

LEASE AGREEMENT

BETWEEN

**THE FROST NATIONAL BANK
("Landlord")**

AND

**THE CITY OF CORPUS CHRISTI
("Tenant")**

PORT/LEOPARD BUILDING

City of Corpus Christi, Nueces County, Texas

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A-2	LEASED PREMISES
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C	COMMENCEMENT AND TERMINATION AGREEMENT
D	RULES AND REGULATIONS
E	CANCELLATION FEE
F	TENANT'S INSURANCE

SCHEDULES

1	APPROVED LEASEHOLD IMPROVEMENTS
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LEASE AGREEMENT

THIS LEASE AGREEMENT (the "Lease") is made and entered into as of May 17, 2000, by and between **THE FROST NATIONAL BANK**, a national banking association ("Landlord") and **THE CITY OF CORPUS CHRISTI** ("Tenant").

Subject to all of the terms and conditions of this Lease, and in consideration of the mutual covenants and obligations contained herein, Landlord and Tenant agree as follows:

ARTICLE I

LEASED PREMISES

SECTION 1.1. DEMISE. Landlord hereby leases, demises and lets to Tenant and Tenant hereby leases and takes from Landlord those certain premises consisting of (a) approximately 41,289.00 rentable square feet on the 1st, 2nd, 3rd and 4th floors in the four-story office building commonly referred to as the Port/Leopard Building (the "Building") located on Tract I of the real property more particularly described on Exhibit A-1 attached hereto and made a part hereof for all purposes as reflected on the floor plan of the Leased Premises attached hereto and made a part hereof as Exhibit A-2 and (b) Tract II and Tract III more particularly described on Exhibit A-1 (the "Lots") (the portion of the Building leased by Landlord to Tenant as described in (a) above and the Lots are collectively referred to herein as the "Leased Premises"). Tracts I, II and III are referred to collectively herein as the "Complex".

SECTION 1.2. WORK LETTER. Upon the execution hereof, Tenant shall proceed with reasonable speed and due diligence, subject to such delays for any cause beyond Tenant's reasonable control, to complete all of the work described in the Construction Work Letter (the "Work Letter"), if any, a copy of which is attached hereto and made a part hereof as Exhibit B, the terms thereof being hereby accepted by Tenant.

SECTION 1.3. INTENTIONALLY OMITTED.

SECTION 1.4. PARKING. Landlord shall provide, throughout the term of this Lease, surface parking spaces at no charge to Tenant. In the event parking spaces become unavailable to Tenant during any portion of the Lease, then Landlord shall use good faith efforts to make available to Tenant substitute parking in an area reasonably near the Building until the parking spaces are made available to Tenant. Notwithstanding the foregoing, the loss of any such parking spaces shall in no event constitute a breach of this Lease and/or give rise to any right of Tenant to terminate this Lease or otherwise recover damages from Landlord for the loss of such parking spaces. Tenant shall defend, indemnify and hold harmless Landlord and Landlord's officers, directors, shareholders, partners, agents and employees from and against all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including court costs and reasonable attorney's fees) resulting directly or indirectly from the use of the parking spaces by Tenant, its employees, contractors, agents, visitors and invitees.

ARTICLE II

TERM

SECTION 2.1. TERM. This Lease shall be for a term beginning on the date (the "Commencement Date") which is the earliest to occur of (i) June 1, 2000, or (ii) Tenant's occupancy of the Leased Premises, and continuing in full force and effect until 11:59 p.m. on May 31, 2021, unless this Lease is terminated earlier pursuant to the provisions hereof (the "Lease Term"); provided, however, notwithstanding anything contained in this Lease to the contrary, Tenant acknowledges that the portion of the Leased Premises located on the 1st floors of the Building will not be vacated by Landlord until January 31, 2001. No delay in the delivery of possession of the Leased Premises shall extend the Lease Term. If the first day of the Lease Term is a day other than the first day of a calendar month, the Lease Term shall be increased by the number of days in such partial calendar month and the Base Rental (as hereinafter defined) for said month shall be prorated based on the per diem base rent to be charged during the first full month under the Lease (calculated on thirty (30) day month). Tenant may not enter or occupy the Leased Premises until the Leased Premises are tendered by the Landlord. Any entry into the Leased Premises before the Commencement Date shall be with Landlord's express written consent and subject to all terms of this Lease. Taking possession of the Leased Premises by Tenant shall be conclusive evidence that Tenant (a) accepts the Leased Premises as suitable for the purposes for which they are leased; and (b) acknowledges that the same comply fully with the Landlord's covenants and obligations. Landlord and Tenant agree that promptly after the Commencement Date of this Lease, a Commencement and Termination Agreement, substantially in the form attached hereto as Exhibit C, shall be executed by each party in order to establish the Commencement Date and the date of termination of the primary Term of this Lease.

SECTION 2.2. SURRENDER OF LEASED PREMISES. Subject to the removal of Trade Fixtures (as defined below) under Section 9.2 below, on the last day of the Lease Term, Tenant shall peaceably and quietly surrender the Leased Premises to Landlord, in good order and repair, except for ordinary wear and tear and damage by fire or other casualty, or by eminent domain. No act or thing done by the Landlord or its agents during the Lease Term hereby granted shall be deemed an acceptance of a surrender of the Leased Premises, and no agreement to accept a surrender of the Leased Premises shall be valid unless the same be made in writing and signed by the Landlord. If Tenant elects to exercise its option to purchase the Complex in accordance with that certain Option to Purchase dated of even date herewith between Landlord and Tenant (the "Option"), Tenant is not required to surrender the Leased Premises during any holdover period between Tenant's exercise of the option, expiration of the Lease Term and the Closing Date (as defined in the Option).

SECTION 2.3. HOLDING OVER. Should Tenant, or any of its permitted or approved successors in interest, hold over in the Leased Premises, or any part thereof, after the expiration or earlier termination of the Lease Term, unless otherwise agreed in writing, such holding over shall constitute and be construed as a tenancy at sufferance only at a daily rental equal to one-thirtieth of the monthly rental installment of Base Rental and additional rental, together with the most current rental adjustment which may have been made thereto pursuant to Section 4.2 hereof, plus one hundred percent (100%) of such total amount. The inclusion of the preceding sentence shall not be construed as Landlord's consent for the Tenant to hold over. In the event of any unauthorized holding over, Tenant shall also indemnify Landlord against all claims for damages by any other tenant to whom Landlord may have leased all or any part of the Leased Premises effective upon the termination of this Lease. If Tenant elects to exercise its option to purchase the Complex during the last option period in accordance with the terms of the Option, the holdover rental rates set forth in this Section 2.3 shall not apply during the period commencing on June 1, 2001 until the Closing Date and the rental rate shall be the rate for such period set forth in Section 4.1 below.

SECTION 2.4. CANCELLATION OPTION. Tenant shall have the right during each Lease Year, at Tenant's sole option, to terminate this Lease effective as of July 31st of such Lease Year (the "Cancellation Date"), upon not less than sixty (60) days prior written notice to Landlord. In consideration of this cancellation option and as a condition to the effectiveness of the cancellation, Tenant shall pay to Landlord in cash, on or before the Cancellation Date, a cancellation fee (the "Cancellation Fee") in the amount set forth on Exhibit E attached hereto and incorporated herein for all purposes. Landlord acknowledges that continuation of this Lease after the close of Tenant's fiscal year (July 31st annually) is subject to appropriations and budget approval of this Lease as a line-item expenditure in Tenant's annual budget. Tenant does not represent that such a budget item will be adopted and Landlord acknowledges that such determination is within the sole discretion of Tenant's City Council. In the event such appropriation is not approved in the budget, Tenant shall be deemed to have elected to cancel this Lease in accordance with this Section 2.4 effective as of July 31st of such year and Tenant shall pay to Landlord the applicable Cancellation Fee on or before the thirtieth (30th) day after the adoption of the annual budget for such year. From and after the Cancellation Date set forth in the notice herein provided for, neither Landlord nor Tenant shall have any further obligation of any kind or nature to the other accruing after such date, but such termination shall not relieve either Landlord or Tenant from any obligation accruing prior to the Cancellation Date, whether or not known or determinable on such date, nor will Tenant be relieved of any obligation of Tenant imposed by this Lease which Tenant may have at the termination of the Term of the Lease, such as provisions concerning the condition of the premises upon Tenant vacating the Leased Premises.

ARTICLE III

USE

SECTION 3.1. PERMITTED USE. The Leased Premises shall be used as general office space and for Tenant's Emergency Operations Center and related activities, and for no other purpose. The use and occupancy by Tenant of the Leased Premises shall include the use in common with others entitled thereto of the common areas and lobbies (except those areas designated for the exclusive use of others), subject, however, to the terms and conditions of this Lease and to those reasonable rules and regulations for the use thereof as may be prescribed from time to time by Landlord, specifically, without limitation, those rules and regulations attached hereto and made a part hereof as Exhibit D.

SECTION 3.2. CARE OF THE LEASED PREMISES AND PROHIBITED USES. Tenant shall not use or permit any other party to use all or any part of the Leased Premises for any purpose not expressly authorized in this Lease. Tenant shall not do or permit anything to be done in or about the Leased Premises nor bring nor keep nor permit anything to be brought to or kept therein, which is prohibited by law or which will in any way increase the existing insurance premiums or affect any fire or other insurance which Landlord carries upon the Building or any of its contents, or cause a cancellation of any insurance policy covering the Building or any part thereof or any of its contents. Tenant shall not do or permit anything to be done on or about the Leased Premises which will in any way obstruct or interfere with the rights of other tenants of the Building, or use or allow the Leased Premises to be used for any unlawful or objectionable purpose.

SECTION 3.3. COMPLIANCE WITH LAWS AND REGULATIONS. Tenant shall comply with all laws, ordinances, orders, rules, and regulations (state, federal, municipal, and other agencies or bodies having any jurisdiction thereof) relating to the use or occupancy of the Leased Premises. If Tenant receives written notice of the violation of any such law, order, ordinance, or regulation, it shall promptly notify Landlord thereof.

SECTION 3.4. CLEAN AIR ACT/AMERICANS WITH DISABILITIES ACT COMPLIANCE. In addition to Tenant's obligations under **Section 3.3** above, Tenant agrees to be responsible for any requirements under the Clean Air Act of 1990, the Americans with Disabilities Act of 1990 (the "ADA") and the Texas Architectural Barriers Act (Tex. Civ. Stat. Ann. art. 9102 (Vernon Supp. 1996)) (the "TABA") (and as hereinafter amended) as they relate to the Leased Premises, the Building and the common areas. Tenant agrees to indemnify, defend, and hold harmless Landlord for any liability Landlord shall incur as a result of Tenant's failure to comply with this **Section 3.4**. Landlord agrees to reasonably cooperate with Tenant to enable Tenant to timely comply with the provisions of this Section and to immediately forward to Tenant any notice that such party may receive regarding complaints, inquiries, or claims by any parties claiming that those items which are the responsibility of Tenant do not comply with the Clean Air Act ADA and/or the TABA.

ARTICLE IV

RENT

SECTION 4.1. BASE RENTAL.

