



**REGULAR WORK SESSION & MEETING
OF THE CITY COUNCIL**

August 23, 2016

ADDISON TOWN HALL

5300 BELT LINE RD., DALLAS, TX 75254

**5:30 PM DINNER & EXECUTIVE SESSION
6:00 PM WORK SESSION
7:30 PM REGULAR MEETING**

Executive Session

1. Closed (executive) session of the Addison City Council pursuant to:

Section 551.071, Tex. Gov. Code, to conduct a private consultation with its attorney on a matter in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with Chapter 551, Tex. Gov. Code, pertaining to

 - **Correspondence Pertaining To The Addison Grove Project**
-

Reconvene from Executive Session

2. **RECONVENE INTO REGULAR SESSION:** In accordance with Texas Government Code, Chapter 551, the City Council will reconvene into Regular Session to consider action, if any, on matter discussed in Executive Session.

WORK SESSION

3. Present An Update On The Les Lacs Lake Projects.
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REGULAR MEETING

Pledge of Allegiance

Announcements and Acknowledgements regarding Town and Council Events and Activities

Discussion of Events/Meetings

4. Public Comment.
The City Council invites citizens to address the City Council on any topic not on this agenda. Please fill out a **City Council Appearance Card** and submit it to a city staff member prior to Public Participation. Speakers are allowed **up to three (3) minutes per speaker** with **fifteen (15) total minutes** on items of interest or concern and not on items that are on the current agenda. In accordance with the Texas Open Meetings Act, the City Council cannot take action on items not listed on the agenda. The Council may choose to place the item on a future agenda.
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Consent Agenda:

All items listed under the Consent Agenda are considered routine by the City Council and will be enacted by one motion with no individual consideration. If individual consideration of an item is requested, it will be pulled from the Consent Agenda and discussed separately.

5. Consider Approval Of The August 9, 2016 Regular Meeting Minutes.
 6. Consider A Resolution Consenting To The Renewal Of The Conventional Hangar Leases At Addison Airport, 4680 Glenn Curtiss Drive And 4666 Glenn Curtiss Drive, With Baker Aviation Maintenance, LLC.
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7. Consider A **Resolution Authorizing The City Manager To Terminate A Ground Lease On Airport Property Located At 4851 Claire Chennault.**

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8. Consider Approval Of A **Contract For Custodial Services At The Conference And Theatre Centre, Pavilion, Stone Cottage, Police Station, And Police Substation Facilities With Global Building Maintenance, Inc. In An Amount Not To Exceed \$70,699.72.**

Regular Items

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9. Present, Discuss, And Consider Action On An **Ordinance Amending The Code Of Ordinances, Chapter 78 – Traffic And Vehicles To Repeal The Requirement For A Traffic Register; Authorizing The City Manager Or Their Designee To Place, Erect And Maintain Such Traffic Control Devices Which Are Deemed To Be Warranted Or As May Be Required By Ordinances Of The City And Approving All Traffic Control Devices Previously Authorized, Placed Or Erected On Addison Roadways.**

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10. Present, Discuss, And Consider Action On **The Housing Policy For The Town of Addison.**

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11. Present, Discuss, And Consider Action On **Options To Address Flooding At The Intersection Of Sherlock Drive And Winter Park Drive.**

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12. Present And Discuss The **Town Of Addison Quarterly Financial Reports For The Quarters Ended March 31, 2016, Which Was Deferred From The July 12, 2016 Meeting, And June 30, 2016.**

Adjourn Meeting

NOTE: The City Council reserves the right to meet in Executive Session closed to the public at any time in the course of this meeting to discuss matters listed on the agenda, as authorized by the Texas Open Meetings Act, Texas Government Code, Chapter 551, including §551.071 (private consultation with the attorney for the City); §551.072 (purchase, exchange, lease or value of real property); §551.074 (personnel or to hear complaints against personnel); §551.076 (deployment, or specific occasions for implementation of security personnel or devices); and §551.087 (economic development negotiations). Any decision held on such matters will be taken or conducted in Open Session following the conclusion of the Executive Session.

Posted:

Laura Bell, 08/19/2016, no later than 5:00 pm

**THE TOWN OF ADDISON IS ACCESSIBLE TO PERSONS WITH DISABILITIES.
PLEASE CALL (972) 450-7017 AT LEAST
48 HOURS IN ADVANCE IF YOU NEED ASSISTANCE.**

AI-1843

1.

Work Session and Regular Meeting

Meeting Date: 08/23/2016

Department: City Manager

AGENDA CAPTION:

Closed (executive) session of the Addison City Council pursuant to:

Section 551.071, Tex. Gov. Code, to conduct a private consultation with its attorney on a matter in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with Chapter 551, Tex. Gov. Code, pertaining to

• Correspondence Pertaining To The Addison Grove Project

BACKGROUND:

N/A

RECOMMENDATION:

N/A

AI-1844

2.

Work Session and Regular Meeting

Meeting Date: 08/23/2016

Department: City Manager

AGENDA CAPTION:

RECONVENE INTO REGULAR SESSION: In accordance with Texas Government Code, Chapter 551, the City Council will reconvene into Regular Session to consider action, if any, on matter discussed in Executive Session.

BACKGROUND:

N/A

RECOMMENDATION:

N/A

Work Session and Regular Meeting

Meeting Date: 08/23/2016

Department: Parks & Recreation

AGENDA CAPTION:Present An Update On **The Les Lacs Lake Projects.****BACKGROUND:**

The Les Lacs Pond Projects are composed of four independent projects. The projects have been identified as:

- Les Lacs Pond Water Well Pump Rebuild (Work Authorization #14, Bid #16-43)
- Les Lacs Pond Water Well Transfer Piping System Improvements (Work Authorization #15, Bid #16-44)
- Les Lacs Pond Water Quality Monitoring and Well Pump Operation Program (Work Authorization #16)
- Les Lacs Lake Poly Liner Concrete Edge Restrainer and Drainage Flume Repair (Bid #1507-001, Bid #1510-001, Bid # 16-18)

The chart below shows the breakdown for the Total Project Costs associated with Les Lacs. Below is a comparison of the budget and actual expenditures for each portion of this project:

Project	Budget	Bid Price
Water Well Rebuild	\$379,940	\$224,597
Water Well Transfer Piping	\$263,450	\$120,325
Water Quality Program	\$154,932	\$93,000
Total	\$798,322	\$437,922

Background for Les Lacs Pond Water Well Pump Rebuild (Work Authorization #14, Bid #16-43)

The existing pump was installed in 1982 and minimal rehabilitation work was performed in 1992 and 2000. In 2015, testing showed that the pump was not pumping at its designed gallons-per-minute rate. The installation of a new pump will provide a more sustainable flow of fresh water into the pond.

The project included replacement of the existing well pump, motor, and all associated piping and appurtenances. A new masonry wall and gate was added for ease of access for monitoring and routine maintenance activities and the surrounding trees were trimmed to provide sight lines and better access to the well pump equipment.

Les Lacs Water Well Pump Rebuild Budget	\$379,940
Les Lacs Water Well Pump Rebuild Bid Price	\$224,597
Difference	\$155,343

The project is budgeted for in the Stormwater Capital Projects Fund.

Grove Electrical Services, Inc., was awarded the contract based on a competitive bid and Notice to Proceed was given on April 7, 2016. The project is scheduled to be completed on September 15, 2016 and is on schedule, weather permitting. The project is currently on budget.

Background for Les Lacs Pond Water Well Transfer Piping System Improvements (Work Authorization #15, Bid #16-44)

The movement of the water in the Les Lacs pond is from the south to the north end. Since both the discharge point of the well and the outfall for the pond are located on the north end of the pond, the fresh water from the well does not circulate into the southern portion of the pond. The relocation of the piping system will help circulate fresh well water into the southern end of the pond resulting in an exchange of stagnant water for fresh water as the water moves to the north outflow.

The project included placement of new 4" PVC pipe and fittings to relocate the existing well discharge from the north to the southern end.

Les Lacs Water Well Transfer Piping Budget	\$263,450
Les Lacs Water Well Transfer Piping Bid Price	\$120,325
Difference	\$143,125

The project was awarded to Canary Construction, Inc. in the amount of \$120,325 and is budgeted in the Stormwater Capital Projects Fund.

Notice to proceed for the project was given on April 4, 2016. The project was substantially complete July 6, 2016. The only item left for the contractor to complete is the replacement of some of the sidewalk panels. Those will be replaced by August 30, 2016. The project is on budget.

Background for Les Lacs Pond Water Quality Monitoring and Well Pump Operation Program (Work Authorization #16)

Among the original complaints about the pond were the foam that appears on the surface and the odor during the hot summer months. To help ensure the long-term health of the pond and decrease the foaming and odor, Half Associates recommended an on-going water quality monitoring program along with standard operating procedures

for the pump. The purpose of this program is to monitor water quality characteristics and recommend corrective actions for operating the well and improving conditions at the pond. The water quality monitoring amount is not to exceed \$93,000.

The scope of work includes a limited water quality assessment of the Les Lacs Pond, a water quality start up program (20 days), and a water quality periodic monitoring program (90 days). The water quality program will begin as soon as the transfer piping and well rebuild projects are complete. A 20 day water quality start up program will be initiated upon completion of the well and then periodic monitoring will occur during the next 90 day period. This will help develop the baseline measurements that staff will use when future water quality testing is performed.

Background for Les Lacs Lake Poly Liner Concrete Edge Restrainer and Drainage Flume Repair (Bid #1507-001, Bid #1510-001, Bid # 16-18)

The Les Lacs Lake Poly Liner Concrete Edge Restrainer and Drainage Flume repair was a project initiated within the Parks Department and was to be funded using the department's operation and maintenance budget. The goal of the project was to repair the damaged portions of the lake edge that were failing (approx. 270 Linear Feet) and a damaged drainage flume (Lakeview Court).

The project (Bid #1507-001) was advertised on Bidsync on August 3, 2015. The bids closed on September 1, 2015 and only one (1) bid was received from Capital Restoration in the amount of \$69,819. This bid exceeded the estimated project cost of \$30,000 and was scheduled for a re-bid.

The project re-bid (Bid #1510-001) was advertised on Bidsync on October 20, 2015 with an increased project estimate of \$75,000. The bid closed on November 10, 2015 and no bids were received.

The bid specifications were revised to allow a contractor the ability to use an inflatable dike system in lieu of de-watering the entire lake. Following the changes to the specifications, the project re-bid (Bid #16-18) was advertised on Bidsync on November 11, 2015. The bids closed on December 1, 2015 and only one (1) bid was received from Capital Restoration in the amount of \$116,810. This bid amount included the use of a portable dike system to eliminate the need to de-water the lake.

Upon receiving the bid, Town Staff began coordinating the project with Capital Restoration. The contractor proposed the use of aqua-barrier cofferdams which required the installation of steel pipes through the pond liner. Staff rejected this method since it would require puncturing the existing pond liner. The contractor then proposed the use of the Portadam system. The Portadam sales manager determined their system was not applicable based on the potential for the system to puncture the liner but recommended the Town consider using a sandbag cofferdam system. Upon researching the sandbag cofferdam system, Capital Restoration determined that the weight of the supersack sandbags could create additional cracks in the lake edge and potentially damage the pond liner. Based on the lack of available options for installing a portable dike system,

the contractor withdrew the bid. The withdrawal of the bid was accepted by Town Staff on March 24, 2016.

With no other bidders, Staff proceeded to draft an RFQ for Engineering Services for the Les Lacs Pond Edge to look at other possible solutions. The RFQ (Bid #16-88) was advertised on Bidsync on May 6, 2016 and closed on May 31, 2016. The Town received and reviewed two (2) RFQ submittals.

Staff is looking for direction from Council whether to continue to pursue the pond edge repairs as a maintenance item or initiate the design process to look for other possible solutions.

RECOMMENDATION:

Information only, no action required.

AI-1839

5.

Work Session and Regular Meeting

Meeting Date: 08/23/2016

Department: City Secretary

AGENDA CAPTION:

Consider Approval Of **The August 9, 2016 Regular Meeting Minutes.**

BACKGROUND:

The City Secretary has prepared the minutes for Council's approval.

RECOMMENDATION:

Administration recommends approval.

Attachments

DRAFT Minutes

DRAFT

OFFICIAL ACTIONS OF THE ADDISON CITY COUNCIL WORK SESSION

August 9, 2016

Addison Town Hall, 5300 Belt Line Rd., Dallas, TX 75254

5:30 PM Executive Session

6:30 PM Work Session

7:30 PM Regular Meeting

Present: Mayor Meier; Mayor Pro Tem Arfsten; Deputy Mayor Pro Tem Hughes;
Councilmember Angell; Duffy; Walden; Wilcox

Executive Session

1. Closed (executive) session of the Addison City Council pursuant to:

Section 551.071, Tex. Gov. Code, to conduct a private consultation with its attorney on a matter in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with Chapter 551, Tex. Gov. Code, pertaining to

- **The ponds or lakes at Vitruvian Park located within the vicinity and east of the intersection of Vitruvian Way and Ponte Ave., and Farmers Branch Creek**
- **Project Riviera**
- **DART**

Council convened into Executive Session at 5:31pm.

2. **RECONVENE INTO REGULAR SESSION:** In accordance with Texas Government Code, Chapter 551, the City Council will reconvene into Regular Session to consider action, if any, on matter discussed in Executive Session.

Council reconvened from Executive Session at 6:34pm.
No action taken.

WORK SESSION

3. Discuss **Amending The Town Of Addison's Public Information Policy.**

City Secretary, Laura Bell, City Attorney, Brenda McDonald and City Manager Wes Pierson presented the item to Council.

Council agreed with the changes that were proposed. Council asked to review the effects of this new policy in 6 months to make sure there aren't any unintended consequences from the changes made.

Staff will bring back an updated policy and Resolution adopting the policy.

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4. Presentation On **Future Of Cotton Belt Corridor Development As It Relates To Rail Transit In The Town Of Addison.**

City Manager, Wes Pierson, presented the item. Mr. Pierson presented the history of the Cotton Belt project, the recent developments to push the project to be started earlier than originally expected and the next steps that will happen in the next two to three months.

Mr. Pierson gave Council a listing of meetings set for the rest of August. Council discussed the importance of citizens of Addison attending the meeting on August 25 at the Conference Center.

REGULAR MEETING

Pledge of Allegiance

Announcements and Acknowledgements regarding Town and Council Events and Activities

Discussion of Events/Meetings

Public Comment.

The City Council invites citizens to address the City Council on any topic not on this agenda. Please fill out a **City Council Appearance Card** and submit it to a city staff member prior to Public Participation. Speakers are allowed **up to three (3) minutes per speaker** with **fifteen (15) total minutes** on items of interest or concern and not on items that are on the current agenda. In accordance with the Texas Open Meetings Act, the City Council cannot take action on items not listed on the agenda. The Council may choose to place the item on a future agenda.

Steve Loras, 4114 Rush, spoke regarding the vote on the email list for the Mayor's use.

Jana Whisenhunt, 14831 Chancey St, spoke regarding supporting the stop sign proposed at Les Lacs & Beltway.

Barbara Papas, 3808 Park Place, spoke regarding supporting the stop sign proposed at Les Lacs & Beltway.

Jay Ihrig, 3757 Calhoun Court, spoke regarding supporting the stop sign proposed at Les Lacs & Beltway.

Consent Agenda:

All items listed under the Consent Agenda are considered routine by the City Council and will be enacted by one motion with no individual consideration. If individual consideration of an item is requested, it will be pulled from the Consent Agenda and discussed separately.

Councilmember Duffy moved to approve items 6-9 as presented. Deputy Mayor Pro Tem Hughes seconded the motion. The vote was cast 7-0 in favor of the motion.

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6. Consider **Approval Of The July 12, 2016 Regular Meeting Minutes.**

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7. Consider Approval Of Resolutions **Consenting To The Simultaneous Conveyance Of A Total Of Approximately .04 Acres Of The Town's Real Property Located At 4551, 4553, And 4555 Glenn Curtiss Drive At Addison Airport, In Exchange For Approximately .14 Acres Of Fee Simple Land Located At 4485 Glenn Curtiss Drive.**
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8. Consider Approval Of A **Resolution Authorizing The City Manager To Enter Into A License Agreement With TN Management, LLC, For The Use Of A Portion Of The Public Sidewalk Within The Public Right-Of-Way Adjacent To The Astoria Caffe, Located At 15701 Quorum Drive, On The Corner Of Morris Avenue And Quorum Drive, For An Outdoor Dining Area.**
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9. Consider A Resolution **Consenting To The Renewal Of Conventional Hangar Leases #0220-0101 (4666 Jimmy Doolittle Drive) And #0390-1103 (4540 Glenn Curtiss Drive) With Mercury Air Center Addison DBA Atlantic Aviation For Three-Year Terms Ending On September 30, 2019.**
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Regular Items

10. Hold A Public Hearing, Discussion And Consider Action On An Ordinance **Rezoning Approximately 18.2 Acres Of Land Located At 14345 Dallas Parkway, The Former Site Of The Ewing Auto Dealership, From I-1, Industrial-1, To A Planned Development District Allowing For Office And Other Commercial Uses And Establishing Development Standards Including A Minimum Building Height.** Case 1737-Z/14345 Dallas Parkway.

The Mayor recused himself from the item discussion and vote.

Director of Development Services, Charles Goff, presented the item to Council.

Mayor Pro Tem Arfsten opened the public hearing.

Finley Ewing, 4215 Belclaire, Dallas, stated he is not in favor of the item as the property owner.

Kirk Williams, stated he represented the property owners and stated again their opposition to this item.

Mayor Pro Tem Arfsten closed the public hearing.

Councilmember Wilcox moved to approve the item as presented.

Councilmember Duffy asked if Wilcox would consider amending his motion to include 50% structured parking.

Council discussed the amendment. Councilmember Wilcox stated that he would not amend the motion.

Councilmember Walden seconded the original motion. The vote was cast 6-0 in favor of the motion, with the Mayor recusing himself.

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11. Hold A Public Hearing, Discussion And Consider Approval Of An Ordinance **That Rezones Approximately 39.4 Acres Of Property Located At Trinity Christian Academy At 17001 Addison Road, Which Is Currently Zoned R-1, Residential-1, With A Special Use Permit For A Private School And Approximately 1.74 Acres Of Property Located At The Northwest Corner Of Addison Road And Sojourn Drive, Also Known As 4350 Sojourn Drive, Which Is Currently Zoned PD, Planned Development, In Order To Create A New Planned Development District Allowing A Private School and Approving A Concept Plan and Development Standards, On Application From Trinity Christian Academy.** Case 1738/Z/Trinity Christian Academy.

Director of Development Services, Charles Goff, stated that this item has been requested to be tabled until the September 27, 2016 meeting.

Deputy Mayor Pro Tem Hughes moved to table the item as requested to the September 27, 2016 meeting. Councilmember Duffy seconded the motion. The vote was cast 7-0 in favor of the motion.

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12. Hold A Public Hearing, Discuss And Consider Approval of An Ordinance **Rezoning The Property Located At 5290 Belt Line Road, Suite 114 In The Prestonwood Place Shopping Center On The Southeast Corner Of Belt Line Road And Montfort Drive, Which Is Currently Zoned LR, Local Retail, By Approving A New Special Use Permit For A Restaurant And A New Special Use Permit For The Sale Of Alcoholic Beverages For On-Premises Consumption Only.** Case 1743-SUP/Pho Bowl.

Assistant Director of Development Services, Charles Goff, presented the item to Council.

Mayor Meier opened the public hearing. There were no speakers. Mayor Meier closed the public hearing.

Mayor Pro Tem Arfsten moved to approve the item as submitted. Councilmember Angell seconded the motion. The vote was cast 7-0 in favor of the motion.

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13. Consider Approval of A **Resolution For The Appointments To The Inwood Road Corridor Special Area Study Advisory Committee.**

Assistant Director Development Services, Charles Goff, presented the item to Council.

Council appointed the following residents to the committee: Luis S, Bob Weekes, Liz Oliphant, Tom Braun, D.H. Watson, Matt ??, Pam Pruitt.

Council also appointed the following people to represent the business part of the committee: Paul Richter, Michael Hope, Ben Cunningham, Samantha Dewan.

The committee still needs 3 more business appointments. Council is to work on possible names and forward to staff before the August 25 meeting.

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14. Present, Discuss, And Consider An Ordinance **Granting A Meritorious Exception For A Vehicular Sign Located At Misfit Industries At 4122 Billy Mitchell Drive.**

Assistant Director of Development Services, Charles Goff, presented the item to Council.

The applicant spoke to Council and answered questions they asked regarding the facility and the semi truck on the property.

Councilmember Wilcox moved to deny the request. Councilmember Duffy seconded the motion. The vote was cast 6-1 in favor of the motion. Councilmember Angell voted against.

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15. Present, Discuss, And Consider A Resolution **Establishing A Potential Maximum Property Tax Rate Of 0.59 Cents Per \$100 Of Property Valuation For The Town's Fiscal Year Beginning October 1, 2016 And Ending September 30, 2017, And Designating Dates For Public Hearings Regarding The Proposed Budget And Proposed Tax Rate For The 2016-2017 Fiscal Year.**

Interim Finance Director, Scott Neils, presented the item to Council. Mr. Neils presented the budget presentation to show how the proposed rate was derived.

Councilmember Walden moved to approve the item as submitted. Deputy Mayor Pro Tem Hughes seconded the motion. The vote was cast 7-0 in favor of the motion by a record vote.

16. Discuss And Consider Action Regarding **Sponsorship Of Addison Residents And/Or Employees For The 28th Class Of Leadership Metrocrest.**

City Manager, Wes Pierson, presented the item to Council.

Council discussed the scholarship matrix created in 2014 to decide funding levels for the participants. Council requested that the volunteer opportunities list be updated to include the numerous volunteer sources available.

Mr. Pierson stated that he would look at employees who may want to participate in the Leadership Academy and make his decision from there.

Deputy Mayor Pro Tem Hughes moved to approve the item with the changes discussed. Mayor Meier seconded the motion.

Mayor Pro Tem Arfsten asked to amend the motion to include a 100% employee scholarship in the scholarship matrix. Mayor Meier seconded the amendment. The vote was cast 7-0 in favor of the amendment.

The original motion with amendment was brought forward again for a vote. The vote was cast 7-0 in favor of the motion with the amendment.

The Council recessed the meeting at 10:12 pm.
The Council reconvened the meeting at 10:20 pm.

17. Discuss And Consider Action Related To The **Function And Purpose Of The Finance Committee.**

City Manager, Wes Pierson, stated that this item was moved from a prior meeting to discuss the purpose and function of the Finance Committee.

Council discussed the bylaws and the purpose of the committee.

Councilmember Walden moved to revise the bylaws of the Finance Committee to require quarterly reports to Council, to add a provision stating the city Manager or designee should be at every meeting and to modify the last paragraph, last sentence to read

"the affirmative vote of the majority of the members of the committee shall be necessary to make recommendations to the City Council." Councilmember Duffy seconded the motion. The vote was cast 7-0 in favor of the item.

18. Discussion And Consider Action Related To The **Mayor's Private Use Of The Town Newsletter Email Distribution List.**

Mayor Meier stated due to the time of this discussion, he would move to table Item 18 & 19 indefinitely. Councilmember Wilcox seconded the motion. The vote was cast 4-2-1 in favor of the motion with Councilmembers Walden and Duffy voted against and Councilmember Angell abstained.

19. Discuss And Consider Action Related To The **Mayor's Request To Provide A Link And/Or Directions In The Staff-Produced Weekly Town Newsletter To The Mayor-Produced Weekly Mayor's Newsletter; To Receive An Updated Email Subscription List From The Town On A Weekly Basis; And To Access Other Town Databases For The Purpose Of Distributing The Mayor's Weekly Newsletter .**

Adjourn Meeting

NOTE: The City Council reserves the right to meet in Executive Session closed to the public at any time in the course of this meeting to discuss matters listed on the agenda, as authorized by the Texas Open Meetings Act, Texas Government Code, Chapter 551, including §551.071 (private consultation with the attorney for the City); §551.072 (purchase, exchange, lease or value of real property); §551.074 (personnel or to hear complaints against personnel); §551.076 (deployment, or specific occasions for implementation of security personnel or devices); and §551.087 (economic development negotiations). Any decision held on such matters will be taken or conducted in Open Session following the conclusion of the Executive Session.

Mayor-Todd Meier

Attest:

City Secretary-Laura Bell

Work Session and Regular Meeting**Meeting Date:** 08/23/2016**Department:** Infrastructure- Development Services**AGENDA CAPTION:**

Consider A **Resolution Consenting To The Renewal Of The Conventional Hangar Leases At Addison Airport, 4680 Glenn Curtiss Drive And 4666 Glenn Curtiss Drive, With Baker Aviation Maintenance, LLC.**

BACKGROUND:

Baker Aviation (Baker) is a full-service, private aircraft charter, management, and maintenance company that is headquartered at Fort Worth Meacham International Airport with operations also in San Antonio. Their FAA Maintenance facility has been located at Addison Airport since 2011. Baker is currently a tenant in good standing with the Airport.

Both of Baker's current commercial leases expire August 31, 2016. Baker also sub-leases another hangar at 4700 Glenn Curtiss to the east of the two that are the subject of this request. The sub-lease on the easternmost property expires on December 30, 2018, at which time, the hangar will revert to the Town's ownership. Baker is requesting that all their leases have the same expiration date, that of December 30, 2018 to help them manage their operations. From the Town's perspective, having all three leases expire at the same time given the proximity of the hangars to one another and the shared use of the ramp space will provide for greater opportunity for the airport in future lease negotiations.

Staff recommends the leases be extended to December 30, 2018. The lease extension is in line with the future development of Taxiway Tango as included in the recently approved Airport Master Plan.

Proposed Early Termination Clause - Baker has expressed the need for larger facilities at the airport to support their growing business opportunities – either by leasing an existing facility or by developing their own facility. This expansion at Addison would allow them to increase their operations here and to consolidate aircraft and operations from their other facilities to Addison. The early termination option of the proposed commercial leases will require that Baker produce an executed lease agreement or assignment agreement, or other form of conveyance document that is acceptable to the Town that evidences Baker's opportunity and financial commitment to lease or own and occupy another hangar facility at Addison Airport. The proposed lease must meet or exceed 20,000 contiguous gross square feet of hangar space with no less than a 26 foot high hangar door clearance with a comparable permitted use in order for it to be acceptable and therefore qualify for the early termination of these Commercial Hangar leases.

Renewing the two Baker leases allows the airport to continue to lease the premises to a strong tenant and good operator for the airport. The contract rent represents a 3.5% increase from its current rate and meets or exceeds the FY2017 budgeted rental for these two properties, which also reflects the prevailing market rate for aeronautical properties of this type. The renewed leases with the early termination provisions extended to Baker represent the Town's commitment to Baker for a long and prosperous relationship at Addison Airport.

The key lease terms are as follows:

0370-0702 – 4680 Glenn Curtiss Drive (Hangar T11)

	Current	Proposed
Lease Term	Expiring August 31, 2016	28 months (September 1, 2016 through December 30, 2018)
Price per square foot	\$6.30 square foot	\$6.52 square foot
Rent	\$3,832.50/month	\$3,966.33/month

Subject to annual CPI adjustments upon each anniversary date of the lease
 Tenant has right of early termination with a 90-day notice – as described above

0380-0903 – 4666 Glenn Curtiss Drive (Hangar T9)

	Current	Proposed
Lease Term	Expiring August 31, 2016	28 months (September 1, 2016 through December 30, 2018)
Price per square foot	\$6.30 square foot	\$6.52 square foot
Rent	\$3,937.50/month	\$4,075/month

Subject to annual CPI adjustments upon each anniversary date of the lease
 Tenant has right of early termination with a 90-day notice – as described above

The city attorney has reviewed the proposed Conventional Hangar Leases as to form and finds them to be acceptable for the Town's purpose.

RECOMMENDATION:

Administration recommends approval.

Attachments

Baker Aerial

Resolution Baker 4666 Glenn Curtiss

Resolution Baker 4680 Glenn Curtiss

Baker Aviation Lease Renewal 4666 and 4680 Glenn Curtiss – Addison Airport



TOWN OF ADDISON, TEXAS

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE TOWN OF ADDISON, TEXAS APPROVING A CONVENTIONAL HANGAR LEASE BETWEEN THE TOWN OF ADDISON AND BAKER AVIATION MAINTENANCE, LLC FOR COMMERCIAL AVIATION USE ON PROPERTY LOCATED AT 4666 GLENN CURTISS DRIVE, AUTHORIZING THE CITY MANAGER TO EXECUTE THE AGREEMENT, AND PROVIDING AN EFFECTIVE DATE.

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

Section 1. The Conventional Hangar Lease between the Town of Addison and Baker Aviation Maintenance, LLC for commercial aviation use on property located at 4666 Glenn Curtiss Drive, a copy of which is attached to this Resolution as **Exhibit A**, is hereby approved and the City Manager is authorized to execute the agreement.

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

PASSED AND APPROVED by the City Council of the Town of Addison, Texas this the 23rd day of August, 2016.

Todd Meier, Mayor

ATTEST:

By: _____
Laura Bell, City Secretary

APPROVED AS TO FORM:

By: _____
Brenda N. McDonald, City Attorney

EXHIBIT A

Contract #0380-0903

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

ADDISON AIRPORT CONVENTIONAL HANGAR LEASE FOR COMMERCIAL AVIATION USE

This Addison Airport Conventional Hangar Lease For Commercial Aviation Use (hereinafter referred to as the "Hangar Lease," "Lease," or "Agreement") is made and entered into this 1st day of September, 2016 (the "Effective Date"), by and between the Town of Addison, Texas, a home-rule municipality (hereinafter referred to as the "City" or "Landlord") and Baker Aviation Maintenance, LLC, a Texas limited liability company ("Tenant") (Landlord and Tenant are sometimes referred to herein together as the "parties" and individually as a "party").

WITNESSETH:

WHEREAS, Landlord is the owner of the Addison Airport (hereinafter referred to as the "Airport") located in Dallas County, Texas; and

WHEREAS, the Airport is, as of the Effective Date, operated and managed for and on behalf of the City by AECOM (formally known as URS Energy & Construction, Inc.) and SAMI Management, Inc., a Texas corporation ("SAMI"), pursuant to their respective operating agreements, as amended or modified, with the City (individually and/or collectively, or any other person(s) or entity(ies) authorized by Landlord to operate and/or manage the Airport or any portion thereof or any function related thereto, being hereinafter referred to as "Airport Manager" or "Manager"); and

WHEREAS, Tenant desires to lease that certain hangar located within the Airport known as Jet Hangar T9, Property #0380 with the public address known as 4666 Glenn Curtiss Drive, Addison, Texas 75001 (hereinafter referred to as the "Premises" and more fully described in Exhibits "A", "B" and "C" attached hereto and made a part hereof) and Landlord desires to lease the same to Tenant for the Term as defined below; and

WHEREAS, Tenant currently leases the Premises pursuant to that certain Conventional Hangar Lease entered into September 12, 2012 and as amended by that First Amendment entered into effective January 1, 2015 and by that Second Amendment entered into effective April 22, 2015 which Lease is due to expire on August 31, 2016.

WHEREAS, Landlord and Tenant hereby agree to enter into this Hangar Lease under the terms and conditions set forth hereinbelow, which, upon its commencement, supersedes the 2013 Conventional Hangar Lease as amended by that First and Second Amendments.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is mutually acknowledged, Landlord and Tenant hereby agree as follows:

1. Lease Grant. Subject to the terms of this Lease, Landlord leases the Premises to Tenant, and Tenant leases the Premises from Landlord.

This Hangar Lease is given and entered into subject to (i) all federal, state, and local laws, statutes, constitutional provisions, charters (including the City Charter), ordinances, codes (including building and building-related codes), rules, regulations, directives, policies, permits, standards, zoning requirements, orders, grant assurances, grant agreements, court orders, opinions and decisions, and all interpretations of the foregoing, of and/or by any governmental authority, entity, department, branch, 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, and any successor entities thereto), that are applicable, imposed upon, or related to, whether directly or indirectly, this Lease, the Airport, the Premises, and the use and occupancy thereof, as the same are existing or as they may be amended, modified, enacted, adopted, imposed, or superseded, and including, without limitation, any and all grant agreements or grant assurances now existing or as hereafter agreed to, adopted or imposed (collectively, "Laws," and "Law" means any of the foregoing), (ii) all restrictive covenants affecting the Premises, (iii) all restrictions, mortgages, deeds of trust, liens,

easements, licenses, leases, and any other encumbrance on or matter affecting the Premises, whether recorded or not, and (iv) and all of the terms, conditions, and provisions of this Hangar Lease.

2. Term:

- A. The Term hereof shall commence on September 1, 2016 immediately upon the expiration of the 2012 Conventional Hangar Lease, as amended, without interruption ("Commencement Date"), and shall end on December 30, 2018, (the "Expiration Date") unless otherwise terminated as provided for herein (the "Term").
- B. **Early Termination:** Provided Tenant is not then in default and otherwise regarded by Landlord to be in good standing, Tenant shall have the right to early terminate this Lease anytime during the Term under the following conditions:
- i. Tenant delivers to Landlord written notice of its intent to early terminate this Lease and surrender its possession of the Premises by a certain given date (the "Early Termination Date", which said date shall be no less than ninety (90) calendar days from the date of Tenant's written notice ("Tenant's Early Termination Notice"); and
 - ii. Tenant can produce to Landlord an executed lease agreement, assignment agreement or other form of conveyance document acceptable to Landlord evidencing Tenant's opportunity and financial commitment to lease or own and occupy another aeronautical hangar facility at Addison Airport, which meets or exceeds 20,000 contiguous gross square feet of hangar space with no less than 26 foot high hangar door clearance with a comparable permitted use.

In the event Tenant delivers notice to the Landlord of its intent to terminate this Agreement pursuant to this section, both parties hereby agree to continue and perform in accordance with the terms and conditions of this Agreement until said Early Termination Date occurs. Additionally, Landlord shall have the right with prior notice given to access the premises during normal business hours to show and remarket the premises and for other commercially reasonable purposes. Landlord shall have the right to erect and maintain on or about the Premise customary signs advertising the Premises for lease or sale.

3. Rental & Security Deposit:

A. **Base Rent:** Tenant agrees to pay to Landlord without notice, demand, offset, or deduction, an annual Base Rent of Forty-Eight Thousand Nine Hundred Dollars and 00/100 (\$48,900.00), payable in monthly installments of Four Thousand Seventy-Five Dollars and 00/100 (\$4,075.00). The first such monthly installment shall be due and payable on or before September 1, 2016, and each monthly installment thereafter shall be due and payable on or before the first day of each calendar month throughout the Term.

B. **Prorated Rent:** If the Commencement Date is on a day other than the first day of a month, Tenant will pay Landlord a prorated amount of Base Rent equal to the product of the monthly installment of Base Rent multiplied by a fraction, the (i) numerator of which is the number of days from (and including) the Commencement Date through (and including) the last day of the month that includes the Commencement Date and the (ii) denominator of which is the number of days in that month. The prorated portion of the Base Rent is due on or before the Commencement Date. Payment of Base Rent for any fractional calendar month at the end of the Term shall be similarly prorated.

C. **Additional Rent:** In addition to the Base Rent, Tenant will pay Landlord, as Additional Rent, the amounts set forth in the Utility Expense Reimbursement Addendum attached hereto and incorporated herein as Exhibit D.

D. **Rent:** For purposes of this Lease, "Rent" means Base Rent, Additional Rent, and all other sums that Tenant may owe to Landlord or otherwise be required to pay under this Lease. Landlord shall have the same rights and remedies for non-payment of any Rent as for non-payment of Base Rent. The obligations of Tenant to pay Base Rent and other sums to Landlord and the obligations of Landlord under this Lease are independent obligations.

E. **Place of Payment:** Tenant shall deliver all amounts due Landlord under this Lease to the following address or to such other person or place as Landlord may designate in writing:

Addison Airport
c/o Real Estate Manager
16051 Addison Road, Suite 220
Addison, Texas 75001

F. **Method of Payment:** Tenant must pay all Rent timely and without demand, notice, deduction, or offset, except as required by Law or as otherwise provided by this Lease. Tenant shall make payment of all Rent owed by personal or corporate check made payable to "Addison Airport" (or by credit card, electronic transfer or ACH (Automatic Clearing House), if acceptable to Landlord). Cash is not an acceptable form of payment of Rent. If Tenant fails to timely pay any amounts due under this Lease, or if any check of Tenant is returned to Landlord by the institution on which it was drawn for insufficient funds or for any other reason, or if Tenant's credit card is denied more than three times in any twelve-month period (if Landlord authorizes payment by credit card), Landlord, after providing written notice to Tenant, may require Tenant to pay subsequent amounts that become due under this Lease by cashier's check or money order only. Rent, and any other sums or amounts to be paid by Tenant to Landlord under this Lease, shall be deemed to have been paid when Landlord has actually received the negotiable payment.

G. **Late Charges:** If Landlord does not actually receive payment of Rent or any other sums due at the designated place of payment within ten (10) days after the date it is due, Tenant shall pay to Landlord a Late Charge equal to 5% of the amount due to reimburse Landlord for Landlord's cost and inconvenience incurred as a result of Tenant's delinquency. The Late Charge is a cost associated with the collection of Rent and Landlord's acceptance of a Late Charge does not waive Landlord's right to exercise its rights and remedies, including those under Paragraph 24 (Remedies of Landlord) herein.

If Tenant fails to pay (i) any monthly installment of Base Rent due under this Lease by the 10th day of the month when due, or (ii) any other component of Rent within 10 days after the same is due as specified in this Lease, more than once in any consecutive three (3) month period, Tenant, upon the delivery of written notice to Tenant by Landlord ("Additional Deposit Notice"), shall pay to Landlord an amount equal to the then-current monthly installment of Base Rent (the "Additional Deposit") to be held and applied by Landlord as an addition to the Security Deposit delivered by Tenant and held on account by Landlord upon Tenant's execution of this Lease pursuant to subparagraph 3.H, below. Landlord's requirement of any Additional Deposit shall be in addition to any and all other rights and remedies available to Landlord under this Lease. If Tenant does not deliver the Additional Deposit to Landlord within ten (10) days after the delivery of the Additional Deposit Notice, such failure shall be an event of default under this Lease.

H. **Security Deposit:** Tenant shall deposit with Landlord, upon Tenant's execution of this Lease, the sum of One Hundred Thirty-Seven Dollars and 50/100 (\$137.50), which said amount shall be added to that amount now held on account by Landlord as Tenant's "Security Deposit" so the total Security Deposit shall equal the equivalent of one month's installment of the Base Rent as of the Effective Date of this Lease. Landlord and Tenant hereby acknowledge and agree that immediately prior to the Effective Date of this Hangar Lease, Landlord currently holds on account for Tenant a Security Deposit the sum of Three Thousand Nine Hundred Thirty-Seven Dollars and 50/100 (\$3,937.50).

Such Security Deposit shall be equal to one monthly installment of the rent unless otherwise adjusted as provided for in Paragraph 4 below.

1. If at any time during this Agreement the Security Deposit then held on account by Landlord becomes less than the prevailing monthly installment of Base Rent, Tenant will make an additional payment to Landlord so that the Security Deposit held by Landlord is increased to equal one monthly installment of Base Rent, unless otherwise adjusted as provided for in 3.G. above.

2. Landlord shall hold such Security Deposit without interest as security for the performance by Tenant of Tenant's covenants and obligations under this Lease. Landlord may commingle the Security Deposit with Landlord's other funds, and no trust relationship is created with respect to the Security Deposit. Tenant shall not assign, otherwise transfer, or encumber or attempt to assign, otherwise transfer, or encumber the Security Deposit, and Landlord and its successors and assigns shall not be bound by any actual or attempted

assignment, other transfer, or encumbrance. Regardless of any assignment, other transfer, or encumbrance of the Security Deposit by Tenant, Landlord may return the Security Deposit to the Tenant.

3. The Security Deposit is not an advance payment of Rent or a measure of liquidated damages in case of default by Tenant. Upon the occurrence of any event of default, Landlord may, from time to time, without prejudice to any other remedy provided herein or provided by Law, use the Security Deposit to the extent necessary to make good any arrearages of Rent and any other damage, injury, expense or liability caused to Landlord by such event of default. Following any such application of the Security Deposit, Tenant shall pay to Landlord, on demand, the amount so applied in order to fully restore the Security Deposit to its required amount.

4. If Tenant is not then in default hereunder, such Security Deposit, less any lawful deductions by Landlord, shall be returned by Landlord to Tenant with an accounting of said deductions taken no later than thirty (30) days following the termination or expiration of this Hangar Lease. Permitted deductions from the Security Deposit may include but not be limited to: unpaid Base Rent; unpaid utility charges incurred by Tenant; unpaid service charges; damages by Tenant to the Premises (beyond normal wear and tear) or repairs by Landlord; replacement cost of Landlord's property that was in or attached to the Premises and is missing; cost to replace unreturned keys; agreed reletting charges; Landlord's cost of cleaning the Premises to a broom-swept condition if required; Landlord's cost of removal of any trash or debris left in the Premises; Landlord's cost of the removal and storage of Tenant's personal property left or abandoned by Tenant or otherwise disposed of by Landlord; Landlord's cost of removal of unauthorized vehicles or aircraft left on the Premises; government fees or fines against Landlord because of Tenant; late fees and other costs of collection incurred by Landlord in connection with this Lease; interest that would have been earned by Landlord on unpaid balances; attorneys' fees, court costs and filing fees.

4. **Adjustment of Rental:** Effective on each anniversary of the Commencement Date and each and every anniversary thereafter over the Term (hereinafter referred to as the "Adjustment Date"), the Base Rent due under Paragraph 3.A above shall be adjusted as follows:

A. The Base Rent shall be adjusted to reflect changes in the Consumers' Price Index - All Items for Dallas-Fort Worth, Texas (hereinafter referred to as the "Consumer Price Index"), as quoted in the publication *Consumer Price Index - All Urban Consumers (CPI-U)* for the Dallas-Fort Worth, Texas area which is issued by the U.S. Department of Labor, Bureau of Labor Statistics. The base index is the Consumer Price Index existing on the Commencement Date ("Base Index"). The current index is the Consumer Price Index on the first day of the calendar month preceding the then applicable Adjustment Date (the "Current Index").

B. Beginning with the year that includes the then applicable Adjustment Date, the Base Rent shall be adjusted so that it equals the product of the Base Rent during the first year of this Lease multiplied by a fraction, the numerator of which is the Current Index and the denominator of which is the Base Index, but in no event shall Base Rent ever be decreased below the Base Rent set forth in Paragraph 3.A.

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

5. **Use of Premises:** The Premises shall be used and occupied by Tenant only for Commercial Aviation Use limited to the following (the "Permitted Use"):

The Premises shall be used and occupied by Tenant for any legal commercial aviation use limited to aircraft storage, aircraft maintenance and repair, sale of aircraft and aircraft parts, aircraft charter and rentals and flight instruction subject to the Addison Airport Minimum Standards for Commercial Operators and the Addison Airport Rules and Regulations, which may be amended by the Landlord from time to time. It is the purpose of Tenant to use and occupy the Premises in connection with, in direct support of, and as relief for Tenant's ongoing aeronautical operations as a ground lease subtenant of Addison Airport Facilities, Ltd. at 4700 Glenn Curtiss Drive, Addison Airport, Addison, Texas.

For purposes hereof, "Commercial Aviation Use" means the operation of a business enterprise providing aviation-related goods, services, or facilities for a commercial purpose (including, without limitation, any activity by the Tenant securing earning, income, compensation, [including exchange or barter of goods, and services], and/or profit from said activities, whether or not such objectives are accomplished). Tenant shall occupy and use the Premises only for the Permitted Use, and shall comply with all Laws relating to the use, condition, access to, and occupancy of the Premises.

Any use or occupancy of the Premises other than for the purposes set forth above is not permitted at any time without the prior written consent of Landlord.

The Premises shall not be used or occupied for any concession for the sale or distribution of food, drinks, tobacco products, oil, gas, petroleum products or any activity of a similar character. Tenant agrees that no aircraft, vehicle or other equipment will be left unattended at any time outside the boundaries of the Premises or within any common area of the Airport ("common area" having the meaning set forth in Chapter 14 of the City's Code of Ordinances), including the safety areas, operating areas and/or non-obstruction areas of the Airport without the prior written consent of the Airport Manager. Tenant further agrees to cooperate and coordinate with adjacent tenants and the Airport Manager, when necessary (as determined by Landlord), to facilitate and not to obstruct aircraft movement along nearby taxilanes, especially during periods of construction, maintenance and repair of Airport facilities.

The Premises shall not be used for any purpose or activity that (i) constitutes a violation of any Laws; (ii) in Landlord's opinion, creates or would create a nuisance or waste or unreasonably disturb, annoy or interfere with other tenants or users of the Airport; or (iii) increases insurance costs for Landlord.

Tenant acknowledges that Landlord is bound by, and this Lease is subject to, the terms and conditions of any and all Federal Aviation Administration, Texas Department of Transportation, and other grant agreements, grant assurances and regulations regarding the Airport, including, without limitation, any grant, loan, regulation, or agreement under Section 22.055 of the Texas Transportation Code, as amended or superseded, whether now existing or made in the future. Tenant agrees not to act or fail to act in any way or manner that would cause Landlord to be in violation of any of the foregoing.

6. Acceptance of Premises: Tenant acknowledges that Tenant has fully inspected the Premises and accepts the Premises as suitable for the purposes for which the same are leased in their present condition, "AS IS, WHERE IS, WITH ALL FAULTS AND PATENT AND LATENT DEFECTS". Without limiting anything in the foregoing, LANDLORD HAS NOT MADE, DOES NOT MAKE AND SPECIFICALLY DISCLAIMS, AND THERE ARE NO, REPRESENTATIONS, PROMISES, COVENANTS, AGREEMENTS, GUARANTYS OR WARRANTIES OF ANY KIND OR CHARACTER, EXPRESS OR IMPLIED, OR ARISING BY OPERATION OF LAW, OF OR AS TO THE CONDITION, QUALITY, QUANTITY, SUITABILITY, MERCHANTABILITY, HABITABILITY OR FITNESS OF THE PREMISES FOR ANY PARTICULAR PURPOSE WHATSOEVER GIVEN IN CONNECTION WITH THIS LEASE, INCLUDING, WITHOUT LIMITATION, ANY REPRESENTATION REGARDING SOIL CONDITIONS, AVAILABILITY OF UTILITIES, DRAINAGE, ZONING LAWS, ENVIRONMENTAL LAWS OR ANY OTHER LAWS.

TENANT ALSO ACKNOWLEDGES AND AGREES THAT TENANT'S INSPECTION AND INVESTIGATION OF THE PREMISES HAVE BEEN ADEQUATE TO ENABLE TENANT TO MAKE TENANT'S OWN DETERMINATION WITH RESPECT TO THE SUITABILITY OR FITNESS OF THE PREMISES, INCLUDING, WITHOUT LIMITATION, WITH RESPECT TO SOIL CONDITIONS, AVAILABILITY OF UTILITIES, DRAINAGE, ZONING LAWS, ENVIRONMENTAL LAWS, AND ANY OTHER LAWS.

TENANT ACKNOWLEDGES THAT THE DISCLAIMERS, AGREEMENTS AND OTHER STATEMENTS SET FORTH IN THIS PARAGRAPH 6 ARE AN INTEGRAL PORTION OF THIS LEASE AND THAT LANDLORD WOULD NOT AGREE TO LEASE THE PREMISES TO TENANT AS SET FORTH HEREIN WITHOUT THE DISCLAIMERS, AGREEMENTS AND OTHER STATEMENTS SET FORTH IN THIS PARAGRAPH 6. TENANT FURTHER ACKNOWLEDGES THAT TENANT IS NOT IN A DISPARATE BARGAINING POSITION WITH RESPECT TO LANDLORD. TENANT ACKNOWLEDGES AND AGREES FURTHER THAT THIS 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 PREMISES.

7. Securing Governmental Approvals and Compliance with Law; Noise Abatement:

A. Tenant, at Tenant's sole cost and expense, shall obtain any and all governmental licenses, permits and approvals required for the use and occupancy of the Premises, as set forth in Paragraph 5 above, including but not limited to the issuance of a valid Certificate of Occupancy prior to Tenant occupying the Premises pursuant to Paragraph 44 hereinbelow.

B. Tenant shall promptly comply with all governmental orders and directives and all other Laws for the correction, prevention and abatement of nuisances caused by Tenant and arising out of the use and occupancy of the Premises, as set forth in Paragraph 5 above

C. Tenant shall comply with noise abatement standards at the Airport and shall notify any aircraft operator using the Premises of such standards.

8. Assignment and Subletting:

A. Without the prior written consent of Landlord, Tenant shall have no power to and shall not, either voluntarily or involuntarily, by operation of law or otherwise, assign, sell, pledge, encumber, mortgage, license, transfer, or otherwise convey (together, "assign" or "assignment," and any person or entity to whom an assignment is made being an "assignee") this Lease or any rights or obligations of Tenant hereunder, or sublet the whole or any part of the Premises. Any such assignment or any subletting, without the prior written consent of Landlord, shall be null and void and may be deemed by Landlord (in Landlord's sole discretion) an event of default under Paragraph 23 (Default by Tenant) of this Lease. For the purposes hereof, an assignment will be deemed to have also occurred if the person(s) who owns or has voting control of 51% or more of Tenant on the Effective Date of this Hangar Lease ceases to own or have voting control of 51% or more of Tenant at any time during the term of the Hangar Lease. From time to time as requested by Landlord, Tenant shall provide to Landlord, in a form acceptable to Landlord, a written certification as to the ownership of voting securities or voting control of Subtenant. For the 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.

Any assignment or subletting shall be expressly subject to all the terms and provisions of this Lease, including the provisions of Paragraph 5 pertaining to the use of the Premises. In the event of any Landlord-approved assignment or subletting, Tenant shall not assign this Lease or sublet the 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 Hangar Lease. No such assignment or subletting shall constitute a novation. In the event of the occurrence of an event of default while the 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. Landlord's consent to any assignment or subletting will not waive its rights or remedies, and it will not stop Landlord from exercising its rights or remedies, with respect to any other actual or proposed assignment or subletting, and Landlord's consent to any assignment or subletting will not relieve Tenant or any guarantor of Tenant hereunder of any liability to Landlord under this Lease or otherwise.

B. Notwithstanding the foregoing, Landlord hereby acknowledges and consents to Tenant's subletting of the Premises for the purpose of renting hangar space for aircraft storage only, provided that each sublease is 1) made available for Landlord's review and inspection during Tenant's normal business hours upon Landlord's written request, and 2) evidenced by written agreement, signed and executed by Tenant and the subtenant, and has incorporated therein and fairly states that:

I. each subtenant agrees to be bound by the terms and provisions of this Hangar Lease, including the provisions of Paragraph 5 pertaining to the use of the Premises. In the event of any conflict between the terms of this Hangar Lease and the terms of the sublease, the terms of the Hangar Lease shall control;

2. no such subletting shall constitute a novation.
3. in the event of occurrence of an event of default while the Premises are sublet, Landlord, in addition to any other rights or remedies provided herein or by Law, in equity, or otherwise, may, at Landlord's option, collect directly from such subtenant all rents becoming due under such subletting and apply such rent against any sums due to Landlord under this Lease;
4. subtenant shall be obligated to obtain Landlord's consent to any action as to which Tenant is obligated to obtain such consent under this Hangar Lease;
5. any such sublease is to automatically terminate upon termination of this Hangar Lease notwithstanding any other provision of the sublease to the contrary;
6. Landlord shall have no responsibility or obligation for the performance by subtenant of its obligations under the sublease; and
7. neither this consent, the exercise by Landlord of its rights and/or remedies hereunder, nor the sublease or any other instrument shall give subtenant any rights, directly or indirectly, against Landlord or create or impose any obligation, duty, responsibility, or liability of Landlord in favor of or for the benefit of subtenant.

Further, Tenant agrees that in no way does any sublease release Tenant from any of its covenants, agreements, liabilities and duties under this Hangar Lease; that this consent does not constitute approval by Landlord of the terms of any such sublease; that nothing herein contained shall be deemed a waiver or release of any of the Landlord's rights under this Hangar Lease; that Tenant shall remain fully liable for the performance of each and every term, provision, covenant, duty and obligation of the Tenant under this Hangar Lease including, without limitation, the duty to make any and all payments of Rent. Any violation of any terms and conditions of this Hangar Lease by a subtenant will constitute a default by Tenant under this Hangar Lease.

Upon Landlord's written request, 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 Premises by Tenant or any subtenant.

9. 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, levied or assessed on: (i) all improvements, fixtures, equipment or personal property comprising a part of or located upon the Premises; and (ii), the leasehold estate of Tenant created hereby (hereinafter referred to as "Tenant's Taxes"). Upon the request of Landlord, Tenant shall, from time to time, furnish to Landlord "paid receipts" or other written evidence that all of Tenant's Taxes have been paid by Tenant. If any of Tenant's Taxes are included in tax notices and, or statements delivered to Landlord, Tenant has the right to legally protest or appeal, as provided for by Law, any tax levy or assessment of Tenant's Taxes provided Landlord has not already filed or does not intend to file such protest or appeal of (i) the appropriateness of such tax and, or (ii) the taxable value as assessed by the respective taxing authority. If any of Tenant's Taxes are included in tax statements delivered to Landlord, Tenant shall pay to Landlord that portion representing Tenant's Taxes within ten (10) days after Tenant's receipt of an invoice from Landlord accompanied by evidence of Landlord's computation of the portion thereof representing Tenant's Taxes. In the event Tenant fails to pay any Tenant's Taxes, Landlord shall have the right (but not the obligation) to pay or cause to be paid such Tenant's Taxes, and the costs thereof expended by or caused to be expended by Landlord plus interest thereon as provided in Paragraph 40 of this Lease shall be paid by Tenant on demand.

10. Maintenance and Repair of Premises:

A. Landlord shall, throughout the term hereof, except as otherwise expressly provided in this Lease and so long as Tenant is not in default of this Agreement beyond any applicable cure period, be responsible for those areas, items and matters identified in the "Landlord" column as set forth in Exhibit E, Maintenance and Repair Responsibilities, to this Agreement, which Exhibit is attached hereto and incorporated herein by reference. Landlord shall not be responsible for Tenant's or any third party's equipment, fixtures, or personal property comprising a part of or located upon the Premises.

B. Except as provided by subparagraph A. of this Paragraph 10, Tenant shall, to the Landlord's satisfaction, maintain the Premises in good order, condition and repair throughout the term of this Lease including, but

not limited to, those areas, items and matters identified under the "Tenant" column set forth in the attached Exhibit E to this Agreement. Tenant shall be responsible for any alterations, additions or improvements made by Tenant to the Premises and/or any improvements thereon or therein. Tenant shall, throughout the term hereof, be responsible for all consumable supplies and repair of plumbing and water damage caused as a result of Tenant's failure to reasonably protect water pipes from freezing temperatures or misuse by Tenant or by Tenant's owners, employees, agents, contractors, guests or invitees. Tenant shall be responsible for keeping the Premises free from waste and nuisance and shall, upon the expiration of the Lease Term, or any earlier termination of this Lease or any repossession of the Premises by Landlord, deliver the Premises clean and free of trash and in good condition and repair, with all fixtures and equipment situated in or upon the Premises in the same condition as same existed on the Commencement Date, with reasonable wear and tear excepted.

Notwithstanding anything in this Lease to the contrary, Tenant shall bear the risk of complying with the Americans With Disabilities Act of 1990, any other federal or any state laws governing handicapped access or architectural barriers, and all rules, regulations, and guidelines promulgated under such Laws, as amended from time to time, in or pertaining to the Premises.

C. In the event Tenant fails to so maintain or repair the Premises and/or the improvements, fixtures, equipment and personal property comprising a part of or located upon the Premises, and/or otherwise fails to comply with any of the provisions of subparagraph B. or D. of this Paragraph or any other provision of this Lease requiring Tenant to maintain or repair the Premises or keep them in a particular condition, Landlord shall have the right (but not the obligation) to cause all such repairs or other maintenance or work to be made, and the reasonable costs therefor expended by Landlord plus interest thereon as provided in Paragraph 40 shall be paid by Tenant to Landlord on demand.

D. If Tenant handles or stores flammable materials on the Premises, Tenant agrees to maintain proper safeguards with respect thereto and to comply with all requirements of Landlord's and Tenant's insurance companies and/or governmental authorities with respect to the storage, use and disposal of such materials, and with all applicable Laws.

11. Alterations, Additions and Improvements: Tenant shall not create any openings in the roof or exterior walls, or make any alterations, additions or improvements to the Premises, without the prior written consent of Landlord. Landlord shall not unreasonably withhold its consent for non-structural alterations, additions or improvements. Tenant shall have the right to erect or install shelves, bins, machinery, and trade fixtures, provided that Tenant complies with all applicable Laws in connection therewith. All alterations, additions and improvements in and to the Premises shall be performed in accordance with the terms and provisions of this Lease, with all Laws, and 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.

12. Insurance:

A. Tenant shall procure and maintain throughout the Term, without interruption, a policy or policies of insurance, at Tenant's sole cost and expense, to meet or exceed the insurance requirements specified in the then prevailing Addison Airport Minimum Standards and Requirements for Commercial Aeronautical Service Providers (the "Airport Minimum Standards") which may be amended or modified by the City from time to time. At any time over the Term the Airport Minimum Standards are either suspended, repealed or otherwise modified to the extent Tenant's use and occupancy of the Premises no longer require such insurance policies under the Airport Minimum Standards, Tenant shall procure and maintain throughout the Term, without interruption, the following insurance policies:

1. Commercial General Liability insurance against claims for bodily injury, death or property damage or destruction occurring on, in or about the Premises, with limits of liability of not less than \$1,000,000 for each occurrence, CSL/\$1,000,000 general aggregate. Coverage shall include blanket contractual liability for liability assumed under this Lease.
2. Workers Compensation insurance and employer's liability with limits of liability of not less than \$1,000,000.
3. Hangarkeepers Legal Liability insurance at limits of \$1,000,000 per occurrence is required if Tenant is engaged in maintenance, repair or servicing of aircraft belonging to any 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.

4. Aircraft Liability insurance for all Tenant-owned or operated aircraft with a minimum bodily injury and property damage per occurrence limit of \$1,000,000 and \$1,000,000 for personal and advertising injury.

B. All insurance policies required under this Paragraph 12 shall be endorsed to provide the following, as applicable: (i) in all liability policies, name as additional insureds the Town of Addison, Texas, URS Energy & Construction, Inc. (an Ohio corporation), and SAMI Management, Inc. (a Texas corporation) (and/or such other person or entity that may be the Airport Manager) and their respective officials, officers, agents, and employees; (ii) in all liability policies, provide that such policies are primary insurance regardless of the application of any other insurance available to the additional insureds, with respect to any claims arising out of activities conducted under this Lease, and that insurance applies separately to each insured against whom a claim is made or suit is brought; and (iii) a waiver of subrogation in favor of the Town of Addison, Texas, URS Energy & Construction, Inc. (an Ohio corporation) and SAMI Management, Inc. (a Texas corporation) (and/or such other person or entity that may be the Airport Manager), and their respective officials, officers, agents, and employees, must be included in all liability and Workers Compensation policies. All such policies shall be issued by an insurance company authorized to do business in Texas and in the standard form approved by the Texas Department of Insurance, if required, and shall be endorsed to provide for at least 30 days' advance written notice to Landlord of a material change in, non-renewal, or cancellation of a policy. Certificates of insurance, satisfactory to Landlord, evidencing all coverage above, shall be furnished to Landlord prior to the Commencement Date, with complete copies of policies furnished to the Landlord upon request. Landlord reserves the right to review and revise from time to time the types of insurance and limits of liability required herein.

13. Casualty Damage or Destruction:

A. In case of any damage to or destruction of the buildings, structures, fixtures and equipment, or any other improvements, on or at the Premises, or any part thereof, Tenant shall promptly give written notice thereof to Landlord, generally describing the nature and extent of such damage and/or destruction.

B. If the Premises (the hangar building or structure, excluding Tenant's fixtures, furniture, equipment, personal property and leasehold improvements made by or on behalf of Tenant or any assignee, subtenant or other occupant of the Premises) should be substantially, totally, or partially destroyed or damaged by fire, tornado or other casualty, this Lease shall not terminate, but Landlord may, at Landlord's sole option and at Landlord's sole cost, expense and risk, proceed forthwith and use reasonable diligence to rebuild or repair the Premises (the hangar building or structure, but excluding Tenant's fixtures, furniture, equipment, personal property and leasehold improvements made by or on behalf of Tenant or any permitted assignee, subtenant or other occupant or user of the Premises) to substantially the condition in which it existed prior to such destruction or damage; provided, however, that if Landlord elects not to rebuild or repair such damage or destruction and notifies Tenant in writing of such election, then this Lease shall terminate and rent shall be abated for the unexpired portion of this Lease, effective from the date of actual receipt by Landlord of the written notification of the damage or destruction from Tenant. If Landlord elects to rebuild or repair the Premises and the Premises are untenantable in whole or in part following such destruction or damage, during the period of such rebuilding or repair the Rent payable hereunder shall be equitably adjusted for that period during which the Premises are untenantable. However, if the destruction or damage was caused by the negligence, gross negligence, or willful or wanton act or omission of Tenant, or any of Tenant's officers, employees, agents, subtenants, licensees, contractors, subcontractors, or invitees, or any other person for whom Tenant is responsible, Rent shall not be abated and Tenant shall have the continuing obligation to pay Rent during the period of such rebuilding or repair.

If Landlord elects to rebuild or repair the Premises (the hangar building or structure) as set forth above, Tenant shall, immediately upon notice from Landlord, remove from the Premises its equipment and property as reasonably required by Landlord to complete such rebuilding or repair. Upon the completion of such rebuilding or repair, Tenant shall restore the Premises and Tenant's property and promptly reopen for business. Tenant shall use the proceeds from Tenant's insurance policies for restoration of improvements made by Tenant to the Premises, for restoration and/or replacement of Tenant's equipment, trade fixtures, and inventory, and to cover any business interruption loss.

