

STATE OF TEXAS)
)
COUNTY OF EL PASO)

LEASE AGREEMENT

THIS LEASE AGREEMENT is made and entered into this 3rd day of October, 1988, by and between EL PASO COUNTY, TEXAS, a political subdivision of the State of Texas (the "Lessor"), and THE CITY OF EL PASO, TEXAS, a municipal corporation (the "Lessee").

RECITALS

WHEREAS, the Lessor owns a building in the City of El Paso, Texas known as the Momsen, Dunnegan, Ryan Building (the "Building"), as more particularly described on Exhibit A, attached hereto; and

WHEREAS, the Lessee desires to lease space in the Building for municipal courts and other governmental purposes and the Lessor desires to lease to the Lessee such space in the basement and first floor of the Building (the "Premises"), as more particularly described on Exhibit B, attached hereto,

NOW, THEREFORE, in consideration of the foregoing and the mutual terms and provisions contained herein, the parties hereto agree as follows:

SECTION 1. DEMISE OF PREMISES; QUIET ENJOYMENT

1.01. Demise of Premises.

Subject to and upon the terms, conditions, covenants and undertakings hereinafter set forth, the Lessor does hereby demise and lease to the Lessee, and the Lessee does hereby lease from the Lessor the Premises as described on Exhibit B, constituting (i) approximately 19,287.6 square feet of space on the first floor of the Building, and (ii) approximately 16,231.6 square feet of space in the basement of the Building, it being understood that the Lessor will retain approximately 12,212.4 square feet on the first floor and 15,268.4 square feet in the basement.

1.02. Quiet Enjoyment.

Subject to the provisions of Section 10 below, the Lessor covenants and agrees that upon the Lessee paying Rent and performing all of the covenants and conditions of it herein set forth; the Lessee shall and may peaceably and quietly have, hold and enjoy the Premises hereby demised, for the term herein provided.

1.03. Common Facilities.

To the extent that the plans and specifications with respect to the Building approved by the Lessor and the Lessee in accordance with Section 2.04 below provide for common access to the Building, corridor space, restroom facilities or other common space, the lease of the Premises to the Lessee hereunder shall include the right of equal access to and use of such common facilities, subject to the other applicable terms and provisions of this Lease.

1.04. Parking Access.

The Lessor owns the block immediately to the north of the Building, across Overland Street, which is currently used for parking. The Lessee shall be permitted to use such facility to the extent the Lessee's use does not interfere with the use of the property by the Lessor.

SECTION 2. COMMENCEMENT DATE AND TERM; CONSTRUCTION

2.01. Commencement Date.

The commencement date of this Lease is the day and year first above written; and the parties shall have vested rights immediately upon the execution of this Lease, and this Lease shall be binding and in full force and effect in accordance with its terms upon such execution; provided that the right of the Lessee to possession of the Premises and its obligation to pay Rent hereunder shall commence simultaneously on the Possession Date (as hereinafter defined).

2.02. Initial Term of Lease.

The initial term of this Lease shall be for a period of 20 years plus the number of days between the date hereof and the Possession Date, commencing as provided above and terminating on the 20th anniversary of the Possession Date; provided that this Lease may be earlier terminated on the various terms and conditions described in Section 10 below.

2.03. Option to Extend.

If not then in default under this Lease, the Lessee shall have the option to extend this Lease for two additional 20 year periods, which options must be exercised by written notice to the Lessor at least 90 days prior to the end of the immediately preceding term. Such extended term shall be on the same terms and conditions as the initial term, except that the rent payable hereunder shall be adjusted as provided in Section 3.05 below.

2.04. Build-Out of Premises.

(a) It is understood by the parties hereto that the Building has been recently purchased by the Lessor and that various improvements are necessary to make the Building suitable for the purposes of the Lessor and the Lessee. The work to be undertaken by the Lessor will consist of general work required for the general use of the Building (the "General Work") as more particularly described under item A on Exhibit 2.04(a), attached hereto (for purposes of this Lease, exhibits shall bear numbers corresponding to the Section in which they are first referenced). The Lessor will also undertake work for shell build-out for each floor in the Building and specific work for the specific uses of the Lessor on various floors of the Building. The shell build-out work for space to constitute the Premises hereunder (the "City Shell Work") is more specifically described under items C and F on Exhibit 2.04(a). The shell build-out and improvements for space to be occupied by the Lessor (the "County Work") is more specifically described under items B, D, E, G, H, I, J and K on Exhibit 2.04(a). The Lessee understands that the General Work and the City Shell Work is not expected to and will not make the Premises suitable for the Lessee's proposed use of the Premises, but will only provide the Lessee with shell space suitable for further tenant improvement.

(b) It is understood by the parties hereto that the Lessee will undertake significant improvements to the Premises, at its sole cost and expense, to make the Premises suitable for its specific purposes (the "City Improvements") as more particularly described on Exhibit 2.04(b), attached hereto.

(c) Within a reasonable time from the date of this Lease, (i) the Lessor shall furnish to the Lessee plans and specifications with respect to the General Work and the City Shell Work, containing such detail and specificity as are ordinary and usual for such improvements (the "County Plans") and (ii) the Lessee shall furnish to the Lessor plans and specifications with respect to the City Improvements, containing such detail and specificity as are ordinary and usual for such improvements (the "City Plans").

(d) Upon the receipt by the Lessee of the County Plans, the Lessee shall commence a review of such plans and shall, within a reasonable time following the receipt thereof, either (i) notify the Lessor of its acceptance thereof or (ii) notify the Lessor of any reasonable objections it may have to the County Plans, in form and content sufficient for the Lessor to properly analyze the objections and either correct them in the County Plans or otherwise address the objections. The Lessor and the Lessee agree to use their best good faith efforts to resolve any of the

Lessee's objections to the County Plans as soon as practicable following the notice specified in (ii) above. In its review of the County Plans, the Lessee shall primarily consider suitability of the projected work as it relates to the construction contemplated by the City Plans.

