

AIRPORT LEASE AGREEMENT
COMMERCIAL OPERATOR

This Lease Agreement is made and executed to be effective as of the _____ (the "Effective Date") at Denton, Texas, by and between the City of Denton, Texas, a municipal corporation, hereinafter referred to as "Lessor", and _____, hereinafter referred to as "Lessee".

WITNESSETH:

WHEREAS, Lessor now owns, controls and operates the Denton Municipal Airport (the "Airport") in the City of Denton, County of Denton, State of Texas; and

WHEREAS, Lessee desires to lease certain premises at the Airport and construct and maintain an aircraft hangar and related aviation facilities thereon;

NOW, THEREFORE, for and in consideration of the promises and the mutual covenants contained in this Agreement, the parties agree as follows:

I. CONDITIONS OF LEASE AGREEMENT

NOTWITHSTANDING ANY LANGUAGE TO THE CONTRARY HEREINAFTER CONTAINED, THE LANGUAGE IN PARAGRAPHS A THROUGH D OF THIS SECTION SHALL BE BINDING.

A. PRINCIPLES OF OPERATIONS. The right to conduct aeronautical and related activities for furnishing services to the public is granted to Lessee subject to Lessee agreeing:

1. To furnish said services on a fair, equal and not unjustly discriminatory basis to all users thereof; and
2. 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.

B. NON-DISCRIMINATION: Lessee, for itself, its personal representatives, successors, 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 grounds of race, religion, color, sex, or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities;
2. In the construction of any improvements on, over, or under such land and the

furnishing of services thereon, no person on the grounds of race, religion, color, sex, or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination;

3. Lessee shall use the premises in compliance with all other requirements imposed by or pursuant to Title 49, Code of Federal Regulations, Department of Transportation, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in Federally assisted programs of the Department of Transportation - Effectual of Title VI of the Civil Rights Act of 1964, as said Regulations may be amended.

C. RIGHT OF INDIVIDUALS TO MAINTAIN AIRCRAFT. 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.

D. NON-EXCLUSIVE RIGHT. It is understood and agreed that nothing herein contained shall be construed to grant or authorize the granting of an exclusive right within the meaning of Title 49 U.S.C. Appendix §1349.

E. PUBLIC AREAS.

1. Lessor reserves the right to further develop or improve the landing area of the Airport as it sees fit, regardless of the desires or views of Lessee, and without interference or hindrance.
2. Lessor shall be obligated to maintain and keep in good 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.
3. During time of war or national emergency, Lessor shall have the right to lease the landing area or any part thereof to the United States Government for military or naval use, and, if such lease is executed, the provisions of this instrument insofar as they are inconsistent with the provisions of the lease to the Government, shall be suspended.
4. Lessor reserves the right to take any action it considers necessary to protect the aerial approaches of the Airport against obstruction, together with the right to prevent Lessee from erecting, or permitting to be erected, any building or other structure on or adjacent to the Airport which, in the opinion of Lessor, would limit the usefulness or safety of the Airport or constitute a hazard to aircraft or to aircraft navigation. The hangar/office/shop complex as currently proposed as provided in Section II.D. does not violate this provision.
5. This Lease Agreement shall be subordinate to the provisions of any existing or

future agreement between Lessor and the United States or agency thereof, relative to the operation or maintenance of the Airport.

II. LEASED PREMISES

Lessor, for and in consideration of the covenants and agreements herein contained, to be kept by Lessee, does hereby demise and lease unto Lessee, and Lessee does hereby lease from Lessor, for the lease term described in Article III, the following described land situated in Denton County, Texas:

A. LAND. A tract of land, being approximately _____, drawn and outlined on Attachment "A", and legally described in Attachment "B" as Parcel 1, such attachments being incorporated herein by reference (the "Leased Premises").

Together with the right of ingress and egress to the Leased Premises; and the right in common with others so authorized of passage upon the Airport property generally, subject to reasonable regulations by the City of Denton and such rights shall extend to Lessee's employees, passengers, patrons and invitees. For purposes of this agreement, the term "Leased Premises" shall mean all property located within the metes and bounds described and identified within Attachment "B", including leasehold improvements constructed by the Lessee, but not including certain easements or property owned and/or controlled by the Lessor.

A legal description of the leased premises is not currently attached as Attachment "B". Lessee shall deliver to Lessor no later than 30 days after the date of this Agreement a legal description of the leased premises accurately describing the leased premises that is acceptable to Lessor. If Lessee fails to do so, Lessor at its option may terminate this Agreement, in which case it will have no further force and effect. The approved legal description will be attached to this Agreement as Attachment "B".

B. IMPROVEMENTS PROVIDED BY LESSOR: NONE: There will be no improvements provided by Lessor, except as set forth in Article II.E. "Access to Utilities" below.

The term "Lessor improvements" shall mean those things on or adjacent to the Leased Premises belonging to, constructed by, or to be constructed by the Lessor. Unless otherwise noted herein, all Lessor improvements are and will remain the property of Lessor. All Lessor improvements must be described in detail above, or above referenced and attached to this Agreement in an exhibit approved by Lessor.

D. IMPROVEMENTS PROVIDED BY LESSEE. On the Leased Premises, Lessee shall construct a hangar not less than _____ square feet with taxiway access.