C. Landlord's election to pay for the cost of the repair or rebuilding of the Premises (the hangar building or structure) or any part thereof may, at Landlord's option, not extend beyond or exceed the proceeds of any casualty or property damage insurance payable and actually collected in connection with such damage or destruction. All insurance proceeds, if any, payable on account of such damage or destruction shall be held and retained by Landlord (whether or not such repair or rebuilding occurs or this Lease terminates).

14. Condemnation:

A. If, during the term hereof, any part of the Premises shall be acquired or condemned by eminent domain for any public or quasi-public use or purpose, or is sold to a condemning authority under threat of condemnation, and after such taking by or sale to said condemning authority the remainder of the Premises is not susceptible to efficient and economic occupation and operation by Tenant, this Lease shall automatically terminate as of the date said condemning authority takes possession of the 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 Premises is susceptible to efficient and economic occupation and operation by Tenant, this Lease shall not terminate but the Base Rent 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 Base Rent installment due hereunder (as adjusted from time to time pursuant to Paragraph 4, above) by a fraction, the numerator of which shall be the number of square feet remaining in the Premises after the taking by or sale to said condemning authority and the denominator of which shall be the square footage originally contained in the Premises. The Base Rent adjustment called for herein shall either not commence or be suspended until said condemning authority actually takes possession of the condemned portion of the Premises. All other terms and provisions shall remain unchanged unless otherwise provided for herein.

C. Landlord shall receive the entire award or payment from any condemnation and Tenant shall have no claim to that award or for the value to Landlord of any unexpired term of this Lease; provided, however, that Tenant shall have the right to appear in any condemnation proceeding or action to negotiate, prosecute and adjust any claim attributable to loss or damage to Tenant's trade fixtures and removable personal property, removal or relocation costs, and any loss to Tenant resulting from the unexpired portion of the Lease Term. If this Lease is not terminated pursuant to subparagraph A of this Paragraph, Landlord shall repair damage to the Premises caused by the condemnation (excluding Tenant's fixtures, furniture, equipment, personal property and leasehold improvements made by or on behalf of Tenant or any permitted assignee, subtenant or other occupant of the Premises), except that (i) Landlord shall not be obligated to repair any damage for which Tenant has been reimbursed by the condemning authority; and (ii) if the condemnation damages or payments received by Landlord are not sufficient to pay for such repair, Landlord shall have the right to terminate this Lease.

15. Utilities: Except where provided to the contrary below, Tenant shall be responsible, at Tenant's sole cost and expense, for obtaining all utility connections at or for the Premises and Tenant shall pay all charges for water, electricity, gas, sewer, telephone or any other utility connections, impact fees, tap-in fees and services furnished to the Premises during the term hereof. Tenant agrees to contact all utility service providers prior to any excavation or digging on the Premises or the premises in and around the Premises. Landlord shall in no event be liable or responsible for any cessation or interruption in any such utility services.

A. Notwithstanding the foregoing, Landlord and Tenant hereby acknowledge and agree to the terms and conditions contained in Exhibit D – Utility Expense Reimbursement Addendum attached hereto and incorporated herein by reference wherein it sets forth which utility services will be provided and paid for by the Landlord and subsequently reimbursed by Tenant upon demand.

B. If Tenant is the responsible party for obtaining any of the utility connections at or for the Premises, any access or alterations to the Premises or to the Airport necessary to obtain any of such utility connections may be made only with Landlord's prior consent and at Tenant's sole expense.

C. In the event Tenant fails to pay any utility or connection charges for which Tenant is responsible, Landlord shall have the right (but not the obligation) to pay or cause to be paid such charges, fees or expenses, incurred

by Tenant and the costs thereof expended by or caused to be expended by Landlord plus interest thereon as provided in Paragraph 40 of this Lease shall be paid by Tenant upon written demand.

D. Prior to executing this Lease Tenant acknowledges that it has, at its sole costs and expense, determined that all necessary utilities are available to the Premises and are adequate for Tenant's intended commercial use, and that there are no other utility services needed or required by Tenant at the Premises in connection herewith.

E. Landlord shall in no event be liable or responsible for any cessation or interruption in any utility services to the Premises.

16. Common Facilities:

A. So long as Tenant is not in default hereunder beyond any applicable cure period, Tenant and Tenant's owners, 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 at the Airport for the accommodation and convenience of Landlord's customers and tenants, including landing and takeoff facilities, means of ingress and egress to the 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 ("Common Facilities"). All such Common Facilities shall at all times be under the exclusive control and management of Landlord and may be rearranged, modified, changed, restricted, closed, or terminated from time to time at Landlord's sole discretion.

B. Access Gates, Access Easements: *(Intentionally Left Blank)*

17. Special Events: Landlord may sponsor or hold certain special events, including, but not limited to, air shows and fireworks displays to be conducted on portions of the Airport, which may limit or obstruct access to the 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 or concessionaires of Tenant, and on behalf of any other party claiming any right to use the Leased 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 Premises and/or to 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 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 Paragraph are intended and shall be construed to be as broad and inclusive as possible under Law; and (v) agrees that if any portion of this Paragraph 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.

18. Rules and Regulations: Landlord has adopted the Airport Minimum Standards (as defined in Paragraph 12.A., above) and the "Addison Airport Rules and Regulations" (the "Rules and Regulations") which shall govern Tenant's use of and conduct on the Premises and all Common Facilities, a copy of which has been or will be furnished to Tenant. The Airport Minimum Standards and the Rules and Regulations are incorporated by reference as if written verbatim herein, and Tenant agrees to comply fully at all times with them. Landlord shall have and reserves the right, in its sole discretion, to discontinue, amend, modify and alter the Airport Minimum Standards and the Rules and Regulations from time to time, and to adopt other rules, standards, or regulations applicable to the Airport, the Premises and Tenant as Landlord may deem necessary or appropriate, in its sole discretion, including for the purpose of assuring the safety, welfare and convenience of Landlord, Tenant and all other tenants, users, and customers of the Airport.

19. Signs and Equipment: After first securing Landlord's approval, Tenant shall have the right from time to time to install signs depicting Tenant's name and to operate radio, communications, meteorological, aerial navigation and other equipment and facilities in or on the 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, and all changes to such Laws, including the Town of Addison's sign ordinance, with the Airport

Minimum Standards and the Rules and Regulations, with all provisions of this Lease, 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).

20. Landlord's Right of Entry: Landlord and Landlord's authorized representatives shall have the right, during normal business hours, to enter the Premises: (i) to inspect the general condition and state of repair thereof, (ii) to make repairs permitted under this Lease, (iii) to show the Premises to any prospective tenant, purchaser, or lender, or (iv) for any other reasonable and lawful purpose. Landlord and Landlord's authorized representatives have the right to enter the Premises at any time in the event of an emergency pertaining to the Premises. 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 Premises customary signs advertising the Premises for lease.

21. Indemnity and Exculpation and Release:

A. Exculpation. The Town of Addison, Texas and all other Addison Persons and the Manager Persons (for purposes of this subparagraph A, as the terms "Addison Persons" and "Manager Persons" are defined in subparagraph B below), shall not be liable to Tenant or to any Tenant Persons (for purposes of this subparagraph A, as the term "Tenant Persons" is defined in subparagraph B below), 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 Premises or any adjacent area owned by Landlord caused by or resulting from any act or omission of Tenant or any Tenant Persons or any other person entering the Premises under express or implied invitation of Tenant or any Tenant Persons, or arising out of the use or occupation of the Premises by Tenant or by any Tenant Persons, in the performance of Tenant's obligations hereunder.

B. Tenant's Indemnity Obligation. TENANT AGREES TO AND SHALL FULLY DEFEND (WITH COUNSEL REASONABLY ACCEPTABLE TO LANDLORD), INDEMNIFY AND HOLD HARMLESS (I) THE TOWN OF ADDISON, TEXAS, AND THE ELECTED OFFICIALS, THE OFFICERS, EMPLOYEES, AGENTS, REPRESENTATIVES, AND VOLUNTEERS OF THE TOWN OF ADDISON, TEXAS, INDIVIDUALLY OR COLLECTIVELY, IN BOTH THEIR OFFICIAL AND PRIVATE CAPACITIES (THE TOWN OF ADDISON, TEXAS, AND THE ELECTED OFFICIALS, THE OFFICERS, EMPLOYEES, REPRESENTATIVES, AND VOLUNTEERS OF THE TOWN OF ADDISON, TEXAS EACH BEING AN "ADDISON PERSON" AND COLLECTIVELY THE "ADDISON PERSONS") AND (II) AIRPORT MANAGER AND AIRPORT MANAGER'S OWNERS, OFFICERS, EMPLOYEES AND AGENTS (AIRPORT MANAGER AND AIRPORT MANAGER'S OWNERS, OFFICERS, EMPLOYEES AND AGENTS EACH BEING A "MANAGER PERSON" AND COLLECTIVELY THE "MANAGER PERSONS"), FROM AND AGAINST ANY AND ALL CLAIMS, ACTIONS, PROCEEDINGS, CAUSES OF ACTION, DEMANDS, LOSSES, LIENS, HARM, DAMAGES, PENALTIES, FINES, LIABILITIES, EXPENSES, LAWSUITS, JUDGMENTS, COSTS, AND FEES (INCLUDING REASONABLE ATTORNEY FEES AND COURT COSTS) OF ANY KIND AND NATURE WHATSOEVER MADE UPON, INCURRED BY, SUFFERED BY, OR ASSERTED AGAINST ANY ADDISON PERSON OR ANY MANAGER PERSON OR THE PREMISES, WHETHER DIRECTLY OR INDIRECTLY, (COLLECTIVELY FOR PURPOSES OF THIS SUBPARAGRAPH B, "DAMAGES"), THAT RESULT FROM, RELATE TO, OR ARISE OUT OF, IN WHOLE OR IN PART, (I) ANY CONDITION OF THE PREMISES CAUSED IN WHOLE OR IN PART BY TENANT OR BY ANY OF TENANT'S OWNERS, DIRECTORS, SHAREHOLDERS, PARTNERS, MANAGERS, OFFICERS, EMPLOYEES, AGENTS, REPRESENTATIVES, ENGINEERS, CONSULTANTS, CONTRACTORS, SUBCONTRACTORS, TENANTS, LICENSEES, INVITEES, PATRONS, CONCESSIONAIRES, OR ANY OTHER PERSON OR ENTITY FOR WHOM TENANT IS LEGALLY RESPONSIBLE, AND THEIR RESPECTIVE OWNERS, DIRECTORS, SHAREHOLDERS, PARTNERS, OFFICERS, MANAGERS, EMPLOYEES, AGENTS, REPRESENTATIVES, ENGINEERS, CONSULTANTS, CONTRACTORS, SUBCONTRACTORS, TENANTS, LICENSEES, INVITEES, PATRONS, AND CONCESSIONAIRES, OR ANY OTHER PERSON ACTING BY OR UNDER THE AUTHORITY OR WITH THE PERMISSION OF TENANT, TENANT'S TENANTS, OR ANY OTHER PERSON ENTERING THE PREMISES UNDER EXPRESS OR IMPLIED INVITATION OF TENANT DURING THE LEASE TERM (COLLECTIVELY, "TENANT PERSONS"), (II) ANY CONSTRUCTION ON OR REPAIR TO THE PREMISES, OR THE PREMISES BECOMING OUT OF REPAIR DUE TO THE FAULT OF TENANT OR ANY TENANT PERSONS, FOR ANY REASON INCLUDING BY 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 PREMISES, REGARDLESS OF THE SOURCE, OR BY DAMPNESS OR BY FIRE, EXPLOSION, FALLING PLASTER OR CEILING, (III) REPRESENTATIONS OR WARRANTIES BY TENANT UNDER THIS LEASE, AND/OR (IV) ANY ACT OR OMISSION OF TENANT OR ANY TENANT PERSONS UNDER, IN CONNECTION WITH, OR IN THE PERFORMANCE OF, THIS LEASE. SUCH DEFENSE, INDEMNITY, AND HOLD HARMLESS OBLIGATION SHALL AND DOES INCLUDE DAMAGES ALLEGED OR FOUND TO HAVE BEEN CAUSED, IN WHOLE OR IN PART, BY

THE NEGLIGENCE OR GROSS NEGLIGENCE OF THE TOWN OF ADDISON, TEXAS, ANY OTHER ADDISON PERSON, THE AIRPORT MANAGER, OR ANY OTHER MANAGER PERSON, OR BY ANY ACT OR OMISSION BY THE TOWN OF ADDISON, TEXAS, ANY OTHER ADDISON PERSON, THE AIRPORT MANAGER, OR ANY OTHER MANAGER PERSON THAT WOULD GIVE RISE TO STRICT LIABILITY OF ANY KIND.

TENANT SHALL PROMPTLY ADVISE LANDLORD IN WRITING OF ANY CLAIM OR DEMAND AGAINST THE TOWN OF ADDISON, ANY OTHER ADDISON PERSON, ANY MANAGER PERSON, OR TENANT OR ANY TENANT PERSON RELATED TO OR ARISING OUT OF TENANT'S ACTIVITIES UNDER THIS LEASE AND SHALL SEE TO THE INVESTIGATION AND DEFENSE OF SUCH CLAIM OR DEMAND AT TENANT'S SOLE COST AND EXPENSE. THE ADDISON PERSONS AND MANAGER PERSONS, AS THE CASE MAY BE, SHALL HAVE THE RIGHT, AT THE ADDISON PERSONS' OR MANAGER PERSONS' (AS THE CASE MAY BE) OPTION AND AT THEIR OWN EXPENSE, TO PARTICIPATE IN SUCH DEFENSE WITHOUT RELIEVING TENANT OF ANY OF ITS OBLIGATIONS HEREUNDER.

C. **Release.** TENANT HEREBY RELEASES THE TOWN OF ADDISON, TEXAS AND ALL OTHER ADDISON PERSONS (AS THE TERM "ADDISON PERSONS" IS DEFINED IN SUBPARAGRAPH B. OF THIS PARAGRAPH 21) AND AIRPORT MANAGER AND ALL OTHER MANAGER PERSONS (AS THE TERM "MANAGER PERSONS" IS DEFINED IN SUBPARAGRAPH B. OF THIS PARAGRAPH 21) FROM, AND AGREES THAT THE TOWN OF ADDISON, TEXAS AND ALL OTHER ADDISON PERSONS, AND AIRPORT MANAGER AND ALL OTHER MANAGER PERSONS, SHALL NOT BE LIABLE TO TENANT OR ANY TENANT PERSONS (AS THE TERM "TENANT PERSONS" IS DEFINED IN SUBPARAGRAPH B. OF THIS PARAGRAPH 21) FOR (I) ANY DEATH OR INJURY TO ANY PERSON OR PERSONS OR DAMAGE TO OR DESTRUCTION OF PROPERTY OF ANY KIND RESULTING FROM THE 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 PREMISES, REGARDLESS OF THE SOURCE, OR BY DAMPNES OR BY FIRE, EXPLOSION, FALLING PLASTER OR CEILING OR FOR ANY OTHER REASON WHATSOEVER, AND FOR (II) 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.

D. **THE PROVISIONS OF THIS PARAGRAPH 21 SHALL SURVIVE THE EXPIRATION OR TERMINATION OF THIS LEASE AGREEMENT.**

22. Environmental Compliance:

A. **No Storage or Disposal:** Tenant shall not install, store, use, treat, transport, discharge or dispose (or permit, allow, or acquiesce in the installation, storage, use, treatment, transportation, discharge or disposal by Tenant or by any Tenant Persons) on the Premises or any portion of the Common Facilities, 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 and Recovery Act (42 U.S.C. §6901 et seq., as amended or superseded), the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. §9601 et seq., as amended or superseded), the Hazardous Materials Transportation Act (49 U.S.C. §5101 et seq., as amended or superseded), the Toxic Substances Control Act (15 U.S.C. §2601 et seq., as amended or superseded), the Clean Air Act (42 U.S.C. §7401 et seq., as amended or superseded), and/or the Clean Water Act (33 U.S.C. §1251 et seq., as amended or superseded) (and any regulations promulgated pursuant to the foregoing Laws), or any other federal, state, county, regional, local or other governmental Laws, or which, even if not so regulated may or could pose a hazard to the health and safety of the occupants of the 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 which is prohibited or deemed unsafe under applicable Law. (The substances referred to in the foregoing (a), (b), (c) or (d) are collectively referred to hereinafter as "Hazardous Materials").

B. Cleanup Laws; Tenant's Indemnity Obligation:

1. Tenant shall, at Tenant's sole cost and expense, comply with any presently existing or hereafter enacted Laws (including all rules, standards, regulations, or policies relating to Hazardous Materials (collectively, "Cleanup Laws")). In furtherance and not in limitation of the foregoing, Tenant shall, at Tenant's sole cost and 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 Premises and/or any portion of the Common Facilities by (i) Tenant, or by (ii) any of Tenant's owners, directors, shareholders, partners, managers, officers, employees, agents, representatives, engineers, consultants, contractors, subcontractors, tenants, licensees, invitees, patrons, concessionaires, or any other person or entity for whom Tenant is legally responsible, and/or their respective owners, directors, shareholders, partners, officers, managers, employees, agents, representatives, engineers, consultants, contractors, subcontractors, tenants, licensees, invitees, patrons, and concessionaires, or by (iii) any person acting by or under the authority or with the permission of Tenant, Tenant's tenants, or any other person entering the Premises under express or implied invitation of Tenant during the Term of this Lease, Tenant shall, at Tenant's own 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. At no cost or expense to Landlord, Tenant shall promptly provide all information requested by Landlord for preparation of affidavits or other documents required by Landlord to determine the applicability of the Cleanup Laws to the Premises and/or any portion of the Common Facilities, as the case may be, and shall sign the affidavits promptly when requested to do so by Landlord.

2. Tenant's Indemnity Obligation. Without limiting any other indemnity, hold harmless, and defense obligation of Tenant set forth in this Lease, Tenant agrees to and shall fully DEFEND (with counsel reasonably acceptable to Landlord), INDEMNIFY, AND HOLD HARMLESS the Town of Addison, Texas and all other Addison Persons (as the term "Addison Persons" is defined in subparagraph B of Paragraph 21, above), and the Manager Persons (as the term "Manager Persons" is defined in subparagraph B of Paragraph 21, above), from and against, and reimburse the Town of Addison, Texas, all other Addison Persons, the Airport Manager and all other Manager Persons (as the case may be) for, any and all obligations, damages, injunctions, fines, penalties, demands, claims, costs, fees, charges, expenses, actions, causes of action, judgments, liabilities, suits, proceedings, harm, and losses of whatever kind or nature (including, without limitation, attorneys' fees and court costs), and all cleanup or removal costs and all actions of any kind, made upon, incurred by, suffered by, or asserted against any Addison Person or any Manager Person or the Premises, whether directly or indirectly, arising out of or in any way connected with the installation, storage, use, treatment, transporting, disposal or discharge of Hazardous Materials in, on, under, above, or to the Premises and/or any portion of the Common Facilities or any portion of the Airport or adjacent properties by Tenant or by any Tenant Persons (as the term "Tenant Persons" is defined in subparagraph B of Paragraph 21, above); and from all fines, penalties, suits, judgments, procedures, proceedings, claims, actions, and causes of action of any kind whatsoever arising out of Tenant's or any of Tenant Persons' failure to provide all information, make all submissions and take all steps required by the Authority under the Cleanup Laws or any other Law, rules, regulation, standard, order, or policy (environmental or otherwise). SUCH DEFENSE, INDEMNITY, AND HOLD HARMLESS OBLIGATION SHALL AND DOES INCLUDE DAMAGES ALLEGED OR FOUND TO HAVE BEEN CAUSED, IN WHOLE OR IN PART, BY THE NEGLIGENCE OR GROSS NEGLIGENCE OF THE TOWN OF ADDISON, TEXAS, ANY OTHER ADDISON PERSONS, THE AIRPORT MANAGER OR ANY OTHER MANAGER PERSONS, OR BY ANY ACT OR OMISSION OF OR BY THE TOWN OF ADDISON, TEXAS, ANY OTHER ADDISON PERSONS, THE AIRPORT MANAGER OR ANY OTHER MANAGER PERSONS THAT WOULD GIVE RISE TO STRICT LIABILITY OF ANY KIND.

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 Premises and/or any portion of the common facilities or any portion of the Airport or adjacent properties, that were installed, stored, used, treated, transported, disposed of or discharged during the Lease Term by Tenant or any of Tenant Persons. In addition to and not in limitation of Landlord's other rights and remedies, Tenant's failure to abide by the terms of this Paragraph 22 shall be restrainable by injunction.

C. **Environmental Notices:** Tenant shall promptly supply Landlord and Airport Manager with copies of any 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, the FAA, TxDOT, or any other local, state or federal authority that requires submission of any information concerning environmental matters or Hazardous Materials.

D. **Survival:** Tenant's obligations and liability pursuant to the terms of this Paragraph 22 shall survive the expiration or earlier termination of this Lease.

23. Default by Tenant: Each of the following shall be deemed to be an event 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, insurance premiums, or any other sum payable to Landlord hereunder, on the date that same is due, and such failure shall continue thereafter for a period of ten (10) days (the "10-day Grace Period") and such failure shall not be cured within ten (10) days after written notice thereof (the "Cure Period") to Tenant (which Cure Period may overlap, in whole or in part, the 10 day Grace Period).

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, or the payment of taxes, utilities or insurance premiums, or other payments Tenant is to make under this Lease) and such failure shall not be cured within thirty (30) days after written notice thereof to Tenant.

C. Tenant shall fail to deliver the Additional Deposit to Landlord within ten (10) days after the delivery by Landlord to Tenant of the Additional Deposit Notice.

D. Tenant, or any guarantor of Tenant hereunder, (i) becomes or is declared insolvent according to any Law, (ii) makes a transfer in fraud of creditors according to any applicable Law, or (iii) assigns or conveys all or a substantial portion of its property for the benefit of creditors.

E. Tenant or any guarantor of Tenant hereunder, files a petition for relief, or is the subject of an order for relief, under the United States Bankruptcy Code, as amended, or any other present or future federal or state insolvency, bankruptcy or similar Laws (collectively "Applicable Bankruptcy Law").

F. Appointment of a receiver or trustee for Tenant (or any guarantor of Tenant hereunder) or Tenant's (or any such guarantor's) property; or the interest of Tenant (or any such guarantor) under this Lease is levied on under execution or under other legal process; or any involuntary petition is filed against Tenant (or any such guarantor) under Applicable Bankruptcy Law (provided, however, that no action described in this subparagraph F. or in subparagraphs D. or E. shall constitute a default by Tenant if Tenant (or any guarantor of Tenant hereunder) shall vigorously contest the action by appropriate proceedings and shall remove, vacate or terminate the action within sixty (60) days after the date of its inception.).

G. Abandonment by Tenant of any substantial portion of the Premises or cessation of use of the Premises for the purposes leased.

H. Tenant is in default of any other lease or agreement with, or any permit or license issued by, the Town of Addison, Texas.

24. Remedies of Landlord: Upon the occurrence of any of the events of default listed in Paragraph 23, Landlord, without prejudice to any legal, equitable, or other (including contractual) right or remedy to which it may be entitled, shall have the option to pursue any one or more of the following remedies without notice or demand whatsoever (and using lawful force if necessary or appropriate after providing written notice thereof, if any is required):

A. Terminate this Lease or any of Tenant's rights under this Lease, with or without reentering or repossessing the Premises.

- B. Terminate Tenant's right to occupy all or any part of the Premises without terminating this Lease and with or without reentering or repossessing the Premises.
- C. Recover unpaid rent and any Breach Damages (as "Breach Damages" are defined in this Paragraph 24, below).
- D. Change or pick the locks, access codes, or other access control devices, and take any other self-help or judicial action to exclude Tenant and other occupants from the Premises.
- E. Remove and store (at Tenant's sole cost) any property on the Premises at Tenant's sole cost.
- F. Sue for eviction, specific enforcement, equitable relief, rent, damages, or any other available remedy.
- G. Apply the Security Deposit in any manner permitted by this Lease, and/or increase the amount of the Security Deposit.
- H. Cure Tenant's default, and if Landlord so elects, Tenant must reimburse Landlord within thirty (30) days after Landlord delivers an invoice for the cure amounts paid or to be paid plus any reasonable expenses Landlord incurred effecting compliance with Tenant's obligations.
- I. Withhold or suspend any payment that this Lease would otherwise require Landlord to make.
- J. Charge interest on any amount not paid when due through the date of its payment at the Default Interest Rate (as set forth in Paragraph 40).
- K. Recover, but only if Tenant fails to pay Rent and Landlord terminates this Lease or Tenant's right of possession with more than twelve (12) months remaining in the Term of this Lease, liquidated rental damages for the period after any such termination equal to twelve (12) times the monthly Rent due at the time of termination in lieu of any other contractual or legal measure of damages (including re-letting costs) for Tenant's non-payment of Rent, and the parties agree this is a reasonable estimate of Landlord's damages for such a breach given the uncertainty of future market rental rates and of the duration of any vacancy.
- L. Exercise all other remedies available to Landlord at Law, in equity, or otherwise (including, without limitation, injunctive relief and any other remedy available under applicable Law).

For purposes of this Paragraph 24, "Breach Damages" means and includes, without limitation, all actual, incidental, and consequential damages, court costs, interest, and attorneys' fees arising from Tenant's breach or default of this Lease, including, without limitation, the cost to or incurred by Landlord of (a) recovering possession of the Premises, (b) removing and storing the property of Tenant and any other occupant or user of the Premises, (c) re-letting of the Premises (including, without limitation, the costs of brokerage commissions and cleaning, decorating, repairing, or altering the Premises for a substitute tenant or tenants), (d) collecting any money owed by Tenant or a substitute tenant, (e) repairing any damage to the Premises caused by any Tenant or other occupant or user of the Premises, (f) performing any obligation of Tenant under this Lease, (g) any other loss or cost reasonably incurred by Landlord as a result of, or arising from, Tenant's breach of this Lease or Landlord's exercise of its rights and remedies for such breach, (h) any contractual or liquidated type or measure of damages, including but not limited to Rental Deficiency as such is defined below; and (i) any other type or measure of damages recoverable for any particular breach under applicable Law.

For purposes of this Paragraph 24, "Rental Deficiency" means a contractual measure of Breach Damages for Tenant's non-payment of Rent measured by either the (a) actual Rental Deficiency, which is the difference (never less than zero) between (i) the Rent due for, and other Rent allocable under this Lease to, each month beginning with the first month with respect to which Landlord receives Rent from re-letting the Premises, and (ii) the proceeds, if any, that Landlord actually collects from any substitute tenant for any part of the Premises in each corresponding month in which the Term and the term of the substitute tenant's lease overlap; or (b) market Rental Deficiency, which is the present value, discounted at 6% simple annual interest, of the difference (never less than zero) between (i) the rent otherwise due under this Lease during any period after Tenant's breach in which Landlord may elect to recover this damage measure, and (ii) the fair rental value of the Premises during that period, *plus* any costs incurred in connection with any actual or attempted re-letting and any other Breach Damages.

In determining the market Rental Deficiency, the fair rental value will be the total rent that a comparable tenant would pay for comparable space in a building of substantially equivalent quality, size, condition, and location, considering rental rates and concessions then prevalent in the marketplace, the remaining lease term, the expected vacancy, and any other relevant factors. An independent MAI appraiser selected by Landlord will determine the fair rental value of the Premises, and that determination will conclusively bind the parties in any computation of the market Rental Deficiency.

Unless Landlord delivers signed, written notice thereof to Tenant, no act or omission by Landlord or Airport Manager or their respective officials, officers, employees, or agents will constitute Landlord's acceptance of surrender of the Premises, termination of this Lease, or an actual or constructive eviction of Tenant (including, without limitation, Tenant's delivery of keys to any of Landlord's or Airport Manager's officials, officers, employees, or agents or Landlord's repossession, reentry, or re-letting of the Leased Premises).

Pursuit of any of the foregoing remedies or rights shall not preclude pursuit of any of the other remedies or rights herein provided or any other remedies or rights provided by Law, in equity, or otherwise; nor shall pursuit of any remedy or right 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. If any of Tenant's property ("Tenant Property") remains upon the Premises upon the expiration of the Lease term or any earlier termination of this Lease or any repossession of the Premises by Landlord because of Tenant's default under this Lease, Landlord shall have the right to remove such Tenant Property from the Premises and store such Tenant Property, and Tenant shall be obligated to reimburse Landlord for all of the costs incurred by Landlord in removing and storing such Tenant Property. Landlord shall not be required to release any Tenant Property to Tenant until Tenant has paid Landlord all costs incurred by Landlord in removing and storing such Tenant Property and all other amounts owed by Tenant to Landlord pursuant to this Lease, including, without limitation, unpaid rental and costs incurred by Landlord to repair the Premises.

25. Default by Landlord: No default by Landlord hereunder shall constitute an eviction or disturbance of Tenant's use and possession of the Premises or render Landlord liable for damages, of any kind or nature, 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 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 the said thirty (30) day period, or within said the additional reasonable period of time, Tenant shall have the right, as its sole and exclusive remedy, to 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 Base Rent installment(s) due by Tenant to Landlord hereunder.

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.

The liability of Landlord (and all other Addison Persons and all Manager Persons) for any default by Landlord under this Lease shall be limited to an amount equal to twelve (12) months of Base Rent (the amount of such Base Rent being the amount in effect at the time of such default), and Landlord (and all other Addison Persons and all Manager Persons) shall not be otherwise or personally liable for any deficiency, claim, harm, loss, judgment, liability, or for any other matter whatsoever, and Tenant (for itself and all Tenant Persons) fully waives all other rights of recovery against Landlord (and all other Addison Persons and all Manager Persons) and any assets of Landlord (and all other Addison Persons and all Manager Persons).

26. Mitigation of Damages:

A. Landlord and Tenant agree to the following criteria in connection with Landlord's mitigation of damages after a default by Tenant and abandonment of the Premises by Tenant under this Lease (such mitigation, being by means of marketing the Premises for lease, to commence not more than sixty (60) days after Tenant physically vacates the Premises and to continue until the Premises have been relet):

1. Landlord will have no obligation to solicit or entertain negotiations with any other prospective tenant of the Premises until and unless Landlord obtains full and complete possession of the Premises, including without limitation, the final and non-appealable legal right to relet the Premises free of any claim of Tenant.

2. Landlord will not be obligated to offer the Premises to a prospective tenant when other premises suitable for that prospective tenant's use are (or soon will be) available in any other premises located at Addison Airport.

3. Landlord will not have any obligation to lease the Premises for any rental less than the current rate then prevailing for similar space at Addison Airport (or if no similar space is available, the current fair market rental then prevailing for similar space in comparable buildings in the same market area as the Premises) nor shall Landlord be obligated to enter into a new lease under any terms or conditions that are unacceptable to Landlord.

4. Landlord will not be obligated to enter into any lease with any prospective tenant whose reputation is not acceptable to Landlord, in Landlord's sole judgment and opinion.

5. Landlord will not be obligated to enter into a lease with any prospective tenant: (i) which does not have, in Landlord's sole judgment and opinion, sufficient financial resources and operating experience to occupy and operate the Premises in a first class manner and meet its financial obligations; or (ii) whose proposed use of the Premises is not a permitted use under the terms of this Lease.

6. Landlord will not be required to expend any amount of money to alter, remodel or otherwise make the Premises suitable for use by any prospective tenant.

If Landlord makes the Premises available for reletting under the criteria set forth hereinabove, Landlord will be deemed to have fully satisfied Landlord's obligation to mitigate damages under this Lease and under any Law or judicial ruling in effect on the date of this Lease or at the time of Tenant's default, and Tenant hereby **waives and releases**, to the fullest extent legally permissible, any right to assert, in any action by Landlord to enforce the terms of this Lease, any defense, counterclaim, or rights of setoff or recoupment respecting the mitigation of damages by Landlord (or alleged failure by Landlord to adequately mitigate its damages), unless and to the extent Landlord maliciously or in bad faith fails to act in accordance with the requirements of this Paragraph.

No rent collected from a substitute tenant for any month in excess of the Rent due under the Lease for that month will be credited or offset against unpaid Rent for any other month or any other Breach Damages. Tenant stipulates that the mitigation requirements expressed in this Paragraph are objectively reasonable. **TO THE FULLEST EXTENT PERMITTED BY LAW, TENANT WAIVES ANY OTHER OBLIGATION BY LANDLORD TO MITIGATE ITS DAMAGES AFTER TENANT VACATES OR ABANDONS THE PREMISES.**

B. Tenant's right to seek damages as a result of a default by Landlord under this Lease shall be conditioned on Tenant taking all actions reasonably required, under the circumstances, to minimize any loss or damage to Tenant's property or business, or to any of Tenant's officials, officers, employees, agents, invitees, or other third parties that may be caused by any such default of Landlord.

27. **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 Premises, which loss or damage is covered by valid and collectible casualty, 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 casualty, 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.

28. Title to Improvements: The Town of Addison, Texas, is the sole owner of the Premises. Any and all improvements made to the Premises by Tenant 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, equipment, or removable trade fixtures owned by Tenant from the Premises, but Tenant shall be required to repair any damage to the 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 made to the Premises by Tenant and restore the Premises to the condition in which the same existed on the Commencement 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. If Tenant fails or refuses to remove any or all of Tenant's personal property, equipment, and trade fixtures from the Premises on or before the date of the termination of this Lease, the items which Tenant has failed or refused to remove: (i) shall be considered abandoned by Tenant, (ii) shall become the property of Landlord, and (iii) may be disposed of by Landlord in any manner desired by Landlord in Landlord's unfettered discretion.

29. Mechanics' and Materialmen's Liens: TENANT AGREES TO DEFEND, INDEMNIFY AND HOLD LANDLORD HARMLESS OF AND FROM ALL LIABILITY ARISING OUT OF THE FILING OF ANY MECHANICS' OR MATERIALMEN'S LIENS AGAINST THE PREMISES BY REASON OF ANY ACT OR OMISSION OF TENANT OR ANYONE CLAIMING BY, THROUGH, OR 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 40 AS ADDITIONAL RENT; PROVIDED, HOWEVER, THAT LANDLORD SHALL NOT SO SATISFY SUCH LIENS UNTIL THIRTY (30) DAYS AFTER WRITTEN NOTIFICATION TO TENANT OF LANDLORD'S INTENTION TO DO SO AND TENANT'S FAILURE DURING SUCH THIRTY (30) DAY PERIOD TO BOND SUCH LIENS OR ESCROW FUNDS WITH APPROPRIATE PARTIES TO PROTECT LANDLORD'S INTEREST IN THE PREMISES.

30. Title: Tenant enters into this Lease and accepts the Premises subject to: (i) the Airport Minimum Standards and the Rules and Regulations as amended or modified from time to time; (ii) easements, rights-of-way, and other interests in or encumbrances on Property (whether or not recorded) that may affect the Premises; (iii) all Laws promulgated by any governmental authority having jurisdiction over the Premises, and (iv) all of the terms, conditions, and provisions of this Lease.

31. Quiet Enjoyment and Subordination: Landlord represents that Tenant, upon Tenant's payment of the Rent and other payments herein required and provided for, and Tenant's performance of the terms, conditions, covenants and agreements herein contained, shall peaceably and quietly have, hold and enjoy the 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 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, ground or other lease ("ground lease"), or other lien now existing or hereafter placed on the Premises or to declare this Lease prior and superior to any mortgage, ground lease, deed of trust or other lien now existing or hereafter placed on the Premises (and Tenant agrees upon demand to execute such further instruments subordinating this Lease as Landlord may request), provided such subordination shall be upon the express conditions that (i) this Lease shall be recognized by the mortgagee (or ground lessor or holder of such other lien or interest) and that all of the rights of Tenant shall remain in full force and effect during the full term of this Lease so long as Tenant attorns to the mortgagee, its successor and assigns (or ground lessor or holder of such other lien or interest, their successors and assigns) and pays timely all Rent and other payments due hereunder and performs all of the duties and obligations of Tenant under this Lease; and (ii) in the event of foreclosure or any enforcement of any such mortgage, deed of trust, ground lease, or other lien, 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 under this Lease and attorn to the mortgagee, its successor and assigns (or ground lessor or holder of such other lien or interest, their successors and assigns). Tenant also agrees upon demand to execute further instruments declaring this Lease prior and superior to any mortgage, deed of trust, ground lease, or other lien and specifically providing that this Lease shall survive any

foreclosure of such mortgage, deed of trust or other lien, or action to terminate a ground lease affecting the Premises. Upon any foreclosure of any mortgage, deed of trust or other lien now existing or hereafter placed on the Premises (or any sale in lieu thereof), or upon termination of a ground lease affecting the Premises, Tenant agrees to attorn to and recognize as landlord hereunder, the purchaser of Landlord's interest in the Premises at any foreclosure sale (or sale in lieu thereof) pursuant to any such mortgage, deed of trust or other lien, or the ground lessor (in the event of termination of a ground lease), if Tenant is required to do so by the applicable party (and Tenant agrees to execute an instrument to that effect as may be provided by such applicable party).

32. Access and Egress: Landlord reserves, and Tenant hereby grants to Landlord, the full and unrestricted access to and egress from that portion of the Premises on which buildings or improvements are not located for Landlord, its tenants, employees, guests, patrons, invitees, contractors, suppliers of materials, furnishers of services, its or their equipment, vehicles, machinery and other property, and Manager, its officers, employees and agents, without charge to Landlord or to said persons or entities.

33. Rent on Net Return Basis: 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 Premises including, without limitation, maintenance, repairs, replacement, insurance, taxes and assessments, and this Lease shall be construed in accordance with such intention.

34. Holding Over: Should Tenant, or any of Tenant's successors in interest fail to surrender the 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 one hundred fifty percent (150%) of the Base Rent paid for the last month of the Term of this Lease.

35. 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. Landlord will not be deemed to have waived any right or remedy, or Tenant's breach of any obligation under this Lease, unless Landlord delivers a signed writing, addressed to Tenant and explicitly relinquishing that right, remedy or breach. No custom or practice arising during the Term of this Lease will waive, or diminish, Landlord's right to insist upon strict performance of Tenant's obligations. No restrictive endorsement or other statement on or accompanying any check or payment will be deemed an accord and satisfaction or novation, and Landlord will be entitled to accept any such check or payment, without prejudice, to Landlord's rights to recover the full amount due and to exercise its other remedies.

36. 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 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 Premises.

37. 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.

38. 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.

39. Estoppel Certificates:

A. Tenant agrees that from time to time, upon not less than thirty (30) days' prior written request by Landlord, Tenant will deliver to Landlord a statement in writing certifying: (i) that this Lease is unmodified and in full force and effect (or if there have been modifications, that this Lease as modified is in full force and effect and stating the modifications); (ii) the dates to which rent and other charges have been paid; (iii) Landlord is not in default under any term or provision of this Lease or, if then in default, the nature thereof in detail in accordance with an exhibit attached thereto; (iv) that, if requested by Landlord, Tenant will not pay Rent more than one (1) month in advance, (v) that this

Lease will not be amended without notice to Landlord's mortgagee (or such other person as Landlord may identify), and (vi) that this Lease will not be terminated by Tenant without the same notice required by this Lease to be furnished by Tenant to Landlord also being furnished by Tenant to Landlord's mortgagee (or such other person as Landlord may identify), and Landlord's mortgagee (or such other person as Landlord may identify) shall have the same opportunity to cure such default within the curative period as allowed Landlord under this Lease; and (vii) any other information pertaining to Landlord, Tenant, this Lease or the Premises reasonably requested by Landlord.

B. Landlord agrees that from time to time, upon not less than thirty (30) days' prior written request by Tenant, Landlord will deliver to Tenant a statement in writing certifying: (i) that this Lease is unmodified and in full force and effect (or if there have been modifications, that this Lease as modified is in full force and effect and stating the modifications); (ii) the dates to which Rent and other charges have been paid; and/or (iii) 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.

40. 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 per annum at the lesser of ten percent (10%) or the highest non-usurious rate then allowed by Law (the "Default Interest Rate"), 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 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.

41. Landlord's Lien: In addition to the constitutional and statutory Landlord's liens, **TENANT HEREBY GRANTS TO LANDLORD A SECURITY INTEREST TO SECURE PAYMENT OF ALL RENT DUE HEREUNDER FROM TENANT, UPON ALL GOODS, WARES, EQUIPMENT, FIXTURES, FURNITURE AND OTHER PERSONAL PROPERTY OWNED BY TENANT AND SITUATED IN OR UPON THE PREMISES, TOGETHER WITH THE PROCEEDS FROM THE SALE OR LEASE THEREOF.**

Such property shall not be removed without the consent of Landlord until all arrearages in rent then due to Landlord hereunder shall have been paid and discharged. Upon Tenant's failure to pay rent due within ten (10) days after the due date, Landlord may, in addition to any other remedies provided herein or by Law, enter upon the Premises and take possession of any and all goods, wares, equipment, fixtures, furniture and other personal property owned by Tenant and situated on the Premises without liability for trespass or conversion, and sell the same at public or private sale with or without having such property at the sale, after giving Tenant reasonable notice of the time and place of any such sale. Landlord has no right to and has no security interest in and may not take possession of any property which may be situated on the Premises but which is not owned by Tenant, including but not limited to property which may be owned by another and leased and/or loaned to Tenant. Unless otherwise required by Law, notice to Tenant of such sale shall be deemed sufficient if given in the manner prescribed in this Lease at least thirty (30) days before the time of the sale. Any public sale made under this Paragraph shall be deemed to have been conducted in a commercially reasonable manner if held in the Premises or where the property is located, after the time, place and method of sale and a general description of the types of property to be sold have been advertised in a daily newspaper published in Dallas County, Texas, for five (5) consecutive days before the date of the sale. Landlord or Landlord's assigns may purchase at a public sale and, unless prohibited by Law, at a private sale. The proceeds from any disposition dealt with in this paragraph, less any and all expenses connected with the taking of possession, holding and selling of the property including reasonable attorneys' fees and legal expenses, shall be applied as a credit against the indebtedness secured by the security interest granted herein. Any surplus shall be paid to Tenant or as otherwise required by Law, and Tenant shall pay any deficiency forthwith.

Upon request by Landlord, Tenant agrees to execute, as debtor, and deliver to Landlord financing statements in form sufficient as may be necessary to perfect the security interest of Landlord in the aforementioned property and proceeds thereof under the provisions of the Texas Business and Commerce Code. Landlord may at its election at any time file in the appropriate County records a copy of this Lease as a Financing Statement. Landlord, as Secured Party, has all of the rights and remedies afforded a secured party under the Texas Uniform Commercial Code in addition to and

cumulative of the landlord's liens and rights provided by Law or by the other terms and provisions of this Lease. The constitutional and statutory liens for rent are expressly reserved; the security interest herein granted is in addition and supplementary thereto.

42. Corporate Execution: If Tenant is a corporation or if this Lease shall be assigned by Tenant to a corporation or if Tenant sublets all or a portion of the Premises to a corporation, such corporation hereby agrees to execute and deliver to Landlord from time to time during the Term of this Lease such instruments as Landlord may reasonably request to evidence: (i) the authority of such corporation to transact business good standing with the State of Texas; and (ii) the authority of the officers of such corporation to execute this Lease or other documents in connection with this Lease.

43. Joint and Several Liability: If more than one person or entity is defined as Tenant in this Lease, all of the duties, obligations, promises, covenants and agreements contained in this Lease to be paid and performed by Tenant shall be the joint and several obligations of all persons or entities defined as Tenant. Each person or entity defined as Tenant agrees that Landlord, in Landlord's sole discretion, may: (i) institute or bring suit against them, jointly and severally, or against any one or more of them; (ii) compromise or settle with any one or more of them for such consideration as Landlord may deem proper; and (iii) release one or more of them from liability hereunder, and that no such action by Landlord shall impair or affect Landlord's rights to collect costs, expenses, losses or damages incurred or suffered by Landlord from the other persons or entities defined as Tenant, or any of them, not so sued, compromised, settled with or released.

44. Certificate of Occupancy: Tenant may take possession of the Premises pursuant to the terms and conditions of this Hangar Lease, however may not occupy the Premises without first being issued a valid Certificate of Occupancy pursuant to the Town of Addison, Texas Code of Ordinances, Part II, Chapter 18, Article II, Division 2, Section 18-53. Tenant may apply for a Certificate of Occupancy any time after the Effective Date of this Agreement. If for any reason, beyond the reasonable control of Tenant, Tenant is unable to secure a Certificate of Occupancy within thirty (30) days prior to the Commencement Date, Tenant may terminate this Lease provided Tenant has given Landlord written notice of all deficiencies preventing the issuance of said Certificate of Occupancy in favor of Tenant and Landlord fails to cure or otherwise resolve the deficiency(ies) within ten (10) business days of Landlord's receipt of Tenant's written notice. Nothing herein contained shall obligate Landlord to install any additional electrical wiring, plumbing or plumbing fixtures, or other fixtures or equipment or any other improvements whatsoever which are not presently existing in the Premises, or which have not been expressly agreed upon by Landlord in writing.

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

46. Force Majeure: In the event performance by Landlord of any term, condition or covenant in this Lease is delayed or prevented by an 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.

47. 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.

48. Use of Language; No Third Party Beneficiaries: 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. For purposes of this Lease, "includes" and "including" are terms of enlargement and not of limitation or exclusive enumeration, and use of the terms does not create a presumption that components not expressed are excluded.

Where Landlord consent or approval is required in this Lease, such consent or approval may be given by the City Council of the Town of Addison, Texas or by the City Manager of the Town of Addison.

Except as otherwise set forth in this Lease, this Lease and each of its provisions are solely for the benefit of the parties hereto and are not intended to and shall not create or grant any rights, contractual or otherwise, to any third person or entity.

49. 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.

50. 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.

51. Severability: The terms and provisions of this Lease are severable, and if any term or 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, and the invalid or unenforceable term or provision will be reformed to give effect (to the fullest extent possible) to the parties' intentions in a manner that is legal, valid, and enforceable. It is the parties' intent that the term of this Lease not exceed any statutory limit; if it should be determined that the term of this Lease exceeds such period of time, the term hereof shall be reformed so as to make the term hereof not exceed such period of time.

52. Notices: Any notice or document required to be delivered or given 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 as registered or certified mail (return receipt requested is optional by sender), 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.

TO LANDLORD:

Town of Addison, Texas
c/o Airport Manager
16051 Addison Road, Suite 220
Addison, Texas 75001
Attn: Real Estate Manager

and

Town of Addison, Texas
P.O. Box 9010
5300 Beltline Road
Dallas, TX 75001-9010

TO TENANT:

Baker Aviation Maintenance, LLC
4700 Glenn Curtiss Drive
Addison, TX 75001

Attn: Stan Baker

Title: President, CEO

53. 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.**

54. 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.

55. 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, without regard to conflict of Law provisions of any jurisdiction; 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, and the parties submit themselves to the jurisdiction of such courts.

56. No Recording: Tenant agrees that Tenant will not record this Lease in the real property records of Dallas County, Texas, without first securing the prior written consent of Landlord, which may be withheld at Landlord's sole discretion. However, Tenant agrees upon the written request of Landlord to execute, acknowledge and deliver to Landlord a short-form lease in recordable form.

57. Diagram: The diagram of the Premises attached hereto as Exhibit C merely evidences existing or contemplated improvements. By attaching such diagram as an exhibit to this Lease, Landlord is in no way contracting or bound to maintain or construct improvements exactly as shown thereon or prohibited from making additional or different improvements.

58. Time of Essence: Time is of the essence in the payment and performance of the duties and obligations imposed upon Tenant by the terms and conditions of this Lease.

59. Survival: All duties and obligations imposed upon Tenant by the terms and conditions of this Lease shall survive the termination or expiration of this Lease until paid or performed.

60. Special Conditions:

Intentionally Left Blank

61. 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 Lease 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.

62. Entire Agreement and Amendments: This Lease, consisting of sixty-two (62) Paragraphs and Exhibits A through E attached hereto and made a part hereof, together with the premises and recitals to this Lease set forth above which are incorporated herein, and any other documents incorporated herein (including, without limitation, the Rules and Regulations), 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 on 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.

TENANT:

BAKER AVIATION MAINTENANCE, LLC
a Texas limited liability company

By: 
Title: President

LANDLORD:

TOWN OF ADDISON, TEXAS
a home-rule municipality

By: _____
Wesley S. Pierson, City Manager

Disclosure of Representation by SAMI Management, Inc.: SAMI and its brokers and salespersons are licensed and regulated by the Texas Real Estate Commission (TREC). SAMI is performing professional services pursuant to a written agreement with the Town of Addison and, among other things, represents the Town of Addison as the owner's agent for Addison Airport in Addison, Texas. SAMI is available to help and assist any prospective tenant and is obligated to treat them ethically and fairly. By law and by contract it cannot represent tenants or prospective tenants and must place the interests of the Town of Addison first. A tenant or prospective tenant should not tell the owner's agent anything the tenant or prospective tenant would not want the Town of Addison to know because the owner's agent must disclose to the owner any material information known to the owner's agent. Furthermore, in respect of the relationship of the parties, SAMI and its brokers and salespersons decline to serve as an intermediary between owner and tenant or prospective tenant. For further information, contact SAMI Management, Inc. at bill.dyer@samimgmt.com or 972-392-4856. A copy of *Information about Brokerage Services* as approved by Texas Real Estate Commission is available upon request.

EXHIBIT A

Legal Description of the Premises

4666 Glenn Curtiss Drive, Addison Airport, Addison, Texas 75001

Whereas a true and correct Legal Description of the Premises is currently not available, Landlord and Tenant mutually agree the Premises are located at 4666 Glenn Curtiss Drive, Addison, Dallas County, Texas 75001, also sometimes referred to as Property 0380 in the Airport Manager's records and as #T-9 in the FAA approved Airport Layout Plan (ALP) and as further described in Exhibit C hereto.

EXHIBIT B

Property Survey

Whereas a true and correct boundary survey is currently not available describing the Premises, Landlord and Tenant mutually agree the Premises are located at 4666 Glenn Curtiss Drive, Addison, Dallas County, Texas 75001, also sometimes referred to as Property 0380 in the Airport Manager's records and as #T-9 in the FAA approved Airport Layout Plan (ALP) and as further described in Exhibit C hereto.

EXHIBIT C

Aerial Depiction of the Premises

Below is a depiction of the proximity of the Premises for informational purposes only and is not to be construed as accurate in area or dimension.



EXHIBIT D

Utility Expense Reimbursement Addendum

Addendum to the Conventional Hangar Lease for Commercial Aviation Use with the Effective Date of September 1, 2016, concerning the Premises located at 4666 Glenn Curtiss Drive, Addison Airport, Addison, Dallas County, Texas 75001

A. The party designated below will pay for the following utility charges serving the Premises including any related connection/disconnection charges assessed by the service provided:

(Check or mark once per line. Note: if a check is omitted or not made for any one line item or, if more than one check or mark is made per any one line item, Tenant is the responsible party to procure and pay for such service).

(1)	(2) <u>N/A</u>	(3) <u>Landlord</u>	(4) <u>Tenant</u>	(5) <u>Provided by Landlord & Reimbursed By Tenant (See Exhibit D)</u>	(6) <u>Further Description If Any</u>
1. Water	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	√	Water Meter #08423036
2. Sewer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	√	
3. Electric	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	√	Electric Meter #112894213
4. Gas	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	√	if available to the Premises
5. Telephone/Data	<input type="checkbox"/>	<input type="checkbox"/>	√	<input type="checkbox"/>	
6. Trash	<input type="checkbox"/>	<input type="checkbox"/>	√	<input type="checkbox"/>	
7. Cable	<input type="checkbox"/>	<input type="checkbox"/>	√	<input type="checkbox"/>	
8. Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
9. Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
10. Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

The responsible party so designated above (i) may select or change the utility service provider from time to time over the term of the Lease, and (ii) shall be responsible, at its sole cost and expense, for obtaining and maintaining said utility connections at or for the Premises.

B. All utilities to be provided by Landlord and reimbursed by Tenant as indicated above (Column 5) shall be paid as follows:

1. In addition to the Base Rent, Tenant will pay Landlord as Additional Rent the costs for the utility services indicated herein and directly attributable or reasonably allocable to the Premises and associated with the referenced accounts (where each account is an account of or for Landlord).

2. Each month Landlord shall submit to Tenant an invoice for all such utility costs, including taxes, fees and other related costs, billed to Landlord for the preceding billing cycle. Tenant shall pay, as Additional Rent, the amount of each such invoice no later than the first day of the month following the date of the invoice (and the obligation to pay the invoice for the last month (or partial month) of this Hangar Lease shall survive the expiration or termination of this Hangar Lease). Landlord agrees to reasonably cooperate with Tenant in the event Tenant, at Tenant's sole cost, should desire to inquire about, or to protest or appeal, the charges being assessed by the utility service provider. To this end, Tenant shall give Landlord prior written notice of any such protest or appeal, and resolution thereof.

3. Landlord agrees not to assess any rebilling or administrative service fees for utility costs covered under this addendum.

4. Tenant's failure to timely pay said utility costs as Additional Rent shall be deemed to be an event of default by Tenant under the Lease. Landlord reserves all rights and remedies available to it under the Lease and by Law to collect all Rent due.

Utility Expense Reimbursement Addendum Initialed By Tenant:


PRESIDENT

EXHIBIT E

4666 Glenn Curtiss Drive,
Addison, Texas

Maintenance and Repair Responsibilities

	<u>Landlord</u>	<u>Tenant</u>	<u>Comment</u>
Ground Maintenance			
Building & Gate Locksmithing & Security	Maintains all public access gates	All, as required by Tenant's use and all Laws, including ordinances, rules and regulations. All doors and gates leading to Airport Operations Area are to be kept secured at all times.	
Fencing	Landlord maintains Airport perimeter fence (damage to such fence caused by or resulting from any of Tenant's, or its guests' and invitees, acts or omissions shall be paid for by Tenant)	All other fencing upon the Premises, <i>if any</i> , is Tenant's responsibility.	
Landscape & Lawn Care	All turf, beds and planters within the Premises		
Landscape Irrigation	Minimum requirements by City ordinance		
Pavement - Parking	Structural repairs and reconstruction	Regular sweeping and snow removal. Any damage other than that resulting from normal wear and tear. Painting and striping as required for intended use or required by ordinance or otherwise by Landlord with Landlord's prior written consent.	
Pavement - Ramp	Structural repairs and reconstruction	Regular sweeping and snow removal. Any damage other than that resulting from normal wear and tear. Painting and striping as required for intended use, safe operations or as required by Landlord and with Landlord's prior written	

	<u>Landlord</u>	<u>Tenant</u>	<u>Comment</u>
Trash Dumpster	Dumpster location or location changes at the sole discretion and direction of the Landlord.	Tenant to manage, maintain and pay for service, must be kept on Premises unless otherwise approved in advance by Landlord	
Trash Dumpster screening, if required	Landlord is responsible for constructing screening, if required.	Maintained at Tenant's sole cost and expense.	
<u>Building Shell</u>			
Garage Overhead & Service Doors	Major repairs and replacement if required at sole discretion of Landlord.	General preventive maintenance and basic service and repair. Examples of general preventive maintenance and basic service and repair would be servicing, maintaining or repairing springs, cables, rollers, latch & lock....	(damage caused by or resulting from Tenant, Tenant's employees, or its guests' and invitees, acts or omissions shall be paid for by Tenant)
Hangar Doors	Major repairs and replacement if required at sole discretion of Landlord	General preventive maintenance and basic service – including cleaning floor tracks.	(damage caused by or resulting from Tenant, Tenant's employees, or its guests' and invitees, acts or omissions shall be paid for by Tenant)
Hangar Floor	Major repairs and replacement if required at sole discretion of Landlord.	General preventive maintenance, sweeping, cleaning and safety markings as required by Landlord. Examples include cleaning floors of oils and chemical materials that may cause permanent damage to floor surface such as stains or pooling of floor coating.	(damage caused by or resulting from Tenant, Tenant's employees, or its guests' and invitees, acts or omissions shall be paid for by Tenant)
Building & Hangar Insulation, if existing	Major repairs and replacement if required at sole discretion of Landlord.	General preventive maintenance, repair and replacement where required.	(damage caused by or resulting from Tenant, Tenant's employees, or its guests' and invitees, acts or omissions shall be paid for by Tenant)

	<u>Landlord</u>	<u>Tenant</u>	<u>Comment</u>
Painting and cleaning of building exterior	Performed by Landlord at Landlord's sole expense and discretion.	General preventive maintenance, repair and replacement where required.	(damage caused by or resulting from Tenant, Tenant's employees, or its guests' and invitees, acts or omissions shall be paid for by Tenant)
Repairs to exterior siding building, fascia, trim, etc.	Performed by Landlord at Landlord's sole expense and discretion	General preventive maintenance, repair and replacement where required.	(damage caused by or resulting from Tenant, Tenant's employees, or its guests' and invitees, acts or omissions shall be paid for by Tenant)
Window and Glass Curtain Walls	Major repairs and replacement when required at sole discretion of Landlord.	General preventive maintenance, repair and replacement where required.	(damage caused by or resulting from Tenant, Tenant's employees, or its guests' and invitees, acts or omissions shall be paid for by Tenant)
Roof	Major repairs and replacement when required at sole discretion of Landlord.	No penetrations without Landlord's prior written approval.	
Roof rain-gutters and downspouts	Major repair and replace as required.	General preventive maintenance, repair and replacement where required.	
Interior - Finish-out			
Interior Doors	Major repairs and replacement when required at sole discretion of Landlord.	General preventive maintenance, repair and replacement where required.	(damage caused by or resulting from Tenant, Tenant's employees, or its guests' and invitees, acts or omissions shall be paid for by Tenant)

	<u>Landlord</u>	<u>Tenant</u>	<u>Comment</u>
All Interior and Exterior door locks (electronic or keyed)	Any lock changes or lock system changes must be approved by Landlord in advance. Maintain copies of access keys provided by Tenant.	General preventive maintenance, repair and replacement where required. Copies of access keys to be provided to Landlord with instruction and codes provided for any electronic locking systems.	(damage caused by or resulting from Tenant, Tenant's employees, or its guests' and invitees, acts or omissions shall be paid for by Tenant)
Office/shop space flooring and floor cover	Major repairs and replacement at sole discretion of Landlord.	Major repair and replacement with Landlord's prior consent. General preventive maintenance, cleaning of all floor surfaces (carpet, tile and tile grout...) repair and replacement where required.	(damage caused by or resulting from Tenant, Tenant's employees, or its guests' and invitees, acts or omissions shall be paid for by Tenant)
Painting Interior – Office and shop space		Repainting similar to existing condition. Major change in color, texture and material must be with Landlord's prior written consent. General preventive maintenance, cleaning, repair and replacement where required.	(damage caused by or resulting from Tenant, Tenant's employees, or its guests' and invitees, acts or omissions shall be paid for by Tenant)
Painting Interior – Hangar space	Repainting similar to existing condition at sole discretion of the Landlord.	Any change in color, texture and material must be with Landlord's prior written consent. General preventive maintenance, cleaning, repair and replacement where required.	(damage caused by or resulting from Tenant, Tenant's employees, or its guests' and invitees, acts or omissions shall be paid for by Tenant)
Walls & Ceilings	Major repairs and replacement at sole discretion of Landlord.	Repainting or repairing similar to existing condition. Major change in color, texture and material must be with Landlord's prior written consent. General preventive maintenance, cleaning, repair and replacement where required. Applicable to office area only.	(damage caused by or resulting from Tenant, Tenant's employees, or its guests' and invitees, acts or omissions shall be paid for by Tenant)

	<u>Landlord</u>	<u>Tenant</u>	<u>Comment</u>
Building Systems			
Air Compressor		Tenant's full responsibility.	
Electrical Systems	Major repairs, replacement or modifications at sole discretion of Landlord. General maintenance and repair.	Replacement or material change only with Landlord's prior written consent. Inform Landlord of any electrical issues or needed modifications.	(damage caused by or resulting from Tenant, Tenant's employees, or its guests' and invitees, acts or omissions shall be paid for by Tenant)
Exterior Lighting & maintenance	Major repairs and replacement at sole discretion of Landlord. Landlord to replace bulbs as necessary.	Replacement or material change only with Landlord's prior written consent.	
Office and interior lighting	Major repairs and replacement of fixtures at sole discretion of Landlord.	Tenant to replace bulbs and lamps as necessary with similar bulb and lamp types.	(damage caused by or resulting from Tenant, Tenant's employees, or its guests' and invitees, acts or omissions shall be paid for by Tenant)
Hangar light repair and replacement	Major repairs and replacement at sole discretion of Landlord. Landlord to replace bulbs as necessary.	Replacement or material change only with Landlord's prior written consent.	(damage caused by or resulting from Tenant, Tenant's employees, or its guests' and invitees, acts or omissions shall be paid for by Tenant)
HVAC	Major repairs and replacement at sole discretion of Landlord. Filter changes and major repair of equipment.	General maintenance and repair. Replacement or material change only with Landlord's prior written consent. Examples of general maintenance and repair are: routine services, preventive maintenance, thermostat battery replacement and additional refrigerant as needed.	(damage caused by or resulting from Tenant, Tenant's employees, or its guests' and invitees, acts or omissions shall be paid for by Tenant)
Window a/c units, if any	Major repairs and replacement at sole discretion of Landlord.	General maintenance and repair. Replacement or material	(damage caused by or resulting from Tenant,

	<u>Landlord</u>	<u>Tenant</u>	<u>Comment</u>
		change only with Landlord's prior written consent.	Tenant's employees, or its guests' and invitees, acts or omissions shall be paid for by Tenant)
Plumbing systems	Major repairs and replacement at sole discretion of Landlord.	General maintenance and repair. Replacement or material change only with Landlord's prior written consent.	(damage caused by or resulting from Tenant, Tenant's employees, or its guests' and invitees, acts or omissions shall be paid for by Tenant)
Water heater	Replacement at Landlord's sole discretion.	General maintenance and repair. Replacement with Landlord's prior written consent.	
Storm water drains	Major repairs and replacement and general maintenance.	Damage caused by or resulting from acts of Tenant, Tenant's employees, guests or invitees shall be paid for by Tenant.	(damage caused by or resulting from Tenant, Tenant's employees, or its guests' and invitees, acts or omissions shall be paid for by Tenant)
Grease Traps	Landlord to have inspected and serviced upon tenant move-in.	Tenant's full responsibility.	If any
Tapping into Fire Main for fire suppression systems	Must be approved by Landlord in advance.	Tenant's full responsibility with Landlord's prior written consent.	
Other:			

TOWN OF ADDISON, TEXAS

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE TOWN OF ADDISON, TEXAS APPROVING A CONVENTIONAL HANGAR LEASE BETWEEN THE TOWN OF ADDISON AND BAKER AVIATION MAINTENANCE, LLC FOR COMMERCIAL AVIATION USE ON PROPERTY LOCATED AT 4680 GLENN CURTISS DRIVE, AUTHORIZING THE CITY MANAGER TO EXECUTE THE AGREEMENT, AND PROVIDING AN EFFECTIVE DATE.

