

THE STATE OF TEXAS }

COUNTY OF COLLIN }

**LEASE AND MANAGEMENT AGREEMENT**

This Lease And Management Agreement (“Agreement”), entered into as of the 8<sup>th</sup> day of November, 2002 by and between **COLLIN COUNTY, TEXAS**, a duly organized political subdivision of the State of Texas (“Lessor”), and **the CITY OF MCKINNEY, TEXAS**, a duly organized home-rule municipal corporation of the State of Texas (“Lessee”), evidences that in consideration of the mutual covenants contained herein, Lessor has agreed to and hereby leases, demises and lets to Lessee, and Lessee has agreed to and hereby leases and takes from Lessor and agrees to manage the former Collin County Courthouse Building for the term hereinafter stated and subject to all of the provisions, covenants and conditions of this Agreement.

**SECTION 1. PROPERTY**

Being a 16,935 square foot building on the Tract shown as a Public Square and recorded at Volume 2, Page 288, Plat Records of Collin County, in the City of McKinney, Collin County, Texas, and also known as the Old Collin County Courthouse, 111 N. Tennessee Street, McKinney, Collin County, Texas and including the adjacent parking lot, drives and appurtenances (“Leased Premises”). Notwithstanding the foregoing, the Courtroom area of the Leased Premises will be used by the County from time to time, as more fully described in Section 7 herein, and depicted in Exhibit A attached hereto and fully incorporated herein by reference. The building is located on a portion of the original grant of the town site of the City of McKinney conveyed by William Davis and Margaret Davis on March 24, 1849 and recorded in Vol. B, pg. 279 of the Collin County Deed Records.

**SECTION 2. TERM**

Subject to all of the terms and conditions set forth herein, or in any appendix hereto, the term of this Agreement shall be for a period of Ninety-Nine (99) years beginning on the first day of November 8, 2002, the first day of the lease term being hereinafter called the “Commencement Date.” Lessee agrees that it will take possession and/or occupancy of the Leased Premises within fifteen (15) days from the Commencement Date.

### **SECTION 3. USE**

The Leased Premises are to be used and occupied by Lessee and other tenants for the purpose of office space and other municipal purposes. In addition, Lessee shall conduct its business and control its agents, employees, invitees, contractors and visitors in such a manner as not to use, occupy, or permit the use or occupancy of the Leased Premises for any such purpose which is, directly or indirectly, forbidden by law, ordinance, or governmental or municipal regulation or order, or which may be dangerous to life, limb or property; or permit the maintenance of any public or private nuisance. Lessor shall have no authority to interfere in the decisions regarding uses for the Leased Premises; however, Lessee agrees that said uses shall not conflict with any term contained in this Section or any County or City bond covenant.

### **SECTION 4. RENTAL**

The annual Rental payable to Lessor by Lessee for the term hereof shall be the sum of One Dollar (\$1.00). The aforesaid Rental shall be due and payable on the annual anniversary date each year during the term of this Agreement, and Lessee hereby agrees to pay such Rental for the first year of this Agreement upon Lessee's execution of this Agreement. Lessee may prepay the entire Rental, or any portion thereof, by tendering such amount(s) to Lessor with a written explanation of said prepayment.

### **SECTION 5. MANAGEMENT SERVICES TO BE FURNISHED BY LESSEE**

Lessee understands that Lessee, and not Lessor, shall be responsible at Lessee's sole expense for the day-to-day management and upkeep of the Leased Premises, including the provision of utilities to the Leased Premises. Lessor shall not have any authority or control over management decisions for the Leased Premises, whether made by Lessee or any designee of Lessee, and Lessee agrees that management decisions shall not injure Lessor's rights as owner of Leased Premises.

Management and utility services to be provided by Lessee shall include the following: (a) electricity; (b) janitorial services; (c) hot, cold and refrigerated water at those points of supply provided for general use of all tenants in the Leased Premises; (d) sanitary sewer service; (e) heating and air conditioning in season, at temperatures and in amounts deemed standard by Lessee, subject to curtailment as required by governmental laws, rules or regulations; (f) security service for the Leased Premises; (Lessor shall have no responsibility to prevent, and shall not be liable for losses due to theft, burglary or damage or injury to persons or property of any nature whatsoever caused by persons gaining access to the Leased Premises, and to the fullest extent allowed by law shall be indemnified by Lessee against liability or loss to Lessee, its agents, employees or visitors, and Lessee hereby releases Lessor from all liability therefor); (g) other maintenance and repair services necessary to keep the Leased Premises in good repair; and (h) the

establishment and enforcement of rules and regulations for the occupancy and use of the Leased Premises. Such maintenance obligations shall constitute additional consideration to Lessor for the lease of the Leased Premises to Lessee as provided herein. Lessor shall not be liable in damages or otherwise for failure, stoppage or interruption of any such service, nor shall the same be construed as an eviction of Lessee, work an abatement of rental, or relieve Lessee from any covenant or agreement set forth herein. In the event of any failure, stoppage or interruption of such services, Lessee shall use reasonable diligence to resume service promptly.

Lessee shall provide for the cleaning and maintenance of the Leased Premises, including painting and landscaping surrounding the Leased Premises. Lessor shall not be required to make any improvements or repairs of any character to the Leased Premises during the term hereof. Lessee shall be solely responsible for all maintenance operations, which shall include repairs to the exteriors walls, corridors, floors, windows, roof and other structural elements and equipment of the Leased Premises, and such additional maintenance as may be necessary because of damage by persons other than the Lessee, its agents, employees, invitees or visitors.

#### **SECTION 6. RENOVATION AND REPAIRS BY LESSEE**

By taking possession of the Leased Premises, Lessee shall be deemed to have accepted the Leased Premises "AS IS." As additional consideration, and in lieu of additional Rental, Lessee warrants and agrees that it will commit such funds or cause third parties to commit such funds in an amount sufficient to fully renovate, repair and maintain the Leased Premises. Lessee shall use best efforts to cause such initial renovations and/or repairs to be commenced within two hundred ten (210) days from the Commencement Date, with an estimated completion date of December 30, 2005. Lessee warrants that it has committed funds, or has obtained commitments of funds from third parties of not less than Five Million Four Hundred Thousand and No/100 Dollars (\$5,400,000.00), which it intends to use for initial renovations and/or repairs to the Leased Premises. Prior to the Commencement Date, Lessor shall cause the sum of One Million and No/100 Dollars (\$1,000,000.00) to be made available for the purpose of renovating, restoring and improving the Leased Premises, such amount being from the proceeds of the Lessor's previously issued bonds for such purposes (the "Historic Collin County Courthouse Bonds").

Prior to commencement of any renovations and/or repairs to the Leased Premises, Lessee agrees to obtain all required governmental approvals, including approval from State agencies having jurisdiction over historical landmarks. Lessee further warrants that it will comply with all competitive bidding laws and regulations applicable to Lessee in awarding contracts for the renovation and/or repair of the Leased Premises or portions thereof. Lessor agrees that Lessee is authorized to make such alterations, physical additions or improvements (including fixtures) in or to the Leased Premises, including

the surrounding grounds, access facilities and parking as necessary for Lessee's purposes and/or to renovate, repair and replace those portions of the Leased Premises which are in need of renovations and/or repair. Prior to the commencement of major renovations, Lessee shall provide written notice to Lessor outlining in detail the proposed changes, additions or alterations. Except for the amount provided by Lessor described in the preceding paragraph, all work performed by Lessee or its contractors, laborers and materialmen, shall be solely at Lessee's expense, it being understood that Lessor's financial liability for such work shall not exceed the amount provided by Lessor under this Section.

Lessee shall be authorized to place such signage, symbols or other identifying marks anywhere upon, about or within the Leased Premises and its parking areas, or upon the exterior of the doors, walls or windows of the Leased Premises without the prior written approval of Lessor.

Throughout the term, Lessee shall be solely responsible for making such additional renovations and repairs as is necessary to keep the Leased Premises in good repair and condition for municipal purposes and for the use and benefit of the tenants and general public. If at any time during the Term, such areas of the Leased Premises fail to comply in any respect with any law, Lessee shall after notice by Lessor and at Lessee's sole cost and expense, take such action in connection therewith as may be required by law and thereafter diligently pursue such action until completion. Upon the termination of this Agreement by lapse of time Lessee agrees to deliver up the Leased Premises to Lessor in good condition and repair. Upon other termination of this Agreement, Lessor shall have the right to re-enter and resume possession of the Leased Premises, and shall comply with Section 17 herein, if applicable.

#### **SECTION 7. USE OF COURTROOM BY LESSOR AND PAYMENT OF FAIR VALUE TO LESSEE**

Notwithstanding anything to the contrary contained herein, Lessor and Lessee agree that extensive renovations will be made to the Leased Premises by Lessee, including the Courtroom located on the second (2<sup>nd</sup>) floor of the Leased Premises ("Courtroom"). Subject to advance scheduling coordination with Lessee, Lessor shall have the right during the term of this Agreement to access and use the Courtroom at such times and for such purposes as is deemed necessary by Lessor and agreed by Lessee.

In the event Lessee fails to commence renovations to the Leased Premises within 210 days following the Commencement Date, Lessor may at its sole option choose to terminate this Agreement and Lessee agrees to immediately refund to Lessor the full balance of amounts made available by Lessor under Section 6 to Lessor. Upon payment of such refund, Lessee shall have no continuing right to use the Courtroom.

## **SECTION 8. FURNITURE, FIXTURES AND PERSONAL PROPERTY OF LESSEE**

Upon the termination of this Agreement, Lessee may remove its trade fixtures, office supplies and moveable office furniture and equipment not attached to the Leased Premises provided: (a) such removal is made prior to the termination of this Agreement; (b) Lessee is not in default of any obligation or covenant of the Agreement at the time of such removal; and (c) Lessee promptly repairs all damage caused by such removal. All other property at the Leased Premises and any alterations or additions to the Leased Premises (including wall-to-wall carpeting, paneling or other wall covering) and any other article attached or affixed to the floor, wall or ceiling of the Leased Premises shall become the property of Lessor upon the termination of this Agreement and shall remain upon and be surrendered with the Leased Premises as a part thereof at the termination of this Agreement by lapse of time or otherwise. If, however, Lessor so requests in writing, Lessee will, prior to vacating the Leased Premises, remove any and all alterations, additions, fixtures, equipment and property placed or installed by it in the Leased Premises and will repair any damage caused by such removal.

## **SECTION 9. ASSIGNMENT AND SUBLEASE**

During the term, Lessee shall have full rights to assign, convey, sublease or transfer this agreement or any part thereof, or any rights created hereby to the McKinney Community Development Corporation or any successor organization. Lessee may assign, convey, sublease or transfer this agreement or any part thereof, or any rights created hereby to other third parties upon obtaining the prior written consent of Lessor, which consent shall not be unreasonably withheld, if (a) Lessor determines that the proposed assignee or sublessee is a respectable party that is willing and able to assume Lessee's obligations hereunder, (b) Lessor determines such assignment will not detrimentally affect the tax-exempt status of any bonds, including the Historic Collin County Courthouse Bonds, or other indebtedness issued by Lessor in connection with the Leased Premises or any portion thereof. In no event shall any such assignment or sublease, or attempted assignment or sublease, ever release Lessee from an obligation or liability hereunder, although said assignment or sublease may create identical obligations or liabilities in any Sublessor or Assignee, and covenant that Sublessor has primary responsibility to Lessor for Lessee's obligations or liabilities created in this Agreement.

