

**LUBBOCK REESE REDEVELOPMENT AUTHORITY (LRRRA)  
REGULAR MEETING AGENDA OF THE BOARD OF DIRECTORS**

Date: Wednesday, August 28, 2024

Time: 8:00 a.m.

Place: Reese Technology Center, LRRRA Board Room, 9801 Reese Blvd, Suite 200, Lubbock, TX 79416

AGENDA ITEMS	TAB	SPEAKER
Call the Meeting to Order		Tim Pierce
1. Citizen Comments - Any citizen wishing to appear before a regular meeting of the Lubbock Reese Redevelopment Authority Board of Directors, regarding any matter posted on the Board Agenda, shall complete the sign-up form provided at the meeting, no later than 7:45 a.m.	TAB 1	Tim Pierce
2. Discussion Item – LRRRA FY2023 Annual Financial Audit	TAB 2	Sara Specht via Zoom
3. a. Hold an Executive Session, in accordance with V.T.C.A. Government Code, Section 551.072, regarding certain matters concerning real property. Discussions regarding interest in the lease, sale, or value of buildings and property.	TAB 3	John Tye Muvat Musa
b. Hold an Executive Session, in accordance with V.T.C.A. Government Code, Section 551.074(a), Deliberations Regarding Personnel Matters: <ul style="list-style-type: none"> <li>• Executive Director</li> <li>• Manager of Business Development</li> <li>• Manager of Accounting</li> <li>• Manager of Operations</li> <li>• Operations Lead</li> <li>• Service Technician</li> <li>• Service Technician</li> <li>• Service Technician</li> <li>• Operations, Marketing, Customer Care Coordinator</li> <li>• Administrative Assistant</li> <li>• Board of Directors</li> </ul>		Muvat Musa
c. Hold an Executive Session, in accordance with V.T.C.A. Government Code, Section 551.071, Consultation with Attorney.		Darrell Guthrie
4. Action Item – Consider Minutes of the June 26, 2024, Board of Directors Meeting and the July 22, 2024, Executive Committee Meeting	TAB 4	Tim Pierce
5. Action Item – Ratify Action by Executive Committee Approving Fifth Amendment to Lease Agreement for Texas Tech University, National	TAB 5	Muvat Musa

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Wind Institute 67 Acre Land Lease, to Revise Land Area From 67 Acres to 48 Acres		
6. Action Item – Ratify Action by Executive Committee Approving New Lease for National Technology and Engineering Solutions of Sandia, LLC aka Sandia National Laboratories for 19 Acres of Land	TAB 6	Murvat Musa
7. Action Item – Consider Texas Tech University, Technology Operations and System Management (TOSM) Data Center Co-Location Facility Lease	TAB 7	Murvat Musa
8. Action Item – Consider Interagency Cooperation Contract for Texas Tech University, Campus Area Maintenance	TAB 8	Murvat Musa
9. Action Item – Consider KBR Wyle Services, LLC, Event Service Agreement	TAB 9	Murvat Musa
10. Action Item – Consider New Lease for Helicopter Express, LLC for Building 82	TAB 10	Murvat Musa
11. Action Item – Consider Lease Termination Agreement and New Lease for AECOM for Building 70	TAB 11	Murvat Musa
12. Action Item – Consider Lease Termination Agreement and New Lease for SES Civil and Environmental, LLC, d/b/a Aerostar SES, LLC for Building 70	TAB 12	Murvat Musa
13. Discussion Item – Preliminary FY2025 Operating, Data Center/Fiber Optics, & Capital Budgets	TAB 13	Murvat Musa
14. Discussion Item – Financial Reports, Response to Audit Findings, and Third Quarter Investment and Collateralization Report	TAB 14	Sandy Hamilton Murvat Musa
15. Discussion Item – Reese Events & Activities	TAB 15	Murvat Musa
Adjourn the Meeting		Tim Pierce

Lubbock Reese Redevelopment Authority (LRRRA) will post this meeting agenda on its front doors and on its website at <http://www.reesetechnologycenter.com/agendas/> by 5:00 p.m., Friday, August 23, 2024.

by: \_\_\_\_\_  
Murvat Musa, ED/CEO

The LRRRA Board meetings are available to all persons regardless of disability. To notify the LRRRA of your attendance or if you require special assistance, please contact them at (806) 885-6592 or write Reese Technology Center, 9801 Reese Blvd., Suite 200, Lubbock, Texas 79416 at least 48 hours in advance of the meeting.

