

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF DENTON APPROVING AN AIRPORT HANGAR LEASE AGREEMENT BETWEEN THE CITY OF DENTON, TEXAS AND DSR-CHEROKEE 180, LLC, COVERING PROPERTY AT 922 AERONCA LANE, DENTON, TEXAS AT THE DENTON ENTERPRISE AIRPORT; AUTHORIZING THE CITY MANAGER TO EXECUTE THE AIRPORT HANGAR LEASE AGREEMENT; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, DSR-Cherokee 180, LLC (“Lessee”) has requested an Airport Hangar Lease Agreement (“Lease”) from the City of Denton (“Lessor”) for a certain 3,600 square foot building located at 922 Aeronca Lane, at the Denton Enterprise Airport (“Airport”); and

WHEREAS, at the April 9, 2025 meeting of the Airport Advisory Board, the Board recommended that the City approve the Airport Hangar Lease Agreement by a vote of 6 to 0; and

WHEREAS, the City Council deems it in the public interest to enter into an Airport Hangar Lease Agreement; NOW, THEREFORE,

THE COUNCIL OF THE CITY OF DENTON HEREBY ORDAINS:

SECTION 1. The findings and recitations contained in the preamble of this ordinance are incorporated herein by reference.

SECTION 2. The Airport Hangar Lease Agreement in the form attached hereto as Exhibit A is hereby approved and made a part of this ordinance for all purposes.

SECTION 3. The City Manager, or their designee, is hereby authorized to execute the approved Airport Hangar Lease Agreement.

SECTION 4. This ordinance shall become effective immediately upon its passage and approval.

The motion to approve this ordinance was made by _____ and seconded by _____, the ordinance was passed and approved by the following vote [___ - ___]:

	Aye	Nay	Abstain	Absent
Mayor Gerard Hudspeth:	_____	_____	_____	_____
Vicki Byrd, District 1:	_____	_____	_____	_____
Brian Beck, District 2:	_____	_____	_____	_____
Paul Meltzer, District 3:	_____	_____	_____	_____

Joe Holland, District 4:

Brandon Chase McGee, At Large Place 5:

Jill Jester, At Large Place 6:

PASSED AND APPROVED this the _____ day of _____, 2025.

GERARD HUDSPETH, MAYOR

ATTEST:

LAUREN THODEN, CITY SECRETARY

BY: _____

APPROVED AS TO LEGAL FORM:

MACK REINWAND, CITY ATTORNEY

BY:  _____
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AIRPORT HANGAR LEASE AGREEMENT

between

CITY OF DENTON

and

DSR-Cherokee 180, LLC

dated as of

_____, 2025

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AIRPORT LEASE AGREEMENT

THIS AIRPORT LEASE AGREEMENT (this "Agreement") effective as of this _____ day of _____, 2025, by and between the CITY OF DENTON, TEXAS, a Texas home-rule municipal corporation ("City"), and **DSR-Cherokee 180, LLC** (the "Lessee" and, together with City, the "Parties" and each a "Party").

RECITALS

WHEREAS, City is the owner and operator of the Denton Enterprise Airport in the City of Denton, Texas (the "Airport");

WHEREAS, City has the right, title, and interest in and to the real property on the Airport, together with the facilities, easements, rights, licenses, and privileges hereinafter granted, and has full power and authority to enter into this Agreement in respect thereof;

WHEREAS, DSR-Cherokee 180, LLC holds the leasehold interest of a certain ground lease located at 922 Aeronca Lane at the Airport dated December 6, 1994 between the Parties (the "Ground Lease Agreement"), which is due to expire on April 30, 2025, and upon its expiration, pursuant to Section V. of the Ground Lease Agreement, the ownership an title to all building improvements made to the Leased Premises shall merge with the real property and become solely the property of the City, free and clear of all claims, liens, and encumbrances;

WHEREAS, immediately upon the expiration of the Ground Lease Agreement, without interruption, the Lessee desires to lease and continue to occupy that certain hangar located within the Airport known as 922 Aeronca Lane, with the public address known as 922 Aeronca Lane (hereinafter referred to as "Leased Premises" and more fully described in Exhibit A attached hereto and made a part hereof) and City desires to lease the same to the Lessee for the Term as defined below;

WHEREAS, Lessee is qualified, ready, willing, and able to undertake such occupancy, and/or use; and

WHEREAS, the Parties hereto wish to memorialize their agreement herein and they agree as follows:

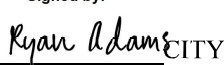
AGREEMENT

NOW, THEREFORE, in consideration of the foregoing Recitals, which by this reference are hereby incorporated into this Agreement, and the mutual covenants contained in this Agreement, the Parties hereto hereby agree as follows:

ARTICLE I

LEASE OF LEASED PREMISES; TERM

Section 1.1 Lease of Leased Premises.

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A. City hereby leases to Lessee, and Lessee hereby rents from City for its exclusive use the Leased Premises, all herein described rights incident thereto, for and during the Lease Term and upon and subject to the terms, provisions, and conditions herein set forth. "Leased Premises" shall include all land and improvements, as hereafter defined in Exhibit A, attached hereto.

Section 1.2 Lease Term. The term of this Agreement (the "Lease Term"), shall be for a period of three (3) years commencing immediately upon the expiration of the Ground Lease Agreement, without interruption, on May 1, 2025 (the "Commencement Date"), and unless sooner terminated pursuant to the provisions of this Agreement, shall terminate on April 30, 2028.

A. Lessee further agrees that upon the expiration or termination of the Lease Term, the Leased Premises will be delivered to City in as good a condition as when this Agreement began, reasonable wear and tear and matters covered by insurance excepted and the Improvements, as hereafter defined, will be delivered to City in as good a condition as when such Improvements were constructed, located, installed, placed or erected in, upon or under the Leased Premises, reasonable wear and tear and matters covered by insurance excepted.

B. Except as otherwise expressly set forth elsewhere herein, Lessee shall have no rights with respect to any improvements made to the Leased Premises during the Lease Term that are not otherwise required to be removed by the City.

Section 1.3 Right of Entry: Access to Books and Records. City, through its duly authorized agents, shall have at any reasonable time the full and unrestricted right to enter the Leased Premises, as hereafter defined, for the purpose of periodic inspection for fire protection, to make repairs permitted under this Lease, to show the Leased Premises to any prospective lessee, purchaser, or lender, and to investigate compliance with the terms of this Agreement and other applicable laws, or for any other lawful purpose; provided, however, that except in the case of emergency, such right shall be exercised upon reasonable prior notice to Lessee and with an opportunity for Lessee to have an employee or agent present, and will not interfere with Lessee's occupancy or operations.


A. City shall have the right to erect and maintain, on or about the Leased Premises, customary signs advertising the Leased Premises for lease.

B. Lessee agrees to provide any documents that may be requested by City to determine compliance with this Agreement within thirty (30) days of such request.

Section 1.4 Ownership of Leased Premises. City and Lessee intend and hereby agree that the Leased Premises shall be and remain the property of City during the entire term of this Agreement and thereafter.

Section 1.5 Holding Over; Rights at Expiration.

A. If Lessee retains all or any portion of the Leased Premises after the expiration or termination of the Lease Term by lapse of time or otherwise, such holding over shall constitute the creation of a tenancy at will with respect to such retained portion, terminable by City at any time upon thirty (30) days prior written notice to Lessee. Under such tenancy at will, Lessee agrees to

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pay to City as liquidated damages, and not as a penalty, 150 percent of the last monthly rental rate under this agreement for each month of holdover. All provisions of this Agreement shall remain in full force and effect during such holdover period.

ARTICLE II

RENTAL; SECURITY DEPOSIT

Section 2.1 Rent.

A. In consideration for the use of the Leased Premises herein granted, Lessee shall pay to City the following rental amounts (the "Rent"). The monthly rent shall be in the sum of \$4.82 per net square foot, applied to a total building area of 3,600 net square feet, said sum being stipulated herein as Seventeen Thousand Three Hundred and Forty-One dollars and Fourteen Cents (\$17,341.14) (sales tax included), payable in twelve equal monthly installments of One Thousand Four Hundred and Forty-Five Dollars and Ten Cents (\$1,445.10). All rental payment will be due in advance on the first of each calendar month thereafter. City will mail a courtesy statement on or about the first of each month. Failure to receive the statement in a timely manner does not absolve Lessee from making rental payment on the first of each month.

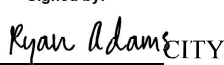
B. The Rent shall begin following the Commencement date. If the Commencement Date is on a day other than the first day of a month, Lessee will pay City a prorated amount of the Rent equal to the product of the monthly installment of the Rent multiplied by a fraction, the (i) numerator of which is the 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 Rent is due on or before the Commencement Date. Payment for any fractional calendar month at the end of the Lease Term shall be similarly prorated.

C. The Rent for the Leased Premises shall be readjusted at the end of each two (2) year period during the Lease Term, starting on the Commencement Date month and every two (2) years thereafter, on the basis of the proportion that the then-current United States Consumer Price Index for all urban consumers ("CPI-U") for the Dallas-Fort Worth Bureau of Labor Statistics (1982-84 = 100) bears to that of the Commencement Date month.

Section 2.2 Insufficient Funds Charge. There shall be an extra charge of **THIRTY DOLLARS (\$30.00)** on any check returned by the bank for insufficient funds or account not existing.

Section 2.3 Time and Place of Payments. The Rent, as well as all other charges hereunder, shall be payable in equal monthly installments in advance on or before the first business day of each calendar month of the Lease Term at City's offices of the Finance Department of the City of Denton, 215 E. McKinney, Denton, Texas, unless otherwise designated in writing by the City.

Section 2.4 Delinquent Rent. In the event Rent due pursuant to Section 2.1 or any other amounts payable by Lessee hereunder shall not be paid by Lessee on the due date thereof, Lessee shall pay to City as additional Rent, an interest charge of five percent (5%), or the maximum

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percentage allowed by law, whichever is greater, of the amount due for each full calendar month of delinquency, computed as simple interest. No interest shall be charged until payment is thirty (30) days overdue, but any such interest assessed thereafter shall be computed from the due date.