## **SECTION 10. FIRE AND OTHER CASUALTY**

It is mutually agreed that if the Leased Premises, or any portion thereof, is partially or totally destroyed or damaged by fire or other casualty covered by the fire and extended coverage insurance carried by Lessee on the Leased Premises, and in the sole opinion of Lessee, repairs would exceed the value of the Property or more than sixty percent (60%) of the structure is damaged, then this Agreement may be terminated by either party hereto by serving written notice upon the other, and the parties shall seek to recover their losses

from the proceeds from the applicable policies of insurance. Proceeds from any insurance shall first be used to secure the remainder of the Property, by demolition or otherwise. Any remaining insurance proceeds shall be distributed to the parties, proportionately to the amount each party provided to repair, renovate and restore the Property.

#### **SECTION 11. EMINENT DOMAIN**

If, during the term of this Agreement, any part or interest therein of the Leased Premises should be taken or otherwise acquired by an authority exercising powers of eminent domain, Lessee may, at its option, terminate this Agreement. Lessor shall be entitled to any and all compensation and damages awarded or agreed upon between the condemning authority and Lessor.

#### **SECTION 12. INSURANCE AND TAXES**

Lessee shall throughout the term hereof maintain fire and extended coverage insurance on the Leased Premises, including the interior improvements, in an amount not less than one-hundred percent (100%) of the full insurable value of the Leased Premises including such improvements, and shall maintain commercial general liability insurance in amounts of \$3,000,000 per occurrence or, following the expiration of each successive five year period during the Term, such other amounts as Lessor may from time to time reasonably require. Lessee shall provide, at its own expense, adequate public liability insurance. The limits of said insurance shall not, however limit liability of Lessee hereunder. All insurance policies obtained by Lessee under this subsection, shall insure Lessee and Lessor against all liability for injury to or death of a person or persons or damage to property arising from the use and occupancy of the Leased Premises. Lessee hereby waives any and all right or recovery, claim, action, or cause of action, against Lessor its agents, officers, or employees, for any loss or damage that may occur to the Leased Premises, or any improvements thereto, or any personal property of such party therein, by reason of fire, the elements, or any other cause which could be insured against under the terms of the standard fire and extended coverage and public liability insurance policies. Lessee shall cause its insurance carrier to endorse all applicable policies waiving the carrier's rights of recovery under subrogation or otherwise against Lessor.

During the term, Lessee or Lessee's tenants, as applicable, shall be fully responsible for the payment of any taxes of any nature assessed against the Leased Premises.

#### **SECTION 13. TITLE COMMITMENT ON LEASEHOLD**

Within five (5) days after the execution of this Agreement, Lessor shall, at Lessor's expense, deliver or cause to be delivered to Lessee: (1) A current title commitment ("Title Commitment") covering the Leasehold Property binding the Title Company to

issue a Policy of Title Insurance with a T-4 endorsement (the "Title Policy") on the standard form prescribed by the Texas State Board of Insurance at the Closing in the amount of Five Million, Four Hundred Thousand Dollars (\$5,400,000.00), insuring the Leasehold Estate of the Lessee in the Property to be good and indefeasible subject only to the Standard Texas Title Insurance Permitted Exceptions; (2) true and legible copies of all recorded instruments affecting the Property and recited as exceptions in the Title Commitment ("Title Documents"); and (3) current tax statements.

Within thirty (30) days after the execution of this Agreement, Lessor shall deliver to Lessee the Title Policy which shall reflect Lessor's good and indefeasible title to the Property free and clear of any and all liens, assessments, unrecorded easements, security interests and other encumbrances except the Permitted Exceptions. Delivery of the Title Policy shall be deemed to satisfy the obligation of Lessor as to the sufficiency of title required hereunder.

#### **SECTION 14. LIABILITY AND INDEMNITY**

Lessee agrees to indemnify and hold harmless Lessor from (a) all claims for injury to persons (including death) or for damage to property which arises from any act, omission or neglect of Lessee or Lessee's agents, employees, contractors, customers or invitees or of any other third party, and which act or omission occurs during the term of this Agreement in or about the Leased Premises, and other areas appurtenant thereto (including costs and expenses of defending against such claims); or (b) Lessee's failure to perform its obligations under this Agreement, **in each case even though caused or alleged to be caused by the negligence or fault of Lessor or its agents (other than a claim or loss arising from the sole or gross negligence of Lessor or its agents), and even though any such claim, cause of action, or suit is based upon or alleged to be based upon the strict liability of Lessor or its agents. This indemnity is intended to indemnify Lessor and its agents against the consequences of their own negligence or fault as provided above when Lessor or its agents are jointly, comparatively, contributively, or concurrently negligent with Lessee.** The indemnities set forth herein shall survive termination or expiration of this Agreement and shall not terminate or be waived, diminished or affected in any manner by any abatement or apportionment of Rental under any provision of this Agreement. If any proceeding is filed for which indemnity is required hereunder, Lessee agrees, upon request therefore, to defend Lessor in such proceeding at its sole cost utilizing counsel satisfactory to Lessor. Lessee agrees to use and occupy the Leased Premises, and all drives and other areas appurtenant thereto, at its own risk and hereby releases Lessor, its agents, officers and employees from all claims for any damage or injury to persons (including death) or property to the full extent permitted by law. Lessee agrees that Lessor shall not be responsible or liable to Lessee, its agents, employees, contractors, customers or invitees for damage or injury to persons (including death) or property occasioned by the acts or omissions of Lessee, or

its agents, employees, customers or invitees within the Leased Premises, and all drives and other areas appurtenant thereto.

#### **SECTION 15. DEFAULT BY LESSEE**

The following events shall be deemed to be events of default by Lessee under this Agreement.

- a. if Lessee shall fail to pay any installment of Rental;
- b. Lessee shall fail to faithfully perform the covenants in this Agreement pertaining to:
  - (1) the use of the Courtroom by Lessor as described in Section 7 herein;
  - (2) the management and maintenance of the Leased Premises as described in Section 5 herein;
  - (3) the remodeling and renovation of the Leased Premises as described in Section 6 herein;
  - (4) the maintenance of property and casualty and general liability insurance on the Leased Premises as described in Section 12 herein; or
  - (5) the covenants in Section 9 relating to subtenants.
- c. if any petition shall be filed by or against Lessee to have Lessee placed in receivership and/or bankruptcy.

Upon the occurrence of any such event of default, Lessor shall give written notice to Lessee of said default and Lessee shall have sixty (60) days to begin to cure said default. Should Lessee fail to begin cure within sixty (60) days, or arrange a mutually agreed upon timeframe for cure, Lessor shall have the option to pursue any one or more of the following remedies without any further notice or demand whatsoever:

- a. terminate this Agreement, in which event Lessee shall immediately surrender the Leased Premises to Lessor, and if Lessee fails to do so, Lessor may without prejudice to any other remedy which it may have for such default, enter upon and take possession of the Leased Premises and lock out or expel or remove Lessee and any other person who may be occupying the Leased Premises or any part thereof, by force if necessary,



without being liable for prosecution or any claim of damages therefor; and Lessee agrees to pay to Lessor on demand the amount of all loss and damage which Lessor may suffer by reason of such termination;

- b. without terminating this Agreement, enter upon and take possession of the Leased Premises and lock out or expel or remove Lessee and any other person who may be occupying the Leased Premises or any part thereof, by force if necessary, without being liable for prosecution or any claim for damages therefore, and if Lessor so elects, relet the Leased Premises on such terms as Lessor may deem advisable and receive the rent therefor; and Lessee agrees that Lessee shall remain liable for and shall pay to Lessor on demand all Rentals and other sums due to Lessor under the Agreement.

Pursuit by Lessor of any of the foregoing remedies shall not preclude pursuit of any of the other remedies provided by law, nor shall pursuit of any remedy herein provided constitute a forfeiture or waiver of any rent due to Lessor hereunder or of any damages accruing to Lessor by reason of the violation of any of the terms, provisions and covenants of this Agreement. Forbearance by Lessor to enforce one or more of the remedies herein provided upon an event of default shall not be deemed or construed to constitute a waiver of such default. Notwithstanding anything contained in this Agreement to the contrary, no act or omission of Lessor shall be construed as a termination of this Agreement. Lessor shall terminate this Agreement only in writing by mailing or delivering to Lessee notice of such termination.

#### **SECTION 16. DECLARATORY JUDGMENT**

- a. Upon execution of this document by both parties, County shall immediately seek a declaratory judgment as to the rights of the parties under this Lease document. City and County shall contribute equally to the costs of the declaratory judgment; however, City shall contribute not more than Twenty Thousand and No/100 Dollars (\$20,000.00). County shall be responsible for any amounts over Forty Thousand and No/100 Dollars (\$40,000.00).
- b. The declaratory judgment shall specifically request the Court to determine that the uses, and particularly the private uses, contemplated by this Lease are permitted under (i) the original deed granting the Courthouse property to the County or as such deed is reformed under Section 16(c) herein; (ii) the bond covenants of both parties; and (iii) the Texas Constitution.
- c. The parties agree that the declaratory judgment shall petition the Court to reform the deed or any other covenant that affects the uses and users of the Courthouse as contemplated by this lease.

- d. If the Court, after issuance of a final, non-appealable judgment:
- (1) does not grant the entirety of the relief sought;
  - (2) does not issue a judgment that is binding on all future third-party claimants; or
  - (3) determines that the lease is not otherwise valid, then:
- A. City has the option to terminate this Lease upon thirty (30) days written notice to Lessor, forever releasing the parties from performing under any section contained herein should the City in good faith not believe that the declaratory judgment grants the relief sought.
- B. County has the option to terminate this Lease upon sixty (60) days written notice to Lessee, forever releasing the parties from performing under any section contained herein.

#### **SECTION 17. INDEMNITY AND AMORTIZATION**

If (i) Lessor does not terminate this Lease pursuant to Section 16(d)(B), and (ii) any subsequent legal challenge is raised as to the validity or legality of any portion of this Agreement, including the ability of the Parties to execute this Agreement, Lessor shall to the extent allowed by law defend, indemnify and fully hold harmless the Lessee from any such suit, challenge or cause of action, including attorney's fees. If City has not terminated this Lease under Section 16(d)(A) and County has not terminated under Section 16(d)(B), it is presumed that the Court has granted the entirety of the relief sought in the declaratory judgment, and the provisions of this Section 17 shall not apply.

Should a competent court of law finally determine that this Agreement is invalid such that the purposes of this Agreement are voided or annulled, including an order that Lessor retake the Property free of any leasehold, Lessor acknowledges that it is unjustly enriched by the repair, renovation and restoration efforts undertaken by Lessee, and that the value and cost of such efforts shall be reimbursed to Lessee. The Parties agree that the fair market value of Property as set out in Section 20 herein is not determinative of the amount of unjust enrichment in this Section. However, any determination of the value of Lessor's unjust enrichment from the repair, renovation and restoration of Property shall exclude the amount provided by Lessor in Section 6 herein.

Notwithstanding the foregoing, the value of Lessee's repair, renovation and restoration contribution shall be subject to a thirty-year amortization for purposes of this Section. The value of Lessee's contribution shall be either

- A. \$5,400,000.00, or
- B. the Guaranteed Maximum Price on the Commencement Date minus the County's contribution of \$1,000,000.00.

See Exhibit A attached hereto and incorporated herein for the amortization schedule.