(a) In consideration of this Lease, Tenant hereby agrees to pay to Landlord in advance on the first (1st) day of each calendar month base rental ("Base Rental"), without deduction or setoff, during the Lease Term as follows (the "Monthly Rental Installments"):

Month	Building Floor	Square Feet	Annual Sq. Ft. Rental Rate	Monthly Rental Installment
1-24	4	6,945	\$0.00	\$0.00
25-26	4	6,945	\$3.39	\$1,961.96
27-36	2,3,4	23,283	\$3.39	\$6,577.45
37-120	1,2,3,4	41,289	\$3.39	\$11,664.14
121-252	1,2,3,4	41,289	\$3.67	\$12,627.55

(b) The Tenant also shall pay, as additional rental, all such other sums of money as same shall become due and payable by Tenant to Landlord under the terms of this Lease including, but not limited to, sums due pursuant to **Sections 4.3** below. Tenant hereby agrees to pay Monthly Rental Installments and additional rental to Landlord at Landlord's address as provided herein (or at such other address as may be designated by Landlord from time to time) monthly in advance without demand or offset. It is agreed that, notwithstanding anything contained herein to the contrary, the Leased Premises herein are leased for the Base Rental for the Lease Term, payable at the time of the making of this Lease, and that the provisions herein contained for the payment of such rent in Monthly Rental Installments are for the convenience of the Tenant only, and that, upon default in the payment of any such Monthly Rental Installments, Landlord shall be entitled to exercise the remedies set forth in **Section 17.2** below. One such Monthly Rental Installment together with the Security Deposit (as hereinafter defined) shall be payable by Tenant to Landlord contemporaneously with the execution of this Lease. If the Commencement Date is a day other than the first day of a calendar month or in the event this Lease terminates on other than the last day of a calendar month, then the Monthly Rental Installments and additional rental for such month or months shall be prorated and the Monthly Rental Installment or Monthly Rental Installments so prorated shall be paid in advance without demand. The Landlord shall have the same remedies for default in the payment of additional rental as are available to Landlord in the case of default in the payment of Base Rental. All past due Monthly Rental

Installments of Base Rental or additional rental hereunder which are or which become owed to Landlord pursuant to any of the terms, covenants, and conditions of this Lease, whether or not so specified, shall bear interest commencing ten (10) days after the due date thereof at twelve percent (12%) per annum, not to exceed the highest lawful rate, until paid.

SECTION 4.2. NET RENTAL. It is intended that the Base Rental provided for in this Lease shall be absolutely net to Landlord throughout the term of this Lease and Tenant accordingly covenants and agrees to pay, as they become due and payable and before they become delinquent, all taxes, costs, expenses, liabilities, deductions or other charges whatsoever with respect to the Leased Premises and/or the ownership, operation, maintenance, repair, use or occupation thereof, including, without limitation, the costs, charges and assessments hereinafter set forth in this Lease.

SECTION 4.3. TAXES. Landlord shall pay all ad valorem taxes on the Complex; *provided, however,* Tenant shall reimburse Landlord for (a) Tenant's pro rata share (78.51%) ("Tenant's Proportionate Share"), of such taxes assessed against the Building and (b) 100% of such taxes assessed against the Lots within fifteen (15) days after receipt of a written invoice for such reimbursement. Tenant shall pay all ad valorem and similar taxes or assessments levied upon or applicable to all of Tenant's leasehold improvements, Trade Fixtures (as hereinafter defined), and all other equipment, fixtures, furniture, and other property situated in the Leased Premises, and all licenses and other fees or charges imposed on the business conducted by Tenant in the Leased Premises.

ARTICLE V

INTENTIONALLY OMITTED

ARTICLE VI

OPERATING EXPENSES, SERVICES, UTILITIES AND LANDSCAPING

SECTION 6.1. OPERATING EXPENSES. Tenant agrees to pay any and all expenses of operation of the Leased Premises, it being the sense and intention of this Lease that the amounts payable to Lessor hereunder as rent shall be absolutely net to Landlord, without diminution by reason of any expenses of operation of the Leased Premises.

SECTION 6.2. HVAC. Tenant shall be solely responsible for all HVAC operation, maintenance, repair and replacement. Tenant shall provide an HVAC maintenance contract for Landlord's approval, which contract shall be kept in full force in effect by Tenant at all times during the Lease Term.

SECTION 6.3. JANITORIAL SERVICE. Tenant shall be solely responsible for all janitorial services in the Leased Premises.

SECTION 6.4. ELEVATOR. Tenant shall be solely responsible for all elevator expense, including, without limitation, maintenance, repair and replacement of same.

SECTION 6.5. UTILITY EXPENSE. Tenant shall have the entire responsibility to contract for and maintain all utility services and Tenant shall not in any event be relieved of any of Tenant's obligations under this Lease by reason of Tenant's failure or inability to contract for or maintain any such service. Tenant shall be responsible for all utility expense, and shall pay, prior to delinquency, for all water, gas, heat, electricity, telephone, sewage, stormwater and other materials and services which may be furnished

to or used in or about the Leased Premises during the term of this Lease. Landlord shall, at Landlord's sole cost and expense, install or cause to be installed separate utility meters for electricity and water service to the Leased Premises. In addition, notwithstanding anything contained in this Lease to the contrary, Tenant shall, within thirty (30) days after receipt of written demand therefor, pay to Landlord Tenant's Proportionate Share of (a) stormwater and sewage costs and (b) utility costs incurred by Landlord and associated with the common areas of the Complex, including, without limitation, the parking areas and common landscaping.

SECTION 6.6. LANDSCAPING. Tenant shall be solely responsible for all landscaping on the Complex (including, to the extent applicable, the mowing of grass, care of shrubs, watering and other landscaping requirements) during the term of this Lease; provided, however, Tenant shall not be responsible for landscaping that portion of the Complex not being leased by Tenant hereunder.

ARTICLE VII

ENTRY BY LANDLORD

SECTION 7.1. LANDLORD'S ACCESS. Landlord, its contractors, subcontractors, servants, employees and agents, shall have the right to enter upon the Leased Premises at reasonable times to inspect the same, clean or make repairs, alterations or additions thereto, or to show same to prospective tenants at any reasonable time during the last year of that portion of the Lease Term then in progress (initial or renewal, as the case may be) and to show same to prospective purchasers of the Building at any reasonable time during the Lease Term, and Tenant shall not be entitled to any abatement or reduction in rent by reason thereof so long as any such showing(s) do not unreasonably interfere with Tenant's operations.

SECTION 7.2. KEYS AND LOCKS. Landlord, at Tenant's sole cost and expense, shall provide keys and locks for the Leased Premises, and the same shall be available to Landlord, its security personnel, and its cleaning crews as may be required by such persons. Further, all card-keys for use in the card-key access system, if any such system now or in the future exists, for after-hour entry into the Leased Premises shall be supplied by Landlord to Tenant. Tenant shall reimburse Landlord for its actual costs and expenses with respect to the card-keys and Tenant agrees to pay such cost and expense within thirty (30) days after being billed therefore by Landlord. The cost installing a keyless access system shall be Tenant's sole responsibility. Upon termination of this Lease, Tenant shall surrender to Landlord all keys for the Leased Premises, and give to Landlord the explanation of the combination of all locks for safes, safe cabinets, and vault doors, if any, in the Leased Premises.

*Keys recd 1-18-01.
from Damon Hood.*

ARTICLE VIII

REPAIRS

SECTION 8.1. CONDITION OF PREMISES. The Leased Premises shall be delivered to Tenant in an "AS IS", "WHERE IS", and "WITH ALL FAULTS" condition and Landlord shall have no obligation whatsoever to alter, remodel, improve, repair, decorate, or paint the Leased Premises or any part thereof either prior to or during the Lease Term. **LANDLORD SHALL NOT BE LIABLE TO TENANT OR ANY OF ITS AGENTS, EMPLOYEES, LICENSEES, CONTRACTORS, SERVANTS, OR INVITEES FOR ANY INJURY OR DAMAGE TO PERSONS OR PROPERTY DUE TO THE CONDITION OR DESIGN OF, OR ANY DEFECT IN THE BUILDING OR ITS MECHANICAL SYSTEMS AND EQUIPMENT WHICH MAY EXIST OR OCCUR, AND TENANT FOR**

ITSELF AND ITS AGENTS, EMPLOYEES, LICENSEES, SERVANTS, AND INVITEES EXPRESSLY ASSUMES ALL RISKS OF INJURY OR DAMAGE TO PERSONS, EITHER PROXIMATE OR REMOTE, RESULTING FROM THE CONDITION OF THE LEASED PREMISES, THE BUILDING, OR THE COMPLEX.

SECTION 8.2. REPAIRS BY LANDLORD. Landlord shall not be required to make any improvements, replacements or repairs of any kind or character to the Leased Premises during the Term of this Lease.

SECTION 8.3. REPAIRS BY TENANT. Tenant shall, at all times during the Lease Term and at Tenant's sole cost and expense, keep the Leased Premises and every part thereof (including all landscaping) in good condition and repair. Further, Tenant shall, at its own cost and expense, repair or replace any damage or injury to the Leased Premises or the Complex or any part thereof, caused by Tenant or Tenant's agents, contractors, employees, invitees, or visitors. If Tenant fails to commence making such repairs or replacements Landlord may commence and complete such repairs and replacements and Tenant shall repay the cost thereof, plus ten percent (10%) of such cost to cover overhead, as additional rent payable upon presentation by Landlord of a statement therefore.

ARTICLE IX

ALTERATIONS AND ADDITIONS

SECTION 9.1. ALTERATIONS AND ADDITIONS. All alterations, improvements, additions or changes made by Tenant to the Leased Premises shall be subject to the prior written approval of Landlord, which approval shall not be unreasonably withheld, and shall (i) be made at Tenant's sole cost, expense and risk; (ii) be performed in a prompt, good, and workmanlike manner; (iii) be constructed in accordance with all applicable laws, rules, regulations, and other codes and governmental and insurance requirements; (iv) not alter the exterior appearance, the public areas, corridors, or common areas of the Building, except as expressly permitted hereunder; and (v) performed by a contractor or contractors approved by Landlord. Notwithstanding anything contained in this Lease to the contrary, provided Tenant complies with the terms of this **Section 9.1**, Landlord hereby approves the alterations, improvements, additions and changes described on **Schedule 1** attached hereto and incorporated herein for all purposes Tenant proposes to make to the Leased Premises. Any and all such alterations, physical additions, improvements and changes, when made to the Leased Premises as permitted hereunder by Tenant, shall at once become the property of Landlord and shall be surrendered to Landlord upon termination of this Lease, subject, however, to the provisions of **Section 9.2** below. Tenant shall not make any structural alterations or any changes to the building systems, including electrical and plumbing systems (other than as necessary to provide such services to the Leased Premises and only after approval thereof by Landlord), without the prior written consent of Landlord, which consent shall not be unreasonably withheld. Tenant shall deliver to Landlord prior to commencing any work copies of all plans and specifications for all alterations or improvements to be made to the Leased Premises.

SECTION 9.2. LEASEHOLD IMPROVEMENTS AND TRADE FIXTURES. Subject to the other provisions of this Lease, Landlord and Tenant agree that all Trade Fixtures installed in the Leased Premises shall be and remain the property of Tenant and may be removed by Tenant, and shall be so removed if required by Landlord, upon the expiration of the Lease Term; *provided, however*, (i) if such Trade Fixtures are not so removed they shall, at the option of Landlord, become the property of Landlord or shall be removed by Landlord at Tenant's sole cost and expense; and (ii) that if any such Trade Fixture is affixed to the Leased Premises and therefore requires severance therefrom, such severance may be effected only if Tenant repairs any damage to the Building, the Leased Premises, its demising walls,

and other structural elements of the Building caused by such removal. Any such removal and restoration shall be accomplished within fifteen (15) days following the expiration or earlier termination of this Lease and in a good and workmanlike manner so as not to damage the Building or any improvements situated therein. The term "Trade Fixtures" as used herein shall mean any and all items of personal property used and installed by Tenant in the Leased Premises, limited to telephone systems, furniture, equipment, and fixtures, any and all signs placed by Tenant pursuant to provisions hereof, and all equipment described on Schedule 1 hereto. The term "Trade Fixtures" shall not include any permanent leasehold improvements other than those described in the preceding sentence (all of which permanent leasehold improvements, as between Landlord and Tenant, shall become the property of Landlord upon the incorporation in or affixation to the Leased Premises), including but not limited to any floor, wall, window, or ceiling coverings, any interior walls or partitions, any built-in bookcases or raised floors, any lighting fixtures, or any property a part of or associated with any electrical, plumbing or mechanical system, notwithstanding that the same may have been installed within the Leased Premises by Tenant. All items which become incorporated in or permanently affixed to the Leased Premises shall become the property of Landlord upon their incorporation or affixation and, at the option of the Landlord, may be removed by Landlord at Tenant's sole cost and expense. All such other items shall be surrendered by Tenant coincident with its surrender of the Leased Premises, and Tenant shall have no (and hereby waives all) rights to any payment or compensation for such items.