Section 2.5 Security Deposit.

A. Lessee shall deposit with the City, upon execution of this Lease, the sum of \$1,445.10, to be held by City as Lessee's "Security Deposit". Such Security Deposit shall be equal to one monthly installment of Rent unless otherwise adjusted as provided for in this Agreement.

(a) If at any time during this Agreement the Security Deposit then held on account by City becomes less than the prevailing monthly installment of Rent, Lessee will make an additional payment to City so that the Security Deposit held by City is increased to equal monthly installment of Rent unless otherwise adjusted as provided for in this agreement.

(b) City shall hold such Security Deposit without interest as security for the performance by Lessee of Lessee's covenants and obligations under this Lease. City may combine the Security Deposit with City's other funds, and no trust relationship is created with respect to the Security Deposit. Lessee shall not assign, otherwise transfer, or encumber or attempt to assign, otherwise transfer, or encumber the Security Deposit, and City 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 the Lessee, City may return the Security Deposit to the Lessee.

(c) The Security Deposit is not an advance payment of Rent or a measure of liquidated damages in case of default by Lessee. Upon the occurrence of any event of default, City 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 City by such event of default. Following any such application of the Security Deposit, Lessee shall pay to City, on demand, the amount to be applied to fully restore the Security Deposit to its required amounts.

(d) If Lessee is not then in default hereunder, such Security Deposit, less any lawful deductions by City, shall be returned by City to Lessee with an accounting of said deductions taken no later than thirty (30) days following the termination or expiration of this Agreement. Permitted deductions from the Security Deposit may include but not be limited to unpaid Rent; unpaid utility charges incurred by Lessee; unpaid service charges; damages by Lessee to the Leased Premises (beyond normal wear and tear); or repairs by City; replacement cost of City's property that was in or attached to the Leased Premises and is missing; cost to replace unreturned keys; agreed reletting charges; City's cost of cleaning the Leased Premises to a broom swept condition if required; City's cost of removal of any trash or debris left in the Leased Premises; City's cost of the removal and storage of Lessee's personal property left or abandoned by the

Lessee or otherwise disposed of by City; City's cost of removal of unauthorized vehicles or aircraft left on the Leased Premises; government fees or fines against City because of the Lessee; late fees and other costs of collection incurred by City in connection with this Agreement; interest that would have been earned by City on unpaid balances; attorney's fees, court costs, and filing fees.

ARTICLE III

OCCUPANCY, USE, AND CONDITIONS OF LEASED PREMISES

Section 3.1 Condition of Leased Premises. Lessee accepts the Leased Premises in their present "as is" condition. **LESSEE RELEASES CITY AND HOLDS CITY AND CITY'S OFFICERS, DIRECTORS, ELECTED AND APPOINTED OFFICIALS, EMPLOYEES, AND AGENTS HARMLESS FOR ANY CLAIMS ARISING OUT OF OR RELATED TO ANY CONDITION OF THE LEASED PREMISES.**

Section 3.2 Permitted Use of Leased Premises.


A. The Leased Premises shall be used and occupied by the Lessee only for Commercial Aviation Use limited to the following ("Permitted Use"):

- (a) Storage of aircraft owned by, or under the direct care, custody, and operational control (as the term is recognized by the FAA) of the Lessee and related aeronautical tools, equipment, parts, and supplies and for no other purpose without City's prior written consent.
- (b) Light maintenance, repair, and restoration of Lessee's aircraft.
- (c) Flight Training Services.

B. For the 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 Lessee securing earning, income, compensation, and/or profit from said activities, whether such objectives are accomplished). Lessee shall occupy and use the Leased Premises only for the Permitted Use and shall comply with all Laws and Regulations as defined herein relating to the use, condition, access to, and occupancy of the Leased Premises.

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

D. Lessee acknowledges that City is bound by, and this Agreement is subject to, the terms and conditions of 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.

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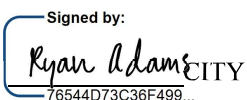
Lessee agrees not to act or fail to act in any way or manner that would cause City to be in violation of any of the foregoing.

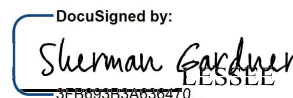
Section 3.3 Access. City agrees that if Lessee is not in breach of this Agreement, Lessee and Lessee's employees, officers, directors, sublessees (that are approved by City pursuant to this Agreement), contractors, subcontractors, suppliers, agents, guests and invitees, and other representatives ("Lessee's Associates") are authorized to ingress and egress across the common areas of the Airport (in the areas designated by City, for the purposes for which they were designed, and as permitted by applicable Laws and Regulations as defined in Section 3.4) on a non-exclusive basis and to the extent reasonably necessary for Lessee's use, occupancy, and operations at the Leased Premises. Lessee agrees to comply with any driver training program or guidelines established by the City as a condition to such access. Lessee further agrees to ensure that Lessee's Associates shall comply with such requirements. During special events at the Airport, Lessee acknowledges that the standard operation procedure at the Airport may be altered such that egress and ingress to the Leased Premises may be altered by the City. The City will notify Lessee in writing of any special events and/or closures that will impede Lessee's use of the Leased Premises. Lessee's failure to comply with the altered procedure is a default of this Agreement, and City may proceed to terminate this Agreement.

Section 3.4 Use of Leased Premises and Compliance with all Laws and Regulations. Lessee agrees that it shall use the Leased Premises only for aeronautical purposes and its Permitted Use and Lessee and Lessee's Associates shall comply at all times, at Lessee's sole cost, with any and all laws and regulations (as amended or otherwise modified from time to time) that are applicable to Lessee's business and Lessee's use of the Leased Premises, including those pertaining to the construction of buildings on public property, and Lessee's use, occupancy, or operations at the Leased Premises, or the Airport (the "Laws and Regulations"), which include, but are not limited to, all laws, statutes, ordinances, regulations, rules, orders, writs, judgments, decrees, injunctions, directives, rulings, guidelines, standards, codes, policies, common law, and other pronouncements of any kind having the effect of law that may be applicable at any time during the term of this Agreement including, but not limited to, the Airport Rules and Regulations, Minimum Operating Standards, master plans and zoning codes, and all Laws and Regulations pertaining to the environment (the "Environmental Laws"); any and all plans and programs developed in compliance with such requirements (including, but not limited to, any Airport Security Plan); and all lawful, reasonable, and nondiscriminatory Airport policies and other requirements. Lessee shall provide all required notices under the Laws and Regulations. Upon a written request by City, Lessee will verify, within a reasonable time frame, compliance with any Laws and Regulations. Further, in its use of the Leased Premises, Lessee shall comply with the following:

A. **Address.** Lessee shall file with the Airport Director and keep current its mailing addresses, telephone numbers, and contacts where it can be reached in an emergency.

Section 3.5 No Unauthorized Use. Lessee and Lessee's Associates shall use the Leased Premises and the Airport only for purposes that are expressly authorized by this Agreement and shall not engage in any unauthorized use of the same. Unauthorized uses include, but are not limited to, restricting access on any road or other area that Lessee does not lease; placing waste materials on the Airport or disposing of such materials in violation of any Laws and Regulations;

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any use that would constitute a public or private nuisance or a disturbance or annoyance to other Airport users; driving a motor vehicle in a prohibited Airport location; the use of automobile parking areas in a manner not authorized by City; any use that would interfere with any operation at the Airport or decrease the Airport's effectiveness (as determined by City in its sole discretion); and any use that would be prohibited by or would impair coverage under either Party's insurance policies or would cause an increase in the existing rate of insurance upon the Leased Premise.


Section 3.6 Permits and Licenses. Lessee shall obtain and maintain in current status all permits and licenses that are required under any Laws and Regulations in connection with Lessee's use, occupancy, construction, or operations at the Leased Premises or the Airport. Those permits and licenses include but are not limited to, (i) all contractors doing work on the Leased Premises must be licensed by the State of Texas, (ii) prior to commencing construction of any improvements, a permit must be obtained from the City of Denton and a copy of the permit must be furnished to the Airport Manager, and (iii) if applicable, clearance must be obtained from the responsible health department or other agency. In the event that Lessee receives notice from any governmental entity that Lessee lacks, or is in violation of, any such permit or license, Lessee shall provide City with timely written notice of the same.

Section 3.7 Payment of Taxes. Lessee shall pay (before their respective due dates) all applicable taxes, fees, assessments, and levies that relate to Lessee's use, occupancy, or operations at the Leased Premises or the Airport and all other obligations for which a lien may be created relating thereto (including, but not limited to, utility charges and work for any improvements). Lessee shall be responsible for any and all applicable taxes generated by the Denton County Tax Assessor / Collector.

Section 3.8 No Liens. No liens may be placed upon the Leased Premises. Within thirty (30) days, Lessee shall pay all lawful claims made against City and discharge all liens filed or which exist against the Leased Premises or any other portion of the Airport (other than Lessee's trade fixtures or trade equipment) to the extent such claims arise out of or in connection with, whether directly or indirectly, the failure to make payment for work done or materials provided by Lessee its contractors, subcontractors, or materialmen. However, Lessee shall have the right to contest the amount or validity of any such claim or lien without being in default under this Agreement upon furnishing security in a form acceptable to the City, in an amount equal to one hundred percent (100%) of such claim or lien, which insures that such claim or lien will be properly and fully discharged forthwith in the event that such contest is finally determined against Lessee or City. The City shall give timely notice to Lessee of all such claims and liens of which it becomes aware. When contracting for any work in connection with the Leased Premises, Lessee shall include in such contract a provision prohibiting the contractor or any subcontractor or supplier from filing a lien or asserting a claim against City's real property or any interest therein. The lessee is solely responsible for ensuring that all requirements are met such that such lien waivers are effective and enforceable (such as filing such contracts, if necessary). Furthermore, when completed, any improvements on the Leased Premises shall be free from all construction liens.

Section 3.9 Compliance with 2252.909 of Texas Government Code.