Lessee shall also construct appropriate culverts or drainage as required by City ordinances in the utility right of way south and north of the proposed hangar as well as other improvements as determined necessary by City ordinances (All above described improvements to be constructed by Lessee are called the "Lessee's Improvements").

Construction of Lessee's Improvements shall be commenced no later than 270 days (the "Commencement Period") and completed no later than 720 days after the Effective Date (the "Construction Period"). Construction of Lessee's Improvements are considered commenced upon issuance of a building permit and construction of any portion of the hangar. (Clarify. Above it states they are constructing only a hangar. Need to be consistent). Construction of Lessee's Improvements are considered complete upon the issuance of a Certificate of Occupancy for the entire hangar, drainage and utility improvements are completed. In addition, as a condition precedent to the effectiveness of this Lease Agreement, within 60 days after the Effective Date of this Lease Agreement, Lessee shall provide to Lessor (i) a written estimate of the cost to construct Lessee's Improvements prepared by a contractor who has demonstrated experience in the successful construction of improvements similar to Lessee's Improvements (the "Construction Cost Estimate"), (ii) a written schedule of construction to complete Lessee's Improvements, and (iii) a written loan commitment from a lending institution providing for sufficient funding to cover the Construction Cost Estimate (called "Conditions Precedent"). Should the Conditions Precedent not be met either party may terminate this Lease Agreement by giving the other party written notice, in which case this Lease Agreement shall be null and void and of no further force and effect. Such termination shall not prevent the Lessee from submitting a new proposed lease request at a later date. The parties may extend the 60 day time period if in writing signed by both parties. Lessee is not entitled to take possession of the Leased Premises under this Lease Agreement until the Conditions Precedent have been fulfilled.

Notwithstanding anything contained in this Lease Agreement to the contrary, a failure to commence the Lessee's Improvements within the Commencement Period or to complete the Lessee's Improvements within the Construction Period may, at the sole option and discretion of the Lessor, result in the immediate termination and cancellation of this Lease Agreement upon 30 days written notice of cancellation to Lessee. In such case Lessee's rights under the Lease Agreement will immediately cease and be forfeited, and all of Lessee's Improvements shall immediately become the property of Lessor at no cost, expense or other compensation paid by Lessor to Lessee; and Lessee shall immediately vacate the Leased Premises.

E. EASEMENTS. Lessor and Lessee by mutual agreement may establish, on the Leased Premises, easements for public access on roads and taxiways.

F. ACCESS TO UTILITIES. Lessor represents that there are water, sewer and 3-phase electricity lines within close proximity to the Leased Premises available to "tap-in" by Lessee, and that the same are sufficient for usual and customary service on the Leased Premises.

III. TERM

The term of this Lease Agreement shall be for a period of thirty (30) years, commencing on the _____ day of _____, _____ and continuing through the ____ day of _____ of _____, unless earlier terminated under the provisions of the Lease

Agreement (the "Lease Term"). Lessee has the option to renew for one (1) additional ten (10) year terms. In order to exercise the first option Lessee must provide written notice to Lessor of its intent to exercise the first 10 year option no later than 180 day before the expiration of the 30 year primary term. To exercise the second option such written notice must be provided no later than 180 days before the expiration of the 10 year option term. The rental and terms to be negotiated for the option terms shall be reasonable and consistent with the then value, rentals and terms of similar property on the Airport.

IV. PAYMENTS, RENTALS AND FEES

Lessee covenants and agrees to pay Lessor, as consideration for this Lease Agreement, the following payments, rentals and fees:

A. LAND AND RENTAL. Rental shall be due and payable to Lessor in the sum of \$ _____ per square foot or _____ per year (the "Original Rent"), payable in twelve (12) equal monthly installments in the sum of _____ in advance, on or before the 1st day of each and every month during the term of this Lease Agreement. Lessee has the option to pay annual rentals and fees in whole on or before the 1st day of October, at the beginning of the City's fiscal year, each and every year of this Lease Agreement.

Notwithstanding the foregoing, the annual rental will be reduced by the current lease rate per square foot, as adjusted by the CPI-U referenced in Section IV.C., times the number of square feet comprising all easements established in accordance with Article II (D).

B. LESSOR IMPROVEMENTS RENTALS. NONE: There are no Lessor improvements on the Leased Premises.

C. PAYMENT, PENALTY, ADJUSTMENTS. All payments due Lessor from Lessee shall be made to Lessor at the offices of the Finance Department of the City of Denton, attn: Comptroller, 215 East McKinney Street, Denton, Texas, unless otherwise designated in writing by the Lessor. If payments are not received on or before the 15th day of the month, a five percent (5%) penalty will be due as of the 16th. If payments are not received by the first of the subsequent month, an additional penalty of one percent (1%) of the unpaid rental/fee amount will be due. A one percent (1%) charge will be added on the first of each subsequent month until the unpaid rental/fee payment is made. The Original Rent for the Leased Premises shall be readjusted at the end of each one year period during the Lease Term 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 bears to the previous odd month _____ index (_____), which was _____ (1982-84 = 100). Each rental adjustment, if any, shall occur on the _____ day of _____, beginning _____, and every other year thereafter on such date.