SECTION 9.3. LIENS. Tenants shall keep the Leased Premises free from any liens arising from any work performed, materials furnished, or obligations incurred by or at the request of the Tenant. All persons either contracting with Tenant or furnishing or rendering labor and materials to Tenant shall be notified in writing by Tenant that they must look only to Tenant for payment for such labor and materials. Nothing contained in this Lease shall be construed as Landlord's consent to any contractor, subcontractor, laborer, or materialman for the performance of any labor or the furnishing of any materials for any specific improvement, alteration, or repair of, or to, the Leased Premises, nor as giving Tenant any right to contract for, or permit the performance of, any services or the furnishing of any materials that would result in any liens against the Leased Premises. If any lien is filed against the Leased Premises or Tenant's leasehold interest therein, Tenant shall discharge same within twenty (20) days after its filing. If Tenant fails to discharge such lien within such period, then, in addition to any other right or remedy of Landlord, Landlord may, at its election, discharge the lien by either paying the amount claimed to be due or obtaining the discharge by deposit with a court or a title company or by bonding. Tenant shall pay on demand any amount paid by Landlord for the discharge or satisfaction of any lien, and all reasonable attorney's fees and other legal expenses of Landlord together with all necessary disbursements in connection therewith. Notwithstanding the foregoing, Tenant may contest the amount or validity of any such lien, provided that Tenant first posts with Landlord an indemnity bond issued by a corporate surety reasonably satisfactory to Landlord in an amount equal to the amount of the lien claim plus a sufficient amount to cover any penalties, interest, attorney's fees, court costs and other legal expenses resulting from such contest. This bond shall name Landlord and such other parties as Landlord may direct as obligees thereunder.

ARTICLE X

ASSIGNMENT AND SUBLETTING

SECTION 10.1. LANDLORD'S ASSIGNMENT. Landlord shall have the right to transfer and assign this Lease in whole or in part, by operation of law or otherwise, including all of its rights, benefits, privileges, duties, and obligations hereunder, whenever Landlord in its sole judgment deems it appropriate, and Tenant shall attorn to any such transferee upon being furnished notice of the assignment. Such transfer or assignment shall relieve Landlord of any liability or obligation, other than those accrued hereunder prior to the date of such transfer or assignment, it being the intention of Landlord and Tenant that Tenant shall look solely to Landlord's successor in interest for performance of all obligations accruing from and after the date of such transfer or assignment.

SECTION 10.2. TENANT'S ASSIGNMENT OR SUBLETTING. Tenant shall not assign this Lease or sublet any portion of the Leased Premises without the prior written consent of Landlord. In the event Tenant may desire to assign or sublet the Leased Premises or any part thereof, Tenant shall give Landlord written notice of such desire at least thirty (30) days prior to the date on which Tenant desires to make such assignment or sublease. Landlord shall, within thirty (30) days following receipt of such notice, notify Tenant in writing that Landlord elects either (i) to terminate this Lease as to the space so affected as of the date so specified by Tenant; (ii) to permit Tenant to assign or sublet such space, subject, however, to subsequent written approval of the proposed assignee or sublessee by Landlord; or (iii) to deny Tenant permission to sublet or assign. If Landlord should fail to notify Tenant in writing of such election within said thirty (30) day period, Landlord shall be deemed to have elected (iii) above. In the event Landlord consents to one or more assignments or sublettings, the Base Rental and additional rental provided for herein shall, if applicable, be increased during the term of such assignments or sublettings to an amount equal to the amount of rent or any amount in excess of the rental and other charges due under this Lease, whether such amount be in the form of increased rental, a lump sum payment in consideration of the sublease or assignment, or consideration of any other form, to be paid by such assignee or subtenant to Tenant. Consent by Landlord to one or more assignments or sublettings shall not operate as a waiver of Landlord's rights as to any subsequent assignments and sublettings. Notwithstanding any assignment or subletting, Tenant, and any guarantor of Tenant's obligations under this Lease, shall at all times remain fully responsible and liable for the payment of the rent herein specified and for compliance with all of Tenant's other obligations under this Lease. Tenant shall not mortgage, pledge, or otherwise encumber its interest in this Lease or in the Leased Premises. In no event shall Tenant assign this Lease or sublease the Leased Premises or any portion thereof to any then existing or prospective tenant of the Building, or to any party with whom Landlord is actively negotiating a lease.

ARTICLE XI

QUIET ENJOYMENT

Landlord covenants that Tenant shall, and may quietly have, hold, and enjoy the Leased Premises, subject to the other terms of this Lease and the terms of any Superior Leases and Mortgages (as hereinafter defined), and all other agreements or matters of record or to which this Lease is subordinate, provided that Tenant pays the rent to be paid by Tenant and performs all of Tenant's covenants and agreements herein contained. As used in this Lease, the term "Superior Leases and Mortgages" means all present and future ground leases, underlying leases, mortgages, deeds of trust, or other encumbrances, and all renewals, modifications, consolidations, replacements, or extensions thereof or advances made thereunder, affecting all or any portion of the Leased Premises, the Building, or the Complex.

ARTICLE XII

MORTGAGEE PROTECTION

SECTION 12.1. SUBORDINATION TO MORTGAGE. Tenant accepts this Lease subject and subordinate to all Superior Leases and Mortgages provided the holder of such Superior Leases and Mortgages agrees not to disturb Tenant's peaceful use and possession of the Leased Premises so long as Tenant is not in default hereunder, and to zoning ordinances and other building and fire ordinances and governmental regulations presently existing or hereinafter enacted relating to the use of the Leased Premises; but Tenant agrees that any ground lessor, mortgagee or beneficiary of any deed of trust or other lien (the "Landlord's Mortgage") or Landlord shall have the right at any time to subordinate any Superior Lease and Mortgage to this Lease on such terms and subject to such conditions as such Landlord's Mortgagee or Landlord may deem appropriate in such person's sole discretion. Upon demand, Tenant agrees to execute such further instruments subordinating this Lease as Landlord may request, in the form and substance satisfactory to Landlord, and such non-disturbance and attornment agreements as such Landlord's Mortgagee shall request, in form and substance satisfactory to such Landlord's Mortgagee. In the event that Tenant shall fail to execute any such instrument within ten (10) days after requested, Tenant hereby irrevocably constitutes Landlord as Tenant's attorney-in-fact to execute such instrument in Tenant's name, place and stead, it being stipulated by Landlord and Tenant that such agency is coupled with an interest in Landlord, and is, accordingly, irrevocable. Upon foreclosure of the Building or the Complex, or upon acceptance of a deed in lieu of foreclosure, Tenant hereby agrees to attorn to the new owner of such property after such foreclosure or acceptance of a deed in lieu of foreclosure is so requested by such new owner of the Building or Complex.

SECTION 12.2. NOTICE TO LANDLORD'S MORTGAGEE. If the Complex, the Building, or the Leased Premises are at any time subject to a ground lease, mortgage or deed of trust or other lien, then in an instance in which Tenant gives notice to Landlord alleging default by Landlord hereunder, Tenant will also simultaneously give a copy of such notice to each Landlord's Mortgagee (provided Landlord or such Landlord's Mortgagee shall have advised Tenant of the name and address of such Landlord's Mortgagee) and each Landlord's Mortgagee shall have the right (but no obligation) to cure or remedy such default during the period that is permitted to Landlord hereunder, plus an additional period of thirty (30) days, and Tenant will accept such curative or remedial action (if any) taken by any Landlord's Mortgagee with the same effect as if such action had been taken by Landlord.

SECTION 12.3. ESTOPPEL CERTIFICATES. At Landlord's request from time to time, Tenant will execute either an estoppel certificate or an agreement among Landlord, Tenant, and Landlord's Mortgagee certifying to such facts (if true) and agreeing to such notice provisions and other matters as Landlord or Landlord's Mortgagee may reasonably require. Any such certificate may be relied upon by any prospective purchaser, mortgagee or any beneficiary under any deed of trust on the Building or the Complex. If, in connection with obtaining financing for the Building, the Complex, or of the land under the Building and/or Complex, any lender shall request reasonable modifications to this Lease as a condition for such financing, Tenant will not unreasonably withhold, delay, or condition its consent thereto, provided that such modifications do not increase the obligations of Tenant hereunder or materially adversely affect either the leasehold interest hereby created or Tenant's use and enjoyment of the Leased Premises.

ARTICLE XIII

LANDLORD'S LIENS

In addition to the statutory Landlord's lien, Landlord shall have, at all times but subject to (i) any valid purchase money security interests and (ii) any leases, a valid security interest to secure payment of all rentals and other sums of money becoming due hereunder from Tenant, and to secure payment of any damages or loss which Landlord may suffer by reason of the breach by Tenant of any covenant, agreement, or condition contained herein, upon all goods, wares, equipment, fixtures, furniture, improvements, and other personal property of Tenant presently or which may hereafter be situated on the Leased Premises and all proceeds therefrom, and such property shall not be removed therefrom without the consent of Landlord until all arrearages in rent as well as any and all other sums of money then due to Landlord hereunder shall first have been paid and discharged and all the covenants, agreements, and conditions thereof have been fully complied with and performed by Tenant. Upon the occurrence of an Event of Default by Tenant, Landlord may, in addition to any other remedies provided herein, enter upon the Leased Premises and take possession of any and all goods, wares, equipment, fixtures, furniture, improvements and other personal property of Tenant situated on the Leased Premises, without liability for trespass or conversion, and sell the same at public or private sale, with or without having such property at the sale, after giving Tenant notice of the time and place of any public sale or the time after which any private sale is to be made, at which sale the Landlord or its assigns may purchase unless otherwise prohibited by law. Unless otherwise provided by law, and without intending to exclude any other manner of giving Tenant notice, the requirement of notice shall be met if such notice is given in the manner prescribed by Section 18.6 of this Lease at least five (5) days before the time of sale. The proceeds from any such disposition, less any and all expenses incurred with the taking of possession, holding and selling of the property (including reasonable attorney's fees and other expenses), shall be applied as a credit against the indebtedness secured by the security interest granted in this Article XIII. Any surplus shall be paid to Tenant or as otherwise required by law, and the Tenant shall pay any deficiencies within thirty (30) days after receipt of written demand therefor. Upon request by Landlord, Tenant agrees to execute and deliver to Landlord a financing statement in form sufficient to perfect the security interest of Landlord in the aforementioned property and proceeds thereof under the provisions of the Uniform Commercial Code in force in the State of Texas. The statutory lien for rent is not hereby waived and the security interest herein granted is in addition and supplementary thereto.

ARTICLE XIV

EMINENT DOMAIN; DAMAGE OR DESTRUCTION

SECTION 14.1. CONDEMNATION. If, during the term of this Lease, or any extension or renewal thereof, all or any portion of the Complex, Building, or Leased Premises should be taken for any public or quasi-public use under any governmental law, ordinance, or regulation or by right of eminent domain or by private purchase in lieu thereof, then Landlord shall have the option, in its sole discretion, of terminating this Lease, or, at Landlord's sole risk and expense, restoring and reconstructing the Leased Premises to the extent necessary to make same reasonably tenantable. Should Landlord elect to restore, this Lease shall continue in full force and effect with the rent payable during the unexpired portion of this Lease adjusted to such an extent as may be fair and reasonable under the circumstances, and Tenant shall have no claim against Landlord for the value of any interrupted portion of this Lease. Tenant shall not be entitled to any part of the award or price paid therefore, and Landlord shall receive the full amount of such reward or price, Tenant expressly waiving any right or claim to any part thereof.

SECTION 14.2. FIRE AND CASUALTY. Tenant shall immediately notify Landlord if any portion of the Complex, Building, or the Leased Premises should be damaged by fire, tornado or other casualty and Landlord may, at its option, terminate this Lease, in which event the rent shall be abated during the unexpired portion of this Lease effective on the date of such damage. In the event the Leased Premises should be damaged by fire, tornado, or other casualty, but Landlord does not elect to terminate this Lease, Landlord shall within a reasonable period of time commence to rebuild or repair the Leased Premises and shall proceed with reasonable diligence to restore the Leased Premises to substantially the same condition in which they were immediately prior to the happening of the casualty, except that Landlord shall not be required to rebuild, repair, or replace any part of the furniture, equipment, fixtures, leasehold improvements, and other improvements which may have been placed by Tenant or other tenants within the Building, the Leased Premises, the Complex, or related facilities. Anything to the contrary contained herein notwithstanding, Landlord shall not be obligated to rebuild, repair, or restore said Leased Premises in the event that proceeds from insurance are either unavailable or insufficient to cover the costs of repair, restoration, or rebuilding (other than by reason of Landlord's failure to obtain or keep insurance in force), and this Lease shall terminate within one hundred twenty (120) days after the occurrence of the event precipitating the damage. In the event that the Leased Premises are totally untenable, Landlord shall allow Tenant a fair diminution of rent during the time the Leased Premises are partially unfit for occupancy. Any insurance which may be carried by Landlord or Tenant against loss or damage to the Building or to the Leased Premises shall be for the sole benefit of the party carrying such insurance and under its sole control.