A. In connection with Lessee's construction, alteration, or repair of the improvements or any other construction on the Leased Property, Lessee shall require their contractor to:

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(a) execute a payment bond that conforms to Subchapter I, Chapter 53, Property Code; and

(b) execute a performance bond in an amount equal to the amount of the contract for the protection of the City and conditioned on the faithful performance of the contractor's work in accordance with the plans, specifications, and contract documents.

B. Lessee shall provide the City with a notice of commencement of construction no later than ninety (90) days prior to the commencement of construction, alteration, or repair of any improvement to the Leased Property ("Notice of Commencement"), which will materially conform with the requirements under Texas Local Government Code 2252.909.

C. Notice of Commencement must:

(a) identify the public property where the work will be performed;

(b) described the work to be performed;

(c) state the total cost of the work to be performed;

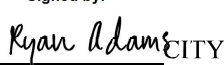
(d) include copies of the performance and payment bonds required; and

(e) include a written acknowledgment signed by the contractor stating that copies of the required performance payment bonds will be provided to all subcontractors not later than the fifth day after the date a subcontract is executed.

Section 3.10 Condemnation

A. If, during the term hereof, any part of the Leased 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. After such taking by or sale to said condemning authority the remainder of the Leased Premises is not susceptible to efficient and economic occupation and operation by Lessee, this lease shall automatically terminate as of the date said condemning authority takes possession of the Leased Premises. City shall refund to Lessee any prepaid but unaccrued rental less any sum then owing by Lessee to City.

B. If, after such taking by or sale to said condemning authority, the remainder of the Leased Premises is susceptible to efficient and economic occupation and operation by Lessee, this lease shall not terminate but the Base Rent due hereunder shall be adjusted so that the Lessee 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 this agreement) by a fraction, the numerator of which shall be the number of square feet remaining in the Leased 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 Leased Premises. The base rent adjustment called for herein shall either not commence or be suspended until said condemning authority takes possession of the condemned portion of the Leased Premises. All other terms and provisions shall remain unchanged unless otherwise provided for herein.

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

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

Section 4.1 Representations by City. City represents and warrants that it has the right, power, and legal capacity to enter into and perform its obligations under this Agreement, has duly executed and delivered this Agreement, and that this Agreement constitutes a legal, valid, and binding obligation of City.

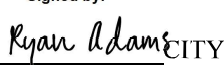
Section 4.2 Representations by Lessee. Lessee represents and warrants that it has the right, power, and legal capacity to enter into and perform its obligations under this Agreement, has duly executed and delivered this Agreement, and that this Agreement constitutes a legal, valid, and binding obligation of Lessee.

ARTICLE V

OBLIGATIONS OF LESSEE

Section 5.1 Plans and Specifications. With respect to any improvements to the Leased Premises, Lessee shall select qualified architects and engineers to prepare, prior to construction or on a phased basis during construction, the architectural, site, structural, mechanical, and/or electrical drawings and specifications for the improvements in the form and content required by the appropriate local planning and zoning authorities and pursuant to all applicable Laws and Regulations and this Agreement, which shall be approved in writing by City (collectively, the "Plans and Specifications").

Section 5.2 Operations and Maintenance. Lessee shall maintain the Leased Premises in a condition that is clean, free of debris, safe, sanitary, and in good repair and shall not accumulate or permit the accumulation of any trash, refuse, debris, or of anything that is unsightly, which creates a fire hazard, nuisance, or causes inconvenience to adjoining properties. Lessee shall perform all work in accordance with Laws and Regulations and in a good and workmanlike manner. Lessee shall promptly remedy any condition that fails to meet this standard.

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Without limiting the foregoing obligations, Lessee shall not store on the Leased Premises any inoperable equipment, discarded or unsightly materials, or materials likely to create a hazard; shall not use areas outside of enclosed buildings for storage; and shall store trash in covered metal receptacles or any other receptacles approved in writing by the Airport Director, or designee. Any substance or material that is regulated by any Environmental Law (“Hazardous Materials”) shall be governed by Section 5.8. In addition, Lessee agrees to comply with all applicable provisions of City’s Texas Pollutant Discharge Elimination Multi-Sector General Permit.

A. City shall, throughout the term hereof, expect as otherwise expressly provided in this Agreement and so long as Lessee is not in default of this Agreement beyond any applicable cure period, be responsible for those areas, items, and matters identified in the “City” column as set forth in Exhibit B – Maintenance and Repair Responsibilities, which exhibit is attached hereto and incorporated herein by reference. City shall not be responsible for Lessee or any third party’s equipment, fixtures, or personal property comprising a part of or located upon the Leased Premises.

B. Except as provided in subparagraph A of this Section, Lessee shall, to the City’s satisfaction, maintain the Leased 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 “Lessee” column set forth in the attached Exhibit B to this Agreement. Lessee shall be responsible for any alterations, additions, or improvements made by Lessee to the Leased Premises and/or any improvements thereon or therein. Lessee shall, throughout the term hereof, be responsible for all consumable supplies and repair of plumbing and water damage caused because of Lessee’s failure to reasonably protect water probes from freezing temperatures or misuse by Lessee or by Lessee’s Associates. Lessee shall be responsible for keeping the Leased 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 Leased Premises by City, deliver the Leased Premises clean and free of trash and in good condition and repair, with all fixtures and equipment situated in or upon the Leased Premises in the same condition as same existed on the Commencement Date, with reasonable wear and tear excepted.

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

D. In the event Lessee fails to so maintain or repair the Leased Premises and/or its fixtures, equipment, and personal property comprising a part of or located upon the Leased Premises, and/or otherwise fails to comply with any of the provisions of subparagraph B or D of this Section or any other provision of this Lease requiring Lessee to maintain or repair the Leased Premises or keep them in a particular condition, city 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 City plus interest thereon as provided in this Agreement shall be paid by Lessee to the City on demand.

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E. Without limiting the foregoing obligations, Lessee shall not store on the Leased Premises any inoperable equipment, discarded or unsightly materials, or materials likely to create a hazard; shall not use areas outside of enclosed buildings for storage; and shall store trash in covered metal receptacles or any other receptacles approved in writing by the Airport Director, or designee. Any substance or materials that is regulated by any Environmental Law ("Hazardous Materials") shall be governed by Section 5.8. In addition, Lessee agrees to comply with all applicable provisions of City's Texas Pollutant Discharge Elimination Multi-Sector General Permit.


Section 5.3 Alterations, Additions, and Improvements. Lessee shall not create any openings in the roof or exterior walls, or make any alterations, additions, or improvements to the Leased Premises without the prior written consent of City. City shall not unreasonably withhold its consent for non-structural alterations, additions, or improvements. Lessee shall have the right to erect or install shelves, bins, machinery, and trade fixtures if Lessee complies with all applicable Laws in connection therewith. All alterations, additions, and improvements in and to the Leased Premises shall be performed in accordance with the terms and provisions of this Agreement, with all Laws, and in a first-class, workmanlike manner, and Lessee shall promptly pay and discharge all costs, expenses, claims for damages, liens, and all other liabilities and obligations with arise in connection therewith.

Section 5.4 Utilities. Except where provided to the contrary below, Lessee shall be responsible, at Lessee's sole cost and expense, for obtaining all utility connections at or for the Leased Premises and Lessee shall pay all charges for water, electricity, gas, sewer, internet, telephone, or any other utility connections, impact fees, tap-in fees, and services furnished to the Leased Premises during the term hereof. Lessee agrees to contact all utility service providers prior to any excavation or digging on the Leased Premises or the premises in and around the Leased Premises. City shall in no event be liable or responsible for any cessation or interruption in any such utility service.

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

B. In the event Lessee fails to pay any utility or connection charges for which Lessee is responsible, City shall have the right (but not the obligation) to pay or cause to be paid such charges, fees, or expenses incurred by Lessee and the cost thereof expended by or caused to be expended by City plus interest thereon as provided in this agreement shall be paid by Lessee upon written demand.

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

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D. City shall in no event be liable or responsible for any cessation or interruption in any utility services to the Leased Premises.

Section 5.5 Signs and Equipment. Lessee shall not place, or cause to be placed, any signs or equipment (such as radio, communications, meteorological, aerial, navigation and other related equipment) reasonably necessary for the operation of the Lessee's business or aeronautical activities on the Leased Premises unless otherwise agreed to in writing by City. Lessee, at its sole expense, shall be responsible for the creation, installation, and maintenance of all such signage and equipment. Lessee shall pay to the City any and all damages, injuries, or repairs resulting from the installation, maintenance or repair of any such signage and equipment.


A. Any Signage placed on the Leased Premises shall be maintained at all times in a safe, neat, sightly, and good physical condition. All signage and equipment shall be removed from the Leased Premises by Lessee immediately upon receipt of instructions for removal of same from City, including without limitation, upon expiration or termination of this Lease Agreement. If Lessee fails to remove the Signage, then City may do so at the sole cost and expense of Lessee.

B. Notwithstanding anything contained herein to the contrary, all signage and equipment shall comply with all applicable shall be installed and maintained in compliance with all applicable Laws and Regulations, 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 FAA).

Section 5.6 Security. Lessee is responsible to comply (at Lessee's sole cost) with all security measures that City, the United States Transportation Security Administration, the United States Department of Homeland Security ("Homeland Security"), the United States Federal Aviation Administration ("FAA"), or any other governmental entity having jurisdiction may require in connection with the Airport, including, but not limited to, any access credential requirements, any decision to remove Lessee's access credentials, and any civil penalty obligations and other costs arising from a breach of security requirements caused or permitted by Lessee or Lessee's Associates. Lessee agrees that Airport access credentials are the property of City and may be suspended or revoked by City for security-related reasons in its sole discretion at any time. Lessee shall pay all fees associated with such credentials, and Lessee shall immediately report to the Airport Manager any lost credentials or credentials that Lessee removes from any employee or any of Lessee's Associates. Lessee shall protect and preserve security at the Airport. Lessee acknowledges that FAA, Homeland Security, or a subdivision of either may enact laws or regulations regarding security at general aviation airports such that City may not be able to comply fully with its obligations under this Agreement, and Lessee agrees that City will not be liable for any damages to Lessee or Lessee's personal property that may result from said noncompliance.