The adjustments in the yearly rent shall be determined by multiplying the Original Rent by a fraction, the numerator of which is the index number for the last month prior to the adjustment, and the denominator of which is the index number applicable at the

execution of this Lease Agreement. If the product of this multiplication is greater than the Original Rent, Lessee shall pay this greater amount as the yearly rent until the time of the next rental adjustment as called for in this section. If the product of this multiplication is less than the Original Rent there shall be no adjustment in the annual rent at that time, and Lessee shall pay the previous year's annual rent until the time of the next rental adjustment as called for in this section. In no event shall any rental adjustment called for in this section result in an annual rent less than the previous year's annual rent. The adjustment shall be limited so that the annual rental payment determined for any given two-year period shall not exceed the annual rental payment calculated for the previous CPI adjustment by more than twenty percent (20%) percent.

If the consumer price index for all urban consumers (CPI-U) for the Dallas-Fort Worth geographical region, as compiled by the U.S. Department of Labor, Bureau of Labor Statistics, is discontinued during the Lease Term, the remaining rental adjustments called for in this section shall be made using the formula set forth above, but by substituting the index numbers for the Consumer Price Index-Seasonally Adjusted U.S. City Average For All Items For All Urban Consumers (CPI-U) for the index numbers for the CPI-U applicable to the Dallas-Fort Worth geographical region. If both the CPI-U for the Dallas-Fort Worth geographical region and the U.S. City Average are discontinued during the Lease Term, the remaining rental adjustments called for in this section shall be made using the statistics of the Bureau of Labor Statistics of the United States Department of Labor that are most nearly comparable to the CPI-U applicable to the Dallas-Fort Worth geographical region. If the Bureau of Labor Statistics of the United States Department of Labor ceases to exist or ceases to publish statistics concerning the purchasing power of the consumer dollar during the Lease Term, the remaining rental adjustments called for in this section shall be made using the most nearly comparable statistics published by a recognized financial authority selected by Lessor.

V. RIGHTS AND OBLIGATIONS OF LESSEE

A. USE OF LEASED PREMISES. Lessee is granted the non-exclusive privilege to engage in owner/operator activities providing the following aviation services:

1. Hangar and Office Space Leasing. Lessee is granted the non-exclusive right to rent hangar and office space.
2. General Aircraft Maintenance. Lessee is granted the non-exclusive right to conduct airframe and power plant maintenance services.
3. Aircraft Management Services. Lessee is granted the right to manage aircraft and flight operations for third parties.
4. Aircraft Sales and Brokerage. Lessee is granted the non-exclusive right to engage in the sale and/or brokering of aircraft.
5. Tie-Down Services. Lessee is granted the non-exclusive right to charge for tie-

down services on Lessee's property.

Lessee, its tenants, employees, invitees and guests shall not be authorized to conduct any services not specifically listed in this Lease Agreement. The use of the Leased Premises by Lessee, its tenants, employees, invitees or guests shall be limited to only those private, commercial, retail or industrial activities having to do with or related to airports and aviation. Except as specifically authorized in this Lease Agreement, no person, business or corporation may operate a commercial, retail or industrial business upon the Leased Premises or upon the Airport without a lease or license from Lessor authorizing such commercial, retail or industrial activity. The Lessor shall not unreasonably withhold authorization to conduct aeronautical or related services.

B. STANDARDS. Lessee shall meet or exceed the following standards:

1. Address. Lessee shall file with the Airport Manager and keep current its mailing addresses, telephone numbers and contacts where it can be reached in an emergency.
2. List. Lessee shall file with the Airport Manager and keep current a list of its tenants and sublessees.
3. Conduct. Lessee shall contractually require its employees and sublessees (and sublessee's invitees) to abide by the terms of this Lease Agreement. Lessee shall promptly enforce its contractual rights in the event of a default of such covenants.
4. Utilities, Taxes and Fees. Lessee shall meet all expenses and payments in connection with the use of the Leased Premises and the rights and privileges herein granted, including the timely payment of utilities, taxes, permit fees, license fees and assessments lawfully levied or assessed.
5. Laws. Lessee shall comply with all current and future federal, state and local laws, rules and regulations which may apply to the conduct of business contemplated, including rules, regulations and ordinances promulgated by Lessor, and Lessee shall keep in effect and post in a prominent place all necessary and/or required licenses or permits.
6. Maintenance of Property. Lessee shall be responsible for the maintenance, repair and upkeep of all property, buildings, structures and improvements, including the mowing or elimination of grass and other vegetation on the Leased Premises, and shall keep the Leased Premises neat, clean and in respectable condition, free from any objectional matter or thing, including trash or debris. Lessee agrees not to utilize or permit others to utilize areas on the Leased Premises which are located on the outside of any hangar or building for the storage of wrecked or permanently disabled aircraft, aircraft parts, automobiles, vehicles of any type, or any other equipment or items

which would distract from the appearance of the leased premises. Lessee agrees that at no time shall the Leased Premises be used for a flea market type sales operation.