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

Section 1. The Conventional Hangar Lease between the Town of Addison and Baker Aviation Maintenance, LLC for commercial aviation use on property located at 4680 Glenn Curtiss Drive, a copy of which is attached to this Resolution as **Exhibit A**, is hereby approved and the City Manager is authorized to execute the agreement.

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

PASSED AND APPROVED by the City Council of the Town of Addison, Texas this the 23rd day of August, 2016.

Todd Meier, Mayor

ATTEST:

By: _____
Laura Bell, City Secretary

APPROVED AS TO FORM:

By: _____
Brenda N. McDonald, City Attorney

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

**ADDISON AIRPORT
CONVENTIONAL HANGAR LEASE
FOR COMMERCIAL AVIATION USE**

This Addison Airport Conventional Hangar Lease For Commercial Aviation Use (hereinafter referred to as the "Hangar Lease," "Lease," or "Agreement") is made and entered into this 1st day of September, 2016 (the "Effective Date"), by and between the **Town of Addison, Texas**, a home-rule municipality (hereinafter referred to as the "City" or "Landlord") and **Baker Aviation Maintenance, LLC**, a Texas limited liability company ("Tenant") (Landlord and Tenant are sometimes referred to herein together as the "parties" and individually as a "party").

WITNESSETH:

WHEREAS, Landlord is the owner of the Addison Airport (hereinafter referred to as the "Airport") located in Dallas County, Texas; and

WHEREAS, the Airport is, as of the Effective Date, operated and managed for and on behalf of the City by AECOM (formally known as URS Energy & Construction, Inc.) and SAMI Management, Inc., a Texas corporation ("SAMI"), pursuant to their respective operating agreements, as amended or modified, with the City (individually and/or collectively, or any other person(s) or entity(ies) authorized by Landlord to operate and/or manage the Airport or any portion thereof or any function related thereto, being hereinafter referred to as "Airport Manager" or "Manager"); and

WHEREAS, Tenant desires to lease that certain hangar located within the Airport known as **Jet Hangar T-11, Property #0370** with the public address known as **4680 Glenn Curtiss Drive**, Addison, Texas 75001 (hereinafter referred to as the "Premises" and more fully described in **Exhibits "A", "B" and "C"** attached hereto and made a part hereof) and Landlord desires to lease the same to Tenant for the Term as defined below; and

WHEREAS, Tenant currently leases the Premises pursuant to that certain Conventional Hangar Lease entered into April 8, 2013 and as amended by that First Amendment entered into effective April 1, 2015 which Hangar Lease is due to expire on August 31, 2016.

WHEREAS, Landlord and Tenant hereby agree to enter into this Hangar Lease under the terms and conditions set forth hereinbelow, which, upon its commencement, supersedes the 2013 Conventional Hangar Lease as amended by that First Amendment dated April 1, 2015.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is mutually acknowledged, Landlord and Tenant hereby agree as follows:

1. Lease Grant. Subject to the terms of this Lease, Landlord leases the Premises to Tenant, and Tenant leases the Premises from Landlord.

This Hangar Lease is given and entered into subject to (i) all federal, state, and local laws, statutes, constitutional provisions, charters (including the City Charter), ordinances, codes (including building and building-related codes), rules, regulations, directives, policies, permits, standards, zoning requirements, orders, grant assurances, grant agreements, court orders, opinions and decisions, and all interpretations of the foregoing, of and/or by any governmental authority, entity, department, branch, 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, and any successor entities thereto), that are applicable, imposed upon, or related to, whether directly or indirectly, this Lease, the Airport, the Premises, and the use and occupancy thereof, as the same are existing or as they may be amended, modified, enacted, adopted, imposed, or superseded, and including, without limitation, any and all grant agreements or grant assurances now existing or as hereafter agreed to, adopted or imposed (collectively, "Laws," and "Law" means any of the foregoing), (ii) all restrictive covenants affecting the Premises, (iii) all restrictions, mortgages, deeds of trust, liens,

easements, licenses, leases, and any other encumbrance on or matter affecting the Premises, whether recorded or not, and (iv) and all of the terms, conditions, and provisions of this Hangar Lease.

2. Term:

A. The Term hereof shall commence on September 1, 2016 immediately upon the expiration of the 2013 Conventional Hangar Lease as amended, without interruption ("Commencement Date"), and shall end on December 30, 2018, (the "Expiration Date") unless otherwise terminated as provided for herein (the "Term").

B. **Early Termination:** Provided Tenant is not then in default and otherwise regarded by Landlord to be in good standing, Tenant shall have the right to early terminate this Lease anytime during the Term under the following conditions:

- i. Tenant delivers to Landlord written notice of its intent to early terminate this Lease and surrender its possession of the Premises by a certain given date (the "Early Termination Date", which said date shall be no less than ninety (90) calendar days from the date of Tenant's written notice ("Tenant's Early Termination Notice"); and
- ii. Tenant can produce to Landlord an executed lease agreement, assignment agreement or other form of conveyance document acceptable to Landlord evidencing Tenant's opportunity and financial commitment to lease or own and occupy another aeronautical hangar facility at Addison Airport, which meets or exceeds 20,000 contiguous gross square feet of hangar space with no less than 26 foot high hangar door clearance with a comparable permitted use.

In the event Tenant delivers notice to the Landlord of its intent to terminate this Agreement pursuant to this section, both parties hereby agree to continue and perform in accordance with the terms and conditions of this Agreement until said Early Termination Date occurs. Additionally, Landlord shall have the right with prior notice given to access the premises during normal business hours to show and remarket the premises and for other commercially reasonable purposes. Landlord shall have the right to erect and maintain on or about the Premise customary signs advertising the Premises for lease or sale.

3. Rental & Security Deposit:

A. **Base Rent:** Tenant agrees to pay to Landlord without notice, demand, offset, or deduction, an annual Base Rent of Forty-Seven Thousand Five Hundred Ninety-Five Dollars and 96/100 (\$47,595.96), payable in monthly installments of Three Thousand Nine Hundred Sixty-Six Dollars and 33/100 (\$3,966.33). The first such monthly installment shall be due and payable on or before September 1, 2016, and each monthly installment thereafter shall be due and payable on or before the first day of each calendar month throughout the Term.

B. **Prorated Rent:** If the Commencement Date is on a day other than the first day of a month, Tenant will pay Landlord a prorated amount of Base Rent equal to the product of the monthly installment of Base Rent multiplied by a fraction, the (i) numerator of which is the number of days from (and including) the Commencement Date through (and including) the last day of the month that includes the Commencement Date and the (ii) denominator of which is the number of days in that month. The prorated portion of the Base Rent is due on or before the Commencement Date. Payment of Base Rent for any fractional calendar month at the end of the Term shall be similarly prorated.

C. **Additional Rent:** In addition to the Base Rent, Tenant will pay Landlord, as Additional Rent, the amounts set forth in the Utility Expense Reimbursement Addendum attached hereto and incorporated herein as Exhibit D.

D. **Rent:** For purposes of this Lease, "Rent" means Base Rent, Additional Rent, and all other sums that Tenant may owe to Landlord or otherwise be required to pay under this Lease. Landlord shall have the same rights and remedies for non-payment of any Rent as for non-payment of Base Rent. The obligations of Tenant to pay Base Rent and other sums to Landlord and the obligations of Landlord under this Lease are independent obligations.

E. **Place of Payment:** Tenant shall deliver all amounts due Landlord under this Lease to the following address or to such other person or place as Landlord may designate in writing:

Addison Airport
c/o Real Estate Manager
16051 Addison Road, Suite 220
Addison, Texas 75001

F. **Method of Payment:** Tenant must pay all Rent timely and without demand, notice, deduction, or offset, except as required by Law or as otherwise provided by this Lease. Tenant shall make payment of all Rent owed by personal or corporate check made payable to "Addison Airport" (or by credit card, electronic transfer or ACH (Automatic Clearing House), if acceptable to Landlord). Cash is not an acceptable form of payment of Rent. If Tenant fails to timely pay any amounts due under this Lease, or if any check of Tenant is returned to Landlord by the institution on which it was drawn for insufficient funds or for any other reason, or if Tenant's credit card is denied more than three times in any twelve-month period (if Landlord authorizes payment by credit card), Landlord, after providing written notice to Tenant, may require Tenant to pay subsequent amounts that become due under this Lease by cashier's check or money order only. Rent, and any other sums or amounts to be paid by Tenant to Landlord under this Lease, shall be deemed to have been paid when Landlord has actually received the negotiable payment.

G. **Late Charges:** If Landlord does not actually receive payment of Rent or any other sums due at the designated place of payment within ten (10) days after the date it is due, Tenant shall pay to Landlord a Late Charge equal to 5% of the amount due to reimburse Landlord for Landlord's cost and inconvenience incurred as a result of Tenant's delinquency. The Late Charge is a cost associated with the collection of Rent and Landlord's acceptance of a Late Charge does not waive Landlord's right to exercise its rights and remedies, including those under Paragraph 24 (Remedies of Landlord) herein.

If Tenant fails to pay (i) any monthly installment of Base Rent due under this Lease by the 10th day of the month when due, or (ii) any other component of Rent within 10 days after the same is due as specified in this Lease, more than once in any consecutive three (3) month period, Tenant, upon the delivery of written notice to Tenant by Landlord ("Additional Deposit Notice"), shall pay to Landlord an amount equal to the then-current monthly installment of Base Rent (the "Additional Deposit") to be held and applied by Landlord as an addition to the Security Deposit delivered by Tenant and held on account by Landlord upon Tenant's execution of this Lease pursuant to subparagraph 3.H, below. Landlord's requirement of any Additional Deposit shall be in addition to any and all other rights and remedies available to Landlord under this Lease. If Tenant does not deliver the Additional Deposit to Landlord within ten (10) days after the delivery of the Additional Deposit Notice, such failure shall be an event of default under this Lease.

H. **Security Deposit:** Tenant shall deposit with Landlord, upon Tenant's execution of this Lease, the sum of One Hundred Thirty-Three Dollars and 83/100 (\$133.83), which said amount shall be added to that amount now held on account by Landlord as Tenant's "Security Deposit" so the total Security Deposit shall equal the equivalent of one month's installment of the Base Rent as of the Effective Date of this Lease. Landlord and Tenant hereby acknowledge and agree that immediately prior to the Effective Date of this Hangar Lease, Landlord currently holds on account for Tenant a Security Deposit the sum of Three Thousand Eight Hundred Thirty-Two Dollars and 50/100 (\$3,832.50).

Such Security Deposit shall be equal to one monthly installment of the rent unless otherwise adjusted as provided for in Paragraph 4 below.

1. If at any time during this Agreement the Security Deposit then held on account by Landlord becomes less than the prevailing monthly installment of Base Rent, Tenant will make an additional payment to Landlord so that the Security Deposit held by Landlord is increased to equal one monthly installment of Base Rent, unless otherwise adjusted as provided for in 3.G. above.

2. Landlord shall hold such Security Deposit without interest as security for the performance by Tenant of Tenant's covenants and obligations under this Lease. Landlord may commingle the Security Deposit with Landlord's other funds, and no trust relationship is created with respect to the Security Deposit. Tenant shall not assign, otherwise transfer, or encumber or attempt to assign, otherwise transfer, or encumber the Security Deposit, and Landlord and its successors and assigns shall not be bound by any actual or attempted

assignment, other transfer, or encumbrance. Regardless of any assignment, other transfer, or encumbrance of the Security Deposit by Tenant, Landlord may return the Security Deposit to the Tenant.

3. The Security Deposit is not an advance payment of Rent or a measure of liquidated damages in case of default by Tenant. Upon the occurrence of any event of default, Landlord may, from time to time, without prejudice to any other remedy provided herein or provided by Law, use the Security Deposit to the extent necessary to make good any arrearages of Rent and any other damage, injury, expense or liability caused to Landlord by such event of default. Following any such application of the Security Deposit, Tenant shall pay to Landlord, on demand, the amount so applied in order to fully restore the Security Deposit to its required amount.

4. If Tenant is not then in default hereunder, such Security Deposit, less any lawful deductions by Landlord, shall be returned by Landlord to Tenant with an accounting of said deductions taken no later than thirty (30) days following the termination or expiration of this Hangar Lease. Permitted deductions from the Security Deposit may include but not be limited to: unpaid Base Rent; unpaid utility charges incurred by Tenant; unpaid service charges; damages by Tenant to the Premises (beyond normal wear and tear) or repairs by Landlord; replacement cost of Landlord's property that was in or attached to the Premises and is missing; cost to replace unreturned keys; agreed reletting charges; Landlord's cost of cleaning the Premises to a broom-swept condition if required; Landlord's cost of removal of any trash or debris left in the Premises; Landlord's cost of the removal and storage of Tenant's personal property left or abandoned by Tenant or otherwise disposed of by Landlord; Landlord's cost of removal of unauthorized vehicles or aircraft left on the Premises; government fees or fines against Landlord because of Tenant; late fees and other costs of collection incurred by Landlord in connection with this Lease; interest that would have been earned by Landlord on unpaid balances; attorneys' fees, court costs and filing fees.

4. Adjustment of Rental: Effective on each anniversary of the Commencement Date and each and every anniversary thereafter over the Term (hereinafter referred to as the "Adjustment Date"), the Base Rent due under Paragraph 3.A above shall be adjusted as follows:

A. The Base Rent shall be adjusted to reflect changes in the Consumers' Price Index - All Items for Dallas-Fort Worth, Texas (hereinafter referred to as the "Consumer Price Index"), as quoted in the publication *Consumer Price Index - All Urban Consumers (CPI-U)* for the Dallas-Fort Worth, Texas area which is issued by the U.S. Department of Labor, Bureau of Labor Statistics. The base index is the Consumer Price Index existing on the Commencement Date ("Base Index"). The current index is the Consumer Price Index on the first day of the calendar month preceding the then applicable Adjustment Date (the "Current Index").

B. Beginning with the year that includes the then applicable Adjustment Date, the Base Rent shall be adjusted so that it equals the product of the Base Rent during the first year of this Lease multiplied by a fraction, the numerator of which is the Current Index and the denominator of which is the Base Index, but in no event shall Base Rent ever be decreased below the Base Rent set forth in Paragraph 3.A.

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

5. Use of Premises: The Premises shall be used and occupied by Tenant only for Commercial Aviation Use limited to the following (the "Permitted Use"):

The Premises shall be used and occupied by Tenant for any legal commercial aviation use limited to aircraft storage, aircraft maintenance and repair, sale of aircraft and aircraft parts, aircraft charter and rentals and flight instruction subject to the Addison Airport Minimum Standards for Commercial Operators and the Addison Airport Rules and Regulations, which may be amended by the Landlord from time to time. It is the purpose of Tenant to use and occupy the Premises in connection with, in direct support of, and as relief for Tenant's ongoing aeronautical operations as a ground lease subtenant of Addison Airport Facilities, Ltd. at 4700 Glenn Curtiss Drive, Addison Airport, Addison, Texas.

For purposes hereof, "Commercial Aviation Use" means the operation of a business enterprise providing aviation-related goods, services, or facilities for a commercial purpose (including, without limitation, any activity by the Tenant securing earning, income, compensation, [including exchange or barter of goods, and services], and/or profit from said activities, whether or not such objectives are accomplished). Tenant shall occupy and use the Premises only for the Permitted Use, and shall comply with all Laws relating to the use, condition, access to, and occupancy of the Premises.

Any use or occupancy of the Premises other than for the purposes set forth above is not permitted at any time without the prior written consent of Landlord.

The Premises shall not be used or occupied for any concession for the sale or distribution of food, drinks, tobacco products, oil, gas, petroleum products or any activity of a similar character. Tenant agrees that no aircraft, vehicle or other equipment will be left unattended at any time outside the boundaries of the Premises or within any common area of the Airport ("common area" having the meaning set forth in Chapter 14 of the City's Code of Ordinances), including the safety areas, operating areas and/or non-obstruction areas of the Airport without the prior written consent of the Airport Manager. Tenant further agrees to cooperate and coordinate with adjacent tenants and the Airport Manager, when necessary (as determined by Landlord), to facilitate and not to obstruct aircraft movement along nearby taxilanes, especially during periods of construction, maintenance and repair of Airport facilities.

The Premises shall not be used for any purpose or activity that (i) constitutes a violation of any Laws; (ii) in Landlord's opinion, creates or would create a nuisance or waste or unreasonably disturb, annoy or interfere with other tenants or users of the Airport; or (iii) increases insurance costs for Landlord.

Tenant acknowledges that Landlord is bound by, and this Lease is subject to, the terms and conditions of any and all Federal Aviation Administration, Texas Department of Transportation, and other grant agreements, grant assurances and regulations regarding the Airport, including, without limitation, any grant, loan, regulation, or agreement under Section 22.055 of the Texas Transportation Code, as amended or superseded, whether now existing or made in the future. Tenant agrees not to act or fail to act in any way or manner that would cause Landlord to be in violation of any of the foregoing.

6. Acceptance of Premises: Tenant acknowledges that Tenant has fully inspected the Premises and accepts the Premises as suitable for the purposes for which the same are leased in their present condition, "AS IS, WHERE IS, WITH ALL FAULTS AND PATENT AND LATENT DEFECTS". Without limiting anything in the foregoing, **LANDLORD HAS NOT MADE, DOES NOT MAKE AND SPECIFICALLY DISCLAIMS, AND THERE ARE NO, REPRESENTATIONS, PROMISES, COVENANTS, AGREEMENTS, GUARANTYS OR WARRANTIES OF ANY KIND OR CHARACTER, EXPRESS OR IMPLIED, OR ARISING BY OPERATION OF LAW, OF OR AS TO THE CONDITION, QUALITY, QUANTITY, SUITABILITY, MERCHANTABILITY, HABITABILITY OR FITNESS OF THE PREMISES FOR ANY PARTICULAR PURPOSE WHATSOEVER GIVEN IN CONNECTION WITH THIS LEASE, INCLUDING, WITHOUT LIMITATION, ANY REPRESENTATION REGARDING SOIL CONDITIONS, AVAILABILITY OF UTILITIES, DRAINAGE, ZONING LAWS, ENVIRONMENTAL LAWS OR ANY OTHER LAWS.**

TENANT ALSO ACKNOWLEDGES AND AGREES THAT TENANT'S INSPECTION AND INVESTIGATION OF THE PREMISES HAVE BEEN ADEQUATE TO ENABLE TENANT TO MAKE TENANT'S OWN DETERMINATION WITH RESPECT TO THE SUITABILITY OR FITNESS OF THE PREMISES, INCLUDING, WITHOUT LIMITATION, WITH RESPECT TO SOIL CONDITIONS, AVAILABILITY OF UTILITIES, DRAINAGE, ZONING LAWS, ENVIRONMENTAL LAWS, AND ANY OTHER LAWS.

TENANT ACKNOWLEDGES THAT THE DISCLAIMERS, AGREEMENTS AND OTHER STATEMENTS SET FORTH IN THIS PARAGRAPH 6 ARE AN INTEGRAL PORTION OF THIS LEASE AND THAT LANDLORD WOULD NOT AGREE TO LEASE THE PREMISES TO TENANT AS SET FORTH HEREIN WITHOUT THE DISCLAIMERS, AGREEMENTS AND OTHER STATEMENTS SET FORTH IN THIS PARAGRAPH 6. TENANT FURTHER ACKNOWLEDGES THAT TENANT IS NOT IN A DISPARATE BARGAINING POSITION WITH RESPECT TO LANDLORD. TENANT ACKNOWLEDGES AND AGREES FURTHER THAT THIS 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 PREMISES.

7. Securing Governmental Approvals and Compliance with Law; Noise Abatement:

A. Tenant, at Tenant's sole cost and expense, shall obtain any and all governmental licenses, permits and approvals required for the use and occupancy of the Premises, as set forth in Paragraph 5 above, including but not limited to the issuance of a valid Certificate of Occupancy prior to Tenant occupying the Premises pursuant to Paragraph 44 hereinbelow.

B. Tenant shall promptly comply with all governmental orders and directives and all other Laws for the correction, prevention and abatement of nuisances caused by Tenant and arising out of the use and occupancy of the Premises, as set forth in Paragraph 5 above

C. Tenant shall comply with noise abatement standards at the Airport and shall notify any aircraft operator using the Premises of such standards.

8. Assignment and Subletting:

A. Without the prior written consent of Landlord, Tenant shall have no power to and shall not, either voluntarily or involuntarily, by operation of law or otherwise, assign, sell, pledge, encumber, mortgage, license, transfer, or otherwise convey (together, "assign" or "assignment," and any person or entity to whom an assignment is made being an "assignee") this Lease or any rights or obligations of Tenant hereunder, or sublet the whole or any part of the Premises. Any such assignment or any subletting, without the prior written consent of Landlord, shall be null and void and may be deemed by Landlord (in Landlord's sole discretion) an event of default under Paragraph 23 (Default by Tenant) of this Lease. For the purposes hereof, an assignment will be deemed to have also occurred if the person(s) who owns or has voting control of 51% or more of Tenant on the Effective Date of this Hangar Lease ceases to own or have voting control of 51% or more of Tenant at any time during the term of the Hangar Lease. From time to time as requested by Landlord, Tenant shall provide to Landlord, in a form acceptable to Landlord, a written certification as to the ownership of voting securities or voting control of Subtenant. For the 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.

Any assignment or subletting shall be expressly subject to all the terms and provisions of this Lease, including the provisions of Paragraph 5 pertaining to the use of the Premises. In the event of any Landlord-approved assignment or subletting, Tenant shall not assign this Lease or sublet the 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 Hangar Lease. No such assignment or subletting shall constitute a novation. In the event of the occurrence of an event of default while the 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. Landlord's consent to any assignment or subletting will not waive its rights or remedies, and it will not stop Landlord from exercising its rights or remedies, with respect to any other actual or proposed assignment or subletting, and Landlord's consent to any assignment or subletting will not relieve Tenant or any guarantor of Tenant hereunder of any liability to Landlord under this Lease or otherwise.

B. Notwithstanding the foregoing, Landlord hereby acknowledges and consents to Tenant's subletting of the Premises for the purpose of renting hangar space for aircraft storage only, provided that each sublease is 1) made available for Landlord's review and inspection during Tenant's normal business hours upon Landlord's written request, and 2) evidenced by written agreement, signed and executed by Tenant and the subtenant, and has incorporated therein and fairly states that:

1. each subtenant agrees to be bound by the terms and provisions of this Hangar Lease, including the provisions of Paragraph 5 pertaining to the use of the Premises. In the event of any conflict between the terms of this Hangar Lease and the terms of the sublease, the terms of the Hangar Lease shall control;
2. no such subletting shall constitute a novation.

3. in the event of occurrence of an event of default while the Premises are sublet, Landlord, in addition to any other rights or remedies provided herein or by Law, in equity, or otherwise, may, at Landlord's option, collect directly from such subtenant all rents becoming due under such subletting and apply such rent against any sums due to Landlord under this Lease;
4. subtenant shall be obligated to obtain Landlord's consent to any action as to which Tenant is obligated to obtain such consent under this Hangar Lease;
5. any such sublease is to automatically terminate upon termination of this Hangar Lease notwithstanding any other provision of the sublease to the contrary;
6. Landlord shall have no responsibility or obligation for the performance by subtenant of its obligations under the sublease; and
7. neither this consent, the exercise by Landlord of its rights and/or remedies hereunder, nor the sublease or any other instrument shall give subtenant any rights, directly or indirectly, against Landlord or create or impose any obligation, duty, responsibility, or liability of Landlord in favor of or for the benefit of subtenant.

Further, Tenant agrees that in no way does any sublease release Tenant from any of its covenants, agreements, liabilities and duties under this Hangar Lease; that this consent does not constitute approval by Landlord of the terms of any such sublease; that nothing herein contained shall be deemed a waiver or release of any of the Landlord's rights under this Hangar Lease; that Tenant shall remain fully liable for the performance of each and every term, provision, covenant, duty and obligation of the Tenant under this Hangar Lease including, without limitation, the duty to make any and all payments of Rent. Any violation of any terms and conditions of this Hangar Lease by a subtenant will constitute a default by Tenant under this Hangar Lease.

Upon Landlord's written request, 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 Premises by Tenant or any subtenant.

9. 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, levied or assessed on: (i) all improvements, fixtures, equipment or personal property comprising a part of or located upon the Premises; and (ii), the leasehold estate of Tenant created hereby (hereinafter referred to as "Tenant's Taxes"). Upon the request of Landlord, Tenant shall, from time to time, furnish to Landlord "paid receipts" or other written evidence that all of Tenant's Taxes have been paid by Tenant. If any of Tenant's Taxes are included in tax notices and, or statements delivered to Landlord, Tenant has the right to legally protest or appeal, as provided for by Law, any tax levy or assessment of Tenant's Taxes provided Landlord has not already filed or does not intend to file such protest or appeal of (i) the appropriateness of such tax and, or (ii) the taxable value as assessed by the respective taxing authority. If any of Tenant's Taxes are included in tax statements delivered to Landlord, Tenant shall pay to Landlord that portion representing Tenant's Taxes within ten (10) days after Tenant's receipt of an invoice from Landlord accompanied by evidence of Landlord's computation of the portion thereof representing Tenant's Taxes. In the event Tenant fails to pay any Tenant's Taxes, Landlord shall have the right (but not the obligation) to pay or cause to be paid such Tenant's Taxes, and the costs thereof expended by or caused to be expended by Landlord plus interest thereon as provided in Paragraph 40 of this Lease shall be paid by Tenant on demand.

10. Maintenance and Repair of Premises:

A. Landlord shall, throughout the term hereof, except as otherwise expressly provided in this Lease and so long as Tenant is not in default of this Agreement beyond any applicable cure period, be responsible for those areas, items and matters identified in the "Landlord" column as set forth in Exhibit E, Maintenance and Repair Responsibilities, to this Agreement, which Exhibit is attached hereto and incorporated herein by reference. Landlord shall not be responsible for Tenant's or any third party's equipment, fixtures, or personal property comprising a part of or located upon the Premises.

B. Except as provided by subparagraph A. of this Paragraph 10, Tenant shall, to the Landlord's satisfaction, maintain the Premises in good order, condition and repair throughout the term of this Lease including, but not limited to, those areas, items and matters identified under the "Tenant" column set forth in the attached Exhibit E to this Agreement. Tenant shall be responsible for any alterations, additions or improvements made by Tenant to the

Premises and/or any improvements thereon or therein. Tenant shall, throughout the term hereof, be responsible for all consumable supplies and repair of plumbing and water damage caused as a result of Tenant's failure to reasonably protect water pipes from freezing temperatures or misuse by Tenant or by Tenant's owners, employees, agents, contractors, guests or invitees. Tenant shall be responsible for keeping the Premises free from waste and nuisance and shall, upon the expiration of the Lease Term, or any earlier termination of this Lease or any repossession of the Premises by Landlord, deliver the Premises clean and free of trash and in good condition and repair, with all fixtures and equipment situated in or upon the Premises in the same condition as same existed on the Commencement Date, with reasonable wear and tear excepted.

Notwithstanding anything in this Lease to the contrary, Tenant shall bear the risk of complying with the Americans With Disabilities Act of 1990, any other federal or any state laws governing handicapped access or architectural barriers, and all rules, regulations, and guidelines promulgated under such Laws, as amended from time to time, in or pertaining to the Premises.

C. In the event Tenant fails to so maintain or repair the Premises and/or the improvements, fixtures, equipment and personal property comprising a part of or located upon the Premises, and/or otherwise fails to comply with any of the provisions of subparagraph B. or D. of this Paragraph or any other provision of this Lease requiring Tenant to maintain or repair the Premises or keep them in a particular condition, Landlord shall have the right (but not the obligation) to cause all such repairs or other maintenance or work to be made, and the reasonable costs therefor expended by Landlord plus interest thereon as provided in Paragraph 40 shall be paid by Tenant to Landlord on demand.

D. If Tenant handles or stores flammable materials on the Premises, Tenant agrees to maintain proper safeguards with respect thereto and to comply with all requirements of Landlord's and Tenant's insurance companies and/or governmental authorities with respect to the storage, use and disposal of such materials, and with all applicable Laws.

11. Alterations, Additions and Improvements: Tenant shall not create any openings in the roof or exterior walls, or make any alterations, additions or improvements to the Premises, without the prior written consent of Landlord. Landlord shall not unreasonably withhold its consent for non-structural alterations, additions or improvements. Tenant shall have the right to erect or install shelves, bins, machinery, and trade fixtures, provided that Tenant complies with all applicable Laws in connection therewith. All alterations, additions and improvements in and to the Premises shall be performed in accordance with the terms and provisions of this Lease, with all Laws, and 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.

12. Insurance:

A. Tenant shall procure and maintain throughout the Term, without interruption, a policy or policies of insurance, at Tenant's sole cost and expense, to meet or exceed the insurance requirements specified in the then prevailing Addison Airport Minimum Standards and Requirements for Commercial Aeronautical Service Providers (the "Airport Minimum Standards") which may be amended or modified by the City from time to time. At any time over the Term the Airport Minimum Standards are either suspended, repealed or otherwise modified to the extent Tenant's use and occupancy of the Premises no longer require such insurance policies under the Airport Minimum Standards, Tenant shall procure and maintain throughout the Term, without interruption, the following insurance policies:

1. Commercial General Liability insurance against claims for bodily injury, death or property damage or destruction occurring on, in or about the Premises, with limits of liability of not less than \$1,000,000 for each occurrence, CSL/\$1,000,000 general aggregate. Coverage shall include blanket contractual liability for liability assumed under this Lease.

2. Workers Compensation insurance and employer's liability with limits of liability of not less than \$1,000,000.

3. Hangarkeepers Legal Liability insurance at limits of \$1,000,000 per occurrence is required if Tenant is engaged in maintenance, repair or servicing of aircraft belonging to any 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.

4. Aircraft Liability insurance for all Tenant-owned or operated aircraft with a minimum bodily injury and property damage per occurrence limit of \$1,000,000 and \$1,000,000 for personal and advertising injury.

B. All insurance policies required under this Paragraph 12 shall be endorsed to provide the following, as applicable: (i) in all liability policies, name as additional insureds the Town of Addison, Texas, URS Energy & Construction, Inc. (an Ohio corporation), and SAMI Management, Inc. (a Texas corporation) (and/or such other person or entity that may be the Airport Manager) and their respective officials, officers, agents, and employees; (ii) in all liability policies, provide that such policies are primary insurance regardless of the application of any other insurance available to the additional insureds, with respect to any claims arising out of activities conducted under this Lease, and that insurance applies separately to each insured against whom a claim is made or suit is brought; and (iii) a waiver of subrogation in favor of the Town of Addison, Texas, URS Energy & Construction, Inc. (an Ohio corporation) and SAMI Management, Inc. (a Texas corporation) (and/or such other person or entity that may be the Airport Manager), and their respective officials, officers, agents, and employees, must be included in all liability and Workers Compensation policies. All such policies shall be issued by an insurance company authorized to do business in Texas and in the standard form approved by the Texas Department of Insurance, if required, and shall be endorsed to provide for at least 30 days' advance written notice to Landlord of a material change in, non-renewal, or cancellation of a policy. Certificates of insurance, satisfactory to Landlord, evidencing all coverage above, shall be furnished to Landlord prior to the Commencement Date, with complete copies of policies furnished to the Landlord upon request. Landlord reserves the right to review and revise from time to time the types of insurance and limits of liability required herein.

13. Casualty Damage or Destruction:

A. In case of any damage to or destruction of the buildings, structures, fixtures and equipment, or any other improvements, on or at the Premises, or any part thereof, Tenant shall promptly give written notice thereof to Landlord, generally describing the nature and extent of such damage and/or destruction.

B. If the Premises (the hangar building or structure, excluding Tenant's fixtures, furniture, equipment, personal property and leasehold improvements made by or on behalf of Tenant or any assignee, subtenant or other occupant of the Premises) should be substantially, totally, or partially destroyed or damaged by fire, tornado or other casualty, this Lease shall not terminate, but Landlord may, at Landlord's sole option and at Landlord's sole cost, expense and risk, proceed forthwith and use reasonable diligence to rebuild or repair the Premises (the hangar building or structure, but excluding Tenant's fixtures, furniture, equipment, personal property and leasehold improvements made by or on behalf of Tenant or any permitted assignee, subtenant or other occupant or user of the Premises) to substantially the condition in which it existed prior to such destruction or damage; provided, however, that if Landlord elects not to rebuild or repair such damage or destruction and notifies Tenant in writing of such election, then this Lease shall terminate and rent shall be abated for the unexpired portion of this Lease, effective from the date of actual receipt by Landlord of the written notification of the damage or destruction from Tenant. If Landlord elects to rebuild or repair the Premises and the Premises are untenable in whole or in part following such destruction or damage, during the period of such rebuilding or repair the Rent payable hereunder shall be equitably adjusted for that period during which the Premises are untenable. However, if the destruction or damage was caused by the negligence, gross negligence, or willful or wanton act or omission of Tenant, or any of Tenant's officers, employees, agents, subtenants, licensees, contractors, subcontractors, or invitees, or any other person for whom Tenant is responsible, Rent shall not be abated and Tenant shall have the continuing obligation to pay Rent during the period of such rebuilding or repair.

If Landlord elects to rebuild or repair the Premises (the hangar building or structure) as set forth above, Tenant shall, immediately upon notice from Landlord, remove from the Premises its equipment and property as reasonably required by Landlord to complete such rebuilding or repair. Upon the completion of such rebuilding or repair, Tenant shall restore the Premises and Tenant's property and promptly reopen for business. Tenant shall use the proceeds from Tenant's insurance policies for restoration of improvements made by Tenant to the Premises, for restoration and/or replacement of Tenant's equipment, trade fixtures, and inventory, and to cover any business interruption loss.

C. Landlord's election to pay for the cost of the repair or rebuilding of the Premises (the hangar building or structure) or any part thereof may, at Landlord's option, not extend beyond or exceed the proceeds of any casualty or property damage insurance payable and actually collected in connection with such damage or destruction. All insurance proceeds, if any, payable on account of such damage or destruction shall be held and retained by Landlord (whether or not such repair or rebuilding occurs or this Lease terminates).

14. Condemnation:

A. If, during the term hereof, any part of the Premises shall be acquired or condemned by eminent domain for any public or quasi-public use or purpose, or is sold to a condemning authority under threat of condemnation, and after such taking by or sale to said condemning authority the remainder of the Premises is not susceptible to efficient and economic occupation and operation by Tenant, this Lease shall automatically terminate as of the date said condemning authority takes possession of the 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 Premises is susceptible to efficient and economic occupation and operation by Tenant, this Lease shall not terminate but the Base Rent 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 Base Rent installment due hereunder (as adjusted from time to time pursuant to Paragraph 4, above) by a fraction, the numerator of which shall be the number of square feet remaining in the Premises after the taking by or sale to said condemning authority and the denominator of which shall be the square footage originally contained in the Premises. The Base Rent adjustment called for herein shall either not commence or be suspended until said condemning authority actually takes possession of the condemned portion of the Premises. All other terms and provisions shall remain unchanged unless otherwise provided for herein.

C. Landlord shall receive the entire award or payment from any condemnation and Tenant shall have no claim to that award or for the value to Landlord of any unexpired term of this Lease; provided, however, that Tenant shall have the right to appear in any condemnation proceeding or action to negotiate, prosecute and adjust any claim attributable to loss or damage to Tenant's trade fixtures and removable personal property, removal or relocation costs, and any loss to Tenant resulting from the unexpired portion of the Lease Term. If this Lease is not terminated pursuant to subparagraph A of this Paragraph, Landlord shall repair damage to the Premises caused by the condemnation (excluding Tenant's fixtures, furniture, equipment, personal property and leasehold improvements made by or on behalf of Tenant or any permitted assignee, subtenant or other occupant of the Premises), except that (i) Landlord shall not be obligated to repair any damage for which Tenant has been reimbursed by the condemning authority; and (ii) if the condemnation damages or payments received by Landlord are not sufficient to pay for such repair, Landlord shall have the right to terminate this Lease.

15. Utilities: Except where provided to the contrary below, Tenant shall be responsible, at Tenant's sole cost and expense, for obtaining all utility connections at or for the Premises and Tenant shall pay all charges for water, electricity, gas, sewer, telephone or any other utility connections, impact fees, tap-in fees and services furnished to the Premises during the term hereof. Tenant agrees to contact all utility service providers prior to any excavation or digging on the Premises or the premises in and around the Premises. Landlord shall in no event be liable or responsible for any cessation or interruption in any such utility services.

A. Notwithstanding the foregoing, Landlord and Tenant hereby acknowledge and agree to the terms and conditions contained in Exhibit D – Utility Expense Reimbursement Addendum attached hereto and incorporated herein by reference wherein it sets forth which utility services will be provided and paid for by the Landlord and subsequently reimbursed by Tenant upon demand.

B. If Tenant is the responsible party for obtaining any of the utility connections at or for the Premises, any access or alterations to the Premises or to the Airport necessary to obtain any of such utility connections may be made only with Landlord's prior consent and at Tenant's sole expense.

C. In the event Tenant fails to pay any utility or connection charges for which Tenant is responsible, Landlord shall have the right (but not the obligation) to pay or cause to be paid such charges, fees or expenses, incurred by Tenant and the costs thereof expended by or caused to be expended by Landlord plus interest thereon as provided in Paragraph 40 of this Lease shall be paid by Tenant upon written demand.

D. Prior to executing this Lease Tenant acknowledges that it has, at its sole costs and expense, determined that all necessary utilities are available to the Premises and are adequate for Tenant's intended commercial use, and that there are no other utility services needed or required by Tenant at the Premises in connection herewith.

E. Landlord shall in no event be liable or responsible for any cessation or interruption in any utility services to the Premises.

16. Common Facilities:

A. So long as Tenant is not in default hereunder beyond any applicable cure period, Tenant and Tenant's owners, 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 at the Airport for the accommodation and convenience of Landlord's customers and tenants, including landing and takeoff facilities, means of ingress and egress to the 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 ("Common Facilities"). All such Common Facilities shall at all times be under the exclusive control and management of Landlord and may be rearranged, modified, changed, restricted, closed, or terminated from time to time at Landlord's sole discretion.

B. **Access Gates, Access Easements:** *(Intentionally Left Blank)*

17. Special Events: Landlord may sponsor or hold certain special events, including, but not limited to, air shows and fireworks displays to be conducted on portions of the Airport, which may limit or obstruct access to the Premises and/or to the Airport ("Special Events"). As a material inducement 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 or concessionaires of Tenant, and on behalf of any other party claiming any right to use the Leased 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 Premises and/or to 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 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 Paragraph are intended and shall be construed to be as broad and inclusive as possible under Law; and (v) agrees that if any portion of this Paragraph 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.

18. Rules and Regulations: Landlord has adopted the Airport Minimum Standards (as defined in Paragraph 12.A., above) and the "Addison Airport Rules and Regulations" (the "Rules and Regulations") which shall govern Tenant's use of and conduct on the Premises and all Common Facilities, a copy of which has been or will be furnished to Tenant. The Airport Minimum Standards and the Rules and Regulations are incorporated by reference as if written verbatim herein, and Tenant agrees to comply fully at all times with them. Landlord shall have and reserves the right, in its sole discretion, to discontinue, amend, modify and alter the Airport Minimum Standards and the Rules and Regulations from time to time, and to adopt other rules, standards, or regulations applicable to the Airport, the Premises and Tenant as Landlord may deem necessary or appropriate, in its sole discretion, including for the purpose of assuring the safety, welfare and convenience of Landlord, Tenant and all other tenants, users, and customers of the Airport.

19. Signs and Equipment: After first securing Landlord's approval, Tenant shall have the right from time to time to install signs depicting Tenant's name and to operate radio, communications, meteorological, aerial navigation and other equipment and facilities in or on the 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, and all changes to such Laws, including the Town of Addison's sign ordinance, with the Airport Minimum Standards and the Rules and Regulations, with all provisions of this Lease, 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).

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

for any other reasonable and lawful purpose. Landlord and Landlord's authorized representatives have the right to enter the Premises at any time in the event of an emergency pertaining to the Premises. 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 Premises customary signs advertising the Premises for lease.

21. Indemnity and Exculpation and Release:

A. Exculpation. The Town of Addison, Texas and all other Addison Persons and the Manager Persons (for purposes of this subparagraph A, as the terms "Addison Persons" and "Manager Persons" are defined in subparagraph B below), shall not be liable to Tenant or to any Tenant Persons (for purposes of this subparagraph A, as the term "Tenant Persons" is defined in subparagraph B below), 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 Premises or any adjacent area owned by Landlord caused by or resulting from any act or omission of Tenant or any Tenant Persons or any other person entering the Premises under express or implied invitation of Tenant or any Tenant Persons, or arising out of the use or occupation of the Premises by Tenant or by any Tenant Persons, in the performance of Tenant's obligations hereunder.

B. Tenant's Indemnity Obligation. TENANT AGREES TO AND SHALL FULLY DEFEND (WITH COUNSEL REASONABLY ACCEPTABLE TO LANDLORD), INDEMNIFY AND HOLD HARMLESS (I) THE TOWN OF ADDISON, TEXAS, AND THE ELECTED OFFICIALS, THE OFFICERS, EMPLOYEES, AGENTS, REPRESENTATIVES, AND VOLUNTEERS OF THE TOWN OF ADDISON, TEXAS, INDIVIDUALLY OR COLLECTIVELY, IN BOTH THEIR OFFICIAL AND PRIVATE CAPACITIES (THE TOWN OF ADDISON, TEXAS, AND THE ELECTED OFFICIALS, THE OFFICERS, EMPLOYEES, REPRESENTATIVES, AND VOLUNTEERS OF THE TOWN OF ADDISON, TEXAS EACH BEING AN "ADDISON PERSON" AND COLLECTIVELY THE "ADDISON PERSONS") AND (II) AIRPORT MANAGER AND AIRPORT MANAGER'S OWNERS, OFFICERS, EMPLOYEES AND AGENTS (AIRPORT MANAGER AND AIRPORT MANAGER'S OWNERS, OFFICERS, EMPLOYEES AND AGENTS EACH BEING A "MANAGER PERSON" AND COLLECTIVELY THE "MANAGER PERSONS"), FROM AND AGAINST ANY AND ALL CLAIMS, ACTIONS, PROCEEDINGS, CAUSES OF ACTION, DEMANDS, LOSSES, LIENS, HARM, DAMAGES, PENALTIES, FINES, LIABILITIES, EXPENSES, LAWSUITS, JUDGMENTS, COSTS, AND FEES (INCLUDING REASONABLE ATTORNEY FEES AND COURT COSTS) OF ANY KIND AND NATURE WHATSOEVER MADE UPON, INCURRED BY, SUFFERED BY, OR ASSERTED AGAINST ANY ADDISON PERSON OR ANY MANAGER PERSON OR THE PREMISES, WHETHER DIRECTLY OR INDIRECTLY, (COLLECTIVELY FOR PURPOSES OF THIS SUBPARAGRAPH B, "DAMAGES"), THAT RESULT FROM, RELATE TO, OR ARISE OUT OF, IN WHOLE OR IN PART, (I) ANY CONDITION OF THE PREMISES CAUSED IN WHOLE OR IN PART BY TENANT OR BY ANY OF TENANT'S OWNERS, DIRECTORS, SHAREHOLDERS, PARTNERS, MANAGERS, OFFICERS, EMPLOYEES, AGENTS, REPRESENTATIVES, ENGINEERS, CONSULTANTS, CONTRACTORS, SUBCONTRACTORS, TENANTS, LICENSEES, INVITEES, PATRONS, CONCESSIONAIRES, OR ANY OTHER PERSON OR ENTITY FOR WHOM TENANT IS LEGALLY RESPONSIBLE, AND THEIR RESPECTIVE OWNERS, DIRECTORS, SHAREHOLDERS, PARTNERS, OFFICERS, MANAGERS, EMPLOYEES, AGENTS, REPRESENTATIVES, ENGINEERS, CONSULTANTS, CONTRACTORS, SUBCONTRACTORS, TENANTS, LICENSEES, INVITEES, PATRONS, AND CONCESSIONAIRES, OR ANY OTHER PERSON ACTING BY OR UNDER THE AUTHORITY OR WITH THE PERMISSION OF TENANT, TENANT'S TENANTS, OR ANY OTHER PERSON ENTERING THE PREMISES UNDER EXPRESS OR IMPLIED INVITATION OF TENANT DURING THE LEASE TERM (COLLECTIVELY, "TENANT PERSONS"), (II) ANY CONSTRUCTION ON OR REPAIR TO THE PREMISES, OR THE PREMISES BECOMING OUT OF REPAIR DUE TO THE FAULT OF TENANT OR ANY TENANT PERSONS, FOR ANY REASON INCLUDING BY 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 PREMISES, REGARDLESS OF THE SOURCE, OR BY DAMPNES OR BY FIRE, EXPLOSION, FALLING PLASTER OR CEILING, (III) REPRESENTATIONS OR WARRANTIES BY TENANT UNDER THIS LEASE, AND/OR (IV) ANY ACT OR OMISSION OF TENANT OR ANY TENANT PERSONS UNDER, IN CONNECTION WITH, OR IN THE PERFORMANCE OF, THIS LEASE. SUCH DEFENSE, INDEMNITY, AND HOLD HARMLESS OBLIGATION SHALL AND DOES INCLUDE DAMAGES ALLEGED OR FOUND TO HAVE BEEN CAUSED, IN WHOLE OR IN PART, BY THE NEGLIGENCE OR GROSS NEGLIGENCE OF THE TOWN OF ADDISON, TEXAS, ANY OTHER ADDISON PERSON, THE AIRPORT MANAGER, OR ANY OTHER MANAGER PERSON, OR BY ANY ACT OR OMISSION BY THE TOWN OF ADDISON, TEXAS, ANY OTHER ADDISON PERSON, THE AIRPORT MANAGER, OR ANY OTHER MANAGER PERSON THAT WOULD GIVE RISE TO STRICT LIABILITY OF ANY KIND.

TENANT SHALL PROMPTLY ADVISE LANDLORD IN WRITING OF ANY CLAIM OR DEMAND AGAINST THE TOWN OF ADDISON, ANY OTHER ADDISON PERSON, ANY MANAGER PERSON, OR TENANT OR ANY TENANT PERSON

RELATED TO OR ARISING OUT OF TENANT'S ACTIVITIES UNDER THIS LEASE AND SHALL SEE TO THE INVESTIGATION AND DEFENSE OF SUCH CLAIM OR DEMAND AT TENANT'S SOLE COST AND EXPENSE. THE ADDISON PERSONS AND MANAGER PERSONS, AS THE CASE MAY BE, SHALL HAVE THE RIGHT, AT THE ADDISON PERSONS' OR MANAGER PERSONS' (AS THE CASE MAY BE) OPTION AND AT THEIR OWN EXPENSE, TO PARTICIPATE IN SUCH DEFENSE WITHOUT RELIEVING TENANT OF ANY OF ITS OBLIGATIONS HEREUNDER.

C. **Release.** TENANT HEREBY RELEASES THE TOWN OF ADDISON, TEXAS AND ALL OTHER ADDISON PERSONS (AS THE TERM "ADDISON PERSONS" IS DEFINED IN SUBPARAGRAPH B. OF THIS PARAGRAPH 21) AND AIRPORT MANAGER AND ALL OTHER MANAGER PERSONS (AS THE TERM "MANAGER PERSONS" IS DEFINED IN SUBPARAGRAPH B. OF THIS PARAGRAPH 21) FROM, AND AGREES THAT THE TOWN OF ADDISON, TEXAS AND ALL OTHER ADDISON PERSONS, AND AIRPORT MANAGER AND ALL OTHER MANAGER PERSONS, SHALL NOT BE LIABLE TO TENANT OR ANY TENANT PERSONS (AS THE TERM "TENANT PERSONS" IS DEFINED IN SUBPARAGRAPH B. OF THIS PARAGRAPH 21) FOR (I) ANY DEATH OR INJURY TO ANY PERSON OR PERSONS OR DAMAGE TO OR DESTRUCTION OF PROPERTY OF ANY KIND RESULTING FROM THE 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 PREMISES, REGARDLESS OF THE SOURCE, OR BY DAMPNES OR BY FIRE, EXPLOSION, FALLING PLASTER OR CEILING OR FOR ANY OTHER REASON WHATSOEVER, AND FOR (II) 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.

D. **THE PROVISIONS OF THIS PARAGRAPH 21 SHALL SURVIVE THE EXPIRATION OR TERMINATION OF THIS LEASE AGREEMENT.**

22. Environmental Compliance:

A. **No Storage or Disposal:** Tenant shall not install, store, use, treat, transport, discharge or dispose (or permit, allow, or acquiesce in the installation, storage, use, treatment, transportation, discharge or disposal by Tenant or by any Tenant Persons) on the Premises or any portion of the Common Facilities, 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 and Recovery Act (42 U.S.C. §6901 et seq., as amended or superseded), the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. §9601 et seq., as amended or superseded), the Hazardous Materials Transportation Act (49 U.S.C. §5101 et seq., as amended or superseded), the Toxic Substances Control Act (15 U.S.C. §2601 et seq., as amended or superseded), the Clean Air Act (42 U.S.C. §7401 et seq., as amended or superseded), and/or the Clean Water Act (33 U.S.C. §1251 et seq., as amended or superseded) (and any regulations promulgated pursuant to the foregoing Laws), or any other federal, state, county, regional, local or other governmental Laws, or which, even if not so regulated may or could pose a hazard to the health and safety of the occupants of the 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 which is prohibited or deemed unsafe under applicable Law. (The substances referred to in the foregoing (a), (b), (c) or (d) are collectively referred to hereinafter as "Hazardous Materials").

B. Cleanup Laws; Tenant's Indemnity Obligation:

1. Tenant shall, at Tenant's sole cost and expense, comply with any presently existing or hereafter enacted Laws (including all rules, standards, regulations, or policies relating to Hazardous Materials (collectively, "Cleanup Laws"). In furtherance and not in limitation of the foregoing, Tenant shall, at Tenant's sole cost and expense, make all submissions 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 Premises and/or any portion of the Common Facilities by (i) Tenant, or by (ii) any of Tenant's owners, directors, shareholders, partners, managers, officers, employees, agents, representatives, engineers, consultants,

contractors, subcontractors, tenants, licensees, invitees, patrons, concessionaires, or any other person or entity for whom Tenant is legally responsible, and/or their respective owners, directors, shareholders, partners, officers, managers, employees, agents, representatives, engineers, consultants, contractors, subcontractors, tenants, licensees, invitees, patrons, and concessionaires, or by (iii) any person acting by or under the authority or with the permission of Tenant, Tenant's tenants, or any other person entering the Premises under express or implied invitation of Tenant during the Term of this Lease, Tenant shall, at Tenant's own 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. At no cost or expense to Landlord, Tenant shall promptly provide all information requested by Landlord for preparation of affidavits or other documents required by Landlord to determine the applicability of the Cleanup Laws to the Premises and/or any portion of the Common Facilities, as the case may be, and shall sign the affidavits promptly when requested to do so by Landlord.

2. Tenant's Indemnity Obligation. Without limiting any other indemnity, hold harmless, and defense obligation of Tenant set forth in this Lease, Tenant agrees to and shall fully DEFEND (with counsel reasonably acceptable to Landlord), INDEMNIFY, AND HOLD HARMLESS the Town of Addison, Texas and all other Addison Persons (as the term "Addison Persons" is defined in subparagraph B of Paragraph 21, above), and the Manager Persons (as the term "Manager Persons" is defined in subparagraph B of Paragraph 21, above), from and against, and reimburse the Town of Addison, Texas, all other Addison Persons, the Airport Manager and all other Manager Persons (as the case may be) for, any and all obligations, damages, injunctions, fines, penalties, demands, claims, costs, fees, charges, expenses, actions, causes of action, judgments, liabilities, suits, proceedings, harm, and losses of whatever kind or nature (including, without limitation, attorneys' fees and court costs), and all cleanup or removal costs and all actions of any kind, made upon, incurred by, suffered by, or asserted against any Addison Person or any Manager Person or the Premises, whether directly or indirectly, arising out of or in any way connected with the installation, storage, use, treatment, transporting, disposal or discharge of Hazardous Materials in, on, under, above, or to the Premises and/or any portion of the Common Facilities or any portion of the Airport or adjacent properties by Tenant or by any Tenant Persons (as the term "Tenant Persons" is defined in subparagraph B of Paragraph 21, above); and from all fines, penalties, suits, judgments, procedures, proceedings, claims, actions, and causes of action of any kind whatsoever arising out of Tenant's or any of Tenant Persons' failure to provide all information, make all submissions and take all steps required by the Authority under the Cleanup Laws or any other Law, rules, regulation, standard, order, or policy (environmental or otherwise). SUCH DEFENSE, INDEMNITY, AND HOLD HARMLESS OBLIGATION SHALL AND DOES INCLUDE DAMAGES ALLEGED OR FOUND TO HAVE BEEN CAUSED, IN WHOLE OR IN PART, BY THE NEGLIGENCE OR GROSS NEGLIGENCE OF THE TOWN OF ADDISON, TEXAS, ANY OTHER ADDISON PERSONS, THE AIRPORT MANAGER OR ANY OTHER MANAGER PERSONS, OR BY ANY ACT OR OMISSION OF OR BY THE TOWN OF ADDISON, TEXAS, ANY OTHER ADDISON PERSONS, THE AIRPORT MANAGER OR ANY OTHER MANAGER PERSONS THAT WOULD GIVE RISE TO STRICT LIABILITY OF ANY KIND.

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 Premises and/or any portion of the common facilities or any portion of the Airport or adjacent properties, that were installed, stored, used, treated, transported, disposed of or discharged during the Lease Term by Tenant or any of Tenant Persons. In addition to and not in limitation of Landlord's other rights and remedies, Tenant's failure to abide by the terms of this Paragraph 22 shall be restrainable by injunction.

C. Environmental Notices: Tenant shall promptly supply Landlord and Airport Manager with copies of any 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, the FAA, TxDOT, or any other local, state or federal authority that requires submission of any information concerning environmental matters or Hazardous Materials.

D. Survival: Tenant's obligations and liability pursuant to the terms of this Paragraph 22 shall survive the expiration or earlier termination of this Lease.

23. Default by Tenant: Each of the following shall be deemed to be an event 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, insurance premiums, or any other sum payable to Landlord hereunder, on the date that same is due, and such failure shall continue thereafter for a period of ten (10) days (the "10-day Grace Period") and such failure shall not be cured within ten (10) days after written notice thereof (the "Cure Period") to Tenant (which Cure Period may overlap, in whole or in part, the 10 day Grace Period).

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, or the payment of taxes, utilities or insurance premiums, or other payments Tenant is to make under this Lease) and such failure shall not be cured within thirty (30) days after written notice thereof to Tenant.

C. Tenant shall fail to deliver the Additional Deposit to Landlord within ten (10) days after the delivery by Landlord to Tenant of the Additional Deposit Notice.

D. Tenant, or any guarantor of Tenant hereunder, (i) becomes or is declared insolvent according to any Law, (ii) makes a transfer in fraud of creditors according to any applicable Law, or (iii) assigns or conveys all or a substantial portion of its property for the benefit of creditors.

E. Tenant or any guarantor of Tenant hereunder, files a petition for relief, or is the subject of an order for relief, under the United States Bankruptcy Code, as amended, or any other present or future federal or state insolvency, bankruptcy or similar Laws (collectively "Applicable Bankruptcy Law").

F. Appointment of a receiver or trustee for Tenant (or any guarantor of Tenant hereunder) or Tenant's (or any such guarantor's) property; or the interest of Tenant (or any such guarantor) under this Lease is levied on under execution or under other legal process; or any involuntary petition is filed against Tenant (or any such guarantor) under Applicable Bankruptcy Law (provided, however, that no action described in this subparagraph F. or in subparagraphs D. or E. shall constitute a default by Tenant if Tenant (or any guarantor of Tenant hereunder) shall vigorously contest the action by appropriate proceedings and shall remove, vacate or terminate the action within sixty (60) days after the date of its inception.).

G. Abandonment by Tenant of any substantial portion of the Premises or cessation of use of the Premises for the purposes leased.

H. Tenant is in default of any other lease or agreement with, or any permit or license issued by, the Town of Addison, Texas.

24. Remedies of Landlord: Upon the occurrence of any of the events of default listed in Paragraph 23, Landlord, without prejudice to any legal, equitable, or other (including contractual) right or remedy to which it may be entitled, shall have the option to pursue any one or more of the following remedies without notice or demand whatsoever (and using lawful force if necessary or appropriate after providing written notice thereof, if any is required):

A. Terminate this Lease or any of Tenant's rights under this Lease, with or without reentering or repossessing the Premises.

B. Terminate Tenant's right to occupy all or any part of the Premises without terminating this Lease and with or without reentering or repossessing the Premises.

C. Recover unpaid rent and any Breach Damages (as "Breach Damages" are defined in this Paragraph 24, below).

D. Change or pick the locks, access codes, or other access control devices, and take any other self-help or judicial action to exclude Tenant and other occupants from the Premises.

E. Remove and store (at Tenant's sole cost) any property on the Premises at Tenant's sole cost.

- F. Sue for eviction, specific enforcement, equitable relief, rent, damages, or any other available remedy.
- G. Apply the Security Deposit in any manner permitted by this Lease, and/or increase the amount of the Security Deposit.
- H. Cure Tenant's default, and if Landlord so elects, Tenant must reimburse Landlord within thirty (30) days after Landlord delivers an invoice for the cure amounts paid or to be paid plus any reasonable expenses Landlord incurred effecting compliance with Tenant's obligations.
- I. Withhold or suspend any payment that this Lease would otherwise require Landlord to make.
- J. Charge interest on any amount not paid when due through the date of its payment at the Default Interest Rate (as set forth in Paragraph 40).
- K. Recover, but only if Tenant fails to pay Rent and Landlord terminates this Lease or Tenant's right of possession with more than twelve (12) months remaining in the Term of this Lease, liquidated rental damages for the period after any such termination equal to twelve (12) times the monthly Rent due at the time of termination in lieu of any other contractual or legal measure of damages (including re-letting costs) for Tenant's non-payment of Rent, and the parties agree this is a reasonable estimate of Landlord's damages for such a breach given the uncertainty of future market rental rates and of the duration of any vacancy.
- L. Exercise all other remedies available to Landlord at Law, in equity, or otherwise (including, without limitation, injunctive relief and any other remedy available under applicable Law).

For purposes of this Paragraph 24, "Breach Damages" means and includes, without limitation, all actual, incidental, and consequential damages, court costs, interest, and attorneys' fees arising from Tenant's breach or default of this Lease, including, without limitation, the cost to or incurred by Landlord of (a) recovering possession of the Premises, (b) removing and storing the property of Tenant and any other occupant or user of the Premises, (c) re-letting of the Premises (including, without limitation, the costs of brokerage commissions and cleaning, decorating, repairing, or altering the Premises for a substitute tenant or tenants), (d) collecting any money owed by Tenant or a substitute tenant, (e) repairing any damage to the Premises caused by any Tenant or other occupant or user of the Premises, (f) performing any obligation of Tenant under this Lease, (g) any other loss or cost reasonably incurred by Landlord as a result of, or arising from, Tenant's breach of this Lease or Landlord's exercise of its rights and remedies for such breach, (h) any contractual or liquidated type or measure of damages, including but not limited to Rental Deficiency as such is defined below; and (i) any other type or measure of damages recoverable for any particular breach under applicable Law.

For purposes of this Paragraph 24, "Rental Deficiency" means a contractual measure of Breach Damages for Tenant's non-payment of Rent measured by either the (a) actual Rental Deficiency, which is the difference (never less than zero) between (i) the Rent due for, and other Rent allocable under this Lease to, each month beginning with the first month with respect to which Landlord receives Rent from re-letting the Premises, and (ii) the proceeds, if any, that Landlord actually collects from any substitute tenant for any part of the Premises in each corresponding month in which the Term and the term of the substitute tenant's lease overlap; or (b) market Rental Deficiency, which is the present value, discounted at 6% simple annual interest, of the difference (never less than zero) between (i) the rent otherwise due under this Lease during any period after Tenant's breach in which Landlord may elect to recover this damage measure, and (ii) the fair rental value of the Premises during that period, *plus* any costs incurred in connection with any actual or attempted re-letting and any other Breach Damages.

In determining the market Rental Deficiency, the fair rental value will be the total rent that a comparable tenant would pay for comparable space in a building of substantially equivalent quality, size, condition, and location, considering rental rates and concessions then prevalent in the marketplace, the remaining lease term, the expected vacancy, and any other relevant factors. An independent MAI appraiser selected by Landlord will determine the fair rental value of the Premises, and that determination will conclusively bind the parties in any computation of the market Rental Deficiency.

Unless Landlord delivers signed, written notice thereof to Tenant, no act or omission by Landlord or Airport Manager or their respective officials, officers, employees, or agents will constitute Landlord's acceptance of surrender of

the Premises, termination of this Lease, or an actual or constructive eviction of Tenant (including, without limitation, Tenant's delivery of keys to any of Landlord's or Airport Manager's officials, officers, employees, or agents or Landlord's repossession, reentry, or re-letting of the Leased Premises).