No damages, compensation, or claim shall be payable by Landlord for inconvenience, loss of business, or annoyance arising from any repair or restoration of any portion of the Leased Premises, the leasehold improvements, the Building, or the Complex. Landlord shall use its best efforts to have such repairs made promptly so as not unnecessarily to interfere with Tenant's occupancy.

The provisions of this **Section 14.2** shall be considered an express agreement governing any case of damage or destruction of the Complex, the Building, the leasehold improvements, or the Leased Premises by fire or other casualty. If in any instance in this **Section 14.2** Landlord is required or has elected to repair and reconstruct the Complex, the Building, the Leased Premises, or leasehold improvements, the Lease Term shall not be extended by a period of time equal to the period of such repair and reconstruction.

ARTICLE XV

INSURANCE

SECTION 15.1. TENANT'S INSURANCE. Tenant shall maintain throughout the Lease sufficient reserves to fund self-insurance to protect Tenant and Landlord from losses related to Worker's Compensation, Employer's Liability, property insurance for personal property and business loss, and liability type coverages. A letter from Tenant's Director of Safety and Risk Management confirming Tenant's self-insurance is attached hereto as **Exhibit F** and incorporated herein for all purposes.

SECTION 15.2. LANDLORD'S INSURANCE. During the Lease Term, Landlord shall insure the Complex and the Building, excluding any property which Tenant is obligated to insure under **Section 15.1** above, by a standard fire and standard extended coverage policy and public liability insurance in an amount and with such deductions as Landlord considers appropriate. Tenant shall reimburse Landlord for Tenant's Proportionate Share of Landlord's annual insurance costs within twenty (20) days after receipt of written demand therefor. Landlord may, but shall not be obligated to, take out and carry any other form or forms of insurance as it or Landlord's Mortgagees may determine advisable.

Notwithstanding any contribution by Tenant to the cost of insurance premiums, as provided herein, Tenant acknowledges that it has no right to receive any proceeds from any such insurance policies carried by Landlord. Landlord will not have to carry insurance of any kind on any of the Tenant's leasehold improvements, on Tenant's furniture or furnishings, or on any of Tenant's fixtures, equipment, improvements, or appurtenances under this Lease; and Landlord shall not be obligated to repair any damage thereto or replace the same.

SECTION 15.3. WAIVER OF CLAIMS AND SUBROGATION RIGHTS. To the extent obtainable, all insurance policies (other than worker's compensation insurance) which Tenant must carry pursuant to this Lease shall contain one of the following provisions and/or endorsements (a "Waiver Provision"): (i) an express waiver of any right of subrogation by the insurance company against Landlord and its agents and employees; or (ii) a statement that the policy shall not be invalidated should the insured waive in writing prior to a loss, any or all rights of recovery against any other party for losses covered by such policies. To the extent obtainable, Landlord's property insurance policy covering the Building shall also contain a Waiver Provision. Each party shall use diligent efforts to obtain a Waiver Provision from its insurer without thereby invalidating its insurance or adversely affecting its right to proceeds payable thereunder. Landlord and Tenant each hereby waives all claims for recovery against the other, to the extent that such claims are recoverable under valid and collectable insurance policies, provided that the relevant insurance policies will not be invalidated and that no right to collect the proceeds payable under such policy will be adversely affected by the foregoing waiver. To the same extent, and on the same conditions, Landlord and Tenant each hereby waives any right of subrogation which might otherwise exist in or accrue to any person on account of such claims.

ARTICLE XVI

INDEMNITY AND HOLD HARMLESS

SECTION 16.1. INDEMNIFICATION. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, TENANT AGREES TO INDEMNIFY, PROTECT, DEFEND, AND HOLD HARMLESS LANDLORD, AFFILIATED COMPANIES OF LANDLORD, AND ANY SUCCESSORS, ASSIGNS, HEIRS, PERSONAL REPRESENTATIVES, DEVISEES, AGENTS, STOCKHOLDERS, OFFICERS, DIRECTORS, EMPLOYEES, AND AFFILIATES OF ANY OF THE ABOVE-MENTIONED PARTIES (COLLECTIVELY REFERRED TO HEREIN AS "INDEMNITEES") FOR, FROM, AND AGAINST ANY AND ALL LIABILITIES, DAMAGES, CLAIMS, SUITS, LOSSES, CAUSES OF ACTION, LIENS, JUDGMENTS, AND EXPENSES (INCLUDING COURT COSTS, ATTORNEY'S FEES, AND COSTS OF INVESTIGATION) OF ANY NATURE, KIND OR DESCRIPTION ARISING OR ALLEGED TO ARISE BY REASON OF INJURY TO OR DEATH OF ANY PERSON OR DAMAGE TO OR LOSS OF PROPERTY (1) OCCURRING ON, IN, OR ABOUT THE LEASED PREMISES, OR (2) BY REASON OF ANY OTHER CLAIM WHATSOEVER OF ANY PERSON OR PARTY OCCASIONED OR ALLEGED TO BE OCCASIONED IN WHOLE OR IN PART BY ANY ACT OR OMISSION ON THE PART OF TENANT OR ANY INVITEE, LICENSEE, EMPLOYEE, DIRECTOR, OFFICER, SERVANT, CONTRACTOR, SUBCONTRACTOR, OR TENANT OF TENANT, OR (3) BY ANY BREACH, VIOLATION, OR NON-PERFORMANCE OF ANY COVENANT OF TENANT UNDER THIS LEASE (COLLECTIVELY REFERRED TO HEREIN AS "LIABILITIES"), EVEN IF SUCH LIABILITIES ARISE FROM OR ARE ATTRIBUTED TO THE CONCURRENT OR SOLE NEGLIGENCE OF ANY INDEMNITEE. THE ONLY LIABILITIES WITH RESPECT TO WHICH TENANT'S OBLIGATION TO INDEMNIFY THE INDEMNITEES DOES NOT APPLY IS WITH RESPECT TO LIABILITIES RESULTING SOLELY FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF AN INDEMNITEE. IF ANY ACTION OR

PROCEEDING SHALL BE BROUGHT BY OR AGAINST ANY INDEMNITEE IN CONNECTION WITH ANY SUCH LIABILITY OR CLAIM, TENANT, ON NOTICE FROM LANDLORD, SHALL DEFEND SUCH ACTION OR PROCEEDING, AT TENANT'S EXPENSE, BY OR THROUGH ATTORNEYS REASONABLY SATISFACTORY TO LANDLORD. THE PROVISIONS OF THIS PARAGRAPH SHALL APPLY TO ALL ACTIVITIES OF TENANT WITH RESPECT TO THE LEASED PREMISES, BUILDING OR COMPLEX, WHETHER OCCURRING BEFORE OR AFTER THE COMMENCEMENT DATE OF THE LEASE TERM, OR BEFORE OR AFTER THE EXPIRATION OR TERMINATION OF THIS LEASE. TENANT'S OBLIGATIONS UNDER THIS PARAGRAPH SHALL NOT BE LIMITED TO DAMAGES, COMPENSATION, OR BENEFITS PAYABLE UNDER INSURANCE POLICIES, WORKERS' COMPENSATION ACTS, DISABILITY BENEFIT ACTS, OR OTHER EMPLOYEES BENEFIT ACTS. THE TERMS OF THIS PROVISION SHALL SURVIVE THE TERMINATION OF THIS LEASE TO THE EXTENT ANY SUCH DAMAGE OCCURS PRIOR TO SUCH TERMINATION.

SECTION 16.2. LIMITATION OF LIABILITY. Any liability of Landlord to Tenant for any default by Landlord under the terms of this Lease shall be limited to Landlord's interest in the Building, and Landlord shall not be personally liable for any deficiency. Tenant hereby expressly waives such liability.

ARTICLE XVII

DEFAULT

SECTION 17.1. DEFAULT BY TENANT. The occurrence of any one or more of the following events ("Event(s) of Default") shall be a default and breach under this Lease by Tenant:

- (a) The failure by Tenant to timely make payment of any sum to be paid by Tenant under this Lease, and the continuation of such failure for fifteen (15) days after delivery of written notice to Tenant.
- (b) The failure by Tenant to perform any of the other covenants or conditions which Tenant is required to observe and to perform pursuant to the terms of this Lease, and the continuation of such failure for fifteen (15) days after delivery of written notice to Tenant.
- (c) The vacating or abandonment of the Leased Premises by Tenant.
- (d) The making by Tenant or any guarantor of this Lease of any general assignment or general arrangement for the benefit of creditors; or the filing by or against Tenant or any guarantor of this Lease of a petition or order for relief under any laws relating to bankruptcy or insolvency (unless, in the case of a petition filed against Tenant or any guarantor of this Lease, the petition is dismissed within sixty (60) days); or the appointment of a trustee, custodian, or receiver to take possession of substantially all of Tenant's assets or the assets of any guarantor of this Lease or of Tenant's interest in this Lease where possession is not restored to Tenant within thirty (30) days; or the attachment, execution, or judicial seizure of substantially all of Tenant's assets or of Tenant's interest in this Lease unless discharged within thirty (30) days.
- (e) Sale, conveyance, mortgage, pledge, assignment, sublease, or other transfer or encumbrance, or any attempt to do so, in violation of Article X.
- (f) Tenant's failure to deliver the estoppel certificate required under Section 12.3, or any written instrument required under Section 12.1 within the time required.

(g) A default under or the revocation of any guaranty of Tenant's obligations under this Lease.

The defaults specified in Subparagraph (c) through (g) shall not be curable by Tenant.

SECTION 17.2. REMEDIES FOR DEFAULT. Upon the occurrence of an Event of Default as specified in Section 17.1 above, Landlord may, at any time thereafter, with or without notice or demand:

- (1) terminate this Lease, in which event Tenant shall immediately surrender possession of the Leased Premises to Landlord;
- (2) enter upon and take possession of the Leased Premises and expel or remove Tenant, and any other occupant, therefrom with or without having terminated the Lease;
- (3) alter the locks and other security devices at the Leased Premises (to the extent permitted by law); and
- (4) exercise any right or remedy available to Landlord at law or in equity for the breach of this Lease.

(a) The exercise by Landlord of any one or more remedies hereunder granted or otherwise available following an Event of Default shall not be deemed to be an acceptance of surrender of the Leased Premises by Tenant, whether by agreement or by operation of law, it being understood that such surrender can be effected only by the written agreement of Landlord and Tenant.

(b) In the event the Landlord elects to enter upon and/or take possession of the Leased Premises, Landlord shall not be liable to prosecution or any claim for damages therefore.

(c) In the event Landlord elects to terminate this Lease or to repossess the Leased Premises by reason of an Event of Default, then, notwithstanding any such termination or repossession, Tenant shall be liable for and shall pay to Landlord liquidated damages in the amount set forth on Exhibit E attached hereto and incorporated herein for all purposes. The above-described remedy shall be Landlord's sole and exclusive remedy under this Lease. Landlord and Tenant have made this provision for liquidated damages because it would be difficult to calculate, on the date hereof, the amount of actual damages for such breach, and because this sum represents reasonable compensation to the Landlord for such breach.

(d) Intentionally Omitted.