7. Painting of Buildings. During the Lease Term of this Lease Agreement and during each extension, Lessor shall have the right to require, not more than once every five years, that the metal exterior of hangar(s) or building(s) located on the Leased Premises be repainted. The Lessor may require Lessee to repaint said exteriors according to Lessor's specifications (to specify color of paint, quality of workmanship and the year and month in which the hangar(s) or building(s) are to be painted, if needed.) Lessee shall complete the painting in accordance with such specifications within one (1) year of receipt of notice from Lessor. Lessee agrees to pay all costs and expense involved in the hangar or building painting process. Failure of Lessee to complete the painting required by Lessor, within the one (1) year period shall constitute Lessee's default under this Lease Agreement.
8. Unauthorized use of Leased Premises. Lessee may not use any of the Leased Premises for any use not authorized herein unless Lessor gives Lessee prior written approval of such additional use. Without limiting the foregoing the Leased Premises shall not be used for the operation of a motel, hotel, restaurant, private club or bar, apartment house, storage of recreational vehicles, automobiles, or marine vehicles, or for industrial, commercial, retail, or other purposes, except as authorized herein.
9. Dwellings. It is expressly understood and agreed that no dwelling or domicile may be built, moved to or established on or within the Leased Premises nor may lessee, its tenants, employees, invitees, or guests be permitted to reside or remain as a resident on or within the Leased Premises or other Airport premises. . Lessee may have a pilot lounge, including restroom and shower facilities for use by flight crew and passengers.
10. Quit Possession. Lessee shall quit possession of the Leased Premises at the end of the Lease Term or any renewal or extension thereof, or upon cancellation or termination of the Lease Agreement, and deliver up the Lease Premises to Lessor in as good condition as existed when possession was taken by Lessee, reasonable wear and tear excepted.
11. Indemnity. Lessee must indemnify, hold harmless and defend the Lessor, its officers, agents and employees, from and against liability for any and all claims, liens, suits, demands and/or actions for damages, injuries to persons (including death), property damage, (including loss of use), and expenses, including court costs, attorneys' fees and other reasonable costs, occasioned by or incidental to the Lessee's occupancy or use of the Leased Premises or the Airport and/or activities conducted in connection with or incidental to this Lease Agreement, including all such causes of action based on common,

constitutional or statutory law, or based in whole or in part upon the negligent or intentional acts or omissions of Lessee, its officers, agents employees, invitees or other persons. Lessee must at all times exercise reasonable precautions on behalf of, and be solely responsible for, the safety of its officers, employees, agents, customers, visitors, invitees, licensees and other persons, as well as their property, while in, on, or involved in any way with the use of the Leased Premises. The Lessor is not liable or responsible for the negligence or intentional acts or omissions of the Lessee, its officers, agents, employees, agents, customers, visitors and other persons. The Lessor shall assume no responsibility or liability for harm, injury, or any damaging events which are directly or indirectly attributable to premise defects, whether real or alleged, which may now exist or which may hereafter arise upon the Leased Premises, responsibility for all such defects being expressly assumed by the Lessee. The Lessee agrees that this indemnity provision applies to all claims, suits, demands, and actions arising from all premise defects or conditions.

THE LESSOR AND THE LESSEE EXPRESSLY INTEND THIS INDEMNITY PROVISION TO REQUIRE LESSEE TO INDEMNIFY AND PROTECT THE LESSOR FROM THE CONSEQUENCES OF THE LESSOR'S OWN NEGLIGENCE WHILE LESSOR IS PARTICIPATING IN THIS LEASE AGREEMENT WHERE THAT NEGLIGENCE IS A CONCURRING CAUSE OF THE INJURY, DEATH, OR DAMAGE. NOTWITHSTANDING THE TERMS OF THE PRECEDING SENTENCES, THIS INDEMNITY PROVISION DOES NOT APPLY TO ANY CLAIM, LOSS, DAMAGE, CAUSE OF ACTION, SUIT AND LIABILITY WHERE THE INJURY, DEATH, OR DAMAGE RESULTS FROM THE SOLE NEGLIGENCE OF THE LESSOR OR ANY OF ITS EMPLOYEES, CONTRACTORS, OR AGENTS, UNMIXED WITH THE FAULT OF ANY OTHER PERSON OR ENTITY.

12. Chemicals. Lessee agrees to properly store, collect and dispose of all chemicals and chemical residues; to properly store, confine, collect and dispose of all paint, including paint spray in the atmosphere, and paint products; and to comply with all Local, State and Federal regulations governing the storage, handling or disposal of such chemicals and paints. Further, the Lessee shall be solely responsible for all discharges, whether accidental or intentional, of any chemical and for the costs associated with the cleanup, remediation and disposal of said chemicals.
13. Hazardous Activities. Should Lessee violate any law, rule, restriction or regulation of the City of Denton or the Federal Aviation Administration, or any other regulatory authority, or should the Lessee engage in or permit other persons or agents to engage in activities which could produce hazards or obstruction to air navigation, obstructions to visibility or interference with any aircraft navigational aid station or device, whether airborne or on the ground,