**SECTION 18. ATTORNEY'S FEES**

In the event Lessor or Lessee defaults in the performance of any of the terms, covenants, agreements or conditions contained in this Agreement and the other party hereto places the enforcement of this Agreement, or any part thereof, or the collection of any rent of any other charges due, or to become due hereunder, or recovery of the possession of the Leased Premises in the hands of an attorney, or files suit upon the same, it is agreed that the defaulting party shall pay the reasonable attorney's fees incurred by the party not in default.

**SECTION 19. LESSEE OPTION TO PURCHASE**

Upon the latter of the expiration of twenty (20) years from the Commencement Date, or the retirement or extinguishment of all County bonds or other indebtedness related to the Leased Premises or the use thereof (including the Courtroom) pursuant to this Agreement, and to the extent permitted by law, including the provisions of chapter 272 of the Texas Local Government Code, Lessor hereby grants Lessee the exclusive right and option ("Option") to purchase (for the Purchase Price hereinafter provided) the tract of land more particularly described in Exhibit A attached hereto, together with all improvements situated thereon, all fixtures and other property affixed thereto and all and singular the rights and appurtenances pertaining to the Property, including any right, titled and interest in and to adjacent streets, alleys or rights-of-way, during the Option Period as hereinafter defined. The Option shall arise at and continue from and after the expiration of Twenty Years from the Commencement Date, or the expiration of Lessor's bonded indebtedness used to fund improvement costs as set out in Section 6 herein, whichever occurred later, until one year from the expiration of Twenty Years from the Commencement Date or the expiration of Lessor's bonded indebtedness, at which time the Option shall expire ("Option Period").

**SECTION 20. PURCHASE PRICE**

If Lessee exercises the Option as set out in this Lease Agreement, Lessee shall receive a credit toward the purchase price of the Leased Premises in an amount equal to the cost of the improvements to the Leased Premises actually incurred by Lessee pursuant to Section 6 hereof, other than the amount contributed by Lessor; provided, that such credit shall in no event be greater than \$5,400,000.00 or the Guaranteed Maximum Price upon Commencement Date minus the County's contribution of \$1,000,000.00. In the event

that such credit is greater than the fair market value of the Leased Premises, the purchase price for the Leased Premises shall be Ten and No/100 Dollars (\$10.00).

#### **SECTION 21. NONWAIVER**

Neither acceptance of rent by Lessor nor failure by Lessor to complain of any action, non-action or default of Lessee, whether singular or repetitive, shall constitute a waiver of any of Lessor's rights hereunder. Waiver by Lessor of any right for any default of Lessee shall not constitute a waiver of any right for either a subsequent default of the same obligation or any other default.

#### **SECTION 22. RULES AND REGULATIONS**

Lessee shall comply with, and Lessee shall cause its visitors, employees, contractors, agents and invitees to 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, condition occupancy of the Leased Premises, and with the rules and regulations of the Leased Premises reasonably adopted and altered by Lessee from time to time for the safety, care and cleanliness of the Leased Premises and for preservation of good order therein.

#### **SECTION 23. UNLAWFUL OR DANGEROUS USE**

Lessee shall not use or occupy, nor permit the use or occupancy of the Leased Premises or any part thereof for a purpose which, in the good faith judgment of Lessor, is in whole or in part, directly or indirectly forbidden by law, ordinance, or governmental or municipal regulation or order or is disrespectful in any manner, or which is extra hazardous on account of fire, explosion or other casualty; or for a purpose which may be dangerous to life or property; or do or permit anything to be done which would increase the fire and casualty insurance rates on the Leased Premises or its contents.

#### **SECTION 24. SEVERABILITY**

This Agreement shall be construed in accordance with the laws of the State of Texas. If any clause or provision hereof is illegal, invalid or unenforceable, under present or future laws effective during the term hereof, then it is the intention of the parties hereto that the remainder of this Agreement shall not be affected thereby.

#### **SECTION 25. NOTICES**

Whenever in this Agreement it shall be required or permitted that notice or demand be given or served by any party hereto to or upon another, such notice or demand shall be given or served (and shall not be deemed to have been given or served unless) in writing

and delivered personally or sent by Certified or Registered Mail return receipt requested, postage prepaid, addressed as follows:

To the Lessor: Collin County, Texas  
Attn: County Judge  
210 South McDonald, Suite 626  
McKinney, Texas 75069

To the Lessee: City of McKinney, Texas  
Attn: City Manager  
222 N. Tennessee Street  
McKinney, Texas 75069

Either party shall have the right to change its address to which notices shall thereafter be sent by giving the other written notice thereof.

#### **SECTION 26. HOLDING OVER**

Upon the termination of this Agreement for any reason, Lessor shall have the right to re-enter and resume possession of the Leased Premises, provided Lessor complies with Section 17 herein, if applicable

#### **SECTION 27. OBLIGATION OF SUCCESSORS**

It is mutually agreed that all the provisions hereof are to be construed as covenants and agreements as though the words imparting such covenants were used in each separate hereof, and that, except as restricted by the provisions of Section 16 herein, all the provisions hereof shall bind and insure to the benefit of the parties hereto, their respective heirs, legal representatives, successors and assigns.

#### **SECTION 28. ENTIRE AGREEMENT**

This instrument and any attached appendices collectively constitute the entire agreement between the Lessor and Lessee, and no other promises or representations shall be binding unless made in writing and signed by Lessor and Lessee.

#### **SECTION 29. FORCE MAJEURE**

In the event that Lessee shall be delayed, hindered or prevented from the performance of any acts required of Lessee hereunder by reason of acts of gods, riots, fire strike or the unavailability of materials, or any other cause outside the control of Lessee, then performance of such acts shall be excused for the period of the delay, and the period for

the performance of any such acts shall be extended for a period equivalent to the period of such delay.

**SECTION 30. APPROVAL BY LESSOR**

This Agreement is not binding until executed by Lessor and a counterpart delivered to Lessee.

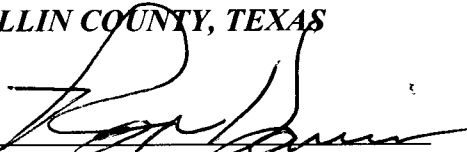
**SECTION 31. AUTHORITY**

Lessor and Lessee warrant that all consents or approvals required of third parties (including but not limited to their respective governing boards and/or councils) for the execution, delivery and performance of this Agreement have been obtained and that Lessor and Lessee have the right and authority to enter into and perform their respective obligations contained in this Agreement.

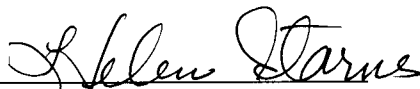
**IN WITNESS WHEREOF**, the Lessor and Lessee, acting herein by duly authorized individuals, have caused there presents to be execute in multiple counterparts, each of which shall have the force and effect of an original, as of the day and year first written above.

**“LESSOR”**

***COLLIN COUNTY, TEXAS***

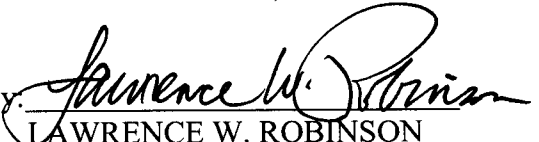
By:   
RONALD L. HARRIS  
County Judge

Attest:


  
HELEN STARNES  
Ex-Officio Clerk  
Commissioners' Court  
Collin County, Texas

**“LESSEE”**

***CITY OF MCKINNEY, TEXAS***

By:   
LAWRENCE W. ROBINSON  
City Manager

Attest:

  
JENNIFER G. SPROULL  
City Secretary  
BEVERLY COVINGTON  
Deputy City Secretary

**EXHIBIT A**

**AMORTIZATION SCHEDULE**

Principal: 5,400,000.00 % Rate: 0.000 Years: 30 Months: 0  
MONTHLY Payment: 15,000.00  
FINAL est. Payment: 15,000.00

Date	No.	Interest	Principal	Balance
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1/2003	1	0.00	15,000.00	5,385,000.00
2/2003	2	0.00	15,000.00	5,370,000.00
3/2003	3	0.00	15,000.00	5,355,000.00
4/2003	4	0.00	15,000.00	5,340,000.00
5/2003	5	0.00	15,000.00	5,325,000.00
6/2003	6	0.00	15,000.00	5,310,000.00
7/2003	7	0.00	15,000.00	5,295,000.00
8/2003	8	0.00	15,000.00	5,280,000.00
9/2003	9	0.00	15,000.00	5,265,000.00
10/2003	10	0.00	15,000.00	5,250,000.00
11/2003	11	0.00	15,000.00	5,235,000.00
12/2003	12	0.00	15,000.00	5,220,000.00
2003 Totals		0.00	180,000.00	

Date	No.	Interest	Principal	Balance
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1/2004	13	0.00	15,000.00	5,205,000.00
2/2004	14	0.00	15,000.00	5,190,000.00
3/2004	15	0.00	15,000.00	5,175,000.00
4/2004	16	0.00	15,000.00	5,160,000.00
5/2004	17	0.00	15,000.00	5,145,000.00
6/2004	18	0.00	15,000.00	5,130,000.00
7/2004	19	0.00	15,000.00	5,115,000.00
8/2004	20	0.00	15,000.00	5,100,000.00
9/2004	21	0.00	15,000.00	5,085,000.00
10/2004	22	0.00	15,000.00	5,070,000.00
11/2004	23	0.00	15,000.00	5,055,000.00
12/2004	24	0.00	15,000.00	5,040,000.00
2004 Totals		0.00	180,000.00	

Date	No.	Interest	Principal	Balance
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1/2005	25	0.00	15,000.00	5,025,000.00
2/2005	26	0.00	15,000.00	5,010,000.00
3/2005	27	0.00	15,000.00	4,995,000.00
4/2005	28	0.00	15,000.00	4,980,000.00

5/2005	29	0.00	15,000.00	4,965,000.00
6/2005	30	0.00	15,000.00	4,950,000.00
7/2005	31	0.00	15,000.00	4,935,000.00
8/2005	32	0.00	15,000.00	4,920,000.00
9/2005	33	0.00	15,000.00	4,905,000.00
10/2005	34	0.00	15,000.00	4,890,000.00
11/2005	35	0.00	15,000.00	4,875,000.00
12/2005	36	0.00	15,000.00	4,860,000.00
2005 Totals		0.00	180,000.00	

Date	No.	Interest	Principal	Balance
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1/2006	37	0.00	15,000.00	4,845,000.00
2/2006	38	0.00	15,000.00	4,830,000.00
3/2006	39	0.00	15,000.00	4,815,000.00
4/2006	40	0.00	15,000.00	4,800,000.00
5/2006	41	0.00	15,000.00	4,785,000.00
6/2006	42	0.00	15,000.00	4,770,000.00
7/2006	43	0.00	15,000.00	4,755,000.00
8/2006	44	0.00	15,000.00	4,740,000.00
9/2006	45	0.00	15,000.00	4,725,000.00
10/2006	46	0.00	15,000.00	4,710,000.00
11/2006	47	0.00	15,000.00	4,695,000.00
12/2006	48	0.00	15,000.00	4,680,000.00
2006 Totals		0.00	180,000.00	

Date	No.	Interest	Principal	Balance
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1/2007	49	0.00	15,000.00	4,665,000.00
2/2007	50	0.00	15,000.00	4,650,000.00
3/2007	51	0.00	15,000.00	4,635,000.00
4/2007	52	0.00	15,000.00	4,620,000.00
5/2007	53	0.00	15,000.00	4,605,000.00
6/2007	54	0.00	15,000.00	4,590,000.00
7/2007	55	0.00	15,000.00	4,575,000.00
8/2007	56	0.00	15,000.00	4,560,000.00
9/2007	57	0.00	15,000.00	4,545,000.00
10/2007	58	0.00	15,000.00	4,530,000.00
11/2007	59	0.00	15,000.00	4,515,000.00
12/2007	60	0.00	15,000.00	4,500,000.00
2007 Totals		0.00	180,000.00	