Pursuit of any of the foregoing remedies or rights shall not preclude pursuit of any of the other remedies or rights herein provided or any other remedies or rights provided by Law, in equity, or otherwise; nor shall pursuit of any remedy or right 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. If any of Tenant's property ("Tenant Property") remains upon the Premises upon the expiration of the Lease term or any earlier termination of this Lease or any repossession of the Premises by Landlord because of Tenant's default under this Lease, Landlord shall have the right to remove such Tenant Property from the Premises and store such Tenant Property, and Tenant shall be obligated to reimburse Landlord for all of the costs incurred by Landlord in removing and storing such Tenant Property. Landlord shall not be required to release any Tenant Property to Tenant until Tenant has paid Landlord all costs incurred by Landlord in removing and storing such Tenant Property and all other amounts owed by Tenant to Landlord pursuant to this Lease, including, without limitation, unpaid rental and costs incurred by Landlord to repair the Premises.

25. Default by Landlord: No default by Landlord hereunder shall constitute an eviction or disturbance of Tenant's use and possession of the Premises or render Landlord liable for damages, of any kind or nature, 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 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 the said thirty (30) day period, or within said the additional reasonable period of time, Tenant shall have the right, as its sole and exclusive remedy, to 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 Base Rent installment(s) due by Tenant to Landlord hereunder.

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.

The liability of Landlord (and all other Addison Persons and all Manager Persons) for any default by Landlord under this Lease shall be limited to an amount equal to twelve (12) months of Base Rent (the amount of such Base Rent being the amount in effect at the time of such default), and Landlord (and all other Addison Persons and all Manager Persons) shall not be otherwise or personally liable for any deficiency, claim, harm, loss, judgment, liability, or for any other matter whatsoever, and Tenant (for itself and all Tenant Persons) fully waives all other rights of recovery against Landlord (and all other Addison Persons and all Manager Persons) and any assets of Landlord (and all other Addison Persons and all Manager Persons).

26. Mitigation of Damages:

A. Landlord and Tenant agree to the following criteria in connection with Landlord's mitigation of damages after a default by Tenant and abandonment of the Premises by Tenant under this Lease (such mitigation, being by means of marketing the Premises for lease, to commence not more than sixty (60) days after Tenant physically vacates the Premises and to continue until the Premises have been relet):

1. Landlord will have no obligation to solicit or entertain negotiations with any other prospective tenant of the Premises until and unless Landlord obtains full and complete possession of the Premises, including without limitation, the final and non-appealable legal right to relet the Premises free of any claim of Tenant.

2. Landlord will not be obligated to offer the Premises to a prospective tenant when other premises suitable for that prospective tenant's use are (or soon will be) available in any other premises located at Addison Airport.

3. Landlord will not have any obligation to lease the Premises for any rental less than the current rate then prevailing for similar space at Addison Airport (or if no similar space is available, the current fair market rental then prevailing for similar space in comparable buildings in the same market area as the Premises) nor shall Landlord be obligated to enter into a new lease under any terms or conditions that are unacceptable to Landlord.

4. Landlord will not be obligated to enter into any lease with any prospective tenant whose reputation is not acceptable to Landlord, in Landlord's sole judgment and opinion.

5. Landlord will not be obligated to enter into a lease with any prospective tenant: (i) which does not have, in Landlord's sole judgment and opinion, sufficient financial resources and operating experience to occupy and operate the Premises in a first class manner and meet its financial obligations; or (ii) whose proposed use of the Premises is not a permitted use under the terms of this Lease.

6. Landlord will not be required to expend any amount of money to alter, remodel or otherwise make the Premises suitable for use by any prospective tenant.

If Landlord makes the Premises available for reletting under the criteria set forth hereinabove, Landlord will be deemed to have fully satisfied Landlord's obligation to mitigate damages under this Lease and under any Law or judicial ruling in effect on the date of this Lease or at the time of Tenant's default, and Tenant hereby **waives and releases**, to the fullest extent legally permissible, any right to assert, in any action by Landlord to enforce the terms of this Lease, any defense, counterclaim, or rights of setoff or recoupment respecting the mitigation of damages by Landlord (or alleged failure by Landlord to adequately mitigate its damages), unless and to the extent Landlord maliciously or in bad faith fails to act in accordance with the requirements of this Paragraph.

No rent collected from a substitute tenant for any month in excess of the Rent due under the Lease for that month will be credited or offset against unpaid Rent for any other month or any other Breach Damages. Tenant stipulates that the mitigation requirements expressed in this Paragraph are objectively reasonable. **TO THE FULLEST EXTENT PERMITTED BY LAW, TENANT WAIVES ANY OTHER OBLIGATION BY LANDLORD TO MITIGATE ITS DAMAGES AFTER TENANT VACATES OR ABANDONS THE PREMISES.**

B. Tenant's right to seek damages as a result of a default by Landlord under this Lease shall be conditioned on Tenant taking all actions reasonably required, under the circumstances, to minimize any loss or damage to Tenant's property or business, or to any of Tenant's officials, officers, employees, agents, invitees, or other third parties that may be caused by any such default of Landlord.

27. 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 Premises, which loss or damage is covered by valid and collectible casualty, 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 casualty, 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.

28. Title to Improvements: The Town of Addison, Texas, is the sole owner of the Premises. Any and all improvements made to the Premises by Tenant 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, equipment, or removable trade fixtures owned by Tenant from the Premises, but Tenant shall be required to repair any damage to the 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 made to the Premises by Tenant and restore the Premises to the condition in which the same existed on the Commencement 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. If Tenant fails or refuses to remove any or all of Tenant's personal property, equipment, and trade fixtures from the Premises on or before the date of the termination of this Lease, the items which Tenant has failed or refused to remove: (i) shall be considered abandoned by Tenant, (ii) shall become the property of Landlord, and (iii) may be disposed of by Landlord in any manner desired by Landlord in Landlord's unfettered discretion.

29. Mechanics' and Materialmen's Liens: TENANT AGREES TO DEFEND, INDEMNIFY AND HOLD LANDLORD HARMLESS OF AND FROM ALL LIABILITY ARISING OUT OF THE FILING OF ANY MECHANICS' OR MATERIALMEN'S LIENS AGAINST THE PREMISES BY REASON OF ANY ACT OR OMISSION OF TENANT OR ANYONE CLAIMING BY, THROUGH, OR 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 40 AS ADDITIONAL RENT; PROVIDED, HOWEVER, THAT LANDLORD SHALL NOT SO SATISFY SUCH LIENS UNTIL THIRTY (30) DAYS AFTER WRITTEN NOTIFICATION TO TENANT OF LANDLORD'S INTENTION TO DO SO AND TENANT'S FAILURE DURING SUCH THIRTY (30) DAY PERIOD TO BOND SUCH LIENS OR ESCROW FUNDS WITH APPROPRIATE PARTIES TO PROTECT LANDLORD'S INTEREST IN THE PREMISES.

30. Title: Tenant enters into this Lease and accepts the Premises subject to: (i) the Airport Minimum Standards and the Rules and Regulations as amended or modified from time to time; (ii) easements, rights-of-way, and other interests in or encumbrances on Property (whether or not recorded) that may affect the Premises; (iii) all Laws promulgated by any governmental authority having jurisdiction over the Premises, and (iv) all of the terms, conditions, and provisions of this Lease.

31. Quiet Enjoyment and Subordination: Landlord represents that Tenant, upon Tenant's payment of the Rent and other payments herein required and provided for, and Tenant's performance of the terms, conditions, covenants and agreements herein contained, shall peaceably and quietly have, hold and enjoy the 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 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, ground or other lease ("ground lease"), or other lien now existing or hereafter placed on the Premises or to declare this Lease prior and superior to any mortgage, ground lease, deed of trust or other lien now existing or hereafter placed on the Premises (and Tenant agrees upon demand to execute such further instruments subordinating this Lease as Landlord may request), provided such subordination shall be upon the express conditions that (i) this Lease shall be recognized by the mortgagee (or ground lessor or holder of such other lien or interest) and that all of the rights of Tenant shall remain in full force and effect during the full term of this Lease so long as Tenant attorns to the mortgagee, its successor and assigns (or ground lessor or holder of such other lien or interest, their successors and assigns) and pays timely all Rent and other payments due hereunder and performs all of the duties and obligations of Tenant under this Lease; and (ii) in the event of foreclosure or any enforcement of any such mortgage, deed of trust, ground lease, or other lien, 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 under this Lease and attorn to the mortgagee, its successor and assigns (or ground lessor or holder of such other lien or interest, their successors and assigns). Tenant also agrees upon demand to execute further instruments declaring this Lease prior and superior to any mortgage, deed of trust, ground lease, or other lien and specifically providing that this Lease shall survive any foreclosure of such mortgage, deed of trust or other lien, or action to terminate a ground lease affecting the Premises. Upon any foreclosure of any mortgage, deed of trust or other lien now existing or hereafter placed on the Premises (or any sale in lieu thereof), or upon termination of a ground lease affecting the Premises, Tenant agrees to attorn to and recognize as landlord hereunder, the purchaser of Landlord's interest in the Premises at any foreclosure sale (or sale in lieu thereof) pursuant to any such mortgage, deed of trust or other lien, or the ground lessor (in the event of termination of a ground lease), if Tenant is required to do so by the applicable party (and Tenant agrees to execute an instrument to that effect as may be provided by such applicable party).

32. Access and Egress: Landlord reserves, and Tenant hereby grants to Landlord, the full and unrestricted access to and egress from that portion of the Premises on which buildings or improvements are not located

for Landlord, its tenants, employees, guests, patrons, invitees, contractors, suppliers of materials, furnishers of services, its or their equipment, vehicles, machinery and other property, and Manager, its officers, employees and agents, without charge to Landlord or to said persons or entities.

33. Rent on Net Return Basis: 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 Premises including, without limitation, maintenance, repairs, replacement, insurance, taxes and assessments, and this Lease shall be construed in accordance with such intention.

34. Holding Over: Should Tenant, or any of Tenant's successors in interest fail to surrender the 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 one hundred fifty percent (150%) of the Base Rent paid for the last month of the Term of this Lease.

35. 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. Landlord will not be deemed to have waived any right or remedy, or Tenant's breach of any obligation under this Lease, unless Landlord delivers a signed writing, addressed to Tenant and explicitly relinquishing that right, remedy or breach. No custom or practice arising during the Term of this Lease will waive, or diminish, Landlord's right to insist upon strict performance of Tenant's obligations. No restrictive endorsement or other statement on or accompanying any check or payment will be deemed an accord and satisfaction or novation, and Landlord will be entitled to accept any such check or payment, without prejudice, to Landlord's rights to recover the full amount due and to exercise its other remedies.

36. 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 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 Premises.

37. 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.

38. 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.

39. Estoppel Certificates:

A. Tenant agrees that from time to time, upon not less than thirty (30) days' prior written request by Landlord, Tenant will deliver to Landlord a statement in writing certifying: (i) that this Lease is unmodified and in full force and effect (or if there have been modifications, that this Lease as modified is in full force and effect and stating the modifications); (ii) the dates to which rent and other charges have been paid; (iii) Landlord is not in default under any term or provision of this Lease or, if then in default, the nature thereof in detail in accordance with an exhibit attached thereto; (iv) that, if requested by Landlord, Tenant will not pay Rent more than one (1) month in advance, (v) that this Lease will not be amended without notice to Landlord's mortgagee (or such other person as Landlord may identify), and (vi) that this Lease will not be terminated by Tenant without the same notice required by this Lease to be furnished by Tenant to Landlord also being furnished by Tenant to Landlord's mortgagee (or such other person as Landlord may identify), and Landlord's mortgagee (or such other person as Landlord may identify) shall have the same opportunity to cure such default within the curative period as allowed Landlord under this Lease; and (vii) any other information pertaining to Landlord, Tenant, this Lease or the Premises reasonably requested by Landlord.

B. Landlord agrees that from time to time, upon not less than thirty (30) days' prior written request by Tenant, Landlord will deliver to Tenant a statement in writing certifying: (i) that this Lease is unmodified and in full force and effect (or if there have been modifications, that this Lease as modified is in full force and effect and stating the

modifications); (ii) the dates to which Rent and other charges have been paid; and/or (iii) 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.

40. 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 per annum at the lesser of ten percent (10%) or the highest non-usurious rate then allowed by Law (the "Default Interest Rate"), 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 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.

41. Landlord's Lien: In addition to the constitutional and statutory Landlord's liens, **TENANT HEREBY GRANTS TO LANDLORD A SECURITY INTEREST TO SECURE PAYMENT OF ALL RENT DUE HEREUNDER FROM TENANT, UPON ALL GOODS, WARES, EQUIPMENT, FIXTURES, FURNITURE AND OTHER PERSONAL PROPERTY OWNED BY TENANT AND SITUATED IN OR UPON THE PREMISES, TOGETHER WITH THE PROCEEDS FROM THE SALE OR LEASE THEREOF.**

Such property shall not be removed without the consent of Landlord until all arrearages in rent then due to Landlord hereunder shall have been paid and discharged. Upon Tenant's failure to pay rent due within ten (10) days after the due date, Landlord may, in addition to any other remedies provided herein or by Law, enter upon the Premises and take possession of any and all goods, wares, equipment, fixtures, furniture and other personal property owned by Tenant and situated on the Premises without liability for trespass or conversion, and sell the same at public or private sale with or without having such property at the sale, after giving Tenant reasonable notice of the time and place of any such sale. Landlord has no right to and has no security interest in and may not take possession of any property which may be situated on the Premises but which is not owned by Tenant, including but not limited to property which may be owned by another and leased and/or loaned to Tenant. Unless otherwise required by Law, notice to Tenant of such sale shall be deemed sufficient if given in the manner prescribed in this Lease at least thirty (30) days before the time of the sale. Any public sale made under this Paragraph shall be deemed to have been conducted in a commercially reasonable manner if held in the Premises or where the property is located, after the time, place and method of sale and a general description of the types of property to be sold have been advertised in a daily newspaper published in Dallas County, Texas, for five (5) consecutive days before the date of the sale. Landlord or Landlord's assigns may purchase at a public sale and, unless prohibited by Law, at a private sale. The proceeds from any disposition dealt with in this paragraph, less any and all expenses connected with the taking of possession, holding and selling of the property including reasonable attorneys' fees and legal expenses), shall be applied as a credit against the indebtedness secured by the security interest granted herein. Any surplus shall be paid to Tenant or as otherwise required by Law, and Tenant shall pay any deficiency forthwith.

Upon request by Landlord, Tenant agrees to execute, as debtor, and deliver to Landlord financing statements in form sufficient as may be necessary to perfect the security interest of Landlord in the aforementioned property and proceeds thereof under the provisions of the Texas Business and Commerce Code. Landlord may at its election at any time file in the appropriate County records a copy of this Lease as a Financing Statement. Landlord, as Secured Party, has all of the rights and remedies afforded a secured party under the Texas Uniform Commercial Code in addition to and cumulative of the landlord's liens and rights provided by Law or by the other terms and provisions of this Lease. The constitutional and statutory liens for rent are expressly reserved; the security interest herein granted is in addition and supplementary thereto.

42. Corporate Execution: If Tenant is a corporation or if this Lease shall be assigned by Tenant to a corporation or if Tenant sublets all or a portion of the Premises to a corporation, such corporation hereby agrees to execute and deliver to Landlord from time to time during the Term of this Lease such instruments as Landlord may reasonably request to evidence: (i) the authority of such corporation to transact business good standing with the State of Texas; and (ii) the authority of the officers of such corporation to execute this Lease or other documents in connection with this Lease.

43. Joint and Several Liability: If more than one person or entity is defined as Tenant in this Lease, all of the duties, obligations, promises, covenants and agreements contained in this Lease to be paid and performed by Tenant shall be the joint and several obligations of all persons or entities defined as Tenant. Each person or entity defined as Tenant agrees that Landlord, in Landlord's sole discretion, may: (i) institute or bring suit against them, jointly and severally, or against any one or more of them; (ii) compromise or settle with any one or more of them for such consideration as Landlord may deem proper; and (iii) release one or more of them from liability hereunder, and that no such action by Landlord shall impair or affect Landlord's rights to collect costs, expenses, losses or damages incurred or suffered by Landlord from the other persons or entities defined as Tenant, or any of them, not so sued, compromised, settled with or released.

44. Certificate of Occupancy: Tenant may take possession of the Premises pursuant to the terms and conditions of this Hangar Lease, however may not occupy the Premises without first being issued a valid Certificate of Occupancy pursuant to the Town of Addison, Texas Code of Ordinances, Part II, Chapter 18, Article II, Division 2, Section 18-53. Tenant may apply for a Certificate of Occupancy any time after the Effective Date of this Agreement. If for any reason, beyond the reasonable control of Tenant, Tenant is unable to secure a Certificate of Occupancy within thirty (30) days prior to the Commencement Date, Tenant may terminate this Lease provided Tenant has given Landlord written notice of all deficiencies preventing the issuance of said Certificate of Occupancy in favor of Tenant and Landlord fails to cure or otherwise resolve the deficiency(ies) within ten (10) business days of Landlord's receipt of Tenant's written notice. Nothing herein contained shall obligate Landlord to install any additional electrical wiring, plumbing or plumbing fixtures, or other fixtures or equipment or any other improvements whatsoever which are not presently existing in the Premises, or which have not been expressly agreed upon by Landlord in writing.

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

46. Force Majeure: In the event performance by Landlord of any term, condition or covenant in this Lease is delayed or prevented by an 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.

47. 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.

48. Use of Language; No Third Party Beneficiaries: 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. For purposes of this Lease, "includes" and "including" are terms of enlargement and not of limitation or exclusive enumeration, and use of the terms does not create a presumption that components not expressed are excluded.

Where Landlord consent or approval is required in this Lease, such consent or approval may be given by the City Council of the Town of Addison, Texas or by the City Manager of the Town of Addison.

Except as otherwise set forth in this Lease, this Lease and each of its provisions are solely for the benefit of the parties hereto and are not intended to and shall not create or grant any rights, contractual or otherwise, to any third person or entity.

49. 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.

50. 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.

51. Severability: The terms and provisions of this Lease are severable, and if any term or 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, and the invalid or unenforceable term or provision will be reformed to give effect (to the fullest extent possible) to the parties' intentions in a manner that is legal, valid, and enforceable. It is the parties' intent that the term of this Lease not exceed any statutory limit; if it should be determined that the term of this Lease exceeds such period of time, the term hereof shall be reformed so as to make the term hereof not exceed such period of time.

52. Notices: Any notice or document required to be delivered or given 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 as registered or certified mail (return receipt requested is optional by sender), 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.

TO LANDLORD:

Town of Addison, Texas
c/o Airport Manager
16051 Addison Road, Suite 220
Addison, Texas 75001
Attn: Real Estate Manager

and

Town of Addison, Texas
P.O. Box 9010
5300 Beltline Road
Dallas, TX 75001-9010

TO TENANT:

Baker Aviation Maintenance, LLC
4700 Glenn Curtiss Drive
Addison, TX 75001

Attn: Stan Baker

Title: President, CEO

53. 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.**

54. 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.

55. 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, without regard to conflict of Law provisions of any jurisdiction; 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, and the parties submit themselves to the jurisdiction of such courts.

56. No Recording: Tenant agrees that Tenant will not record this Lease in the real property records of Dallas County, Texas, without first securing the prior written consent of Landlord, which may be withheld at Landlord's sole discretion. However, Tenant agrees upon the written request of Landlord to execute, acknowledge and deliver to Landlord a short-form lease in recordable form.

57. Diagram: The diagram of the Premises attached hereto as **Exhibit C** merely evidences existing or contemplated improvements. By attaching such diagram as an exhibit to this Lease, Landlord is in no way contracting or bound to maintain or construct improvements exactly as shown thereon or prohibited from making additional or different improvements.

58. Time of Essence: Time is of the essence in the payment and performance of the duties and obligations imposed upon Tenant by the terms and conditions of this Lease.

59. Survival: All duties and obligations imposed upon Tenant by the terms and conditions of this Lease shall survive the termination or expiration of this Lease until paid or performed.

60. Special Conditions:

Intentionally Left Blank

61. 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 Lease 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.

62. Entire Agreement and Amendments: This Lease, consisting of sixty-two (62) Paragraphs and Exhibits A through E attached hereto and made a part hereof, together with the premises and recitals to this Lease set forth above which are incorporated herein, and any other documents incorporated herein (including, without limitation, the Rules and Regulations), 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 on 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.

TENANT:

LANDLORD:

BAKER AVIATION MAINTENANCE, LLC
a Texas limited liability company

TOWN OF ADDISON, TEXAS
a home-rule municipality

By: [Signature]
Title: PRESIDENT

By: _____
Wesley S. Pierson, City Manager

Disclosure of Representation by SAMI Management, Inc.: SAMI and its brokers and salespersons are licensed and regulated by the Texas Real Estate Commission (TREC). SAMI is performing professional services pursuant to a written agreement with the Town of Addison and, among other things, represents the Town of Addison as the owner's agent for Addison Airport in Addison, Texas. SAMI is available to help and assist any prospective tenant and is obligated to treat them ethically and fairly. By law and by contract it cannot represent tenants or prospective tenants and must place the interests of the Town of Addison first. A tenant or prospective tenant should not tell the owner's agent anything the tenant or prospective tenant would not want the Town of Addison to know because the owner's agent must disclose to the owner any material information known to the owner's agent. Furthermore, in respect of the relationship of the parties, SAMI and its brokers and salespersons decline to serve as an intermediary between owner and tenant or prospective tenant. For further information, contact SAMI Management, Inc. at bill.dyer@samimgmt.com or 972-392-4856. A copy of *Information about Brokerage Services* as approved by Texas Real Estate Commission is available upon request.

EXHIBIT A

Legal Description of the Premises

4680 Glenn Curtiss Drive, Addison Airport, Addison, Texas 75001

Whereas a true and correct Legal Description of the Premises is currently not available, Landlord and Tenant mutually agree the Premises are located at 4680 Glenn Curtiss Drive, Addison, Dallas County, Texas 75001, also sometimes referred to as Property 0370 in the Airport Manager's records and as #T-11 in the FAA approved Airport Layout Plan (ALP) and as further described in Exhibit C hereto.

EXHIBIT B

Property Survey

Whereas a true and correct boundary survey is currently not available describing the Premises, Landlord and Tenant mutually agree the Premises are located at 4680 Glenn Curtiss Drive, Addison, Dallas County, Texas 75001, also sometimes referred to as Property 0370 in the Airport Manager's records and as #T-11 in the FAA approved Airport Layout Plan (ALP) and as further described in Exhibit C hereto.

EXHIBIT C

Aerial Depiction of the Premises

Below is a depiction of the proximity of the Premises for informational purposes only and is not to be construed as accurate in area or dimension.



EXHIBIT D

Utility Expense Reimbursement Addendum

Addendum to the Conventional Hangar Lease for Commercial Aviation Use with the Effective Date of September 1, 2016, concerning the Premises located at 4680 Glenn Curtiss Drive, Addison Airport, Addison, Dallas County, Texas 75001

A. The party designated below will pay for the following utility charges serving the Premises including any related connection/disconnection charges assessed by the service provided:

(Check or mark once per line. *Note: if a check is omitted or not made for any one line item or, if more than one check or mark is made per any one line item, Tenant is the responsible party to procure and pay for such service*).

(1)	(2) <u>N/A</u>	(3) <u>Landlord</u>	(4) <u>Tenant</u>	(5) <u>Provided by Landlord & Reimbursed By Tenant (See Exhibit D)</u>	(6) <u>Further Description If Any</u>
1. Water	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	√	Water Meter #08423036
2. Sewer	<input type="checkbox"/>		<input type="checkbox"/>	√	
3. Electric	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	√	Electric Meter #112894213
4. Gas	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	√	if available to the Premises
5. Telephone/Data	<input type="checkbox"/>	<input type="checkbox"/>	√	<input type="checkbox"/>	
6. Trash	<input type="checkbox"/>	<input type="checkbox"/>	√	<input type="checkbox"/>	
7. Cable	<input type="checkbox"/>	<input type="checkbox"/>	√	<input type="checkbox"/>	
8. Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
9. Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
10. Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

The responsible party so designated above (i) may select or change the utility service provider from time to time over the term of the Lease, and (ii) shall be responsible, at its sole cost and expense, for obtaining and maintaining said utility connections at or for the Premises.

B. All utilities to be provided by Landlord and reimbursed by Tenant as indicated above (Column 5) shall be paid as follows:

1. In addition to the Base Rent, Tenant will pay Landlord as Additional Rent the costs for the utility services indicated herein and directly attributable or reasonably allocable to the Premises and associated with the referenced accounts (where each account is an account of or for Landlord).

2. Each month Landlord shall submit to Tenant an invoice for all such utility costs, including taxes, fees and other related costs, billed to Landlord for the preceding billing cycle. Tenant shall pay, as Additional Rent, the amount of each such invoice no later than the first day of the month following the date of the invoice (and the obligation to pay the invoice for the last month (or partial month) of this Hangar Lease shall survive the expiration or termination of this Hangar Lease). Landlord agrees to reasonably cooperate with Tenant in the event Tenant, at Tenant's sole cost, should desire to inquire about, or to protest or appeal, the charges being assessed by the utility service provider. To this end, Tenant shall give Landlord prior written notice of any such protest or appeal, and resolution thereof.

3. Landlord agrees not to assess any rebilling or administrative service fees for utility costs covered under this addendum.

4. Tenant's failure to timely pay said utility costs as Additional Rent shall be deemed to be an event of default by Tenant under the Lease. Landlord reserves all rights and remedies available to it under the Lease and by Law to collect all Rent due.

Utility Expense Reimbursement Addendum Initialed By Tenant:



President

EXHIBIT E

4680 Glenn Curtiss Drive,
Addison, Texas

Maintenance and Repair Responsibilities

	<u>Landlord</u>	<u>Tenant</u>	<u>Comment</u>
Ground Maintenance			
Building & Gate Locksmithing & Security	Maintains all public access gates	All, as required by Tenant's use and all Laws, including ordinances, rules and regulations. All doors and gates leading to Airport Operations Area are to be kept secured at all times.	
Fencing	Landlord maintains Airport perimeter fence (damage to such fence caused by or resulting from any of Tenant's, or its guests' and invitees, acts or omissions shall be paid for by Tenant)	All other fencing upon the Premises, <i>if any</i> , is Tenant's responsibility.	
Landscape & Lawn Care	All turf, beds and planters within the Premises		
Landscape Irrigation	Minimum requirements by City ordinance		
Pavement - Parking	Structural repairs and reconstruction	Regular sweeping and snow removal. Any damage other than that resulting from normal wear and tear. Painting and striping as required for intended use or required by ordinance or otherwise by Landlord with Landlord's prior written consent.	
Pavement - Ramp	Structural repairs and reconstruction	Regular sweeping and snow removal. Any damage other than that resulting from normal wear and tear. Painting and striping as required for intended use, safe operations or as required by Landlord and with Landlord's prior written	

	<u>Landlord</u>	<u>Tenant</u>	<u>Comment</u>
Trash Dumpster	Dumpster location or location changes at the sole discretion and direction of the Landlord.	Tenant to manage, maintain and pay for service, must be kept on Premises unless otherwise approved in advance by Landlord	
Trash Dumpster screening, if required	Landlord is responsible for constructing, if required.	Maintained at Tenant's sole cost and expense.	
<u>Building Shell</u>			
Garage Overhead & Service Doors	Major repairs and replacement if required at sole discretion of Landlord.	General preventive maintenance and basic service and repair. Examples of general preventive maintenance and basic service and repair would be servicing, maintaining or repairing springs, cables, rollers, latch & lock...	(damage caused by or resulting from Tenant, Tenant's employees, or its guests' and invitees, acts or omissions shall be paid for by Tenant)
Hangar Doors	Major repairs and replacement if required at sole discretion of Landlord	General preventive maintenance and basic service – including cleaning floor tracks.	(damage caused by or resulting from Tenant, Tenant's employees, or its guests' and invitees, acts or omissions shall be paid for by Tenant)
Hangar Floor	Major repairs and replacement if required at sole discretion of Landlord.	General preventive maintenance, sweeping, cleaning and safety markings as required by Landlord. Examples include cleaning floors of oils and chemical materials that may cause permanent damage to floor surface such as stains or peeling of floor coating.	(damage caused by or resulting from Tenant, Tenant's employees, or its guests' and invitees, acts or omissions shall be paid for by Tenant)
Building & Hangar Insulation, if existing	Major repairs and replacement if required at sole discretion of Landlord.	General preventive maintenance, repair and replacement where required.	(damage caused by or resulting from Tenant, Tenant's employees, or its guests' and invitees, acts or omissions shall be paid for by Tenant)

	<u>Landlord</u>	<u>Tenant</u>	<u>Comment</u>
Painting and cleaning of building exterior	Performed by Landlord at Landlord's sole expense and discretion.	General preventive maintenance, repair and replacement where required.	(damage caused by or resulting from Tenant, Tenant's employees, or its guests' and invitees, acts or omissions shall be paid for by Tenant)
Repairs to exterior siding building, fascia, trim, etc.	Performed by Landlord at Landlord's sole expense and discretion	General preventive maintenance, repair and replacement where required.	(damage caused by or resulting from Tenant, Tenant's employees, or its guests' and invitees, acts or omissions shall be paid for by Tenant)
Window and Glass Curtain Walls	Major repairs and replacement when required at sole discretion of Landlord.	General preventive maintenance, repair and replacement where required.	(damage caused by or resulting from Tenant, Tenant's employees, or its guests' and invitees, acts or omissions shall be paid for by Tenant)
Roof	Major repairs and replacement when required at sole discretion of Landlord.	No penetrations without Landlord's prior written approval.	
Roof rain-gutters and downspouts	Major repair and replace as required.	General preventive maintenance, repair and replacement where required.	
Interior - Finish-out			
Interior Doors	Major repairs and replacement when required at sole discretion of Landlord.	General preventive maintenance, repair and replacement where required.	(damage caused by or resulting from Tenant, Tenant's employees, or its guests' and invitees, acts or omissions shall be paid for by Tenant)

	<u>Landlord</u>	<u>Tenant</u>	<u>Comment</u>
All Interior and Exterior door locks (electronic or keyed)	Any lock changes or lock system changes must be approved by Landlord in advance. Maintain copies of access keys provided by Tenant.	General preventive maintenance, repair and replacement where required. Copies of access keys to be provided to Landlord with instruction and codes provided for any electronic locking systems.	(damage caused by or resulting from Tenant, Tenant's employees, or its guests' and invitees, acts or omissions shall be paid for by Tenant)
Office/shop space flooring and floor cover	Major repairs and replacement at sole discretion of Landlord.	Major repair and replacement with Landlord's prior consent. General preventive maintenance, cleaning of all floor surfaces (carpet, tile and tile grout...) repair and replacement where required.	(damage caused by or resulting from Tenant, Tenant's employees, or its guests' and invitees, acts or omissions shall be paid for by Tenant)
Painting Interior – Office and shop space		Repainting similar to existing condition. Major change in color, texture and material must be with Landlord's prior written consent. General preventive maintenance, cleaning, repair and replacement where required.	(damage caused by or resulting from Tenant, Tenant's employees, or its guests' and invitees, acts or omissions shall be paid for by Tenant)
Painting Interior – Hangar space	Repainting similar to existing condition at sole discretion of the Landlord.	Any change in color, texture and material must be with Landlord's prior written consent. General preventive maintenance, cleaning, repair and replacement where required.	(damage caused by or resulting from Tenant, Tenant's employees, or its guests' and invitees, acts or omissions shall be paid for by Tenant)
Walls & Ceilings	Major repairs and replacement at sole discretion of Landlord.	Repainting or repairing similar to existing condition. Major change in color, texture and material must be with Landlord's prior written consent. General preventive maintenance, cleaning, repair and replacement where required. Applicable to office area only.	(damage caused by or resulting from Tenant, Tenant's employees, or its guests' and invitees, acts or omissions shall be paid for by Tenant)

	<u>Landlord</u>	<u>Tenant</u>	<u>Comment</u>
Building Systems			
Air Compressor		Tenant's full responsibility.	
Electrical Systems	Major repairs, replacement or modifications at sole discretion of Landlord. General maintenance and repair.	Replacement or material change only with Landlord's prior written consent. Inform Landlord of any electrical issues or needed modifications.	(damage caused by or resulting from Tenant, Tenant's employees, or its guests' and invitees, acts or omissions shall be paid for by Tenant)
Exterior Lighting & maintenance	Major repairs and replacement at sole discretion of Landlord. Landlord to replace bulbs as necessary.	Replacement or material change only with Landlord's prior written consent.	
Office and interior lighting	Major repairs and replacement of fixtures at sole discretion of Landlord.	Tenant to replace bulbs and lamps as necessary with similar bulb and lamp types.	(damage caused by or resulting from Tenant, Tenant's employees, or its guests' and invitees, acts or omissions shall be paid for by Tenant)
Hangar light repair and replacement	Major repairs and replacement at sole discretion of Landlord. Landlord to replace bulbs as necessary.	Replacement or material change only with Landlord's prior written consent.	(damage caused by or resulting from Tenant, Tenant's employees, or its guests' and invitees, acts or omissions shall be paid for by Tenant)
HVAC	Major repairs and replacement at sole discretion of Landlord. Filter changes and major repair of equipment.	General maintenance and repair. Replacement or material change only with Landlord's prior written consent. Examples of general maintenance and repair are; routine services, preventive maintenance, thermostat battery replacement and additional refrigerant as needed.	(damage caused by or resulting from Tenant, Tenant's employees, or its guests' and invitees, acts or omissions shall be paid for by Tenant)
Window a/c units, if any	Major repairs and replacement at sole discretion of Landlord.	General maintenance and repair. Replacement or material	(damage caused by or resulting from Tenant,

	<u>Landlord</u>	<u>Tenant</u>	<u>Comment</u>
		change only with Landlord's prior written consent.	Tenant's employees, or its guests' and invitees, acts or omissions shall be paid for by Tenant)
Plumbing systems	Major repairs and replacement at sole discretion of Landlord.	General maintenance and repair. Replacement or material change only with Landlord's prior written consent.	(damage caused by or resulting from Tenant, Tenant's employees, or its guests' and invitees, acts or omissions shall be paid for by Tenant)
Water heater	Replacement at Landlord's sole discretion.	General maintenance and repair. Replacement with Landlord's prior written consent.	
Storm water drains	Major repairs and replacement and general maintenance.	Damage caused by or resulting from acts of Tenant, Tenant's employees, guests or invitees shall be paid for by Tenant.	(damage caused by or resulting from Tenant, Tenant's employees, or its guests' and invitees, acts or omissions shall be paid for by Tenant)
Grease Traps	Landlord to have inspected and serviced upon tenant move-in.	Tenant's full responsibility.	If any
Tapping into Fire Main for fire suppression systems	Must be approved by Landlord in advance.	Tenant's full responsibility with Landlord's prior written consent.	
Other:			

Work Session and Regular Meeting**Meeting Date:** 08/23/2016**Department:** Infrastructure- Development Services

AGENDA CAPTION:**Consider A Resolution Authorizing The City Manager To Terminate A Ground Lease On Airport Property Located At 4851 Claire Chennault.****BACKGROUND:**

On March 1, 1984, Addison, through its then airport manager, Addison Airport of Texas, Inc., entered into 40-year Ground Lease with ComMortgage for a ground lease at 4851 Claire Chennault at Addison Airport. The original ground lease was subsequently assigned to Jose Ortiz Avila. In 2007, Jose Ortiz Avila was tragically killed in a plane crash (unrelated to Addison Airport). Staff understands that since that time, his estate has been involved in substantial litigation.

The Tenant's estate is in default under numerous provisions of the Ground Lease, including:

1. Failure to maintain the property in good repair and condition;
2. Failure to timely provide evidence upon request that all taxes have been paid;
3. Failure to obtain consent to make alterations or improvements to the premises and such have not been performed in the first-class workmanlike manner;
4. Failure to maintain at all times property and liability insurance as required; and
5. Failure to obtain prior written consent to the assignment of Tenant's rights under the ground lease.

On July 7, 2016, the City Attorney sent a Notice of Default to Mr. Todd Prins, the attorney who most recently identified to staff that he represented the Estate of Jose Ortiz Avila, together with a copy of the same to Mr. Carlos Pumaerio, a representative of the Estate. Pursuant to the Notice of Default, the Tenant had thirty (30) days to cure the issues identified therein. Over the last thirty (30) days, the City Attorney has left multiple messages and emailed Mr. Prins regarding this matter without any return communication. To date, the Tenant has not cured any of the issues identified in the Notice of Default.

Staff recommends that the City Manager be authorized to terminate and take legal possession of the demised premises and the improvements made thereto subject to the Ground Lease and that the City Manager be further authorized, in cooperation with the City Attorney's office, to take any appropriate action(s) necessary to ensure the Town obtains clear possession to the premises and personalty subject to the Ground Lease.

RECOMMENDATION:

Administration recommends approval

Attachments

Aerial

Default Letter - Ortiz

Ground Lease - Ortiz

Resolution - Ortiz

Location of J. Ortiz Ground Lease (4581 Claire Chennault Dr.)





July 7, 2016

Via CMRRR# 7012 3460 0000 0451 3844

Mr. Todd Prins, Esq.
4940 Broadway St., Suite 108
San Antonio, Texas 78209

Re: **NOTICE OF DEFAULT** – for that certain Ground Lease executed on March 1, 1984 between City of Addison, Texas (“City”), Addison Airport of Texas, Inc. and ComMortgage, Inc. and by virtue of various assignments and modifications to the Ground Lease, the Estate of Jose Ortiz Avila is the successor in interests to the Ground Lease (“Tenant”) (collectively, the “Ground Lease”).

Dear Mr. Prins:

This firm represents the City of Addison, Texas. The City has been advised that you represent the Tenant. This letter hereby serves as written notice of default to Tenant of Tenant's failure to comply with the terms and conditions of the above-referenced Ground Lease (“Notice of Default”). More specifically, Tenant has failed to:

- (i) maintain the property in good repair and condition with a portion of the building improvements left in an unfinished state of repair in violation of local building codes, broken windows have been left unrepaired and the grounds routinely remain unkempt (see Section 11 of the Ground Lease);
- (ii) timely pay property taxes and furnish “paid receipts” or other written evidence that all such taxes have been paid upon Landlord’s request (see Section 10 of the Ground Lease);
- (iii) obtain Landlord’s prior written consent to making any alterations, additions or improvements to the demised premises and such alterations, additions or improvements made have not been performed in a first-class workmanlike manner (see Section 12 of the Ground Lease);
- (iv) maintain, at all times without lapse, at Tenant’s sole cost and expense, property and liability insurance required under the Ground Lease (see Section 13 of the Ground Lease);
- (v) obtain the Landlord’s prior written consent to the assignment of any of Tenant’s rights under the Ground Lease, including but not limited to, to Alamex, CO. N.V. evidenced by a certain Warranty Deed executed December 20, 2001 recorded in the Dallas County, Texas Official Public Records as Instrument #200201768864 (see Section 9 of the Ground Lease);

DALLAS

6351 Preston Rd. • Suite 350
Frisco, TX 75034
P: 972.668.6400 • F: 972.668.6414

MESSER, ROCKEFELLER & FORT, PLLC
www.txmunicipallaw.com

ABILENE

4400 Buffalo Gap Rd. • Suite 2800
Abilene, TX 79606
P: 325.701.7960 • F: 325.701.7961

(vi) occupy a substantial portion of the demised premises and use the demised premises for the purpose leased (see Section 22 and Section 6 of the Ground Lease); and

(vii) comply at all times with all governmental laws, ordinances and regulations applicable to the use of the demised premises for the correction, prevention and abatement of nuisances in or upon or connected with the demised premises (see Section 8 of the Ground Lease).

The aforementioned actions and/or inactions by Tenant fail to comply with the terms, conditions and/or covenants of the Ground Lease. **Pursuant to Ground Lease Paragraph 22B, your client, the Tenant, has thirty (30) days to cure the issues identified above in (i) – (vii). The Tenant’s failure(s) to comply with any term, condition or covenant of this Lease, other than the payment of rent or other sum of money, is deemed an event of default by Tenant if such failure(s) shall not be cured within thirty (30) days after written notice thereof to Tenant.**

Landlord hereby reserves any and all rights and remedies available to it as permitted under the Ground Lease and/or by law, including but not limited to: (i) Landlord’s right to enter the demised premises to make repairs and maintain the demised premises pursuant to the Ground Lease; (ii) collect from the assignee or subtenant, if any, all rents becoming due under such assignment and apply such rent against any sums due to Landlord as provided for under the above referenced Subparagraph A. of Section 9 to the Ground Lease; and/or (iii) termination of the Ground Lease under Section 23. Pursuit of any remedy shall not constitute a forfeiture or waiver of any rent due to Landlord or of any damages accruing to Landlord by reason of the violation of any terms, conditions and covenants contained in the Ground Lease.

Your prompt attention to this matter is greatly appreciated. Please contact me immediately to advise of your client’s plan to remedy and/or cure the defaults identified herein.

Very Truly Yours,


Courtney A. Kuykendall *by permission*

cc:

Joel Jenkinson, Airport Director *via electronic mail*

Lisa Pyles, Director of Infrastructure & Development Services *via electronic mail*

William M. Dyer, Real Estate Manager *via electronic mail*

Brenda McDonald, City Attorney *via electronic mail*

Mr. Carlos Pumaerjo *via electronic mail: grupo.intha@gmail.com*

This Ground Lease (hereinafter referred to as the "Lease" is made and entered into as of March 1, 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 ComMortgage, 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 April 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 EIGHT HUNDRED THREE AND 59/100 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 & 1 - attached office and covered vehicle parking 140' x 20' single story. Associated aircraft ramp and vehicle parking.

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

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

E. Landlord further agrees to execute and deliver to any proposed leasehold mortgagee of Tenant a "Non-Disturbance Agreement" wherein Landlord agrees that Landlord will (i) recognize such mortgagee and its successors and assigns after foreclosure, or transfer in lieu of foreclosure, as Tenant hereunder, and (ii) continue to perform all of Landlord's obligations hereunder so long as such mortgagee or its successors and assigns performs all of the obligations of Tenant hereunder. Landlord also agrees to execute and deliver to such proposed leasehold mortgagee any other documents which such proposed leasehold mortgagee may reasonably request concerning the 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 promptly commence Restoration, or after commencement Tenant does not diligently proceed to the completion of same, Landlord shall have the right to commence or complete Restoration after Landlord has given Tenant thirty (30) days prior written notice requesting the commencement of Restoration or that Tenant diligently proceeds to the completion of same if Tenant during such thirty (30) day period does not so commence or proceed to diligently complete Restoration. In such event, Landlord shall retain the insurance proceeds, and Tenant shall pay any deficiency if such proceeds are not sufficient for Restoration.

15. Condemnation:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Landlord agrees that from time to time, 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:

TENANT:

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

City of Addison, Texas

P. O. Box 144

Addison, Texas 75001

ComMortgage, Inc.
P. O. Box 796487
Dallas, Texas 75379

385-0716

R. O'Neal Gray, President

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

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

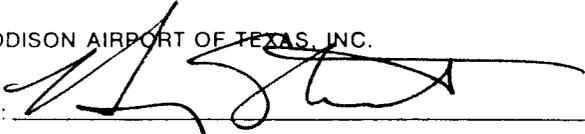
48. Governing Law and Venue. This Lease and all of the transactions contemplated herein shall be governed by and construed in accordance with the laws of the State of Texas, and Landlord and Tenant both irrevocably agree that venue for any dispute concerning this Lease or any of the transactions contemplated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

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

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

LANDLORD:

ADDISON AIRPORT OF TEXAS, INC.

By: 

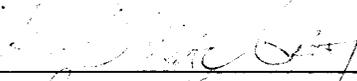
Its: Pres

CITY OF ADDISON, TEXAS

By: 

Its: _____

TENANT:

By: 

Its: President

EXHIBIT "A"

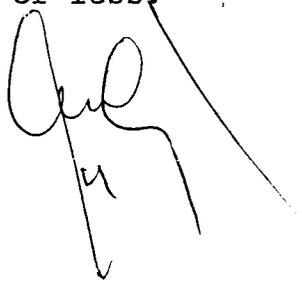
Being all the leasehold interest in the land and fee simple interest in the improvements located on the land described as follows:

Being a tract of land situated in the WILLIAM LOMAX SURVEY, ABSTRACT NO. 792, Dallas County, Texas, also being located on ADDISION MUNICIPAL AIRPORT, Addison, Texas, and being more particularly described as follows:

COMMENCING at the intersection of the South Right of Way line of Westgrove Road and the West Right of Way line of Addison Road; THENCE West along the South Right of Way line of Westgrove Road a distance of 759.59 ft. to a point in the West Right of Way of Claire Chennault (60-ft. ROW);

THENCE 0 deg. 07 min. 20 sec. E, along the said West Right of Way a distance of 261.58 ft. to a point on a curve to the right; said curve having a central angle of 43 deg. 37 min. 02 sec., a radius of 70.0 ft., a chord bearing S 21 deg. 41 min. 11 sec. E, 52.01 ft. and an arc length of 53.28 ft.; THENCE 43 deg. 29 min. 42 sec. W, along the Right of Way of Claire Chennault a distance of 260.50 ft. to the Point of Beginning; CONTINUE, THENCE, S 43 deg. 29 min. 42 sec. W, a distance of 220.0 ft. to a point;

THENCE N 46 deg. 50 min. 17 sec. W, a distance of 191.95 ft.; THENCE N 43 deg. 22 min. 26 sec. E, a distance of 180.00 ft.; THENCE N 46 deg. 38 min. 34 sec. W, a distance of 40.00 ft.; THENCE N 43 deg. 22 min. 26 sec. E, a distance of 41.2 ft.; THENCE S 46 deg. 30 min. 18 sec. E, a distance of 232.41 ft. to the Point of Beginning, containing 1.0211 acres of land (44033.3 s/f), more or less.

A handwritten signature in black ink, appearing to be 'J. L. ...', is written over the bottom portion of the text. The signature is stylized and somewhat illegible.

STATE OF TEXAS }
COUNTY OF DALLAS

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

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 12 day of March, 1984.

Carolyn James
Notary Public
Dallas
County, Texas

STATE OF TEXAS }
COUNTY OF DALLAS

BEFORE ME, the undersigned authority, on this day personally appeared Jerry 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 purpose and considerations therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 12th day of April, 1984.

James Sharp
Notary Public
Dallas
County, Texas



STATE OF TEXAS }
COUNTY OF DALLAS

BEFORE ME, the undersigned authority, on this day personally appeared R. Neal Gray
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 fifteenth day of March, 1984.

Amy Stow Durham
Notary Public
Dallas
County, Texas

TOWN OF ADDISON, TEXAS

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE TOWN OF ADDISON, TEXAS AUTHORIZING THE CITY MANAGER TO TERMINATE THAT CERTAIN GROUND LEASE EXECUTED ON MARCH 1, 1984 BETWEEN THE TOWN OF ADDISON, TEXAS, ADDISON AIRPORT OF TEXAS, INC. AND COMMORTGAGE, INC., AND BY VIRTUE OF VARIOUS ASSIGNMENTS AND MODIFICATIONS TO SAID GROUND LEASE, THE ESTATE OF JOSE ORTIZ AVILA, SUCCESSOR IN INTEREST TO THE GROUND LEASE, AND AUTHORIZING THE CITY MANAGER TO TAKE ANY ACTION NECESSARY TO OBTAIN CLEAR POSSESSION TO THE PREMISES AND PERSONALTY SUBJECT TO THE GROUND LEASE, AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the Town of Addison, Texas (“Town”) entered into a Ground Lease with Addison Airport of Texas, Inc. and ComMortgage, Inc. on March 1, 1984 (“Ground Lease”); and

WHEREAS, by virtue of various assignments and modifications to the Ground Lease, the tenant under the Ground Lease is the Estate of Jose Ortiz Avila (“Tenant”); and

WHEREAS, it has come to the attention of Town Staff that the Tenant is in default under numerous provisions of the Ground Lease; and

WHEREAS, a Notice of Default was sent to the Tenant, but Tenant failed to cure said defaults within the prescribed time period; and

WHEREAS, the City Council has investigated and determined that it is in the best interests of the Town to authorize the City Manager to terminate the Ground Lease and take any action necessary, in cooperation with the city attorney’s office, to obtain clear possession to the premises and personalty subject to the Ground Lease.

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

Section 1. The City Manager is hereby authorized to terminate that certain Ground Lease executed on March 1, 1984 between the Town of Addison, Texas, Addison Airport of Texas, Inc. and ComMortgage, Inc., and by virtue of various assignments and modifications to said Ground Lease, the Estate of Jose Ortiz Avila, successor in interest to the Ground Lease, in accordance with the terms and conditions of the Ground Lease.

Section 2. The City Manager is further authorized, in cooperation with the City Attorney’s office, to take any appropriate action(s) necessary to ensure the Town obtains clear possession to the premises and personalty subject to the Ground Lease.

Section 3. This Resolution shall take effect from and after its date of adoption.

PASSED AND APPROVED by the City Council of the Town of Addison, Texas this the 23rd day of August, 2016.

Todd Meier, Mayor

ATTEST:

By: _____
Laura Bell, City Secretary

APPROVED AS TO FORM:

By: _____
Brenda N. McDonald, City Attorney

AI-1779

8.

Work Session and Regular Meeting

Meeting Date: 08/23/2016

Department: General Services

AGENDA CAPTION:

Consider Approval Of A **Contract For Custodial Services At The Conference And Theatre Centre, Pavilion, Stone Cottage, Police Station, And Police Substation Facilities With Global Building Maintenance, Inc. In An Amount Not To Exceed \$70,699.72.**

BACKGROUND:

The Town contracts with outside vendors for custodial cleaning services for all Town owned and lease facilities. Currently the Town is served by Eagle Maintenance in all buildings. Since Eagle Maintenance is not performing up to expectations in the Conference and Theatre Centre, Pavilion, Stone Cottage, Police Station, and Police Substation facilities, we are contracting with a new vendor in these facilities.

Staff developed a Request For Proposal (RFP) and sought proposals from janitorial vendors. Six vendors submitted proposals. A committee was formed consisting of staff from General Services, Purchasing, Police and Conference Centre to evaluate the proposals. Annual costs from vendors ranged from \$60,699.72 to \$107,772.00 (see attached bid tab). The Committee determined that Global Building Maintenance had both the lowest cost and provided the best proposal equating the best value. The contract calls for the vendor to supply all labor, equipment and cleaning products aside from paper products in this price.

The cost for services is \$60,699.72. We have included \$10,000 in contingency funds to allow for extra services such as additional cleans in the Conference Centre if they have a Sunday event, bringing the total contract amount to \$70,699.72. We will also add the new Vitruvian Police Substation to this contract since it was not open at that time the RFP was issued. This contract will be for one year with the option to renew for four additional years if the Town desires.

All of Global Building Maintenance's employees that will be working in the Town's facilities will be processed through the Police Departments security check. Staff has received favorable references.

RECOMMENDATION:

Administration recommends approval.

Attachments

PO Contract

Bid Tab

CERTIFICATE OF INTERESTED PARTIES

FORM 1295

1 of 1

Complete Nos. 1 - 4 and 6 if there are interested parties.
 Complete Nos. 1, 2, 3, 5, and 6 if there are no interested parties.

OFFICE USE ONLY CERTIFICATION OF FILING

1 Name of business entity filing form, and the city, state and country of the business entity's place of business.

Global Building Maintenance, Inc.
 Dallas, TX United States

Certificate Number:
 2016-96570

Date Filed:
 08/09/2016

2 Name of governmental entity or state agency that is a party to the contract for which the form is being filed.

Town of Addison

Date Acknowledged:

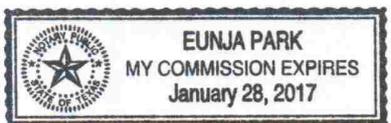
3 Provide the identification number used by the governmental entity or state agency to track or identify the contract, and provide a description of the services, goods, or other property to be provided under the contract.

RFP 16-80
 Janitorial Services

4	Name of Interested Party	City, State, Country (place of business)	Nature of interest (check applicable)	
			Controlling	Intermediary
	Eom, David	Irving, TX United States	X	
	Kim, Ky	Irving, TX United States	X	

5 Check only if there is NO Interested Party.

6 AFFIDAVIT I swear, or affirm, under penalty of perjury, that the above disclosure is true and correct.



[Handwritten Signature]

 Signature of authorized agent of contracting business entity

AFFIX NOTARY STAMP / SEAL ABOVE

Sworn to and subscribed before me, by the said Ky Rym Kim, this the 9th day of August, 20 16, to certify which, witness my hand and seal of office.

[Handwritten Signature] Eun J. Park

 Signature of officer administering oath Printed name of officer administering oath Title of officer administering oath

CONTRACT
AGREEMENT

STATE OF TEXAS

COUNTY OF DALLAS

THIS AGREEMENT is made and entered into this 23 day of August, 2016, by and between the Town of Addison, of the County of Dallas and State of Texas, acting through its Mayor, thereunto duly authorized so to do, Party of the First Part, hereinafter termed the OWNER, and Global Building Maintenance, Inc., of the City of Dallas, County of Dallas, State of Texas, Party of the Second Part, hereinafter termed CONTRACTOR.

WITNESSETH: That for and in consideration of the payment and agreement hereinafter mentioned, to be made and performed by the OWNER, the said CONTRACTOR hereby agrees with the said OWNER to commence and complete the services of your response to our bid:

Janitorial Services RFP 16-80

and all extra work in connection therewith, under the terms as stated in the General and Specific Provisions of the AGREEMENT; and at his own proper cost and expense to furnish all the materials, supplies, machinery, equipment, tools, superintendence, labor, insurance and other accessories and services necessary to complete the said service, in accordance with the conditions and prices stated in the Bid attached hereto and in accordance with the Advertisement for Bids, Instructions to Bidders printed or written explanatory matter thereof, and the Technical Specifications and Addenda thereto, as prepared by the OWNER, each of which has been identified by the endorsement of the CONTRACTOR and the OWNER thereon, together with the CONTRACTOR's written Bid and the General Provisions, all of which are made a part hereof and collectively evidence and constitute the entire AGREEMENT.

The OWNER agrees to pay the CONTRACTOR \$ 60,699.72 in current funds for the performance of the Contract in accordance with the Bid submitted thereof, subject to additions and deductions, as provided in the General Provisions, and to make payments of account thereof as provided therein.

IN WITNESS WHEREOF, the parties of these presents have executed this AGREEMENT in the year and day first above written.

TOWN OF ADDISON
(OWNER)

ATTEST:

By: _____

City Secretary

Global Building Maintenance, INC
Party of the Second Part
(CONTRACTOR)

ATTEST:

David EOM

By: DAVID EOM

The following to be executed if the CONTRACTOR is a corporation:

I, _____, certify that I am the secretary of the corporation named as CONTRACTOR herein; that _____, who signed this Contract on behalf of the CONTRACTOR is the of said corporation; that said _____ Contract was duly signed for and in behalf of said corporation by authority of its governing body, and is within the scope of its corporate powers.

Signed: _____

Corporate Seal

Work Session and Regular Meeting

Meeting Date: 08/23/2016

Department: Infrastructure- Development Services

AGENDA CAPTION:

Present, Discuss, And Consider Action On An **Ordinance Amending The Code Of Ordinances, Chapter 78 – Traffic And Vehicles To Repeal The Requirement For A Traffic Register; Authorizing The City Manager Or Their Designee To Place, Erect And Maintain Such Traffic Control Devices Which Are Deemed To Be Warranted Or As May Be Required By Ordinances Of The City And Approving All Traffic Control Devices Previously Authorized, Placed Or Erected On Addison Roadways.**

BACKGROUND:

Addison's Code of Ordinances authorizes the Director of Public Works to erect stop signs in accordance with state law and as designated by the City Council. The ordinance goes on to specifically list the locations of stop signs in the Town of Addison. Over the years, a number of stop signs have been installed but have not been added to the list in the ordinance. Therefore, the ordinance is not up to date. Staff surveyed our benchmark cities to see how they treat this issue and found that the majority give the authority to the appropriate staff member to erect or install traffic control devices without requiring a specific authorization from the City Council. A table showing the results of that survey is attached.

In order to make the ordinance less cumbersome and more in line with how other cities handle this issue, staff recommends that the current ordinance be revised to more closely follow those of the surrounding cities. In particular, the following changes to Chapter 78 - Traffic and Vehicles, are recommended:

1. Section 78-35, Traffic Register to be repealed in its entirety. The section stipulates that the City Secretary maintain in her files a list of all traffic regulations or designations established under this chapter. The Infrastructure and Development Services Department maintains a list of all traffic signal and sign locations and that record is subject to a public records request. The requirement for the City Secretary to maintain the file is unnecessary.
2. Section 78-53, Specific Remedies to be repealed in its entirety. The stipulations of this section are covered in the proposed Section 78-71, which specifies that all traffic control devices, signs, signals, and marking and devices shall conform to the "Manual on Uniform Traffic Control Devices" that is approved by the State of Texas.
3. Section 78-71, Manual and Specifications to be amended to specify that all traffic

control devices, signs, signals, and markings and devices shall conform to the "Manual on Uniform Traffic Control Devices" that is approved by the State of Texas, as subsequently amended.

RECOMMENDATION:

Administration recommends approval.

Attachments

Traffic Control Device Ordinance Comparison

DRAFT Ordinance

Traffic Control Device Ordinance Comparison

City	Authority Adopted By Ordinance	Locations Listed	Records To Be Maintained
Allen	The director of community development is designated as the traffic engineer and shall have control and direction of...the marking of all traffic zones and installation of signals and road markers relating to direction and control of traffic.	NO	Not Listed
Carrollton	The Director [of Transportation] shall further have the power and is hereby authorized to cause all necessary signs, markers, streetlights, traffic signals, street pavement markings, or other traffic control devices to be erected or placed on any streets or part of a street when he deems such action necessary.	NO	Not Listed
Coppell	The director of traffic control shall place and maintain traffic control devices as he may deem necessary to regulate traffic under the ordinances of the city and the laws of this state or to guide or warn traffic.	NO	Not Listed
Dallas	The traffic engineer shall conduct studies and investigations of the public streets and highways within the city and shall determine those places on public streets and highways where a particular danger or hazard exists to motor vehicle traffic and pedestrian traffic and shall place and maintain traffic control signs, signals, and devices in accordance with these studies and determinations as required under this chapter and other traffic laws.	NO	Not Listed
Denton	The city traffic engineer shall place and maintain traffic-control signs, signals and devices when as required under this chapter...The traffic engineer may designate any street intersection as a stop intersection and designate the streets upon which vehicles shall stop before entering such intersections.	NO	Not Listed
Farmers Branch	The director of public works is authorized by the city council to place and maintain traffic control signs, signals and devices when and as required under this chapter...and he is authorized to make a study of and determine the intersections where particular hazards exist, and to determine whether vehicles shall stop at one or more entrances to any such stop intersection.	YES	Not Listed
Flower Mound	The town engineer shall have control and direction of...the marking of all traffic zones and installation of signals and road markers relating to direction and control of traffic.	NO	All records pertaining to traffic zone markings and traffic control device installation...shall be maintained by the office of the town engineer...
Frisco	The city manager, or designated representative, shall be authorized to place, erect and maintain such traffic control devices which he deems to be warranted...or as may be required by ordinances of the city. All traffic control devices authorized, placed or erected by the state highway department on state highways are adopted by the city council.	NO	Not Listed
Garland	The director [designated as the Transportation Engineer], unless otherwise required or prohibited by law, have full and complete control over all traffic regulations within the City.	NO	Not Listed
Grapevine	There may be installed at such points on streets and avenues in the city as may be directed by the city council, appropriate signs notifying drivers of vehicles to come to a full stop. Because the	NO	Not Listed

	stop sign causes a substantial inconvenience to motorists, it should be used only where warranted.		
City	Authority Adopted By Ordinance	Locations Listed	Records To Be Maintained
Irving	It shall be the general duty of the city traffic engineer (city planner) to determine the installation and proper timing and maintenance of traffic-control devices...	NO	Not Listed
Lewisville	The city engineer, or his designee, shall conduct all necessary surveys, studies and investigations of public streets and highways within the city and shall determine those places where a particular danger or hazard exists and shall install and maintain traffic control signs or devices in accordance with those determinations...	NO	Not Listed
McKinney	The traffic engineer or his designated representative shall, on the basis of an engineering and traffic study, direct the installation of stop signs and/or yield signs, and/or traffic signals where such engineering and traffic study determines that the warrants for said devices have been met....	YES – traffic signals only	Not Listed
Mesquite	The City Manager or his designated representative shall have the authority to place traffic-control devices in locations throughout the City as may be determined necessary by the Manager of Traffic Engineering and Street Lighting and in accordance with the 2011 edition of the Texas Manual on Uniform Traffic Control Devices.	NO	Lists of all traffic-control devices and authorized locations are maintained on file in the offices of the traffic engineer and the city secretary.
Plano	The traffic engineer shall be authorized to place and erect such traffic-control devices which he deems to be warranted in accordance with provisions or requirements of the "Manual of Uniform Traffic Control Devices" or as may be required by ordinances of the city.	NO	Not Listed
Richardson	It shall be the duty of the traffic engineer... To designate intersections at which traffic shall be controlled by electric traffic-control signals or lights and shall cause such signals or lights to be installed and maintained at such intersections and supervise the installation and proper timing and maintenance of traffic-control devices...[and] To designate intersections of streets at which drivers operating vehicles approaching the intersection on one or more of the intersecting streets must bring such vehicle to a complete stop before proceeding into such intersection.	NO	Not Listed
University Park	The public works director is hereby authorized to determine the appropriate placement of official traffic-control devices in the city in accordance with the Texas Manual on Uniform Traffic Control Devices (MUTCD), as adopted and amended from time to time by the Transportation Code of the state. The director shall have authority, after an engineering or traffic review or study of a situation, to establish written rules regulating traffic by such devices, including, but not limited to, rules regulating or prohibiting the turning of a vehicle or specified type of vehicle, designating an intersection as a stop intersection or a yield intersection, and designating school crossing zones. The director shall supervise the erection or placement of signs or markings as provided by the MUTCD.	NO	Not Listed

TOWN OF ADDISON, TEXAS

ORDINANCE NO. _____

AN ORDINANCE OF THE TOWN OF ADDISON, TEXAS AMENDING THE CODE OF ORDINANCES, CHAPTER 78 – TRAFFIC AND VEHICLES TO REPEAL THE REQUIREMENT FOR A TRAFFIC REGISTER; AUTHORIZING THE CITY MANAGER OR THEIR DESIGNEE TO PLACE, ERECT AND MAINTAIN SUCH TRAFFIC CONTROL DEVICES WHICH ARE DEEMED TO BE NECESSARY OR AS MAY BE REQUIRED BY ORDINANCES OF THE CITY; APPROVING ALL TRAFFIC CONTROL DEVICES PREVIOUSLY AUTHORIZED, PLACED OR ERECTED ON ADDISON ROADWAYS; PROVIDING A SAVINGS CLAUSE; PROVIDING A SEVERABILITY CLAUSE; PROVIDING FOR A PENALTY OF A FINE NOT TO EXCEED THE SUM OF FIVE DOLLARS (\$500.00) FOR EACH OFFENSE; PROVIDING AN EFFECTIVE DATE.