ITEM 1

# Citizen Comments

ITEM 2

LRRA  
FY2023  
Annual  
Financial Audit  
Information





Independent Auditor's Report

Opinion on the Financial Statements

- Unmodified - Best opinion available
  - ◇ Financial statements are presented fairly in accordance with accounting principles generally accepted in the United States of America.
  - ◇ No audit areas where an opinion could not be rendered.

Financial Statement Highlights

Statement of Net Position

- **Assets and Deferred Outflows of Resources** — The past three years shows a consistent increase in assets and deferred outflows; however, in fiscal year 2022 the significant increase was related to the implementation of GASB Statement No. 87, *Leases*. During fiscal year 2023, the balance decreased primarily due to capital assets, pension assets, and lease receivables.
- **Liabilities and Deferred Inflows of Resources** — The past three years shows a consistency in total liabilities and deferred inflows of resource; however, due to the implementation of GASB Statement No. 87, *Leases*, the Authority saw a significant increase in deferred inflows of resources—leases during fiscal year 2022. The decrease in fiscal year 2023 is tracking with the change in lease liabilities.
- **Net Position** — The past five years show an overall increase in total net position of \$2,939,944.

Statement of Revenues, Expenses and Changes in Net Position

- **Operating Revenues** — Total operating revenues have increased over the past five years by 781,495.
- **Operating Expenses** — Total operating expenses have increased since 2020 however, they decreased for 2023.

Financial Statements	2019	2020	2021	2022	2023
Total assets and deferred outflows of resources	\$ 10,874,330	\$ 11,414,718	\$ 12,030,070	\$ 19,683,260	\$19,459,879
Total cash & investments	3,386,092	4,140,223	4,744,064	3,798,583	4,910,181
Total capital assets	7,062,764	6,960,362	6,991,487	8,437,263	8,207,923
Total pension asset	-	71,162	39,055	215,327	156,524
Total liabilities and deferred inflows of resources	586,339	494,548	629,777	7,443,498	6,231,944
Total debt	14,127	11,271	8,242	5,036	1,645
Total pension liability	8,337	-	-	-	-
Total operating expenses	3,388,359	2,715,381	3,061,787	3,799,230	3,154,940
Total operating revenues	3,104,047	3,281,352	3,343,013	3,544,632	3,885,542
Total operating income/(loss)	(284,312)	565,971	281,226	(254,598)	730,602
Total non-operating revenues/(expenses)	70,785	66,208	198,897	1,094,067	257,571
Total net position	10,287,991	10,920,170	11,400,293	12,239,762	13,227,935



**Lubbock Reese Redevelopment Authority**

**FINANCIAL STATEMENTS**

**September 30, 2023**

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# REPORT



## **INDEPENDENT AUDITOR'S REPORT**

The Board of Directors  
Lubbock Reese Redevelopment Authority  
Lubbock, Texas

### ***Opinion***

We have audited the accompanying financial statements of the business-type activities of Lubbock Reese Redevelopment Authority (the Authority), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of September 30, 2023, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 9 through 21, the schedule of changes in the Authority's net pension liability/(asset) and related ratios, the schedule of Authority's contributions, and the notes to the required supplementary information on pages 56 through 61 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Carr, Riggs & Ingram, L.L.C.*

Carr, Riggs & Ingram, LLC  
Lubbock, Texas  
August 15, 2024

## **Lubbock Reese Redevelopment Authority Management's Discussion and Analysis**

This section of Lubbock Reese Redevelopment Authority's annual financial report presents management's discussion and analysis of Lubbock Reese Redevelopment Authority's financial performance during the fiscal year that ended September 30, 2023. Please read it in conjunction with Lubbock Reese Redevelopment Authority's financial statements, which follow this section.

### **OVERVIEW OF THE ORGANIZATION**

As described Note 1 to these financial statements, the Lubbock Reese Redevelopment Authority's (the Authority) purpose is to transition the properties of the former Reese Air Force Base in Lubbock, Texas following its closure in September 1997. The Authority operates under a d/b/a known as Reese Technology Center. With the assistance of federal, state, and local grants and development programs, the Authority's goal is to transfer such land and property into a business campus with a technology, research, engineering, education, and manufacturing theme. This task involves acquiring, repairing, or improving, managing, and marketing the available facilities as well as replacing the jobs that were lost when the base was closed. The nature of the operations of the Authority will change over time as the organization reaches its intended goal. Upon successful completion of its task, the Authority will likely emerge as a property management, marketing, and/or development entity. At that point in time, the entity will transition from a governmental entity into another form, either for-profit or not-for-profit in nature, depending on projected future activities of the organization.