Date	No.	Interest	Principal	Balance
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1/2008	61	0.00	15,000.00	4,485,000.00
2/2008	62	0.00	15,000.00	4,470,000.00



3/2008	63	0.00	15,000.00	4,455,000.00
4/2008	64	0.00	15,000.00	4,440,000.00
5/2008	65	0.00	15,000.00	4,425,000.00
6/2008	66	0.00	15,000.00	4,410,000.00
7/2008	67	0.00	15,000.00	4,395,000.00
8/2008	68	0.00	15,000.00	4,380,000.00
9/2008	69	0.00	15,000.00	4,365,000.00
10/2008	70	0.00	15,000.00	4,350,000.00
11/2008	71	0.00	15,000.00	4,335,000.00
12/2008	72	0.00	15,000.00	4,320,000.00
2008 Totals		0.00	180,000.00	

Date	No.	Interest	Principal	Balance
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1/2009	73	0.00	15,000.00	4,305,000.00
2/2009	74	0.00	15,000.00	4,290,000.00
3/2009	75	0.00	15,000.00	4,275,000.00
4/2009	76	0.00	15,000.00	4,260,000.00
5/2009	77	0.00	15,000.00	4,245,000.00
6/2009	78	0.00	15,000.00	4,230,000.00
7/2009	79	0.00	15,000.00	4,215,000.00
8/2009	80	0.00	15,000.00	4,200,000.00
9/2009	81	0.00	15,000.00	4,185,000.00
10/2009	82	0.00	15,000.00	4,170,000.00
11/2009	83	0.00	15,000.00	4,155,000.00
12/2009	84	0.00	15,000.00	4,140,000.00
2009 Totals		0.00	180,000.00	

Date	No.	Interest	Principal	Balance
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1/2010	85	0.00	15,000.00	4,125,000.00
2/2010	86	0.00	15,000.00	4,110,000.00
3/2010	87	0.00	15,000.00	4,095,000.00
4/2010	88	0.00	15,000.00	4,080,000.00
5/2010	89	0.00	15,000.00	4,065,000.00
6/2010	90	0.00	15,000.00	4,050,000.00
7/2010	91	0.00	15,000.00	4,035,000.00
8/2010	92	0.00	15,000.00	4,020,000.00
9/2010	93	0.00	15,000.00	4,005,000.00
10/2010	94	0.00	15,000.00	3,990,000.00
11/2010	95	0.00	15,000.00	3,975,000.00
12/2010	96	0.00	15,000.00	3,960,000.00
2010 Totals		0.00	180,000.00	

Date	No.	Interest	Principal	Balance
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1/2011	97	0.00	15,000.00	3,945,000.00
2/2011	98	0.00	15,000.00	3,930,000.00
3/2011	99	0.00	15,000.00	3,915,000.00
4/2011	100	0.00	15,000.00	3,900,000.00
5/2011	101	0.00	15,000.00	3,885,000.00
6/2011	102	0.00	15,000.00	3,870,000.00
7/2011	103	0.00	15,000.00	3,855,000.00
8/2011	104	0.00	15,000.00	3,840,000.00
9/2011	105	0.00	15,000.00	3,825,000.00
10/2011	106	0.00	15,000.00	3,810,000.00
11/2011	107	0.00	15,000.00	3,795,000.00
12/2011	108	0.00	15,000.00	3,780,000.00
2011 Totals		0.00	180,000.00	

Date	No.	Interest	Principal	Balance
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1/2012	109	0.00	15,000.00	3,765,000.00
2/2012	110	0.00	15,000.00	3,750,000.00
3/2012	111	0.00	15,000.00	3,735,000.00
4/2012	112	0.00	15,000.00	3,720,000.00
5/2012	113	0.00	15,000.00	3,705,000.00
6/2012	114	0.00	15,000.00	3,690,000.00
7/2012	115	0.00	15,000.00	3,675,000.00
8/2012	116	0.00	15,000.00	3,660,000.00
9/2012	117	0.00	15,000.00	3,645,000.00
10/2012	118	0.00	15,000.00	3,630,000.00
11/2012	119	0.00	15,000.00	3,615,000.00
12/2012	120	0.00	15,000.00	3,600,000.00
2012 Totals		0.00	180,000.00	

Date	No.	Interest	Principal	Balance
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1/2013	121	0.00	15,000.00	3,585,000.00
2/2013	122	0.00	15,000.00	3,570,000.00
3/2013	123	0.00	15,000.00	3,555,000.00
4/2013	124	0.00	15,000.00	3,540,000.00
5/2013	125	0.00	15,000.00	3,525,000.00
6/2013	126	0.00	15,000.00	3,510,000.00
7/2013	127	0.00	15,000.00	3,495,000.00
8/2013	128	0.00	15,000.00	3,480,000.00
9/2013	129	0.00	15,000.00	3,465,000.00
10/2013	130	0.00	15,000.00	3,450,000.00
11/2013	131	0.00	15,000.00	3,435,000.00
12/2013	132	0.00	15,000.00	3,420,000.00
2013 Totals		0.00	180,000.00	

Date	No.	Interest	Principal	Balance
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1/2014	133	0.00	15,000.00	3,405,000.00
2/2014	134	0.00	15,000.00	3,390,000.00
3/2014	135	0.00	15,000.00	3,375,000.00
4/2014	136	0.00	15,000.00	3,360,000.00
5/2014	137	0.00	15,000.00	3,345,000.00
6/2014	138	0.00	15,000.00	3,330,000.00
7/2014	139	0.00	15,000.00	3,315,000.00
8/2014	140	0.00	15,000.00	3,300,000.00
9/2014	141	0.00	15,000.00	3,285,000.00
10/2014	142	0.00	15,000.00	3,270,000.00
11/2014	143	0.00	15,000.00	3,255,000.00
12/2014	144	0.00	15,000.00	3,240,000.00
2014 Totals		0.00	180,000.00	

Date	No.	Interest	Principal	Balance
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1/2015	145	0.00	15,000.00	3,225,000.00
2/2015	146	0.00	15,000.00	3,210,000.00
3/2015	147	0.00	15,000.00	3,195,000.00
4/2015	148	0.00	15,000.00	3,180,000.00
5/2015	149	0.00	15,000.00	3,165,000.00
6/2015	150	0.00	15,000.00	3,150,000.00
7/2015	151	0.00	15,000.00	3,135,000.00
8/2015	152	0.00	15,000.00	3,120,000.00
9/2015	153	0.00	15,000.00	3,105,000.00
10/2015	154	0.00	15,000.00	3,090,000.00
11/2015	155	0.00	15,000.00	3,075,000.00
12/2015	156	0.00	15,000.00	3,060,000.00
2015 Totals		0.00	180,000.00	

Date	No.	Interest	Principal	Balance
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1/2016	157	0.00	15,000.00	3,045,000.00
2/2016	158	0.00	15,000.00	3,030,000.00
3/2016	159	0.00	15,000.00	3,015,000.00
4/2016	160	0.00	15,000.00	3,000,000.00
5/2016	161	0.00	15,000.00	2,985,000.00
6/2016	162	0.00	15,000.00	2,970,000.00
7/2016	163	0.00	15,000.00	2,955,000.00
8/2016	164	0.00	15,000.00	2,940,000.00
9/2016	165	0.00	15,000.00	2,925,000.00
10/2016	166	0.00	15,000.00	2,910,000.00

11/2016	167	0.00	15,000.00	2,895,000.00
12/2016	168	0.00	15,000.00	2,880,000.00
2016 Totals		0.00	180,000.00	

Date	No.	Interest	Principal	Balance
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1/2017	169	0.00	15,000.00	2,865,000.00
2/2017	170	0.00	15,000.00	2,850,000.00
3/2017	171	0.00	15,000.00	2,835,000.00
4/2017	172	0.00	15,000.00	2,820,000.00
5/2017	173	0.00	15,000.00	2,805,000.00
6/2017	174	0.00	15,000.00	2,790,000.00
7/2017	175	0.00	15,000.00	2,775,000.00
8/2017	176	0.00	15,000.00	2,760,000.00
9/2017	177	0.00	15,000.00	2,745,000.00
10/2017	178	0.00	15,000.00	2,730,000.00
11/2017	179	0.00	15,000.00	2,715,000.00
12/2017	180	0.00	15,000.00	2,700,000.00
2017 Totals		0.00	180,000.00	

Date	No.	Interest	Principal	Balance
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1/2018	181	0.00	15,000.00	2,685,000.00
2/2018	182	0.00	15,000.00	2,670,000.00
3/2018	183	0.00	15,000.00	2,655,000.00
4/2018	184	0.00	15,000.00	2,640,000.00
5/2018	185	0.00	15,000.00	2,625,000.00
6/2018	186	0.00	15,000.00	2,610,000.00
7/2018	187	0.00	15,000.00	2,595,000.00
8/2018	188	0.00	15,000.00	2,580,000.00
9/2018	189	0.00	15,000.00	2,565,000.00
10/2018	190	0.00	15,000.00	2,550,000.00
11/2018	191	0.00	15,000.00	2,535,000.00
12/2018	192	0.00	15,000.00	2,520,000.00
2018 Totals		0.00	180,000.00	

Date	No.	Interest	Principal	Balance
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1/2019	193	0.00	15,000.00	2,505,000.00
2/2019	194	0.00	15,000.00	2,490,000.00
3/2019	195	0.00	15,000.00	2,475,000.00
4/2019	196	0.00	15,000.00	2,460,000.00
5/2019	197	0.00	15,000.00	2,445,000.00
6/2019	198	0.00	15,000.00	2,430,000.00
7/2019	199	0.00	15,000.00	2,415,000.00
8/2019	200	0.00	15,000.00	2,400,000.00

9/2019	201	0.00	15,000.00	2,385,000.00
10/2019	202	0.00	15,000.00	2,370,000.00
11/2019	203	0.00	15,000.00	2,355,000.00
12/2019	204	0.00	15,000.00	2,340,000.00
2019 Totals		0.00	180,000.00	

Date	No.	Interest	Principal	Balance
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1/2020	205	0.00	15,000.00	2,325,000.00
2/2020	206	0.00	15,000.00	2,310,000.00
3/2020	207	0.00	15,000.00	2,295,000.00
4/2020	208	0.00	15,000.00	2,280,000.00
5/2020	209	0.00	15,000.00	2,265,000.00
6/2020	210	0.00	15,000.00	2,250,000.00
7/2020	211	0.00	15,000.00	2,235,000.00
8/2020	212	0.00	15,000.00	2,220,000.00
9/2020	213	0.00	15,000.00	2,205,000.00
10/2020	214	0.00	15,000.00	2,190,000.00
11/2020	215	0.00	15,000.00	2,175,000.00
12/2020	216	0.00	15,000.00	2,160,000.00
2020 Totals		0.00	180,000.00	

Date	No.	Interest	Principal	Balance
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1/2021	217	0.00	15,000.00	2,145,000.00
2/2021	218	0.00	15,000.00	2,130,000.00
3/2021	219	0.00	15,000.00	2,115,000.00
4/2021	220	0.00	15,000.00	2,100,000.00
5/2021	221	0.00	15,000.00	2,085,000.00
6/2021	222	0.00	15,000.00	2,070,000.00
7/2021	223	0.00	15,000.00	2,055,000.00
8/2021	224	0.00	15,000.00	2,040,000.00
9/2021	225	0.00	15,000.00	2,025,000.00
10/2021	226	0.00	15,000.00	2,010,000.00
11/2021	227	0.00	15,000.00	1,995,000.00
12/2021	228	0.00	15,000.00	1,980,000.00
2021 Totals		0.00	180,000.00	