(e) Upon the receipt by the Lessor of the City Plans, the Lessor shall undertake a review of and notification with respect thereto on the same basis as provided in (d) above; provided that in the Lessor's review, the Lessor shall primarily consider public safety, structural integrity and the effect of the projected work on any further use of the Building.

(f) The Lessor shall commence the General Work and the City Shell Work as soon as practicable following receipt of the Lessee's notice under (d)(i) above or following the resolution of any objections of the Lessee under (d)(ii) above. The Lessor covenants and agrees to proceed to complete the General Work and the City Shell Work with due diligence and to in any event complete such work to the extent specified in (g) below no later than October 1, 1989, subject to such delays as may arise without the fault of the Lessor.

(g) The Lessor shall notify the Lessee at least 30 days prior to the date it expects to complete the General Work and the City Shell Work, or portions thereof, to such extent that the Lessee will be able to take possession of the Premises, or portions thereof, for commencement of the City Improvements or otherwise. Such date shall be the "Possession Date." If the City Shell Work shall be constructed in phases, the "Possession Date" will be the date Lessee takes possession of the Premises with the fully constructed City Shell Work as more specifically described under items C and F on Exhibit 2.04(a).

(h) Each party shall construct the applicable improvements in a good and workmanlike manner in accordance with all applicable legal requirements, including without limitation applicable public bidding statutes.

SECTION 3. RENT

3.01. Assumptions.

(a) It is the general intent of the parties hereto that the Rent to be paid by the Lessee hereunder shall be based upon the Lessor's costs with respect to the Lessee's use of the Premises, taking into account (i) the cost of the Building (including costs associated with the financing and closing costs); (ii) the cost of the General Work; and (iii) the cost of the City Shell Work. The purpose of this Section 3.01 is to establish certain of the assumptions that will be used in the calculation of the Rent hereunder.

(b) The calculation of Rent shall be based upon the determination of an aggregate amount which represents the Lessee's allocated portion of (i) the cost of the Building (including costs associated with the financing and closing costs); (ii) the cost of the General Work; and (iii) the cost of the City Shell work, the total of such amounts then amortized over a period of 20 years in equal monthly installments (the "Principal Component") with interest calculated on the unamortized amount of the Principal Component outstanding from time to time in arrears based upon the interest paid by the Lessor on the Certificates (as hereinafter defined) for the immediately preceding calendar quarter, plus other costs in the nature of interest, with certain adjustments for refundings or other prepayments (the "Interest Component").

(c) To finance the acquisition of the building and the completion of the improvements with respect thereto, the Lessor has issued those certain El Paso County, Texas Variable Rate Demand General Obligation Certificates of Obligation, Series 1988, in the original principal amount of \$3,000,000 (the "Certificates"). The Certificates bear interest at a variable rate of interest that is adjustable on a weekly basis. The Certificates provide for no specific amortization of principal, but are subject to prepayment at any time. In addition to interest, the Lessor has certain on-going fees to pay in connection with the credit support for and the remarketing of the certificates that add to the cost of Certificates to the Lessor.

(d) The Certificates provide for conversion of the interest rate borne thereby to a fixed rate. Additionally, it is possible that the Lessor may refund the Certificates by the issuance of fixed rate securities or securities bearing interest on some different basis as the Certificates. Further, the Lessor may pay the Certificates in their entirety prior to the time this Lease terminates. If the Certificates are refunded or otherwise refinanced by the Lessor prior to the termination of this Lease, then the Interest Component shall be adjusted to reflect the change in the interest rate effected by the refunding or refinancing. If the Certificates or any refundings or refinancings thereof are paid in full prior to the termination of this Lease, such that Lessor has no further indebtedness that relates to the initial acquisition and renovation of the Building, then for the remaining term of the Lease the Interest Component shall be a fixed rate of interest computed on the basis of the weighted average interest rate borne by the Certificates and any refundings or refinancings thereof from the Possession Date to the date such obligations were paid in full.

3.02. Computation of Principal Component.

Subject to the provisions of Section 3.03 below, the aggregate Principal Component shall be equal to SEVEN HUNDRED THIRTY-NINE THOUSAND SEVENTY-TWO DOLLARS (\$739,072), which will result in a monthly payment in respect of the Principal Component equal to THREE THOUSAND SEVENTY-NINE AND 47/100 DOLLARS (\$3,079.47). The computation of the Principal Component is described on Exhibit 3.02, attached hereto. If the Lessee should occupy less square footage because the City Shell Work is constructed in phases, the computation of the principal component shall be adjusted accordingly until the Lessee takes possession of the total allocated space.

3.03. Adjustment of Principal Component.

Upon the completion of all General Work and City Shell work, the Lessor shall as soon as practicable thereafter calculate the actual amount paid by the Lessor for such work and shall certify such amount in writing to the Lessee. In the event that the cost of the General Work and the City Shell Work as certified by the Lessor shall either be less than or exceed the estimated cost thereof as described on Exhibit 3.02, then the Principal Component shall be adjusted accordingly; provided that such adjustment shall be prospective only, commencing with the Rent payment date next following the determination of the adjustment.

3.04. Computation of Interest Component.

(a) For such time as the Certificates bear interest at a variable rate of interest, the Interest Component shall be determined on a quarterly basis as the weighted average interest rate borne by the Certificates, (including additional charges in the nature of interest), for the immediately preceding three month period, and the Principal Component shall bear and accrue interest at such rate, payable monthly concurrently with each monthly payment in respect of the Principal Component. The Interest Component as determined shall remain in effect for the three months following the quarter from which it is computed, at the end of time it shall be recomputed for the next following quarter.

(b) The Interest Component to be in effect for the first quarter from and including the Possession Date shall be the weighted average interest rate borne by the Certificates during the three months immediately preceding the month in which the Possession Date occurs.