Therefore, it is important to note that items comprising operations of the Authority would not be considered operating in nature to other governmental organizations. For example, property sales and lease income will be the typical operating activities of the Authority; however, these activities are not usually found in other governmental entities. In addition, typical revenues of traditional governmental entities, such as taxes, are not available to the Authority.

### **FINANCIAL HIGHLIGHTS**

- Total assets and deferred outflows decreased by 1.13% from fiscal year 2022.
- During the year ended September 30, 2023, operating revenue earned in the general fund was \$3,622,206 and operating expenses were \$2,952,601, resulting in an operating income of \$669,605. In the same period, operating revenue earned in the fiber optic fund was \$263,336 while operating expenses totaled \$202,339, resulting in net operating income of \$60,997. The net result was an operating income in the amount of \$730,602.
- The Authority's current liabilities include unpaid invoices, accrued wages and related liabilities, and unearned revenues.
- Operating revenues increased by \$340,910, which represents a 9.62% increase over fiscal year 2022.
- Operating expenses decreased by 17.02% or \$647,304 from fiscal year 2022 primarily due to decreases in salaries, contract services, repairs and maintenance, and utilities.

# Lubbock Reese Redevelopment Authority Management's Discussion and Analysis

## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – *management's discussion and analysis* (this section), *basic financial statements*, and *supplementary schedules*.

The Authority's financial statements are presented in the form of *proprietary fund* statements. This presentation offers *short and long-term* financial information about the activities that show the Authority operates like a business. A brief description of the existing proprietary fund is as follows:

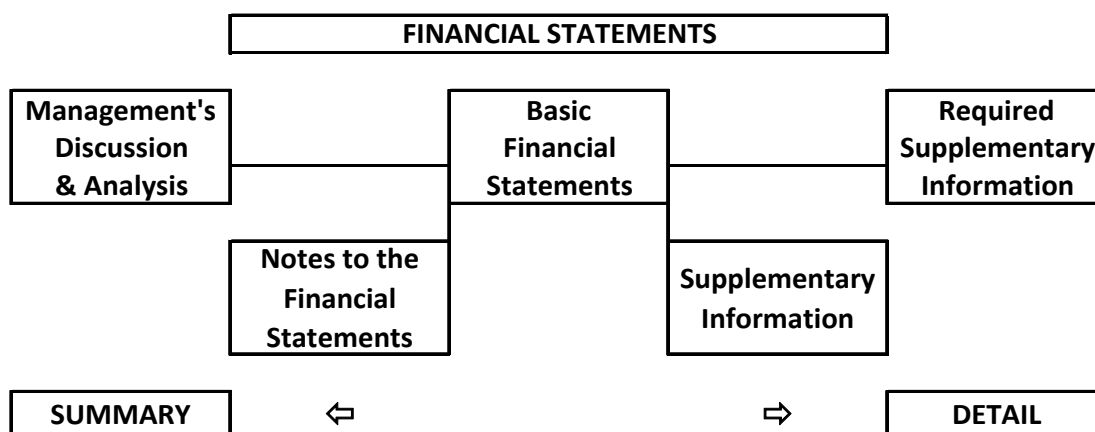
*General (Campus Operations)* - This fund accounts for the basic operating activities of the organization. Typical activities include leasing activities, property sales, administration, daily operations, upkeep and maintenance, and tenant oversight.

*Fiber Optic/Data Center Operations* - This fund accounts for the basic operating activities of the data center and the fiber optic network. Typical activities include leasing activities, daily operating activities, repairs and maintenance, and tenant oversight.

*EDA Grant Fund* – This fund accounts for the activities of the recently awarded Economic Development Administration (EDA) Grant for airfield upgrades. All activities in this account will be for the sole purpose of managing this grant which is a 50%/50% match grant.

The financial statements also include *notes* that explain portions of the financial statements and provide more detailed data. The statements are followed by a section of *supplementary schedules* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another. Due to the nature of the entity and its financial reports, the Authority has components of *required supplementary information*, other than management's discussion and analysis, included in these financial statements.

**Figure A-1. Parts of an Annual Report**



## Lubbock Reese Redevelopment Authority Management's Discussion and Analysis

### FINANCIAL ANALYSIS OF LUBBOCK REESE REDEVELOPMENT AUTHORITY

**Net Position** - The Authority's total net position increased by \$988,173 between fiscal years ended September 30, 2023 and September 30, 2022. Table A-1 below summarizes the statement of net position for the fiscal years ended September 30, 2023 and September 30, 2022.