Section 5.7 Obstruction Lights. Lessee shall, at its expense, provide and maintain obstruction lights on any structure on the Leased Premises if required by City or FAA regulations. Any obstruction lights so required shall comply with the specifications and standards established for such installations by City or FAA.

Section 5.8 Hazardous Materials.

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A. No Violation of Environmental Laws. Lessee shall not cause or permit any Hazardous Materials to be used, produced, stored, transported, brought upon, or released on, under, or about the Leased Premises or the Airport by Lessee or Lessee's Associates in violation of applicable Environmental Laws. Lessee is responsible for any such violation as provided by Section 7.

B. Response to Violations. Lessee agrees that in the event of a release or threat of release of any Hazardous Material by Lessee or Lessee's Associates at the Airport, Lessee shall provide City with prompt notice of the same. Lessee shall respond to any such release or threat of release in accordance with applicable Laws and Regulations. If City has reasonable cause to believe that any such release or threat of release has occurred, City may request, in writing, that Lessee conduct reasonable testing and analysis (using qualified independent experts acceptable to City) to show that Lessee is complying with applicable Environmental Laws. City may conduct the same at Lessee's expense if Lessee fails to respond in a reasonable manner. Lessee shall cease any or all of Lessee's activities as City determines necessary, in its sole and absolute discretion, in connection with any investigation, cure, or remediation. If Lessee or Lessee's Associates violate any Environmental Laws at the Airport (whether due to the release of a Hazardous Material or otherwise), Lessee, at Lessee's sole expense, shall have the following obligations, which shall survive any expiration or termination of this Agreement: (i) promptly remediate such violation in compliance with applicable Environmental Laws; (ii) submit to City a written remediation plan, and City reserves the right to approve such plan (which approval shall not be unreasonably withheld) and to review and inspect all work; (iii) work with City and other governmental authorities having jurisdiction in connection with any violation; and (iv) promptly provide City copies of all documents pertaining to any environmental concern that are not subject to Lessee's attorney-client privilege.

C. Obligations upon Termination and Authorized Transfers. Upon any expiration or termination of this Agreement or any change in possession of the Leased Premises authorized by City, Lessee shall demonstrate to City's reasonable satisfaction that Lessee has removed any Hazardous Materials and is in compliance with applicable Environmental Laws. Such demonstration may include, but is not limited to, independent analysis and testing to the extent that facts and circumstances warrant analysis and testing, such as evidence of past violations or specific uses of the Leased Premises. If the site is contaminated during Lessee's possession, Lessee shall bear all costs and responsibility for the required clean up, and shall hold City, its officers, elected and appointed officials, employees, and agents harmless therefrom. Notwithstanding anything to the contrary, the obligations of this Section 5.8 shall survive any termination of this Agreement.

Section 5.9 Trash, Garbage, and Other Refuse. Lessee shall pick up and provide for a complete and proper arrangement for adequate sanitary handling and disposal, away from the Airport through the City or any other licensed refuse hauler. Lessee is responsible for contacting the Master Refuse Hauler and arranging for disposal and payment of such services. Lessee shall provide and use suitable covered metal receptacles, or any other receptacles approved by the Airport Director, or designee, for all such garbage, trash, and other refuse on the Leased Premises. Lessee shall not pile boxes, cartons, barrels, pallets, debris, or similar items in an unattractive or unsafe manner, on or about the Leased Premises.

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ARTICLE VI

INDEMNIFICATION AND INSURANCE

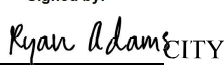
Section 6.1 Insurance. Lessee agrees to purchase general liability covering the Lessee and Lessee's Associates, and its operations on the Airport as described in Section 3 in an amount not less than \$1,000,000 per occurrence and provide coverage for Leased Premises/operations and contractual liability AND where exposure exists in the opinion of the City, coverage for: products/completed operations; explosions, collapse, and underground property damage; and environmental impairment.

A. All risk property insurance on a one-hundred percent (100%) replacement cost basis covering loss or damage to all facilities and improvements located on the Leased Premises, either as a part of this Lease Agreement or erected by the Lessee subsequent to this Lease Agreement. Covered perils shall include, but not be limited to, Fire, Extended Coverage, and Vandalism & Malicious Mischief. Under no circumstances shall the City be liable for any damages to fixtures, merchandise, or personal property of the Lessee or its sub-lessees. The City of Denton will be shown as a loss payee, as their interest may appear.

B. Additional Insurance requirements may be necessary as identified in the Airport Minimum Operating Standards, or other applicable Laws and Regulations, for specific aeronautical uses.

Construction Insurance: Prior to the commencement of renovation of existing buildings/improvements or construction of any permanent building/improvement, Lessee shall purchase and maintain, or require Lessee's contractor to purchase and maintain, until final completion and acceptance of all work, insurance coverage written by companies approved by the State of Texas and acceptable to the City in the following types and amounts:

- A. **Workers' Compensation** within the regulations of the Texas Workers' Compensation Act. The minimum policy limits for **Employers Liability** are:
 - Bodily Injury by Accident: \$100,000 Each Accident
 - Bodily Injury by Disease: \$100,000 Each Employee
 - Bodily Injury by Disease: \$500,000 Policy Limit
- B. **Business Automobile Liability Insurance** covering owned, hired, and non-owned vehicles, with a minimum combined single limit for bodily injury (including death) and property damage limit of \$1,000,000 per occurrence.
- C. **Commercial General Liability Insurance** including, but not limited to, Leased Premises/Operations, Personal & Advertising Injury, Products/Completed Operations, Independent Contractors and Contractual Liability with minimum combined bodily injury (including death) and property damage limits of \$1,000,000 per occurrence, \$1,000,000 products/completed operations aggregate, \$2,000,000 general aggregate. The policy shall include coverage extended to apply to products/completed operations and Explosions, Collapse and Underground (XCU) hazards.
- D. **All Risk Builder's Risk Insurance**, if the project involves complete construction of new buildings, or, **Installation Floater**, if the project involves materials and supplies needed for additions, renovations or remodeling of an existing building, with an

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insured value equal to 100% of replacement cost, if Builder's Risk, or 100% of the contract cost, if Installation Floater.

Section 6.2 Coverage Requirements

a. All liability policies shall be endorsed to include the city of Denton, and its officers and employees as an Additional Insured. All all-risk property policies shall be endorsed to name the City of Denton as a loss payee. All required insurance policies shall provide for a minimum of 30 days written notice to the City of any cancellation or material change to the policy.

b. All insurance required by the Lease Agreement must be issued by a company or companies of sound and adequate financial responsibility and authorized to do business in the State of Texas. All policies are subject to the examination and approval of the City's office of Risk Management for their adequacy as to content, form of protection and providing company.

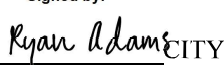
c. Required insurance naming the City as an additional insured much be primary insurance and not contributing with any other insurance available to the City whether from a third-party liability policy or other. Said limits of insurance shall in no way limit the liability the Lessee hereunder.

d. The City shall be provided with a copy of all such policies and renewal certificates. Failure to Lessee to comply with the minimum specified amounts or types of insurance as required by City shall constitute Lessee's default of this Lease Agreement.

e. During the Lease Term, or any extension thereof, City herein reserves the right to, with one hundred twenty (120) days' notice, adjust or increase the liability insurance amounts required of the Lessee, and to require any additional rider, endorsement, provisions, or certificates of insurance, and Lessee hereby agrees to provide any such insurance requirements as may be required by City.

Section 6.3 Lessee's Indemnification and Duty to Pay Damages LESSEE SHALL HOLD CITY AND CITY'S OFFICERS, ELECTED AND APPOINTED OFFICIALS, EMPLOYEES, AND AGENTS EXEMPT AND HARMLESS, TO THE EXTENT ALLOWED BY LAW, FROM AND AGAINST ANY AND ALL CLAIMS, DEMANDS, SUITS, JUDGMENTS, COSTS, AND EXPENSES ASSERTED BY ANY PERSON OR PERSONS (INCLUDING AGENTS OR EMPLOYEES OF CITY, LESSEE, OR SUBLESSEE) BY REASON OF DEATH OR INJURY TO PERSONS OR LOSS OF OR DAMAGE TO PROPERTY RESULTING FROM LESSEE'S OPERATIONS, OR ANYTHING DONE OR OMITTED BY LESSEE UNDER THIS AGREEMENT EXCEPT TO THE EXTENT THAT SUCH CLAIMS, DEMANDS, SUITS, JUDGMENTS, COSTS, AND EXPENSES MAY BE ATTRIBUTED TO THE INTENTIONAL ACTS OR OMISSIONS OF CITY, ITS AGENTS, OR EMPLOYEES.

B. CITY SHALL NOT BE LIABLE TO LESSEE FOR ANY DAMAGE BY OR FROM ANY ACT OR NEGLIGENCE OF ANY CO-LESSEE OR OTHER OCCUPANT OF THE SAME BUILDING, OR BY ANY OWNER OR OCCUPANT OF ADJOINING OR CONTIGUOUS PROPERTY.

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C. LESSEE AGREES TO PAY FOR ALL DAMAGES TO THE LEASED PREMISES, ITS APPARATUS, OR APPURTENANCES CAUSED BY LESSEE'S MISUSE OR NEGLECT THEREOF.

D. LESSEE SHALL BE RESPONSIBLE AND LIABLE FOR THE CONDUCT OF LESSEE'S ASSOCIATES IN, ON AND AROUND THE LEASED PREMISES.


Section 6.4 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 Leased Premises, or any part thereof, Lessee shall promptly give written notice thereof to City, generally describing the nature and extent of such damage and/or destruction.

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

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

C. City's election to pay for the cost of the repair or rebuilding of the Leased Premises (the hangar building or structure) or any part thereof may, at City's option, not extend

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beyond or exceed the proceeds of any casualty or property damage insurance payable and 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 City (whether such repair or rebuilding occurs, or this Lease terminates).