3.05. Rent.

During the term of this Lease, the Lessee hereby covenants

and agrees to pay the Lessor as rent for the Premises the sum of (i) the Principal Component and (ii) the Interest Component, payable in monthly installments as provided above on or before the first business day of each calendar month (collectively, the "Rent"). All Rent herein and such other sums as elsewhere provided to be paid by the Lessee to the Lessor shall be payable at the office of the Lessor specified in Section 15.06 below, or at such other place as the Lessor may from time to time designate, without any setoff or deduction whatsoever and shall be payable in lawful money of the United States which shall be legal tender for the payment of all debts and dues, public and private, at the time of payment or by the Lessee's check, subject to collection. If the Possession Date shall be a date other than the first day of a calendar month the rent for the balance of the month shall be prorated.

3.06. Rent Adjustment.

In the event the Lessee shall exercise either or both of its options pursuant to Section 2.03 above to extend the term of this Lease, the Rent payable each month during such terms shall be equal to the Rent payable for the month immediately preceding the beginning of each such additional term times 70 percent, payable as provided in Section 3.05 above.

3.07. Late Charges.

In the event the Lessee fails to pay any installment of Rent, or other payment due hereunder, on or before the date it is due, the Lessee shall pay to the Lessor a late charge in the amount of \$25 per day that the applicable Rent or other payment is in arrears. This provision for a late charge shall be effective the tenth day after any installment of Rent or other payment is due; provided that a late charge at the rate specified above shall accrue from the first day of the month so that if a payment is made on or after the 11th day of the month, the effective charge will be equal \$25 times the number of the day of the month on which payment is made. The late charge provided for herein shall be in addition to all of the Lessor's other rights and remedies hereunder or at law or in equity and shall not be construed as liquidated damages or as limiting the Lessor's remedies in any manner.

3.08. Operating Expenses.

In addition to the Rent herein reserved to be paid, the Lessee shall pay as additional rent hereunder all items of expense related to the Premises, including taxes and assessments, if any, insurance and utilities, all as provided in Section 4 and 5 below, except to the extent such expenses or a portion thereof are specifically agreed by the Lessor to be paid by it hereunder. Any failure to pay such amounts as and when due shall result in

the imposition of a late charge in each such instance in the same amount and under the same conditions as specified in Section 3.07 above; provided that no late charge shall be applicable to the extent that the amount of any payment required by the Lessor of the Lessee under this Section 3.08 is being contested by the Lessee in good faith by appropriate proceeding.

SECTION 4. TAXES, ASSESSMENTS AND UTILITIES

4.01. Taxes and Assessments.

The Lessee shall pay, as and when due and payable, and to the extent applicable, all taxes and other assessments of whatsoever kind and nature which have been or may be levied against the personal property owned by the Lessee and located in or about the Premises. In addition, the Lessee shall (i) if billed directly to the Lessee, pay as and when due in accordance with their terms or (ii) if billed to the Lessor, pay as and when due in accordance with their terms or, if later, ten days after provided with the applicable statements by the Lessor, any and all taxes and assessments levied against the real property comprising the Premises.

4.02. Utilities.

The Lessee shall pay and discharge, in addition to the Rent herein reserved, all charges by any public or private utility or others for gas, water, sewerage, garbage disposal, security lights, electric power or telephone or other services furnished to or placed upon the Premises during the term hereof and, to the extent allowed by Texas state law, shall hold the Lessor harmless therefrom. With respect to any services furnished to the Premises and billed to the Lessor, which the parties currently anticipate only to be utilities necessary for the cooling and heating of the Building, the Lessee shall pay its share thereof (based upon actual usage, if possible, or if not, by agreement or percentage of the portion of the Building served by such utilities occupied by the Lessee) on the same basis as in Section 4.01(ii) above and, with respect to any services furnished to the Premises and billed directly to the Lessee, the Lessee shall pay and discharge such amounts on the same basis as in Section 4.01(i) above.

SECTION 5. CONDITION OF PREMISES; REPAIR AND MAINTENANCE; RIGHT OF ENTRY; RIGHT TO MAKE REPAIRS

5.01. Condition of Premises.

The Lessee, by its execution of this Lease, expressly acknowledges the fact that it has examined the Premises prior to the execution hereof, and acknowledges that, except with respect

to the improvements contemplated by Section 2.04 above, it has received the Premises in good order and condition.

5.02. Lessor's Obligations.

(a) The Lessor shall throughout the term of this Lease, maintain the roof, outside walls (not including garage, freight or other doors, windows or plate or other glass that constitute part of the Premises) and structural portions of the Building, as well as the heating, cooling and fire sprinkler systems, in good repair and condition, provided the damage thereto shall not have been caused by the negligence of the Lessee or the Lessee's licensees, agents, employees or customers, in which event the Lessee shall be fully responsible, at its sole cost and expense, therefor. The Lessee shall notify the Lessor in writing of the need of any repair required to be made by the Lessor, and the Lessor shall thereafter have a reasonable time in which to cause such repairs to be made in a good and workmanlike condition.

(b) Due to the length of this Lease the Lessee agrees to bear a portion of the cost of any repairs required to be made by the Lessor hereunder, such portion to be borne by the Lessee to be based upon the percentage of the Building (or, in the case of the heating and cooling systems, the percentage of the Building served) constituting the Premises (for purposes of this Agreement, its "Proportionate Share"); provided that for the Lessee to be responsible for a portion of the cost of any repairs hereunder, the repairs must bear a relationship to or otherwise reasonably affect the Premises.