(e) If Tenant should fail to make any payment or cure any Event of Default hereunder within the time herein permitted, Landlord, without being under any obligation to do so and without thereby waiving such Event of Default, may make such payment and/or remedy such Event of Default for the account of Tenant (and enter the Leased Premises for such purpose without liability for damages or trespass), and thereupon Tenant shall be obligated to, and hereby agrees to, pay Landlord, upon demand, all costs, expenses and disbursements (including reasonable attorneys' fees) incurred by Landlord in taking such remedial action, together with interest thereon from the date same are paid to Landlord until repaid at The Frost National Bank's prime lending rate plus five (5) percentage points (i.e., 500 basis points) not to exceed the maximum lawful rate and Landlord shall not be liable for any damages suffered by Tenant from such action.

(f) No re-entry or taking possession of the Leased Premises by Landlord shall constitute an election by Landlord to terminate this Lease, unless a written notice of such intention is given to Tenant. Notwithstanding any such re-entry or taking possession, Landlord may at any time thereafter terminate this Lease for any then continuing default. Landlord's acceptance of Base Rental following an Event of Default hereunder shall not be construed as a waiver of such Event of Default. No waiver by Landlord of any breach of this Lease shall constitute a waiver of any other violation or breach of any of the terms hereof. Forbearance by Landlord to enforce one or more of the remedies herein provided upon a breach hereof shall not constitute a waiver of any other breach of the Lease.

(g) No provision of this Lease shall be deemed to have been waived by Landlord unless such waiver is in writing and signed by Landlord, nor shall any custom or practice which may develop between the parties in the administration of the terms of this Lease be construed to waive or lessen Landlord's right to insist upon strict performance of the terms of this Lease. The rights granted to Landlord in this Lease shall be cumulative of every other right or remedy which Landlord may otherwise have at law or in equity or by statute and the exercise of one or more rights or remedies shall not prejudice or impair the concurrent or subsequent exercise of other rights or remedies.

ARTICLE XVIII

GENERAL PROVISIONS

SECTION 18.1. SIGNS. Tenant shall not place any sign on the Leased Premises, the Building, or the Complex, or which is visible from anywhere outside of the Leased Premises, without Landlord's prior written consent, which approval shall not be unreasonably withheld; provided, however, Tenant may install two (2) signs of a size and type approved by Landlord on the exterior of the Building in locations reasonably acceptable Landlord.

SECTION 18.2. NAME OF BUILDING. Landlord reserves the right to change the name and address of the Building from time to time as Landlord shall deem proper without liability to Tenant. Tenant shall not, without the prior written consent of Landlord, use the name of the Building for any purpose other than as the address of the business to be conducted by Tenant in the Leased Premises, nor shall Tenant do or permit the doing of anything in connection with Tenant's business of advertising which in the judgment of Landlord may reflect unfavorably on Landlord or the Building or confuse or mislead the public as to any apparent connection or relationship between Landlord, the Building, and the Tenant.

SECTION 18.3. OBSERVANCE OF RULES AND REGULATIONS. Tenant and its servants, employees, agents, visitors, and licensees shall observe faithfully and comply strictly with the rules and regulations attached to this Lease as Exhibit D. Landlord shall at all times have the right to make changes in and additions to such rules and regulations. Any failure by Landlord to enforce any of the rules and regulations now or hereafter in effect, either against Tenant or any other tenant in the Building, shall not constitute a waiver of any such rules or regulations. Landlord shall not be responsible to Tenant for the failure or refusal by any other tenant, guest, invitee, visitors, or occupant of the Building to comply with any of the rules and regulations. In the event of any conflict between Exhibit D and the terms of this Lease, the terms of the Lease shall prevail.

SECTION 18.4. ATTORNEYS' FEES. In the event Tenant defaults in the performance of any of the terms, conditions, or agreements contained in this Lease and the Landlord places the enforcement of this Lease, or any part hereof, or the collection of any rent or recovery of the possession of the Leased

Premises, in the hands of an attorney who files suit upon the Tenant, the Tenant agrees to pay the Landlord's reasonable attorneys' fees provided Landlord is the prevailing party in such suit.

SECTION 18.5. NON-WAIVER. Failure of Landlord to declare any Event of Default immediately upon occurrence thereof, or delay in taking any action in connection therewith, shall not waive such Event of Default, but Landlord shall have the right to declare any Event of Default at any time and take such action as might be lawful or authorized hereunder, either at law or in equity.

SECTION 18.6. NOTICES. Each provision of this Lease, or of any applicable governmental laws, ordinances, regulations, rules and other requirements with reference to the sending, mailing or delivery of any notice, or with reference to the making of any payment by Tenant to Landlord, shall be deemed to be complied with when and if the following steps are taken:

(a) All rent and other payment required to be made by Tenant to Landlord hereunder shall be payable to Landlord in Bexar County, Texas, at the address set forth below, or at such other address as Landlord may specify from time-to-time by written notice delivered in accordance herewith;

(b) Any notices required or permitted to be given under this Lease shall be in writing and shall be deemed given if delivered by hand, sent by recognized overnight courier (such as Federal Express), transmitted via facsimile transmission or mailed by certified or registered mail, return receipt requested, in a postage pre-paid envelope, and addressed as follows:

Landlord:

The Frost National Bank
P.O. Box 1600
San Antonio, Texas 78296
Attn: Properties Management Dept., T-11
Telefax No.: (210) 220-5036

Tenant:

City of Corpus Christi
P.O. Box 9277
Corpus Christi, Texas 78469-9277
Attn: City Manager
Telefax No.: (361) 880-3839

Notices personally delivered or sent by overnight courier shall be deemed given on the date of receipt, notices sent via facsimile transmission shall be deemed given upon transmission and notices sent via certified mail in accordance with the foregoing shall be deemed given when deposited in the United States Mails.

SECTION 18.7. PRESUMPTIONS. This Lease shall be construed without regard to any presumption or other rule requiring construction against the party drafting the document. It shall be construed neither for nor against Landlord or Tenant, but shall be given reasonable interpretation in accordance with the plain meaning of its terms and the intent of the parties.

SECTION 18.8. LEGAL INTERPRETATION. This Lease and the rights and obligations of the parties hereto shall be interpreted, construed and enforced in accordance with the laws of the State of Texas. The determination that one or more provisions of this Lease is invalid, void, illegal or unenforceable shall not affect or invalidate the remainder. All obligations of either party requiring any performance after the expiration of the Lease Term shall survive the expiration of the Lease Term and shall be fully enforceable in accordance with those provisions pertaining thereto.

SECTION 18.9. AMENDMENTS; BINDING EFFECT. This Lease may not be altered, changed or amended, except by instrument in writing signed by both parties hereto. The terms, provisions, covenants and conditions contained in this Lease shall apply to, inure to the benefit of, and be binding upon the parties hereto, and upon their respective successors in interest and legal representatives, except as otherwise herein expressly provided.

SECTION 18.10. NUMBER AND GENDER; CAPTIONS. The pronouns of any gender shall include the other genders, and either the singular or the plural shall include the other. The section headings contained in this Lease are for convenience only and shall not enlarge or limit the scope of meaning of the various and several sections hereof.

SECTION 18.11. AUTHORITY; JOINT AND SEVERAL LIABILITY. If Tenant signs as a corporation, each of the persons executing this Lease on behalf of Tenant represents and warrants that Tenant is a duly organized and existing corporation, that Tenant has and is qualified to do business in Texas, that the corporation has full right and authority to enter into this Lease, and that all persons signing on behalf of the corporation are authorized to do so by appropriate corporation actions. If there be more than one Tenant, the obligations hereunder imposed upon Tenant shall be joint and several. If there be a guarantor of Tenant's obligations hereunder, the obligations hereunder imposed upon Tenant shall be the joint and several obligations of Tenant and such guarantor and Landlord need not first proceed against the Tenant hereunder before proceeding against such guarantor, nor shall any such guarantor be released from its guaranty for any reason whatsoever, including without limitation, in case of any amendments hereto, waivers hereof or failure to give such guarantor any notice hereunder.

SECTION 18.12. FORCE MAJEURE. Whenever a period of time is herein prescribed for action to be taken by Landlord, Landlord shall not be liable or responsible for, and there shall be excluded from the computation for any such period of time, any delays due to strikes, riots, Acts of God, shortages of labor or materials, war, governmental laws, regulations or restrictions, or any other cause of any kind whatsoever which is beyond the control of Landlord.

SECTION 18.13. GOVERNING LAW. This Lease shall be governed by and construed in accordance with the laws of the State of Texas.

SECTION 18.14. CROSS-DEFAULT. In the event that at any time during the Lease Term Tenant is occupying other space owned by Landlord pursuant to another lease or leases (referred to herein as "Other Leases"), then a default under this Lease shall constitute a default under the Other Leases and vice versa.

SECTION 18.15. TIME OF ESSENCE. Time is of the essence in the performance of all of the obligations hereunder.

SECTION 18.16. NO PARTNERSHIP. Nothing herein contained shall be deemed or construed by the parties hereto, nor by a third party, to be a creation of the relationship of principal and agent, or of partnership, or of joint venture between the parties. Neither computation of rent, nor any other provision contained herein, nor any acts of the parties hereto, shall be deemed to create any relationship between the parties hereto other than the relationship of Landlord and Tenant.

SECTION 18.17. RECORDATION. Tenant shall not record this Lease or a short form memorandum hereof without the prior written consent of Landlord.

SECTION 18.19. MEDIATION OF DISPUTES. In the case of any and all claims or disputes arising between or among Landlord and Tenant, if such parties are unable to resolve the matter within a reasonable period of time, each hereby agrees to submit such claim or dispute to mediation in accordance with the rules and procedures set forth in Chapter 154 of the Texas Civil Practice and Remedies Code, as amended from time to time. Landlord and Tenant hereby agree that all such claims and/or disputes will be submitted to mediation before any lawsuit is filed, or other formal action is taken, to resolve such claim or dispute by or through the litigation or arbitration processes; provided, however, that the provisions hereof shall not prevent any party from filing a lawsuit, or taking any other action, as may be necessary to preserve the legal rights of that party from impairment or extinction under any applicable statute of limitation, or other similar statute or rule of law. Landlord and Tenant hereby agree to give the other written notice of any claim or dispute which Landlord or Tenant desire to submit to mediation under the procedures contained herein. Upon the giving of such written notice, Landlord and Tenant shall first seek to agree on the person or persons who shall function as the mediator or mediators in connection with the mediation proceeding. If, after a reasonable period of time, Landlord and Tenant are unable to agree on a suitable mediator, they shall request the judge of the Presiding Court of Travis County, Texas, to appoint a duly qualified mediator to conduct the mediation. Landlord and Tenant shall bear equally the fees charged by the mediator and other associated costs of the mediation process. In connection with any such mediation, Landlord and Tenant hereby agree to make a good faith effort to settle their disputes and resolve any claims through the mediation process. If, however, after a good faith effort to resolve any such dispute or claim through mediation, no settlement, or resolution is achieved, Landlord and Tenant shall be free to initiate litigation or to take whatever other action they may desire or deem appropriate in the circumstances.

SECTION 18.20. WAIVER OF JURY TRIAL. Tenant hereby waives any and all rights which it may have to request a jury trial in any proceeding at law or in equity in any court of competent jurisdiction.

SECTION 18.21. BROKERS. Tenant represents and warrants that it has dealt with no broker, agent or other person other than Cobb-Lundquist Realtors, Inc. in connection with this Lease and that no broker, agent or other person other than Cobb-Lundquist Realtors, Inc. brought about the execution of this Lease. Tenant agrees to indemnify and hold Landlord harmless from and against any claim by any broker, agent, or other person other than Cobb-Lundquist Realtors, Inc. claiming a commission or other form of compensation by virtue of having dealt with Tenant with regard to this Lease. The provisions of this **Section 18.21** shall survive the termination of this Lease.

SECTION 18.22. WAIVER OF LIEN BY TENANT. Tenant shall have no right, and Tenant hereby expressly waives and relinquishes all rights which Tenant might otherwise have, to claim any nature of lien against the Building or to withhold, deduct from, or offset against Base Rental, additional rent or other sums to be paid to Landlord by Tenant hereunder.

SECTION 18.23. SUBMISSION OF LEASE. The submission of this Lease to Tenant or its broker, agent, or attorney for review or signature does not constitute an offer to Tenant to lease the Leased Premises or grant an option to lease the Leased Premises. This document shall not be binding unless and until it is executed and delivered by both Landlord and Tenant.