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

Section 1. The Code of Ordinances of the Town of Addison, Texas, Chapter 78 – Traffic and Vehicles, Section 78-35, Traffic Register, shall be and is hereby repealed and such section shall be reserved for future use.

Section 2. The Code of Ordinances of the Town of Addison Texas, Chapter 78 – Traffic and Vehicles, Section 78-53, Specific Remedies, shall be and is hereby repealed and such section shall be reserved for future use.

Section 3. The Code of Ordinances of the Town of Addison Texas, Chapter 78 – Traffic and Vehicles, Section 78-71, Manual and Specifications, shall be amended to read in its entirety as follows:

Sec. 78-71. – Manual and specifications.

All traffic control signs, signals and markings and devices shall conform to the “Manual on Uniform Traffic Control Devices” approved by the State of Texas, as subsequently amended. All signs and signals required under this chapter for a particular purpose shall so far as practicable be uniform as to their type and location throughout the town. All traffic control devices so erected or marked not inconsistent with the provisions of state law or this chapter shall be official traffic control devices.

Section 4. The Code of Ordinances of the Town of Addison Texas, Chapter 78 – Traffic and Vehicles, Section 78-72, Existing Signs and Signals, shall be renamed and amended to read in its entirety as follows:

Sec. 78-72. – Existing traffic control devices.

All traffic-control signs, signals, devices, and markings placed or erected prior to the adoption of this Ordinance and presently erected for the purpose of regulating, warning or guiding traffic are hereby affirmed, ratified and declared to be official traffic-control devices consistent with the provisions of this Ordinance, the Uniform Manual on Traffic Control Devices adopted by the State of Texas, or any other applicable state or federal law.

Section 5. The Code of Ordinances of the Town of Addison Texas, Chapter 78 – Traffic and Vehicles, Section 78-73, Placement; Maintenance, shall be renamed and amended to read in its entirety as follows:

Sec. 78-73. – Installation of traffic control devices.

The City Manager or their designee shall direct the location of all future traffic control signs, signals and markings in accordance with the “Manual on Uniform Traffic Control Devices” adopted by the State of Texas, as subsequently amended. The City Manager or their designee shall have the duty of erecting or installing upon, over, along or beside any highway, street or alley, signs, signals and markings, or cause the same to be erected, installed, placed, or removed in accordance with this Ordinance and state law, and consistent with the “Manual on Uniform Traffic Control Devices” adopted by the State of Texas, as subsequently amended.

Section 6. The Code of Ordinances of the Town of Addison Texas, Chapter 78 – Traffic and Vehicles, Section 78-74, Loading Zones, shall be and is hereby repealed and such section shall be reserved for future use.

Section 7. The Code of Ordinances of the Town of Addison Texas, Chapter 78 – Traffic and Vehicles, Section 78-79, Location of Signals, shall be and is hereby repealed and such section shall be reserved for future use.

Section 8. The Code of Ordinances of the Town of Addison Texas, Chapter 78 – Traffic and Vehicles, Section 78-80, Stop Signs, shall be and is hereby repealed and such section shall be reserved for future use.

Section 9. The Code of Ordinances of the Town of Addison Texas, Chapter 78 – Traffic and Vehicles, Section 78-81, Yield Signs, shall be and is hereby repealed and such section shall be reserved for future use.

Section 10. Savings; Repealer. This Ordinance shall be cumulative of all other ordinances of the City and shall not repeal any of the provisions of those ordinances except in those instances where the provisions of those ordinances are in direct conflict with the provisions of this Ordinance. Provided, however, that the repeal of such ordinances or parts of such ordinances and the amendments and changes made by this Ordinance, shall not affect any right, property or claim which was or is vested in the City, or any act done, or right accruing or accrued, or established, or any suit, action or proceeding had or commenced before the time when this Ordinance shall take effect; nor shall said repeals, amendments or changes affect any offense committed, or an penalty or forfeiture incurred, or any suit or prosecution pending at the time when this Ordinance shall take effect under any of the ordinances or sections thereof

so repealed, amended or changed; and to that extent and for that purpose the provisions of such ordinances or parts of such ordinances shall be deemed to remain and continue in full force and effect.

Section 11. Severability. The sections, paragraphs, sentences, phrases, clauses and words of this Ordinance are severable, and if any section, paragraph, sentence, phrase, clause or word in this Ordinance or application thereof to any person or circumstances is held invalid or unconstitutional by a Court of competent jurisdiction, such holding shall not affect the validity of the remaining portions of this Ordinance, and the City Council hereby declares that it would have passed such remaining portions of this Ordinance despite such invalidity, which remaining portions shall remain in full force and effect.

Section 12. Penalty. Any person violating this Ordinance or the requirements to obey traffic control devices contained in the Texas Transportation Code and other applicable law shall be deemed guilty of a misdemeanor, and upon conviction thereof shall be fined a sum not exceeding \$500.00. The penalty imposed for a violation of this Ordinance shall not exceed the penalty prescribed by state law for the same or a similar offense. Except as otherwise provided by law or ordinance, with respect to violations of this Code that are continuous with respect to time, each day that the violation continues is a separate offense. As to other violations, each violation constitutes a separate offense.

Section 13. Effective Date. This Ordinance shall take from and after its adoption and publication as required by law.

PASSED AND APPROVED by the City Council of the Town of Addison, Texas this the 23rd day of August, 2016.

Todd Meier, Mayor
Town of Addison, Texas

ATTEST:

Laura Bell, City Secretary

APPROVED AS TO FORM:

Brenda N. McDonald, City Attorney

Work Session and Regular Meeting**Meeting Date:** 08/23/2016**Department:** Infrastructure- Development Services

AGENDA CAPTION:

Present, Discuss, And Consider Action On **The Housing Policy For The Town of Addison.**

BACKGROUND:

In March 2015, the City Council adopted a housing policy through Resolution R15-006. This policy states the following:

When new housing is proposed in Addison, the Addison City Council encourages it to be developed according to the following principles:

- New housing should increase the portion of fee-simple ownership in Addison's housing mix. Apartment only rezoning is unlikely to be approved, as currently the ratio of rental to ownership properties is higher than desired.
- A proposal should offer a 'best fit' mix of uses and housing choices within the context of the surrounding Addison community. The Town may use a study area committee (with staff, elected, and appointed members such as area residents and business representatives) to evaluate a proposal's fit in Addison.
- New housing should create or enhance neighborhoods of urban character rather than locate on a stand-alone, nonintegrated property and should continue the high quality design and walkability that make Addison's existing neighborhoods distinctive.
- Proposals for independent and/or assisted living may be considered by the Town of Addison. Since there is no assisted living housing units in Addison today, the Town will conduct research to understand how this housing could or should be included in Addison's future.

Staff shares this policy with potential residential developers as they consider investing within Addison and inquire about the zoning approval process. There are several multi-family developers, of both flats and urban apartments, actively considering projects in Addison. These developers have raised the question as to whether the housing policy accurately reflects the Council's current housing goals.

Note: During the Council's previous discussions regarding housing, the term flats was used for single story, individually owned units in a multi-story building. These are also often referred to as condominiums, though that term can also refer to other housing

types. Urban Apartments are defined as housing units in a higher density building, typically of three or more stories, where building owner(s) rent individual units to residents.

Staff is requesting direction from the City Council regarding whether or not the current housing policy reflects the Council's goals regarding future housing development in Addison

The Council held a preliminary discussion on this topic at the July 12th Council Meeting and requested that this item be placed on the August 23rd agenda for additional discussion. As background, the Housing Policy, the Housing Workshop Report from which the Housing Policy was established, and the applicable Chapters of the Town's Comprehensive Land Use Plan are attached.

RECOMMENDATION:

Staff requests policy direction from the City Council.

Attachments

Comprehensive Land Use Plan

Housing Workshop Memo

Housing Policy Resolution



TOWN OF ADDISON
COMPREHENSIVE PLAN
2013

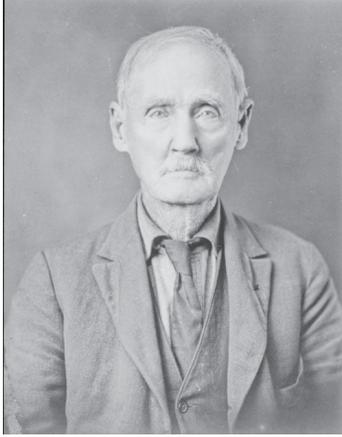
HISTORY OF THE TOWN



HISTORY OF THE TOWN

BEGINNINGS

The Town of Addison is located in an area once called Peters Colony. It was settled as early as 1846 when Preston Witt built a house on White Rock Creek. The area was not known as Addison until 1904. Addison was named after Addison Robertson, who was a Confederate War hero and served as the community's second postmaster from 1908-1916. In 1902, the first industry was introduced to Addison when a cotton gin was built on Addison Road, by the Pistole brothers.



Addison Robertson, the Community's second Postmaster and namesake

Transportation came to Addison in 1888 when the St. Louis, Southwestern Railway Company extended the Cotton Belt Line from Commerce, Texas to Fort Worth, Texas. Mr. W.W. Julian, an Addison landowner, donated one half-acre of land to the Railway Company so that it would establish a depot



The original "Town" of Addison. One building, the original Addison Bank, still stands along Broadway, formerly the only commercial area in the community.

in Addison. The depot established Addison as a center for commerce and drew stores, churches, and other businesses.

Like other rural communities, Addison originally had its own school system. The Addison School Building was built on Belt Line Road, which was then a dirt road, and served the community until 1954 when the Addison district merged with the Dallas Independent School District. The school, which was closed in 1964, now serves as the Addison Magic Time Machine Restaurant.

The City of Addison was incorporated on June 15, 1953, under an alder-manic form of government. In 1956 construction began on the Addison Airport, which was eventually purchased by the Town in 1975 using an FAA grant.

BOOM TOWN DAYS

In 1975, Addison was poised for growth. It had its own airport, and the Dallas North Tollway was being extended north toward the Town. Landowners in the community felt that it was time for Addison to take control of its fate and shape the new private investment and development that would undoubtedly follow the construction of the Tollway. Property owners realized that the Town lacked infrastructure to support quality development, and they realized that by discouraging, or simply ignoring growth, the Town was actually encouraging poor quality development.

In 1975, the Town elected new leadership, including a new Mayor, Jerry Redding. Mayor Redding and other Addison leaders realized that while the Town enjoyed a great location for commerce, it

had a limited amount of land on which to build tax base. They realized that given Addison's small population, it might be possible to hold a successful "local option" election and bring alcohol sales to Town. Addison leaders felt they had hit upon an industry that was tailor-made for Addison's Main-and-Main location at the intersection of Belt Line and the soon-to-be completed Dallas North Tollway.



Construction of the Dallas North Tollway through Addison. The Town paid to construct the Tollway underground so that it would not cut the community in half.

They held the local option election in 1975 and voted to allow packaged liquor sales and liquor-by-the-drink in Addison. Since most of the communities in all directions from Addison were



Addison was one of the few communities in the Metroplex to allow the sale of alcoholic beverages

still "dry," this progressive decision proved to be an enormous economic catalyst. However, the Council was determined to control the impact of that decision on the community, so it restricted the sales of packaged liquor sales to Inwood Road, south of Belt Line Road. The Council also required applicants wanting liquor-by-the-drink permits to have 60 percent of their sales receipts come from food sales. This requirement helped the Town develop an amazing group of quality restaurants and two large full-service hotels, and it shaped Addison as one of the foremost hotel and dining destinations in the Metroplex. Addison is still known as a premier restaurant community with over 166 restaurants that can seat over 20,000 patrons at one time.

Addison has long been committed to providing quality services and facilities to its residents. It established early, and has maintained, excellent response times for Police and Fire/EMS services. It also takes great pride in the quality of the built environment for both private sector properties and facilities built by the Town.



Residents stroll in Celestial Park in the Bellbrook neighborhood.

In 1987 the Town constructed the Addison Athletic Club, which includes a basketball court, workout facilities, racquetball courts, and both an

indoor and outdoor pool. All Addison residents pay a one-time \$10.00 fee for use of the facility. Addison also began a commitment to community life by sponsoring community events throughout the year. Today Addison's signature events: Kaboom Town, Oktoberfest, and Taste Addison, draw over 250,000 people a year to the Town. On a daily basis, Addison's 130 acres of parks and trails and Special Event facilities provide wonderful passive recreational opportunities, as well as a beautiful aesthetic quality for the Town.

REINVENTING

During the late 1970's and early 1980's, Addison experienced explosive growth, with new office buildings and restaurants being constructed on every corner. Then in 1988, Addison, like the rest of Texas, was hit by the Savings and Loan crisis and subsequent real estate market crash. Addison was particularly hard-hit because so much of its land was devoted to office and commercial uses. Once again, Addison officials, led by then-Mayor Lynn Spruill, realized the importance of taking control of the city's development as opposed to just riding out the boom and bust cycles of the real estate market. The Town formed a committee comprised of Council members, Addison residents and business people, as well as respected members of other communities. The group began a visioning process called 2020 Vision. The group analyzed Addison's strengths and weaknesses and developed a logical future for the Town, which has shaped the Town's development direction since 1991.

The group determined that Addison, with its unique location and restaurant/shopping/entertainment offerings, had the ability to become the urban housing and entertainment provider for the more than 100,000 people who worked along the Dallas North Tollway corridor. The group studied

the New Urbanism movement that was becoming a popular development format around the country, and believed that higher density multi-family, in a mixed-use environment with office and retail uses, was a good fit for Addison. The group believed that unique architecture and high-quality, long-lasting building materials would deliver a mixed use neighborhood that would enjoy a longer lifecycle than typical stand-alone garden apartment or office projects.

The Town Council tested its belief in new urbanist development on an 84-acre tract of raw land that lay between the Dallas North Tollway and Addison Road.



Addison Circle

It worked with Columbus Realty Trust (later sold to Post Properties) to develop Addison Circle, one of the first mixed-use developments in the country to be built on a green-field, suburban site. Addison Circle has been very successful and is a signature development for the Town. The many parks and plazas in Addison Circle draw residents from throughout the community, and Blueprints at Addison Circle, the Town's signature art piece, provides an instantly-recognizable icon for the Town.

CONTINUING THE VISION

Since 1991, the Town has been through other boom-bust real estate cycles, but it continues to believe in high-density, mixed-use development for both owner-occupied and rental housing. It



Towne Lakes townhomes

has been able to fill in small parcels of land with higher-density townhome developments such as the Towne Lake townhomes and Stanford Court Villas. Townhomes provide an attractive alternative to the many Addison residents who want to live in a home they own, but don't want a yard to maintain.

VITRUVIAN PARK

In 2007 the Town had another opportunity to partner with a developer on an urban neighborhood when UDR (formerly United Dominion Realty, a real estate investment trust) purchased 114 acres in the Brookhaven Club Drive area. UDR, knowing that Addison understood higher density and



Savoye and Savoye 2, the first developments in Vitruvian Park

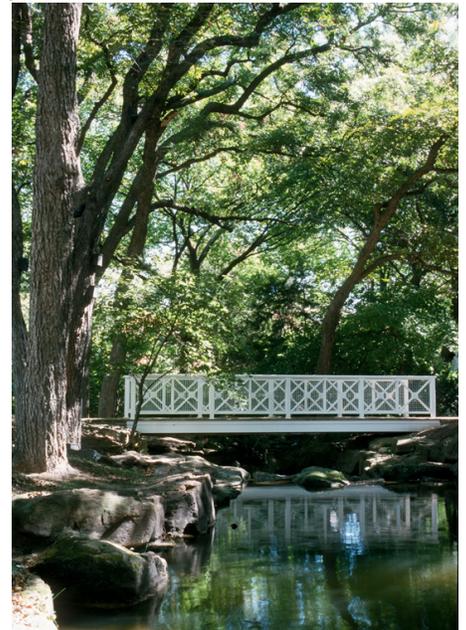
mixed uses, purchased nine aging multi-family complexes and came to the Town with a plan for Vitruvian Park, a new community of 5,000 multi-family units. The redevelopment plan features a 12-acre park oriented along the creek that flows through the southern half of the property. UDR also purchased the Brookhaven Village Shopping Center and is working on a plan to tie the new residential units and the shopping center together in a unified development featuring walkable streets and connections between the apartments and the retail. Once again the Town partnered with the developer to construct and maintain the streets,

parks, and plazas.

LOOKING TO THE FUTURE

Addison is a young town when compared to many other cities in the Metroplex, and that is a mixed blessing. Its young age means that almost everything in Addison, including the Town's basic infrastructure of road, water lines, and public buildings, has been built since 1975. Therefore, the city is not required to devote a large portion of every annual budget to rebuilding and repairs. However, the amount it has to devote is steadily increasing as some major roads and water lines in the community need rebuilding. In addition, many buildings in Addison were constructed quickly to respond to a fleeting demand, and were built with more emphasis on cost than quality. Addison cannot boast of a great stone courthouse or great homes of architectural significance that other communities enjoy.

Iconic buildings of good quality bring character to a city, and they can be remodeled and reinvented time after time to serve as a catalyst for new development. Many buildings in Addison are almost 40 years old, and they are



Creek and Bridge behind Addison's Town Hall—one of the prettiest spots in Town

not aging gracefully. Addison has to compete for residents, businesses, and tax dollars with every other city in the Metroplex, and in an area where there is a seemingly endless amount of raw land,

newer communities further up the Tollway can draw private sector investment more easily than Addison can draw reinvestment.

For Addison to continue to thrive, it has to re-grow and redevelop within its fixed boundaries. The leaders of Addison recognize the challenge and begin the update to the Town's Comprehensive Plan with the intent to identify areas of Addison that need to be redeveloped and reinvented, as well as areas that need to be preserved and protected. Addison has always been the "little town that could" and it has proven that it will re-think, re-gear, and re-invent itself to keep the Town of Addison one of the premier communities in the Metroplex.

History and photos taken from "Addison Texas—a pictorial history, by Andrew T. Eades, copyright 2001.

COMMUNITY SNAPSHOT



COMMUNITY SNAPSHOT

LOCATION

Addison is a town of 4.35 square miles (2,787.05 acres) located in the Dallas North Tollway corridor. It lies just north of the Dallas North Tollway/Interstate 635 interchange, a major crossroads for the entire Dallas-Fort Worth metroplex. The Tollway corridor is home to multiple corporate office parks, many large, full-service hotels, scores of quality restaurants, and the prestigious Galleria Mall. The area commands a central location in reference to downtown Dallas, DFW International Airport, the Richardson telecommunications corridor, and the Plano Legacy corporate campus area.

Addison's convenient location and large concentration of well-paying jobs and commercial development has altered the traditional suburban pattern in which residential land uses, primarily single-family houses, are dominant. Instead Addison functions as an employment node and regional shopping center for the residents and businesses located in a "trade area" bordered on the east by Central Expressway (US 75) on the west by Interstate 35E, on the south by Interstate 635 (LBJ Freeway) and on the north by Highway 190, (President George Bush Turnpike).

FACTORS SHAPING GROWTH

Addison's growth has been impacted by several factors. The Town has extensive frontage on its eastern edge along the **Dallas North Tollway**, which has been a catalyst for real estate development and has strongly influenced Addison's growth. The Tollway provides direct access to downtown Dallas on the south and Highways 190 and 121 on the north. Addison has experienced

significant development activity on the Tollway corridor during the past 30 years, and the Tollway corridor continues to be a prime location for high-density office development and full service hotels.

Addison also has the properties on three corners of the **Belt Line Road/Dallas North Tollway** intersection, a Main-and-Main location in the North Dallas area for office buildings, restaurants, retail, and hotels.

The **Addison Airport** is a general aviation airport which is owned by the Town and is considered to be one of the community's greatest assets. The Addison Airport is a single runway facility and is ranked by the Federal Aviation Administration (FAA) as one of the busiest airports of its kind. The airport is used extensively by corporate executives who wish to conduct business in offices located in the North Dallas area.

The Airport is an asset to the Town, and in order to secure its ability to operate safely the Town has put two protective measures in place:

Noise Contours, which were established through a FAA Part 150 Study, extend along the sides and off of both ends of the runway. Properties within the Noise Contours experience a Day-Night Average Noise Level (DNL) of between 65-85 decibels. The Town prohibits single and multi-family residential development within the Noise Contours.

Imaginary Surfaces, which were established through a FAA Part 77 Study, project imaginary surfaces from the sides and ends of the runway.

The imaginary surfaces establish height limits around the runway that allow aircraft to land and take off safely. The Town limits the height of buildings around the runway to protect both the users of the airport and the people in buildings around it.

The noise and height challenges have been a mixed blessing through the Town's history, for while they have prohibited residential development in some areas, the business generated by the Airport has attracted commercial development.

Addison is located within two school districts: **The Dallas Independent School District (DISD)** and the **Carrollton-Farmers Branch Independent School District (CFBISD)**. The fact that Addison is split between two districts, and the fact that most of the city is part of a large urban school district has caused it to be a less attractive location for a large number of families who choose their home based on where their children will attend schools. Until 2011, Addison did not have a public school within its boundaries. However, in August of 2011, DISD opened the George Herbert Walker Bush Elementary School on Spring Valley Road, which provides a local school for grades K-5th. While Addison has limited offerings for public schools, it is home to two of two large and well-established private schools: The Greenhill School and the Trinity Christian Academy. It also has other private schools, such as the Parish Episcopal School and Jesuit Preparatory School, close by.

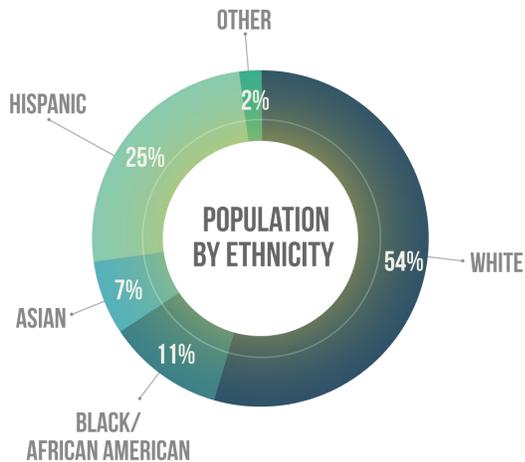
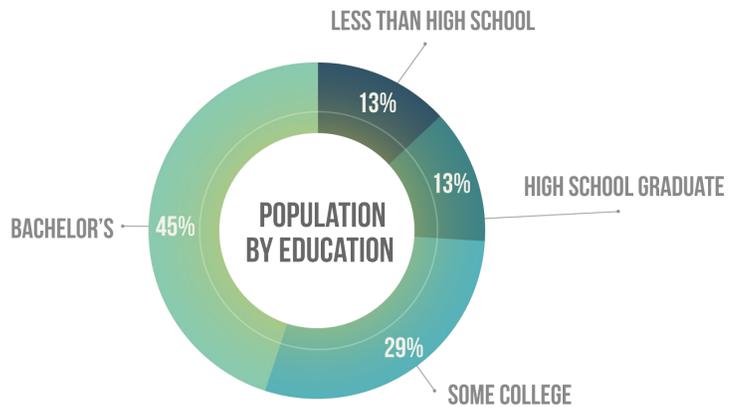
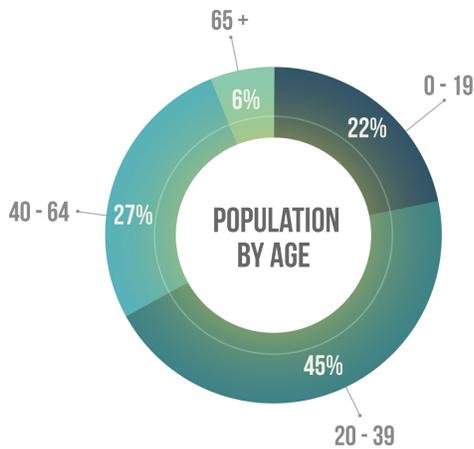
Since 1975, Addison has permitted the sale of alcoholic beverages for on-premises consumption, and the sale of beer, wine, and distilled spirits for off-premises consumption. Addison's decision, early in its development, to allow the sale of alcoholic beverages had a dramatic impact on its development. The Town's ability to have "liquor by the drink", long before other suburbs, coupled with its convenient location, drew two large full-service hotels to the city in the early 1980s. The Dallas Marriott Quorum and the Registry Hotel (now the Intercontinental Hotel) provided an immediate drawing card for high-density office uses, and the many employees housed in high-density office buildings provided diners for restaurants at lunch, and the sale of liquor by the drink gave the restaurants a healthy dinner business. The cluster of restaurants in Addison was unrivaled by any other city in the Dallas-Fort Worth region, and made Addison famous nation-wide as a proving ground for new restaurant concepts.

Since the late 1990s, the extension of the Dallas North Tollway to Highway 121 has caused the development of other restaurant clusters, and other communities have voted in the sale of alcoholic beverages for both on and off-premises consumption. However, restaurants are still Addison's foremost retail business. The Town currently has 166 full-service restaurants offering every conceivable type of cuisine.

FACTS & FIGURES

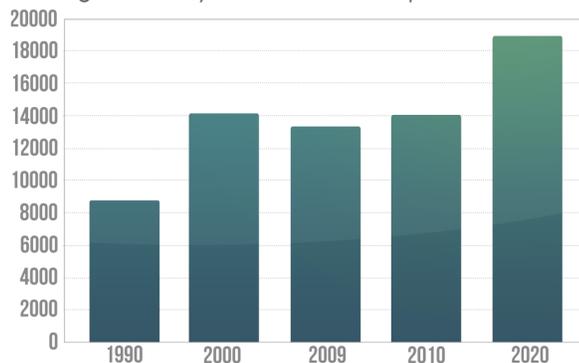
2010 POPULATION:	13,062
2011 ASSESSED VALUE:	\$3,028,042,600
POPULATION BY GENDER	
MALE:	49.8%
FEMALE:	50.2%
MEDIAN AGE:	32.5 YEARS
MEDIAN HOUSEHOLD INCOME:	\$53,790
NUMBER OF HOUSING UNITS:	8,804
TOTAL EMPLOYMENT IN ADDISON:	45,649
AREA OF TOWN:	4.35 SQ. MI.

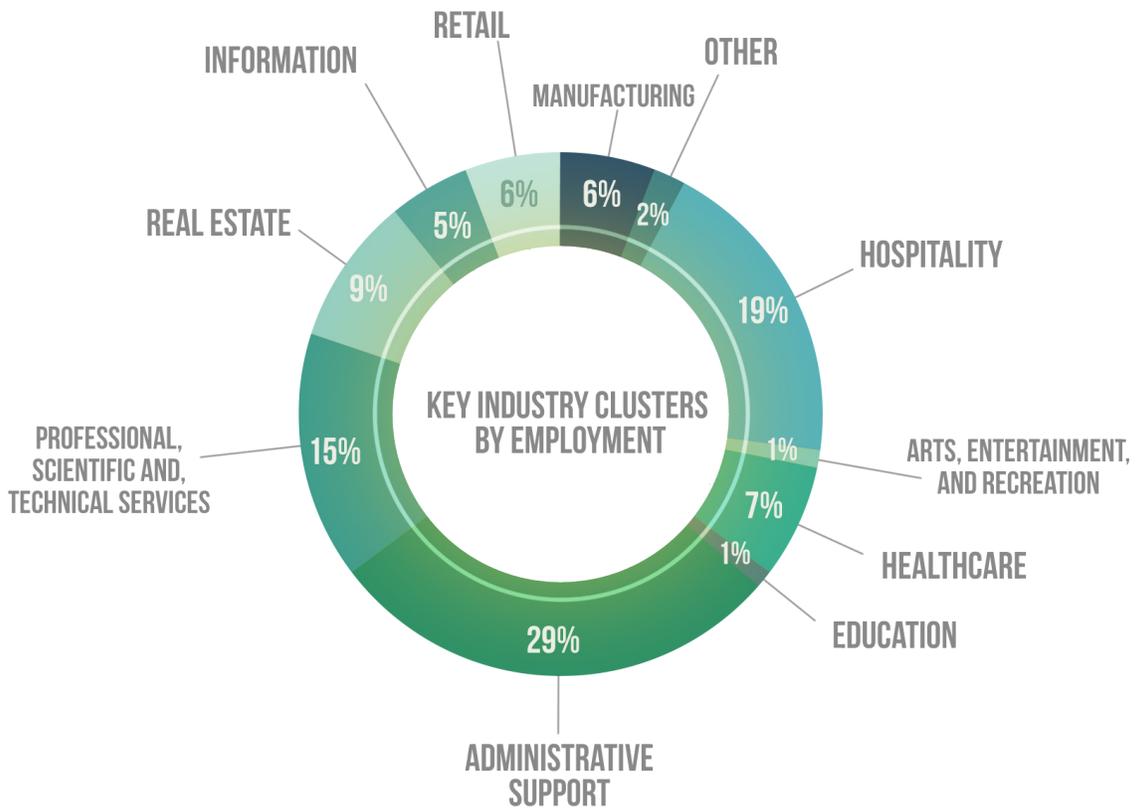
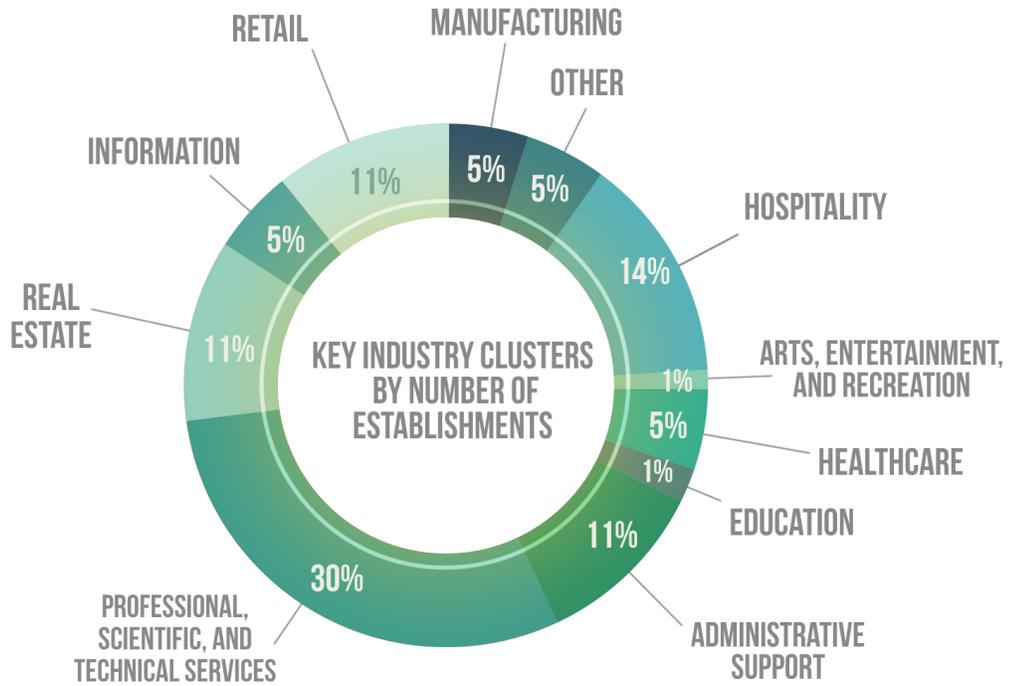
DEVELOPABLE LAND REMAINING:	5%
HOUSING UNITS:	8,826 TOTAL
OWNER OCCUPIED:	2,269 UNITS
	25.5%
	1.792 PER UNIT
RENTER OCCUPIED:	6,558 UNITS
	74.5%
	1.763 PER UNIT
EDUCATION:	45% WITH A BACHELOR'S DEGREE OR HIGHER



POPULATION TREND

Multi-family redevelopment meant a brief decline in population, but is back on an upswing with new higher density residential developments in Addison.





ADDISON'S TOP TEN LARGEST EMPLOYERS

COMPANY	LOCATION	JOBS	INDUSTRY
BANK OF AMERICA (MBNA)	16001 NORTH DALLAS PARKWAY	3,400	FINANCE
MARY KAY COSMETICS	16251 NORTH DALLAS PARKWAY	1,070	COSMETICS
NATIONAL DEFAULT EXCHANGE MANAGEMENT	15000 SURVEYOR BLVD	566	MORTGAGE
REXEL	14951 NORTH DALLAS PARKWAY	550	INDUSTRIAL SUPPLY
AMERICAN HOME MORTGAGE SERVICING	16675 ADDISON ROAD	500	MORTGAGE
UNITED SURGICAL PARTNERS INTERNATIONAL	15305 NORTH DALLAS PARKWAY	360	MEDICAL
CONCENTRA OPERATING CORPORATION	5080 SPECTRUM DRIVE	321	MEDICAL
GLAZER'S FAMILY OF COMPANIES	14911 QOURUM DRIVE	280	SPIRITS
GREENHILL SCHOOL	4141 SPRING VALLEY ROAD	256	EDUCATION

ELEMENTS OF THE TOWN



LAND USE - RESIDENTIAL

RESIDENTIAL IN ALL SHAPES AND SIZES

The Town of Addison is often described as an “enclave community” Dictionary.com defines an enclave as any small, distinct area or group enclosed or isolated within a larger one. Addison is enclosed by other cities: Dallas on the east and north, Carrollton on the west, Farmers Branch on the south. Yet it is distinctly different from any of those other communities. Addison began as the other



Aventura Condominiums

cities around it, a rural community with a small nucleus of retail along a train track. Yet Addison did not build

an early population base. Even though Addison was located on Belt Line Road, a major arterial road that circled all of Dallas County, it stayed small, with little development except for the airport. In the early 1970s it was determined that the Dallas North Tollway would come through the Town, and at that point, commercial developers, sensing a good location in the making, began to buy up sites along the proposed Tollway route, and along Belt Line Road. Once the Town voted in alcoholic beverage sales, growth came quickly to the Town, but it was commercial and retail growth.

OWNER OCCUPIED

As Addison began to develop as a destination for business, hotels, and dining, its owner-occupied residential growth lagged behind the commercial growth. It's residential growth, or lack of it, was initially shaped by the Addison Airport, which

required a lot of land for both the runway and the clear zone around it, and was not particularly pleasant to live around. The Airport also had noise and height restrictions that made many parts of the city unavailable for residential growth. Then in the 1970s, the Dallas Independent School District was desegregated, giving rise to large-scale migrations of families that fueled much of the suburban growth in the communities surrounding Addison such as Richardson, Carrollton, Farmers Branch, and Plano. While single-family development boomed in those cities, Addison, which was in the DISD, was viewed as a less desirable location for traditional single-family residential development.

However, as Addison's commercial base began to grow and include upscale hotels and fine restaurants, it's many benefits became apparent. It had an excellent location relative to both the Dallas-Fort Worth International Airport and Love Field. It was close to well-paying jobs that were developing in new mid-rise office buildings at the intersection of the LBJ Freeway and the Dallas North Tollway, and along the Tollway itself. It had easy access to Interstate 35E and Highway 75 (Central Expressway). It was also close to three of the largest retail malls in the Metroplex: Valley View Mall, Prestonwood Mall (since closed), and Galleria Mall. Addison's excellent location, great shopping, and many restaurants made it ideal for a young and energetic population that fell into three basic demographic groups: empty nesters (couples with grown kids), single, young urban professionals (Yuppies), and double-income no-kids couples (DINKS).

The demographic groups that were drawn to

Addison impacted its housing stock. Addison has smaller lot sizes and smaller houses than other suburbs such as Richardson and Plano. It's population wanted good quality, smaller homes with low-maintenance yards, and that is the

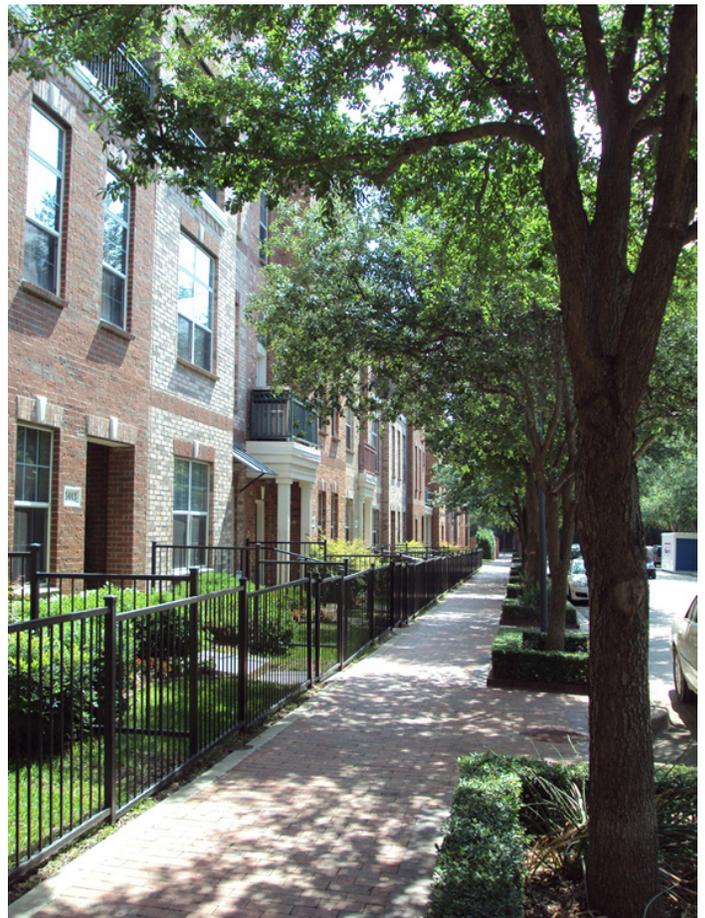


Oaks North patio home

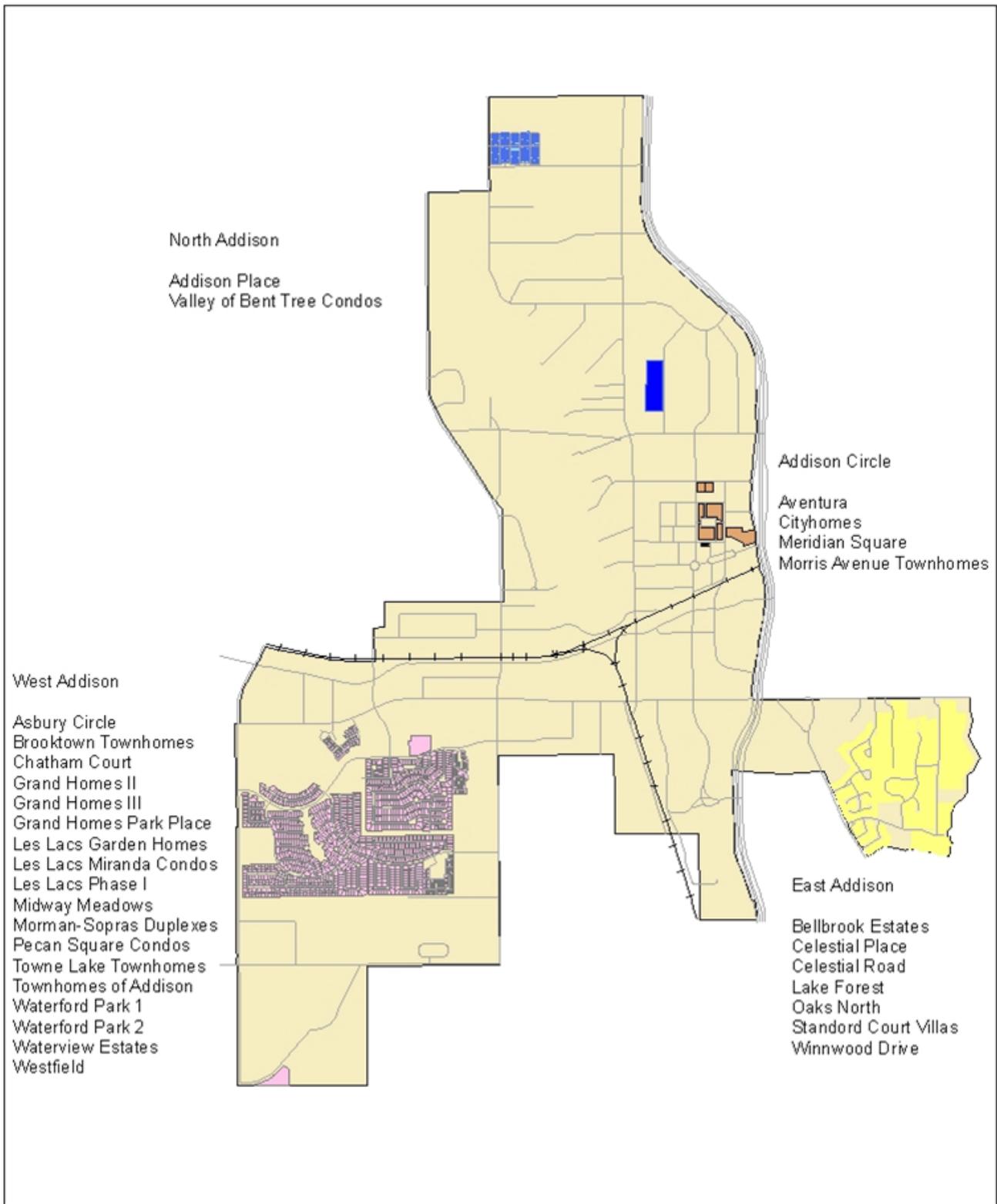
product that homebuilders delivered. While there are some very large lots in the Winnwood-Celestial area, Addison is predominantly a community of patio homes. The smaller 50' x 100' lots, as well as attached townhomes and condominiums, suit Addison's mobile and busy population. The shape of the Town and the noise contours for the Addison Airport caused residential growth to happen in "pockets" on the east, west, and north edges of the Town. Within the three pockets, there are distinct neighborhoods with a mixture of housing densities. The small neighborhoods make Addison a friendly place to live and one where neighbors know one another.

Since its early days, the Town's municipal services to residents, and particularly to homeowners, have been exemplary. The Addison Way, as it is known, describes the above-and-beyond service that is given to residents by all municipal departments be it Police, Fire, Parks, Utilities, or the City Manager's office. Exemplary services include

free, on-demand pick-up of brush and bulk items, free library services to both the Dallas and Farmers Branch Library systems, "close patrol" by the Police Department when residents go out of Town, and the Town's maintenance of all landscaped medians and perimeter plantings in the neighborhoods. The Homeowners in Addison feel that they live in a small town in the middle of a big city, an enclave in which they know all their neighbors and know the names of the Police officers that patrol their neighborhoods. Homeowners also feel that their voices are heard and their opinions matter in how the Town is run, and each one of them can, if they choose, get involved in the Town and make a difference in the quality of life in Addison.



Addison Circle Townhomes



Single-Family Neighborhoods Map

 Addison Circle	 North Addison
 East Addison	 West Addison

0 1,050 2,100 4,200 6,300 8,400 Feet



The Addison Athletic Club, originally opened in 1987 and expanded to include an outdoor pool in 2003, provides all Addison residents a country-club level facility that includes work-out equipment,



Athletic Club Outdoor Pool

a gymnasium, indoor and outdoor pools, racquetball courts, meeting rooms, and a child care facility. The facility is free to all Addison residents and is limited to residents only. The Athletic Club

facility is tailored to Addison’s population. It is more like a full-service commercial fitness facility than a traditional neighborhood recreation center. The Athletic Club also provides a venue for residents to meet one another and see their neighbors and friends. It is also the site of the Town’s community garden, which allows residents who live on small lots to grow their own vegetables.

In the 1991 Comprehensive Plan, the Town set a goal for housing:

“Expand the residential population of Addison by offering new housing opportunities including a range of new product types. Provide opportunities for the construction of a mix of housing types for person of diverse economic groupings.”

The Town has certainly fulfilled that goal. Today Addison provides 9,363 homes in every size and level of affordability. While there are some traditional families who choose Addison for the convenient location, excellent city services, and access to private schools, the majority of Addison’s households do not have children living in the

home. Addison is widely regarded as an attractive alternative for the many people in the Metroplex who want to live in an exciting urban environment, not a typical “bedroom community.” The on-going challenge for the Town will be in keeping Addison’s small-town “enclave” feel and maintaining and enhancing the Town’s wonderful residential neighborhoods.

OWNER-OCCUPIED HOMES

LARGE LOT

(12,000 SQ. FT. OR LARGER) DETACHED

NUMBER OF UNITS

PERCENTAGE

BELLBROOK ESTATES

47

CELESTIAL ROAD LOTS

8

LAKE FOREST LOTS

18

WINNWOOD DRIVE LOTS

33

TOTAL

106

5%

SMALL LOT

(12,000 SQ. FT. OR LESS) DETACHED

ADDISON PLACE

174

CELESTIAL PLACE

22

CHATHAM COURT,
CAMDEN-CHANCEY

47

GRAND HOMES II,
SOUTH OF LES LACS AVENUE

167

LES LACS GARDEN HOMES,
RIVE AZURE, CANOT

218

LES LACS PHASE I,
LEXUS-SHERRY-LAKECREST

47

MIDWAY MEADOWS

218

OAKS NORTH

118

WATERFORD PARK 1,
EAST SIDE OF LAKE

65

WATERFORD PARK 2,
WEST SIDE OF LAKE

117

WATERVIEW ESTATES,
WATERVIEW CIRCLE

49

WESTFIELD,
HERITAGE-VINTAGE

41

TOTAL

1,283

56%

OWNER-OCCUPIED HOMES CONT.

DUPLEXES AND ATTACHED TOWNHOMES

NUMBER OF UNITS

PERCENTAGE

ASBURY CIRCLE

72

BROOKTOWN TOWNHOMES

39

CITYHOMES

183

MERIDIAN SQUARE

52

MORMAN-SOPRAS DUPLEXES

88

MORRIS AVENUE TOWNHOMES

6

STANFORD COURT VILLAS

19

TOWNE LAKE TOWNHOMES

63

TOWNHOMES OF ADDISON

93

TOTAL

615

26%

CONDOMINIUMS

ADVENTURA

86

LES LACS MIRADA CONDOS

44

PECAN SQUARE CONDOS

63

VALLEY OF BENT TREES CONDOS

102

TOTAL

295

13%

TOTAL OWNER-OCCUPIED HOMES

2,299

100%

At this point in Addison's development, all of the available single-family land has been built out. There are no more lots available and no more raw land that could be developed as traditional one-home-on-one lot subdivisions. The limited number of homes may be one of the reasons owner-occupied homes in Addison enjoy good property values. They are typically valued at a higher price per square foot than similar homes in neighboring communities. When homes in Addison come on the market, they sell quickly and generally for close to asking price. The continued value of the neighborhoods is a testament to several factors: Addison is a good location, the services are excellent, it is a safe community, and its streets and parks are attractive and well-maintained. There might be some additional areas that could be rezoned and redeveloped for townhome or condominium development, but Addison does not feel the need to add more residents just for the sake of boosting the population and does not want to sacrifice the quality of its owner-occupied housing for quantity.

The Town recognizes that attractive and viable residential neighborhoods are not a gift, but an obligation. Neighborhoods must be constantly protected, managed, and maintained. Addison has always made an excellent commitment to the quality of its neighborhoods. The Town's Parks Department maintains all entrances to the neighborhoods and all islands, plazas, and common areas within neighborhoods. The Town does not want maintenance left to homeowners' associations that might not keep it up to the standard that Addison residents expect. In addition, the Town works diligently to keep the streets in all neighborhoods in good repair and the curbs clean by providing weekly brush and bulk item pick-up, as well as on-call brush pick-up. The Town's Code Enforcement

division patrols neighborhoods and responds to complaints about home maintenance issues, and works with homeowners and neighborhood associations to keep individual homes maintained. The neighborhoods are constantly patrolled by Addison Police personnel who manage and monitor traffic in the neighborhoods, and Addison's residential fire-sprinkler ordinance requires that all homes in Addison constructed after 1992 be provided with emergency fire sprinkler systems, which substantially reduces the threat of having one or more homes burned out by fire.

Addison currently has good quality owner-occupied housing stock that is viable, attractive, and well-maintained. The Town should commit to keeping its homes and neighborhoods viable and maintaining the property values by keeping up with maintenance, linking neighborhoods together to help residents connect with their neighbors, and where possible, expanding and improving neighborhood entrances, lighting, and landscaped common areas within the neighborhoods.

GOAL: Recognize that quality of neighborhoods should not be sacrificed for quantity. Keep the owner-occupied housing stock in Addison at its current level, and keep the neighborhoods competitive by ensuring they remain safe, well-maintained, and attractive.

OBJECTIVES:

1. Keep properties in the neighborhoods well-maintained.

STRATEGY: Maintain an active Code Enforcement program to keep individual homes and yards maintained to an acceptable standard.

2. Enhance existing neighborhood infrastructure when possible.

STRATEGY: Institute an annual program for assessing quality and useful life of neighborhood amenities, and allocate funds for replacement , additions, or remodels as needed.

3. Provide pedestrian connections within the neighborhoods, between neighborhoods, and from neighborhoods to local services and amenities such as retail uses and recreational facilities.

STRATEGY: Require pedestrian connections for any new neighborhoods or redevelopments and include connections from neighborhoods into the Master Trail Plan.

RENTER OCCUPIED

Addison’s first residential developments were multi-family complexes built in the late 1960s in the Brookhaven Club Drive area (now Vitruvian Park). Some of those early complexes are still operating and providing homes to Addison residents. The Town has always had a substantially larger population of multi-family renters than a typical suburb. At present, 76% of Addison’s residents live in multi-family as compared to 24% in owner-occupied housing.

Multi-family residents also enjoy the Town’s enhanced level of service and benefits such as free membership to the Addison Athletic Club and free library access to the libraries in Farmers Branch and Dallas. The Town extends its philosophy of building neighborhoods—not just projects, to its multi-family

communities and provides a park and open space amenity as close as possible to every complex. The Town has three multi-family areas with a variety



A courtyard in Addison Circle

of densities: Addison Circle, North Addison, and Vitruvian Park.

ADDISON CIRCLE

In 1991 the Town conducted a strategic planning effort called Vision 2020. During that effort, the Town’s staff and the Vision 2020 Group embarked on a thorough study of the existing multi-family



Beckert Park in Addison Circle

product in Addison and throughout the Metroplex. The committee determined that the standard “garden” apartment, which was constructed at

a density of 18-24 units per acre, had a product life-cycle of about 25 years, and for the last 10 of those years, it was in decline. Developers typically used multi-family complexes as a way to “warehouse” land with the hope that it would ultimately be developed for a higher use, such as an office building. They typically used cheap materials, such as wood siding and stucco, and built the apartments to be “exterior loaded” (like a roadside motel). Addison had several complexes that had reached the end of their viable life cycle, but there was not any plan to tear them down and redevelop them. They were simply renting for less and less, and deteriorating to the point that they did not provide safe, decent housing.

The staff investigated multi-family complexes in other parts of the United States and Europe and after looking at several older models in cities such as Boston, Chicago, and New York, it decided that deterioration in multi-family was not inevitable, but was a result of product design.

The staff and Vision 2020 group felt that the first things to deteriorate on low-density garden apartments were the asphalt parking lots and exterior doors and balconies. They felt that a higher density product, for example 66 to 100 units per acre, would force developers to build parking garages rather than surface lots, and require them to go to interior-loaded corridors (like an urban hotel), which would show less wear-and-tear than the exterior doors prevalent in the garden-style product. The committee also felt that requiring developers to build brick facades, as opposed to stucco or wood siding, would provide a higher-quality product. The Group determined that allowing developers to build at a higher density would allow them to build a better product—one that would not simply warehouse land, but be a

highest and best use with a life-cycle of 50 years or more.

The Committee determined that it would lead Addison in a controversial new direction. While every suburb in the area was fighting against multi-



Bosque Park in Addison Circle

family projects and insisting on lower densities, Addison would embrace them and insist on higher densities.

The Town Council adopted the new philosophy and found a chance to test it on Addison Circle. The Town identified an 86-acre raw land site adjacent to the Tollway and instructed the staff to seek out a developer to build a high-density, mixed-use development with a substantial multi-family base. High density multi-family on a raw land site in the suburbs was unheard of at that time and would be a risk for any developer. The Council, realizing that a developer would need an incentive, agreed to construct all the streets, parks, and plazas in the new development, and provide Town maintenance of all streets, parks, and plazas. That provided a “kick start” to the development and assured that all neighborhood amenities would be maintained to an Addison standard, and more importantly, they would be public and useable by all residents and

visitors to Addison. In 1996 construction began on the first multi-family project. Today Addison Circle is almost built-out and contains:

MULTI-FAMILY UNITS	2,141 UNITS
TOWNHOMES/ CONDOMINIUM UNITS	407 UNITS
OFFICE BUILDINGS	2 BUILDINGS CONTAINING 550,000 SQ. FT.
RETAIL/RESTAURANT	6 RESTAURANTS AND 75,000 SQ. FT.

The Town provided over \$11,000,000.00 in infrastructure improvements which include a major public art work, Blueprints at Addison Circle, five parks and over a dozen tree-lined streets. Addison Circle has been a desirable place to live for renters in the north Dallas corridor since the first building was completed in 1997. It continues to draw good occupancies at the top of the rental market. It has won numerous design awards, and is an Urban Land Institute case study on mixed-use development. The staff has provided countless tours to planners and city officials from all over the world who marvel not only at the Town's decision to seek higher densities, but at its ability to actually make the project happen.

NORTH ADDISON

The Ledgesmont Lane area contains most of the Town's stock of low-density garden apartments. There are 1,326 units on the east and west sides of Ledgesmont Lane. Those units abut Quorum Park

to the east and have immediate access to it. They are known as the Bent Tree units because all four complexes have the term Bent Tree in their names. They were constructed in the early 1980s, and while they are no longer at the top of the rental market, they have been very well maintained and provide an affordable housing product for the Town.



Bent Tree Trails Apartments

The Code Enforcement staff works diligently with the various managers of the complexes to see they are well maintained. Further north up Addison Road are two more complexes: Bent Tree Park and Bent Tree Gardens. These complexes were also built in the 1980s and are also garden-style products in the 18-20 units per acre range. At the very north edge of the Town is the Camden Addison complex. It contains 456 garden units and is bordered on the south edge by the North Addison Linear Park. The developer of the Camden Addison provided the land and funded the improvements for the North Addison Linear Park in order to provide a buffer between the project and the adjacent Addison Place subdivision and the Trinity Christian Academy. These garden-style units allow Addison to offer a variety of housing types for multi-family residents. However, the Town has to continue to be diligent about helping the complex owners keep these units

viable, safe, and well-maintained.

VITRUVIAN PARK/WEST ADDISON

The Town continues to believe that *more density-not less* is the right course for Addison, and in 2007 it embarked on its most ambitious project using its high-density approach. Addison, known among developers in the area for its density-friendly philosophy, attracted the notice of UDR, a multi-family REIT (Real Estate Investment Trust). UDR purchased the aging and very deteriorated Greenhaven complex in the Brookhaven Club area with the thought of rehabilitating it, but soon determined that it could not justify the remodel because it could not get higher rents when the other complexes around the Greenhaven were in as bad or worse shape. UDR determined that it could buy the other eight complexes in the area and approached the Town about a total redevelopment scheme. The Town encouraged UDR to rebuild at higher densities and incorporate the adjacent Greenhaven Village shopping center, Town trail system, and Brookhaven Community College into the plan.

The result is Vitruvian Park, a 114-acre mixed use development featuring a multi-family base. At present, there are two completed complexes (Savoie and Savoye 2) totaling 739 units and another 391-unit complex (Fiori) under construction.

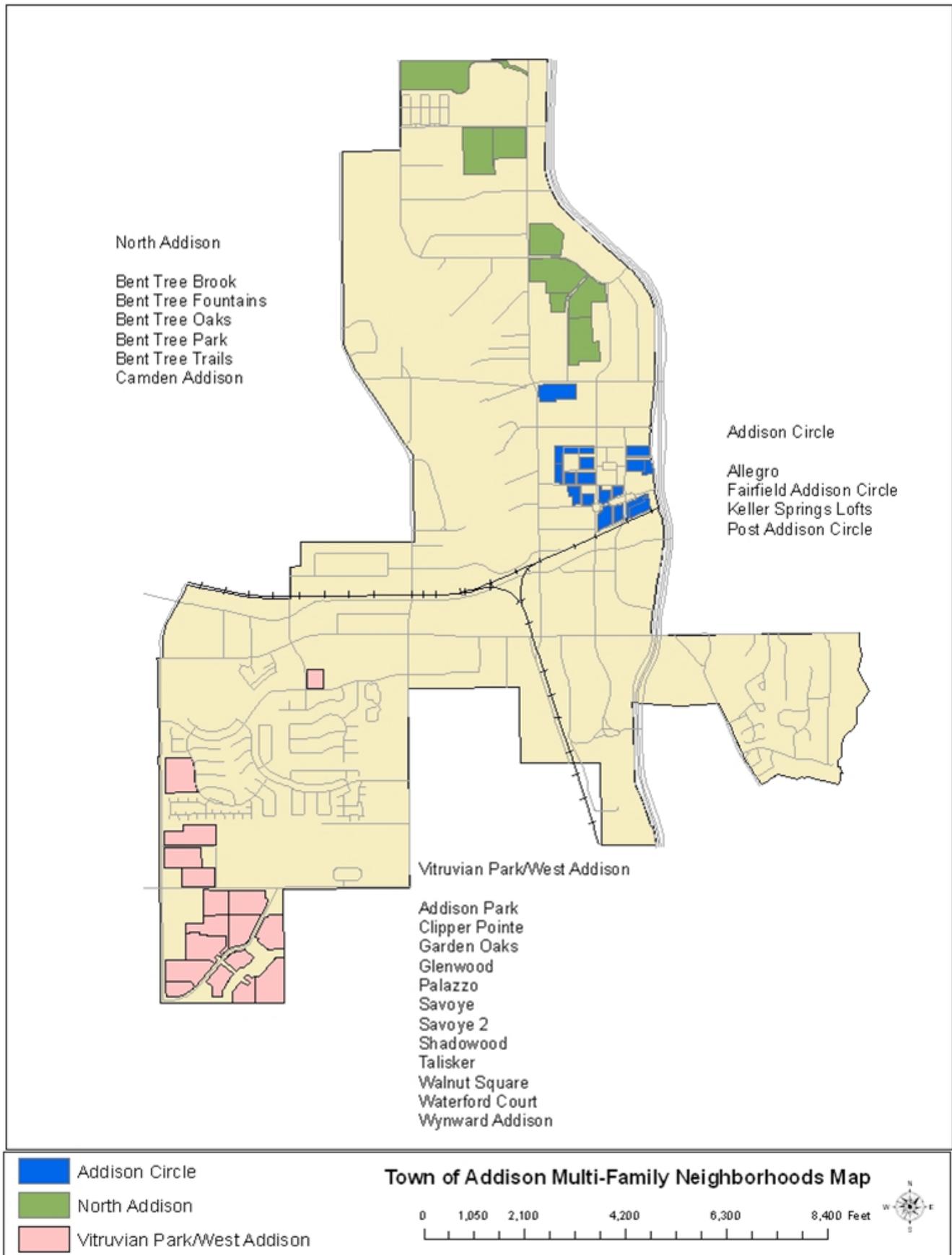


Savoie and Savoye II

Once again, the Town funded the infrastructure so that all parks and open spaces could be developed and maintained to the Town's standard, and open and available to the public at all times. The first phase of the Vitruvian infrastructure was a 12-acre creekside park complete with two signature bridges, a plaza, fountains, and an amphitheater.



Vitruvian Park Master Plan



To date, the development in Vitruvian Park has all taken place south of Vitruvian Way, the street that bisects the property from Marsh Lane to Spring Valley Road. North of Vitruvian Way there are approximately 1,000 of the original Brookhaven Club neighborhood multi-family units, which are at densities of 18-20 units per acre. The complexes

are all owned by UDR and are scheduled to be torn down at some point and replaced with new, higher-density units, retail shops, and green spaces. There are also three complexes of garden apartments (Shadowood, Wynward Addison, and Addison Park) that are north of Spring Valley Road and were not purchased by UDR.