5.03. Lessee's Obligations.

The Lessee shall through the term of this Lease, at its own cost and expense, keep, maintain and preserve or cause to be kept, maintained and preserved the Premises (excluding the obligations of the Lessor pursuant to Section 5.01 and Section 5.02 above) including, but not limited to, the interior of the Premises, the City Improvements and any other leasehold improvements, concrete floor surfaces and floor coverings, all glass and windows of any type and all partitions, doors, fixtures, equipment and appurtenances thereof, including electrical and plumbing, and all other improvements and equipment installed therein or thereabout in good order, condition and repair, making replacements thereof as may be necessary. All repairs, restorations and replacements shall be of quality and class equal to the installations made in connection with the work described in Section 2.04 above and shall be done in a good and workmanlike manner.

5.04. Right of Entry and Inspection.

The Lessee shall permit the Lessor or the Lessor's duly authorized agents, employees or representatives to enter upon the Premises at all reasonable times for the purpose of inspecting the Premises or making such repairs or alterations therein or thereto as may be required hereunder of the Lessor or necessary for the safety and preservation thereof. Further, at any time within 60 days prior to the expiration of this Lease, or any renewal term hereof, the Lessor may enter the Premises for the purpose of showing the Premises to any prospective tenant.

5.05. Right to Make Repairs.

Subject to the provisions of Section 5.02(b) above, each party shall make all repairs, alterations and improvements required of it hereunder at its own cost and expense. However, in the case of the neglect of or default of a party in making any such repairs, the other party may do so during the term hereof and all reasonable costs and expenses thereof with interest thereon at the rate of 14 percent per annum from the date any such sums are expended shall be repaid by the party on behalf of which the repairs were made to the other party immediately upon demand; provided that interest shall not so accrue during any period that any such amounts are being contested by a party hereto in good faith by appropriate proceeding. The receipted bills of the mechanics or contractors employed by the party making the repairs showing the payment by the party for the making of such repairs, alterations or improvements shall be prima facie evidence of the reasonableness of such charges and that they have been paid by the party.

SECTION 6. ALTERATIONS

6.01. Alteration.

During the term of this Lease, the Lessee shall make no alterations, additions or improvements in or to the Premises except to the extent (i) part of the City Improvements; (ii) reasonably necessary for the operation of the Lessee's business on the Premises; or (iii) the written approval of the Lessor first is obtained. Any such alterations, additions or improvements shall at once become a part of the Premises and, subject to the provisions of Section 6.02 below, shall become the property of the Lessor upon the termination of this Lease.

6.03 Lessee's Property.

The Lessee may, at any time and from time to time during the term of this Lease, locate, place, direct or install upon or in

the Premises all such personal property including without limitation machinery, equipment, tools, supplies, appliances and furniture to be used in the Lessee's business or otherwise (collectively, the "Lessee's Property"). The Lessee shall, upon the termination of this Lease, remove the Lessee's Property, and the Lessee, at its sole cost and expense, shall repair all damages to the Premises occasioned by the installation or removal of the Lessee's Property. Any leasehold fixtures or improvements installed by the Lessee pursuant to Section 6.01 above shall, if they can be removed from the Premises without causing irreparable damage, also be included within the definition of the Lessee's Property for all purposes.

SECTION 7. INSURANCE; INDEMNIFICATION

7.01. Fire and Other Casualty Insurance.

The Lessor shall throughout the term of this Lease keep the Building, including the Premises, insured for the benefit of the Lessor and the Lessee, as their interests may appear, against loss or damage by fire, and against loss or damage by other risks embraced by "extended coverage" and against civil commotions, riots, vandalism and malicious mischief. All of such insurance shall be in such amounts and with such companies as the Lessor, following consultation with the Lessee, may determine. The cost of any such insurance shall be borne by the Lessor and the Lessee in their respective Proportionate Shares. In addition, the Lessee agrees to maintain throughout the term of this Lease in full force and effect policies of fire and extended coverage on all of the Lessee's Property and other fixtures, equipment, contents, inventory and other property either situated or installed by the Lessee in the Premises.

7.02. Liability Insurance.

(a) The Lessee shall throughout the term of this Lease provide and keep in force for the benefit of the Lessor and the Lessee, as co-insureds and as their respective interests may appear, comprehensive general liability insurance in an amount not less than \$250,000 for each person and \$500,000 for each single occurrence for bodily injury or death and \$100,000 for each single occurrence for injury.

(b) The Lessor shall throughout the term of this Lease provide and keep in force for the benefit of the Lessor and the Lessee, as co-insureds and as their respective interests may appear, comprehensive general liability insurance for areas in and about the Building constituting common areas in an amount not less than \$500,000 for bodily injury or death arising out of any

one occurrence and not less than \$100,000 for property damage arising out of any one occurrence. Each party shall bear their Proportionate Share of the cost of such insurance.

(c) If the nature of the Lessee's business is such as to place any or all of the employees of the Lessee under the coverage of local worker's compensation or similar statute; then the Lessee shall also keep in full force, at its sole cost and expense, so long as this Lease remains in effect and during such other time as the Lessee occupies the Building, the Premises, or any part thereof, worker's compensation or similar insurance affording statutory coverage within statutory limits.

7.03. Indemnification of Lessor.

To the extent permitted by Texas state law, the Lessee hereby indemnifies and agrees to hold the Lessor harmless from any and all claims, actions, demands, liability and expense in connection with the loss of life, personal injury and/or damaged property, and from any penalty, damage or charge imposed for any violation of any law, restriction or ordinance, arising from or out of any occurrence in, upon or at the Premises, or from or out of the use or occupancy by the Lessee, or any agent or concessionaire of the Lessee, or from or out of any breach of this Lease by, or any act or omission of the Lessee, its agents, contractors, employees, servants, sublessees or concessionaires, provided that such indemnification shall not cover and such damages occasioned by negligence or misconduct of the Lessor, its agents, contractors, employees, servants or concessionaires. In the event the Lessor shall, without fault on its part, be made a party to any litigation commenced by or against the Lessee, then to the extent permitted by Texas state law the Lessee shall protect and hold the Lessor harmless and pay all costs and expenses incurred or paid by the Lessor in connection with such litigation. Costs and expenses shall, in all cases, include reasonable attorneys' fees and other reasonable expenses incurred by the Lessor in enforcing any of the provisions of this Lease or in defending itself against any claim arising hereunder.