Date	No.	Interest	Principal	Balance
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1/2022	229	0.00	15,000.00	1,965,000.00
2/2022	230	0.00	15,000.00	1,950,000.00
3/2022	231	0.00	15,000.00	1,935,000.00
4/2022	232	0.00	15,000.00	1,920,000.00
5/2022	233	0.00	15,000.00	1,905,000.00
6/2022	234	0.00	15,000.00	1,890,000.00

7/2022	235	0.00	15,000.00	1,875,000.00
8/2022	236	0.00	15,000.00	1,860,000.00
9/2022	237	0.00	15,000.00	1,845,000.00
10/2022	238	0.00	15,000.00	1,830,000.00
11/2022	239	0.00	15,000.00	1,815,000.00
12/2022	240	0.00	15,000.00	1,800,000.00
2022 Totals		0.00	180,000.00	

Date	No.	Interest	Principal	Balance
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1/2023	241	0.00	15,000.00	1,785,000.00
2/2023	242	0.00	15,000.00	1,770,000.00
3/2023	243	0.00	15,000.00	1,755,000.00
4/2023	244	0.00	15,000.00	1,740,000.00
5/2023	245	0.00	15,000.00	1,725,000.00
6/2023	246	0.00	15,000.00	1,710,000.00
7/2023	247	0.00	15,000.00	1,695,000.00
8/2023	248	0.00	15,000.00	1,680,000.00
9/2023	249	0.00	15,000.00	1,665,000.00
10/2023	250	0.00	15,000.00	1,650,000.00
11/2023	251	0.00	15,000.00	1,635,000.00
12/2023	252	0.00	15,000.00	1,620,000.00
2023 Totals		0.00	180,000.00	

Date	No.	Interest	Principal	Balance
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1/2024	253	0.00	15,000.00	1,605,000.00
2/2024	254	0.00	15,000.00	1,590,000.00
3/2024	255	0.00	15,000.00	1,575,000.00
4/2024	256	0.00	15,000.00	1,560,000.00
5/2024	257	0.00	15,000.00	1,545,000.00
6/2024	258	0.00	15,000.00	1,530,000.00
7/2024	259	0.00	15,000.00	1,515,000.00
8/2024	260	0.00	15,000.00	1,500,000.00
9/2024	261	0.00	15,000.00	1,485,000.00
10/2024	262	0.00	15,000.00	1,470,000.00
11/2024	263	0.00	15,000.00	1,455,000.00
12/2024	264	0.00	15,000.00	1,440,000.00
2024 Totals		0.00	180,000.00	

Date	No.	Interest	Principal	Balance
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1/2025	265	0.00	15,000.00	1,425,000.00
2/2025	266	0.00	15,000.00	1,410,000.00
3/2025	267	0.00	15,000.00	1,395,000.00
4/2025	268	0.00	15,000.00	1,380,000.00

5/2025	269	0.00	15,000.00	1,365,000.00
6/2025	270	0.00	15,000.00	1,350,000.00
7/2025	271	0.00	15,000.00	1,335,000.00
8/2025	272	0.00	15,000.00	1,320,000.00
9/2025	273	0.00	15,000.00	1,305,000.00
10/2025	274	0.00	15,000.00	1,290,000.00
11/2025	275	0.00	15,000.00	1,275,000.00
12/2025	276	0.00	15,000.00	1,260,000.00
2025 Totals		0.00	180,000.00	

Date	No.	Interest	Principal	Balance
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1/2026	277	0.00	15,000.00	1,245,000.00
2/2026	278	0.00	15,000.00	1,230,000.00
3/2026	279	0.00	15,000.00	1,215,000.00
4/2026	280	0.00	15,000.00	1,200,000.00
5/2026	281	0.00	15,000.00	1,185,000.00
6/2026	282	0.00	15,000.00	1,170,000.00
7/2026	283	0.00	15,000.00	1,155,000.00
8/2026	284	0.00	15,000.00	1,140,000.00
9/2026	285	0.00	15,000.00	1,125,000.00
10/2026	286	0.00	15,000.00	1,110,000.00
11/2026	287	0.00	15,000.00	1,095,000.00
12/2026	288	0.00	15,000.00	1,080,000.00
2026 Totals		0.00	180,000.00	

Date	No.	Interest	Principal	Balance
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1/2027	289	0.00	15,000.00	1,065,000.00
2/2027	290	0.00	15,000.00	1,050,000.00
3/2027	291	0.00	15,000.00	1,035,000.00
4/2027	292	0.00	15,000.00	1,020,000.00
5/2027	293	0.00	15,000.00	1,005,000.00
6/2027	294	0.00	15,000.00	990,000.00
7/2027	295	0.00	15,000.00	975,000.00
8/2027	296	0.00	15,000.00	960,000.00
9/2027	297	0.00	15,000.00	945,000.00
10/2027	298	0.00	15,000.00	930,000.00
11/2027	299	0.00	15,000.00	915,000.00
12/2027	300	0.00	15,000.00	900,000.00
2027 Totals		0.00	180,000.00	

Date	No.	Interest	Principal	Balance
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1/2028	301	0.00	15,000.00	885,000.00
2/2028	302	0.00	15,000.00	870,000.00

3/2028	303	0.00	15,000.00	855,000.00
4/2028	304	0.00	15,000.00	840,000.00
5/2028	305	0.00	15,000.00	825,000.00
6/2028	306	0.00	15,000.00	810,000.00
7/2028	307	0.00	15,000.00	795,000.00
8/2028	308	0.00	15,000.00	780,000.00
9/2028	309	0.00	15,000.00	765,000.00
10/2028	310	0.00	15,000.00	750,000.00
11/2028	311	0.00	15,000.00	735,000.00
12/2028	312	0.00	15,000.00	720,000.00
2028 Totals		0.00	180,000.00	

Date	No.	Interest	Principal	Balance
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1/2029	313	0.00	15,000.00	705,000.00
2/2029	314	0.00	15,000.00	690,000.00
3/2029	315	0.00	15,000.00	675,000.00
4/2029	316	0.00	15,000.00	660,000.00
5/2029	317	0.00	15,000.00	645,000.00
6/2029	318	0.00	15,000.00	630,000.00
7/2029	319	0.00	15,000.00	615,000.00
8/2029	320	0.00	15,000.00	600,000.00
9/2029	321	0.00	15,000.00	585,000.00
10/2029	322	0.00	15,000.00	570,000.00
11/2029	323	0.00	15,000.00	555,000.00
12/2029	324	0.00	15,000.00	540,000.00
2029 Totals		0.00	180,000.00	

Date	No.	Interest	Principal	Balance
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1/2030	325	0.00	15,000.00	525,000.00
2/2030	326	0.00	15,000.00	510,000.00
3/2030	327	0.00	15,000.00	495,000.00
4/2030	328	0.00	15,000.00	480,000.00
5/2030	329	0.00	15,000.00	465,000.00
6/2030	330	0.00	15,000.00	450,000.00
7/2030	331	0.00	15,000.00	435,000.00
8/2030	332	0.00	15,000.00	420,000.00
9/2030	333	0.00	15,000.00	405,000.00
10/2030	334	0.00	15,000.00	390,000.00
11/2030	335	0.00	15,000.00	375,000.00
12/2030	336	0.00	15,000.00	360,000.00
2030 Totals		0.00	180,000.00	



Date	No.	Interest	Principal	Balance
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1/2031	337	0.00	15,000.00	345,000.00
2/2031	338	0.00	15,000.00	330,000.00
3/2031	339	0.00	15,000.00	315,000.00
4/2031	340	0.00	15,000.00	300,000.00
5/2031	341	0.00	15,000.00	285,000.00
6/2031	342	0.00	15,000.00	270,000.00
7/2031	343	0.00	15,000.00	255,000.00
8/2031	344	0.00	15,000.00	240,000.00
9/2031	345	0.00	15,000.00	225,000.00
10/2031	346	0.00	15,000.00	210,000.00
11/2031	347	0.00	15,000.00	195,000.00
12/2031	348	0.00	15,000.00	180,000.00
2031 Totals		0.00	180,000.00	

Date	No.	Interest	Principal	Balance
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1/2032	349	0.00	15,000.00	165,000.00
2/2032	350	0.00	15,000.00	150,000.00
3/2032	351	0.00	15,000.00	135,000.00
4/2032	352	0.00	15,000.00	120,000.00
5/2032	353	0.00	15,000.00	105,000.00
6/2032	354	0.00	15,000.00	90,000.00
7/2032	355	0.00	15,000.00	75,000.00
8/2032	356	0.00	15,000.00	60,000.00
9/2032	357	0.00	15,000.00	45,000.00
10/2032	358	0.00	15,000.00	30,000.00
11/2032	359	0.00	15,000.00	15,000.00
12/2032	360	0.00	15,000.00	0.00
2032 Totals		0.00	180,000.00	

Grand Totals		0.00	5,400,000.00	
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Office of County Auditor

March 26, 2003

***VIA FACSIMILE (972) 562-5766 AND  
FIRST CLASS MAIL***

Stewart Title North Texas McKinney  
207 N. Church Street  
McKinney, Texas 75069

Attn: Lori Davis

Dear Ms. Davis:

This letter is being provided to you in connection with the closing of the leasehold title policy for the lease/management of the Old Collin County Courthouse located in the downtown square of McKinney, Texas. Pursuant to the instructions of our attorney, Greg Hudson, I hereby represent to you that the funds for the closing of this matter (\$1 million from Collin County and \$5.4 million from the City of McKinney) are being transferred directly between the parties and will not be deposited with Stewart Title as escrow agent.

Sincerely,

A handwritten signature in black ink, appearing to read "Donald W. Cozad", written over a horizontal line.

Donald Cozad  
County Auditor

Agreed and approved:

City of McKinney, Texas

A handwritten signature in black ink, appearing to read "Reggie Neff", written over a horizontal line.

by: Reggie Neff  
Asst. City Manager

R.G.H.  
P. 10/16  
H. 10/16  
J.R.

**COPY**

*In the 219th Judicial District Court  
of the State of Texas  
Curt B. Henderson, Judge Presiding*

No. 219-02692-02

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**EX PARTE**  
**COLLIN COUNTY, TEXAS**  
**AND**  
**CITY OF MCKINNEY, TEXAS**

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**FINAL JUDGMENT**

This action was brought by Collin County, Texas ("County"), and the City of McKinney, Texas ("City"), seeking an expedited declaratory judgment pursuant to Chapter 1205 of the Texas Government Code ("Expedited Declaratory Judgment Act").

The Court determines that it has jurisdiction over the subject matter and the parties to this action. The Court determines that, pursuant to Section 1205.023 of the Expedited Declaratory Judgment Act, it has jurisdiction to render judgment *in rem* in this proceeding and as a class action binding on all persons who (a) reside in the territory of the City and/or of the County, (b) own property located within the boundaries of the City and/or of the County, (c) are taxpayers in the City and/or of the County, or (d) have or claim a right, title, or interest in any property or money to be affected by these proceedings, the issuance of the public securities at issue in this litigation, or the public security authorization related to the public securities at issue in this litigation, including but not limited to the Lease and Management

Agreement entered into between the County and the City on November 8, 2002. Such persons, on whom this judgment is binding, will be referred to, collectively, as the "Interested Parties."