RENTER-OCCUPIED HOMES

NAME OF COMPLEX	STREET ADDRESS	NUMBER OF UNITS
ADDISON PARK	14600 MARSH LANE	212
ALLEGRO ADDISON PARK	15750 SPECTRUM DRIVE	393
BENT TREET BROOK	4820 WESTGROVE DRIVE	248
BENT TREE FOUNTAINS	16400 LEDGEMONT LANE	184
BENT TREE OAKS	4815 WESTGROVE DRIVE	196
BENT TREE PARK	4500 SOJOURN DRIVE	496
BENT TREE TRAILS	16300 LEDGEMONT LANE	202
CAMDEN ADDISON	17200 WESTGROVE DRIVE	456
CLIPPER POINT	4015 VITRUVIAN WAY	260
FAIRFIELD ADDISON CIRCLE	15700 QUORUM DRIVE	414
FIORI	3990 VITRUVIAN WAY	391
GARDEN OAKS	4005 VITRUVIAN WAY	181
GLENWOOD	3800 SPRING VALLEY ROAD	168
KELLER SPRINGS LOFTS	3800 KELLER SPRINGS ROAD	353
POST ADDISON CIRCLE	5009 ADDISON CIRCLE DRIVE	1,334
SAVOYE	3850 VITRUVIAN WAY	392
SAVOYE2	3875 PONTE AVENUE	347
SPRINGHAVEN	3820 SPRING VALLEY ROAD	184
SHADOWOOD	14500 MARSH LANE	184
TALISKER	3925 VITRUVIAN WAY	201
WALNUT SQUARE	4051 BELTWAY DRIVE	57
WATERFORD COURT	14700 MARSH LANE	196
WYNWARD ADDISON	3721 SPRING VALLEY ROAD	136
TOTAL		7,185

As noted both in this section and in the Town History section, Addison has different ideas about housing than its neighboring cities. It is an enclave for both higher-density owner-occupied and higher-density renter-occupied homes. The Town believes higher densities make several good things possible:

- They use land efficiently. Land in Addison is scarce and expensive. Higher densities do not waste land with heat-producing surface parking lots, but force multi-family developers to build parking structures.
- They waste less green space. Addison prefers to concentrate its grass and trees into meaningful open spaces rather than have scraps of landscaping tucked between garden apartment buildings or in side yards between single-family lots.
- Buildings can be constructed of better quality materials and have a longer life. Addison has already witnessed the staying power of the higher-density multi-family that was constructed in Addison Circle. The buildings have held up very well over the 15 years they have been constructed and are still sought after by tenants.
- They allow concentrations of population that make mass transit feasible. Higher densities provide populations that can ride transit. Addison Circle is a “transit-ready” development. It is built adjacent to the Cotton Belt rail line that is in the Dallas Area Rapid Transit (DART) system plan. Even though the train line is in the plan, it will take many years to get it constructed to Addison. However, Addison Circle has a density that will allow

residents to live there and walk to mass transit. Very few locations in the Metroplex can boast of a density and location that is designed to work with mass transit.

- They encourage healthier life-styles. The Town attempts to connect all residential neighborhoods to common open spaces, to each other, and to adjacent retail areas so that residents can walk or bicycle to neighborhood amenities.
- They allow more people to live within Addison’s small area and limited boundaries, thus providing more consumers for Addison’s stores and restaurants and more employees for the jobs located within the Town.

Addison does not plan to build any more garden-style, low-density rental units, but will insist on higher densities and a mix of uses for any new developments, or redevelopments of existing multi-family properties. The Town also believes strongly in the idea that any home in Addison should be located within a neighborhood which provides recreational and social amenities such as a trail, park, plaza, or open space, and where possible, a pedestrian connection to other neighborhoods and to local retail uses. Pedestrian connections provide an important way for residents to connect to their neighbors and local services. The Town believes that the keys to long-term success for renter-occupied projects are the same as those for owner-occupied homes. They should be kept viable and maintained by keeping up with maintenance, linking neighborhoods together, and where possible, linking neighborhoods to local retail uses and recreational amenities such as trails, parks, and the Athletic Club.

GOAL:

Keep the renter-occupied housing stock in Addison competitive by ensuring it remains safe and well-maintained, and require that any new multi-family developments, or redevelopments, be built within neighborhoods that are supported with public facilities.

STRATEGY: Maintain an active Code Enforcement program to see that all multi-family properties are maintained to an acceptable standard.

OBJECTIVES:

1. Support renter-occupied units with neighborhood amenities such as parks and trails.

STRATEGY: Require any new multi-family developments or redevelopments to provide recreational space and amenities for its residents.

2. Where possible, enhance existing amenities in neighborhoods.

STRATEGY: Institute an annual program for assessing quality and useful life of neighborhood amenities.

STRATEGY: Allocate funds on an annual basis for replacement or remodels as needed.

3. Improve the quality of Addison's existing multi-family product.

STRATEGY: Allow higher densities on redevelopment of older properties so that developers can build better quality buildings with structured parking.

4. Keep multi-family properties well-maintained.

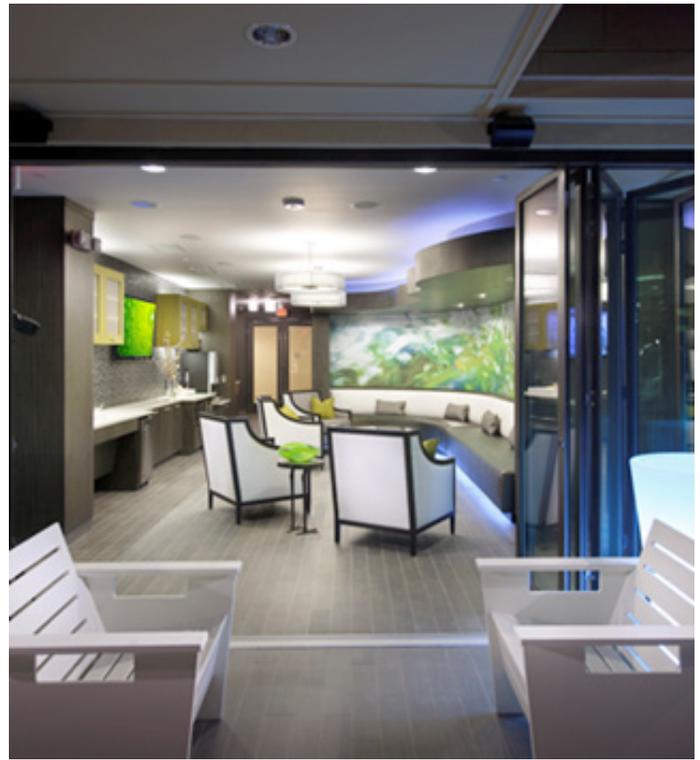
LAND USE - MIXED USE

A MIXED USE LEADER

Addison was one of the first communities in the Metroplex to embrace new urbanism and Mixed Use Communities. Addison Circle, when it developed in 1995, was the first high-density, mixed-use community to build in a suburb on a “green field” site. Addison Circle served as a model for Legacy Town Center in Plano, Southlake Town Center in Southlake, the West Village in Dallas, and other mixed use communities that combined multi-family housing, retail, and office uses. However, Addison went several steps beyond those other developments by combining the private sector development with the municipal development of the Addison Conference and Theatre Centre and Addison Circle Park. The influence of Addison Circle has been felt far beyond the metroplex, as the staff has hosted and toured city staffs and elected officials from as far away as Canada and Australia.

One of the lessons the Town learned on Addison Circle was that a mixed use development needs constant participation and support to stay viable. Addison provides that participation through maintenance of all the parks and landscaping within Addison Circle, and it provides additional support through the Special Events, such as Oktoberfest and Kaboom Town, which are held in Addison Circle Park, and the Summer Series, which brings live music to Addison Circle every Saturday night through the summer.

The Town built a reputation as a community that embraced and understood mixed use development, and that reputation served it well when UDR was considering the purchase of the nine apartment



Deck and a Community Room at Savoye 2 in Vitruvian Park.

complexes that would eventually become Vitruvian Park. Addison’s expertise in building out and programming events for mixed use communities has helped Vitruvian Park get off to a very successful beginning through its first three projects.

Mixed Use communities, when first introduced into the Metroplex, were popular because of the novelty of being able to live above a shop or restaurant. However, “live above the shop” is not a new idea, but one that dates back to the Greeks and Romans. A vertical mix of land uses has always been normal in cities such as New York, Boston, and Chicago, but it was a new idea for the Dallas area and for Addison. While there are some challenges in integrating retail and residential uses into one structure, Addison’s mixed use developments remain popular with residents

who want a more urban lifestyle, but don't want to live in downtown Dallas.



Beckert Park in Addison Circle.

LOOKING FORWARD.

As Addison continues to mature, the mixed use direction continues to make sense for the Town. Land has always been a precious commodity for Addison, and will be even more so in the future. Mixed Use developments provide a more efficient use of land, particularly when they incorporate structured parking. In addition, as gas prices continue to rise, more and more people will seek a location close to work. Also, the “Millennials”, which is the demographic term used to describe the huge mass of young adults that are graduating from college and entering the work force, do not seem to be as enamored of automobiles and driving as previous generations. The children of the baby boomers represent a huge demographic group, much like the baby boomers themselves. The early indicators for this group show that they prefer to live in mixed use environments with access to shopping, coffee shops, restaurants, and transit. This “facebook” generation is much more interested in their neighborhood than their individual unit, and they are less likely than their parents and generations ahead of them to embrace a lifestyle that involves a daily commute of more than 10 minutes. They also seek mixed use communities

that include multi-family uses. Millennials with jobs do not expect to keep them for their lifetime, and they are less likely to purchase a home because they want the flexibility to move to a new job in another city or state. Mixed use communities in other cities have been very successful at attracting these new “creative class” residents, and Addison, like most other communities, also seeks to attract the Millennials because they bring energy and creativity to a community. What's more, world-class corporations who are looking to move or establish a new location, seek locations where their current employees, or future employees they want to attract, find desirable. Vibrant mixed use neighborhoods can be a great recruiting tool for attracting new tenants for office and commercial space.

Mixed use communities also make sense for Addison because they present an opportunity to build character and a sense of place for the Town. They create neighborhoods where multi-family residents and homeowners can meet their neighbors in the parks and shops within the development and socialize with them. In fact, the parks in Addison Circle and Vitruvian Park are the most popular spots in the development and provide the “third places” that make a community welcoming and livable.



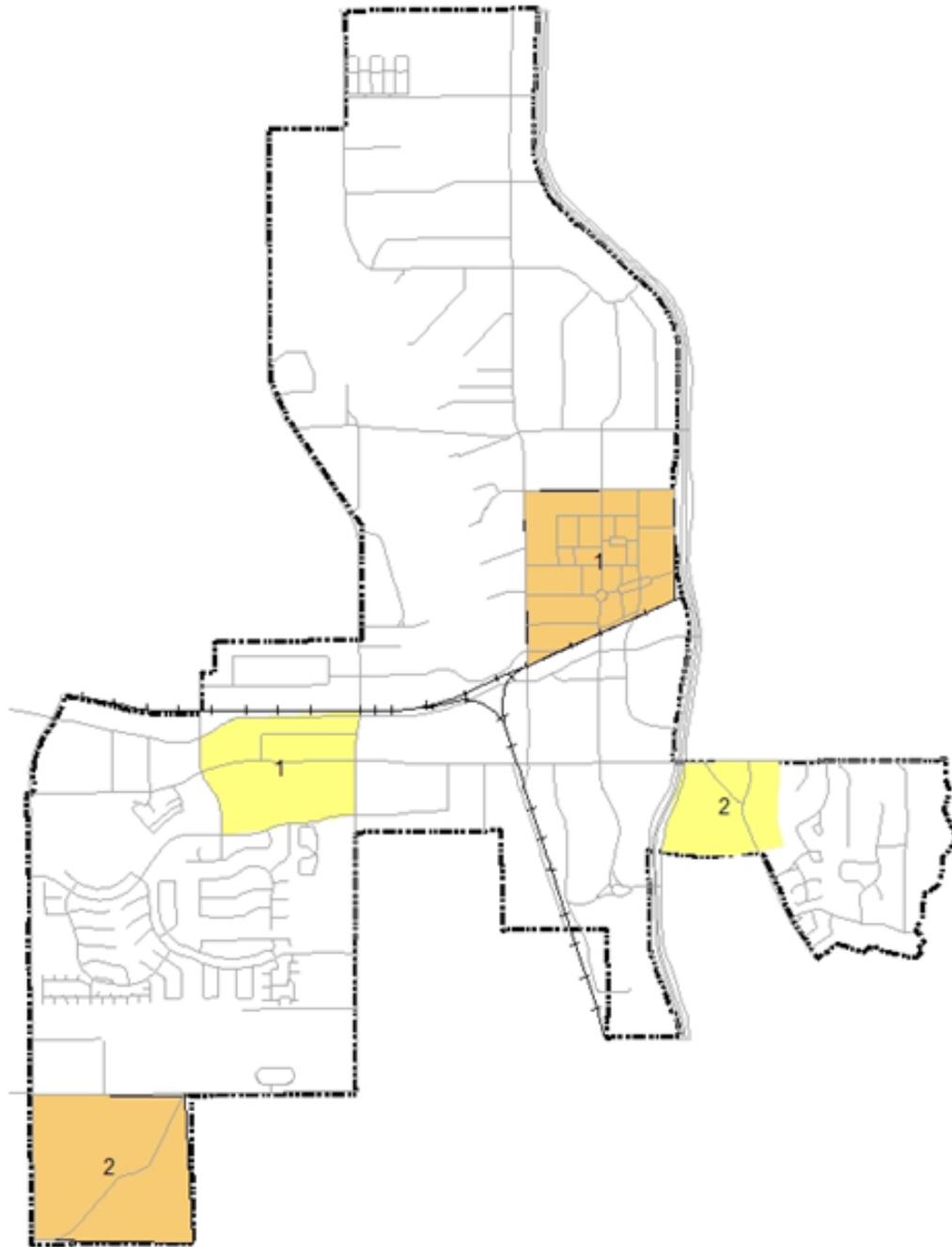
The Fiori at Vitruvian Park, currently under construction.

Addison should consider mixed use developments as a viable alternative as sections of the Town face redevelopment. Several locations along Belt Line Road would lend themselves to mixed use development, as well as other locations such as the Village on the Parkway (5100 Belt Line Road) and the Prestonwood Place shopping center (5290 Belt Line Road). As the population of the United States and the Metroplex continues to increase and natural resources continue to dwindle, more and more cities will find themselves moving in the Live Above the Shop direction that Addison has already embraced.

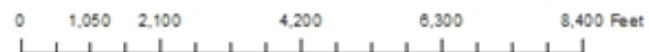
GOAL:

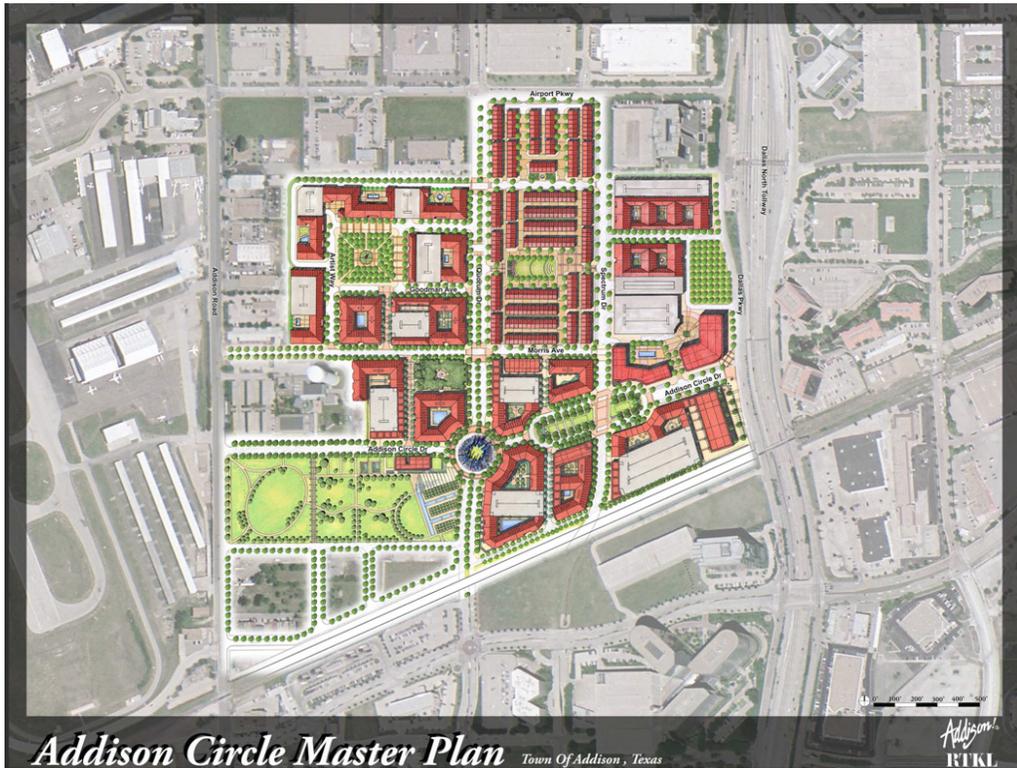
Continue to support Addison’s mixed use developments through maintenance of public spaces and programming to keep the spaces vibrant, and consider additional mixed use developments as older areas of the city become ripe for redevelopment.

- | | |
|--|---|
| <p> Existing Mixed Use Developments</p> <ul style="list-style-type: none"> 1 Addison Circle 2 Vitruvian Park | <p> Possible Future Mixed Use Developments</p> <ul style="list-style-type: none"> 1 West Addison Midway to Surveyor 2 East Addison Village on the Parkway and Prestonwood Place |
|--|---|



Town of Addison Mixed Use Neighborhoods





PROJECTS:

1996, Columbus Realty Phase I:

460 multi-family units
10,000 square feet retail

1997, Post Properties, Phase II:

610 multi-family units
65,000 square feet retail
340,000 square feet office
6 townhomes

1999, Posat Properties, Phase III:

264 multi-family units

1999, Aventura Condominiums:

86 condo units

2005, CityHomes Condominiums:

183 condo units

2006, Fairfield Residential:

414 multi-family units

2006, Allegro I and II:

393 multi-family units

2008, Savannah Homes:

48 townhomes
90 condo units

2007, OPUS West Group

201,000 square feet office

TOTALS

Multi-family units:

2,141 units

Townhome/Condominium units:

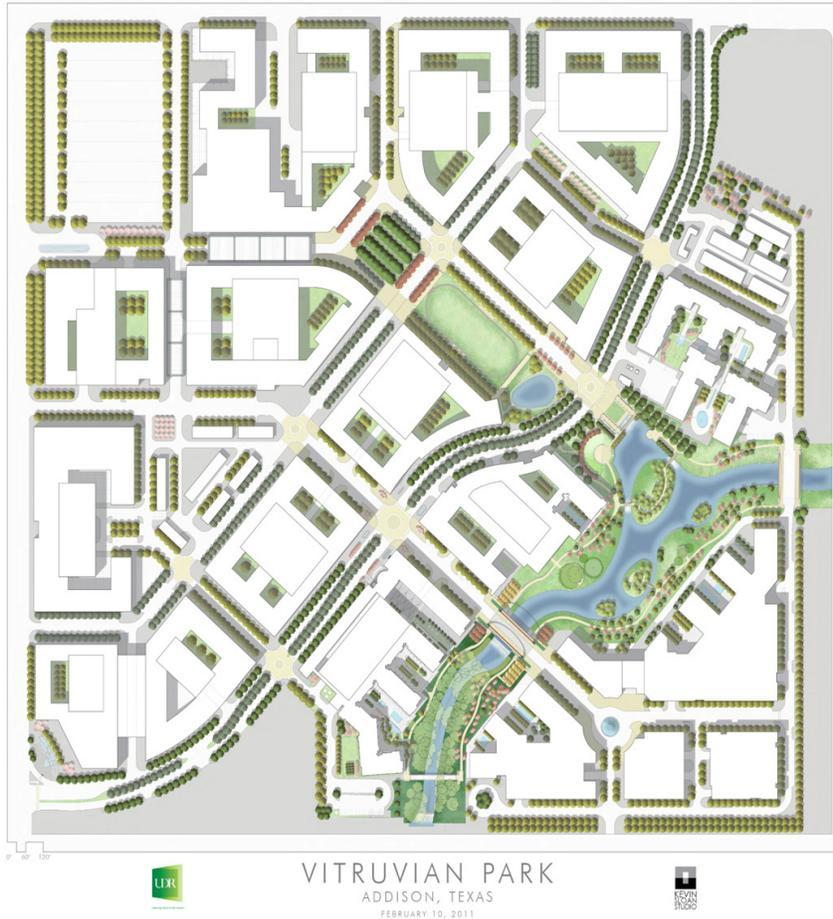
407 units

Office:

550,000 square feet

Retail:

75,000 square feet



PROJECTS:

2009, Savoye

2011, Savoye 2

2012, Fiori

392 multi-family units

10,000 square feet retail

247 multi-family units

34,000 square feet office

391 multi-family units

CURRENT TOTALS:

Multi-family units:

Office:

Retail:

1,130 multi family units

34,000 square feet

10,000 square feet

PROJECTED TOTALS:

Multi-family units:

Office space:

Retail space:

6,401

77,000

174,200



STRATEGIC
COMMUNITY
SOLUTIONS

memo

Strategic Community Solutions LLC	
To:	Addison Mayor and City Council
From:	Karen Walz
Date:	February 20, 2015
Re:	Results of Housing Workshop

On Monday, February 16, 2015, the Addison City Council held a workshop to discuss housing issues and opportunities. Strategic Community Solutions, LLC, Ricker-Cunningham and Kimley-Horn provided background information and facilitated the discussion. This memo summarizes key points about the Council agreement on housing issues. It also provides additional information in response to Council questions. Finally, it outlines a proposed set of next steps to formalize and implement this agreement.

Workshop Objective: Council discussion, agreement and direction on housing issues in the Town of Addison.

Workshop Outcomes: By the end of the workshop, the Council had:

- A common understanding of the terminology used to describe various housing choices.
- A shared agreement about the housing choices that will best support the Council's view of Addison's desired future.
- Provided general direction to staff about steps to take so Addison's development and redevelopment over time provides these housing choices. This memo includes staff's recommendations for action.

Housing Choice Terminology

The housing choices shown in Table 1 below. For each housing choice, we describe the housing type (the physical characteristics of the unit) as well as the housing tenure (the ownership status of the unit). Note that units which are individually owned are not necessarily owner-occupied; the unit owner may rent these units to a tenant. Detailed information about each housing choice are provided in tables at the end of this memo.



Table 1: Housing Choices for Addison

#	Housing Choice	Housing Type	Housing Tenure
1	Detached Home	Single unit in a building with yards on some or all sides	Each unit is individually owned
2	Townhome/ Rowhouse	Multi-story unit on its own lot that shares a wall with at least one other unit.	Each unit is individually owned. The land on which the unit is located may or may not be individually owned.
3	Flat	Single story unit in a multi-story building that includes other residential and non-residential uses.	Each unit is individually owned.
4	Garden Apartment	Unit in a 2 or 3 story residential building.	Building owner(s) rent individual units to residents.
5	Urban Apartment	Unit in a multi-story building that includes other residential and non-residential uses.	Building owner(s) rent individual units to residents.
6	Extended Stay Hotel Room	Hotel structure with cooking facilities in rooms.	Hotel owner(s) rent individual rooms to guests; in some instances, these guests are essentially long-term residents.
7	Assisted Housing Unit	Unit in a building that includes common areas and services to assist residents in daily life activities.	Building owner(s) rent individual units to residents.

Council Direction on Housing Issues: The points listed below reflect the Addison City Council’s direction, as we understand it. They describe the housing choices that are part of the future City Council desires for this community.

- Whenever possible, the Town should establish plans for revitalization and development for districts or special study areas, instead of considering plans on a site-by-site basis. A process like the one used for the Sam’s Club Special Study Area should be followed.
- For study areas and individual developments, the Town encourages mixed use designs that integrate residential and non-residential components.
- Mixed use developments in Addison should include a mix of housing choices, not simply a single residential option.

- The Town encourages development that makes more individually owned housing choices available in Addison. Desired ownership units include detached homes, townhome/rowhouse and flats, so a wide range of residential densities support this objective and may be approved.
- At the property or project scale, Addison will consider the highest and best use of the property and the 'best fit' mix of uses and housing choices for that property within the context of the entire Addison community.
- Addison will continue to insist on high quality building and site design, an inviting public realm and trails or sidewalks that connect each building with the rest of the Addison community.
- Addison views independent and/or assisted housing as housing choices which address the demands of the growing 55+ age group and as a potential fit with this community's character. Since there are no assisted housing units in Addison today, the Town will conduct research and investigation to understand how this housing could or should be included in Addison's future.

Potential Next Steps: The items below propose steps to formalize and implement this City Council direction over the next 18 months. Staff will take the lead on carrying out these steps and will bring products back to Council for consideration and action.

- Take action to provide policy direction for the Sam's Club Special Study Area. The Council should consider and act on the recommendations from its study area committee.
- Review and refine the 2013 Comprehensive Plan to reflect this Council direction.
 - The goals, objectives and strategies for residential land use and mixed use development should be reviewed.
 - The maps or diagrams that illustrate appropriate development patterns and intensities in Addison may need revision as well.
 - The Council has identified three areas from the plan for special revitalization studies. As these studies are completed, new study areas may be identified and added to the plan.
 - The plan's policy direction for land use change outside these special study areas should be clarified, so property owners and developers understand the Town's intent for redevelopment in other parts of the Town.
- Research the market for flats and identify barriers that may discourage or delay the construction of this housing in Addison. Determine what actions by the Town could remove those barriers and implement those actions supported by the Council.
- Investigate examples in other US regions where redevelopment of commercial properties has included detached homes. Understand what factors are important to the projects' successes. Determine how these examples might be applied as part of Addison's future.

- Investigate tools that help address the past experience of market volatility for condominium ownership units. Determine what actions by the Town could reduce that volatility and implement those actions supported by the Council.
- Ensure that Town programs and incentives do everything they can to ensure that housing, once it's built, remains desirable. Work with owners of existing urban apartment complexes to understand and support their initiatives to keep these areas thriving. Do the same with owners of existing garden apartment complexes, and with the homeowner associations in the townhome, rowhouse and detached home neighborhoods within Addison.
- Research the details of independent/assisted housing for the 55+ age group – what is included in the various housing products and what factors make them successful. Investigate the demographic and market trends affecting demand for these units in Addison. Determine how or whether independent/assisted housing units fit in Addison's future.
- If independent/assisted housing is found to be a desirable component of Addison's future housing mix, prepare a set of design guidelines for these projects, so their physical design will be compatible with the Addison community.
- When resources are available, initiate processes like the one used for the Sam's Club Study Area for redevelopment of the Inwood Road and Midway West areas.

Implications of Housing Choices

Table 2 provides information on the implications of typical examples of these housing choices. It shows the typical density and value per acre for each housing type. These values have been updated by Ricker-Cunningham in response to the Council's discussion. In the February 16th presentation, density and unit values were based on 2014 sales in Addison and surrounding Trade Area communities, weighted toward sales within the Town. In response to Council's discussion, current (2015) listings for single family, townhome/rowhouse, and condominium/flat units were reviewed to further "test" values going forward. Because single family detached units in Addison tend to be at a higher density than surrounding communities, the value per acre calculation was adjusted upward. Current listings of condominium/flat units also supported an increase in value per acre for that housing product type.

Table 2 also shows the rate of crime per unit based on actual data from the Addison Police Department for the past six months.



Table 2: Implications of Housing Choices

Housing Choice	Density (Units/Acre)	Value per Acre	Crimes/ Unit
Detached Home	6	\$2,100,000	0.036
Townhome/ Rowhouse	12	\$4,200,000	0.032
Flat	30	\$6,750,000	0.032
Garden Apartment	20	\$1,600,000	0.063
Urban Apartment	50	\$5,750,000	0.022
Extended Stay Hotel Room			0.079
Assisted Housing Unit (none in Addison today)			NA

Source: Strategic Community Solutions LLC; Kimley-Horn; Ricker-Cunningham.

Table 3 provides information on the number of units that exist today in the Town of Addison and the share of existing housing units (including the Extended Stay Hotel Rooms) represented by each of these Housing Choices. Though Extended Stay Hotel Rooms and Assisted Housing Units are not generally considered as part of a community's housing stock, these housing choices are included here because they are relevant in terms of existing or future choices in Addison. Table 3 also shows Addison's future housing choices if the units in Vitruvian's remaining phases are added to the existing housing stock and the garden apartment units that they replace are deducted from the existing housing stock.

Table 3: Mix of Housing Choices

Housing Choice	Existing Units	% of Units	Existing and Future Vitruvian Units	% of Units
Detached Home	1,467	13.9%	1,467	9.3%
Townhome/ Rowhouse	555	5.3%	555	3.5%
Flat	345	3.3%	345	2.2%
Garden Apartment	3,600	34.2%	2,567	16.3%
Urban Apartment	3,624	34.4%	9,856	62.6%
Extended Stay Hotel Room	945	9.0%	945	6.0%
Total Units	10,536	100.0%	15,735	100.0%

Details of Workshop Discussion

The Council's discussion addressed the questions shown below. Comments on each question are presented here based on notes recorded on flip charts during the discussion.

1. How do each of these housing choices contribute to the Council's view of Addison's desired future?

Detached Home

- It's consistent with what I know
- Is it feasible here?
- More stable residences and residents
- Difficult in infill locations due to land price
- Need to learn lessons from other areas of country on how to model infill detached residential and redeveloped detached housing
- Cambridge Crossing may be good prototype for smaller lot detached
- School district may drive demand
- Need detached to provide balance to community
- Balance will continue to decrease since there's not much room left for this

Townhome/Rowhouse

- Will be good fit – infill and redevelopment
- Provide neighborhood stability since they're ownership units
- Individuality of units
- More opportunity for unique design
- May bring better balance of ownership units
- Increase value so there will be future reinvestment in parcels with single family

Flats

- Condos tend to become rental in a down economy
- Provide stability (ownership)
- Better balance (ownership)
- Flats tend to lead the downward trend in the real estate market and are the last to rebound
- More tendency to go into default
- Appeal to Active Seniors and Millennials

Garden Apartments

- Less quality than urban

- Values go down over time
- Demographics in units change over time

Urban Apartments

- Appeal to people who are “renters by choice”
- Have a large number in Addison
- Post Properties project (in Addison Circle) has aged well
- Natural fit in Addison’s commercial environment (opportunities for people to live here and walk to work in office buildings)
- Need these to attract corporations
- Demand for live/work/play
- Attract desirable demographics (Empty Nesters/Millennials)

Extended Stay Hotel Room

- Serves a purpose – have adequate supply
- Difficult for a city to regulate – pre-empted by state
- Not typical to have residents in lodging – need to regulate
- Risky for Addison until State regulates (close loopholes)

Assisted Housing

- Need to add to mix to provide balance
- Desired by existing residents who want to stay in Addison
- Addison has no experience in this – What are the issues? – Next step may be to Research/Education; we have no knowledge currently
- Should be high priority
- People need all levels of care
- But Addison has only 4.4 square miles – we may not provide for all needs
- Flats serve part of this need
- There may be other options that property owners will bring forward that Council wants to entertain

2. What mix of housing choices is most desirable for Addison in the future?

Short Term	Long Term
	Mixed Use with open space Look at bigger picture (on larger sites) Mixture of housing choices Diversify some uses as they redevelop



What mix is desired by Council?

- Want more owner occupied (detached, townhome, flats)✓✓✓
- Want highest and best use and best fit for parcel by parcel✓✓✓
- For redevelopment of existing commercial areas, want multi-use, including a variety of residential (mix of choices)
- 85% multi-family is out of balance – want more ownership – could be condo/flat/townhome/detached✓✓
- Don't want rezonings for multi-family alone
- Want a process for looking at larger chunks of land
- Want to start the learning curve on assisted living

3. Where could or should desired new housing locate within Addison?

The Council did not address this issue, but recognized it could be part of a future discussion.

4. What steps could or should the Town take to shift the market to achieve the desired mix? The answers to this question will provide staff with direction for action on next steps. Some of these steps could be:

- a. Removing barriers to investment
- b. Changing plans and development policies/regulations
- c. Making Town infrastructure investments
- d. Changing Town incentives

The Council agreed that staff should develop recommendations for these next steps.

TOWN OF ADDISON, TEXAS

RESOLUTION NO. R15-006

A RESOLUTION OF THE CITY COUNCIL OF THE TOWN OF ADDISON, TX APPROVING AND SUPPORTING A HOUSING POLICY WITHIN THE TOWN OF ADDISON PURSUANT TO THE LAWS OF THE STATE OF TEXAS AND THE ADDISON CODE OF ORDINANCES; PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City Council has researched the current housing stock and discussed and deliberated a wide range of housing alternatives for the Town of Addison, Texas; and

WHEREAS, the City Council desires to make a policy statement to guide City Staff and potential developers as new housing developments are proposed and brought forward for City Council consideration.

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

Section 1. Addison Housing Policy. When new housing is proposed in Addison, the Addison City Council encourages it to be developed according to the following principles:

1. New housing should increase the proportion of fee-simple ownership in Addison's housing mix. Apartment-only rezoning is unlikely to be approved, as currently the ratio of rental to ownership properties is higher than desired.
2. A proposal should offer a 'best fit' mix of uses and housing choices within the context of the surrounding Addison community. The Town may use a study area committee (with staff, elected, and appointed members such as area residents and business representatives) to evaluate a proposal's fit in Addison.
3. New housing should create or enhance neighborhoods of urban character rather than locate on a stand-alone, nonintegrated property and should continue the high quality design and walkability that make Addison's existing neighborhoods distinctive,
4. Proposals for independent and/or assisted living may be considered by the Town of Addison. Since there are no assisted living housing units in Addison today, the Town will conduct research to understand how this housing could or should be included in Addison's future.

Section 2. Recitals. The above and forgoing recitals are true and correct and are incorporate herein and made part hereof for all purposes.

Section 3. Effective Date. This Resolution shall take effect upon its passage and approval.

PASSED AND APPROVED by the City Council of the Town of Addison, Texas this the 24th day of March, 2015.



Todd Meier, Mayor

ATTEST:

By: 

Chelsea Gonzalez, City Secretary

APPROVED AS TO FORM:

By: 

Brenda N. McDonald, City Attorney

Work Session and Regular Meeting**Meeting Date:** 08/23/2016**Department:** Infrastructure- Development Services

AGENDA CAPTION:

Present, Discuss, And Consider Action On **Options To Address Flooding At The Intersection Of Sherlock Drive And Winter Park Drive.**

BACKGROUND:

During recent rain events, the area of Winter Park Lane and Sherlock Drive experienced flooding that caused damage to one property and threatened another. Staff asked Half and Associates, Inc., to analyze the causes of the flooding and provide alternatives for reducing the flooding in that area. The intersection of the two streets is located in the lowest elevation portion of that area and is the collection point for 23 acres in that neighborhood. There are four 10' curb inlets, one 5' curb inlet, and a system of grate inlets in the immediate area. During the recent heavy rain events, excess water had no place to go because there is no dedicated emergency overflow path for the excess runoff and the storm drain system lacks the capacity to handle the runoff from the 23 acres that drains to this area. This caused the water to go into one of the houses causing \$40,000 worth of damage and to get up to the garage of the other house.

The existing underground system downstream of this area consists of one 39" reinforced concrete pipe (RCP) with a capacity of approximately 110 cubic feet per second. Large storms, such as the one recently experienced in Addison, cause the system to "surcharge" or overflow causing it to accumulate and pond onto the area around the inlets. The depth of the water can reach over 3 feet. This can cause damage to structures and create a dangerous driving environment for vehicles, especially those responding to emergencies in the area during a storm.

Based on Addison's Drainage Criteria Manual, this area should be designed for a 100-year, or 1% probability flood, with a minimal 6" flood ponding. Based on the storm water model results, the existing storm drain system along Sherlock Drive does not have capacity for the 1% probability storm, as required in Addison's design standards.

Several alternatives were evaluated to see if they would reduce flooding at this location. They are shown in the table below:

Alternative	Description	Probable Project Cost
Alternative No. 1	Do nothing.	\$0
Alternative No. 2	Construct a 10' concrete flume between the two houses at the corner of the two streets to carry the excess runoff from the street to the alley behind the houses.	\$50,000 (concrete)
Alternative No. 3	Upsize the existing system from the intersection of Sherlock Drive and Winter Park Lane to Belt Line Road to provide 1% probability flooding (100-year) capacity, per Addison's design standards.	\$815,000
Alternative No. 4	Voluntary buyout of two affected properties, including relocation assistance, demolition of two houses, and moving costs; design and construction of park.	\$1,137,000

Alternative #2: The construction of a concrete flume between the houses to carry the excess runoff to the alley behind the houses. Included are two attachments to illustrate this alternative. The first is a picture of the area in its existing condition today, the second is a picture showing the area with a concrete flume superimposed onto it. This is for informational purposes only. The concrete flume is not to scale and much of the existing landscaping will need to be removed to accommodate it.

Alternative #3: The installation of a parallel pipe to increase the capacity of the storm drain system. An updated condition map is provided as the attachment labeled "Proposed Improvement Flooding Map". This map illustrates flooding after installation of the parallel pipe system.

Alternative #4: The voluntary purchase of the two properties and the subsequent installation of a park on those properties.

Staff will discuss each alternative, provide a recommendation, and seek Council's direction.

RECOMMENDATION:

N/A

Attachments

Existing Condition Flooding Map

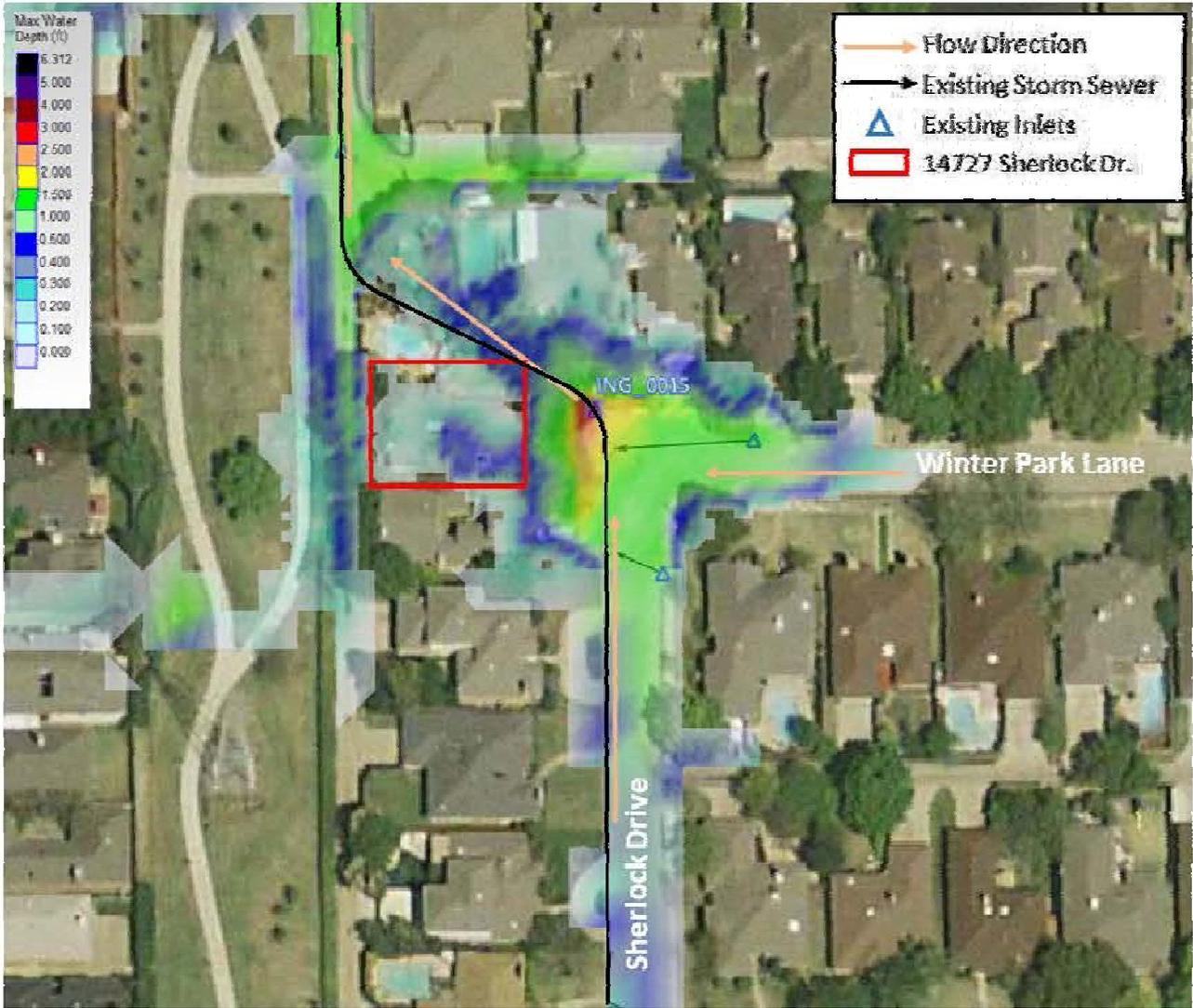
Picture of Existing Condition

Proposed Improvement Flooding Map

Picture of Proposed Improvement

Sherlock Drive and Winter Park Flooding Pictures

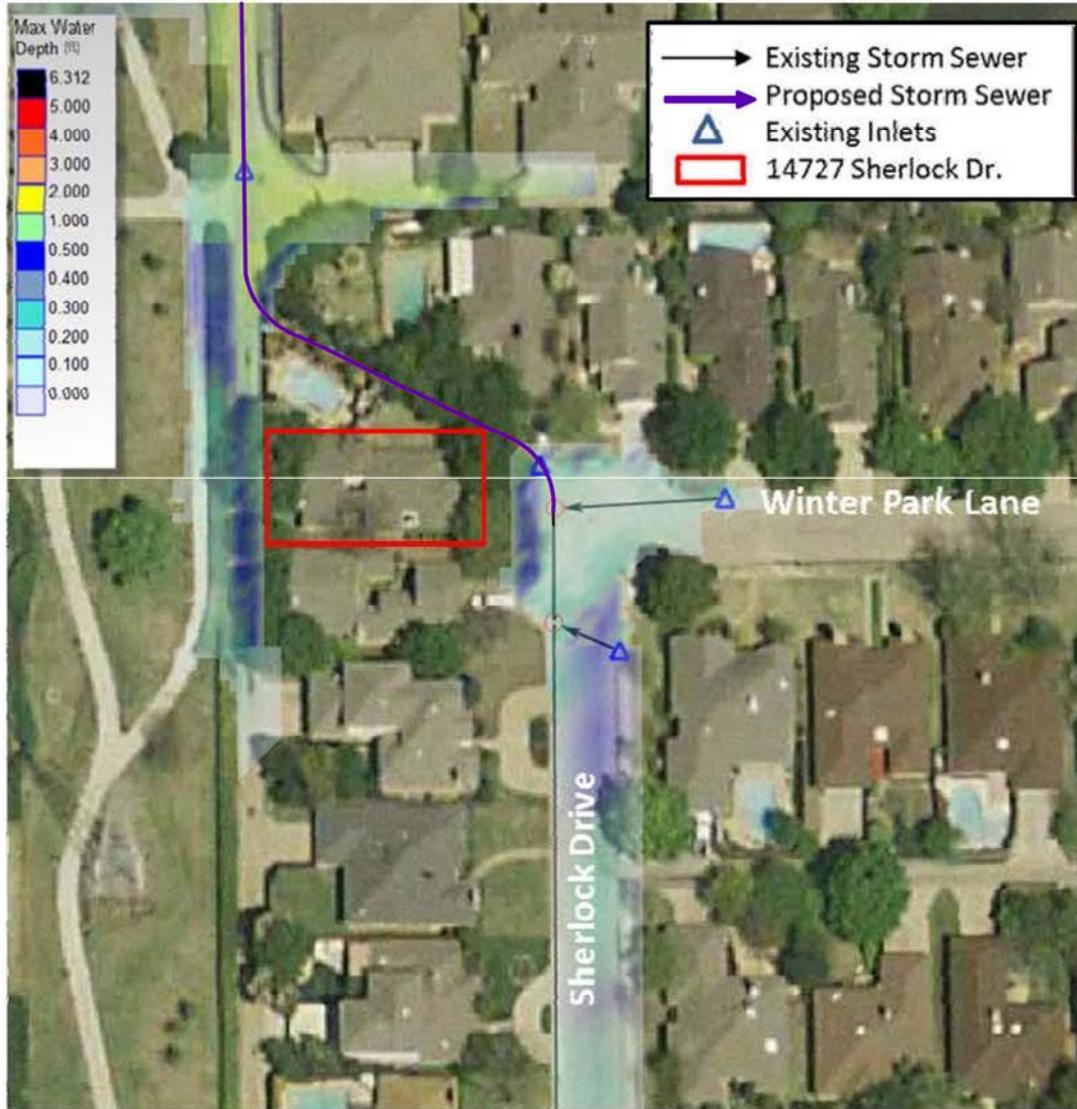
Sherlock Drive and Winter Park Lane Existing Condition - Flooding
During 1% Storm Event





14727

Sherlock Drive and Winter Park Lane Proposed
Condition - Flooding During 1% Storm Event





14727

Sherlock Drive and Winter Park Flooding Pictures



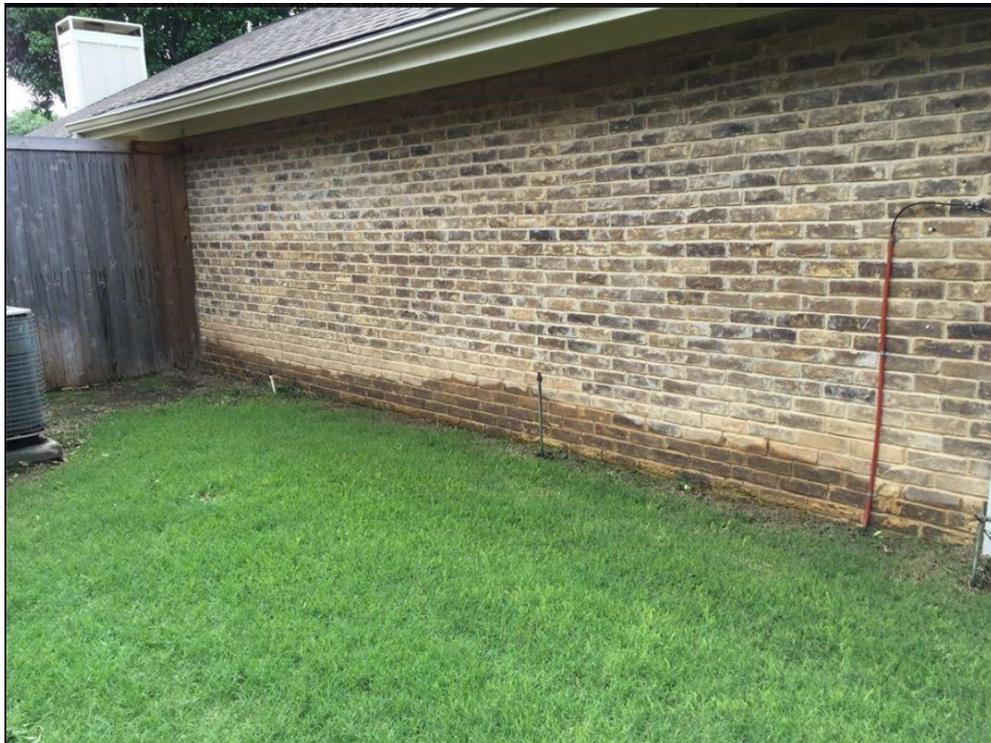
May 15, 2015 – Rainfall Intensity



May 15, 2015 – 14727 Sherlock Drive looking south



May 15, 2015 – 14727 Sherlock Drive looking east



May 15, 2015 – 14727 Sherlock high water mark on home



June 12, 2016 – 14727 Sherlock Drive looking east



June 12, 2016 – 14727 Sherlock Drive looking north



June 12, 2016 – 14727 Sherlock Drive looking east



June 12, 2016 – 14727 Sherlock Drive looking east

Work Session and Regular Meeting**Meeting Date:** 08/23/2016**Department:** City Manager

AGENDA CAPTION:

Present And Discuss The **Town Of Addison Quarterly Financial Reports For The Quarters Ended March 31, 2016, Which Was Deferred From The July 12, 2016 Meeting, And June 30, 2016.**

BACKGROUND:

The Town of Addison's financial policies require the publication of a financial report subsequent to the end of each fiscal quarter. These reports cover the financial performance through the second quarter (October 1, 2015 - March 31, 2016) and the third quarter (October 1, 2015 - June 30, 2016) for Fiscal Year 2016. Enclosed in the reports are an executive dashboard that provides a high level look at some of the key financial indicators along with more detailed exhibits that demonstrate the current financial position for the various funds.

These reports include the following: General, Hotel, Economic Development, Airport, Utility, Stormwater Funds and Investment reports. The financial condition of the Town remains strong and all reported funds adhere to the 25% fund balance requirement.

Key highlights from the second quarter:

- Overall General Fund revenues through the second quarter are up more than 8% compared to the prior year.
- Sales tax collections through the second quarter are up approximately 3% compared to the prior year.
- Utility fund revenues through the second quarter are up approximately 6.9% compared the prior year.
- Hotel fund revenues through the second quarter are about the same as the prior year.

Key highlights from third quarter:

- Total General Fund year-to-date revenues are at 83% of budget and \$1.6 M above last year.
- Sales tax revenues are about the same as prior year.
- Hotel fund revenues are strong, with a \$552K or 13.5% increase over last year.
- Utility fund revenues are better than last year by \$519 or 8.7%

RECOMMENDATION:

Information only, no action required.

Fiscal Impact

Budgeted Yes/No:

Funding Source: n/a

Amount:

Attachments

2nd Quarter Financial Report

3rd Quarter Financial Report



Department of Finance
2nd Quarterly Review

For the Period Ended March 31, 2016

Town of Addison

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Executive Dashboard – 2nd Quarter, 2016 Fiscal Year

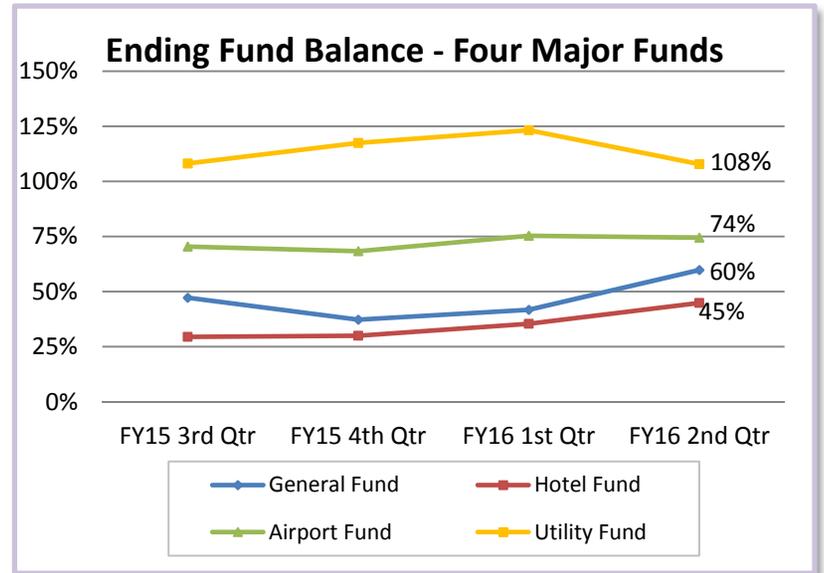
Financial Indicators

Overall Fund Balance Outlook:



Revenues	FY16 Budget	Actual through 3/31/16	% Annual Budget
Ad Valorem Taxes - General Fund	\$ 13,963,710	\$ 13,546,885	97.0%
Non-Property Taxes - General Fund	\$ 13,175,000	\$ 6,819,452	51.8%
Hotel Tax	\$ 5,500,000	\$ 3,027,262	55.0%
Franchise Fees - General Fund	\$ 2,680,000	\$ 1,352,631	50.5%
Service/Permitting/License Fees - General Fund	\$ 2,402,600	\$ 1,089,571	45.3%
Rental Income - All Funds	\$ 5,262,022	\$ 2,902,716	55.2%
Fines and Penalties - All Funds	\$ 856,900	\$ 318,440	37.2%
Special Event Revenue - Hotel Fund	\$ 2,045,717	\$ 67,071	3.3%
Fuel Flowage Fees - Airport Fund	\$ 791,680	\$ 404,841	51.1%
Water and Sewer Charges - Utility Fund	\$ 10,283,530	\$ 4,051,654	39.4%

Expenditures	FY16 Budget	Actual through 3/31/16	% Annual Budget
General Fund	\$ 33,312,564	\$ 14,900,704	44.73%
Hotel Fund	\$ 7,063,758	\$ 2,444,152	34.60%
Economic Development	\$ 1,685,707	\$ 434,798	25.79%
Airport Operations	\$ 4,225,261	\$ 2,015,233	47.69%
Utility Operations	\$ 9,177,247	\$ 4,165,514	45.39%



Executive Dashboard – 2nd Quarter, 2016 Fiscal Year

Financial Indicators

Personnel Information:

New Hires - Benefitted Positions				
01/2016 - 03/2016				
Department	Part-Time Positions	Full-time positions	Total 2nd Qtr	YTD
City Manager	0	0	0	1
Conference Centre	0	1	1	1
Finance	0	3	3	4
Fire	0	3	3	3
HR	0	1	1	1
Parks	0	2	2	3
Police	0	0	0	3
Streets	0	0	0	2
Recreation	0	0	0	1
Grand Total	0	10	10	19

Separations - Benefitted Positions				
01/2016 - 03/2016				
Department	Part-Time Positions	Full-time positions	Total 2nd Qtr.	YTD
Emergency Comm	0	13	13	13*
Finance	0	3	3	3
Fire	0	2	2	4
Infrastructure	0	1	1	1
Parks	0	3	3	3
Police	0	7	7	10
Recreation	0	2	2	2
Streets	0	1	1	2
Grand Total	0	32	32	38

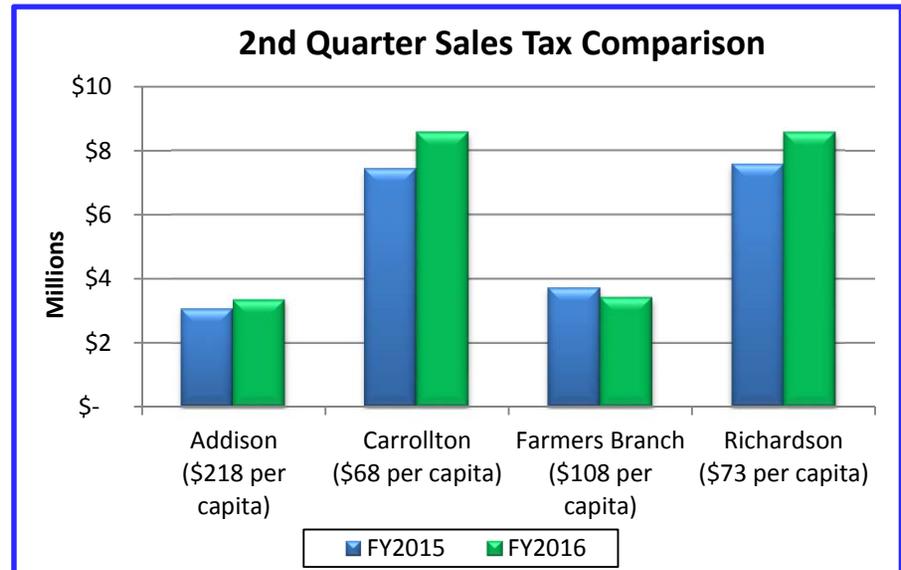
* Transfer of dispatchers to NTECC (North Texas Emergency Communications Center)

Economic Development Incentives:

Executed Agreements	Amount Paid FY16	Total Incentives Committed
4	\$42,000	\$443,000

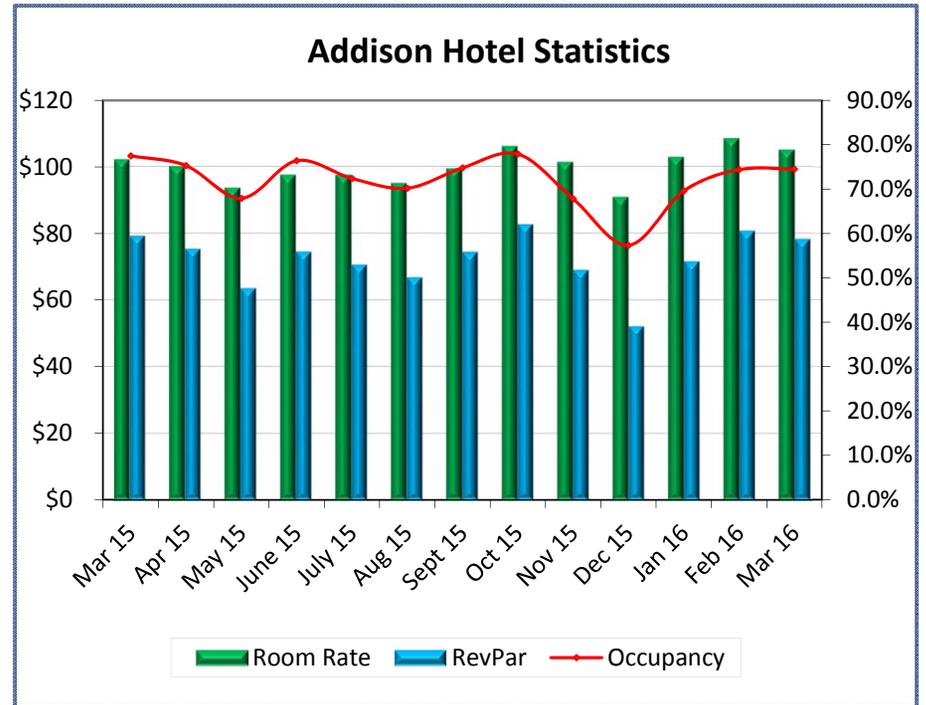
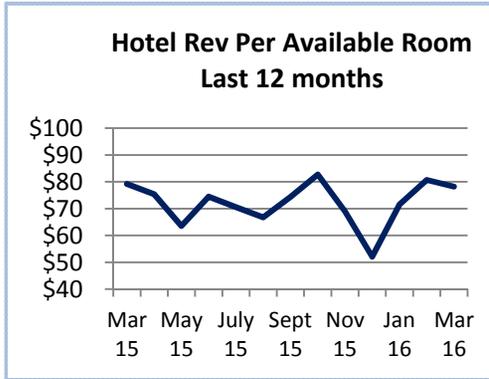
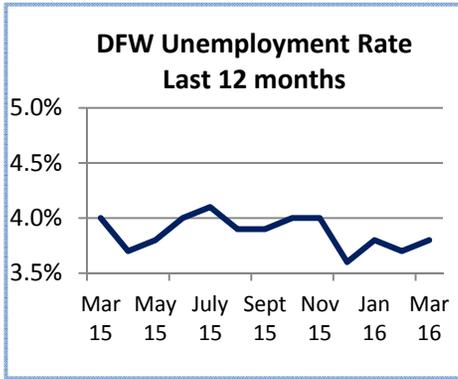
Purchasing Information:

FY15 Bid Savings	YTD FY16 Bid Savings	FY16 Savings Goal
\$1,675,971	\$897,610	\$650,000

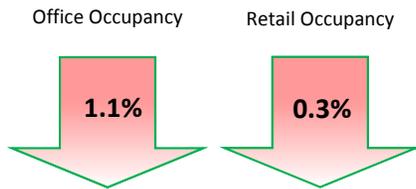


Executive Dashboard – 2nd Quarter, 2016 Fiscal Year

Economic Indicators

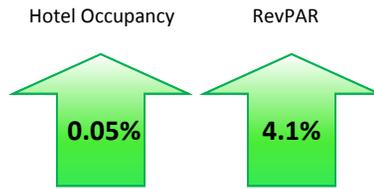


Occupancy Indicators:

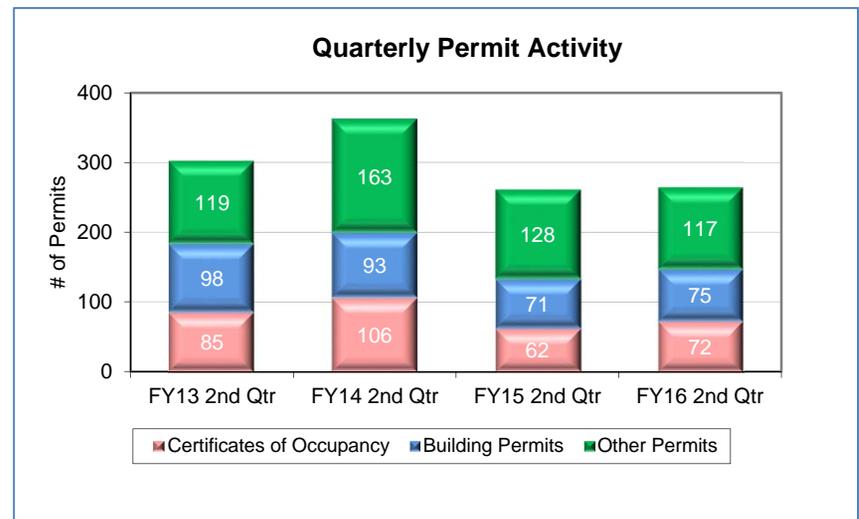
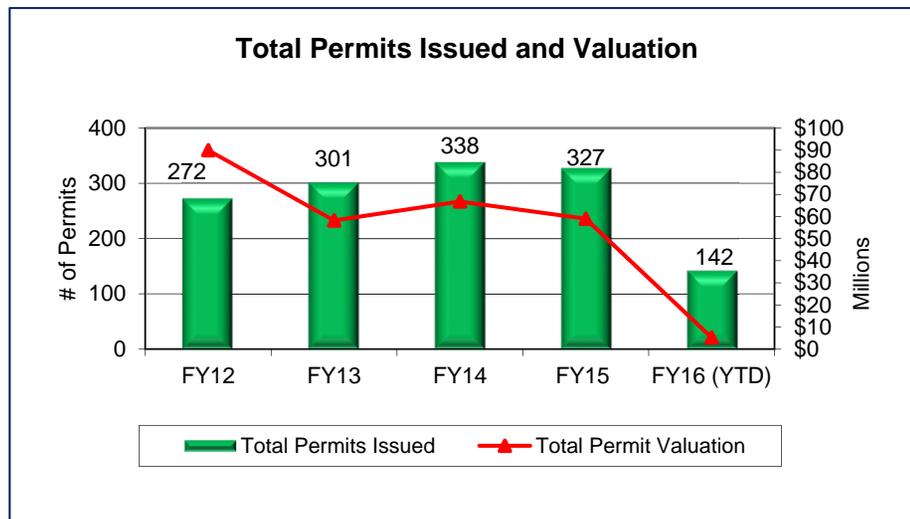


Source: CoStar
(compares to prior year)

Hotel Indicators:



Source: STR Report
(compares to prior year)





MEMO

To: Wes Pierson, City Manager
From: Dr. Scott Neils, Interim Chief Financial Officer
Re: Second Quarter Financial Review
Date: July 1, 2016

This is the second quarter report for the 2015-2016 fiscal year. Revenues and expenditures reflect activity from October 1, 2015 through March 31, 2016, six of twelve months, or fifty percent of the fiscal year.