7.04. Indemnification of Lessee.

To the extent permitted by Texas state law, the Lessor hereby indemnifies and agrees to hold the Lessee harmless from any and all claims, actions, demands, liability and expense in connection with the loss of life, personal injury and/or damaged property, and from any penalty, damage or charge imposed for any violation of any law, restriction or ordinance, arising from or out of any occurrence in, upon or at the Building other than the Premises, or from or out of the use or occupancy by the Lessor, or any agent or concessionaire of the Lessor, or from or out of any breach of this Lease by, or any act or omission of the

Lessor, its agents, contractors, employees, servants, sublessees or concessionaires, provided that such indemnification shall not cover and such damages occasioned by the negligence or misconduct of the Lessee, its agents, contractors, employees, servants or concessionaires. In the event the Lessee shall, without fault on its part, be made a party to any litigation commenced by or against the Lessor, then to the extent permitted by Texas state law the Lessor shall protect and hold the Lessee harmless and pay all costs and expenses incurred or paid by the Lessee in connection with such litigation. Costs and expenses shall, in all cases, include reasonable attorneys' fees and other reasonable expenses incurred by the Lessee in enforcing any of the provisions of this Lease or in defending itself against any claim arising hereunder.

7.05. Waiver of Subrogation.

The Lessor and the Lessee hereby release each other from any and all liability or responsibility to the other or any one claiming through or under them by way of subrogation or otherwise for any loss or damage to property caused by fire or any of the extended coverage casualties, even if such fire or other casualty shall have been caused by the fault or negligence of the other party, or anyone for whom such party may be responsible; provided, however, this release shall be applicable and in force and effect only with respect to loss or damage occurring during such time as the releasor's policies shall contain a clause or endorsement to the effect that any such release shall not adversely affect or impair said policies or prejudice the right of the releasor to recover thereunder. The Lessor and the Lessee each agree that it will request its insurance carriers to include in its policies such a clause or endorsement.

7.06. Self-Insurance.

The Lessor and the Lessee may, with the reasonable approval of the other, insure against any of the risks described in this Section 7 by provision of self-insurance; provided that consent of a party to the self-insurance of the other with respect to one class of risk shall in no event constitute approval of self-insurance for any further class or in any further instance.

SECTION 8. DESTRUCTION BY FIRE OR CASUALTY;
LOSS AND DAMAGE

8.01. Destruction by Fire or Casualty.

In the event the Building, or any part thereof, shall be damaged by fire, explosion, windstorm or other casualty, then the Lessor shall have the option to rebuild or repair the Building in as good condition as the Building was in immediately prior to

such damage or destruction; such repair or rebuilding to be commenced within a reasonable time after notice in writing by the Lessee to the Lessor of such damage. In such a case, this Lease shall continue in full force and effect, provided however, that if the damage is to the extent that it interferes with the conduct of the Lessee's business in the regular course, the Lessee shall be entitled to an equitable abatement of the rental provided for hereunder unless the Lessor shall establish that such damage was occasioned by the negligence of the Lessee, its agents or employees. In the event the Lessor shall elect not to rebuild or repair the Building, and as a result the Premises are no longer suitable for the uses of the Lessee, the Lessor shall so notify the Lessee within 30 days following the date the Lessor is notified of the casualty in which event this Lease shall terminate and become null and void. In the event of termination, rent and other charges under this Lease shall be prorated and paid to the date of such casualty loss.

8.02. Loss or Damage.

Notwithstanding any other provision in this Lease to the contrary, the Lessor shall not be liable for any damage to the property of the Lessee or of others located on or in the Building, nor for the loss or damage to any property of the Lessee or others by theft or otherwise; and the Lessor shall not be liable for any injury or damage to persons or property resulting from fire, explosion, falling plaster, gas, electricity, plumbing, heating or air conditioning, water, rain, snow, leaks from any part of the Building or from the pipes, appliances or plumbing works or from the roof, street or subsurface or any other place or by dampness, or by any other cause of whatsoever nature; provided that such injury or damage shall not have arisen from the negligence, omission, or misconduct of the Lessor, his agents or successors or persons upon Premises under authority of Lessor. Nor shall the Lessor be liable for any such damage caused by other lessees or persons occupying space within the Building or by the public.

SECTION 9. CONDEMNATION

9.01. Condemnation of All or Substantially All of the Premises

If during the term of this Lease, all or substantially all of the Premises should be taken for any public or quasi-public use under any governmental law, ordinance or regulation or by right of eminent domain, or should it be sold to the condemning authorities under threat of condemnation, this Lease shall terminate on the date possession of the Premises shall be taken thereunder and all rents, taxes and other charges shall be prorated and paid to such date.

9.02. Partial Taking.

(a) If less than all but more than 25 percent of the Premises shall be taken for any public or quasi-public use under any governmental law, ordinance or regulation, or by right of eminent domain, or should be sold to the condemning authorities under threat of condemnation or should access to and from the Premises to a public street be cut off under the power of eminent domain by any public or quasi-public authority or by reason of purchase under threat thereof, the Lessee shall have the option to terminate this Lease as of the date of the taking, by giving notice to the Lessor of such election so to terminate within 30 days from the date of such taking.

(b) In the event of a taking of any portion of the Premises, if this Lease shall not be terminated as provided in (a) above, this Lease shall remain unaffected except (i) the Rent payable hereunder during the unexpired portion of this Lease shall be adjusted so that the Lessee, from and after the date of the taking, shall be required to pay that portion of the monthly rent herein agreed to be paid that the number of square feet remaining of the Premises described in Exhibit B after the taking bears to the number of square feet of the Premises before the taking and (ii) the Lessor shall promptly after such taking and at the cost and expense of the Lessor and the Lessee as provided in Section 5.02(b) above restore that part of the Building not so taken to as near its former condition as the circumstances will permit.