**Table A-1. Lubbock Reese Redevelopment Authority's Net Position**

<i>September 30,</i>	<b>2023</b>	2022	Variance	Percent Change
<b>Assets</b>				
Current and other assets	\$ 6,807,548	\$ 5,916,913	\$ 890,635	15.05%
Leases receivable, net of current	4,230,348	5,050,827	(820,479)	-16.24%
Net pension asset	156,524	215,327	(58,803)	-27.31%
Net capital assets	8,207,923	8,437,263	(229,340)	-2.72%
<b>Total assets</b>	<b>19,402,343</b>	19,620,330	(217,987)	-1.11%
<b>Deferred Outflows</b>				
Pension related items	57,536	62,930	(5,394)	-8.57%
<b>Total deferred outflows</b>	<b>57,536</b>	62,930	(5,394)	-8.57%
<b>Total assets and deferred outflows</b>	<b>\$ 19,459,879</b>	\$ 19,683,260	\$ (223,381)	-1.13%
<b>Liabilities</b>				
Current liabilities	\$ 540,292	\$ 640,063	\$ (99,771)	-15.59%
Long term liabilities	-	1,644	(1,644)	-100.00%
<b>Total liabilities</b>	<b>540,292</b>	641,707	(101,415)	-15.80%
<b>Deferred Inflows</b>				
Pension related items	101,662	189,934	(88,272)	-46.48%
Leases	5,589,990	6,611,857	(1,021,867)	-15.46%
<b>Total deferred inflows</b>	<b>5,691,652</b>	6,801,791	(1,110,139)	-16.32%
<b>Net Position</b>				
Net investment in capital assets	8,206,278	8,432,227	(225,949)	-2.68%
Unrestricted	5,021,657	3,807,535	1,214,122	31.89%
<b>Total net position</b>	<b>13,227,935</b>	12,239,762	988,173	8.07%
<b>Total liabilities, deferred inflows and net position</b>	<b>\$ 19,459,879</b>	\$ 19,683,260	\$ (223,381)	-1.13%

## Lubbock Reese Redevelopment Authority Management's Discussion and Analysis

### FINANCIAL ANALYSIS OF LUBBOCK REESE REDEVELOPMENT AUTHORITY (Continued)

Table A-2, below, shows the relationship between operating revenues, operating expenses, non-operating revenue, and the changes to net position. As stated above, net position increased by \$988,173, 8.07% more than last year, for the year ended September 30, 2023, which is a result of slightly greater revenues than operating expenses.