On December 11, 2002, this Court entered an order, in the form of a notice, directed to all Interested Parties, informing them of their right to appear for trial at 10:00 o'clock a.m. on January 6, 2003, and to show cause why the prayers of the County's and the City's petition should not be granted and the proceedings and the public securities authorization validated and confirmed. Notice of this action has been given in accordance with the provisions set forth in the Expedited Declaratory Judgment Act. As evidenced by the Publisher's Affidavits, notice in the form prescribed by Tex. Gov't Code, § 1205.041 was published in the McKinney Courier Gazette in Collin County, Texas on Thursday, December 19, 2002 and Thursday, December 26, 2002, and the Austin American-Statesman in Travis County, Texas on Friday, December 20, 2002, and Friday, December 27, 2002, two newspapers of general circulation. The notice was published once in each of two consecutive calendar weeks, with the date of the first publication before the 14th day before the January 6, 2003 trial date.

The Attorney General of Texas filed an answer in this matter stating that he had no objections to the relief requested by the County and the City. No other persons or Interested Parties<sup>1</sup> filed an answer or made an appearance at or before

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<sup>1</sup> Two of the witnesses (Kevin Slay, chair of the Board of the McKinney Community Development Corporation, and Linda McNeff, President of the Downtown McKinney Association) would qualify as "Interested Parties, but will not be referred to as such herein as they testified as witnesses for the County in full support of the County's and the City's request.

the time set for trial, or prior to the entry of this final judgment.<sup>2</sup>

Even though no other persons or entities filed an answer or appeared at the hearing, the County and the City forthrightly disclosed to the Court that some opposition and arguments had been presented to them in other settings, and attended to those previously known contentions in their evidence and briefs before the Court.

In accordance with the provisions of set forth in Tex. Gov't Code, § 1205.041 and § 1205.065, the cause was tried on January 6, 2003 at 10:00 a.m., the first Monday after the twentieth day after the date the notice order was signed. The case was tried to the Court without a jury.

Having considered the pleadings, evidence, and the arguments of counsel, it is the opinion of this Court that a final judgment should be entered in favor of the County and the City, with the following declarations granted:

1. It is ORDERED, ADJUDGED, and DECLARED that the Lease Management Agreement entered into and agreed to by the County and the City is legal and valid in all respects.
2. It is further ORDERED, ADJUDGED, and DECLARED that the County's proposed expenditure of One Million and No/100 Dollars (\$1,000,000.00) from the proceeds of bonds previously issued by the County for the purpose of renovating, restoring and improving the Old

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<sup>2</sup> A letter found deposited on the judge's bench on Friday, January 3<sup>rd</sup>, 2003 is deemed not to be an answer as it did not comply with the Texas Rules of Civil Procedure. After its discovery, the letter was filed by the Court in the clerk's file. The Court inquired in open court whether there were any persons wishing to respond to the Petition, and the name of the individual that purported to deposit the item was called out in open Court, to which there was no response. The bailiff also announced the case in hall in front of the courtroom.

Collin County Courthouse is legal and valid in all respects; is a valid exercise of the County's authority with respect to the expenditure of such funds related to the public securities issued by the County; and that such proposed expenditure does not violate the terms of the original deed granting the subject property to the County, the bond covenants of the County, or any provision of the laws of the State of Texas or the Texas Constitution.

3. It is further ORDERED, ADJUDGED, and DECLARED that the City's proposed expenditure of Five Hundred Thousand Dollars and No/100 (\$500,000.00) from bonds previously issued by the City, pursuant to the terms and conditions of Section 6 of the Lease Management Agreement for acquiring, constructing, improving, and equipping office facilities for governmental, quasi-governmental and private office uses, including office facilities to be located in the Old Collin County Courthouse, is legal and valid in all respects; is a valid exercise of the City's authority with respect to the expenditure of such funds related to the public securities issued by the City; and that such proposed expenditure does not violate the terms of the original deed granting the subject property to the County, the bond covenants of the City, or any provision of the laws of the State of Texas or the Texas Constitution.

4. It is further ORDERED, ADJUDGED, and DECLARED that the County's and the City's proposed uses of the Leased Premises, as

described in the Lease Management Agreement, including the Old Collin County Courthouse, and any public or private uses authorized under Sections 7 and 9 of the Lease Management Agreement, and all other related expenditures and activities under the Lease Management Agreement, are legal and valid in all respects; are a valid exercise of the County's and City's respective authority with respect to the expenditure of such funds related to the respective public securities issued by the County and the City; and that such proposed expenditures and uses do not violate the terms of the original deed granting the subject property to the County, the bond covenants of the County or the City, or any provision of the laws of the State of Texas or the Texas Constitution.

5. It is further ORDERED, ADJUDGED, and DECLARED that the City may lawfully sublease the entirety of the Leased Premises (with the exception of the Courtroom located in the Leased Premises, depicted in Exhibit One attached hereto) to quasi-governmental entities or private entities for office use, and that such quasi-governmental and/or private use will not violate the terms of the original deed granting the subject property to the County, the bond covenants of the County or the City, or any provision of the laws of the State of Texas or the Texas Constitution.

6. The Court, having taken judicial notice of the quit claim deeds filed of record with the Collin County Clerk's Office by each and every property

owner adjacent to the Old Collin County Courthouse, relinquishing any right, title, and interest in and to, if any, that certain tract or parcel of real property located in Collin County, Texas commonly known as the Old Collin County Courthouse, located at 111 North Tennessee Street, McKinney, Texas 75069, it is further ORDERED, ADJUDGED, and DECLARED that the property owners who are adjacent to the Old Collin County Courthouse do not have any rights in the Old Courthouse property and/or the uses thereof.

7. It is further ORDERED, ADJUDGED, and DECLARED that this final judgment is binding on all persons who (a) reside in the territory of the City and/or of the County, (b) own property located within the boundaries of the City and/or of the County, (c) are taxpayers in the City and/or of the County, or (d) have or claim a right, title, or interest in any property or money to be affected by the issuance of the public securities and the related Lease Management Agreement, and that, pursuant to Section 1205.151 of the Expedited Declaratory Judgment Act, this declaratory judgment shall, as to all matters adjudicated or that could have been adjudicated in this action, be forever binding and conclusive against the County, the City, the Attorney General of Texas, and all Interested Parties, irrespective of whether such parties filed an answer or otherwise appeared herein.

8. It is further ORDERED, ADJUDGED, and DECLARED that, pursuant

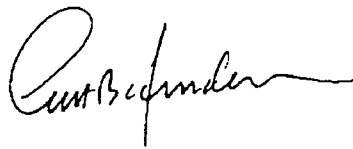


to Section 1205.151 (c) of the Expedited Declaratory Judgment Act, this declaratory judgment shall constitute a permanent injunction against the institution by any person or entity of any action or proceeding contesting or challenging the Lease Management Agreement; the expenditure of the County's and/or City's bond proceeds as described in the Lease Management Agreement; the actual or contemplated uses by the City of the Leased Premises, including the Old Collin County Courthouse; all matters adjudicated by the Court's final judgment in this action; and any matter that could have been raised in these proceedings.

The parties shall bear their own court costs, except that pursuant to Section 1205.067 of the Expedited Declaratory Judgment Act, the costs of the Attorney General of Texas shall be taxed against the County and the City, joint and severally.

The Court denies all relief not granted in this final judgment.

SO ORDERED AND ADJUDGED on this 7th day of January, 2003.

A handwritten signature in black ink, appearing to read "Curt B. Henderson", with a long horizontal flourish extending to the right.

Judge Curt B. Henderson

# STEWART TITLE NORTH TEXAS

September 03, 2003

CITY OF MCKINNEY, TEXAS  
222 N. TENNESSEE STREET  
MCKINNEY, TX 75069

RE: GF# 02502013  
PROPERTY: 111 N. TENNESSEE STREET  
MCKINNEY, TX 75069

CITY MANAGER

In connection with the above transaction we are pleased to enclose your Owner Policy of Title Insurance. Your Deed will be returned directly to you by the County Clerk.

A special file has been set up on your property, therefore, we are now in a position to render you excellent service in future transactions. We sincerely appreciate your business and look forward to working with you in the future.

Sincerely,  
Escrow Officer

A handwritten signature in black ink, appearing to be the initials 'ST' or similar, written in a cursive style.

OWNER'S POLICY OF TITLE INSURANCE ISSUED BY

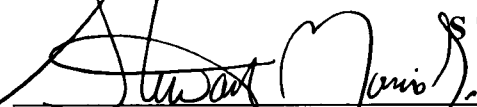
# STEWART TITLE GUARANTY COMPANY

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B AND THE CONDITIONS AND STIPULATIONS, STEWART TITLE GUARANTY COMPANY, a Texas corporation, herein called the Company, insures, as of Date of Policy shown in Schedule A, against loss or damage, not exceeding the Amount of Insurance stated in Schedule A, sustained or incurred by the insured by reason of:

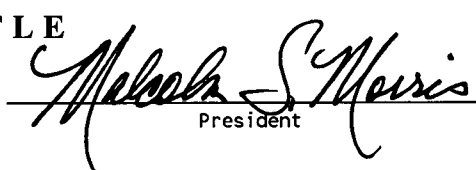
1. Title to the estate or interest described in Schedule A being vested other than as stated therein;
2. Any defect in or lien or encumbrance on the title;
3. Any statutory or constitutional mechanic's, contractor's, or materialman's lien for labor or material having its inception on or before Date of Policy;
4. Lack of a right of access to and from the land.
5. Lack of good and indefeasible title.


The Company also will pay the costs, attorneys' fees and expenses incurred in defense of the title, as insured, but only to the extent provided in the Conditions and Stipulations.

IN WITNESS WHEREOF, Stewart Title Guaranty Company has caused this policy to be signed and sealed by its duly authorized officers as of the Date of Policy shown in Schedule A.

  
 \_\_\_\_\_  
 Chairman of the Board

STEWART TITLE  
 GUARANTY COMPANY

  
 \_\_\_\_\_  
 President

Countersigned:  
  
 \_\_\_\_\_  
 Authorized Countersignature  
 Stewart Title North Texas, Inc.  
 Dallas, Texas



### EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.  
 (b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking that has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters:
  - (a) created, suffered, assumed or agreed to by the insured claimant;
  - (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
  - (c) resulting in no loss or damage to the insured claimant;
  - (d) attaching or created subsequent to Date of Policy;
  - (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the estate or interest insured by this policy.
4. The refusal of any person to purchase, lease or lend money on the estate or interest covered hereby in the land described in Schedule A because of unmarketability of the title.
5. Any claim, which arises out of the transaction vesting in the person named in paragraph 3 of Schedule A the estate or interest insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or other state or federal creditors' rights laws, that is based on either (i) the transaction creating the estate or interest Insured by this Policy being deemed a fraudulent conveyance or fraudulent transfer or a voidable distribution or voidable dividend, (ii) the subordination or recharacterization of the estate or interest insured by this Policy as a result of the application of the doctrine of equitable subordination, or (iii) the transaction creating the estate or interest insured by this Policy being deemed a preferential transfer except where the preferential transfer results from the failure of the Company or its issuing agent to timely file for record the instrument of transfer to the insured after delivery or the failure of such recordation to impart notice to a purchaser for value or a judgment on lien creditor.