9.03. Condemnation Award.

In case of any such taking, whether of all or any part of the Building or the Premises, and regardless of whether this Lease survives, the entire award shall belong to the Lessor, and the Lessee hereby assigns such award to the Lessor, provided that any amount payable specifically with respect to the leasehold interest of the Lessee shall remain the property of the Lessee, and provided however, it is parties' intention that Lessee recover in the event of a condemnation by a third party, the damages and awards Lessee would be entitled to under the laws of Texas, all other language in this section to the contrary.

9.04. Covenant Against Condemnation.

To the maximum extent permitted by applicable law, the Lessor and the Lessee each covenants and agrees to and with the other that any power of eminent domain or condemnation that either may possess under the Constitution or the laws of the State of Texas shall not be exercised by it against the other with respect to the Building or any portion thereof during the term of this Lease.

SECTION 10. EARLY TERMINATION

10.01. Termination by Lessor.

Notwithstanding the term of this Lease specified in Section 2.02 the Lessor may, upon 18 months prior notice to the Lessee, terminate this Lease; provided that (i) the Lessor pays to the Lessee damages determined pursuant to Section 10.03 below; (ii) the termination occurs on or subsequent to October 1, 2000; and (iii) the termination is for the purpose of allowing the Lessor to use the space represented by the Premises for a bona fide governmental purpose. If the Lessor assigns its rights under this Lease to a person other than the United States of America, any agency or instrumentality thereof, or the State of Texas, a political subdivision, agency or instrumentality thereof, then the Lessor's rights under this Section 10.01 shall terminate and be void and of no force and effect without further action.

10.02. Termination by Lessee.

Notwithstanding the term of this Lease specified in Section 2.02 above, the Lessee may, upon 18 months prior notice to the Lessor, terminate this Lease; provided that (i) the Lessee pays to the Lessor damages determined pursuant to Section 13.03(b) below and (ii) the termination occurs on or subsequent to October 1, 2000.

10.03. Lessee's Damages.

(a) In the event of a termination of this Lease by the Lessor pursuant to Section 10.01 above, the Lessee shall be entitled to damages equal to the appraised value of the loss of the leasehold (the "Leasehold Value"). To determine the Leasehold Value, the Lessor shall select a qualified, independent real estate appraiser who shall appraise the fair market value of the remaining term of the Lessee's Lease hereunder, taking into account (i) the remaining years in the term; including renewal options as if exercised; (ii) the then depreciated cost of the City Improvements and any other leasehold improvements, based upon a 25-year amortization thereof; (iii) the then Rent rate; and (iv) the then prevailing rental rates for similar space.

(b) Should the Lessee disagree with the Leasehold Value as determined by the appraiser selected by the Lessor, the Lessee shall commission an appraisal by a qualified, independent appraiser of its choice; provided that such second appraiser shall appraise the Leasehold Value on the same basis as described in (a) above. In the event the two appraisals as concluded are within ten percent of each other in value, the two shall be averaged and the resulting figure shall be the Leasehold Value, binding on each party.

(c) Should the two appraisals differ by an amount in excess of ten percent, unless the parties otherwise agree, the two appraisers shall themselves designate a third, who shall review both appraisals and determine the Leasehold Value based upon such review and such other investigation as such third appraiser deems necessary. The determination of the Leasehold Value by the third appraiser shall be conclusive and binding on both parties.

(d) The cost of the first appraisal shall be borne by the Lessor. The cost of the second appraisal shall be borne by the Lessee, unless the value determined by the second appraisal is within ten percent of the first appraisal, in which event the cost shall be borne by the parties equally, as shall be the cost of the third appraisal, if any.

(e) A termination of this Lease by the Lessor under Section 10.01 above shall be effective on the date specified in the Lessor's notice, notwithstanding the pendency of a determination of the Leasehold Value hereunder, which shall be done as expeditiously as possible.

SECTION 11. ASSIGNMENTS; SUBLETTING

11.01. Lessee's Right to Assign or Sublet.

The Lessee shall not assign this Lease or any interest therein, and shall not sublease or sublet the Premises or any interest therein, except by the written permission and consent of the Lessor being first had and obtained, references elsewhere herein to assignees or sublessees notwithstanding. Any subleasing or assignment, even with the approval of the Lessor, shall not relieve the Lessee from liability for payment of rental herein provided or from the obligation to keep and be bound by the terms, conditions and covenants of this Lease. Acceptance of rent from any other person shall not be deemed to be a waiver of any of the provisions of this Lease or a consent to the assignment or subletting of the Premises. Consent to one assignment or subletting shall not constitute a consent of any subsequent or other assignment or subletting. This prohibition against assignment and subletting shall be construed to include a prohibition against any subletting or assignment by operation of law. Notwithstanding the foregoing, under no circumstances shall any portion of the Premises be assigned or sublet to any person for a use described in Section 14.02 below.

11.02. Lessor's Right to Assign.

The Lessor may assign, in whole or in part, the Lessor's interest in this Lease and may sell all or part of the Building, provided that (i) the Lessor provides the Lessee with at least 30

days prior notice thereof; (ii) such assignment or sale does not adversely affect the rights of the Lessee hereunder; and (iii) unless the assignment or sale is to the United States, the State of Texas, or a political subdivision thereof, or an agency or instrumentality of any of the foregoing, the Lessee approves such assignment or sale in its reasonable discretion.