**Table A-2. Lubbock Reese Redevelopment Authority's Changes to Net Position**

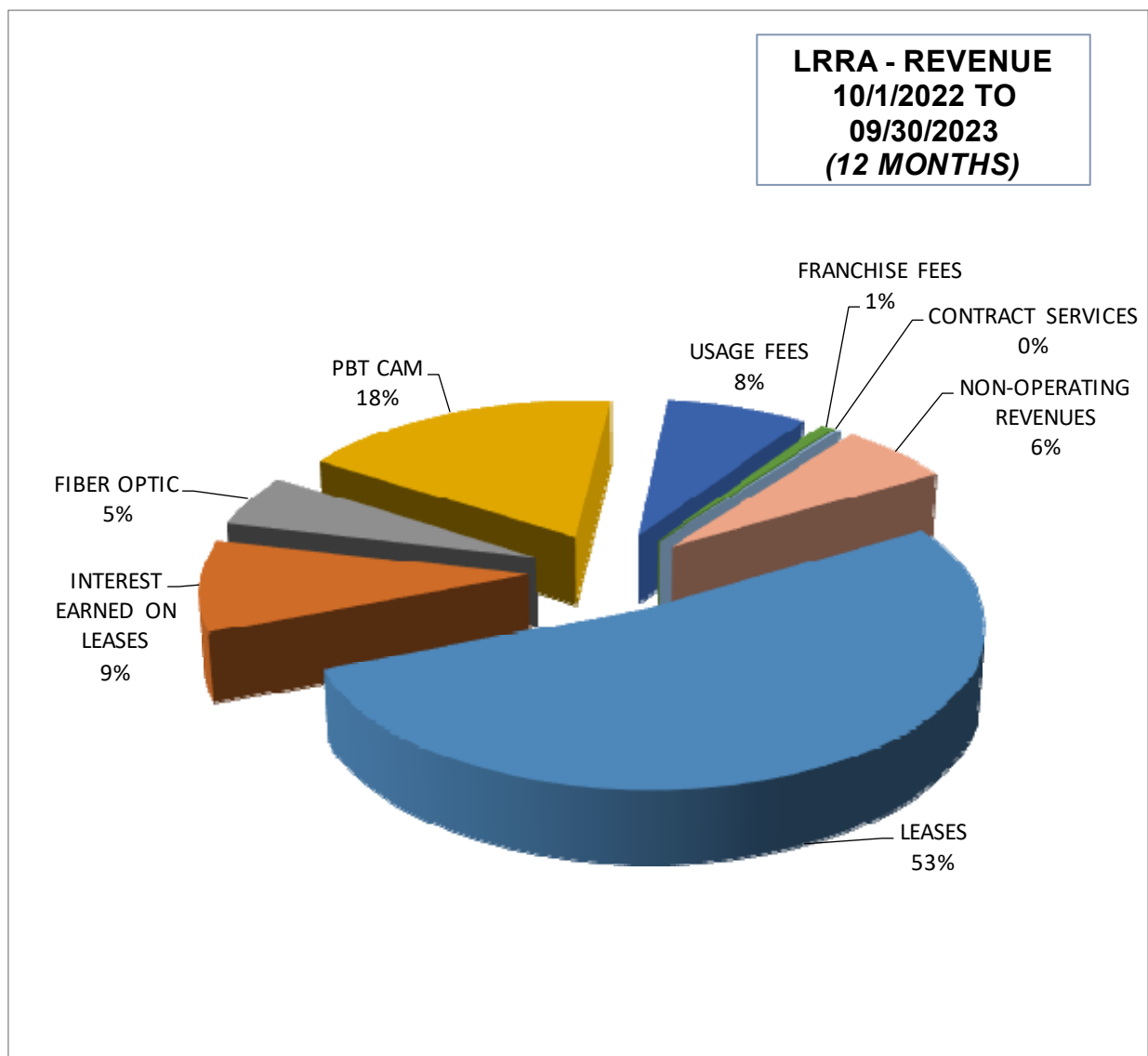
<i>For the years ended September 30,</i>	<b>2023</b>	2022	Variance	Percent Change
<b>Operating Revenues</b>				
Lease income	\$ 2,399,850	\$ 2,106,316	\$ 293,534	13.94%
Common area maintenance	734,693	720,288	14,405	2.00%
Usage fees	322,584	337,399	(14,815)	-4.39%
Contract work income	6,619	23,081	(16,462)	-71.32%
Interest earned on leases	388,155	323,068	65,087	20.15%
Utility franchise fee	33,641	34,480	(839)	-2.43%
<b>Total operating revenues</b>	<b>3,885,542</b>	3,544,632	340,910	9.62%
<b>Operating Expenses</b>				
Salaries, benefits and taxes	803,529	915,344	(111,815)	-12.22%
Contract services	43,166	74,087	(30,921)	-41.74%
Depreciation	684,017	624,859	59,158	9.47%
Amortization	-	3,014	(3,014)	-100.00%
Insurance	214,503	197,186	17,317	8.78%
Marketing	82,208	55,879	26,329	47.12%
Utilities, telephone and internet	501,524	506,603	(5,079)	-1.00%
Repairs and maintenance	611,654	1,254,564	(642,910)	-51.25%
Professional services - legal/acct/engr	117,033	79,891	37,142	46.49%
Other expenses	97,306	90,817	6,489	7.15%
<b>Total operating expenses</b>	<b>3,154,940</b>	3,802,244	(647,304)	-17.02%
<b>Operating income (loss)</b>	<b>730,602</b>	(257,612)	988,214	-51.25%
<b>Non-Operating Revenues (Expenses)</b>				
Insurance proceeds	74,863	3,975	70,888	1783.35%
Interest expense/bank charges	(185)	(359)	174	-48.47%
Miscellaneous revenue	134	231,979	(231,845)	-99.94%
Federal grant	21,528	838,533	(817,005)	-97.43%
Interest income	161,231	19,939	141,292	708.62%
<b>Total non-operating revenues (expenses)</b>	<b>257,571</b>	1,094,067	(836,496)	-76.46%
<b>Increase (decrease) in net position</b>	<b>\$ 988,173</b>	\$ 836,455	\$ 151,718	18.14%

## Lubbock Reese Redevelopment Authority Management's Discussion and Analysis

### FINANCIAL ANALYSIS OF LUBBOCK REESE REDEVELOPMENT AUTHORITY (Continued)

**Total Revenue** – Figure A-2, below, gives a graphic presentation of the various components of the Authority's annual total revenue. The fiber optic and leases categories presented below are included as leases on the financial statements. The long-term goal is to increase lease revenue through new tenants and modernization of the buildings and facilities. Generally, cost of improvements to existing buildings are made at the time of new lease initialization and included in the lease rate calculation. There were no sales of physical assets in the year ended September 30, 2023.