SECTION 18.24. INTENTIONALLY OMITTED.

SECTION 18.25. OTHER PROVISIONS. LANDLORD AND TENANT EXPRESSLY DISCLAIM ANY IMPLIED WARRANTY THAT THE PREMISES ARE SUITABLE FOR TENANT'S INTENDED COMMERCIAL PURPOSE, AND TENANT'S OBLIGATION TO PAY RENT HEREUNDER IS NOT DEPENDENT UPON THE CONDITION OF THE PREMISES OR THE PERFORMANCE BY

SANANTONIO 314838v7 82600-03995

LANDLORD OF ITS OBLIGATIONS HEREUNDER, AND EXCEPT AS OTHERWISE EXPRESSLY PROVIDED HEREIN, TENANT SHALL CONTINUE TO PAY THE RENT, WITHOUT ABATEMENT, SETOFF OR DEDUCTION, NOTWITHSTANDING ANY BREACH BY LANDLORD OF ITS DUTIES OR OBLIGATIONS HEREUNDER, WHETHER EXPRESS OR IMPLIED.

SECTION 18.26. EXHIBITS AND SCHEDULES. The following exhibits and Schedules are attached hereto and incorporated herein and made a part of this Lease for all purposes:

- Exhibit A-1 - Legal Description
- Exhibit A-2 - Leased Premises
- Exhibit B - Work Letter
- Exhibit C - Commencement and Termination Agreement
- Exhibit D - Rules and Regulations
- Exhibit E - Cancellation Fee
- Exhibit F - Tenant's Insurance
- Schedule 1 - Approved Leasehold Improvements

In the event a provision of an Exhibit, Schedule or Addendum, if any, attached hereto shall be inconsistent with a provision in the body of this Lease, the provision as set forth in the Lease shall control.

SECTION 18.27. ENTIRE AGREEMENT. WITH RESPECT TO THE SUBJECT MATTER OF THIS LEASE, THIS LEASE AND ANY CONTEMPORANEOUS WORK LETTER, ADDENDA OR EXHIBITS SIGNED BY THE PARTIES, CONSTITUTE THE ENTIRE, COMPLETE AND FINAL EXPRESSION OF THE AGREEMENT OF THE PARTIES HERETO AND SUPERSEDE ALL PRIOR WRITTEN AGREEMENTS AND ALL PRIOR AND CONTEMPORANEOUS ORAL AGREEMENTS, UNDERSTANDINGS AND NEGOTIATIONS. LANDLORD AND TENANT AGREE THAT THERE ARE AND WERE NO VERBAL OR WRITTEN REPRESENTATIONS, WARRANTIES, UNDERSTANDINGS, STIPULATIONS, AGREEMENTS, OR PROMISES PERTAINING TO THIS LEASE WHICH ARE NOT INCORPORATED IN WRITING INTO THIS LEASE. LANDLORD AND TENANT AGREE THAT THERE ARE AND SHALL BE NO IMPLIED WARRANTIES OF MERCHANTABILITY, HABITABILITY, FITNESS FOR A PARTICULAR PURPOSE, OR ANY OTHER KIND ARISING UNDER THIS LEASE AND THERE ARE NO WARRANTIES WHICH EXTEND BEYOND THOSE EXPRESSLY SET FORTH IN THIS LEASE.

IN TESTIMONY WHEREOF, the parties hereto have executed this Lease as of the day and year first above written.

[Signatures on the following pages]

LANDLORD'S SIGNATURE PAGE TO LEASE AGREEMENT

LANDLORD:

THE FROST NATIONAL BANK, a
national banking association

By: Mike Carrell
Name: MIKE CARRELL
Title: PRESIDENT - Corpus Christi Region

TENANT'S SIGNATURE PAGE TO LEASE AGREEMENT

TENANT:

THE CITY OF CORPUS CHRISTI

ATTEST:

Armando Chapa
ARMANDO CHAPA
CITY SECRETARY

By: George K. Noe

George K. Noe, Deputy City Manager

LEGAL FORM APPROVED ON May 18, 2000,
JAMES R. BRAY, CITY ATTORNEY

By: John P. Burke, Jr.

Name: John P. Burke, Jr.

Title: Assistant City Attorney

M2000-1167 AUTHORIZED

BY COUNCIL

5/30/00

SECRETARY

**EXHIBIT A-1
TO THE
LEASE AGREEMENT BETWEEN
THE FROST NATIONAL BANK (LANDLORD)
AND
THE CITY OF CORPUS CHRISTI (TENANT)**

LEGAL DESCRIPTION

TRACT I:

LOTS ONE (1), TWO (2), THREE (3), FOUR (4), FIVE (5), SIX (6), SEVEN (7), EIGHT (8), NINE (9), TEN (10), ELEVEN (11), TWELVE (12), THIRTEEN (13), FOURTEEN (14) AND FIFTEEN (15), BLOCK ONE (1), THE HIGHLANDS ADDITION, situated in the City of Corpus Christi, Texas, as shown by the map or plat thereof, recorded in Volume 3, Page 58, Map Records of Nueces County, Texas, to which reference is here made for all pertinent purposes;

SAVE AND EXCEPT, HOWEVER, the South Ten Feet (S.10') of Lots 1 & 2, Block 1, The Highlands Addition, conveyed to the City of Corpus Christi by Deed dated February 14, 1927, for the widening of Leopard Street, recorded under Clerk's File No. 45768, Volume 179, Page 59, Deed Records of Nueces County, Texas; and further

SAVE AND EXCEPT, HOWEVER, the South Ten Feet (S.10') of Lots 3, 4 & 5, Block 1, The Highlands Addition, conveyed to the City of Corpus Christi by Deed dated December 10, 1926, for the widening of Leopard Street, recorded under Clerk's File No. 45762, Volume 179, Page 55, Deed Records of Nueces County, Texas; and further

SAVE AND EXCEPT, HOWEVER, the South Ten Feet (S.10') of Lots 6 & 7, Block 1, The Highlands Addition, conveyed to the City of Corpus Christi by Deed dated December 9, 1926, for the widening of Leopard Street, recorded under Clerk's File No. 45763, Volume 179, Page 56, Deed Records of Nueces County, Texas.

TRACT II:

LOT ONE-A (1-A), BLOCK ONE (1), NELSON ADDITION NO. 2, an Addition situated in the City of Corpus Christi, Texas, as shown by the map or plat thereof, recorded in Volume 26, Page 57, Map Records of Nueces County, Texas, to which reference is here made for all pertinent purposes.

TRACT III:

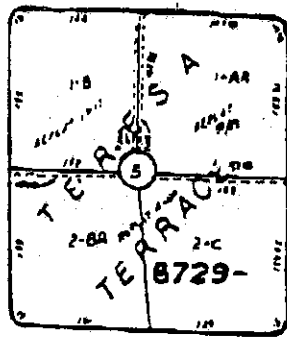
LOTS TWO (2), THREE (3), FOUR (4) AND FIVE (5), BLOCK ONE (1), NELSON ADDITION NO. 2, situated in the City of Corpus Christi, Texas, as shown by the map or plat thereof, recorded in Volume 1, Page 18, Map Records of Nueces County, Texas, to which reference is here made for all pertinent purposes;

SAVE AND EXCEPT, HOWEVER, the South Ten Feet (S.10') previously conveyed to the City of Corpus Christi, Texas, as referenced in Deed dated January 21, 1982, from Ruth Slaka Sheinberg to Citizens State Bank of Corpus Christi, recorded under Clerk's File No. 255917, Volume 1809, Page 647, Deed Records of Nueces County, Texas.

SAVE AND EXCEPT, HOWEVER, the South Ten Feet (S.10') conveyed to the City of Corpus Christi, Texas, by Deed dated December 10, 1926, from T. M. Lawrence, recorded under Clerk's File No. 45663, Volume 179, Page 55, Deed Records of Nueces County, Texas, affecting Lots 4 & 5, Block 1, Nelson Addition No. 2.

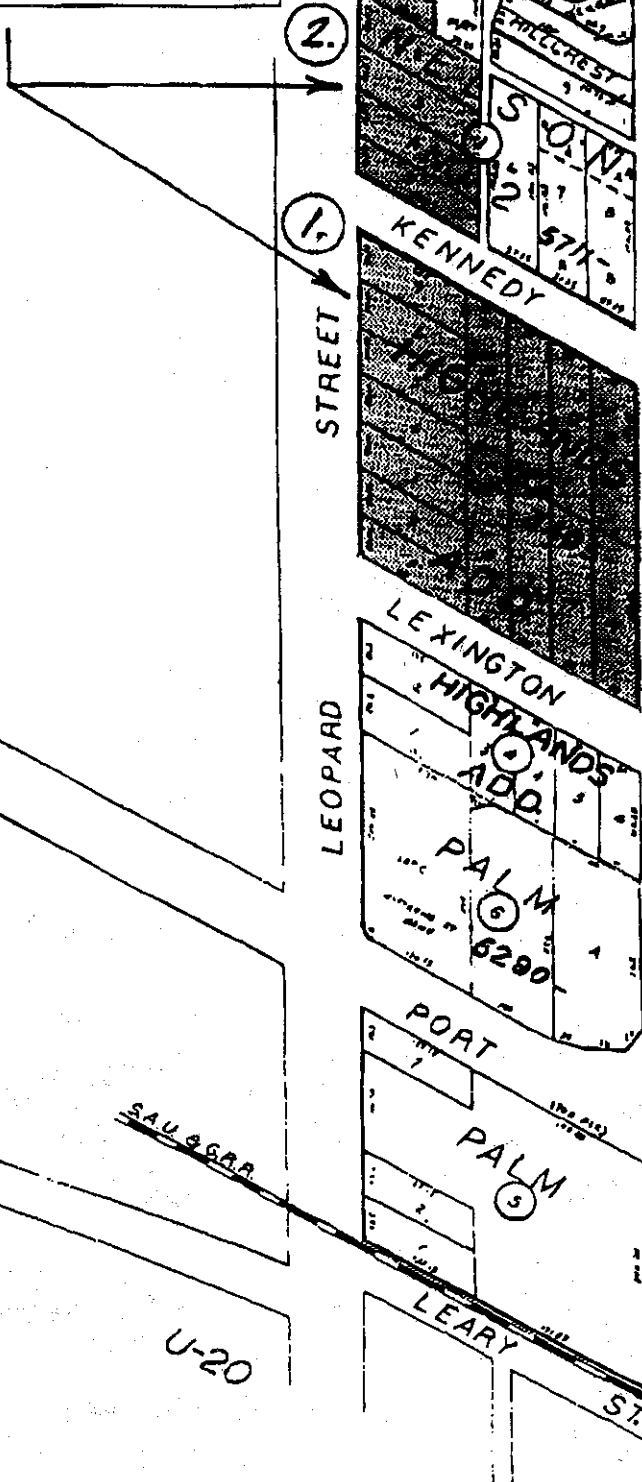
ALL OF THE FOREGOING LOTS ARE DESCRIBED ON THE DRAWING ATTACHED TO THIS EXHIBIT A-1.