then Lessor shall state such violation in writing and deliver written notice to Lessee or Lessee's agent on the Leased Premises, or to the person(s) on the Leased Premises who are causing said violation(s), and upon delivery of such written notice, Lessor shall have the right to demand that the person(s) responsible for the violation(s) cease and desist from all such activity creating the violation(s). In such event, Lessor shall have the right to demand that corrective action, as required, be commenced immediately to restore the Leased Premises into conformance with the particular law, rule or aeronautical regulation being violated. Should Lessee, Lessee's agent, or the person(s) responsible for the violation(s) fail to cease and desist from said violation(s) and to immediately commence correcting the violation(s), and to complete said corrections within twenty-four (24) hours following written notification, then Lessor shall have the right to enter onto the Leased Premises and correct the violation(s) at the sole cost and expense of Lessee, and Lessor shall not be responsible for any damages incurred to any improvements on the Leased Premises as a result of the corrective action process. In addition, such violation shall be considered a material default by Lessee authorizing Lessor, at its sole option and discretion, to immediately terminate and cancel this Lease Agreement.

C. SIGNS. No signs, posters, or other similar devices ("Signage") shall be placed on the exterior of the Lease Improvements or on any portion of the Leased Premises or Airport property without the prior written approval of Lessor. Lessee, at its sole expense, shall be responsible for the creation, installation and maintenance of all such Signage. Lessee shall pay to Lessor any and all damages, injuries, or repairs resulting from the installation, maintenance or repair of any such Signage. Any Signage placed on the Leased Premises shall be maintained at all times in a safe, neat, sightly and good physical condition. All signage shall be removed from the Leased Premises by Lessee immediately upon receipt of instructions for removal of same from Lessor, including without limitation, upon expiration or termination of this Lease Agreement. If Lessee fails to remove the Signage then Lessor may do so at the sole cost and expense of Lessee. Lessee shall be permitted the right to place two wall signs, no greater than thirty-two square feet each, identifying the commercial hangar operation. All signage shall comply with all applicable ordinances including the City of Denton sign ordinance."

D. ENTRY. Lessor and its designees shall have the right to enter the Leased Premises upon reasonable advance notice (written or oral) and at any reasonable times for the purposes of inspecting the Leased Premises, performing any work which Lessor elects to perform under this Lease Agreement, and exhibiting the Leased Premises for sale, lease, or mortgage. Nothing in this section shall imply any duty upon Lessor to do any work, which under any other provision of this Lease Agreement Lessee is required to perform, and any performance by Lessor shall not constitute a waiver of Lessee's default.

VI. COVENANTS BY LESSOR

Lessor hereby agrees as follows:

A. PEACEFUL ENJOYMENT. Upon on payment of all rent, fees, and performance of the covenants and agreements on the part of Lessee to be performed hereunder, Lessee shall peaceably hold and enjoy the Leased Premises and all rights and privileges herein granted.

B. COMPLIANCE. Lessor warrants and represents that in the establishment, construction and operation of the Airport, that Lessor has heretofore and at this time is complying with all existing rules, regulations, and criteria distributed by the Federal Aviation Administration, or any other governmental authority relating to and including, but not limited to, noise abatement, air rights and easements over adjoining and contiguous areas, over-flight in landing or takeoff, to the end that Lessee will not be legally liable for any action of trespass or similar cause of action by virtue of any aerial operations of adjoining property in the course of normal take-off and landing procedures from the Airport; Lessor further warrants and represents that at all times during the Lease Term, or any renewal or extension of same, that it will continue to comply with the foregoing.

VII. SPECIAL CONDITIONS

It is expressly understood and agreed by and between Lessor and Lessee that this Lease Agreement is subject to the following special terms and conditions.

RUNWAYS AND TAXIWAYS. Because of the present thirty thousand (30,000) pound continuous use weight bearing capacity of the taxiway of Lockheed, Lessee herein agrees to limit all aeronautical activity including landing, take-off and taxiing, to aircraft having an actual weight, including the weight of its fuel, of thirty thousand (30,000) pounds or less, until such time that the runway and designated taxiways on the Airport have been improved to handle aircraft of such excessive weights. It is further agreed that, based on qualified engineering studies, the weight restrictions and provisions of this clause may be adjusted, up or down, and that Lessee agrees to abide by any such changes or revisions as such studies may dictate. "Aeronautical activity" referred to in this clause shall include any activity of the Lessee or its agents or subcontractors, and its customers and invitees, but shall not include those activities over which it has no solicitory part or control, such as an unsolicited or unscheduled or emergency landing. A pattern of violating the provisions of this section on two or more occasions shall be sufficient to cause the immediate termination of this entire Lease Agreement and subject Lessee to liability for any damages to the Airport that might result.

VIII. LEASEHOLD IMPROVEMENTS

A. REQUIREMENTS: Before commencing the construction of any improvements on the Leased Premises including Lessee's Improvements (the "Lease Improvements"), Lessee shall submit:

1. Documentation, specifications, or design work, to be approved by the Lessor, which shall establish that the improvements to be built or constructed upon the Leased Premises are in conformance with the overall size, shape, color, quality and design, in appearance and structure of the program established by Lessor on the Airport.
2. All plans and specifications showing the location upon the Leased Premises of the proposed construction and improvements;
3. The estimated cost of such construction.