Serial No. O-5893-37322

## CONDITIONS AND STIPULATIONS

### 1. DEFINITION OF TERMS.

The following terms when used in this policy mean:

(a) "insured": the insured named in Schedule A, and, subject to any rights or defenses the Company would have had against the named insured, those who succeed to the interest of the named insured by operation of law as distinguished from purchase including, but not limited to, heirs, distributees, devisees, survivors, personal representatives, next of kin, or corporate, partnership or fiduciary successors, and specifically, without limitations, the following: (i) the successors in interest to a corporation resulting from merger or consolidation or the distribution of the assets of the corporation upon partial or complete liquidation; (ii) the partnership successors in interest to a general or limited partnership which dissolves but does not terminate; (iii) the successors in interest to a general or limited partnership resulting from the distribution of the assets of the general or limited partnership upon partial or complete liquidation; (iv) the successors in interest to a joint venture resulting from the distribution of the assets of the joint venture upon partial or complete liquidation; (v) the successor or substitute trustee(s) of a trustee named in a written trust instrument; or (vi) the successors in interest to a trustee or trust resulting from the distribution of all or part of the assets of the trust to the beneficiaries thereof.

(b) "insured claimant": an insured claiming loss or damage.

(c) "knowledge" or "known": actual knowledge, not constructive knowledge or notice that may be imputed to an insured by reason of the public records as defined in this policy or any other records which impart constructive notice of matters affecting the land.

(d) "land": the land described or referred to in Schedule A, and improvements affixed thereto that by law constitute real property. The term "land" does not include any property beyond the lines of the area described or referred to in Schedule A, nor any right, title, interest, estate or easement in abutting streets, roads, avenues, alleys, lanes, ways or waterways, but nothing herein shall modify or limit the extent to which a right of access to and from the land is insured by this policy.

(e) "mortgage": mortgage, deed of trust, trust deed, or other security instrument.

(f) "public records": records established under state statutes at Date of Policy for the purpose of imparting constructive notice of matters relating to real property to purchasers for value and without knowledge. With respect to Section 1(a) (iv) of the Exclusions From Coverage, "public records" also shall include environmental protection liens filed in the records of the clerk of the United States district court for the district in which the land is located.

(g) "access": legal right of access to the land and not the physical condition of access. The coverage provided as to access does not assure the adequacy of access for the use intended.

### 2. CONTINUATION OF INSURANCE AFTER CONVEYANCE OF TITLE.

The coverage of this policy shall continue in force as of Date of Policy in favor of an insured only so long as the insured retains an estate or interest in the land, or holds an indebtedness secured by a purchase money mortgage given by a purchaser from the insured, or only so long as the insured shall have liability by reason of covenants of warranty made by the insured in any transfer or conveyance of the estate or interest. This policy shall not continue in force in favor of any purchaser from the insured of either (i) an estate or interest in the land, or (ii) an indebtedness secured by a purchase money mortgage given to the insured.

### 3. NOTICE OF CLAIM TO BE GIVEN BY INSURED CLAIMANT.

The insured shall notify the Company promptly in writing (i) in case of any litigation as set forth in Section 4(a) below or, (ii) in case knowledge shall come to an insured hereunder of any claim of title or interest that is adverse to the title to the estate or interest, as insured, and that might cause loss or damage for which the Company may be liable by virtue of this policy. If prompt notice shall not be given to the Company, then as to the insured all liability of the Company shall terminate with regard to the matter or matters for which prompt notice is required; provided, however, that failure to notify the Company shall in no case prejudice the rights of any insured under this policy unless the Company shall be prejudiced by the failure and then only to the extent of the prejudice.

When, after the Date of Policy, the insured notifies the Company as required herein of a lien, encumbrance, adverse claim or other defect in title to the estate or interest in the land insured by this policy that is not excluded or excepted from the coverage of this policy, the Company shall promptly investigate the charge to determine whether the lien, encumbrance, adverse claim or defect is valid and not barred by law or statute. The Company shall notify the insured in writing, within a reasonable time, of its determination as to the validity or invalidity of the insured's claim or charge under the policy. If the Company concludes that the lien, encumbrance, adverse claim or defect is not covered by this policy, or was otherwise addressed in the closing of the transaction in connection with which this policy was issued, the Company shall specifically advise the insured of the reasons for its determination. If the Company concludes that the lien, encumbrance, adverse claim or defect is valid, the Company shall take one of the following actions: (i) institute the necessary proceedings to clear the lien, encumbrance, adverse claim or defect from the title to the estate as insured; (ii) indemnify the insured as provided in this policy; (iii) upon payment of appropriate premium and charges therefore, issue to the insured claimant or to a subsequent owner, mortgagee or holder of the estate or interest in the land insured by this policy, a policy of title insurance without exception for the lien, encumbrance, adverse claim or defect, said policy to be in an amount equal to the current value of the property or, if a mortgagee policy, the amount of the loan; (iv) indemnify another title insurance company in connection with its issuance of a policy(ies) of title insurance without exception for the lien, encumbrance, adverse claim or defect; (v) secure a release or other document discharging the lien, encumbrance, adverse claim or defect; or (vi) undertake a combination of (i) through (v) herein.

### 4. DEFENSE AND PROSECUTION OF ACTIONS: DUTY OF INSURED CLAIMANT TO COOPERATE.

(a) Upon written request by the insured and subject to the options contained in Section 6 of these Conditions and Stipulations, the Company, at its own cost and without unreasonable delay, shall provide for the defense of an insured in litigation in which any third party asserts a claim adverse to the title or interest as insured, but only as to those stated causes of action alleging a defect, lien or encumbrance or other matter insured against by this policy. The Company shall have the right to select counsel of its choice (subject to the right of the insured to object for reasonable cause) to represent the insured as to those stated causes of action and shall not be liable for and will not pay the fees of any other counsel. The Company will not pay any fees, costs or expenses incurred by the insured in the defense of those causes of action that allege matters not insured against by this policy.

(b) The Company shall have the right, at its own cost, to institute and prosecute any action or proceeding or to do any other act that in its opinion may be necessary or desirable to establish the title to the estate or interest, as insured, or to prevent or reduce loss or damage to the insured. The Company may take any appropriate action under the terms of this policy, whether or not it shall be liable hereunder, and shall not thereby concede liability or waive any provision of this policy. If the Company shall exercise its rights under this paragraph, it shall do so diligently.

(c) Whenever the Company shall have brought an action or interposed a defense as required or permitted by the provisions of this policy, the Company may pursue any litigation to final determination by a court of competent jurisdiction and expressly reserves the right, in its sole discretion, to appeal from any adverse judgment or order.

(d) In all cases where this policy permits or requires the Company to prosecute or provide for the defense of any action or proceeding, the insured shall secure to the Company the right to so prosecute or provide defense in the action or proceeding, and all appeals therein, and permit the Company to use, at its option, the name of the insured for this purpose. Whenever requested by the Company, the insured, at the Company's expense, shall give the Company all reasonable aid (i) in any action or proceeding, securing evidence, obtaining witnesses, prosecuting or defending the action or proceeding, or effecting settlement, and (ii) in any other lawful act that in the opinion of the Company may be necessary or desirable to establish the title to the estate or interest as insured. If the Company is prejudiced by the failure of the insured to furnish the required cooperation, the Company's obligations to the insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such cooperation.

**STEWART TITLE GUARANTY COMPANY  
SCHEDULE A**

File No.: 02502013  
Owner Policy No.: O-5893-37322

Date of Policy: March 27, 2003

Amount of Insurance: \$6,400,000.00

Premium: \$31,202.00

1. Name of Insured: CITY OF MCKINNEY, TEXAS

2. The estate or interest in the land that is covered by this policy is:

Leasehold Estate created in Lease and Managment Agreement  
executed between Collin County, Texas, as lessor and the City  
of McKinney, as lessee, dated 11/8/2002 filed for the record on  
2/27/2003 and recorded under Clerk's No. 2003-0054957, Real  
Property Records, Collin County, Texas.

3. Title to the estate or interest in the land is insured as vested in:

CITY OF MCKINNEY, TEXAS

4. The land referred to in this policy is described as follows:

Being a tract of land situated in Collin County, Texas out of  
the William Davis Abstract No. 248 said tract of land being  
bounded on the North by Virginia Street, on the South by  
Louisiana Street on the West by Kentucky Street and on the East  
by Tennessee Street, said tract of land being also known as  
Public Square (Historical Collin County Court House) as shown  
on Tax Map for Collin County McKinney Old Donation.

**STEWART TITLE GUARANTY COMPANY  
SCHEDULE B****EXCEPTIONS FROM COVERAGE**

File No.: 02502013

Owner Policy No. O-5893-37322

This policy does not insure against loss or damage (and the Company will not pay costs, attorney's fees or expenses) that arise by reason of the terms and conditions of the leases and easements, if any, shown in Schedule A, and the following matters:

1. Deleted.
2. Any discrepancies, conflicts, or shortages in area or boundary lines, or any encroachments or protrusions, or any overlapping of improvements.
3. Homestead or community property or survivorship rights, if any of any spouse of any insured.
4. Any titles or rights asserted by anyone, including, but not limited to, persons, the public, corporations, governments or other entities,
  - a. to tidelands, or lands comprising the shores or beds of navigable or perennial rivers and streams, lakes, bays, gulfs or oceans, or
  - b. to lands beyond the line of the harbor or bulkhead lines as established or changed by any government, or
  - c. to filled-in lands, or artificial islands, or
  - d. to statutory water rights, including riparian rights, or
  - e. to the area extending from the line of mean low tide to the line of vegetation, or the rights of access to that area or easement along and across that area.
5. Standby fees, taxes and assessments by any taxing authority for the year 2002, and subsequent years, and subsequent taxes and assessments by any taxing authority for prior years due to change in land usage or ownership, but not those taxes or assessments for prior years because of an exemption granted to a previous owner of the property under Section 11.13, Texas Tax Code, or because of improvements not assessed for a previous tax year.
6. The following matters and all terms of the documents creating or offering evidence of the matters (We must insert matters or delete this exception.):
  - a. Rights of parties in possession.

**IMPORTANT NOTICE**

**TO OBTAIN INFORMATION OR MAKE A COMPLAINT:**

**YOU MAY CALL STEWART TITLE GUARANTY COMPANY'S TOLL FREE TELEPHONE NUMBER FOR INFORMATION OR TO MAKE A COMPLAINT AT:**

**1-800-729-1902**

**YOU MAY ALSO WRITE TO STEWART TITLE GUARANTY COMPANY AT:**

**P.O. BOX 2029  
HOUSTON, TEXAS 77252-2029**

**YOU MAY CONTACT THE TEXAS DEPARTMENT OF INSURANCE TO OBTAIN INFORMATION ON COMPANIES, COVERAGES, RIGHTS OR COMPLAINTS AT:**

**1-800-252-3439**

**YOU MAY WRITE THE TEXAS DEPARTMENT OF INSURANCE AT:**

**P.O. BOX 149104  
AUSTIN, TEXAS 78714-9104  
FAX# (512)475-1771**

**PREMIUM OR CLAIM DISPUTES:**

**SHOULD YOU HAVE A DISPUTE CONCERNING YOUR PREMIUM OR ABOUT A CLAIM, YOU SHOULD CONTACT THE COMPANY FIRST. IF THE DISPUTE IS NOT RESOLVED, YOU MAY CONTACT THE TEXAS DEPARTMENT OF INSURANCE.**

**ATTACH THIS NOTICE TO YOUR POLICY:**

**THIS NOTICE IS FOR INFORMATION ONLY AND DOES NOT BECOME A PART OF CONDITION OF THE ATTACHED DOCUMENT.**

Note: Attach this notice as the first, second or third page of the policy.