U-25



LEASE AGREEMENT:

1. Main Building on 2.67 acres.
2. 5 lots with 993 s.f. office bldg.



U-20

EXPRESSWAY (IH 37)

STATE HIGHWAY NO. 37

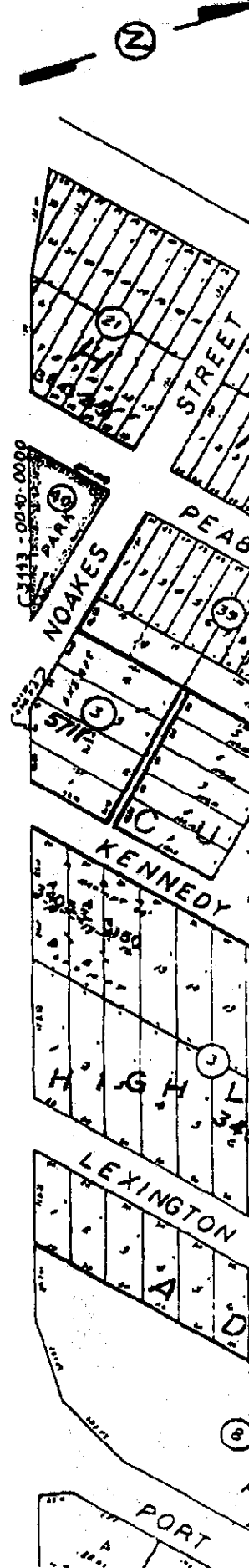
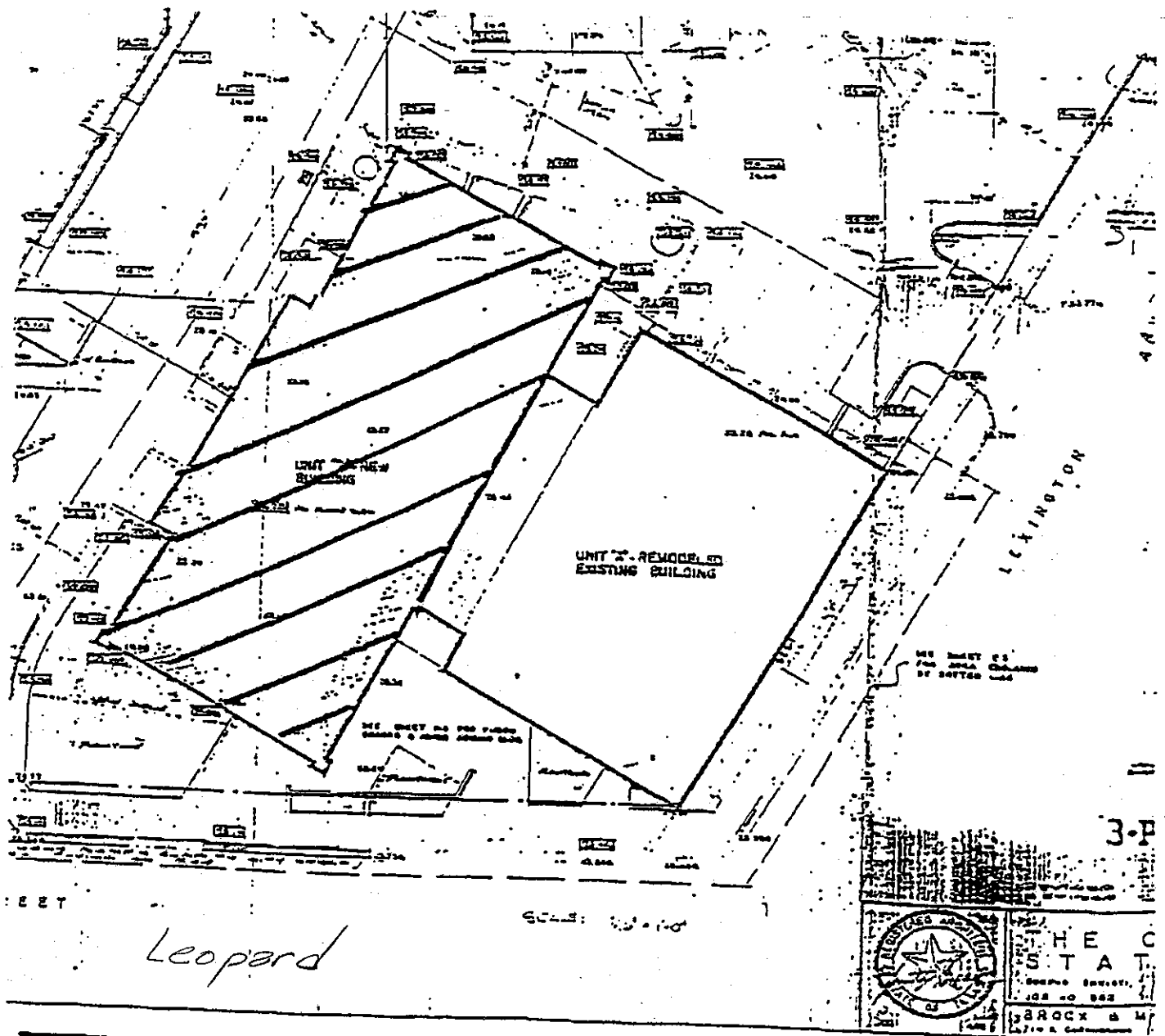


EXHIBIT A-2
TO THE
LEASE AGREEMENT BETWEEN
THE FROST NATIONAL BANK (LANDLORD)
AND
THE CITY OF CORPUS CHRISTI (TENANT)

LEASED PREMISES



LEASED PREMISES

**EXHIBIT B
TO THE
LEASE AGREEMENT BETWEEN
THE FROST NATIONAL BANK (LANDLORD)
AND
THE CITY OF CORPUS CHRISTI (TENANT)**

WORK LETTER

1. Upon the execution hereof, Tenant shall proceed with reasonable speed and due diligence, subject to any delays beyond Tenant's control, to complete the construction of the improvements to the Leased Premises (the "Tenant Improvements") in accordance with plans and specifications prepared by Tenant's architect and approved by Landlord in writing, which approval shall not be unreasonably withheld or delayed (the "Approved Plans").

2. (a) Landlord hereby grants to Tenant a "Tenant Improvement Allowance" in an amount not to exceed \$500,000.00 for construction of the Tenant Improvements.

The Tenant Improvement Allowance shall be used only for:

(i) Payment of the cost of preparing the space plan and the Tenant Improvement Plans, including mechanical, electrical, plumbing and structural drawings and of all other aspects necessary to complete the Tenant Improvement Plans;

(ii) Payment of the cost of plan check, permit and license fees relating to construction of the Tenant Improvements;

(iii) Payment for the cost of construction of the Tenant Improvements, including, but not limited to, the following:

- (A) Installation within the Leased Premises of all partitioning, doors, floor coverings, ceilings, wall coverings and painting, millwork and similar items;
- (B) All electrical wiring, lighting fixtures, outlets and switches, and other electrical work to be installed within the Leased Premises;
- (C) The furnishing and installation of all duct work, terminal boxes, diffusers and accessories required for the completion of the heating, ventilation and air conditioning systems within the Leased Premises;
- (D) Any additional Tenant requirements including, but not limited to, odor control, special heating, ventilation and air conditioning, noise or vibration control or other special systems;
- (E) All fire and life safety control systems including, without limitation, fire walls, halon, fire alarms, piping, wiring and accessories, installed within the Leased Premises;
- (F) All plumbing, fixtures, pipes and accessories to be installed within the Leased Premises;
- (G) Testing and inspection costs;
- (H) Contractors' fees, including but not limited to any fees based on general conditions; and
- (I) Renovation of all rest rooms in a manner needed to bring the same into compliance with ADA.

(b) The cost of each item referenced in Paragraph 2(a) above shall be charged against the Tenant Improvement Allowance. In the event that the cost of installing the Tenant Improvements, as established by the Tenant's competitive bidding process, shall exceed the Tenant Improvement Allowance, or if any of the Tenant Improvements are not to be paid out of the Tenant Improvement Allowance as provided in Paragraph 7(a) above, Tenant shall expend its own funds towards payment of any such items.

(e) Any unused cumulative portion of the Tenant Improvement Allowance upon completion of the Tenant Improvements shall not be refunded to Tenant or available to Tenant as a credit against any obligations of Tenant under the Lease but instead shall be the sole property of Landlord.

3. Subject to and upon the terms, covenants, and conditions hereof, Landlord hereby agrees to provide Tenant the Tenant Improvement Allowance, in Advances (herein so called), from time to time.

4. Landlord shall not be required to make Advances more frequently than once per month. Each Application for Advance shall be submitted by Tenant to Landlord a reasonable time (but not less than five business days) prior to the requested date (which must be a business day) of the Advance. Except as Landlord may otherwise determine from time to time, each Advance will be made at Landlord's principal office.

5. Advances shall be made only for costs and expenses specified in the Approved Plans, and then only for work performed, services rendered or materials furnished; no Advance shall be made for advance or unearned payments. Advances for payment of costs of construction of the Tenant Improvements shall be made only after actual commencement of construction of the Tenant Improvements and shall not exceed the aggregate of (a) the costs of labor, materials and services incorporated into the Tenant Improvements in a manner acceptable to Landlord, plus (b) if approved by Landlord, the purchase price of all uninstalled materials to be utilized in the construction of the Tenant Improvements stored on the Leased Premises, or elsewhere with the written consent of and in a manner acceptable to Landlord, less (c) retainage, if any, and less (d) all prior Advances for payment of costs of labor, materials and services for the construction of the Tenant Improvements. Landlord represents to Tenant that the Tenant Improvement Allowance (\$500,000.00) is currently available in accounts belonging to Landlord.

6. As conditions precedent to each Advance, including the first Advance, in addition to all other requirements herein, Tenant must satisfy the following requirements and, if required by Landlord, deliver to Landlord evidence of such satisfaction:

(a) There shall then exist no Event of Default nor shall there have occurred any event which with the giving of notice or the lapse of time, or both, could become an Event of Default.

(b) Tenant shall procure and deliver to Landlord, if required by Landlord, releases or waivers of mechanic's liens and receipted bills showing payment of all amounts due to all parties who have furnished materials or services or performed labor of any kind in connection with the construction of any of the Tenant Improvements or otherwise with respect to the Leased Premises.

**EXHIBIT C
TO THE
LEASE AGREEMENT BETWEEN
THE FROST NATIONAL BANK (LANDLORD)
AND
THE CITY OF CORPUS CHRISTI (TENANT)**

COMMENCEMENT AND TERMINATION AGREEMENT

THIS AGREEMENT (the "Agreement") is entered into this _____ day of _____, 2000, by and between **THE FROST NATIONAL BANK**, a national banking association ("Landlord"), and **THE CITY OF CORPUS CHRISTI** ("Tenant").

W I T N E S S E T H:

WHEREAS, Landlord and Tenant entered into a Lease Agreement dated May 17, 2000, for certain real property (the "Leased Premises") located in the City of Corpus Christi, County of Nueces, State of Texas (the "Lease"); and

WHEREAS, it is the desire and intent of Landlord and Tenant to clearly define the terms of said Lease.

NOW, THEREFORE, it is agreed by and between Landlord and Tenant that:

1. The Commencement Date of the Lease is June 1, 2000.
2. The primary Lease Term commenced on June 1, 2000, and shall terminate at 11:59 p.m., Corpus Christi, Texas time, on May 31, 2021.
3. The Lease is now in full force and effect and all terms and conditions of the Lease are hereby ratified and confirmed.

Landlord and Tenant agree that this document will not be recorded in any public records including the real estate records of the county where the Leased Premises are located.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Agreement as of the day and year first above written.

LANDLORD:

**THE FROST NATIONAL BANK, a
national banking association**

By: _____
Name: _____
Title: _____

TENANT:

THE CITY OF CORPUS CHRISTI

By: _____
George K. Noe, Deputy City Manager

**EXHIBIT D
TO THE
LEASE AGREEMENT BETWEEN
THE FROST NATIONAL BANK (LANDLORD)
AND
THE CITY OF CORPUS CHRISTI (TENANT)**

RULES AND REGULATIONS

1. Sidewalks, doorways, vestibules, halls, stairways and similar areas shall not be obstructed by tenants or their officers, agents, servants, and employees, or used for any purpose other than ingress and egress to and from the Leased Premises and for going from one part of the Building to another part of the Building.
2. The Building toilet rooms, urinals, wash bowls, and other apparatus shall not be used for any purpose other than that for which they were constructed and no foreign substance of any kind whatsoever shall be thrown therein and the expense of any breakage, stoppage or damage resulting from the violation of this rule shall be borne by the tenant who, or those employees or invitees, shall have caused it.
3. Except as set forth in the Lease, Tenant shall not paint, display, inscribe, maintain, or affix any sign, picture, advertisement, notice, lettering, or direction on any part of the outside or inside of the Building, or on any part of the inside of the Leased Premises which can be seen from the outside of the Leased Premises, except on hallway doors of the Leased Premises, and then only building standard graphics approved by Landlord. This is to include window coverings visible from the exterior, unless Landlord gives specific written approval. Landlord reserves, without liability or notice to tenants, the right to remove at tenant's expense all signage which violates this rule.
4. Intentionally Omitted.
5. The Leased Premises shall not be used for conducting any barter, trade, or exchange of goods or sale through promotional give-away gimmicks or any business involving the sale of second-hand goods, insurance salvage stock, or fire sale stock, and shall not be used for any auction or pawnshop business, any fire sale, bankruptcy sale, going-out-of-business sale, moving sale, bulk sale, or any other business which, because of merchandising methods or otherwise, would tend to lower the first-class character of the Building.
6. Tenants shall not do anything, or permit anything to be done, in or about the Building, or bring or keep anything therein, that will in any way increase the possibility of fire or other casualty or obstruct or interfere with the rights of, otherwise injure or annoy, other tenants, or do anything in conflict with valid pertinent laws, rules or regulations or any governmental authority.
7. Tenants shall not place a load upon any floor of the Leased Premises which exceeds the floor load per square foot which such floor was designated to carry or which is allowed by applicable building code.
8. Landlord shall have the power to prescribe the weight and position of safes or other heavy equipment which may overstress any portion of the floor. All damage done to the Building by the improper placing of heavy items which overstress the floor will be repaired at the sole expense of the Tenant.

