXAS           §  
  §  
COUNTY OF DALLAS       §

**ASSIGNMENT OF GROUND LEASE**

This Assignment of Ground Lease (the “Assignment”) is entered into and effective as of \_\_\_\_\_ 2013, at Addison, Texas, by and between C.C. Hangar, LP (herein referred to as “Assignor”) and Claire Chennault Partners, LLC, a Texas limited liability company (herein referred to as “Assignee”).

**WHEREAS**, a Ground Lease was entered into on September 1, 1994 between the City of Addison, Addison Airport of Texas, Inc., (“Landlord” or “the City”) and Parkway Jet, Inc. (“Tenant) for certain real property located at 4575 Claire Chennault Drive (“the Premises”);

**WHEREAS**, the Ground Lease was assigned by Substitute Trustee’s Deed to Franklin First Federal Savings Bank on May 7, 1991; and

**WHEREAS**, Franklin assigned the Ground Lease to Aquila Leasing Inc. on May 13, 1993; and

**WHEREAS**, Aquila Leasing assigned the ground lease to C. C. Hangar LP effective September 22, 2004; and

**WHEREAS**, the Ground Lease was amended at that time the ground lease was assigned to C.C. Hangar, LP to include, among other things, a 96-month lease extension due to improvements C.C. Hangar made to the property that exceeded \$350,000. The amendment also brought the ground lease to our current minimum standards.

**WHEREAS**, the parties acknowledge and agree the boundary survey dated \_\_\_\_\_ prepared by \_\_\_\_\_ Survey containing 1.138 acres as described therein is the true and correct legal description of the Demised Premises (a true and correct copy of said Survey is attached and incorporated herein by reference as Exhibit “A”); and

**WHEREAS**, by virtue of such assignments, amendments and/or modifications made to the Ground Lease Assignor is the Tenant under the Ground Lease (a true and correct copy of said Ground Lease in its entirety with all hereinabove said assignments, amendments and/modifications made thereto are attached and incorporated herein by reference as Exhibit "B"); 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 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 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 assume and shall be bound by and comply with all of the terms, provisions, duties, conditions, and obligations of Tenant under the Ground Lease. For purposes of notice under the Ground Lease, the address of Assignee is:

Claire Chennault Partners, LLC  
Attn. Mr. Rex Nichols, Manager  
15800 Dooley Rd.  
Addison, Texas 75001

4. Nothing in this Assignment 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 this Assignment and apply such rent against any sums due to Landlord. Assignor acknowledges that it does not owe Landlord any past rent, fees, charges, taxes, insurance payments, penalties or any other amounts at the time of this Assignment. 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. NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, ASSIGNOR IS ASSIGNING THIS GROUND LEASE TO ASSIGNEE "AS IS", "WHERE IS", AND WITH ALL FAULTS AND SPECIFICALLY AND EXPRESSLY WITHOUT ANY WARRANTIES, REPRESENTATIONS OR GUARANTEES, EITHER EXPRESS OR IMPLIED, OF ANY KIND, NATURE, OR TYPE WHATSOEVER FROM OR ON BEHALF OF THE GRANTOR.

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

**ASSIGNOR:**

**C.C. Hangar, LP**

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By: Mitchell Rosenthal, Manager of  
MSR Spring Valley Investments, LLC,  
General Partner

**ASSIGNEE:**

**Claire Chennault Partners, LLC**

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By: Rex Nichols, Manager

**ACKNOWLEDGMENT**

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

BEFORE ME, the undersigned authority, on this day personally appeared Mitchell Rosenthal, manager of MSR Spring Valley Investments, LLC, general partner of C.C. Hangar LP, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein stated.

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

[SEAL]

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

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

BEFORE ME, the undersigned authority, on this day personally appeared Rex Nichols, manager of Claire Chennault Partners, LLC, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein stated.

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

[SEAL]

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

## CONSENT OF LANDLORD

The Town of Addison, Texas ("Landlord") is the Landlord in the Ground Lease described in the Assignment of Ground Lease (the "Assignment") entered into and effective as of \_\_\_\_\_ 2013, at Addison, Texas, by and between C.C. Hangar, LP, a Texas limited partnership (herein referred to as "Assignor") and Claire Chennault Partners, 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.

This consent is not intended and shall not be construed to waive any rights of the Town under the Ground Lease, to release or waive any claims of the Town against any tenant under or in connection with the Ground Lease or to release any tenant from any duties, obligations or liabilities under or in connection with the Lease.

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

(i) the Assignment has been executed and notarized by both Assignor and Assignee,

(ii) all other matters in connection with the transfer, sale, and/or conveyance by Assignor to Assignee of the Assignor's interest in the Ground Lease have been fully consummated and completed and the transaction closed as reasonably determined by Landlord (such matters including, without limitation, the full execution and finalization of this Assignment and any other documentation so required by Landlord relating to this transaction) and delivered to Landlord c/o Mr. Bill Dyer, Addison Airport Real Estate Manager, at 16051 Addison Road, Suite 220, Addison, Texas 75001. Otherwise, and failing compliance with and satisfaction of each all of paragraphs (i) and (ii) above, this Consent shall be null and void *ab initio* as if it had never been given and executed.

Signed this \_\_\_\_\_ day \_\_\_\_\_, 2013.