## CONDITIONS AND STIPULATIONS Continued

### 5. PROOF OF LOSS OR DAMAGE.

In addition to and after the notices required under Section 3 of these Conditions and Stipulations have been provided the Company, a proof of loss or damage signed and sworn to by the insured claimant shall be furnished to the Company within 91 days after the insured claimant shall ascertain the facts giving rise to the loss or damage. The proof of loss or damage shall describe the defect in, or lien or encumbrance on the title, or other matter insured against by this policy that constitutes the basis of loss or damage and shall state, to the extent possible, the basis of calculating the amount of the loss or damage. If the Company is prejudiced by the failure of the insured claimant to provide the required proof of loss or damage, the Company's obligations to the insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such proof of loss or damage.

In addition, the insured claimant may reasonably be required to submit to examination under oath by any authorized representative of the Company and shall produce for examination, inspection and copying, at such reasonable times and places as may be designated by any authorized representative of the Company, all records, books, ledgers, checks, correspondence and memoranda, whether bearing a date before or after Date of Policy, which reasonably pertain to the loss or damage. Further, if requested by any authorized representative of the Company, the insured claimant shall grant its permission, in writing, for any authorized representative of the Company to examine, inspect and copy all records, books, ledgers, checks, correspondence and memoranda in the custody or control of a third party, which reasonably pertain to the loss or damage. All information designated as confidential by the insured claimant provided to the Company pursuant to this Section shall not be disclosed to others unless, in the reasonable judgment of the Company, it is necessary in the administration of the claim. Failure of the insured claimant to submit for examination under oath, produce other reasonably requested information or grant permission to secure reasonably necessary information from third parties as required in this paragraph shall terminate any liability of the Company under this policy as to that claim.

### 6. OPTIONS TO PAY OR OTHERWISE SETTLE CLAIMS; TERMINATION OF LIABILITY.

In case of a claim under this policy, the Company shall have the following additional options:

#### (a) To Pay or Tender Payment of the Amount of Insurance.

(i) to pay or tender payment of the amount of insurance under this policy, together with any costs, attorneys' fees and expenses incurred by the insured claimant, which were authorized by the Company, up to the time of payment or tender of payment and which the company is obligated to pay.

Upon the exercise by the Company of this option, all liability and obligations to the insured under this policy, other than to make the payment required, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, and the policy shall be surrendered to the Company for cancellation.

#### (b) To Pay or Otherwise Settle With Parties Other than the Insured or With the Insured Claimant.

(i) to pay or otherwise settle with other parties for or in the name of an insured claimant any claim insured against under this policy, together with any costs, attorneys' fees and expenses incurred by the insured claimant which were authorized by the Company up to the time of payment and which the Company is obligated to pay; or

(ii) to pay or otherwise settle with the insured claimant the loss or damage provided for under this policy, together with any costs, attorneys' fees and expenses incurred by the insured claimant, which were authorized by the Company up to the time of payment and which the Company is obligated to pay.

Upon the exercise by the Company of either of the options provided for in paragraphs (b)(i) or (ii), the Company's obligations to the insured under this policy for the claimed loss or damage, other than the payments required to be made, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation.

### 7. DETERMINATION, EXTENT OF LIABILITY AND COINSURANCE.

This policy is a contract of indemnity against actual monetary loss or damage sustained or incurred by the insured claimant who has suffered loss or damage by reason of matters insured against by this policy and only to the extent herein described.

(a) The liability of the Company under this policy shall not exceed the least of:

(i) the Amount of Insurance stated in Schedule A;

(ii) the difference between the value of the insured estate or interest as insured and the value of the insured estate or interest subject to the defect, lien or encumbrance insured against by this policy at the date the insured claimant is required to furnish to Company a proof of loss or damage in accordance with Section 5 of these Conditions and Stipulations.

(b) In the event the Amount of Insurance stated in Schedule A at the Date of Policy is less than 80 percent of the value of the insured estate or interest or the full consideration paid for the land, whichever is less, or if subsequent to the Date of Policy an improvement is erected on the land which increases the value of the insured estate or interest by at least 20 percent over the Amount of Insurance stated in Schedule A, then this Policy is subject to the following:

(i) where no subsequent improvement has been made, as to any partial loss, the Company shall only pay the loss pro rata in the proportion that the amount of insurance at Date of Policy bears to the total value of the insured estate or interest at Date of Policy; or

(ii) where a subsequent improvement has been made, as to any partial loss, the Company shall only pay the loss pro rata in the proportion that 120 percent of the Amount of Insurance stated in Schedule A bears to the sum of the Amount of Insurance stated in Schedule A and the amount expended for the improvement.

The provisions of this paragraph shall not apply to costs, attorneys' fees and expenses for which the Company is liable under this policy, and shall only apply to that portion of any loss which exceeds, in the aggregate, 10 percent of the Amount of Insurance stated in Schedule A.

(c) The Company will pay only those costs, attorney's fees and expenses incurred in accordance with Section 4 of these Conditions and Stipulations.

### 8. APPORTIONMENT.

If the land described in Schedule A consists of two or more parcels that are not used as a single site, and a loss is established affecting one or more of the parcels but not all, the loss shall be computed and settled on a pro rata basis as if the amount of insurance under this policy was divided pro rata as to the value on Date of Policy of each separate parcel to the whole, exclusive of any improvements made subsequent to Date of Policy, unless a liability or value has otherwise been agreed upon as to each parcel by the Company and the insured at the time of the issuance of this policy and shown by an express statement or by an endorsement attached to this policy.

### 9. LIMITATION OF LIABILITY.

(a) If the Company establishes the title, or removes the alleged defect, lien or encumbrance, or cures the lack of a right of access to or from the land, all as insured, or takes action in accordance with Section 3 or Section 6, in a reasonably diligent manner by any method, including litigation and the completion of any appeals therefrom, it shall have fully performed its obligations with respect to that matter and shall not be liable for any loss or damage caused thereby.

(b) In the event of any litigation, including litigation by the Company or with the Company's consent, the Company shall have no liability for loss or damage until there has been a final determination by a court of competent jurisdiction, and disposition of all appeals therefrom, adverse to the title as insured.

(c) The Company shall not be liable for loss or damage to any insured for liability voluntarily assumed by the insured in settling any claim or suit without the prior written consent of the Company.

### 10. REDUCTION OF INSURANCE: REDUCTION OR TERMINATION OF LIABILITY.

All payments under this policy, except payments made for costs, attorneys' fees and expenses, shall reduce the Amount of Insurance pro tanto.

### 11. LIABILITY NONCUMULATIVE.

It is expressly understood that the amount of insurance under this policy shall be reduced by any amount the Company may pay under any policy insuring a mortgage to which exception is taken in Schedule B or to which the insured has agreed, assumed, or taken subject to, or which is hereafter executed by an insured and which is a charge or lien on the estate or interest described or referred to in Schedule A, and the amount so paid shall be deemed a payment under this policy to the insured owner.

### 12. PAYMENT OF LOSS.

(a) No payment shall be made without producing this policy for endorsement of the payment unless the policy has been lost or destroyed, in which case proof of loss or destruction shall be furnished to the satisfaction of the Company.



(b) When liability and the extent of loss or damage has been definitely fixed in accordance with these Conditions and Stipulations, the loss or damage shall be payable within 30 days thereafter.

**13. SUBROGATION UPON PAYMENT OR SETTLEMENT.**

**(a) The Company's Right of Subrogation.**

Whenever the Company shall have settled and paid a claim under this policy, all right of subrogation shall vest in the Company unaffected by any act of the insured claimant.

The Company shall be subrogated to and be entitled to all rights and remedies that the insured claimant would have had against any person or property in respect to the claim had this policy not been issued. If requested by the Company, the insured claimant shall transfer to the Company all rights and remedies against any person or property necessary in order to perfect this right of subrogation. The insured claimant shall permit the Company to sue, compromise or settle in the name of the insured claimant and to use the name of the insured claimant in any transaction or litigation involving these rights or remedies.

If a payment on account of a claim does not fully cover the loss of the insured claimant, the Company shall be subrogated to these rights and remedies in the proportion which the Company's payment bears to the whole amount of the loss.

If loss should result from any act of the insured claimant, as stated above, that act shall not void this policy, but the Company, in that event, shall be required to pay only that part of any losses insured against by this policy that shall exceed the amount, if any, lost to the Company by reason of the impairment by the insured claimant of the Company's right of subrogation.

**(b) The Company's Rights Against Non-insured Obligors.**

The Company's right of subrogation against non-insured obligors shall exist and shall include, without limitation, the rights of the insured to indemnities, guaranties, other policies of insurance or bonds, notwithstanding any terms or conditions contained in those instruments that provide for subrogation rights by reason of this policy.

**14. ARBITRATION.**

Unless prohibited by applicable law or unless this arbitration section is deleted by specific provision in Schedule B of this policy, either the Company or the insured may demand arbitration pursuant to the Title Insurance Arbitration Rules of the American Arbitration Association. Arbitrable matters may include, but are not limited to, any controversy or claim between the Company and the insured arising out of or relating to this policy, any service of the Company in connection with its issuance or the breach of a policy provision or other obligation. All arbitrable matters when the Amount of Insurance is \$1,000,000 or less SHALL BE arbitrated at the request of either the Company or the insured, unless the insured is an individual person (as distinguished from a corporation, trust, partnership, association or other legal entity). All arbitrable matters when the Amount of Insurance is in excess of \$1,000,000 shall be arbitrated only when agreed to by both the Company and the insured. Arbitration pursuant to this policy and under the Rules in effect on the date the demand for arbitration is made or, at the option of the insured, the Rules in effect at Date of Policy shall be binding upon the parties. The award may include attorney's fees only if the laws of the state in which the land is located permit a court to award attorney's fees to a prevailing party. Judgment upon the award rendered by the Arbitrator(s) may be entered in any court having jurisdiction thereof.

The law of the situs of the land shall apply to an arbitration under the Title Insurance Arbitration Rules.

A copy of the Rules may be obtained from the Company upon request.

**15. LIABILITY LIMITED TO THIS POLICY: POLICY ENTIRE CONTRACT.**

(a) This policy together with all endorsements, if any, attached hereto by the Company is the entire policy and contract between the insured and the Company. In interpreting any provision of this policy, this policy shall be construed as a whole.

(b) Any claim of loss or damage, whether or not based on negligence, and which arises out of the status of the title to the estate or interest covered hereby or by any action asserting such claim, shall be restricted to this policy.

(c) No amendment of or endorsement to this policy can be made except by a writing endorsed hereon or attached hereto signed by either the President, a Vice President, the Secretary, an Assistant Secretary, or validating officer or authorized signatory of the Company.

**16. SEVERABILITY.**

In the event any provision of the policy is held invalid or unenforceable under applicable law, the policy shall be deemed not to include that provision and all other provisions shall remain in full force and effect.

**17. NOTICES, WHERE SENT.**

All notices required to be given the Company and any statement in writing required to be furnished the Company shall include the number of this policy and shall be addressed to the Company at P.O. Box 2029, Houston, Texas 77252-2029.

**COMPLAINT NOTICE.**

Should any dispute arise about your premium or about a claim that you have filed, contact the agent or write to the Company that issued the policy. If the problem is not resolved, you also may write the Texas Department of Insurance, P.O. Box 149091, Austin, TX 78714-9091, Fax No. (512) 475-1771. This notice of complaint procedure is for information only and does not become a part or condition of this policy.