GENERAL FUND

- Fiscal year-to-date revenue totaled approximately \$23.5 million, which is 70 percent of the overall budget amount. Ad Valorem taxes show collection of 97 percent as most taxes are paid in the first calendar quarter of the year. Net sales tax collections totaled \$6.5 million, a 3 percent increase over the previous year-to-date collections. Current year alcoholic beverage tax collections are below the amount received this time last year by \$281 thousand or 49 percent, because the funds have not yet been received from the state. Municipal Court fines, Licenses and Permits are trending below budgeted amounts. Overall total revenue is approximately \$1.8 million or 8.3 percent more than received this time last year.
- Fiscal year-to-date expenditures and transfers totaled \$14.9 million, which is 44.7 percent of budget. This is \$6.53 million, or 10.4 percent less than amounts spent this time last year. This is due primarily to the large transfer last year from the General Fund to the Infrastructure Investment Fund. Most departments appear to be on pace with, or below, their respective budgets.
- Fund Balance is \$21 million.

HOTEL FUND

- Revenues year-to-date totaled approximately \$3.5 million, about the same as the prior year. Hotel occupancy tax collections of \$3.03 million are slightly less than the same period last year. Proceeds from Special Events are below budget due to the timing of events; all significant events occur between May and September. Note that Visit Addison has been discontinued.
- Hotel Fund expenditures of \$2.44 million are 34.6 percent of budget and \$49 thousand less than this time last year. The majority of Special Events expenses will be incurred in the last half of

the year. The Performing Arts budget is 77.4 percent of budget due to purchasing new lighting and paying on annual service contracts. All other departments are below their respective budgets.

- Fund Balance is \$3.167 million.

AIRPORT FUND

- Operating revenue year-to-date totaled \$2.8 million, compared to \$2.65 million in the prior year, an increase of 6 percent. This can be attributed mainly to an increase in operating grants (\$48 thousand), rental fees (\$44.6 thousand), user fees (\$35.4 thousand), and other income (\$47 thousand), along with a slight decrease in fuel flowage fees (\$17 thousand).
- Year-to-date operating expenses amount to \$2.0 million, resulting in operating income of approximately \$793 thousand. Total operating expenses are at 47.7 percent of budget.
- Fund Balance is approximately \$3.15 million.

UTILITY FUNDS

- Utility operating revenue through the second quarter totaled \$4.1 million, compared to \$3.8 million in the prior year. This represents an increase of 6.9 percent. This increase can be attributed water sales of approximately \$238 thousand over last year.
- Utility operating expenses year-to-date totaled \$4.17 million, which was approximately \$704 thousand higher than last year. Sewer charges were higher than last year by just over \$313 thousand, as were utility operations expenditures by approximately \$385 thousand.
- Utility fund balance is \$9.9 million.

INVESTMENT REPORT

- Cash held in investments for all funds as of March 31, 2016 totaled \$92.1 million, representing an increase of approximately \$3.8 million from the previous quarter. Most of this increase is from investment of Ad Valorem tax receipts in excess of current requirements.
- The City's average investment yield to maturity at the end of March was 0.679 percent, slightly higher than the previous quarter's yield of 0.625 percent. This yield is higher than the TexPool benchmark of 0.342 percent. The average weighted maturity decreased slightly from 351 to 348 days. Portfolio weighted average maturity shall not exceed 18 months (547 days) in accordance with the Town's Investment Policy.
- The Town's current portfolio consists of 45 percent Agency Securities, 27 percent CDs, 24 percent Local Government Investment Pools, and 4 percent Commercial Paper. The portfolio has 24 percent of its maturities at 90 days or less. All ratios are in compliance with the Investment Policy.
- Staff will continue to seek out CDs and callable agency securities in order to maximize yields. Finally, with interest rates expected to remain low through 2016, we will look to extend the portfolio's duration to the extent that cash flow allows.

TOWN OF ADDISON

GENERAL FUND

FY 2016 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET

With Comparative Information from Prior Fiscal Year

CATEGORY	FY 2014-15 ACTUAL PRIOR YEAR	FY 2015-16 BUDGET	FY 2015-16 ACTUAL 2nd QTR	FY 2015-16 ACTUAL Y-T-D	ACTUAL YTD as % of Budget
Revenues:					
Ad Valorem taxes:					
Current taxes	\$ 11,424,738	\$ 13,940,240	\$ 9,817,602	\$ 13,546,339	97%
Delinquent taxes	(71,220)	6,750	8,482	(9,067)	-134%
Penalty & interest	25,457	16,720	6,877	9,613	57%
Non-property taxes:					
Sales tax	13,038,912	12,305,000	2,292,699	6,521,694	53%
Alcoholic beverage tax	1,176,643	870,000	297,758	297,758	34%
Franchise / right-of-way use fees:					
Electric franchise	1,539,971	1,500,000	351,637	819,534	55%
Gas franchise	273,320	190,000	-	-	0%
Telecommunication access fees	593,387	650,000	192,014	350,557	54%
Cable franchise	414,892	335,000	71,382	177,920	53%
Street rental fees	6,850	5,000	5,120	4,620	92%
Licenses and permits:					
Business licenses and permits	259,487	170,750	27,767	52,387	31%
Building and construction permits	751,736	649,450	105,882	240,549	37%
Service fees:					
General government	849	500	21	76	15%
Public safety	853,445	886,000	201,154	410,757	46%
Urban development	3,830	3,000	(1,300)	(1,300)	-43%
Streets and sanitation	400,562	382,600	92,313	169,526	44%
Recreation	72,279	80,300	16,388	27,946	35%
Interfund	230,000	230,000	102,768	189,631	82%
Court fines	725,190	781,900	140,778	274,803	35%
Interest earnings	69,431	30,000	24,442	24,261	81%
Rental income	236,667	275,000	260,544	290,544	106%
Other	65,597	58,905	(56,165)	90,317	153%
Total Revenues	\$ 32,092,023	\$ 33,367,115	\$ 13,958,161	\$ 23,488,464	70%

TOWN OF ADDISON

GENERAL FUND

FY 2016 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET

With Comparative Information from Prior Fiscal Year

CATEGORY	FY 2014-15 ACTUAL PRIOR YEAR	FY 2015-16 BUDGET	FY 2015-16 ACTUAL 2nd QTR	FY 2015-16 ACTUAL Y-T-D	ACTUAL YTD as % of Budget
Expenditures:					
General government:					
City manager	\$ 1,538,933	\$ 1,302,565	\$ 338,187	\$ 606,044	46.5%
Finance	1,008,993	1,231,286	327,432	553,403	44.9%
General services	679,165	666,310	172,890	342,841	51.5%
Municipal court	499,705	586,428	153,446	261,602	44.6%
Human resources	492,604	583,959	123,484	245,689	42.1%
Information technology	1,581,032	1,910,708	405,761	706,937	37.0%
Combined services	1,077,938	1,475,980	240,983	443,739	30.1%
Council projects	578,232	331,879	62,806	228,066	68.7%
Public safety:					
Police	8,610,726	8,520,606	1,958,548	3,810,203	44.7%
Emergency communications	1,377,265	1,318,483	791,339	1,069,331	81.1%
Fire	6,709,119	6,808,772	1,525,440	2,993,185	44.0%
Development services	1,086,232	1,211,637	244,273	446,484	36.8%
Property standards	-	172,656	(15,878)	15,268	8.8%
Streets	1,801,462	2,060,482	583,279	828,896	40.2%
Parks and Recreation:					
Parks	3,103,605	3,463,320	658,006	1,637,992	47.3%
Recreation	1,646,110	1,652,493	368,528	711,023	43.0%
Other financing uses:					
Transfers	4,015,000	15,000	3,750	7,500	50.0%
Total Expenditures	35,806,121	33,312,564	7,934,775	14,900,704	44.7%
Net Change in Fund Balance	(3,714,098)	54,551	<u>\$ 6,023,385</u>	8,587,760	
Fund Balance at Beginning of Year	16,130,096	12,415,998		12,415,998	
Fund Balance at End of Year	\$ 12,415,998	\$ 12,470,549		\$ 21,003,758	

TOWN OF ADDISON

HOTEL FUND

FY 2016 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET

With Comparative Information from Prior Fiscal Year

CATEGORY	FY 2014-15 ACTUAL PRIOR YEAR	FY 2015-16 BUDGET	FY 2015-16 ACTUAL 2nd QTR	FY 2015-16 ACTUAL Y-T-D	ACTUAL YTD as % of Budget
Revenues:					
Hotel/Motel occupancy taxes	\$ 5,512,956	\$ 5,500,000	\$ 1,608,410	\$ 3,027,262	55.0%
Proceeds from special events	1,028,501	2,045,717	56,289	67,071	3.3%
Conference centre rental	624,661	630,000	195,683	348,172	55.3%
Visit Addison rental	253,463	-	30,337	30,337	0.0%
Theatre centre rental	148,418	122,290	5,173	44,526	36.4%
Interest and miscellaneous	19,723	10,000	(29,241)	(24,465)	-244.7%
Total Revenues	7,587,722	8,308,007	1,866,651	3,492,903	42.0%
Expenditures:					
Visit Addison	765,399	400,000	8,811	21,384	5.3%
Conference centre	872,628	1,216,466	240,065	475,295	39.1%
Marketing	2,279,420	972,224	129,920	211,268	21.7%
Special events	957,729	2,529,296	363,311	626,082	24.8%
Performing arts	542,065	581,385	132,845	450,248	77.4%
General hotel operations	36,304	107,263	-	-	0.0%
Other financing uses:					
Transfer to debt serv & ED funds	1,211,082	1,257,124	942,843	628,562	50.0%
Total Expenditures	6,664,627	7,063,758	1,831,301	2,444,152	34.6%
Net Change in Fund Balance	923,095	1,244,248	<u>\$ 35,349</u>	1,048,751	
Fund Balance at Beginning of Year	1,194,674	2,117,769		2,117,769	
Fund Balance at End of Year	\$ 2,117,769	\$ 3,362,017		\$ 3,166,520	

TOWN OF ADDISON
ECONOMIC DEVELOPMENT FUND
FY 2016 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET
With Comparative Information from Prior Fiscal Year

CATEGORY	FY 2014-15 ACTUAL PRIOR YEAR	FY 2015-16 BUDGET	FY 2015-16 ACTUAL 2nd QTR	FY 2015-16 ACTUAL Y-T-D	ACTUAL YTD as % of Budget
Revenues:					
Ad Valorem taxes:					
Current taxes	\$ 973,607	\$ 998,800	\$ 703,516	\$ 969,049	97.0%
Delinquent taxes	(6,062)	480	609	(647)	-134.7%
Penalty & interest	2,169	1,190	493	651	54.7%
Business license fee	68,838	70,000	56,779	57,479	82.1%
Interest income and other	3,400	10,200	2,005	2,834	27.8%
Transfers from General/Hotel Fund	515,282	560,524	140,131	280,262	50.0%
Total Revenues	1,557,234	1,641,194	903,532	1,309,627	79.8%
Expenditures:					
Personnel services	353,523	381,809	62,791	150,247	39.4%
Supplies	20,854	29,700	3,427	7,539	25.4%
Maintenance	62,447	50,541	12,766	26,540	52.5%
Contractual services	824,881	1,198,076	109,017	242,031	20.2%
Capital replacement/lease	19,148	25,581	2,046	8,442	33.0%
Total Expenditures	1,280,853	1,685,707	190,047	434,798	25.8%
Net Change in Fund Balance	276,381	(44,513)	<u>\$ 713,485</u>	874,829	
Fund Balance at Beginning of Year	477,233	753,614		753,614	
Fund Balance at End of Year	<u>\$ 753,614</u>	<u>\$ 709,101</u>		<u>\$ 1,628,443</u>	

AIRPORT FUND

FY 2016 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET

With Comparative Information from Prior Fiscal Year

CATEGORY	FY 2014-15 ACTUAL PRIOR YEAR	FY 2015-16 BUDGET	FY 2015-16 ACTUAL 2nd QTR	FY 2015-16 ACTUAL Y-T-D	ACTUAL YTD as % of Budget
Operating Revenues:					
Operating grants	\$ 1,201	\$ 50,000	\$ -	\$ 48,140	96.3%
Fuel flowage fees	829,044	791,680	192,817	404,841	51.1%
Rental	4,622,387	4,234,732	1,123,217	2,189,137	51.7%
User fees	61,379	161,250	34,191	61,303	38.0%
Other income	13,588	-	24,505	104,654	0.0%
Total Operating Revenues:	5,527,599	5,237,662	1,374,730	2,808,075	53.6%
Operating Expenses:					
Town - Personnel services	315,510	361,152	72,865	145,432	40.3%
Town - Supplies	58,326	41,000	1,517	2,974	7.3%
Town - Maintenance	88,270	112,910	26,895	50,948	45.1%
Town - Contractual services	560,906	172,990	32,153	88,526	51.2%
Town - Capital replacement/lease	-	19,160	5,290	10,080	52.6%
Grant - Maintenance	-	100,000	-	-	0.0%
Operator - Operations and maintenance	2,426,776	3,004,748	650,528	1,467,189	48.8%
Operator - Service contract	396,971	413,301	85,967	250,085	60.5%
Total Operating Expenses:	3,846,759	4,225,261	875,216	2,015,233	47.7%
Operating Income/(Loss) (excluding depreciation)	1,680,840	1,012,401	499,514	792,843	
Non-Operating revenues (expenses):					
Interest earnings	-	5,000	(714)	4,470	89.4%
Principal & interest on debt, fiscal fees & other	(583,766)	(587,691)	(522,023)	(522,758)	89.0%
Capital grants	-	-	-	-	0.0%
Capital outlay	(422,202)	(122,000)	(15,845)	(15,845)	13.0%
Net Total Non-Operating revenues (expenses):	(1,005,968)	(704,691)	(538,582)	(534,133)	75.8%
Net Change to Working Capital	674,872	307,710	<u>\$ (39,068)</u>	258,709	
Working Capital at Beginning of Year	2,211,555	2,886,427		2,886,427	
Working Capital at End of Year	\$ 2,886,427	\$ 3,194,137		\$ 3,145,136	

UTILITY FUND

FY 2016 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET

With Comparative Information from Prior Fiscal Year

CATEGORY	FY 2014-15 ACTUAL PRIOR YEAR	FY 2015-16 BUDGET	FY 2015-16 ACTUAL 2nd QTR	FY 2015-16 ACTUAL Y-T-D	ACTUAL YTD as % of Budget
Operating revenues:					
Water sales	\$ 5,678,134	\$ 5,758,909	\$ 1,073,613	\$ 2,227,739	38.7%
Sewer charges	4,428,030	4,524,621	1,031,380	1,823,916	40.3%
Tap fees	12,580	7,000	3,775	14,525	207.5%
Penalties	64,949	75,000	18,211	43,637	58.2%
Other Income/(Expenses)	(7,107)	15,000	(2,741)	(2,741)	-18.3%
Total Operating Revenues:	10,176,586	10,380,530	2,124,237	4,107,076	39.6%
Operating expenses:					
Water purchases	2,895,316	3,459,088	1,119,869	1,401,364	40.5%
Wastewater treatment	2,393,235	2,298,729	909,686	1,365,010	59.4%
Utility operations	2,456,051	3,419,430	788,711	1,399,140	40.9%
Total Operating Expenses:	7,744,602	9,177,247	2,818,266	4,165,514	45.4%
Operating Income/(Loss) (excluding depreciation)	2,431,984	1,203,284	(694,029)	(58,438)	
Non-Operating revenues (expenses):					
Debt proceeds					
Interest earnings and other		(110,510)	9,715		0.0%
Principal and interest on debt, fiscal fees & other	(1,048,690)	(1,091,014)	(823,693)	(823,693)	75.5%
Capital outlay	(2,416,348)	(3,427,164)	93,443	-	0.0%
Net Total Non-Operating revenues (expenses):	(3,465,038)	(4,628,688)	(720,535)	(823,693)	17.8%
Net Change to Working Capital	(1,033,054)	(3,425,405)	<u>\$ (1,414,564)</u>	(882,131)	
Working Capital at Beginning of Year	11,810,139	10,777,085		10,777,085	
Working Capital at End of Year	\$ 10,777,085	\$ 7,351,680		\$ 9,894,954	

STORM WATER UTILITY FUND

FY 2016 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET

With Comparative Information from Prior Fiscal Year

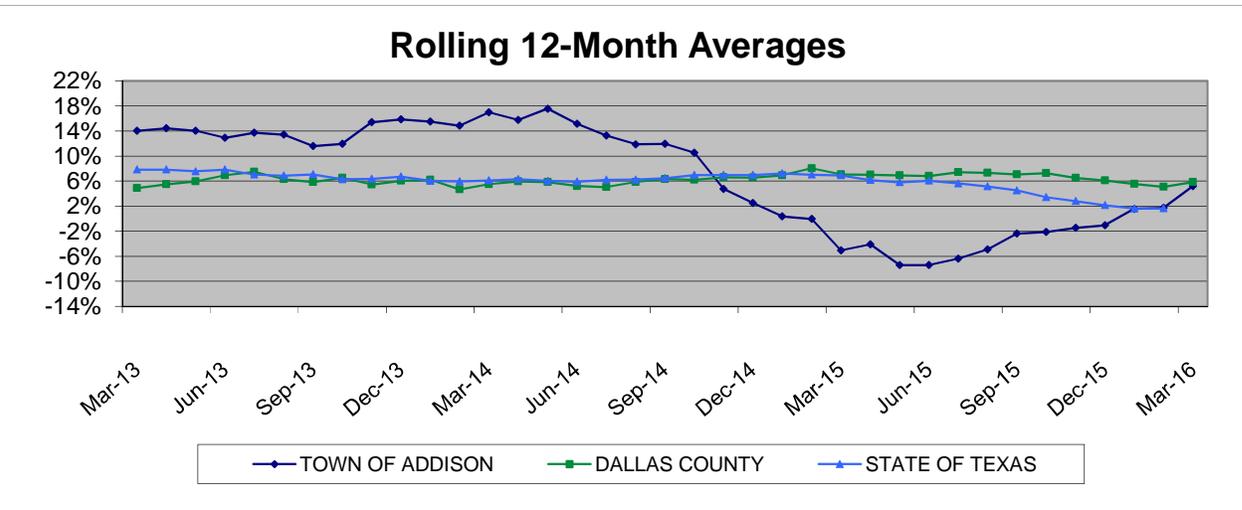
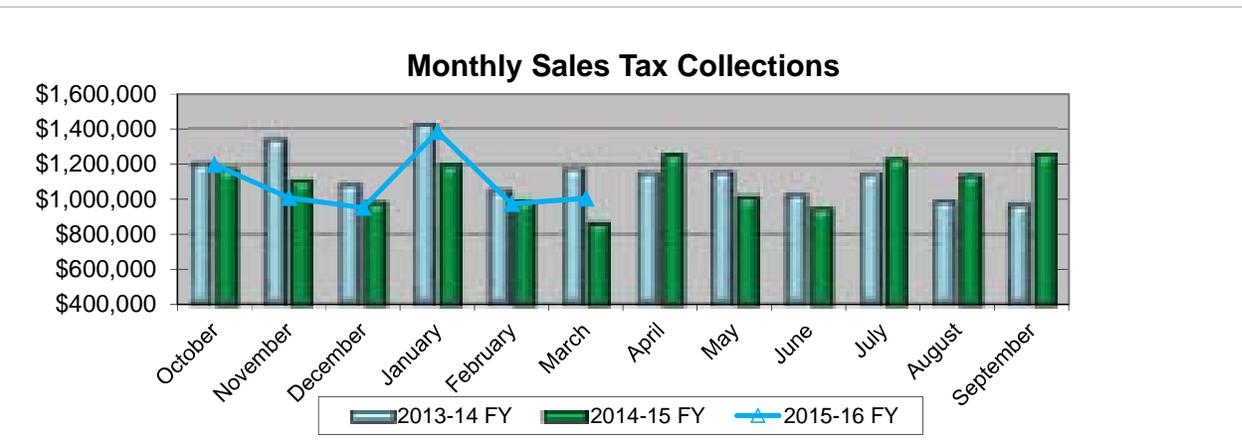
CATEGORY	FY 2014-15 ACTUAL PRIOR YEAR	FY 2015-16 BUDGET	FY 2015-16 ACTUAL 1ST QTR	FY 2015-16 ACTUAL Y-T-D	ACTUAL YTD as % of Budget
Operating revenues:					
Drainage fees	\$ 1,729,899	\$ 1,773,900	\$ 470,304	\$ 813,099	0
Total Operating Revenues:	1,729,899	1,773,900	470,304	813,099	45.8%
Operating expenses					
Personnel services	72,260	105,614	14,302	26,392	25.0%
Supplies	947	12,700	790	872	6.9%
Maintenance	55,583	186,500	12,775	17,370	9.3%
Contractual services	435,720	247,475	130,333	154,076	62.3%
Total Operating Expenses:	564,510	552,289	158,200	198,710	36.0%
Operating Income/(Loss) (excluding depreciation)	1,165,389	1,221,611	312,104	614,389	
Non-Operating revenues (expenses):					
Debt proceeds					0.0%
Interest earnings and other	35,869	5,000	(12,032)		0.0%
Interest and principal on debt, fiscal fees & other	(545,066)	(544,716)	(408,708)	(408,708)	75.0%
Capital outlay	(128,721)	(5,070,000)	(17,780)	(17,780)	0
Net Total Non-Operating revenues (expenses):	(637,918)	(5,609,716)	(438,519)	(426,488)	7.6%
Net Change to Working Capital	527,471	(4,388,105)	<u>\$ (126,416)</u>	187,901	
Working Capital at Beginning of Year	9,340,431	9,867,902		9,867,902	
Working Capital at End of Year	\$ 9,867,902	\$ 5,479,797		\$ 10,055,803	

TOWN OF ADDISON

Schedule of Sales Tax Collections and Related Analyses

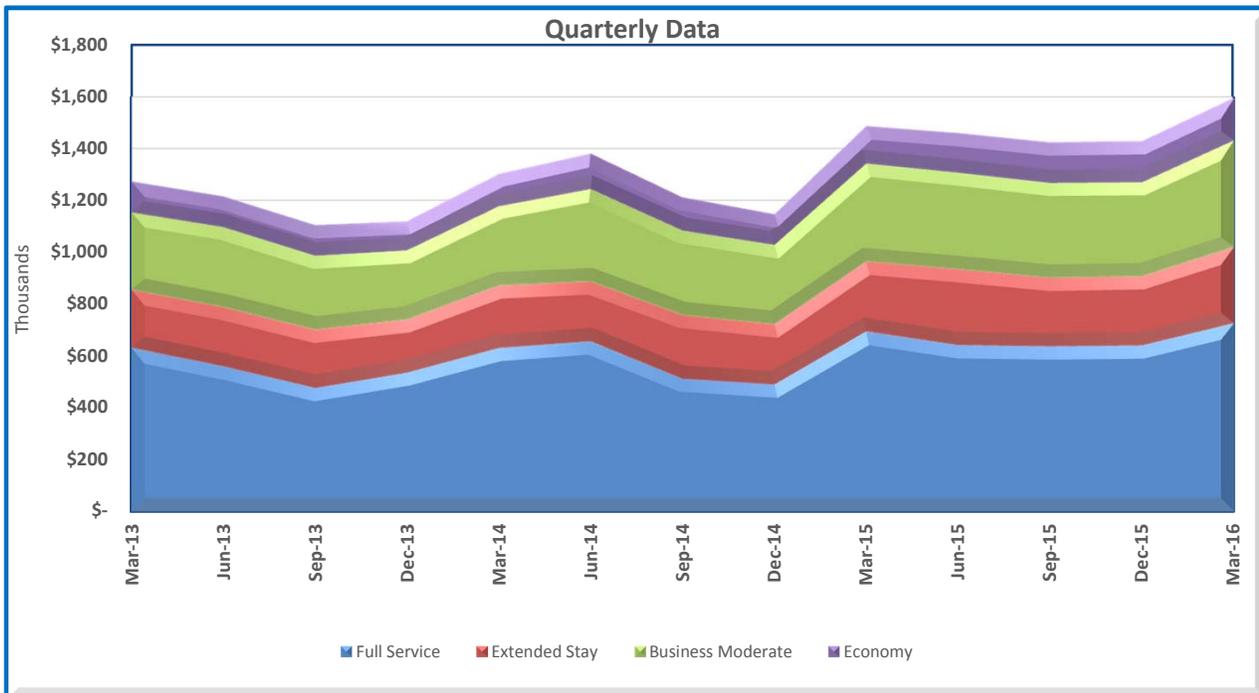
For the period ending March 31, 2016

	TOWN OF ADDISON				DALLAS COUNTY		STATE OF TEXAS	
	2015-16 Collections		% Change from Prior Year		% Change from Prior Year		% Change from Prior Year	
	Monthly	Cumulative	Monthly	Cumulative	Monthly	Cumulative	Monthly	Cumulative
October	\$ 1,197,786	\$ 1,197,786	1.7%	1.7%	8.4%	8.4%	1.8%	1.8%
November	1,008,587	2,206,373	-9.3%	-3.6%	1.1%	4.9%	-2.4%	-0.2%
December	951,849	3,158,222	-3.7%	-3.7%	4.1%	4.7%	0.0%	-0.1%
January	1,385,203	4,543,425	15.4%	1.4%	3.7%	4.4%	-0.1%	-0.1%
February	973,782	5,517,207	-2.5%	0.7%	5.0%	4.5%	-0.1%	-0.1%
March	1,004,487	6,521,694	15.3%	2.7%	10.0%	5.3%	3.4%	0.4%
April	-	-	-	-	-	-	-	-
May	-	-	-	-	-	-	-	-
June	-	-	-	-	-	-	-	-
July	-	-	-	-	-	-	-	-
August	-	-	-	-	-	-	-	-
September	-	-	-	-	-	-	-	-
Budget 15-16:		\$ 12,305,000						
Projected Year End		\$ 12,900,000						



TOWN OF ADDISON HOTEL OCCUPANCY TAX COLLECTION
Hotels By Service Type for the Quarter and Year-to-Date Ended March 31, 2016
With Comparative Information from Prior Fiscal Year

	Rooms		Jan-March		16 to 15 % Diff.	YTD FY 16		16 to 15 % Diff.
	Number	Percentage	Amount	Percentage		Amount	Percentage	
Full Service								
Marriott Quorum	547	14%	\$ 288,527	18%	10%	\$ 528,281	17%	23%
Intercontinental	528	13%	270,095	17%	-3%	511,687	17%	10%
Crowne Plaza	428	11%	167,029	10%	9%	325,210	11%	13%
	<u>1,503</u>	<u>38%</u>	<u>725,651</u>	<u>45%</u>		<u>1,365,178</u>	<u>45%</u>	
Extended Stay								
Budget Suites	344	9%	3,275	0%	34%	7,669	0%	25%
Hawthorne Suites	70	2%	23,810	1%	25%	42,754	1%	30%
Marriott Residence	150	4%	61,292	4%	-4%	117,027	4%	1%
Summerfield Suites	132	3%	67,011	4%	21%	128,117	4%	28%
Homewood Suites	120	3%	60,100	4%	10%	113,045	4%	6%
Springhill Suites	159	4%	77,501	5%	6%	151,174	5%	7%
	<u>975</u>	<u>25%</u>	<u>292,989</u>	<u>18%</u>		<u>559,786</u>	<u>19%</u>	
Business Moderate								
Marriott Courtyard Quorum	176	4%	102,475	6%	10%	191,864	6%	14%
LaQuinta Inn	152	4%	56,721	4%	7%	109,524	4%	10%
Marriott Courtyard Proton	145	4%	70,398	4%	10%	133,516	4%	18%
Radisson - Addison	101	3%	50,016	3%	10%	93,405	3%	13%
Hilton Garden Inn	96	2%	56,699	4%	4%	106,904	4%	7%
Holiday Inn - Arapaho	102	3%	44,265	3%	8%	80,962	3%	8%
Best Western Plus	84	2%	31,459	2%	15%	58,594	2%	26%
	<u>856</u>	<u>22%</u>	<u>412,033</u>	<u>26%</u>		<u>774,769</u>	<u>26%</u>	
Economy								
Motel 6	124	3%	29,312	2%	34%	56,182	2%	33%
Hampton Inn	158	4%	71,311	4%	8%	136,516	5%	12%
Red Roof Inn	104	3%	22,708	1%	44%	44,768	1%	55%
Comfort Suites	78	2%	28,024	2%	13%	54,339	2%	32%
Super 8	71	2%	9,519	1%	-11%	22,281	1%	23%
Best Value	60	2%	3,362	0%	-38%	9,047	0%	-5%
	<u>595</u>	<u>15%</u>	<u>164,236</u>	<u>10%</u>		<u>323,133</u>	<u>11%</u>	
TOTAL	<u>3,929</u>	<u>100%</u>	<u>\$ 1,594,909</u>	<u>100%</u>		<u>\$ 3,022,866</u>	<u>100%</u>	

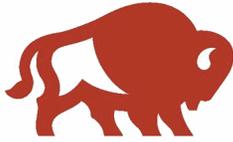


COLLATERAL SUMMARY

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

Town of Addison Collateral Analysis Demand Deposit Cash March 31, 2016

Pledging Institution	Safekeeping Location	Account Title	Pledged Security Description	Security Par Value	Market Value	FDIC Insurance	Ending Bank Balance	Difference Over(Under)
Frost Bank	Federal Reserve	Operating	U.S. Treas. due 8/31/21	\$ 395,000	\$ 407,760			
Frost Bank	Federal Reserve	Operating	U.S. Treas. due 8/31/19	988,000	1,008,068			
Frost Bank	Federal Reserve	Operating	U.S. Treas. due 11/30/21	2,500,000	2,559,960			
Frost Bank	Federal Reserve	Operating	GNMA due 9/15/2024	546,104	579,530			
Frost Bank	Federal Reserve	Operating	GNMA due 9/15/2024	1,002,085	1,063,421			
Frost Bank	Federal Reserve	Operating	GNMA due 9/15/2024	1,684,448	1,787,550			
Frost Bank	Federal Reserve	Operating	GNMA due 9/15/2024	613,482	651,032			
				<u>\$ 7,729,120</u>	<u>\$ 8,057,323</u>	<u>\$ 250,000</u>	<u>\$ 3,913,094</u>	<u>\$ 4,394,229</u>



Town of Addison



For the Quarter Ended

March 31, 2016

Report Name

- Certification Page
- Executive Summary
- Benchmark Comparison
- Detail of Security Holdings
- Change in Value
- Earned Income
- Investment Transactions
- Amortization and Accretion
- Projected Fixed Income Cash Flows

MARKET RECAP - MARCH 2016:

Positive momentum from February carried over into early March before giving way to persistently weak economic data, a soft global economy, and dovish central banks. The ISM manufacturing index came in below 50 for the fifth straight month, indicating contraction in the manufacturing sector. However, February's 49.5 was better than the 48.5 reading analysts were expecting and a few bright spots in the sub-components suggested manufacturing may have hit bottom. The ISM non-manufacturing (service sector) index, slipped from 53.5 to 53.4, still indicating expansion, but short of December's 55.8. Headlines from the February employment report looked impressive as the economy added +242k new jobs while prior month revisions tacked on +30k and the unemployment rate held steady at 4.9%. Unfortunately, weakness in the underlying details belied the strong headline as average hourly earnings fell -0.1%, completely reversing January's outsized +0.5% gain and dragging the year-over-year change in earnings from +2.5% to +2.2%. A decrease in the average work week from 34.6 to 34.4 hours was another detractor. Details such as these suggest many of the jobs being added are part-time and/or low wage positions.

Attention turned to central banks mid-month. The European Central Bank pushed its bank deposit rate further into negative territory with a cut from -0.30% to -0.40%, increased its QE program from €60 to €80 billion per month and added investment grade corporate debt to the list of eligible investments. The announcement initially sparked a global rally across stock and bond markets. But then, ECB President Draghi stepped up to the microphone and essentially told markets that would be the end of it. His statement took the wind out of the sails and the rally unraveled. A few days later, despite widespread expectations for additional stimulus, Japan's central bank chose to do nothing. Meanwhile, the Federal Reserve matched expectations by leaving policy unchanged. Recent data has not supported the FOMC's previously telegraphed path of four 25 basis point rate hikes in 2016 and markets had reduced their forecast to no more than two rate hikes in 2016. The FOMC's latest forecast acknowledged this expectation and dovish comments from Chair Yellen have suggested that even two hikes might be too aggressive.

The remaining data did nothing to change the perception of a persistently mediocre economic environment. Retail sales for February fell -0.1% and January's decent +0.2% gain was revised sharply lower to -0.4%. Orders for durable goods were very weak, declining -2.8% in February. The consumer price index retreated -0.2% in February while the core rate, ex-food and energy, rose +0.3%. On a year-over-year basis core CPI is up +2.3%. The Fed's preferred inflation yard stick, the core PCE, is up a more modest +1.7%. Fourth quarter GDP was bumped up from +1.0% to +1.4% in the final revision, but remains at a disappointingly slow pace. Current tracking estimates suggest GDP growth will fall below 1.0% in the first quarter of 2016. The end result is a cautious and an environment that has been friendly for both stock and bond markets. The major U.S. equity indexes enjoyed a solid month, pushing the DJIA and the S&P 500 into positive territory for the year. Bond yields have fallen with the two-year T-note down to 0.72% and the 10-year T-note at 1.77%.

For the Quarter Ended
March 31, 2016

This report is prepared for the **Town of Addison** (the "Entity") in accordance with Chapter 2256 of the Texas Public Funds Investment Act ("PFIA"). Section 2256.023(a) of the PFIA states that: "Not less than quarterly, the investment officer shall prepare and submit to the governing body of the entity a written report of the investment transactions for all funds covered by this chapter for the preceding reporting period." This report is signed by the Entity's investment officers and includes the disclosures required in the PFIA. To the extent possible, market prices have been obtained from independent pricing sources.

The investment portfolio complied with the PFIA and the Entity's approved Investment Policy and Strategy throughout the period. All investment transactions made in the portfolio during this period were made on behalf of the Entity and were made in full compliance with the PFIA and the approved Investment Policy.

Officer Names and Titles:



Name: Dr. Scott Neils

Title: Interim Finance Director

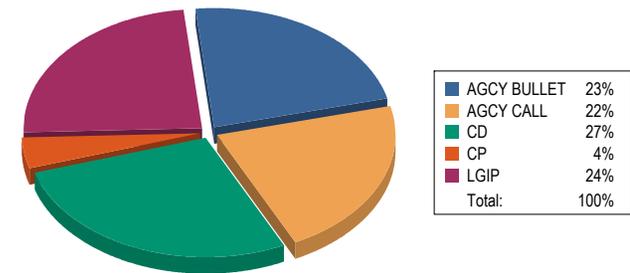
Account Summary

Allocation by Security Type

Beginning Values as of 12/31/15

Ending Values as of 03/31/16

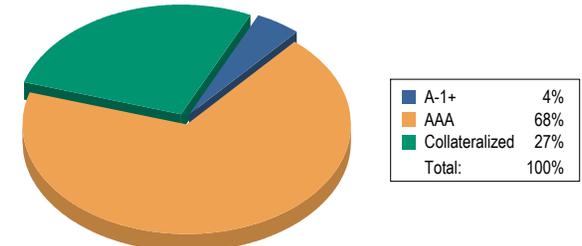
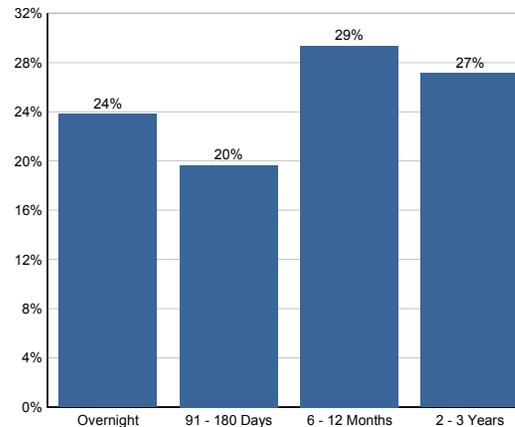
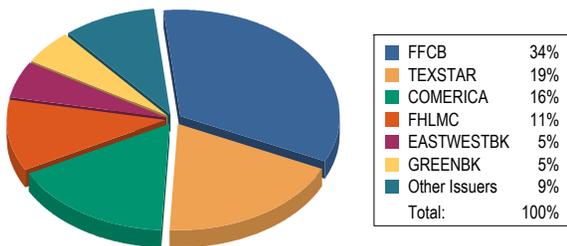
Par Value	88,569,142.58	92,119,848.48
Market Value	88,340,403.58	92,103,937.48
Book Value	88,530,073.11	92,090,746.70
Unrealized Gain/(Loss)	(189,669.53)	13,190.78
Market Value %	99.79%	100.01%
Weighted Avg. YTW	0.625%	0.679%
Weighted Avg. YTM	0.625%	0.679%



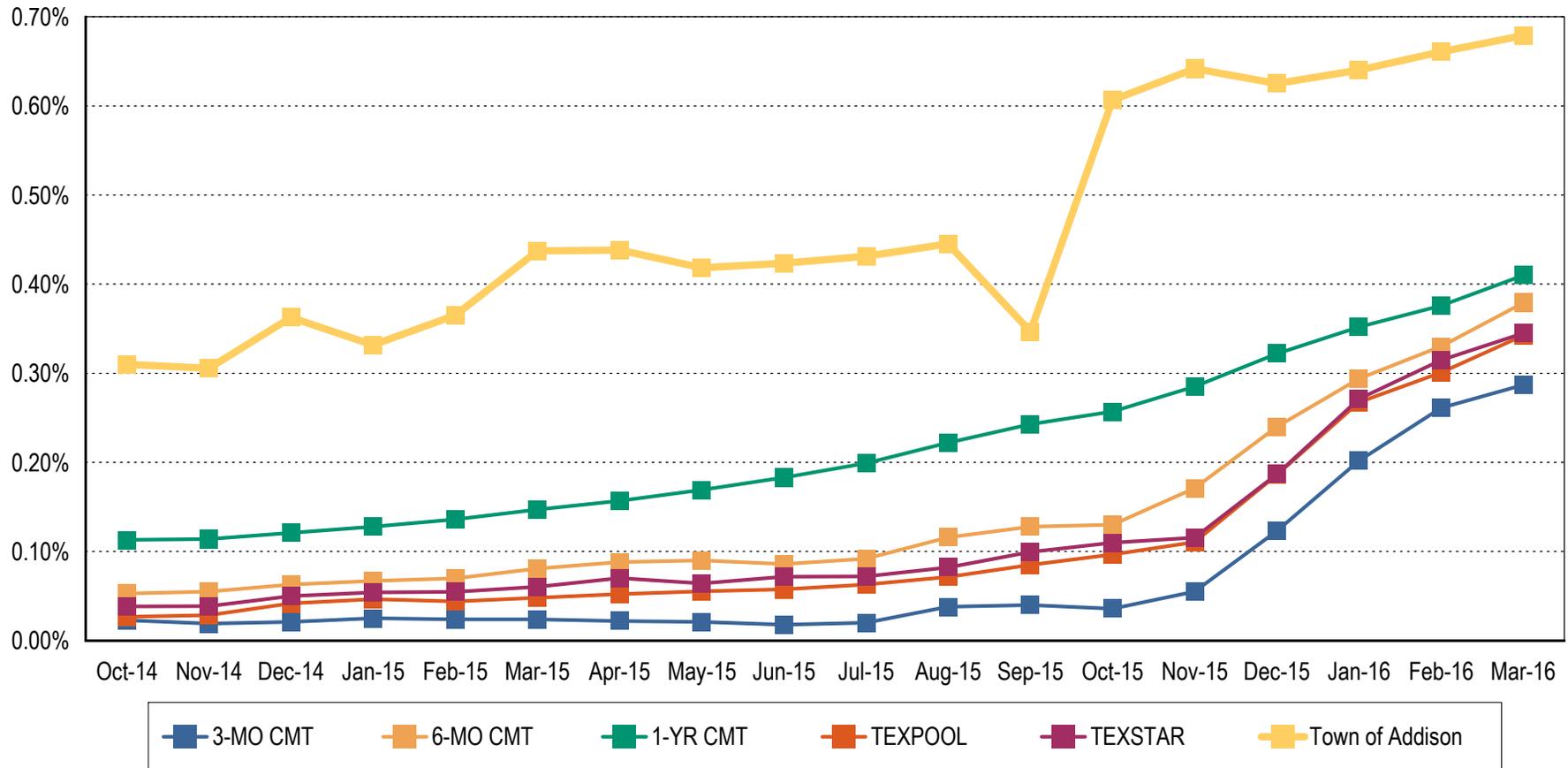
Allocation by Issuer

Maturity Distribution %

Credit Quality



Weighted Average Days to Maturity: 347



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

Note 2: Benchmark data for TexPool is the monthly average yield.

Note 3: Benchmark data for TexSTAR is the monthly average yield.

CUSIP	Settle Date	Sec. Type	Sec. Description	CPN	Mty Date	Next Call	Call Type	Par Value	Purch Price	Orig Cost	Book Value	Mkt Price	Market Value	Days to Mty	Days to Call	YTM	YTW
Pooled Funds																	
TEXPOOL		LGIP	TexPool					4,616,055.54	100.000	4,616,055.54	4,616,055.54	100.000	4,616,055.54	1		0.342	0.342
TEXSTAR		LGIP	TexSTAR					17,334,969.16	100.000	17,334,969.16	17,334,969.16	100.000	17,334,969.16	1		0.345	0.345
46640PGR8	10/30/15	CP - DISC	J.P.Morgan Sec		07/25/16			4,000,000.00	99.514	3,980,572.22	3,991,694.44	99.825	3,992,988.00	116		0.653	0.653
3133EEQG8	02/27/15	AGCY BULET	FFCB	0.550	08/17/16			4,000,000.00	100.029	4,001,160.00	4,000,298.64	100.071	4,002,836.00	139		0.530	0.530
CD-7123	09/04/14	CD	Comerica Bk CD	0.710	09/06/16			10,106,905.21	100.000	10,106,905.21	10,106,905.21	100.000	10,106,905.21	159		0.710	0.710
3133EFMW4	11/03/15	AGCY BULET	FFCB	0.400	11/03/16			10,000,000.00	99.974	9,997,354.00	9,998,440.60	99.872	9,987,210.00	217		0.427	0.427
3133EEFA3	12/23/14	AGCY BULET	FFCB	0.720	12/15/16			7,000,000.00	99.901	6,993,070.00	6,997,517.24	100.034	7,002,345.00	259		0.771	0.771
CD-7917	03/02/15	CD	Comerica Bk CD	0.800	03/02/17			5,040,238.98	100.000	5,040,238.98	5,040,238.98	100.000	5,040,238.98	336		0.800	0.800
CD-8583-1	03/02/16	CD	East West Bk CD	0.445	03/02/17			5,021,679.59	100.000	5,021,679.59	5,021,679.59	100.000	5,021,679.59	336		0.445	0.445
3133EFJM0	10/30/15	AGCY CALL	FFCB	0.930	04/13/18	Anytime	CONT	10,000,000.00	99.805	9,980,500.00	9,983,808.70	100.001	10,000,090.00	743	5	1.011	1.011
3134G7P54	10/30/15	AGCY CALL	FHLMC	1.200	10/29/18	04/29/16	QRTLY	10,000,000.00	99.990	9,999,000.00	9,999,138.60	99.986	9,998,620.00	942	29	1.203	1.203
CD-3820-2	01/30/16	CD	Green Bk CD	1.000	01/29/19			5,000,000.00	100.000	5,000,000.00	5,000,000.00	100.000	5,000,000.00	1,034		1.000	1.000
Total for Pooled Funds								92,119,848.48	99.948	92,071,504.70	92,090,746.70	99.983	92,103,937.48	348		0.679	0.679
Total for Town of Addison								92,119,848.48	99.948	92,071,504.70	92,090,746.70	99.983	92,103,937.48	348		0.679	0.679

CUSIP	Security Type	Security Description	12/31/15 Book Value	Cost of Purchases	Maturities / Calls / Sales	Amortization / Accretion	Realized Gain/(Loss)	03/31/16 Book Value	12/31/15 Market Value	03/31/16 Market Value	Change in Mkt Value
Pooled Funds											
TEXPOOL	LGIP	TexPool	4,612,621.65	3,433.89	0.00	0.00	0.00	4,616,055.54	4,612,621.65	4,616,055.54	3,433.89
TEXSTAR	LGIP	TexSTAR	13,820,703.06	8,103,766.59	(4,589,500.49)	0.00	0.00	17,334,969.16	13,820,703.06	17,334,969.16	3,514,266.10
CD-3820-1	CD	Green Bk CD 0.448 01/30/16	5,000,000.00	0.00	(5,000,000.00)	0.00	0.00	0.00	5,000,000.00	0.00	(5,000,000.00)
CD-8583	CD	East West Bk CD 0.395 03/02/16	5,016,530.57	0.00	(5,016,530.57)	0.00	0.00	0.00	5,016,530.57	0.00	(5,016,530.57)
46640PGR8	CP - DISC	J.P.Morgan Sec 0.000 07/25/16	3,985,122.24	0.00	0.00	6,572.20	0.00	3,991,694.44	3,984,152.00	3,992,988.00	8,836.00
3133EEQG8	AGCY BULET	FFCB 0.550 08/17/16	4,000,495.96	0.00	0.00	(197.32)	0.00	4,000,298.64	3,999,808.00	4,002,836.00	3,028.00
CD-7123	CD	Comerica Bk CD 0.710 09/06/16	10,089,069.46	17,835.75	0.00	0.00	0.00	10,106,905.21	10,089,069.46	10,106,905.21	17,835.75
3133EFMW4	AGCY BULET	FFCB 0.400 11/03/16	9,997,779.80	0.00	0.00	660.80	0.00	9,998,440.60	9,971,730.00	9,987,210.00	15,480.00
3133EEFA3	AGCY BULET	FFCB 0.720 12/15/16	6,996,639.93	0.00	0.00	877.31	0.00	6,997,517.24	6,992,741.00	7,002,345.00	9,604.00
CD-7917	CD	Comerica Bk CD 0.800 03/02/17	5,030,217.84	10,021.14	0.00	0.00	0.00	5,040,238.98	5,030,217.84	5,040,238.98	10,021.14
CD-8583-1	CD	East West Bk CD 0.445 03/02/17	0.00	5,021,679.59	0.00	0.00	0.00	5,021,679.59	0.00	5,021,679.59	5,021,679.59
3133EFJM0	AGCY CALL	FFCB 0.930 04/13/18	9,981,836.60	0.00	0.00	1,972.10	0.00	9,983,808.70	9,890,700.00	10,000,090.00	109,390.00
3134G7P54	AGCY CALL	FHLMC 1.200 10/29/18	9,999,056.00	0.00	0.00	82.60	0.00	9,999,138.60	9,932,130.00	9,998,620.00	66,490.00
CD-3820-2	CD	Green Bk CD 1.000 01/29/19	0.00	5,000,000.00	0.00	0.00	0.00	5,000,000.00	0.00	5,000,000.00	5,000,000.00
Total for Pooled Funds			88,530,073.11	18,156,736.96	(14,606,031.06)	9,967.69	0.00	92,090,746.70	88,340,403.58	92,103,937.48	3,763,533.90
Total for Town of Addison			88,530,073.11	18,156,736.96	(14,606,031.06)	9,967.69	0.00	92,090,746.70	88,340,403.58	92,103,937.48	3,763,533.90

CUSIP	Security Type	Security Description	Beg. Accrued	Interest Earned	Interest Rec'd / Sold / Matured	Interest Purchased	Ending Accrued	Disc Accr / Prem Amort	Net Income
Pooled Funds									
TEXPOOL	LGIP	TexPool	0.00	3,433.89	3,433.89	0.00	0.00	0.00	3,433.89
TEXSTAR	LGIP	TexSTAR	0.00	14,266.10	14,266.10	0.00	0.00	0.00	14,266.10
CD-3820-1	CD	Green Bk CD 0.448 01/30/16	3,866.30	1,841.09	5,707.39	0.00	0.00	0.00	1,841.09
CD-8583	CD	East West Bk CD 0.395 03/02/16	54.14	3,258.53	3,312.67	0.00	0.00	0.00	3,258.53
46640PGR8	CP - DISC	J.P.Morgan Sec 0.000 07/25/16	0.00	0.00	0.00	0.00	0.00	6,572.20	6,572.20
3133EEQG8	AGCY BULET	FFCB 0.550 08/17/16	8,188.89	5,500.00	11,000.00	0.00	2,688.89	(197.32)	5,302.68
CD-7123	CD	Comerica Bk CD 0.710 09/06/16	5,176.71	17,844.77	17,835.75	0.00	5,185.73	0.00	17,844.77
3133EFMW4	AGCY BULET	FFCB 0.400 11/03/16	6,444.44	10,000.00	0.00	0.00	16,444.44	660.80	10,660.80
3133EEFA3	AGCY BULET	FFCB 0.720 12/15/16	2,240.00	12,600.00	0.00	0.00	14,840.00	877.31	13,477.31
CD-7917	CD	Comerica Bk CD 0.800 03/02/17	3,307.54	10,027.73	10,021.14	0.00	3,314.13	0.00	10,027.73
CD-8583-1	CD	East West Bk CD 0.445 03/02/17	0.00	1,897.57	1,836.35	0.00	61.22	0.00	1,897.57
3133EFJM0	AGCY CALL	FFCB 0.930 04/13/18	20,150.00	23,250.00	0.00	0.00	43,400.00	1,972.10	25,222.10
3134G7P54	AGCY CALL	FHLMC 1.200 10/29/18	20,666.67	30,000.00	0.00	0.00	50,666.67	82.60	30,082.60
CD-3820-2	CD	Green Bk CD 1.000 01/29/19	0.00	8,469.95	0.00	0.00	8,469.95	0.00	8,469.95
Total for Pooled Funds			70,094.69	142,389.63	67,413.29	0.00	145,071.03	9,967.69	152,357.32
Total for Town of Addison			70,094.69	142,389.63	67,413.29	0.00	145,071.03	9,967.69	152,357.32

Trade Date	Settle Date	CUSIP	Security Type	Security Description	Coupon	Mty Date	Call Date	Par Value	Price	Principal Amount	Int Purchased / Received	Total Amount	Realized Gain / Loss	YTM	YTW
Pooled Funds															
Maturities															
01/30/16	01/30/16	CD-3820-1	CD	Green Bk CD	0.448	01/30/16		5,000,000.00	100.000	5,000,000.00	0.00	5,000,000.00		0.448	
03/02/16	03/02/16	CD-8583	CD	East West Bk CD	0.395	03/02/16		5,016,530.57	100.000	5,016,530.57	0.00	5,016,530.57		0.395	
Total for: Maturities								10,016,530.57		10,016,530.57	0.00	10,016,530.57		0.421	
Purchases															
01/30/16	01/30/16	CD-3820-2	CD	Green Bk CD	1.000	01/29/19		5,000,000.00	100.000	5,000,000.00	0.00	5,000,000.00		1.000	1.000
03/02/16	03/02/16	CD-8583-1	CD	East West Bk CD	0.445	03/02/17		5,019,843.24	100.000	5,019,843.24	0.00	5,019,843.24		0.445	0.445
Total for: Purchases								10,019,843.24		10,019,843.24	0.00	10,019,843.24		0.722	0.722
Income Payments															
01/02/16	01/02/16	CD-7917	CD	Comerica Bk CD	0.800	03/02/17				0.00	3,417.49	3,417.49			
01/04/16	01/06/16	CD-7123	CD	Comerica Bk CD	0.710	09/06/16				0.00	6,082.24	6,082.24			
01/30/16	01/30/16	CD-3820-1	CD	Green Bk CD	0.448	01/30/16				0.00	5,707.39	5,707.39			
02/02/16	02/02/16	CD-7917	CD	Comerica Bk CD	0.800	03/02/17				0.00	3,410.77	3,410.77			
02/04/16	02/06/16	CD-7123	CD	Comerica Bk CD	0.710	09/06/16				0.00	6,070.88	6,070.88			
02/17/16	02/17/16	3133EEQG8	AGCY BULET	FFCB	0.550	08/17/16				0.00	11,000.00	11,000.00			
03/02/16	03/02/16	CD-7917	CD	Comerica Bk CD	0.800	03/02/17				0.00	3,192.88	3,192.88			
03/02/16	03/02/16	CD-8583	CD	East West Bk CD	0.395	03/02/16				0.00	3,312.67	3,312.67			
03/04/16	03/06/16	CD-7123	CD	Comerica Bk CD	0.710	09/06/16				0.00	5,682.63	5,682.63			
03/31/16	03/31/16	CD-8583-1	CD	East West Bk CD	0.445	03/02/17				0.00	1,836.35	1,836.35			
Total for: Income Payments										0.00	49,713.30	49,713.30			
Capitalized Interest															
01/02/16	01/02/16	CD-7917	CD	Comerica Bk CD	0.800	03/02/17		3,417.49	100.000	3,417.49	0.00	3,417.49			
01/06/16	01/06/16	CD-7123	CD	Comerica Bk CD	0.710	09/06/16		6,082.24	100.000	6,082.24	0.00	6,082.24			
02/02/16	02/02/16	CD-7917	CD	Comerica Bk CD	0.800	03/02/17		3,410.77	100.000	3,410.77	0.00	3,410.77			
02/04/16	02/04/16	CD-7123	CD	Comerica Bk CD	0.710	09/06/16		6,070.88	100.000	6,070.88	0.00	6,070.88			
03/02/16	03/02/16	CD-7917	CD	Comerica Bk CD	0.800	03/02/17		3,192.88	100.000	3,192.88	0.00	3,192.88			
03/04/16	03/04/16	CD-7123	CD	Comerica Bk CD	0.710	09/06/16		5,682.63	100.000	5,682.63	0.00	5,682.63			

Trade Date	Settle Date	CUSIP	Security Type	Security Description	Coupon	Mty Date	Call Date	Par Value	Price	Principal Amount	Int Purchased / Received	Total Amount	Realized Gain / Loss	YTM	YTW
Pooled Funds															
Capitalized Interest															
03/31/16	03/31/16	CD-8583-1	CD	East West Bk CD	0.445	03/02/17		1,836.35	100.000	1,836.35	0.00	1,836.35			
Total for: Capitalized Interest								29,693.24		29,693.24	0.00	29,693.24			

Trade Date	Settle Date	CUSIP	Security Type	Security Description	Coupon	Mty Date	Call Date	Par Value	Price	Principal Amount	Int Purchased / Received	Total Amount	Realized Gain / Loss	YTM	YTW
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Total for All Portfolios

Transaction Type	Quantity	Total Amount	Realized G/L	YTM	YTW
Total Maturities	10,016,530.57	10,016,530.57		0.421	
Total Purchases	10,019,843.24	10,019,843.24		0.722	0.722
Total Income Payments	0.00	49,713.30			
Total Capitalized Interest	29,693.24	29,693.24			

CUSIP	Settle Date	Security Type	Security Description	Next Call Date	Purchase Qty	Orig Price	Original Cost	Amrt/Accr for Period	Total Amrt/Accr Since Purch	Remaining Disc / Prem	Book Value
Pooled Funds											
CD-3820-1	01/30/15	CD	Green Bk CD 0.448 01/30/16		0.00	100.000	0.00	0.00	0.00	0.00	0.00
CD-8583	03/02/15	CD	East West Bk CD 0.395 03/02/16		0.00	100.000	0.00	0.00	0.00	0.00	0.00
46640PGR8	10/30/15	CP - DISC	J.P.Morgan Sec 0.000 07/25/16		4,000,000.00	99.514	3,980,572.22	6,572.20	11,122.22	8,305.56	3,991,694.44
3133EEQG8	02/27/15	AGCY BULET	FFCB 0.550 08/17/16		4,000,000.00	100.029	4,001,160.00	(197.32)	(861.36)	(298.64)	4,000,298.64
CD-7123	09/04/14	CD	Comerica Bk CD 0.710 09/06/16		10,106,905.21	100.000	10,106,905.21	0.00	0.00	0.00	10,106,905.21
3133EFMW4	11/03/15	AGCY BULET	FFCB 0.400 11/03/16		10,000,000.00	99.974	9,997,354.00	660.80	1,086.60	1,559.40	9,998,440.60
3133EEFA3	12/23/14	AGCY BULET	FFCB 0.720 12/15/16		7,000,000.00	99.901	6,993,070.00	877.31	4,447.24	2,482.76	6,997,517.24
CD-7917	03/02/15	CD	Comerica Bk CD 0.800 03/02/17		5,040,238.98	100.000	5,040,238.98	0.00	0.00	0.00	5,040,238.98
CD-8583-1	03/02/16	CD	East West Bk CD 0.445 03/02/17		5,021,679.59	100.000	5,021,679.59	0.00	0.00	0.00	5,021,679.59
3133EFJM0	10/30/15	AGCY CALL	FFCB 0.930 04/13/18	01/13/16	10,000,000.00	99.805	9,980,500.00	1,972.10	3,308.70	16,191.30	9,983,808.70
3134G7P54	10/30/15	AGCY CALL	FHLMC 1.200 10/29/18	04/29/16	10,000,000.00	99.990	9,999,000.00	82.60	138.60	861.40	9,999,138.60
CD-3820-2	01/30/16	CD	Green Bk CD 1.000 01/29/19		5,000,000.00	100.000	5,000,000.00	0.00	0.00	0.00	5,000,000.00
Total for Pooled Funds					70,168,823.78		70,120,480.00	9,967.69	19,242.00	29,101.78	70,139,722.00
Total for Town of Addison					70,168,823.78		70,120,480.00	9,967.69	19,242.00	29,101.78	70,139,722.00

CUSIP	Security Type	Security Description	Pay Date	Interest	Principal	Total Amount
Pooled Funds						
CD-7917	CD	Comerica Bk CD 0.800 03/02/17	04/02/16	3,358.03	0.00	3,358.03
CD-7123	CD	Comerica Bk CD 0.710 09/06/16	04/06/16	5,976.55	0.00	5,976.55
3133EFJM0	AGCY CALL	FFCB 0.930 04/13/18	04/13/16	46,500.00	0.00	46,500.00
3134G7P54	AGCY CALL	FHLMC 1.200 10/29/18	04/29/16	60,000.00	0.00	60,000.00
CD-3820-2	CD	Green Bk CD 1.000 01/29/19	04/29/16	12,295.08	0.00	12,295.08
CD-7917	CD	Comerica Bk CD 0.800 03/02/17	05/02/16	3,358.03	0.00	3,358.03
3133EFMW4	AGCY BULET	FFCB 0.400 11/03/16	05/03/16	20,000.00	0.00	20,000.00
CD-7123	CD	Comerica Bk CD 0.710 09/06/16	05/06/16	5,976.55	0.00	5,976.55
CD-7917	CD	Comerica Bk CD 0.800 03/02/17	06/02/16	3,358.03	0.00	3,358.03
CD-7123	CD	Comerica Bk CD 0.710 09/06/16	06/06/16	5,976.55	0.00	5,976.55
3133EEFA3	AGCY BULET	FFCB 0.720 12/15/16	06/15/16	25,200.00	0.00	25,200.00
CD-7917	CD	Comerica Bk CD 0.800 03/02/17	07/02/16	3,358.03	0.00	3,358.03
CD-7123	CD	Comerica Bk CD 0.710 09/06/16	07/06/16	5,976.55	0.00	5,976.55
46640PGR8	CP - DISC	J.P.Morgan Sec 0.000 07/25/16	07/25/16	0.00	4,000,000.00	4,000,000.00
CD-3820-2	CD	Green Bk CD 1.000 01/29/19	07/29/16	12,500.00	0.00	12,500.00
CD-7917	CD	Comerica Bk CD 0.800 03/02/17	08/02/16	3,358.03	0.00	3,358.03
CD-7123	CD	Comerica Bk CD 0.710 09/06/16	08/06/16	5,976.55	0.00	5,976.55
3133EEQG8	AGCY BULET	FFCB 0.550 08/17/16	08/17/16	11,000.00	4,000,000.00	4,011,000.00
CD-7917	CD	Comerica Bk CD 0.800 03/02/17	09/02/16	3,358.03	0.00	3,358.03
CD-7123	CD	Comerica Bk CD 0.710 09/06/16	09/06/16	5,976.55	10,101,222.58	10,107,199.13
Total for Pooled Funds				243,502.56	18,101,222.58	18,344,725.14

CUSIP	Security Type	Security Description	Pay Date	Interest	Principal	Total Amount
Total for All Portfolios						
			April 2016	128,129.66	0.00	128,129.66
			May 2016	29,334.58	0.00	29,334.58
			June 2016	34,534.58	0.00	34,534.58
			July 2016	21,834.58	4,000,000.00	4,021,834.58
			August 2016	20,334.58	4,000,000.00	4,020,334.58
			September 2016	9,334.58	10,101,222.58	10,110,557.16
Total Projected Cash Flows for Town of Addison				243,502.56	18,101,222.58	18,344,725.14