**Figure A-2. Graphical Components of the Authority's Annual Total Operating Revenue**

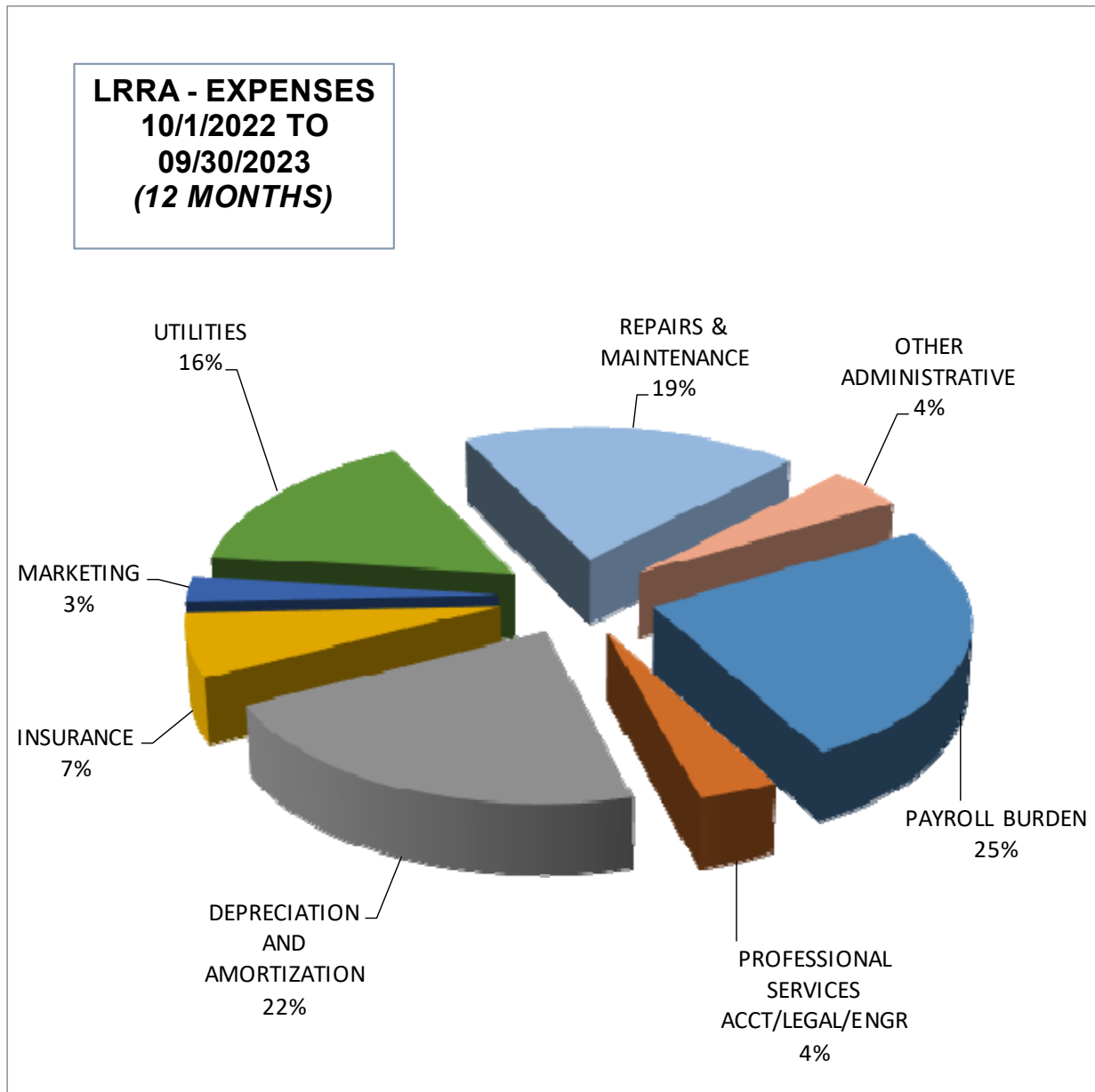


# Lubbock Reese Redevelopment Authority Management's Discussion and Analysis

## FINANCIAL ANALYSIS OF LUBBOCK REESE REDEVELOPMENT AUTHORITY (Continued)

**Operating Expenses** – Figure A-3, below, breaks down the major components of the Authority's annual operating expenses for fiscal year ended September 30, 2023.