ARTICLE VII


DEFAULT AND REMEDIES

Section 7.1 Lessee's Default. The occurrence of any of the following events shall constitute a default by Lessee under this Agreement unless cured within thirty (30) days following written notice of such violation from City:

- A. Lessee fails to timely pay any Rent or other sums due under this Agreement;
- B. Lessee fails to comply with any other term, condition, or covenant of this Agreement, including but not limited to:
 - (a) Failure to deliver the required additional security deposit;
 - (b) Abandonment of the Leased Premises;
 - (c) Default under any other lease or agreement with the City;
- C. Lessee assigns or encumbers any right in this Agreement, delegates any performance hereunder, or subleases any part of the Leased Premises (except as expressly permitted in this Agreement);
- D. Lessee files a petition in bankruptcy or has a petition filed against Lessee in bankruptcy, insolvency, or for reorganization or appointment of a receiver or trustee which is not dismissed within sixty (60) days;
- E. Lessee petitions for or enters into an arrangement for the benefit of creditors, or suffers this Agreement to become subject to a writ of execution and such writ is not released within thirty (30) days;
- F. Lessee defaults in constructing any improvements that are required to be constructed under this Agreement; or
- G. Lessee dissolves or dies.

Section 7.2 Default by City. City shall not be in default under this Agreement unless City fails to perform an obligation required of City under this Agreement within thirty (30) days after written notice by Lessee to City. If the nature of City's obligation is such that more than thirty (30) days are reasonably required for performance or cure, City shall not be in default if City commences performance within such thirty (30) day period and thereafter diligently prosecutes the same to completion.

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Section 7.3 Remedies for Failure to Pay Rent. If any rent required under this Lease shall not be paid when due, City shall have the following remedies:

A. Terminate this Lease, take possession of the Improvements, resume possession of the Leased Premises for its own account, and recover immediately from Lessee the difference between the Rent and the fair rental value of the property for the term, reduced to present worth.

B. Terminate this Lease, take possession of the Improvements, resume possession of the Leased Premises, re-lease the Leased Premises for the remainder of the term for the account of Lessee, and recover from Lessee, at the end of the term or at the time each payment of Rent comes due, the difference between the Rent and the rent received on the re-leasing or renting.

In either event, City shall also recover all expenses incurred by reason of Lessee's breach, including reasonable attorney's fees.

Section 7.4 Remedies for Breach of Agreement. If Lessee shall fail to perform or breach any provision of this Lease other than the agreement to pay Rent, City shall provide written notice to Lessee specifying the performance required. Thirty (30) days after such notice is provided, City may:

A. Terminate this Lease or take any action it is legally entitled to take, including instituting litigation to compel performance of this Lease.

B. Recover all expenses related to such litigation, including City's attorney's fees, should City be the prevailing party.

Section 7.5 Additional Remedies. Upon the occurrence of any event of default listed in Paragraph 23, City shall also have the following remedies:

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

B. Recover unpaid Rent and any Breach Damages, as defined below.

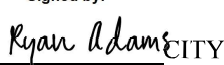
C. Change locks, access codes, or other access control devices and take self-help or judicial action to exclude Lessee and other occupants from the Leased Premises after providing any notice required by law.

D. Remove and store any property on the Leased Premises at Lessee's sole cost.

E. Sue for eviction, specific performance, equitable relief, Rent, damages, or any other available remedy.

F. Apply the Security Deposit to any amounts due or increase the Security Deposit as permitted by this Lease.

G. Charge interest on unpaid amounts at the Default Interest Rate specified in Paragraph 40.

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H. Recover liquidated rental damages for Lessee's failure to pay Rent if City terminates this Lease with more than twelve (12) months remaining in its term, equal to twelve (12) times the monthly Rent due at termination, as agreed liquidated damages.

I. Exercise all other remedies available to City under law, equity, or this Lease.

Section 7.6 Lessee Property. If Lessee's property remains on the Leased Premises after Lease termination or repossession, City may remove and store such property at Lessee's expense and is not obligated to release the property until all costs and unpaid amounts are reimbursed.

Section 7.7 No Waiver. No act or omission by City shall constitute acceptance of surrender or termination of this Lease unless explicitly stated in writing. City's pursuit of any remedies shall not preclude other remedies provided by law, equity, or this Lease.

Section 7.8 Survival. The provisions of this Article VII and the remedies and rights provided in this Article VII shall survive any expiration or termination of this Agreement.

ARTICLE VIII


ASSIGNMENT AND SUBLEASING

Section 8.1 Assignment by Lessee.

A. Lessee shall not assign any of its rights under this Agreement, including, but not limited to, rights in any improvements, (whether such assignment is voluntarily or involuntarily, by merger, consolidation, dissolution, change in control, or any other manner), and shall not delegate any performance under this Agreement, except with the prior written consent of City to any of the same, in City's sole discretion. As a condition of obtaining such consent, the City reserves the right to require the transferee receiving any such rights from Lessee to execute a new lease agreement provided by City. Regardless of City's consent, Lessee shall not be released from any obligations for matters arising during the time when this Agreement was in effect. Any purported assignment or delegation of rights or delegation of performance in violation of this section is void and may be deemed by City (in City's sole discretion) an event of default under this Agreement.

B. 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 Lessee on the Commencement date ceases to own or have voting control of 51% or more of Lessee at any time during the term of the Agreement. From time to time, as requested by City, Lessee shall provide to City, in a form acceptable to City, a written certification as to the ownership of voting securities or voting control of the sublessee. 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.

C. Upon the expiration or termination of this Agreement, Lessee hereby assigns, transfers, and conveys to City, without warranty, the following:

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(a) The right to the use of the Plans and Specifications to the extent owned by Lessee;

(b) Any copyright interests in the Plans and Specifications held by Lessee; and

(c) The right to enforce, in Lessee's own name as a proper party, (i) any subcontracts related to the Improvements or other maintenance or services contracts in force with respect to the Leased Premises or Improvements and any warranties arising under any of them or in connection with the performance thereof, as the case may be.

Section 8.2 Assignment by City. City shall have the right, in City's sole discretion, to assign any of its rights under this Agreement (and in connection therewith, shall be deemed to have delegated its duties), and upon any such assignment, Lessee agrees that Lessee shall perform its obligations under this Agreement in favor of such assignee.

Section 8.3 Encumbrances. Lessee shall not encumber or permit the encumbrance of any real property at the Airport. Except for a Leasehold Mortgage as defined in Section 8.5, Lessee shall not encumber or permit the encumbrance of any of Lessee's rights under this Agreement without City's prior written consent, in City's sole discretion. Lessee shall not record this Agreement or any document or interest relating thereto. Any purported encumbrance of rights in violation of this Section 8.3 is void.

Section 8.4 Leasehold Mortgage. Absent the prior written consent of City, Lessee shall not have the right to mortgage or collaterally assign its interest in this Agreement, the Leased Premises or any improvements to a bank or other similar institutional lender.

Section 8.5 Subleasing. Any sublease of the Improvements or the Leased Premises is strictly prohibited without the prior written consent of the City. Any permitted sublease must be for aviation-related purposes only. Furthermore, any sublease agreement intended for conducting commercial aeronautical activities, as identified in the Airport Minimum Operating Standards or other applicable Laws and Regulations, will require an approved Airport Business Permit prior to commencing operations. All sublease agreements, if approved, must be provided to the City at the time of execution.

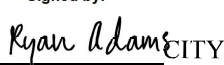
ARTICLE IX

MISCELLANEOUS PROVISIONS

Section 9.1 Waiver of Exemption. Any constitutional or statutory exemption of Lessee of any property usually kept on the Leased Premises, from distress or forced sale, is waived.

Section 9.2 Addresses. All notices given under this Agreement to City shall be sent to the Airport Manager at 5000 Airport Road, Denton, Texas 76207, with a copy to the City Attorney at 215 E. McKinney, Denton, Texas 76201, or such other place as City shall specify in writing. All notices given under this Agreement to Lessee shall be sent to:

DSR-Cherokee 180, LLC

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13901 Midway Rd, Ste 102-351
 Dallas, TX 75244
 Sherman@inthepattern.com

All notices given under this Agreement to the Mortgagee shall be sent to the address provided by Mortgagee to City. Any notice properly mailed by registered mail, postage and fee prepaid, shall be deemed delivered when mailed, whether received or not.


Section 9.3 No Waiver. The waiver by City of any breach of any term, covenant, or condition herein contained shall not be deemed to be a waiver of such term, covenant, or condition or any subsequent breach of the same or any other term, covenant, or condition herein contained. The subsequent acceptance of rent hereunder by City shall not be deemed to be a waiver of any preceding breach by Lessee of any term, covenant, or condition of this Agreement, other than the failure of Lessee to pay the particular rental so accepted, regardless of City's knowledge of such preceding breach at the time of acceptance of such rent.

Section 9.4 Lessee's Subordination. Lessee hereby subordinates and makes this Agreement inferior to all existing and future mortgages, trust indentures or other security interest of City or City's successor in interest. Lessee shall execute and deliver any documents required to evidence and perfect such subordination.

Section 9.5 Additional Charges as Rent. Any charges against Lessee by City for services or for work done on the Leased Premises by order of Lessee or otherwise accruing under this Agreement shall be considered as Rent due.

Section 9.6 Subordination to Grant Assurances. This Agreement shall be subordinate to the Grant Assurances. In the event that this Agreement, either on its own terms or by any other reason, conflicts with or violates any such Grant Assurances, City has the right to amend, alter or otherwise modify the terms of this Agreement in order to resolve such conflict or violation.