9. A tenant shall notify the Landlord when safes or other equipment are to be taken into or out of the Building. Moving of such items shall be done under the supervision of the Landlord, after receiving written permission from Landlord.

10. All entrance doors to the Leased Premises shall be left locked and all windows shall be left closed by Tenant when the Leased Premises are not in use. Corridor doors shall not be left open at any time.

11. Intentionally Omitted.

12. Each tenant shall cooperate with Building employees in keeping the Leased Premises neat and clean and operating efficiently.

13. No dust, rubbish, or litter shall be swept from any room into any of the corridors, except under the direction of the janitor nor shall the same, or anything else, be thrown or emptied from any of the windows or elevator shafts of the Building, and no ashes, coffee grinds, dirt or other rubbish shall be emptied into the water closets. Tenants shall provide adequate waste and rubbish receptacles, such as plastic bags, to be placed in their own waste and rubbish receptacle to accommodate the disposal of ashes and coffee grinds. Cigarette butts or wrappers will be placed in trash receptacles provided by the Landlord in public designated smoking areas.

14. Intentionally Omitted.

15. Tenants shall not make or permit any improper noises in the Building, or otherwise interfere in any way with other tenants, or persons having business with them.

16. Except for the equipment approved by Landlord in Section 9.1 of the Lease, no equipment of any kind shall be operated on the Leased Premises that could in any way annoy any other tenant in the Building without written consent of Landlord.

17. Computer equipment and mechanical equipment belonging to any tenant which cause noise and/or vibration that may be transmitted to the structure of the Building or to any leased space so as to be objectionable to Landlord or any other tenants in the Building shall be placed and maintained by such tenants, at such tenant's expense, in settings of cork, rubber, or spring type noise and/or vibration eliminators sufficient to eliminate vibration and/or noise.

18. Tenant shall not place, install, or operate on the Leased Premises or in any part of the Building, any engine, stove, appliance, or machinery, or conduct mechanical operations or cook thereon or therein, or place or use in or about the Leased Premises any explosives, gasoline, kerosene, oil, acids, caustics, or any other inflammable, explosive, or hazardous material without the prior written consent of Landlord.

19. Landlord shall not be liable for damages for any error with regard to the admission to or exclusion from the Building of any person. In case of invasion, mob, riot, public excitement, or other commotion, Landlord reserves the right to prevent access to the Building during the continuance of the same by closing the doors or otherwise for the safety of the tenants, and protection of the Building and property in the Building.

20. Intentionally Omitted.

21. If any governmental license or permit shall be required for the proper and lawful conduct of a tenant's business, such tenant, before occupying the Leased Premises, shall procure and maintain such license or permit and submit it for Landlord's inspection and shall at all times comply with the terms of any such license or permit.

22. Landlord reserves the right to require Tenant to exclude or expel from the Building any person who, in the judgment of Landlord, is intoxicated or under the influence of liquor or drugs, or who shall in any manner do any act in violation of any of the rules of the Building.

23. No birds, animals, bicycles, or motorized vehicles shall be brought into or kept in or about the Building, except seeing-eye dogs and motorized wheel chairs.

24. Landlord has provided electrical outlets for use by the Tenant in the operation of Tenant's computer, typewriters, adding machines, and such other office machines requiring 110 voltage and all other uses of electricity are prohibited unless otherwise authorized by Landlord, and Tenant shall be responsible for any and all damage caused by the prohibited use of electricity. Any use of electrical extension cords will comply with applicable Building Code Regulations with respect to length and type of service.

25. Intentionally Omitted.

26. Intentionally Omitted.

27. Tenant is cautioned in purchasing furniture that the size is limited to such as can be placed on the elevator and will pass through the doors of the offices. Large pieces should be made in parts and set up in the offices. The Landlord reserves the right to refuse to allow to be placed in the Building any furniture or fittings of any description which do not comply with such conditions.

28. Canvassing, soliciting, and peddling in the Building is prohibited without the written permission of Landlord and Tenant shall cooperate to prevent same.

29. Intentionally Omitted.

30. Intentionally Omitted.

31. Tenant will not introduce or place any foreign substance of any kind such as photographic fluids, lead substances (i.e., barium), or other chemicals into the plumbing and/or waste disposal of the Building which results in a surcharge which may be charged to the Landlord by any city, state, federal, or other governmental agency for the presence of these substances in the waste disposal.

32. Landlord will not be responsible for any lost or stolen personal property, equipment, money, or jewelry from Tenant's Leased Premises or public rooms regardless of whether such loss occurs when the area is locked against entry or not.

33. Tenant will not erect, attach, affix, or paint any temporary or permanent sign of any kind whatsoever at, in, or about the exterior or interior of the Leased Premises where such sign or other

display is visible from the exterior of the Leased Premises except as may have been previously approved and consented to in writing by Landlord.

34. Intentionally Omitted.

35. No room or rooms shall be occupied as sleeping or lodging apartments at any time; provided, however, Tenant may use the Leased Premises for sleeping while the Tenant's Emergency Operations Center is activated during a crisis situation, as needed, but not otherwise.

36. Personal property left on the Leased Premises at the expiration of the Lease may be stored or removed from the Leased Premises by Landlord at the full risk, cost and expense of the Tenant. Landlord shall in no event be responsible for the value preservation or safekeeping thereof. Any time after ten (10) days from the termination of this Lease, the Landlord shall sell any such personal property, and it shall be entitled to retain from the proceeds the amount of rent due, together with the cost of storage and the expense of the sale.

37. Landlord reserves the right to rescind any of these rules and make such other and further rules and regulations as in the reasonable judgment of Landlord shall from time to time be needed for the safety, protection, care, and cleanliness of the Building, the operation thereof, the preservation of good order therein, and the protection and comfort of its tenants, their agents, employees, and invitees, which rules when made and notice thereof given to a Tenant shall be binding upon him in a like manner as if originally herein prescribed. In the event of any conflict, inconsistency, or other differences between the terms and provisions of these rules and regulations, as now or hereafter in effect and the terms and provisions of any lease now or hereafter in effect between Landlord and any tenant in the Building, Landlord shall have the right to rely on the terms or provisions in either such lease or such rules and regulations which is most restrictive on such tenant and most favorable to Landlord. Notwithstanding anything to the contrary contained herein, no changes by Landlord in any rules and regulations with respect to the Building or Leased Premises shall materially increase Tenant's duties and obligations hereunder or unreasonably reduce or restrict the estate, rights or benefits hereof.

EXHIBIT E
TO THE
LEASE AGREEMENT BETWEEN
THE FROST NATIONAL BANK (LANDLORD)
AND
THE CITY OF CORPUS CHRISTI (TENANT)

CANCELLATION FEE/LIQUIDATED DAMAGES

<u>Lease Year</u>	<u>Payment</u>
2001	\$989,861
2002	\$1,197,535
2003	\$1,188,493
2004	\$1,159,204
2005	\$1,128,834
2006	\$1,097,335
2007	\$1,064,656
2008	\$1,030,744
2009	\$995,542
2010	\$841,661
2011	\$800,763
2012	\$758,307
2013	\$714,223
2014	\$668,434
2015	\$469,329
2016	\$419,885
2017	\$368,483
2018	\$315,027
2019	\$259,420
2020	\$50,024

**EXHIBIT F
TO THE
LEASE AGREEMENT BETWEEN
THE FROST NATIONAL BANK (LANDLORD)
AND
THE CITY OF CORPUS CHRISTI (TENANT)**

TENANT'S INSURANCE



City of
Corpus
Christi

April 4, 2000

Frost National Bank
Property Management Department
P. O. Box 1600
San Antonio, TX 78296

Dear Sirs:

This will serve as confirmation that the City of Corpus Christi is self-insured for liability risks including but not limited to the following types: auto liability, general liability, excess liability, liability of public officials, liability for money and securities and unemployment compensation to current budgeted allocation of \$3.3 Million. Additionally, the City is self-insured under Chapter 504, Workers' Compensation Insurance Coverage for Employees of Political Subdivisions, of the Labor Code, to current budgeted allocation of \$2.7 million. The City's Self-insurance fund has an additional reserve of \$3.7 million.

The City is unable to name other entities as additional insured because of our self-insurance status. Please contact me if you have any questions regarding this confirmation.

Sincerely,

Patricio Alba
Director of Safety and Risk Management

PA:mr

**SCHEDULE 1
TO THE
LEASE AGREEMENT BETWEEN
THE FROST NATIONAL BANK (LANDLORD)
AND
THE CITY OF CORPUS CHRISTI (TENANT)**

PERMITTED ALTERATIONS

See attached memorandum dated April 20, 2000 from Morgan Spear Associates, Inc. to Tenant for description of permitted alterations.

Memorandum

MORGAN
SPEAR
ASSOCIATES
INC.
ARCHITECTS
PLANNERS

To: City of Corpus Christi
From: Morgan Spear Associates, Inc.
CC: Ken Kohrs, Norton Hargis, John Wittenburg
Date: April 20, 2000
Re: Items to be Included in the 4th Floor for Emergency Operations Center

225
S. CARANCAHUA
CORPUS
CHRISTI,
TEXAS
78401

PHONE
361-883-5588
FAX 361-883-9204

Sent Via Fax to:

Ken Kohrs : 361-880-3501
Norton Hargis: 210-220-5036
John Wittenburg: 210-246-5999

Items to be included in the 4th floor for the Emergency Operations Center.

1. Conduit will be run from the 4th floor down the elevator shaft and out to an exterior wall located adjacent to the parking area at the 1st floor on the west side of the building. This conduit will be approximately 2" in diameter and will house cable that will be put in place from the 4th floor to a connection at the exterior wall. From this exterior location, each TV station can plug in to their mobile power unit, which will then transmit whatever is received from a camera man on the 4th floor back to their particular TV station.
2. Antennas -- there are several antennas to be relocated from City Hall to the roof of the Frost Bank Building, which will be anchored and waterproofed to the roof deck and tied down with guide wires as needed, once again anchored to the roof and waterproofed accordingly. A conduit will be run from the base of the antenna to a location on the 4th floor, of which a cable will be run to receive the signal from the antenna. This cable will probably be less than 1/4" in diameter.
3. The antennas to be located on the roof are what is called "whip type" antennas which are small in diameter and range in height from 2' to 8'. Any dish that will be mounted on the roof will be approximately 6' in diameter. Change in technology for these antennas could vary depending on the exact equipment that might be needed at a given time by EOC. The intent of the antennas is to cover the Coastal Bend area and not for the use of long range communication. The placement of the antennas would be that they are in an area that would be out-of-sight as much as possible. With reference to the dish type antennas, they would be hidden by the top edge of the parapet which surrounds the perimeter of the roof of the building.
4. Fiber Optics will be connected to the Frost Building from City Hall. The City will run fiber optic cable from City Hall to the Frost Building property line. From that line the cable will be buried in a trench approximately 3" wide, across the parking, run underneath the 1st floor and up to the 4th floor to tie in for the communications needed in the Emergency Operation Center.