No construction may commence until Lessor has approved the plans and specifications and the location of the Lease Improvements, and the estimated costs of such construction. Approval by the Lessor shall not be unreasonably withheld. Documentary evidence of the actual cost of construction on public areas only (such as taxiways) shall be delivered by Lessee to Lessor's City Manager from time to time as such costs are paid by Lessee, and Lessor's City Manager or designee is hereby authorized to endorse upon a copy of this Lease Agreement filed with the City Secretary of Lessor such actual amounts as he shall have found to have been paid by Lessee, and the findings of the City Manager when endorsed by him upon said contract shall be conclusive upon all parties for all purposes of this Lease Agreement.

No later than 30 days after completion of the Lease Improvements, Lessee shall submit to Lessor detailed as built plans of the Lease Improvements and documentary evidence acceptable to Lessor evidencing the total cost to construct the Lease Improvements ("Cost to Construct Lease Improvements").

B. ADDITIONAL CONSTRUCTION OR IMPROVEMENTS: Lessee is hereby authorized to construct upon the Leased Premises, at its own cost and expense, buildings, hangars, and structures, that Lessor and Lessee mutually agree are necessary for use in connection with the operations authorized by this Lease Agreement, provided however, Lessee shall comply with all of the requirements of Section VIII.A., above. Such additional improvements shall be a part of the Lease Improvements.

C. OWNERSHIP OF IMPROVEMENTS: Except as otherwise provided in this Lease Agreement, the Lease Improvements constructed upon the Leased Premises by Lessee shall remain the property of Lessee during the Lease Term subject to the following conditions, terms and provisions:

1. Removal of Buildings. No building or permanent fixture may be removed

from the Leased Premises.

2. Assumption. The Lease Improvements shall automatically become the property of Lessor absolutely free, without any cost to Lessor, at the end of the Lease Term, or any extension thereof.
3. Failure to Commence or Complete Lessee's Improvements. The Lease Improvements shall immediately become the property of Lessor at no cost, expense, or compensation to Lessee should Lessee fail to commence or complete the Lessee's Improvements within the Commencement Period or Construction Period as provided in Section II.D. of this Lease Agreement.
4. Cancellation or Termination. Should this Lease Agreement be canceled or terminated before the end of the Lease Term, or extension thereof, Lessor shall have the right to purchase all of the Lease Improvements. In the event of a cancellation or termination, other than due to a default by Lessee that has not been cured as provided below, the purchase price shall be equal to the most recent value of the Lease Improvements as determined by the Denton County Central Appraisal District ("Value of the Lease Improvements") reduced by 1/30 for each year of the Lease Term that has expired as of the date of termination (the "Purchase Price"). Should the Denton County Central Appraisal District not determine a separate value for the Lease Improvements, or should such separate valuation be older than two years, then the Purchase Price will be determined taking the Cost to Construct the Lease Improvements reduced by 1/30 for each year the Lease Term has expired as of the date of termination. If the termination or cancellation is due to a default by Lessee that has not been cured within 30 days after written notice of default to Lessee, then the Purchase Price as determined above shall be reduced by 50%. However, if Lessee provides written notice to Lessor within said 30 day cure period that it is impossible to cure such default within said time period, then the Lessor may consent to an extension of such time to cure, which consent will not be unreasonably withheld.

IX. SUBROGATION OF MORTGAGEE

Any person, corporation or institution that lends money to Lessee for construction of any hangar, structure, building or improvement and retains a security interest in said hangar, structure, building or improvement shall, upon default of Lessee's obligations to said mortgagee, have the right to enter upon the Leased Premises and operate or manage said hangar, structure, building or improvement according to the terms of this Lease Agreement, for a period not to exceed the term of the mortgage with Lessee, or until the loan is paid in full, whichever comes first, but in no event longer than the Lease Term. It is expressly understood and agreed that the right of the mortgagee referred to herein is limited and restricted to those improvements constructed with funds borrowed from mortgagee, those improvements purchased with the borrowed funds, and those improvements pledged to secure the refinancing of the improvements.

X. RIGHT OF EASEMENT

Lessor shall have the right to establish easements, at no cost to Lessee, upon the Leased Premises for the purpose of providing underground utility services to, from or across the Airport property or for the construction of public facilities on the Airport. However, any such easements shall not interfere with Lessee's use of the Leased Premises and Lessor shall restore the property to the original condition as is reasonable practicable upon the installation of any utility services on, in, over or under any such easement at the conclusion of such construction. Construction in or at the easement shall be completed within a reasonable time.

XI. ASSIGNMENT OF LEASE

Lessee expressly covenants that it will not assign this Lease Agreement, convey more than fifty percent (50%) of the interest in its business, through the sale of stock or otherwise, transfer, license, nor sublet the whole or any part of the Leased Premises for any purpose, except for rental of hangar space or tie-down space for storage of aircraft only, without the written consent of Lessor. Lessor agrees that it will not unreasonably withhold its approval of such sale, sublease, transfer, license, or assignment of the facilities for Airport related purposes; provided however, that no such assignment, sublease, transfer, license, sale or otherwise shall be approved if the rental, fees or payments, received or charged are in excess of the rental or fees paid by Lessee to Lessor under the terms of this lease, for such portion of the Leased Premises proposed to be assigned, subleased, transferred, licensed, or otherwise. The provisions of this Lease Agreement shall remain binding upon the assignees, if any, of Lessee.