Section 9.7 Non-Interference With Operation of the Airport. Lessee expressly agrees for itself, its successors, and assigns that Lessee will not conduct operations in or on the Leased Premises in a manner that in the reasonable judgment of City, (i) interferes or might interfere with the reasonable use by others of common facilities at the Airport, (ii) hinders or might hinder police, fire fighting, or other emergency personnel in the discharge of their duties, (iii) would or would be likely to constitute a hazardous condition at the Airport, (iv) would or would be likely to increase the premiums for insurance policies maintained by City unless such operations are not otherwise prohibited hereunder and Lessee pays the increase in insurance premiums occasioned by such operations, (v) is contrary to any applicable Grant Assurance; (vi) is in contradiction to any rule, regulation, directive, or similar restriction issued by agencies having jurisdiction over the Airport including FAA, Homeland Security, Transportation Security Administration and Customs and Border Patrol, or (vii) would involve any illegal purposes. In the event this covenant is breached, City reserves the right, after prior written notice to Lessee, to enter upon the Leased Premises and cause the abatement of such interference at the expense of Lessee. In the event of a breach in Airport security caused by Lessee, resulting in fine or penalty to City of which Lessee has received prior written notice, such fine or penalty will be charged to Lessee.

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Section 9.8 Emergency Closures. During time of war or national emergency, City shall have the right to enter into an agreement with the United States Government for military or naval use of part or all of the landing area, the publicly owned air navigation facilities and/or other areas or facilities of the Airport. If any such agreement is executed, the provisions of this Agreement, insofar as they are inconsistent with provisions of the agreement with the Government, will be suspended.

Section 9.9 Interpretation.

A. References in the text of this Agreement to articles, sections, or exhibits pertain to articles, sections, or exhibits of this Agreement, unless otherwise specified.

B. The terms “hereby,” “herein,” “hereof,” “hereto,” “hereunder,” and any similar terms used in this Agreement refer to this Agreement. The term “including” shall not be construed in a limiting nature, but shall be construed to mean “including, without limitation.”


C. Words importing persons shall include firms, associations, partnerships, trusts, corporations, and other legal entities, including public bodies, as well as natural persons.

D. Any headings preceding the text of the articles and sections of this Agreement, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Agreement, nor shall they affect the meaning, construction or effect of this Agreement.

E. Words importing the singular shall include the plural and vice versa. Words of the masculine gender shall be deemed to include correlative words of the feminine and neuter genders.

Section 9.10 Force Majeure. No act or event, whether foreseen or unforeseen, shall operate to excuse Lessee from the prompt payment of rent or any other amounts required to be paid under this Agreement. If City (or Lessee in connection with obligations other than payment obligations) is delayed or hindered in any performance under this Agreement by a force majeure event, such performance shall be excused to the extent so delayed or hindered during the time when such force majeure event is in effect, and such performance shall promptly occur or resume thereafter at the expense of the Party so delayed or hindered. A “force majeure event” is an act or event, whether foreseen or unforeseen, that prevents a Party in whole or in part from performing as provided in this Agreement, that is beyond the reasonable control of and not the fault of such Party, and that such Party has been unable to avoid or overcome by exercising due diligence, and may include, but is not limited to, acts of nature, war, riots, strikes, accidents, fire, and changes in law. Lessee hereby releases City and City’s officers, elected and appointed officials, employees, and agents from any and all liability, whether in contract or tort (including strict liability and negligence) for any loss, damage, or injury of any nature whatsoever sustained by Lessee Lessee’s Associates during the Lease Term, including, but not limited to, loss, damage, or injury to the aircraft or other personal property of Lessee that may be located or stored in, on or under the Leased Premises due to a force majeure event.

Section 9.11 Governing Law and Venue. This Agreement has been made in and will be construed in accordance with the laws of the State of Texas. In any action initiated by one Party

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against the other, exclusive venue and jurisdiction will be in the appropriate state courts in and for Denton County, Texas.

Section 9.12 Amendments and Waivers. No amendment to this Agreement shall be binding on City or Lessee unless reduced to writing and signed by both Parties. No provision of this Agreement may be waived, except pursuant to a writing executed by the Party against whom the waiver is sought to be enforced.

Section 9.13 Severability. If any provision of this Agreement is determined to be invalid, illegal, or unenforceable, the remaining provisions of this Agreement shall remain in full force and effect if both the economic and legal substance of the transactions that this Agreement contemplates are not affected in any manner materially adverse to any Party. If any provision of this Agreement is held invalid, illegal, or unenforceable, the Parties shall negotiate in good faith to modify this Agreement to fulfill as closely as possible the original intents and purposes of this Agreement.

Section 9.14 Merger. This Agreement constitutes the final, complete, and exclusive agreement between the Parties on the matters contained in this Agreement. All prior and contemporaneous negotiations and agreements between the Parties on the matters contained in this Agreement are expressly merged into and superseded by this Agreement. In entering into this Agreement, neither Party has relied on any statement, representation, warranty, nor agreement of the other Party except for those expressly contained in this Agreement.


Section 9.15 Relationship of Parties. This Agreement does not create any partnership, joint venture, employment, or agency relationship between the Parties. Nothing in this Agreement shall confer upon any other person or entity any right, benefit, or remedy of any nature.

Section 9.16 Further Assurances. Each Party shall execute any document or take any action that may be necessary or desirable to consummate and make effective a performance that is required under this Agreement.

Section 9.17 Required Federal Clauses. Lessee and Lessee's Associates shall comply with all Laws and Regulations, including all of the required federal clauses in this Section 9.17.

A. During the performance of this contract, Lessee, for itself, its assignees, and successors in interest (hereinafter collectively referred to as the "Lessee") agrees as follows:

1. **Compliance with Regulations:** Lessee will comply with the Title VI List of Pertinent Nondiscrimination Acts And Authorities, as they may be amended from time to time, which are herein incorporated by reference and made a part of this Agreement.
2. **Non-discrimination:** Lessee, with regard to the work performed by it during the term of this Agreement, will not discriminate on the grounds of race, color, or national origin in the selection and retention of contractors, including procurements of materials and leases of equipment. Lessee will not participate directly or indirectly in the discrimination prohibited by the Nondiscrimination

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Acts and Authorities, including employment practices when the contract covers any activity, project, or program set forth in Appendix B of 49 CFR Part 21.

3. **Solicitations for Agreements, Including Procurements of Materials and Equipment:** In all solicitations, either by competitive bidding, or negotiation made by Lessee for work to be performed under a subcontract, including procurements of materials, or leases of equipment, each potential contractor or supplier will be notified by Lessee of Lessee's obligations under this Agreement and the Nondiscrimination Acts And Authorities on the grounds of race, color, or national origin.
4. **Information and Reports:** Lessee will provide all information and reports required by the Acts, the Regulations, and directives issued pursuant thereto and will permit access to its books, records, accounts, other sources of information, and its facilities as may be determined by the sponsor or the Federal Aviation Administration to be pertinent to ascertain compliance with such Nondiscrimination Acts And Authorities and instructions. Where any information required of Lessee is in the exclusive possession of another who fails or refuses to furnish the information, Lessee will so certify to City or the Federal Aviation Administration, as appropriate, and will set forth what efforts it has made to obtain the information.
5. **Sanctions for Noncompliance:** In the event of Lessee's noncompliance with the Non-discrimination provisions of this contract, City will impose such sanctions as it or the Federal Aviation Administration may determine to be appropriate, including, but not limited to cancelling, terminating, or suspending the Agreement, in whole or in part.
6. **Incorporation of Provisions:** Lessee will include the provisions of paragraphs one through six of this Section 9.17(A) in every contract, including procurements of materials and leases of equipment, unless exempt by the Acts, the Regulations and directives issued pursuant thereto. Lessee will take action with respect to any contract or procurement as City or the Federal Aviation Administration may direct as a means of enforcing such provisions including sanctions for noncompliance. Provided, that if Lessee becomes involved in, or is threatened with litigation by a contractor, or supplier because of such direction, Lessee may request City to enter into any litigation to protect the interests of City. In addition, Lessee may request the United States to enter into the litigation to protect the interests of the United States.

B. Real Property Acquired or Improved Under the Airport Improvement Program. Lessee for itself, its heirs, personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land that in the event facilities are constructed, maintained, or otherwise operated on the property described in this Agreement for a purpose for which a Federal Aviation Administration activity, facility, or program is extended or for another purpose involving the provision of similar services or benefits, Lessee will maintain and operate such facilities and services in compliance with all requirements imposed by the Nondiscrimination Acts and Regulations listed in the Pertinent List of

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Nondiscrimination Authorities (as may be amended) such that no person on the grounds of race, color, or national origin, will be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities.

C. Construction/Use/Access to Real Property Acquired Under the Activity, Facility or Program. Lessee for itself, its heirs, personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land that (1) no person on the ground of race, color, or national origin, will be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities, (2) that in the construction of any improvements on, over, or under such land, and the furnishing of services thereon, no person on the ground of race, color, or national origin, will be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination, and (3) that Lessee will furnish its services in compliance with all other requirements imposed by or pursuant to the List of Nondiscrimination Acts And Authorities.