**Figure A-3. Major Components of the Authority's Annual Operating Expenses for FYE 2023**



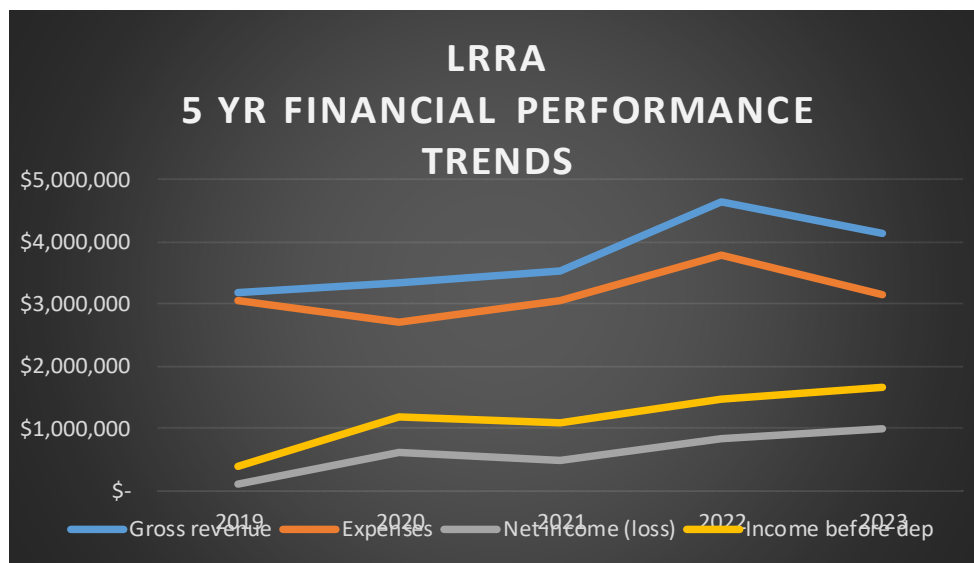
## Lubbock Reese Redevelopment Authority Management's Discussion and Analysis

### 5-YEAR FINANCIAL PERFORMANCE TRENDS ANALYSIS

Figure A-4, below, shows five years trending data for gross revenues, expenses, net income, and income before depreciation. This chart is provided to reflect the progress achieved by the Authority to successfully redevelop this property. The decrease in net income in fiscal year 2019 is a result of a demolition project and larger than expected repairs in the water system and HVAC systems and engineering expenses associated with airfield evaluation.

**Figure A-4. Trending Data Before Depreciation**

	Fiscal years ending September 30,				
	2019	2020	2021	2022	2023
Gross revenue	\$ 3,174,832	\$ 3,347,560	\$ 3,541,910	\$ 4,638,699	<b>\$ 4,143,113</b>
Expenses	3,061,787	2,715,381	3,061,787	3,799,230	<b>3,154,940</b>
Net income (loss)	113,045	632,179	480,123	839,469	<b>988,173</b>
Income before dep	383,632	1,196,466	1,085,367	1,461,314	<b>1,672,190</b>



### SUMMARY OF CAPITAL ASSETS AND LEASE PAYABLE

The Authority was the recipient of various items of property transferred to it by the United States Air Force via the execution of the Economic Development Conveyance (EDC) and Lease in Furtherance of Conveyance documents as detailed in Note 7 of the financial statements. On September 25, 2006, the Air Force deeded the title to the assets, and at that time, the previously recorded asset for the base conveyance, which was not being depreciated, was reclassified into its relative asset components. Various other capital improvements have been added and are being depreciated. A matrix is provided in Table A-3, below, outlining the various capital asset groups.



## Lubbock Reese Redevelopment Authority Management's Discussion and Analysis

### SUMMARY OF CAPITAL ASSETS AND LEASE PAYABLE (Continued)

The Authority has the following lease:

- Xerox Copier for B800 with BBS Financial, beginning February 2019 for 60 months; \$295 per month through fiscal year 2020 and then will increase by \$1 every year until the lease is paid off.

**Table A-3. Lubbock Reese Redevelopment Authority's Net Capital Assets**

Asset Description	Carrying Amount	Accumulated Depreciation	Net Position Balance
Capital assets not being depreciated			
1500 Land	\$ 1,481,401	\$ -	\$ 1,481,401
1450 Construction in progress	7,000	-	7,000
<b>Total capital assets not being depreciated</b>	<b>1,488,401</b>	<b>-</b>	<b>1,488,401</b>
Capital assets being depreciated			
1505 Buildings	2,070,050	833,818	1,236,232
1515 Building improvements	4,736,282	2,810,330	1,925,952
1535 Infrastructure and related improvemer	7,362,708	3,979,196	3,383,512
1510 Computers and office equipment	188,346	167,064	21,282
1520 Vehicles	166,626	157,332	9,294
1530 Grounds maintenance equipment	435,837	292,587	143,250
Right to use lease assets	15,500	15,500	-
<b>Total capital assets being depreciated</b>	<b>14,975,349</b>	<b>8,255,827</b>	<b>6,719,522</b>
<b>Total capital assets</b>	<b>\$ 16,463,750</b>	<b>\$ 8,255,827</b>	<b>\$ 8,207,923</b>