SECTION 12. DEFAULT

12.01. Events of Default.

It shall be an event of default by the Lessee hereunder if (a) the Lessee shall fail to pay Rent or other sums agreed to be paid by the Lessee to the Lessor as herein required; (b) the Lessee shall fail to observe or perform any of its obligations hereunder; (c) at any time during the term of this Lease the Lessee shall file or be subject to in any court a petition in bankruptcy or insolvency or reorganization within the meaning of any applicable state or federal bankruptcy laws; or (d) the Lessee abandons the Premises or ceases the operation of its business on the Premises for a period of 60 days, excluding any period occasioned by acts or omissions of the Lessor.

12.02. Lessor's Remedies.

(a) Upon the occurrence of an event of default enumerated in subsection (a) or (b) of the Section 12.01 above, should such default remain uncured after 30 days notice of default, or ten days in the case of nonpayment of rent or any other sums due hereunder, the Lessor may at once thereafter or at any time subsequent during the existence of such breach or default enter into and upon the Premises or any part thereof and repossess the Premises, expelling and removing therefrom all persons and property (which property may be removed and stored at the cost, and for the account of the Lessee), using such force as may be necessary, and either (i) terminate this lease, holding the Lessee liable for damages for its breach, or (ii) without terminating this Lease, relet the Premises or any part thereof upon such terms and conditions as appear advisable to the Lessor, it being expressly agreed that no duty or obligation shall exist on the part of the Lessor to relet the Premises or otherwise mitigate its damages. If the Lessor shall proceed in accordance with (ii) above, should the net amount received, if any, from reletting the Premises during any month or part thereof be less than the Rent due and owing from the Lessee during such month or part thereof under the terms of this Lease, the Lessee shall pay such deficiency immediately upon calculation thereof and demand therefor by the Lessor. Upon the occurrence of an event of default enumerated in subsection (c) of Section 12.01 above, the Lessor may, if the Lessor so elects, at any time thereafter

terminate this Lease and the term hereof, upon giving to the tenant ten days notice in writing of the Lessor's intention so to do, and this Lease and the term hereof shall expire and come to an end on the date fixed in such notice as if said date were the date originally fixed in this Lease for the expiration hereof. If Lessor declares the lease in default and takes possession, no further penalties or late charges shall accrue.

(b) In addition to the foregoing, the Lessee agrees to compensate and reimburse the Lessor for all expenses necessary to relet the Premises, including any repairs, replacements, advertisements and brokerage fees and any increase in insurance premiums created by the Lessee's default hereunder.

(c) Notwithstanding the foregoing, any event of default (except failure to pay Rent or any other amount due hereunder), the curing of which shall actually require more than 30 days because of any cause beyond the Lessee's control, shall be deemed cured by the Lessee if the Lessee shall have commenced to cure the default within the 30-day period and shall thereafter have successfully prosecuted the cure of the default with due diligence.

12.03. Lessor's Right to Cure.

If the Lessee shall be in default in the performance of the covenants contained herein the Lessor shall have the right to make any payment or perform any act required of the Lessee under any provision of this Lease, and, in exercising such rights, to incur necessary and incidental costs and expenses, including reasonable attorneys' fees. All payments made and all costs and expenses incurred by the Lessor in connection with any exercise of such right, together with interest thereon at the rate of 14 percent per annum from the respective dates of the making of such payments or the incurring of such costs and expenses, shall be reimbursed by the Lessee immediately upon demand; provided that no interest shall be applicable to the extent that the amount of any payment required by the Lessor of the Lessee under this Section 12.03 is being contested by the Lessee in good faith by appropriate proceeding. Notwithstanding the foregoing, nothing herein shall imply any obligation on the part of the Lessor to make any payment or perform any act required of the Lessee hereunder.

12.04. Remedies Cumulative.

All rights and remedies of the Lessor herein enumerated shall be cumulative and none shall exclude any right or remedy allowed by law. Likewise, the exercise by the Lessor of any remedy provided for herein or allowed by law shall not be to the exclusion of any other remedy.

SECTION 13. SURRENDER UPON TERMINATION; HOLDING OVER;
TERMINATION VALUE

13.01. Surrender Upon Termination.

Upon the expiration or sooner termination of this Lease, the Lessee, at its sole cost and expense, shall quietly and peaceably surrender possession of the Premises in good order and repair and in a clean and sanitary condition, loss occasioned by ordinary wear and tear excepted. It is expressly agreed and understood that, upon and after expiration or sooner termination of this Lease, any and all alterations, additions and improvements, except property constituting the Lessee's Property, made by the Lessee during the term hereof in accordance with the provisions contained in Section 6.01 above or otherwise, whether attached to the walls, floors, premises or not, shall immediately merge and become a permanent part of the Premises and any and all interests of the Lessee therein shall immediately vest in the Lessor and all such alterations, additions and improvements shall remain on the Premises and shall not be removed by the Lessee at the termination of this Lease. Any of the Lessee's Property shall be removed by the Lessee at its expense on or before the termination date of this Lease.

13.02. Holding Over

Except as otherwise herein expressly provided, there shall not be any holding over by the Lessee or any assignee or sublessee beyond the expiration or sooner termination of the term of this Lease; if, nevertheless, there be a holding over by the Lessee or any assignee or sublessee, such shall give rise to a month-to-month tenancy upon the same terms and conditions as are provided for herein.

13.03. Termination Value.

(a) Upon the termination of this Lease by the Lessee pursuant to Section 10.02 above, the Lessee shall pay to the Lessor the Termination Value for the applicable period determined in accordance with (b) below. In addition, the Termination Value shall also be payable in the event it is finally determined by a court of appropriate jurisdiction that the Lessee purposefully breached this Lease with the intent to vacate the Premises.

(b) The Termination Value is to be computed by (i) totaling the aggregate amount of rentals remaining to be paid to the Lessor under the minimum remaining initial term of this Lease, assuming that this Lease were to remain in full force and effect from the date of termination to the day of the minimum remaining

intitial term of this Lease and assuming an Interest Component equal to the greatest Interest Component in effect at any time during the immediately preceding 12 month period; (ii) discounting the sum in (i) above to the date of completion at a rate equal to the per annum rate of interest borne by six week United States Treasury Bills as announced at the auction closest in time to the date of termination to determine the present value of the payment stream.