D. Title VI List of Pertinent Nondiscrimination Acts and Authorities. During the performance of this Agreement, Lessee, for itself, its assignees, and successors in interest (hereinafter referred to as the “contractor”) agrees to comply with the following non-discrimination statutes and authorities; including but not limited to:

- Title VI of the Civil Rights Act of 1964 (42 U.S.C. § 2000d *et seq.*, 78 stat. 252), (prohibits discrimination on the basis of race, color, national origin);
 - 49 CFR Part 21 (Non-discrimination In Federally-Assisted Programs of The Department of Transportation—Effectuation of Title VI of The Civil Rights Act of 1964);
 - The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, (42 U.S.C. § 4601), (prohibits unfair treatment of persons displaced or whose property has been acquired because of Federal or Federal-aid programs and projects);
 - Section 504 of the Rehabilitation Act of 1973, (29 U.S.C. § 794 *et seq.*), as amended, (prohibits discrimination on the basis of disability); and 49 CFR Part 27;
 - The Age Discrimination Act of 1975, as amended, (42 U.S.C. § 6101 *et seq.*), (prohibits discrimination on the basis of age);
 - Airport and Airway Improvement Act of 1982, (49 USC § 471, Section 47123), as amended, (prohibits discrimination based on race, creed, color, national origin, or sex);
- i. The Civil Rights Restoration Act of 1987, (PL 100-209), (Broadened the scope, coverage and applicability of Title VI of the Civil Rights Act of 1964, The Age Discrimination Act of 1975 and Section 504 of the Rehabilitation Act of 1973, by expanding the definition of the terms “programs or activities” to include all of the programs or activities of the Federal-aid recipients, sub-recipients and contractors, whether such programs or activities are Federally funded or not);

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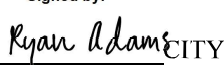

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- ii. Titles II and III of the Americans with Disabilities Act of 1990, which prohibit discrimination on the basis of disability in the operation of public entities, public and private transportation systems, places of public accommodation, and certain testing entities (42 U.S.C. §§ 12131 – 12189) as implemented by Department of Transportation regulations at 49 CFR Parts 37 and 38;
 - The Federal Aviation Administration's Non-discrimination statute (49 U.S.C. § 47123) (prohibits discrimination on the basis of race, color, national origin, and sex);
 - Executive Order 12898, Federal Actions to Address Environmental Justice in Minority Populations and Low-Income Populations, which ensures non-discrimination against minority populations by discouraging programs, policies, and activities with disproportionately high and adverse human health or environmental effects on minority and low-income populations;
 - Executive Order 13166, Improving Access to Services for Persons with Limited English Proficiency, and resulting agency guidance, national origin discrimination includes discrimination because of limited English proficiency (LEP). To ensure compliance with Title VI, you must take reasonable steps to ensure that LEP persons have meaningful access to your programs (70 Fed. Reg. at 74087 to 74100); and
- iii. Title IX of the Education Amendments of 1972, as amended, which prohibits you from discriminating because of sex in education programs or activities (20 U.S.C. 1681 et seq).

E. General Civil Rights Provision. Lessee agrees to comply with pertinent statutes, Executive Orders and such rules as are promulgated to ensure that no person shall, on the grounds of race, creed, color, national origin, sex (including gender identity), age, or disability be excluded from participating in any activity conducted with or benefiting from Federal assistance. If Lessee transfers its obligation to another, the transferee is obligated in the same manner as Lessee. This provision obligates Lessee for the period during which the property is owned, used or possessed by Lessee and the airport remains obligated to the Federal Aviation Administration. This provision is in addition to that required by Title VI of the Civil Rights Act of 1964.

F. Right of Re-entry. In the event of breach of any of the above Nondiscrimination covenants, City will have the right to terminate the Agreement and to enter, re-enter, and repossess said lands and facilities thereon, and hold the same as if the Agreement had never been made or issued.

G. Subcontracts. Lessee agrees that it shall insert the above six provisions (Section (A) through Section (F)) in any agreement by which Lessee grants a right or privilege to any person, firm, or corporation to render accommodations and/or services to the public under this Agreement.

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H. Lessee agrees to furnish service on a fair, equal, and not unjustly discriminatory basis to all users thereof, and to charge fair, reasonable, and not unjustly discriminatory prices for each unit or service; provided that Lessee may be allowed to make reasonable and nondiscriminatory discounts, rebates, or other similar types of price reductions to volume purchasers. (Grant Assurance 22)

I. It is hereby specifically understood and agreed that nothing herein contained shall be construed to grant or authorize the granting of an exclusive right to provide aeronautical services to the public as prohibited by the Grant Assurances, and City reserves the right to grant to others the privilege and right of conducting any one or all activities of an aeronautical nature. (Grant Assurance 23)

J. City reserves the right to further develop or improve the landing area of the Airport as it sees fit, regardless of the desires or view of Lessee, and without interference or hindrance. (FAA Order 5190.6B)


K. City reserves the right, but shall not be obligated to Lessee, to maintain and keep in repair the landing area of the Airport and all publicly-owned facilities of the Airport, together with the right to direct and control all activities of Lessee in this regard. (FAA Order 5190.6B)

L. This Agreement shall be subordinate to the provisions of and requirements of any existing or future agreement between City and the United States, relative to the development, operation, or maintenance of the Airport. (FAA Order 5190.6B)

M. Lessee agrees to comply with the notification and review requirements covered in Part 77 of the Federal Aviation Regulations in the event any future structure or building is planned for the Leased Premises, or in the event of any planned modification or alteration of any present or future building or structure situated on the Leased Premises. (FAA Order 5190.6B)

N. It is clearly understood by Lessee that no right or privilege has been granted which would operate to prevent any person, firm, or corporation operating aircraft on the Airport from performing any services on its own aircraft with its own regular employees (including but not limited to, maintenance and repair) that it may choose to perform. (Grant Assurance 22(f))

Section 9.18 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 Leased 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

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such insurance policies to be properly endorsed, if necessary, to prevent the invalidation of such insurance coverages by reason of such waivers.

Section 9.19 Title to Improvements. The City of Denton, Texas, is the sole owner of the Leased Premises. Any and all improvements made to the Leased Premises by Lessee shall become the property of City upon the expiration or termination of this Lease; provided, however: (i) if Lessee is not then in default hereunder, Lessee shall have the right to remove all personal property, equipment, or removable trade fixtures owned by Lessee from the Leased Premises, but Lessee shall be required to repair any damage to the Leased Premises caused by such removal in a good and workmanlike manner and at Lessee's sole cost and expense; and (ii) City may elect to require Lessee to remove all improvements made to the Leased Premises by Lessee and restore the Leased Premises to the condition in which the same existed on the Commencement Date hereof, in which event Lessee shall promptly perform such removal and restoration in a good and workmanlike manner and at Lessee's sole cost and expense. If Lessee fails or refuses to remove any or all of Lessee's personal property, equipment, or removable trade fixtures from the Leased Premises on or before the date of the termination of this Lease, the items which Lessee has failed or refused to remove: (i) shall be considered abandoned by Lessee, (ii) shall become the property of City, and (iii) may be disposed of by City in any manner desired by City in City's unfettered discretion.

Section 9.20 Quiet Enjoyment and Subordination. City represents that Lessee, upon Lessee's payment of the Rent and other payments herein required and provided for, and Lessee's performance of the terms, conditions, covenants and agreements herein contained, shall peaceably and quietly have, hold and enjoy the Leased Premises during the full Term of this Lease; provided, however, that Lessee 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 Leased Premises. City further hereby irrevocably vested with full power and authority by Lessee to subordinate Lessee'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 Leased 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 Leased Premises (and Lessee agrees upon demand to execute such further instruments subordinating this Lease as City 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 Lessee shall remain in full force and effect during the full term of this Lease so long as Lessee 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 Lessee 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 Lessee hereunder shall expressly survive and this Lease shall in all respects continue in full force and effect so long as Lessee shall fully perform all Lessee'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). Lessee 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 Leased Premises. Upon any foreclosure of any mortgage, deed of trust or other lien now existing or

Signed by:

Ryan Adams CITY
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hereafter placed on the Leased Premises (or any sale in lieu thereof), or upon termination of a ground lease affecting the Leased Premises, Lessee agrees to attorn to and recognize as City hereunder, the purchaser of City's interest in the Leased 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 Lessee is required to do so by the applicable party (and Lessee agrees to execute an instrument to that effect as may be provided by such applicable party).


Section 9.21 Access and Egress. City reserves, and Lessee hereby grants to City, the full and unrestricted access to and egress from that portion of the Leased Premises on which buildings or improvements are not located for City, its lessees, 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 City or to said persons or entities.

Section 9.22 Rent on Net Return Basis. It is intended that the rent provided for in this Lease shall be a net return to City for the term of this Lease, free of any loss, expenses, or charges with respect to the Leased Premises including, without limitation, maintenance, repairs, replacement, insurance, taxes and assessments, and this Lease shall be construed in accordance with such intention.

Section 9.23 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. City will not be deemed to have waived any right or remedy, or Lessee's breach of any obligation under this Lease, unless City delivers a signed writing, addressed to Lessee and explicitly relinquishing that right, remedy or breach. No custom or practice arising during the Term of this Lease will waive, or diminish, City's right to insist upon strict performance of Lessee'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 City will be entitled to accept any such check or payment, without prejudice, to City's rights to recover the full amount due and to exercise its other remedies.

Section 9.24 Release of City Upon Transfer. All of City'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 Leased Premises by City, provided that the obligations of City under this Lease are covenants running with the land and shall be binding upon the transferee of City's interest in this Lease and the Leased Premises.

Section 9.25 Attorneys' Fees. If, on account of any breach or default by City or Lessee 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.

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Section 9.26 Financial Information. Lessee agrees that Lessee will from time to time, upon the written request of City during the term of this Lease furnish to City such credit and banking references as City may reasonably request.


Section 9.27 Estoppel Certificates.

A. A. Lessee agrees that from time to time, upon not less than thirty (30) days' prior written request by City, Lessee will deliver to City 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) City 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 City, Lessee will not pay Rent more than one (1) month in advance; (v) that this Lease will not be amended without notice to City's mortgagee (or such other person as City may identify); and (vi) that this Lease will not be terminated by Lessee without the same notice required by this Lease to be furnished by Lessee to City also being furnished by Lessee to City's mortgagee (or such other person as City may identify), and City's mortgagee (or such other person as City may identify) shall have the same opportunity to cure such default within the curative period as allowed City under this Lease; and (vii) any other information pertaining to City, Lessee, this Lease or the Leased Premises reasonably requested by City.

B. City agrees that from time to time, upon not less than thirty (30) days' prior written request by Lessee, City will deliver to Lessee 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) Lessee 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.

Section 9.28 Corporate Execution. If Lessee is a corporation or if this Lease shall be assigned by Lessee to a corporation or if Lessee sublets all or a portion of the Leased Premises to a corporation, such corporation hereby agrees to execute and deliver to City from time to time during the Term of this Lease such instruments as City 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.