Department of Finance
3rd Quarterly Review

For the Period Ended June 30, 2016

Town of Addison

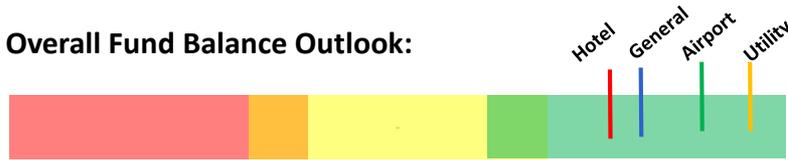
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First Southwest Portfolio Report and Statement of Compliance	11 - 23

Executive Dashboard – 3rd Quarter, 2016 Fiscal Year

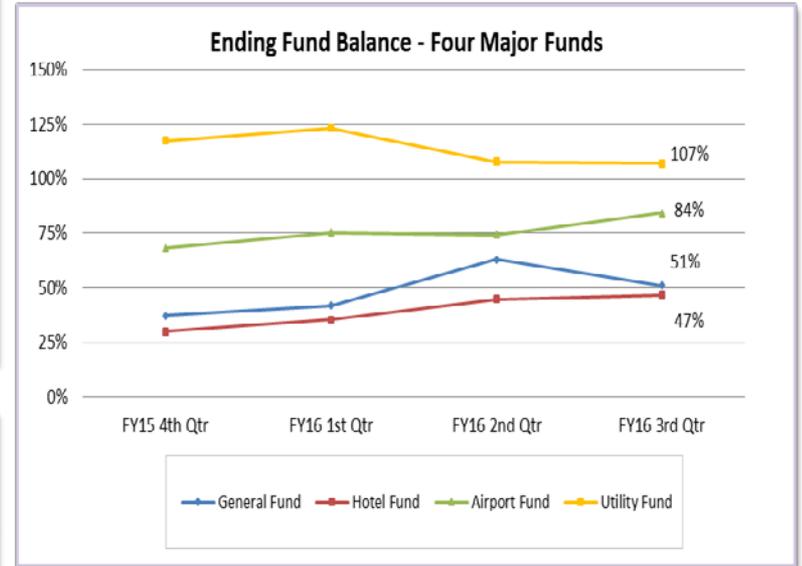
Financial Indicators

Overall Fund Balance Outlook:



Revenues	FY16 Budget	Actual through 6/30/16	% Annual Budget
Ad Valorem Taxes - General Fund	\$ 13,963,710	\$ 13,530,256	96.90%
Non-Property Taxes - General Fund	\$ 13,175,000	\$ 9,195,196	69.79%
Hotel Tax	\$ 5,500,000	\$ 4,641,395	84.39%
Franchise Fees - General Fund	\$ 2,680,000	\$ 2,045,837	76.34%
Service/Permitting/License Fees - General Fund	\$ 2,402,600	\$ 1,904,316	79.26%
Rental Income - All Funds	\$ 5,262,022	\$ 4,250,517	80.78%
Fines and Penalties - All Funds	\$ 856,900	\$ 488,134	56.97%
Special Event Revenue - Hotel Fund	\$ 2,045,717	\$ 949,942	46.44%
Fuel Flowage Fees - Airport Fund	\$ 791,680	\$ 613,026	77.43%
Water and Sewer Charges - Utility Fund	\$ 10,283,530	\$ 6,363,585	61.88%

Expenditures	FY16 Budget	Actual through 6/30/16	% Annual Budget
General Fund	\$ 33,312,564	\$ 22,668,323	67.51%
Hotel Fund	\$ 7,063,758	\$ 4,619,333	65.39%
Economic Development	\$ 1,685,707	\$ 960,747	56.99%
Airport Operations	\$ 4,225,261	\$ 2,931,053	69.37%
Utility Operations	\$ 9,177,247	\$ 6,150,335	67.02%



Financial Indicators

Personnel Information:

New Hires - Benefitted Positions				
04/2016 - 06/2016				
Department	Part-Time Positions	Full-time positions	Total 3rd Qtr	YTD
City Manager	0	0	0	1
Conference Centre	0	0	0	1
Finance	0	3	3	7
Fire	0	0	0	3
Human Resources	0	0	0	1
Infrastructure	0	1	1	1
Parks	0	1	1	4
Police	0	3	3	6
Recreation	3	0	3	4
Streets	0	1	1	3
Grand Total	3	9	12	31

Separations - Benefitted Positions				
04/2016 - 06/2016				
Department	Part-Time Positions	Full-time positions	Total 3rd Qtr.	YTD
Emergency Comm	0	0	0	13*
Finance	0	0	0	3
Fire	0	2	2	6
Infrastructure	0	1	1	2
Parks	0	1	1	4
Police	0	1	1	11
Recreation	0	0	0	2
Streets	0	1	1	3
Grand Total	0	6	6	44

* Transfer of dispatchers to NTECC (North Texas Emergency Communications Center)

Economic Development Incentives:

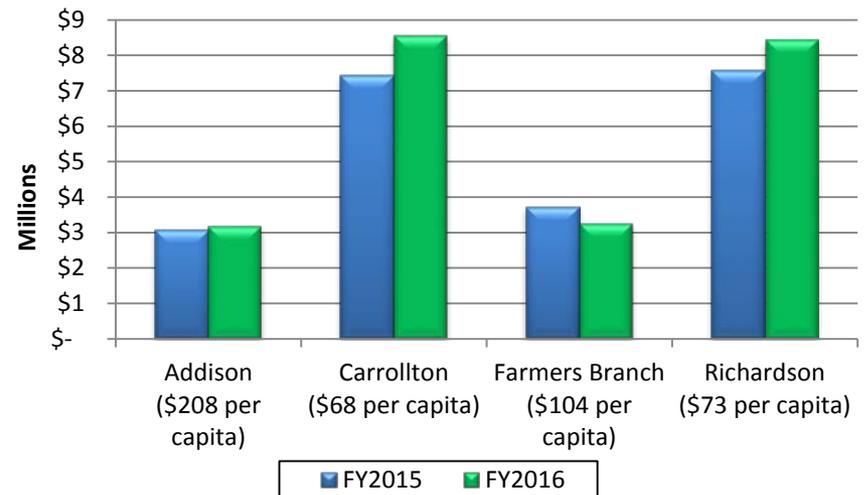
Executed Agreements	Amount Paid FY16	Total Incentives Committed
4	\$42,000	\$443,000

Purchasing Information:

Savings = Difference between Low Bid and Next Highest bid

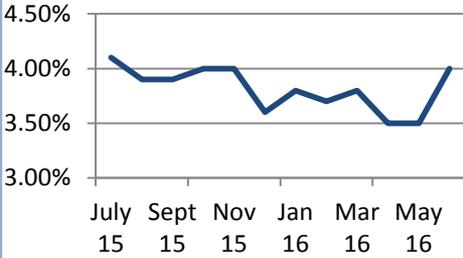
FY15 Bid Savings	YTD FY16 Bid Savings	FY16 Savings Goal
\$1,675,971	\$897,610	\$650,000

3rd Quarter Sales Tax Comparison

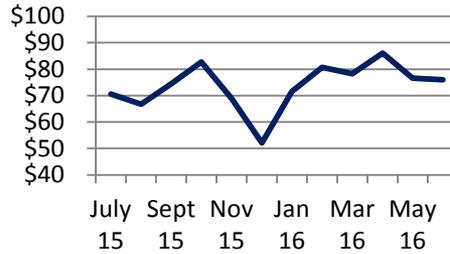


Economic Indicators

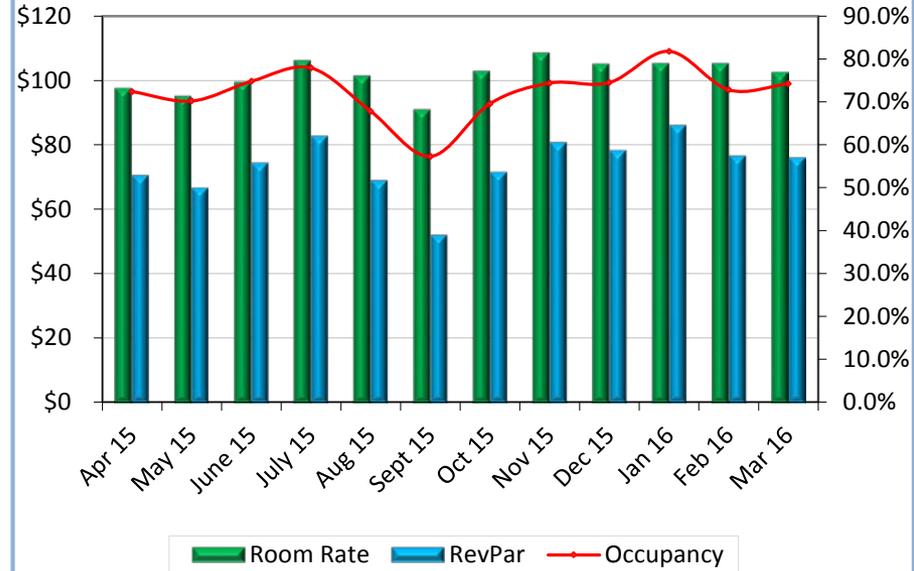
DFW Unemployment Rate Last 12 months



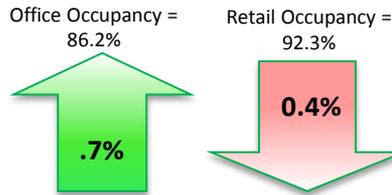
Hotel Rev Per Available Room Last 12 months



Addison Hotel Statistics

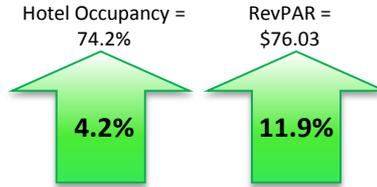


Occupancy Indicators:



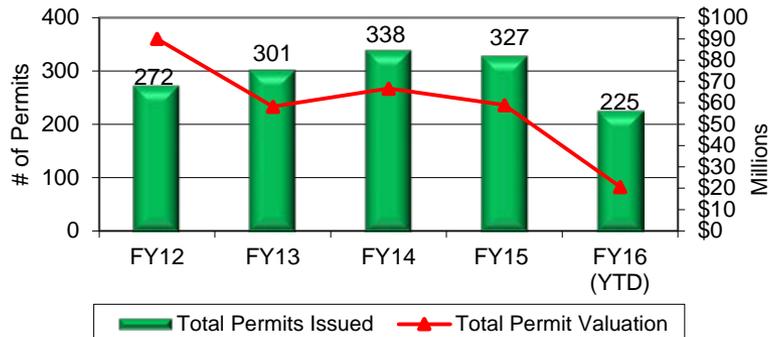
Source: CoStar
(compares to prior year)

Hotel Indicators:

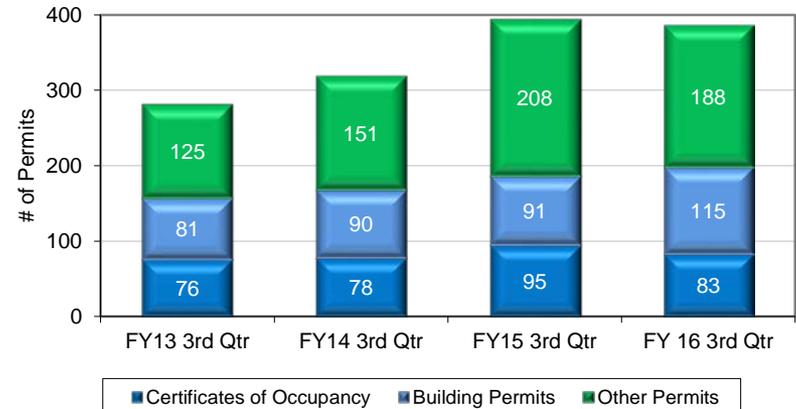


Source: STR Report
(compares to prior year)

Total Permits Issued and Valuation



Quarterly Permit Activity



Executive Dashboard – 3rd Quarter, 2016 Fiscal Year

Investment Report

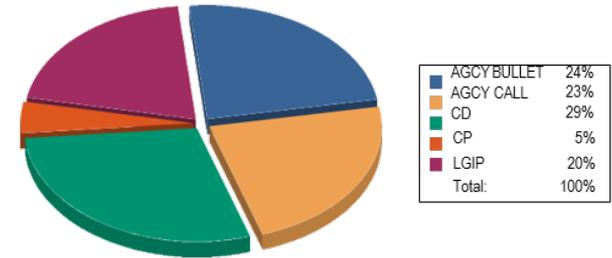
Account Summary

Beginning Values as of 03/31/16

Ending Values as of 06/30/16

Par Value	92,119,848.48	87,971,748.76
Market Value	92,103,937.48	87,977,769.76
Book Value	92,090,746.70	87,952,619.32
Unrealized Gain /(Loss)	13,190.78	25,150.44
Market Value %	100.01%	100.03%
Weighted Avg. YTW	0.678%	0.703%
Weighted Avg. YTM	0.678%	0.703%

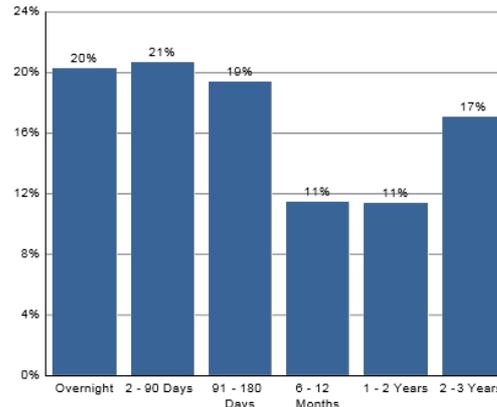
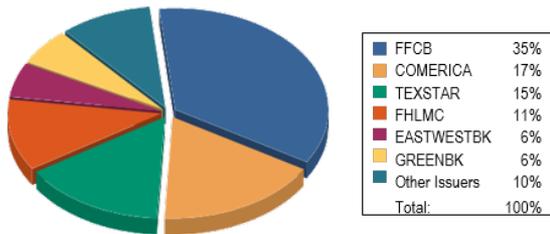
Allocation by Security Type



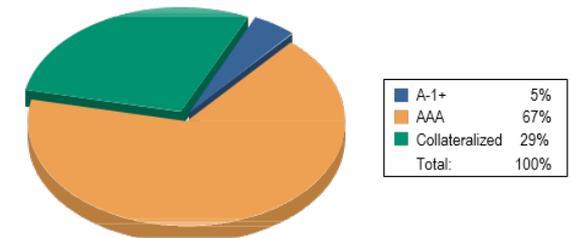
Allocation by Issuer

Maturity Distribution %

Credit Quality



Weighted Average Days to Maturity: 291



Executive Dashboard – 3rd Quarter, 2016 Fiscal Year

Investment Report

Components of Portfolio	Policy Max %	Actual %
Agency Security	70	46
Certificates of Deposit	50	29
Local Government Pools	40	25
Total		100

Liquidity of Portfolio	Policy Min %	Actual %
Percent available within 90 days	10	41



MEMO

To: Wes Pierson, City Manager
From: Dr. Scott Neils, Interim Chief Financial Officer
Re: Third Quarter Financial Review
Date: July 28, 2016

This is the third quarter report for the 2015-2016 fiscal year. Revenues and expenditures reflect activity from October 1, 2015 through June 30, 2016, nine of twelve months, or seventy-five percent of the fiscal year.

GENERAL FUND

- Fiscal year-to-date revenue totaled approximately \$27.6 million, which is 83 percent of the overall budget amount. Ad Valorem taxes show collection of 97 percent as most taxes are paid in the first calendar quarter of the year. Net sales tax collections totaled \$8.6 million, which is about the same as the previous year-to-date collections. Current year alcoholic beverage tax collections are lower than the amount received this time last year by approximately \$270 thousand. Municipal Court fines, Licenses and Permits are trending below budgeted amounts and the amount received last year. Overall total revenue is approximately \$1.6 million or 6.25 percent more than received this time last year. Primary drivers are higher ad valorem taxes.
- Fiscal year-to-date expenditures and transfers totaled approximately \$22.7 million, which is 68 percent of budget. This is \$3.4 million, or 13 percent less than amounts spent this time last year. This is due primarily to the large transfer last year from the General Fund to the Infrastructure Investment Fund. Most departments are below their respective expenditure budgets.
- Fund Balance is \$17.3 million.

HOTEL FUND

- Revenues year-to-date totaled approximately \$6.2 million, about \$971 thousand or 18.6% higher than the same as the prior year. Hotel occupancy tax collections of \$4.6 million are about \$552 thousand higher (13.5%) than the same period last year. Proceeds from Special Events are below budget due to the timing of events; all significant events occur between May and September. Note that the majority of the increase in revenue and expense for special events is related to a change in accounting for TastyBuck transactions.

- Hotel Fund expenditures of \$4.6 million are 65.4 percent of budget and \$281 thousand more than this time a year ago. The majority of Special Events expenses will be incurred in the last half of the year. The Performing Arts budget is 94.4 percent of budget due to purchasing new lighting and paying on annual service contracts. All other departments are below their respective budgets.
- Fund Balance is \$3.7 million.

AIRPORT FUND

- Operating revenue year-to-date was about \$4.2 million, the same as the prior year. Total revenues are about 80 percent of budget.
- Year-to-date operating expenses amounted to \$3.0 million, resulting in operating income of approximately \$1.2 million. Total operating expenses are at 69 percent of budget.
- Working Capital balance is approximately \$3.6 million.

UTILITY FUNDS

- Utility operating revenue through the third quarter totaled \$6.5 million, compared to \$5.9 million in the prior year. This represents an increase of 8.7 percent. This increase can be attributed water sales of approximately \$470 thousand or 16 percent over last year.
- Water purchases were slightly higher than last year, while sewer charges were \$221 thousand higher. Utility operations as were also higher by approximately \$351 thousand. Utility operating expenses year-to-date totaled \$6.2 million, which was approximately \$682 thousand or 12.5 percent higher than last year.
- Stormwater revenues were 13 percent higher than last year, while expenses were 21 percent below last year. Operating income was just over \$1 million.
- Utility fund Working Capital balance is just under \$10 million, and Stormwater fund Working Capital is 10.4 million..

INVESTMENT REPORT

- Cash held in investments for all funds as of June 30, 2016 totaled \$87.9 million, representing a decrease of approximately \$4.1 million from the previous quarter. Most of this decrease is related to use of funds required for operations.
- The Town's average investment yield to maturity at the end of June was 0.703 percent, slightly higher than the previous quarter's yield of 0.678 percent. This yield is higher than the TexPool benchmark of 0.363 percent. The average weighted maturity decreased from 348 to 291 days. Portfolio weighted average maturity is in compliance with Town's investment policy, which states that the weighted average maturity shall not exceed 18 months (547 days).
- The Town's current portfolio consists of 46 percent Agency Securities, 29 percent CDs, 25 percent Local Government Investment Pools. The portfolio has 41 percent of its maturities at 90 days or less. All ratios are in compliance with the Investment Policy.

- Staff will continue to seek out CDs and callable agency securities in order to maximize yields. Finally, with interest rates expected to remain low through 2016, we will look to extend the portfolio's duration to the extent that cash flow allows.

TOWN OF ADDISON

GENERAL FUND

FY 2016 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET

With Comparative Information from Prior Fiscal Year

CATEGORY	FY 2014-15 ACTUAL PRIOR YEAR	FY 2015-16 BUDGET	FY 2015-16 ACTUAL 3rd QTR	FY 2015-16 ACTUAL Y-T-D	ACTUAL YTD as % of Budget
Revenues:					
Ad Valorem taxes:					
Current taxes	\$ 11,424,738	\$ 13,940,240	\$ 20,318	\$ 13,566,657	97%
Delinquent taxes	(71,220)	6,750	(47,907)	(56,973)	-844%
Penalty & interest	25,457	16,720	10,959	20,572	123%
Non-property taxes:					
Sales tax	13,038,912	12,305,000	2,064,902	8,586,596	70%
Alcoholic beverage tax	1,176,643	870,000	310,841	608,599	70%
Franchise / right-of-way use fees:					
Electric franchise	1,539,971	1,500,000	359,392	1,178,927	79%
Gas franchise	273,320	190,000	216,745	216,745	114%
Telecommunication access fees	593,387	650,000	(20,632)	329,925	51%
Cable franchise	414,892	335,000	137,700	315,620	94%
Street rental fees	6,850	5,000	-	4,620	92%
Licenses and permits:					
Business licenses and permits	259,487	170,750	50,131	102,518	60%
Building and construction permits	751,736	649,450	299,894	540,443	83%
Service fees:					
General government	849	500	30	106	21%
Public safety	853,445	886,000	260,597	671,354	76%
Urban development	3,830	3,000	-	(1,300)	-43%
Streets and sanitation	400,562	382,600	93,110	262,636	69%
Recreation	72,279	80,300	24,120	52,066	65%
Interfund	230,000	230,000	86,863	276,494	120%
Court fines	725,190	781,900	152,681	427,484	55%
Interest earnings	69,431	30,000	30,396	54,657	182%
Rental income	236,667	275,000	56,979	347,523	126%
Other	65,597	58,905	-	90,317	153%
Total Revenues	\$ 32,092,023	\$ 33,367,115	\$ 4,107,122	\$ 27,595,586	83%

TOWN OF ADDISON

GENERAL FUND

FY 2016 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET

With Comparative Information from Prior Fiscal Year

CATEGORY	FY 2014-15 ACTUAL PRIOR YEAR	FY 2015-16 BUDGET	FY 2015-16 ACTUAL 3rd QTR	FY 2015-16 ACTUAL Y-T-D	ACTUAL YTD as % of Budget
Expenditures:					
General government:					
City manager	\$ 1,538,933	\$ 1,302,565	\$ 336,340	\$ 942,385	72.3%
Finance	1,008,993	1,231,286	404,493	957,896	77.8%
General services	679,165	666,310	202,160	545,001	81.8%
Municipal court	499,705	586,428	139,407	401,009	68.4%
Human resources	492,604	583,959	141,221	386,910	66.3%
Information technology	1,581,032	1,910,708	438,001	1,144,938	59.9%
Combined services	1,077,938	1,475,980	214,064	657,803	44.6%
Council projects	578,232	331,879	102,966	331,033	99.7%
Public safety:					
Police	8,610,726	8,520,606	2,045,521	5,855,725	68.7%
Emergency communications	1,377,265	1,318,483	270,530	1,339,861	101.6%
Fire	6,709,119	6,808,772	1,805,234	4,798,419	70.5%
Development services	1,086,232	1,211,637	322,404	768,888	63.5%
Property standards	-	172,656	(15,268)	-	0.0%
Streets	1,801,462	2,060,482	151,090	1,158,140	56.2%
Parks and Recreation:					
Parks	3,103,605	3,463,320	626,038	2,264,030	65.4%
Recreation	1,646,110	1,652,493	394,015	1,105,038	66.9%
Other financing uses:					
Transfers	4,015,000	15,000	3,750	11,250	75.0%
Total Expenditures	35,806,121	33,312,564	7,581,965	22,668,323	68.0%
Net Change in Fund Balance	(3,714,098)	54,551	<u>\$ (3,474,844)</u>	4,927,263	
Fund Balance at Beginning of Year	16,130,096	12,415,998		12,415,998	
Fund Balance at End of Year	\$ 12,415,998	\$ 12,470,549		\$ 17,343,261	

TOWN OF ADDISON

HOTEL FUND

FY 2016 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET

With Comparative Information from Prior Fiscal Year

CATEGORY	FY 2014-15 ACTUAL PRIOR YEAR	FY 2015-16 BUDGET	FY 2015-16 ACTUAL 3rd QTR	FY 2015-16 ACTUAL Y-T-D	ACTUAL YTD as % of Budget
Revenues:					
Hotel/Motel occupancy taxes	\$ 5,512,956	\$ 5,500,000	\$ 1,614,133	\$ 4,641,395	84.4%
Proceeds from special events	1,028,501	2,045,717	882,871	949,942	46.4%
Conference centre rental	624,661	630,000	215,421	563,594	89.5%
Visit Addison rental	253,463	-	-	30,337	0.0%
Theatre centre rental	148,418	122,290	(18,682)	25,844	21.1%
Interest and miscellaneous	19,723	10,000	7,031	(17,434)	-174.3%
Total Revenues	7,587,722	8,308,007	2,700,774	6,193,677	74.6%
Expenditures:					
Visit Addison	765,399	400,000	19,399	40,783	10.2%
Conference centre	872,628	1,216,466	250,910	726,206	59.7%
Marketing	2,279,420	972,224	319,016	530,284	54.5%
Special events	957,729	2,529,296	1,138,247	1,764,329	69.8%
Performing arts	542,065	581,385	98,657	548,905	94.4%
Capital projects	-	-	-	-	-
General hotel operations	36,304	107,263	34,670	65,983	61.5%
Other financing uses:	-	-	0	-	-
Transfer to debt serv & ED funds	1,211,082	1,257,124	314,281	942,843	75.0%
Total Expenditures	6,664,627	7,063,758	2,175,181	4,619,333	65.4%
Net Change in Fund Balance	923,095	1,244,248	<u>\$ 525,593</u>	1,574,345	
Fund Balance at Beginning of Year	1,194,674	2,117,769		2,117,769	
Fund Balance at End of Year	\$ 2,117,769	\$ 3,362,017		\$ 3,692,114	

TOWN OF ADDISON
ECONOMIC DEVELOPMENT FUND
FY 2016 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET
With Comparative Information from Prior Fiscal Year

CATEGORY	FY 2014-15 ACTUAL PRIOR YEAR	FY 2015-16 BUDGET	FY 2015-16 ACTUAL 3rd QTR	FY 2015-16 ACTUAL Y-T-D	ACTUAL YTD as % of Budget
Revenues:					
Ad Valorem taxes:					
Current taxes	\$ 973,607	\$ 998,800	\$ 1,471	\$ 970,519	97.2%
Delinquent taxes	(6,062)	480	(3,432)	(4,079)	-849.8%
Penalty & interest	2,169	1,190	785	1,436	120.7%
Business license fee	68,838	70,000	5,848	63,326	90.5%
Interest income and other	3,400	10,200	2,179	5,013	49.2%
Transfers from General/Hotel Fund	515,282	560,524	140,131	420,393	75.0%
Total Revenues	1,557,234	1,641,194	146,982	1,456,609	88.8%
Expenditures:					
Personnel services	353,523	381,809	128,146	278,392	72.9%
Supplies	20,854	29,700	10,191	17,731	59.7%
Maintenance	62,447	50,541	12,695	39,235	77.6%
Contractual services	824,881	1,198,076	364,172	606,203	50.6%
Capital replacement/lease	19,148	25,581	10,744	19,186	75.0%
Total Expenditures	1,280,853	1,685,707	525,949	960,747	57.0%
Net Change in Fund Balance	276,381	(44,513)	<u>(378,967)</u>	495,862	
Fund Balance at Beginning of Year	477,233	753,614		753,614	
Fund Balance at End of Year	\$ 753,614	\$ 709,101		\$ 1,249,476	

AIRPORT FUND

FY 2016 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET

With Comparative Information from Prior Fiscal Year

CATEGORY	FY 2014-15 ACTUAL PRIOR YEAR	FY 2015-16 BUDGET	FY 2015-16 ACTUAL 3rd QTR	FY 2015-16 ACTUAL Y-T-D	ACTUAL YTD as % of Budget
Operating Revenues:					
Operating grants	\$ 1,201	\$ 50,000	\$ -	\$ 48,140	96.3%
Fuel flowage fees	829,044	791,680	208,185	613,026	77.4%
Rental	4,622,387	4,234,732	1,094,082	3,283,219	77.5%
User fees	61,379	161,250	30,522	91,824	56.9%
Other income	13,588	-	38,704	143,358	0.0%
Total Operating Revenues:	5,527,599	5,237,662	1,371,492	4,179,567	79.8%
Operating Expenses:					
Town - Personnel services	315,510	361,152	88,136	233,567	64.7%
Town - Supplies	58,326	41,000	2,897	5,871	14.3%
Town - Maintenance	88,270	112,910	31,568	82,516	73.1%
Town - Contractual services	560,906	172,990	25,879	114,405	66.1%
Town - Capital replacement/lease	-	19,160	4,790	14,870	77.6%
Grant - Maintenance	-	100,000	-	-	0.0%
Operator - Operations and maintenance	2,426,776	3,004,748	671,378	2,138,566	71.2%
Operator - Service contract	396,971	413,301	91,172	341,257	82.6%
Total Operating Expenses:	3,846,759	4,225,261	915,821	2,931,053	69.4%
Operating Income/(Loss) (excluding depreciation)	1,680,840	1,012,401	455,672	1,248,514	
Non-Operating revenues (expenses):					
Interest earnings	-	5,000	(4,470)	-	0.0%
Principal & interest on debt, fiscal fees & other	(583,766)	(587,691)	-	(522,758)	89.0%
Capital grants	-	-	-	-	0.0%
Capital outlay	(422,202)	(122,000)	-	(15,845)	13.0%
Net Total Non-Operating revenues (expenses):	(1,005,968)	(704,691)	(4,470)	(538,603)	76.4%
Net Change to Working Capital	674,872	307,710	<u>\$ 451,202</u>	<u>\$ 709,911</u>	
Working Capital at Beginning of Year	2,211,555	2,886,427		2,886,427	
Working Capital at End of Year	\$ 2,886,427	\$ 3,194,137		\$ 3,596,338	

UTILITY FUND

FY 2016 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET

With Comparative Information from Prior Fiscal Year

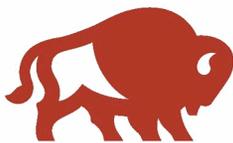
CATEGORY	FY 2014-15 ACTUAL PRIOR YEAR	FY 2015-16 BUDGET	FY 2015-16 ACTUAL 3rd QTR	FY 2015-16 ACTUAL Y-T-D	ACTUAL YTD as % of Budget
Operating revenues:					
Water sales	\$ 5,678,134	\$ 5,758,909	\$ 1,249,698	\$ 3,477,437	60.4%
Sewer charges	4,428,030	4,524,621	1,062,232	2,886,148	63.8%
Tap fees	12,580	7,000	2,225	16,750	239.3%
Penalties	64,949	75,000	17,013	60,650	80.9%
Other Income/(Expenses)	(7,107)	15,000	18,277	15,536	103.6%
Total Operating Revenues:	10,176,586	10,380,530	2,349,446	6,456,521	62.2%
Operating expenses:					
Water purchases	2,895,316	3,459,088	815,048	2,216,412	64.1%
Wastewater treatment	2,393,235	2,298,729	580,242	1,945,252	84.6%
Utility operations	2,456,051	3,419,430	589,531	1,988,671	58.2%
Total Operating Expenses:	7,744,602	9,177,247	1,984,822	6,150,335	67.0%
Operating Income/(Loss) (excluding depreciation)	2,431,984	1,203,284	364,624	306,186	
Non-Operating revenues (expenses):					
Debt proceeds					
Interest earnings and other		(110,510)	-		0.0%
Principal and interest on debt, fiscal fees & other	(1,048,690)	(1,091,014)	-	(823,693)	75.5%
Capital outlay	(2,416,348)	(3,427,164)	(300,944)	(300,944)	8.8%
Net Total Non-Operating revenues (expenses):	(3,465,038)	(4,628,688)	(300,944)	(1,124,637)	24.3%
Net Change to Working Capital	(1,033,054)	(3,425,405)	63,680	(818,451)	
Working Capital at Beginning of Year	11,810,139	10,777,085		10,777,085	
Working Capital at End of Year	\$ 10,777,085	\$ 7,351,680		\$ 9,958,634	

STORM WATER UTILITY FUND

FY 2016 QUARTERLY STATEMENT OF REVENUES AND EXPENDITURES COMPARED TO BUDGET

With Comparative Information from Prior Fiscal Year

CATEGORY	FY 2014-15 ACTUAL PRIOR YEAR	FY 2015-16 BUDGET	FY 2015-16 ACTUAL 3RD QTR	FY 2015-16 ACTUAL Y-T-D	ACTUAL YTD as % of Budget
Operating revenues:					
Drainage fees	\$ 1,729,899	\$ 1,773,900	\$ 511,435	\$ 1,324,534	75%
Total Operating Revenues:	1,729,899	1,773,900	511,435	1,324,534	74.7%
Operating expenses					
Personnel services	72,260	105,614	24,163	50,555	47.9%
Supplies	947	12,700	42	914	7.2%
Maintenance	55,583	186,500	22,384	39,754	21.3%
Contractual services	435,720	247,475	40,485	194,561	78.6%
Total Operating Expenses:	564,510	552,289	87,074	285,784	51.7%
Operating Income/(Loss) (excluding depreciation)	1,165,389	1,221,611	424,361	1,038,750	
Non-Operating revenues (expenses):					
Debt proceeds			-		0%
Interest earnings and other	35,869	5,000	-		0%
Interest and principal on debt, fiscal fees & other	(545,066)	(544,716)	-	(408,708)	75.0%
Capital outlay	(128,721)	(5,070,000)	(122,491)	(140,271)	3%
Net Total Non-Operating revenues (expenses):	(637,918)	(5,609,716)	(122,491)	(548,979)	9.8%
Net Change to Working Capital	527,471	(4,388,105)	<u>301,870</u>	489,771	
Working Capital at Beginning of Year	9,340,431	9,867,902		9,867,902	
Working Capital at End of Year	\$ 9,867,902	\$ 5,479,797		\$ 10,357,673	



Town of Addison



For the Quarter Ended

June 30, 2016

Report Name

- Certification Page
- Executive Summary
- Benchmark Comparison
- Detail of Security Holdings
- Change in Value
- Earned Income
- Investment Transactions
- Amortization and Accretion
- Projected Fixed Income Cash Flows

MARKET RECAP - JUNE 2016:

By and large the U.S. economic data released during June was weaker than expected, but by the end of the month geopolitical events would trump the data and everything else, setting bond yields on a course to new record lows in the first days of July. The ISM manufacturing index for May crept up to 51.3 from 50.8, lingering just above the expansion break-even level of 50, while the non-manufacturing (service sector) index slipped from 55.7 to 52.9, the weakest reading since February 2014. The May employment report was both a huge disappointment and the final nail in the coffin for a June rate hike. Non-farm payrolls grew by just +38k in May, well short of even the most pessimistic forecast for +90k and the worst showing since September 2010. Revisions to the two prior months subtracted another -59k from the tally, taking the three month average down to +116k. This is in sharp contrast to the +229k monthly average for all of 2015. The unemployment rate did decline to 4.7%, but for all the wrong reasons as the labor force plunged by -458k, taking the participation rate down to 62.6%. Automobile sales remained fairly ebullient at 17.4 million annual units and overall retail sales logged a decent month, gaining +0.5% at the headline while the less volatile control group advanced +0.4%. Housing data put in another mixed performance in May with new home sales slipping -6% to 551k annual units and existing homes sales up +1.8% to 5.53 million annual units. Inflation data was mixed as well with the results depending on which indicator you focus on. At the wholesale level, producer prices were up +0.4% overall in May and +0.3% ex food and energy with core PPI up +1.2% year-over-year. Consumer prices have firmed in recent months and that trend continued in May with headline CPI gaining +0.2% for the month and +1.0% year-over-year. Core CPI, which excludes food and energy, is running +2.2% over the last twelve months. The Fed's preferred core PCE measure is rising at a cooler +1.6% annual rate.

With the data out of the way we turn our attention to what really mattered in June. First, it was the June FOMC meeting. By the time of the mid-month meeting it was a forgone conclusion that the Fed would not raise interest rates. What mattered was what the FOMC said in its press release and the dot plot forecast, both of which were more dovish than the market had expected as the Fed reduced its forecasts for future rate hikes. The market quickly digested this news and shifted its focus to the British referendum on whether to remain a member of the European Union. In the days leading up to the June 23rd "Brexit" vote most experts predicted "remain" would carry the day. When British voters instead decided to leave the EU, financial markets were thrown into disarray. The immediate fallout was a sharp sell-off in worldwide equity markets and a flight to safety rally in fixed income. Uncertainty over exactly what the decision means and fears that it might spark a global recession are leading to expectations for additional central bank stimulus. Although the direct impact on the U.S. economy is likely to be small, the prospects for Fed rate hikes in the face of all this have greatly diminished. That alone would be enough to send yields lower but when you also consider that U.S. government bond yields remain the highest of most developed markets, and by a large margin, you have a recipe for a massive rally. That in fact is what we are seeing. The two-year Treasury note yield, which opened the month at 0.88%, closed a stunning 30 basis points lower at 0.58% and would trade below 0.54% in the early days of July. The 10-year Treasury note would lose nearly 40 basis points, falling from 1.85% to 1.47% in June, before seeing an all-time record low 1.32% on July 6th.

For the Quarter Ended
June 30, 2016

This report is prepared for the **Town of Addison** (the "Entity") in accordance with Chapter 2256 of the Texas Public Funds Investment Act ("PFIA"). Section 2256.023(a) of the PFIA states that: "Not less than quarterly, the investment officer shall prepare and submit to the governing body of the entity a written report of the investment transactions for all funds covered by this chapter for the preceding reporting period." This report is signed by the Entity's investment officers and includes the disclosures required in the PFIA. To the extent possible, market prices have been obtained from independent pricing sources.

The investment portfolio complied with the PFIA and the Entity's approved Investment Policy and Strategy throughout the period. All investment transactions made in the portfolio during this period were made on behalf of the Entity and were made in full compliance with the PFIA and the approved Investment Policy.

Officer Names and Titles:

Scott Neils

Name: Dr. Scott Neils

Title: Interim Finance Director

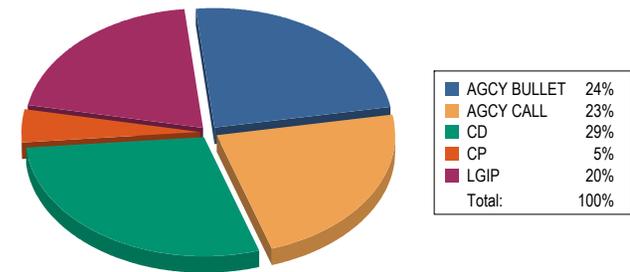
Account Summary

Allocation by Security Type

Beginning Values as of 03/31/16

Ending Values as of 06/30/16

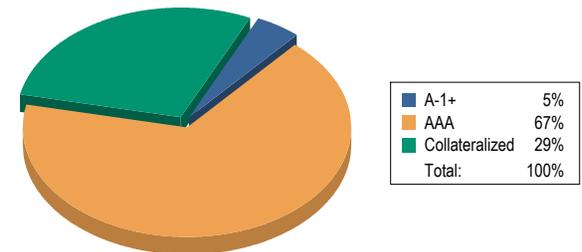
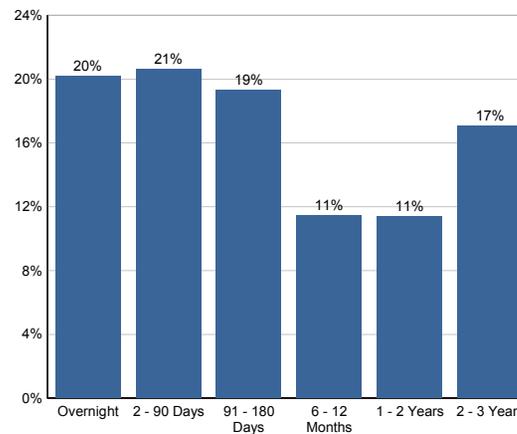
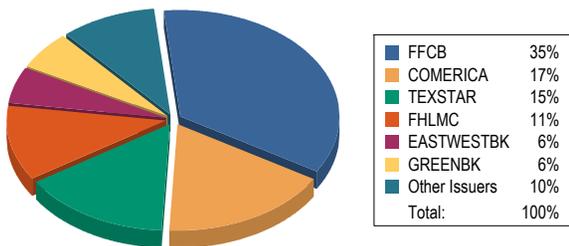
Par Value	92,119,848.48	87,971,748.76
Market Value	92,103,937.48	87,977,769.76
Book Value	92,090,746.70	87,952,619.32
Unrealized Gain/(Loss)	13,190.78	25,150.44
Market Value %	100.01%	100.03%
Weighted Avg. YTW	0.678%	0.703%
Weighted Avg. YTM	0.678%	0.703%



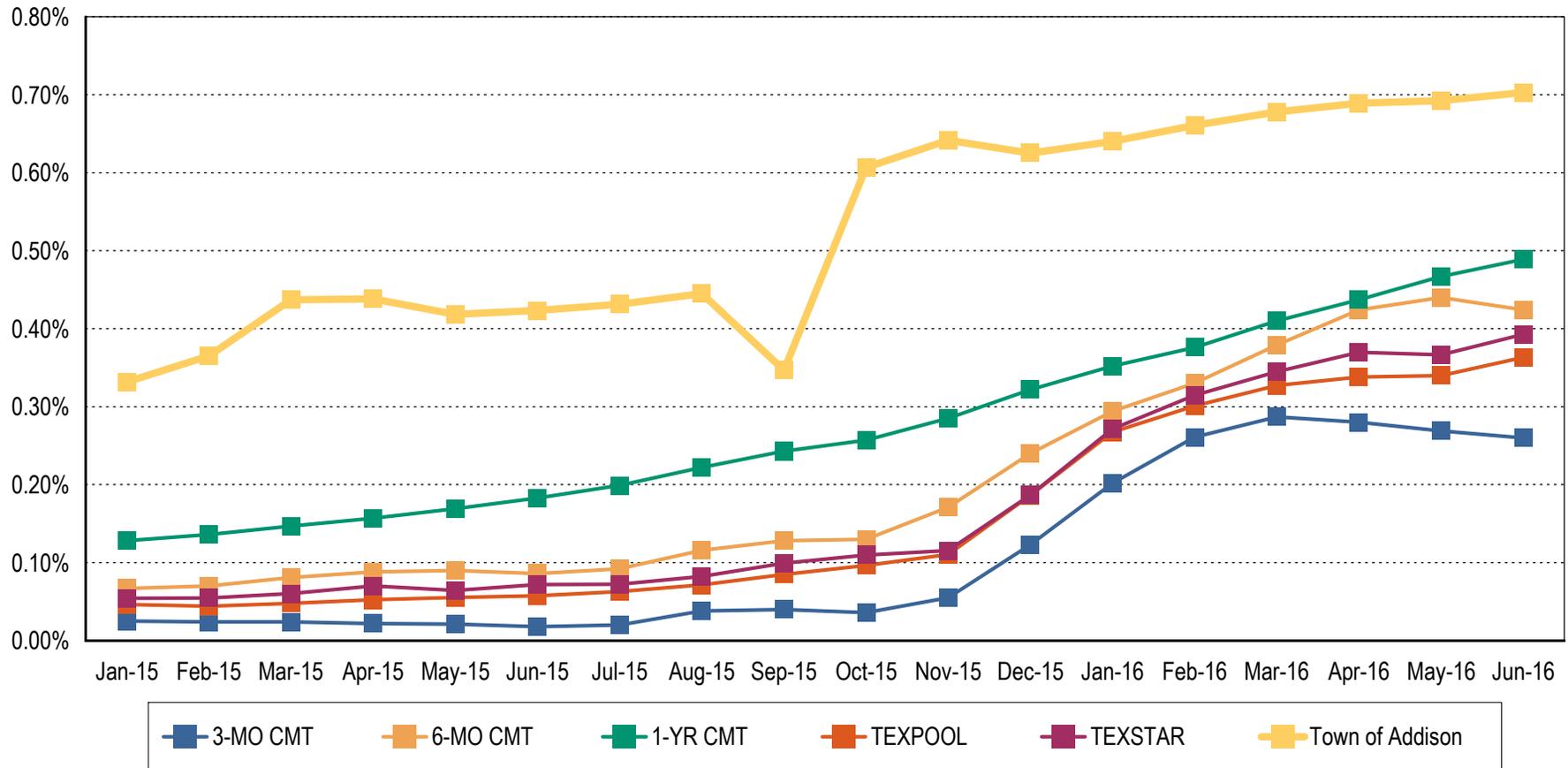
Allocation by Issuer

Maturity Distribution %

Credit Quality



Weighted Average Days to Maturity: 291



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

Note 2: Benchmark data for TexPool is the monthly average yield.

Note 3: Benchmark data for TexSTAR is the monthly average yield.

CUSIP	Settle Date	Sec. Type	Sec. Description	CPN	Mty Date	Next Call	Call Type	Par Value	Purch Price	Orig Cost	Book Value	Mkt Price	Market Value	Days to Mty	Days to Call	YTM	YTW
Pooled Funds																	
TEXPOOL		LGIP	TexPool					4,620,049.57	100.000	4,620,049.57	4,620,049.57	100.000	4,620,049.57	1		0.363	0.363
TEXSTAR		LGIP	TexSTAR					13,149,110.15	100.000	13,149,110.15	13,149,110.15	100.000	13,149,110.15	1		0.393	0.393
46640PGR8	10/30/15	CP - DISC	J.P.Morgan Sec		07/25/16			4,000,000.00	99.514	3,980,572.22	3,998,266.68	99.972	3,998,876.00	25		0.653	0.653
3133EEQG8	02/27/15	AGCY BULET	FFCB	0.550	08/17/16			4,000,000.00	100.029	4,001,160.00	4,000,101.00	100.021	4,000,836.00	48		0.530	0.530
CD-7123	09/04/14	CD	Comerica Bk CD	0.710	09/06/16			10,124,953.73	100.000	10,124,953.73	10,124,953.73	100.000	10,124,953.73	68		0.710	0.710
3133EFMW4	11/03/15	AGCY BULET	FFCB	0.400	11/03/16			10,000,000.00	99.974	9,997,354.00	9,999,102.30	99.976	9,997,580.00	126		0.427	0.427
3133EEFA3	12/23/14	AGCY BULET	FFCB	0.720	12/15/16			7,000,000.00	99.901	6,993,070.00	6,998,395.18	100.106	7,007,399.00	168		0.771	0.771
CD-7917	03/02/15	CD	Comerica Bk CD	0.800	03/02/17			5,050,381.34	100.000	5,050,381.34	5,050,381.34	100.000	5,050,381.34	245		0.800	0.800
CD-8583-1	03/02/16	CD	East West Bk CD	0.445	03/02/17			5,027,253.97	100.000	5,027,253.97	5,027,253.97	100.000	5,027,253.97	245		0.445	0.445
3133EFJM0	10/30/15	AGCY CALL	FFCB	0.930	04/13/18	Anytime	CONT	10,000,000.00	99.805	9,980,500.00	9,985,784.20	100.003	10,000,270.00	652	5	1.011	1.011
3134G7P54	10/30/15	AGCY CALL	FHLMC	1.200	10/29/18	07/29/16	QRTLY	10,000,000.00	99.990	9,999,000.00	9,999,221.20	100.011	10,001,060.00	851	29	1.203	1.203
CD-3820-2	01/30/16	CD	Green Bk CD	1.000	01/29/19			5,000,000.00	100.000	5,000,000.00	5,000,000.00	100.000	5,000,000.00	943		1.000	1.000
Total for Pooled Funds								87,971,748.76	99.945	87,923,404.98	87,952,619.32	100.007	87,977,769.76	291		0.703	0.703
Total for Town of Addison								87,971,748.76	99.945	87,923,404.98	87,952,619.32	100.007	87,977,769.76	291		0.703	0.703

CUSIP	Security Type	Security Description	03/31/16 Book Value	Cost of Purchases	Maturities / Calls / Sales	Amortization / Accretion	Realized Gain/(Loss)	06/30/16 Book Value	03/31/16 Market Value	06/30/16 Market Value	Change in Mkt Value
Pooled Funds											
TEXPOOL	LGIP	TexPool	4,616,055.54	3,994.03	0.00	0.00	0.00	4,620,049.57	4,616,055.54	4,620,049.57	3,994.03
TEXSTAR	LGIP	TexSTAR	17,334,969.16	0.00	(4,185,859.01)	0.00	0.00	13,149,110.15	17,334,969.16	13,149,110.15	(4,185,859.01)
46640PGR8	CP - DISC	J.P.Morgan Sec 0.000 07/25/16	3,991,694.44	0.00	0.00	6,572.24	0.00	3,998,266.68	3,992,988.00	3,998,876.00	5,888.00
3133EEQG8	AGCY BULET	FFCB 0.550 08/17/16	4,000,298.64	0.00	0.00	(197.64)	0.00	4,000,101.00	4,002,836.00	4,000,836.00	(2,000.00)
CD-7123	CD	Comerica Bk CD 0.710 09/06/16	10,106,905.21	18,048.52	0.00	0.00	0.00	10,124,953.73	10,106,905.21	10,124,953.73	18,048.52
3133EFMW4	AGCY BULET	FFCB 0.400 11/03/16	9,998,440.60	0.00	0.00	661.70	0.00	9,999,102.30	9,987,210.00	9,997,580.00	10,370.00
3133EEFA3	AGCY BULET	FFCB 0.720 12/15/16	6,997,517.24	0.00	0.00	877.94	0.00	6,998,395.18	7,002,345.00	7,007,399.00	5,054.00
CD-7917	CD	Comerica Bk CD 0.800 03/02/17	5,040,238.98	10,142.36	0.00	0.00	0.00	5,050,381.34	5,040,238.98	5,050,381.34	10,142.36
CD-8583-1	CD	East West Bk CD 0.445 03/02/17	5,021,679.59	5,574.38	0.00	0.00	0.00	5,027,253.97	5,021,679.59	5,027,253.97	5,574.38
3133EFJM0	AGCY CALL	FFCB 0.930 04/13/18	9,983,808.70	0.00	0.00	1,975.50	0.00	9,985,784.20	10,000,090.00	10,000,270.00	180.00
3134G7P54	AGCY CALL	FHLMC 1.200 10/29/18	9,999,138.60	0.00	0.00	82.60	0.00	9,999,221.20	9,998,620.00	10,001,060.00	2,440.00
CD-3820-2	CD	Green Bk CD 1.000 01/29/19	5,000,000.00	0.00	0.00	0.00	0.00	5,000,000.00	5,000,000.00	5,000,000.00	0.00
Total for Pooled Funds			92,090,746.70	37,759.29	(4,185,859.01)	9,972.34	0.00	87,952,619.32	92,103,937.48	87,977,769.76	(4,126,167.72)
Total for Town of Addison			92,090,746.70	37,759.29	(4,185,859.01)	9,972.34	0.00	87,952,619.32	92,103,937.48	87,977,769.76	(4,126,167.72)

CUSIP	Security Type	Security Description	Beg. Accrued	Interest Earned	Interest Rec'd / Sold / Matured	Interest Purchased	Ending Accrued	Disc Accr / Prem Amort	Net Income
Pooled Funds									
TEXPOOL	LGIP	TexPool	0.00	3,994.03	3,994.03	0.00	0.00	0.00	3,994.03
TEXSTAR	LGIP	TexSTAR	0.00	14,140.99	14,140.99	0.00	0.00	0.00	14,140.99
46640PGR8	CP - DISC	J.P.Morgan Sec 0.000 07/25/16	0.00	0.00	0.00	0.00	0.00	6,572.24	6,572.24
3133EEQG8	AGCY BULET	FFCB 0.550 08/17/16	2,688.89	5,500.00	0.00	0.00	8,188.89	(197.64)	5,302.36
CD-7123	CD	Comerica Bk CD 0.710 09/06/16	5,185.73	17,860.70	18,048.52	0.00	4,997.91	0.00	17,860.70
3133EFMW4	AGCY BULET	FFCB 0.400 11/03/16	16,444.44	10,000.00	20,000.00	0.00	6,444.44	661.70	10,661.70
3133EEFA3	AGCY BULET	FFCB 0.720 12/15/16	14,840.00	12,600.00	25,200.00	0.00	2,240.00	877.94	13,477.94
CD-7917	CD	Comerica Bk CD 0.800 03/02/17	3,314.13	10,038.34	10,142.36	0.00	3,210.11	0.00	10,038.34
CD-8583-1	CD	East West Bk CD 0.445 03/02/17	61.22	5,574.45	5,574.38	0.00	61.29	0.00	5,574.45
3133EFJM0	AGCY CALL	FFCB 0.930 04/13/18	43,400.00	23,250.00	46,500.00	0.00	20,150.00	1,975.50	25,225.50
3134G7P54	AGCY CALL	FHLMC 1.200 10/29/18	50,666.67	30,000.00	60,000.00	0.00	20,666.67	82.60	30,082.60
CD-3820-2	CD	Green Bk CD 1.000 01/29/19	8,469.95	12,625.95	12,465.76	0.00	8,630.14	0.00	12,625.95
Total for Pooled Funds			145,071.03	145,584.46	216,066.04	0.00	74,589.45	9,972.34	155,556.80
Total for Town of Addison			145,071.03	145,584.46	216,066.04	0.00	74,589.45	9,972.34	155,556.80

Trade Date	Settle Date	CUSIP	Security Type	Security Description	Coupon	Mty Date	Call Date	Par Value	Price	Principal Amount	Int Purchased / Received	Total Amount	Realized Gain / Loss	YTM	YTW
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Pooled Funds

Income Payments

04/02/16	04/02/16	CD-7917	CD	Comerica Bk CD	0.800	03/02/17				0.00	3,415.24	3,415.24			
04/04/16	04/06/16	CD-7123	CD	Comerica Bk CD	0.710	09/06/16				0.00	6,077.95	6,077.95			
04/13/16	04/13/16	3133EFJM0	AGCY CALL	FFCB	0.930	04/13/18				0.00	46,500.00	46,500.00			
04/29/16	04/29/16	3134G7P54	AGCY CALL	FHLMC	1.200	10/29/18				0.00	60,000.00	60,000.00			
05/02/16	05/02/16	CD-7917	CD	Comerica Bk CD	0.800	03/02/17				0.00	3,307.32	3,307.32			
05/03/16	05/03/16	3133EFMW4	AGCY BULET	FFCB	0.400	11/03/16				0.00	20,000.00	20,000.00			
05/03/16	04/29/16	CD-3820-2	CD	Green Bk CD	1.000	01/29/19				0.00	12,465.76	12,465.76			
05/04/16	05/06/16	CD-7123	CD	Comerica Bk CD	0.710	09/06/16				0.00	5,885.42	5,885.42			
06/02/16	06/02/16	CD-7917	CD	Comerica Bk CD	0.800	03/02/17				0.00	3,419.80	3,419.80			
06/04/16	06/06/16	CD-7123	CD	Comerica Bk CD	0.710	09/06/16				0.00	6,085.15	6,085.15			
06/15/16	06/15/16	3133EEFA3	AGCY BULET	FFCB	0.720	12/15/16				0.00	25,200.00	25,200.00			
06/30/16	06/30/16	CD-8583-1	CD	East West Bk CD	0.445	03/02/17				0.00	5,574.38	5,574.38			

Total for: Income Payments 0.00 197,931.02 197,931.02

Capitalized Interest

04/02/16	04/02/16	CD-7917	CD	Comerica Bk CD	0.800	03/02/17		3,415.24	100.000	3,415.24	0.00	3,415.24			
04/04/16	04/04/16	CD-7123	CD	Comerica Bk CD	0.710	09/06/16		6,077.95	100.000	6,077.95	0.00	6,077.95			
05/02/16	05/02/16	CD-7917	CD	Comerica Bk CD	0.800	03/02/17		3,307.32	100.000	3,307.32	0.00	3,307.32			
05/04/16	05/04/16	CD-7123	CD	Comerica Bk CD	0.710	09/06/16		5,885.42	100.000	5,885.42	0.00	5,885.42			
06/02/16	06/02/16	CD-7917	CD	Comerica Bk CD	0.800	03/02/17		3,419.80	100.000	3,419.80	0.00	3,419.80			
06/04/16	06/04/16	CD-7123	CD	Comerica Bk CD	0.710	09/06/16		6,085.15	100.000	6,085.15	0.00	6,085.15			
06/30/16	06/30/16	CD-8583-1	CD	East West Bk CD	0.445	03/02/17		5,574.38	100.000	5,574.38	0.00	5,574.38			

Total for: Capitalized Interest 33,765.26 33,765.26 0.00 33,765.26

Trade Date	Settle Date	CUSIP	Security Type	Security Description	Coupon	Mty Date	Call Date	Par Value	Price	Principal Amount	Int Purchased / Received	Total Amount	Realized Gain / Loss	YTM	YTW
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Total for All Portfolios

Transaction Type	Quantity	Total Amount	Realized G/L	YTM	YTW
Total Income Payments	0.00	197,931.02			
Total Capitalized Interest	33,765.26	33,765.26			

CUSIP	Settle Date	Security Type	Security Description	Next Call Date	Purchase Qty	Orig Price	Original Cost	Amrt/Accr for Period	Total Amrt/Accr Since Purch	Remaining Disc / Prem	Book Value
Pooled Funds											
46640PGR8	10/30/15	CP - DISC	J.P.Morgan Sec 0.000 07/25/16		4,000,000.00	99.514	3,980,572.22	6,572.24	17,694.46	1,733.32	3,998,266.68
3133EEQG8	02/27/15	AGCY BULET	FFCB 0.550 08/17/16		4,000,000.00	100.029	4,001,160.00	(197.64)	(1,059.00)	(101.00)	4,000,101.00
CD-7123	09/04/14	CD	Comerica Bk CD 0.710 09/06/16		10,124,953.73	100.000	10,124,953.73	0.00	0.00	0.00	10,124,953.73
3133EFMW4	11/03/15	AGCY BULET	FFCB 0.400 11/03/16		10,000,000.00	99.974	9,997,354.00	661.70	1,748.30	897.70	9,999,102.30
3133EEFA3	12/23/14	AGCY BULET	FFCB 0.720 12/15/16		7,000,000.00	99.901	6,993,070.00	877.94	5,325.18	1,604.82	6,998,395.18
CD-7917	03/02/15	CD	Comerica Bk CD 0.800 03/02/17		5,050,381.34	100.000	5,050,381.34	0.00	0.00	0.00	5,050,381.34
CD-8583-1	03/02/16	CD	East West Bk CD 0.445 03/02/17		5,027,253.97	100.000	5,027,253.97	0.00	0.00	0.00	5,027,253.97
3133EFJM0	10/30/15	AGCY CALL	FFCB 0.930 04/13/18		10,000,000.00	99.805	9,980,500.00	1,975.50	5,284.20	14,215.80	9,985,784.20
3134G7P54	10/30/15	AGCY CALL	FHLMC 1.200 10/29/18	07/29/16	10,000,000.00	99.990	9,999,000.00	82.60	221.20	778.80	9,999,221.20
CD-3820-2	01/30/16	CD	Green Bk CD 1.000 01/29/19		5,000,000.00	100.000	5,000,000.00	0.00	0.00	0.00	5,000,000.00
Total for Pooled Funds					70,202,589.04		70,154,245.26	9,972.34	29,214.34	19,129.44	70,183,459.60
Total for Town of Addison					70,202,589.04		70,154,245.26	9,972.34	29,214.34	19,129.44	70,183,459.60

CUSIP	Security Type	Security Description	Pay Date	Interest	Principal	Total Amount
Pooled Funds						
CD-7917	CD	Comerica Bk CD 0.800 03/02/17	07/02/16	3,364.64	0.00	3,364.64
CD-7123	CD	Comerica Bk CD 0.710 09/06/16	07/06/16	5,986.99	0.00	5,986.99
46640PGR8	CP - DISC	J.P.Morgan Sec 0.000 07/25/16	07/25/16	0.00	4,000,000.00	4,000,000.00
CD-3820-2	CD	Green Bk CD 1.000 01/29/19	07/29/16	12,500.00	0.00	12,500.00
CD-7917	CD	Comerica Bk CD 0.800 03/02/17	08/02/16	3,364.64	0.00	3,364.64
CD-7123	CD	Comerica Bk CD 0.710 09/06/16	08/06/16	5,986.99	0.00	5,986.99
3133EEQG8	AGCY BULET	FFCB 0.550 08/17/16	08/17/16	11,000.00	4,000,000.00	4,011,000.00
CD-7917	CD	Comerica Bk CD 0.800 03/02/17	09/02/16	3,364.64	0.00	3,364.64
CD-7123	CD	Comerica Bk CD 0.710 09/06/16	09/06/16	5,986.99	10,118,868.58	10,124,855.57
CD-8583-1	CD	East West Bk CD 0.445 03/02/17	09/30/16	5,586.61	0.00	5,586.61
CD-7917	CD	Comerica Bk CD 0.800 03/02/17	10/02/16	3,364.64	0.00	3,364.64
3133EFJM0	AGCY CALL	FFCB 0.930 04/13/18	10/13/16	46,500.00	0.00	46,500.00
3134G7P54	AGCY CALL	FHLMC 1.200 10/29/18	10/29/16	60,000.00	0.00	60,000.00
CD-3820-2	CD	Green Bk CD 1.000 01/29/19	10/29/16	12,500.00	0.00	12,500.00
CD-7917	CD	Comerica Bk CD 0.800 03/02/17	11/02/16	3,364.64	0.00	3,364.64
3133EFMW4	AGCY BULET	FFCB 0.400 11/03/16	11/03/16	20,000.00	10,000,000.00	10,020,000.00
CD-7917	CD	Comerica Bk CD 0.800 03/02/17	12/02/16	3,364.64	0.00	3,364.64
3133EEFA3	AGCY BULET	FFCB 0.720 12/15/16	12/15/16	25,200.00	7,000,000.00	7,025,200.00
Total for Pooled Funds				231,435.42	35,118,868.58	35,350,304.00

CUSIP	Security Type	Security Description	Pay Date	Interest	Principal	Total Amount
Total for All Portfolios						
			July 2016	21,851.63	4,000,000.00	4,021,851.63
			August 2016	20,351.63	4,000,000.00	4,020,351.63
			September 2016	14,938.24	10,118,868.58	10,133,806.82
			October 2016	122,364.64	0.00	122,364.64
			November 2016	23,364.64	10,000,000.00	10,023,364.64
			December 2016	28,564.64	7,000,000.00	7,028,564.64
Total Projected Cash Flows for Town of Addison				231,435.42	35,118,868.58	35,350,304.00