SECTION 14. SIGNS; USE OF PREMISES

14.01. Signs

The Lessor agrees that the Lessee may at its own expense erect and maintain such billboards or signs to advertise the purpose for which the Lessee is leasing the Premises. Upon the expiration of this Lease, or any renewal or extension hereof, the Lessee shall remove any signs erected by it and shall repair any damage to the Premises caused thereby at the Lessee's own expense. Further, at any time within 60 days prior to the termination of this Lease, or any renewal or extension thereof, the Lessor shall have the right to place upon any part of the Premises any "for rent" or "for sale" signs that the Lessor may select.

14.02. Use of Premises.

The Lessee agrees to use and occupy the Premises solely for the purposes of conducting bona fide government business including without limitation operation of municipal courts and location of evidence storage rooms and to conform and comply with all applicable municipal, state and federal ordinances, laws, rules and regulations in using the Premises; and not to use or suffer to be used the Premises in any manner in contravention of any applicable municipal, state or federal ordinances, laws, rules and regulations.

SECTION 15. MISCELLANEOUS

15.01. Headings.

The titles and headings given to any section herein are for convenience only and do not define, limit or construe the contents of such sections.

15.02. Binding Effect.

The Lease shall be binding upon and inure to the benefit of the parties hereto, their successors and assigns.

15.03. Gender and interpretation.

As used in this Lease and whenever required by the context thereof, each number, both singular or plural, shall include all numbers, and each gender shall include all genders.

15.04. Governing Law.

The laws of the State of Texas shall govern the validity, performance and enforcement of this Lease.

15.05. Attorney's Fees.

If it shall become necessary for either of the parties hereto to employ an attorney to enforce or defend any rights or remedies hereunder, and should such party prevail, such party shall be entitled to reasonable attorneys' fees, court costs and other expenses incurred in such connection.

15.06. Notices.

All notices provided to be given under this Agreement shall be given by hand delivery, or by certified or registered mail, postage prepaid, addressed to the proper party, or be confirmed telex:

If to the Lessor: El Paso County, Texas
El Paso County Courthouse
500 E. San Antonio
El Paso, Texas 79901
Attention: County Judge

If to the Lessor: City of El Paso, Texas
City Hall
#2 Civic Center Plaza
El Paso, Texas 79901
Attention: Mayor

The address of either party may be changed from time to time by giving written notice to that effect.

15.07. Waiver.

One or more waivers of any covenant, term or condition of this Lease by either party shall not be construed by the other party as a waiver of any subsequent breach of the same covenant, term or condition. The consent or approval of either party to or of any act by the other party of a nature requiring consent or approval shall not be deemed to waive or render unnecessary consent to or approval of any subsequent similar act.

15.08. Severability

Every provision of this Lease is intended to be severable. If any term or provision hereof is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity of the remainder of this Lease.

15.09. Tax Covenants.

(a) The Lessee covenants and agrees that it will not allow the Premises or any portion thereof to be used in the trade or business of any person other than a governmental unit.

(b) That the Lessee shall take no action which would cause an Event of Taxability as that term is defined in that certain Order Authorizing the Issuance of Certificates of Obligations, adopted by the Commissioners Court of El Paso on July 11, 1988.

15.10. Entire Agreement and Amendment.

This Lease shall constitute the entire understanding of the parties hereto with respect to the subject matter hereof and no amendment, modification or alteration of the terms hereof shall be binding unless the same be in writing, dated subsequent to the date hereof and duly executed by the parties hereto.

15.11. Recording.

The Lessor and the Lessee hereby agree not to record this Lease, but each party agrees to execute upon request of either a "short form lease" or "notice of lease" suitable for recording purposes.

15.12. Certain Interim Agreements.

Prior to such time as the Premises are available for occupancy by the Lessee, the parties agree that (i) the Lessee shall provide temporary facilities for its municipal courts at its sole cost and expense and (ii) the Lessor will attempt to provide temporary space for evidence storage for the Lessee at a rental rate to be agreed upon by the parties.

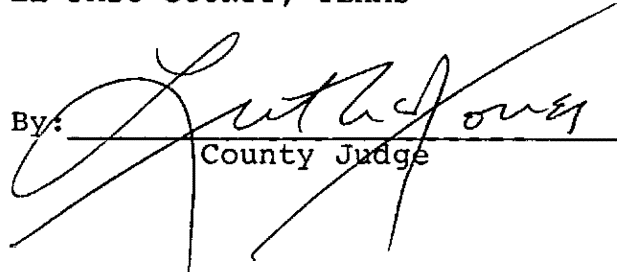
IN WITNESS WHEREOF, the undersigned Lessor and Lessee have executed this Agreement as of the day and year first above written.

SIGNATURES FOLLOW TO NEXT PAGE

SIGNATURE PAGE FOR LEASE AGREEMENT

EL PASO COUNTY, TEXAS

By: _____

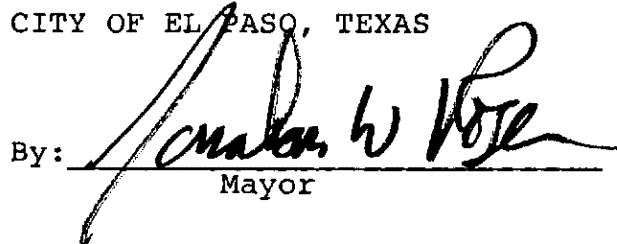

County Judge

ATTEST:



County Clerk - Chief Deputy

CITY OF EL PASO, TEXAS

By: _____


Mayor

ATTEST:


City Clerk

KD52-002