Section 9.29 Joint and Several Liability. If more than one person or entity is defined as Lessee in this Lease, all the duties, obligations, promises, covenants, and agreements contained in this Lease to be paid and performed by Lessee shall be the joint and several obligations of all persons or entities defined as Lessee. Each person or entity defined as Lessee agrees that City, in City's sole discretion, may: (i) institute or bring suit against them, jointly and severally, or against any one or more of them separately, or against any partner, officer or agent of any of them; (ii) compromise or settle with any one or more of them from any liability hereunder, and that no such action by City shall impair or affect City's rights to collect costs, expenses, losses or damages incurred or suffered by City from the other persons or entities defined as Lessee, or any of them, not so sued, compromised, settled with or released.

Signed by:

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Section 9.30 Certificate of Occupancy. Lessee may take possession of the Leased Premises pursuant to the terms and conditions of this Hangar Lease; however, Lessee may not occupy the Leased 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. Lessee 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 Lessee, Lessee is unable to secure a Certificate of Occupancy within thirty (30) days of prior to the Commencement Date, Lessee may terminate this Lease provided Lessee has given City written notice of all deficiencies preventing the issuance of said Certificate of Occupancy in favor of Lessee and City fails to cure or otherwise resolve the deficiency(ies) within ten (10) business days of City's receipt of Lessee's written notice. Nothing herein contained shall obligate City 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 Leased Premises, or which have not been expressly agreed upon by City in writing.

Section 9.31 Independent Contractor. It is understood and agreed that in leasing, occupying, and operating the Leased Premises, Lessee is acting as an independent contractor and is not acting as agent, partner, joint venturer, or employee of City.


Section 9.32 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

Section 9.33 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 City 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.

Section 9.34 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

Section 9.35 Successors. The terms, conditions and covenants contained in the 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 City under the Lease including, but not limited to, any notices required or permitted to be delivered by City to Lessee hereunder may, at City's option, be exercised or performed by City's agent or attorney.

Section 9.36 No Recording. Lessee agrees that Lessee will not record this Lease in the real property records of Dallas County, Texas, without first securing the prior written consent of

Signed by:

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City, which may be withheld at City's sole discretion. However, Lessee agrees upon the written request of City to execute, acknowledge, and deliver to City a short-form lease in recordable form.

Section 9.37 Diagram. The diagram of the Leased Premises attached hereto as Exhibit B merely evidences existing or contemplated improvements. By attaching such diagram as an exhibit to this Lease, City is in no way contracting or bound to maintain or construct improvements exactly as shown thereon or prohibited from making additional or different improvements.

Section 9.38 Survival. All duties and obligations imposed upon Lessee by the terms and conditions of this Lease shall survive the termination or expiration of this Lease until paid or performed.

[SIGNATURE PAGES FOLLOW]

Signed by:

CITY
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LESSEE
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IN WITNESS WHEREOF, the Parties have set their hands and seals this _____ day of _____, 20__.

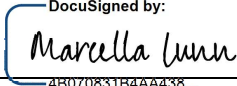
CITY OF DENTON, TEXAS, LESSOR

By: _____
Sara Hensley, City Manager

ATTEST:
Lauren Thoden, City Secretary

By: _____

APPROVED AS TO LEGAL FORM:
Mack Reinwand, City Attorney

By:  _____
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DSR-Cherokee 180, LLC
Lessee


By:  _____
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Sherman Gardner, Managing Partner

EXHIBIT ^A___ - Leased Premises

EXHIBIT ^B - Maintenance and Repair Responsibilities

Conventional Hangar Lease for Commercial Aviation Use: Effective May 1, 2025

Leased Premises located at 922 Aeronca Lane

NOTE: Any damage to the Leased Premises (including its structures, and any equipment and furnishings provided by the City) caused by or resulting from Lessee or Lessee's Associates, acts or omissions, shall be paid for by Lessee.

Ground Maintenance

	City	Lessee	Additional Information
Building and Gate Locksmithing and Security	Maintains all public access gates. Any main entry gate to Leased Premises is City's responsibility to maintain and repair.	All, as required by Lessee'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.	n/a
Fencing	Maintains Airport perimeter fence.	All other fencing upon the Leased Premises is Lessee's responsibility.	n/a
Landscape and Lawn Maintenance	None	All turf, beds, and planters within the Leased Premises	n/a
Landscape Irrigation	None	As required by City Ordinance	n/a
Pavement – Parking	Capital reconstruction or replacement	Regular sweeping and removal of snow and debris. Any damage except that resulting from normal wear and tear. Painting and striping as required for intended use, safe operations, or as required by City and with City's prior written consent.	
Pavement – Ramp		Regular sweeping and removal of snow and debris. Any damage except that resulting from normal wear and tear. Painting and striping as required for intended use, safe operations, or as required by City and with City's prior written consent.	

Solid Waste and Recycling	Dumpster, or other approved container, location or location changes at the sole discretion or direction of the City.	Lessee to manage and maintain and to be provided at Lessee's sole cost and expense. Must be kept on Leased Premises unless otherwise approved by City.	n/a
Solid Waste and Recycling container screening, if applicable		Maintained at Lessee's sole cost and expense.	

Building Shell

	City	Lessee	Additional Information
Garage Overhead and Service Doors	Capital replacement at sole discretion of City.	General preventative maintenance and basic service and repair, including but not limited to servicing, maintaining or repairing springs, cables, rollers, latch, lock, etc.	n/a
Hangar Doors	Capital replacement at sole discretion of City.	General preventative maintenance and basic service, including cleaning floor tracks.	n/a
Hangar Floor	Capital replacement at sole discretion of City.	General preventative maintenance, sweeping, cleaning, and safety markings as required by City including, but not limited to, cleaning floors of oils and chemical materials that may cause damage to floor surface.	n/a
Building and Hangar Insulation, as applicable	Capital replacement at sole discretion of City	General preventative maintenance, repair, and replacement as required.	n/a
Painting and Cleaning of Building Exterior	Performed by City at City's sole expense and discretion.	General preventative maintenance, repair, and replacement as required.	n/a
Repairs to Exterior Siding, Building Fascia, Trim, etc.	Performed by City at City's sole expense and discretion.	General preventative maintenance, repair, and replacement as required.	n/a
Window Glass and Curtain Walls	Capital replacement at sole discretion of the City	General preventative maintenance, repair, and replacement as required.	n/a
Roof	Capital replacement at sole discretion of the City	No penetrations without City's prior written approval	n/a

Roof Rain-Gutters and Downspouts	Capital replacement at sole discretion of the City	General preventative maintenance, repair, and replacement as required.	n/a
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Interior – Finish-Out

	City	Lessee	Additional Information
Interior Doors	Capital replacement at sole discretion of the City	General preventative maintenance, repair, and replacement as required.	n/a
All Interior or Exterior Door Locks	Any lock changes or lock system changes must be approved by City in advance. Maintain copies of access keys provided by Lessee. City must be given 24-hour access to building due to fire alarm system and reset.	General preventative maintenance, repair, and replacement as required. Copies of access keys to be provided to City with instruction and code provided for any electronic locking systems.	n/a
Office and Shop Space Flooring and Floor Cover	Capital replacement at sole discretion of the City	Major repair and replacement with City's prior consent. General preventative maintenance, cleaning of all floor surfaces, and repair and replacement as required.	n/a
Painting Interior – Office and Shop Space	n/a	Repainting like existing condition. Major changes in color, texture, and material must be with City's prior written consent. General preventative maintenance, cleaning, repair and replacement as required.	n/a
Painting Interior – Hangar Space	Repainting at sole discretion of the City	Any change in color, texture, and material must be with City's prior written consent. General preventative maintenance, cleaning, repair and replacement as required.	n/a
Walls and Ceilings	Capital replacement at sole discretion of the City	Repainting or repairing like existing condition. Major change in color, texture, and material must be with City's prior written consent. General preventative maintenance, cleaning,	n/a

		repair and replacement as required. Applicable to office area only	
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Building Systems

	City	Lessee	Additional Information
Electrical Systems	Capital replacement or modification at sole discretion of City. General maintenance and repair.	Replacement or material change only with City's prior written consent. Inform City of any electrical issues or needed modifications.	n/a
Hangar Door Motors	Capital replacement at sole discretion of the City.	General maintenance and repair. Replacement or material change only with City's prior written consent.	n/a
Exterior Lighting and Maintenance	Capital replacement at sole discretion of City.	General maintenance and repair. Replacement or material change only with City's prior written consent.	n/a
Office and Interior Lighting	Capital replacement of fixtures at sole discretion of City	General maintenance and repair. Lessee to replace bulbs and lamps as necessary with similar bulb and lamp types	n/a
Hangar Light Repair and Replacement	Capital replacement at sole discretion of City.	General maintenance and repair. Replacement or material change only with City's prior written consent.	n/a
HVAC	Capital replacement at sole discretion of City.	General maintenance and repair including, but not limited to, routine services, preventative maintenance, thermostat battery replacement, and additional refrigerant as needed. Replacement or material change only with City's prior written consent	n/a
Window A/C Units (if any)	Capital replacement at sole discretion of City.	General maintenance and repair. Replacement or material change only with City's prior written consent.	n/a
Plumbing Systems	Capital replacement at sole discretion of City.	General maintenance and repair. Replacement or material change only with City's prior written consent.	n/a

Water Heater	Replacement at City's sole discretion	General maintenance and repair. Replacement with City's prior written consent.	n/a
Stormwater Drains	General maintenance. Capital repair and replacement at sole discretion of the City.	n/a	n/a
Grease Traps	City to have inspected and serviced upon Lessee occupancy under this Agreement, if applicable	Lessee's full responsibility, if applicable	n/a
Fire Alarm Systems	Major repairs and replacement at sole discretion of City.	Lessee to perform day-to-day minor maintenance and to notify City of any known conditions needing attention. Lessee shall not obstruct, alter, impair, or prevent, in any way, the operation and efficiency of the fire alarm systems. Lessee to maintain, monitor, and provide routine inspections.	
Tapping into Fire Main for Fire Suppression Systems	Must be approved by City in advance	Lessee's full responsibility with City's prior written consent.	
Fire Extinguishers	n/a	Lessee's full responsibility to supply and maintain required fire extinguishers to meet all applicable fire and building codes. Lessee is responsible for all periodic inspections of fire extinguishers to meet all applicable fire and building codes.	