XII. INSURANCE

A. REQUIRED INSURANCE: Regardless of the activities contemplated under this Lease Agreement, Lessee shall maintain continuously in effect at all times during the term of this agreement, at Lessee's sole expense, the following minimum insurance coverages:

1. Commercial (Public) General Liability covering the Lessee or its company, its employees, agents, tenants and independent contractors, and its operations on the airport. Coverage shall be in an amount not less than \$1,000,000 per occurrence and provide coverage for premises/operations and contractual liability AND where exposure exists, coverage for: products/completed operations; explosion, collapse and underground property damage.
2. All risk property insurance on a replacement cost basis covering loss or damage to all facilities used by the Lessee, either as a part of this agreement or erected by the Lessee subsequent to this agreement. Under no circumstances shall the Lessor be liable for any damages to fixtures, merchandise or other personal property of the Lessee or its tenants.

3. Business Automobile Liability to include coverage for Owned/Leased Autos, Non-Owned Autos and Hired Cars:

For operation in aircraft movement areas the limit of liability shall be \$100,000 per occurrence.

For other operations the limit of liability shall be consistent with the amount set by State Law.

B. ADDITIONAL COVERAGES: In addition to the above referenced coverages, the following insurance is required if the activity or exposure exists or is contemplated:

1. Aircraft Fuel/Oil Storage and Dispensing – Comprehensive Commercial (Public) General Liability shall include coverage or separate coverage shall be provided for Environmental Impairment Liability.
2. Aircraft Sales or Aircraft Charter and Air Taxi – Aircraft Liability in the amount of \$1,000,000 per occurrence to include Hull Coverage and Liability. In addition, Passenger Liability in an amount of \$100,000 per person (per passenger seat) shall be provided.
3. Aircraft Rental or Flight Training - Aircraft Liability in the amount of \$1,000,000 per occurrence to include Hull Coverage and Liability, Passenger Liability in the amount of \$100,000 per person (per passenger seat) and Student/Renter Liability covering all users in the amount of \$500,000 per occurrence.
4. Specialized Commercial Flying (including crop dusting, seeding, and spraying, banner towing and aerial advertising, aerial photography and surveying, fire fighting, power line or pipe line patrol) - Aircraft Liability in the amount of \$1,000,000 per occurrence to include Hull Coverage and Liability. In addition, Passenger Liability in an amount of \$100,000 per person (per passenger seat) shall be provided.
5. Aircraft Storage, Maintenance and/or Repair - Aircraft Liability in the amount of \$1,000,000 per occurrence to include Hull Coverage and Liability. In addition, Hanger Keepers Liability in the amount of \$500,000 per occurrence shall be provided.

The requirement for Hangar Keepers Liability shall not apply to individual owner/operators whose primary use of the hangar space is the storage of their own aircraft. The requirement does not apply to such individuals notwithstanding the fact that they may, from time to time, permit the storage of non-owned aircraft in the hangar space and charge a fee for the storage of such aircraft so long as such use is in the nature of a rent-sharing agreement rather than a commercial aircraft storage business.

C. COVERAGE REQUIREMENTS: All insurance coverages shall comply with the following requirements:

1. All liability policies shall name the City of Denton, and its officers and employees as an additional named insured and provide for a minimum of 30 days written notice to the City of any cancellation or material change to the policy.
2. All insurance required by this 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.
3. Required insurance naming the City as an additional insured must 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 of the Lessee hereunder.
4. The Lessor shall be provided with a copy of all such policies and renewal certificates. Failure of Lessee to comply with the minimum specified amounts or types of insurance as required by Lessor shall constitute Lessee's default of this Lease Agreement.
5. During the Lease Term, or any extension thereof, Lessor herein reserves the right to, with 60 days notice, adjust or increase the liability insurance amounts required of the Lessee, and to require any additional rider, provisions, or certificates of insurance, and Lessee hereby agrees to provide any such insurance requirements as may be required by Lessor; provided however, that any requirements shall be commensurate with insurance requirements at other public use airports similar to the Denton Municipal Airport in size and in scope of aviation activities, located in the southwestern region of the United States.

XIII. CANCELLATION BY LESSOR

In the event that Lessee shall file a voluntary petition in bankruptcy or proceedings in bankruptcy shall be instituted against it and Lessee thereafter is adjudicated bankrupt pursuant to such proceedings, or any court shall take jurisdiction of Lessee and its assets pursuant to proceedings brought under the provisions of any Federal reorganization act, or Lessee shall be divested of its estate herein by other operation of law; or Lessee shall fail to perform, keep and observe any of the terms, covenants, or conditions herein contained, or on its part to be performed, the Lessor may give Lessee written notice to correct such condition or cure such default and, if any condition or default shall continue for thirty (30) days after the receipt of such notice by Lessee, then Lessor may terminate

this Lease Agreement by written notice to Lessee. However, if Lessee provides written notice to Lessor within said 30 day cure period that it is impossible to cure such default within said time period, then the Lessor may consent to an extension of such time to cure, which consent will not be unreasonably withheld. In the event of default, Lessor has the right to purchase any or all of the Lease Improvements under the provisions of Section VIII.C.4. hereof.