**LANDLORD:**

**TOWN OF ADDISON, TEXAS**

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

## On Bank Letterhead

(DATE)

RE: Ground Lease dated September 28, 1983, by and among the Town of Addison, Texas, a municipal corporation (the "City", the same being the Town of Addison, Texas) and Addison Airport of Texas, Inc., a Texas corporation, as Landlord (the City now being the sole Landlord under the Lease, the "Base Lease" (as defined in the Ground Lease) having expired, and the City alone being referred to herein as the "Landlord") and Parkway Jet, Inc., as tenant; the said Ground Lease then having been conveyed to Franklin First Federal Savings Bank by Substitute Trustee's Deed executed May 7, 1991; the said Ground Lease then having been assigned by Franklin First Federal Savings Bank to Aquila Leasing Company; the said Ground Lease then having been assigned by Aquila Leasing Company to C. C. Hangar L. P. the "Tenant" by that Assignment Agreement entered into on September 22, 2004, the said Ground Lease having been amended by that First Amendment to Ground Lease made effective September 22, 2004 (the said Ground Lease, as amended by the said First Amendment to Ground Lease, being referred to herein as the "Ground Lease") whereby Landlord leases to Tenant certain real property (the "Real Property") located at 4575 Claire Chennault at Addison Airport in Dallas County, Texas, as specifically described in the Ground Lease (and being approximately 1.138 acres in Dallas County, Texas), and being generally described as the "Demised Premises" in the Terms and Conditions set forth in the Ground Lease as amended.

Gentlemen/Mesdames:

SNB Bank of Dallas, a division of Stillwater National Bank (the "Bank") intends to make a loan to Claire Chennault Partners, LLP, a Texas, limited liability company, which loan (the "Loan") in the amount of \$\_\_\_\_\_ will be secured by, among other things a lien against the leasehold interest of Tenant in the Real Property created pursuant to a leasehold deed of trust (the "Leasehold Deed of Trust") to be executed by Tenant to \_\_\_\_\_, as Trustee for the benefit of Bank, which Deed of Trust shall be subordinate and inferior to the Ground Lease and Landlord's lien (contractual and statutory) and other rights thereunder and all terms and conditions thereof, which Deed of Trust shall be in substantially the form of the Deed of Trust attached hereto.

The Bank has advised Tenant that Bank requires the written acknowledgment of Landlord to the execution by Tenant of the above-described Deed of Trust and the written acknowledgment and consent of the Landlord to the statements set forth in this letter.

Therefore, by executing the enclosed copy of this letter and returning it to the undersigned, Landlord hereby specifically states as follows:

1. Landlord takes notice of the Leasehold Deed of Trust and the subordinate and inferior lien provided for therein being impressed solely against the leasehold interest of Tenant in the Real Property.
2. To the best of Landlord's actual knowledge, the Ground Lease has not been modified, altered or amended except as described herein.

3. Landlord has no actual knowledge of the existence of any lien against the Real Property other than that created by the Ground Lease and any lien for taxes as may be provided by law.
4. Landlord will give to Bank, at the address of Bank specified in this letter or at such other address as Bank may hereafter designate in writing to Landlord, prompt written notice of any default by Tenant under the Lease simultaneously with the giving of such notice to Tenant, and Bank shall have the right, but not the obligation, 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 such payment as may be necessary or appropriate to cure any such default so specified. Landlord shall not exercise Landlord's right to terminate the lease without first giving Bank the notice provided for herein and affording Bank the right to cure such default as provided for herein.
5. For the purposes of this letter, any notice to Bank may be delivered in person or shall be deemed to be delivered, whether actually received or not, when deposited in United States mail, postage prepaid, registered, or certified mail, return receipt requested, addressed to Bank at the above-described address.
6. If Bank or a third party (provided such third party is approved by Landlord in accordance with the terms of the Lease for approval of an assignee) succeeds to the interest of Tenant in and to the Lease and the Real Property by means of foreclosure under the Deed of Trust, by means of a transfer in lieu of such foreclosure, or by any other means due to the failure or inability of Tenant to pay the Loan secured by the Deed of Trust, Landlord shall thereafter accept, recognize and treat Bank or such approved third party as the tenant under the Lease and Landlord shall continue to perform all of its obligations under the Lease. Bank may thereafter, with the written consent of the Landlord, which consent shall not be unreasonably withheld or delayed, assign its leasehold right, title, and interest in and to the Ground Lease. For purposes hereof and any applicable law, and without limitation as to other grounds for Landlord withholding consent, it shall be deemed to be reasonable for Landlord to withhold its consent when any one or more of the following apply:
  - (a) 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;
  - (b) 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 the Ground Lease at the time when the consent is requested;
  - (c) the proposed assignee's intended use of the demised premises as defined in the Ground Lease is inconsistent with the Ground Lease;
  - (d) 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);
  - (e) if at any time consent is requested or at any time prior to the granting of consent,

tenant is in default under the Ground Lease or would be in default under the Ground Lease but for the pendency of a grace or cure period; or

(f) the proposed assignee does not intend to occupy the entire demised premises as described in the Ground Lease and conduct its business therefrom for a substantial portion of the then remaining term of the Ground 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 45 days after the receipt by Landlord of all information requested by Landlord regarding or in connection with the proposed assignment and the proposed assignee.

7. To the actual knowledge of Landlord no rent has been paid more than thirty (30) days in advance of its due date.

Very truly yours,

(Name of Bank)

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Acknowledged and consented to the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

TOWN OF ADDISON, TEXAS

By: \_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

Cc: Real Estate Manager  
Addison Airport  
16051 Addison Road, Suite 220  
Addison, Texas 75001