XIV. CANCELLATION BY LESSEE

Lessee may cancel this Lease Agreement, in whole or part, and terminate all or any of its obligations hereunder at any time, by thirty (30) days written notice, upon or after the happening of any one of the following events: (1) issuance by any court of competent jurisdiction of a permanent injunction in any way preventing or restraining the use of the Airport or any part thereof for airport purposes; (2) the breach by Lessor of any of the covenants or agreements contained herein and the failure of Lessor to remedy such breach for a period of ninety (90) days after receipt of a written notice of the existence of such breach; (3) the inability of Lessee to use the Lease Premises and facilities continuing for a longer period than ninety (90) days due to any law or any order, rule or regulation of any appropriate governmental authority having jurisdiction over the operations of Lessor or due to war, earthquake or other casualty; or (4) the assumption or recapture by the United States Government, or any authorized agency thereof, of the maintenance and operation of said airport and facilities or any substantial part or parts thereof.

Upon the happening of any of the four events listed in the preceding paragraph, such that the Leased Premises cannot be used for aviation purposes, then the Lessee may cancel this Lease Agreement as aforesaid, or may elect to continue this Lease Agreement under its terms, except, however, that the use of the Leased Premises shall not be limited to aviation purposes, their use being only limited by such laws and ordinances as may be applicable at that time.

Should Lessor close the Airport and relocate the Airport to another location during the primary term of this Lease Agreement, Lessee shall have the right to relocate its facilities to the new airport at a suitable location under the same or similar terms of this Lease Agreement. The cost of relocation of Lessee's facilities will be shared by Lessor and Lessee in proportion to the number of years remaining on the primary term of this Lease Agreement. In this regard Lessor will be responsible for 1/30 of the such costs for every year remaining on the primary term.

XV. MISCELLANEOUS PROVISIONS

A. ENTIRE AGREEMENT. This Lease Agreement constitutes the entire understanding between the parties and as of its Effective Date supersedes all prior or independent Agreements between the parties covering the subject matter hereof. Any change or modification hereof shall be in writing signed by both parties.

B. BINDING EFFECT. All covenants, stipulations and agreements herein shall extend to, bind and inure to the benefit of the legal representatives, successors and assigns of the respective parties hereto.

C. SEVERABILITY. If a provision hereof shall be finally declared void or illegal by any court or administrative agency having jurisdiction, the entire Lease Agreement shall not be void; but the remaining provisions shall continue in effect as nearly as possible in accordance with the original intent of the parties.

D. NOTICE. Any notice given by one party to the other in connection with this Lease Agreement shall be in writing and shall be sent by certified mail, return receipt requested, with postage fees prepaid or via facsimile as follows:

1. If to Lessor, addressed to:

City Manager
City of Denton
215 E. McKinney Street
Denton, Texas 76201
Fax No.940.349.8596

2. If to Lessee, addressed to:

Fax No.:

E. HEADINGS. The headings used in this Lease Agreement are intended for convenience of reference only and do not define or limit the scope or meaning of any provision of this Agreement.

F. GOVERNING LAW AND VENUE. This Lease Agreement is to be construed in accordance with the laws of the State of Texas and is fully performable in Denton County, Texas. Exclusive venue for any lawsuit to enforce the terms or conditions of this Lease Agreement shall be a court of competent jurisdiction in Denton County, Texas.

G. NO WAIVER. No waiver by Lessor or Lessee of any default or breach of covenant or term of this Lease Agreement may be treated as a waiver of any subsequent default or breach of the same or any other covenant or term of this Lease Agreement.

H. NO AGENCY. During all times that this Lease Agreement is in effect, the parties agree that Lessee is and shall not be deemed an agent or employee of the Lessor.

I. FORCE MAJEURE. None of the Parties shall be in default or otherwise liable for any delay in or failure of performance under this Lease Agreement if such delay or failure arises by any reason beyond their reasonable control, including any act of God, any acts of the common enemy or terrorism, the elements, earthquakes, floods, fires, epidemics, riots, failures or delay in transportation or communications. However, lack of funds shall not be deemed to be a reason beyond a Party's reasonable control. The Parties will promptly inform and consult with each other as to any of the above causes, which in their judgment may or could be the cause of a delay in the performance of this Lease Agreement.

IN WITNESS WHEREOF, the parties have executed this Lease Agreement as of the Effective Date first above written.

CITY OF DENTON, TEXAS, LESSOR

BY: _____
GEORGE C. CAMPBELL

ATTEST:
JENNIFER WALTERS, CITY SECRETARY

BY: _____

APPROVED AS TO LEGAL FORM:

, CITY ATTORNEY

BY: _____

BY: _____

ACKNOWLEDGMENTS

THE STATE OF TEXAS §

COUNTY OF DENTON §

This instrument was acknowledged before me on the ____ day of _____, 200_, by George Campbell, City Manager of the City of Denton, Texas, on behalf of said municipality.

NOTARY PUBLIC, STATE OF TEXAS

THE STATE OF TEXAS §

COUNTY OF DENTON §

This instrument was acknowledged before me on the ____ day of _____, 2005 by

NOTARY PUBLIC, STATE OF TEXAS