### ANALYSIS OF BUDGET VARIANCES

A comparison of major budget categories is provided in Table A-4 below. Please note that the data does not include depreciation expense. The Authority is not legally required to adopt a budget; however, management feels it is a prudent business practice to prepare a budget. The Authority budgeted \$3,445,400 in total revenue for the fiscal year ending September 30, 2023. Actual revenues were \$4,143,298. The Authority budgeted \$2,646,550 in total expenses for the fiscal year ending September 30, 2023. Actual expenses were \$2,471,108, excluding depreciation and amortization. This resulted in an increase of net position before depreciation of \$1,672,190 compared to the budgeted increase of net position of \$798,850, which results in a total favorable budget variance of \$522,456. This large budget variance is due to interest income and insurance proceeds.

**Lubbock Reese Redevelopment Authority  
Management's Discussion and Analysis**

**ANALYSIS OF BUDGET VARIANCES (Continued)**

**Table A-4. Lubbock Reese Redevelopment Authority's Budget Versus Actual**

<i>September 30,</i>	Actual	Budget	Favorable (Unfavorable) Variance
<b>Revenues</b>			
Operating revenues	\$ 3,885,542	\$ 3,435,400	\$ 450,142
Nonoperating revenues	257,756	10,000	247,756
<b>Total revenues</b>	<b>4,143,298</b>	<b>3,445,400</b>	<b>697,898</b>
<b>Operating expenses (less depreciation/amortization)</b>			
	2,470,923	2,646,350	175,427
<b>Nonoperating expenses</b>	<b>185</b>	<b>200</b>	<b>15</b>
<b>Total expenses</b>	<b>2,471,108</b>	<b>2,646,550</b>	<b>175,442</b>
<b>Change in net position (less depreciation/amortization)</b>	<b>\$ 1,672,190</b>	<b>\$ 798,850</b>	<b>\$ 522,456</b>

**CASH ACCOUNTS**

**Cash and Cash Equivalents** - The Authority maintains two interest bearing bank accounts and one non-interest bearing account. The operating account is held at Plains Capital Bank and a secondary account is held at Peoples Bank for the purpose of investing the money in an insured cash sweep program. Every effort is made to maximize the interest income on these accounts while protecting principal. The non-interest bearing account is used for the sole purpose of managing the EDA grant.

**INFRASTRUCTURE ASSETS**

The Authority is comprised of approximately 2,046 acres of land area as follows:

Land	# of Acres
Airfield	1,629
Southwest Landfill	100
Cantonment / Main Campus Area	192
Housing Area / Recreation Field	125
<b>Total acres</b>	<b>2,046</b>

## Lubbock Reese Redevelopment Authority Management's Discussion and Analysis

### INFRASTRUCTURE ASSETS (Continued)

#### *Electric*

The electrical supply/power grid for the Authority consists of a large electrical grid with 49.26 miles of overhead electrical lines. This is a 1954 power grid that has had and continues to receive major upgrades. The entire power grid was sold to South Plains Electrical Cooperative (SPEC) who has been responsible for and is maintaining and upgrading the network. We do not anticipate any additional cost to the Authority for the upgrade of this system due to the current agreements. Management regularly reviews the long-standing contract between the Authority and SPEC to better plan for both aerial and underground delivery of telecommunications infrastructure. A further review of the obligations of SPEC to the Authority continues to ensure SPEC complies with their duty to provide a more consistent power supply as well as support current redundant power services currently provided to the Authority by SPEC.

In 2013 the Authority entered into an agreement with SPEC for the long-term lease (which has been paid in full) of a standby, emergency generator dedicated to the Data Center operations and certain other Authority operations. This should significantly upgrade the capabilities and sustainability of the data center. SPEC has converted the main Authority power grid into a "in phase" power source which will prevent significant campus wide power outages and assure consistent power supply. SPEC plans to upgrade the substation on the Authority property to support further campus power needs well into the future. In 2013 and 2104, SPEC, Authority management, and Texas Tech University began planning for the expansion and the build out of the power grid on the north and northeastern portions of the airfield. That planning has led to a build out of the power grid along the northeastern, northern, and northwestern segments of the airfield and should complement future development in those areas in addition to the buildouts completed in 2015 by Group NIRE, GAMESA, and Sandia National Labs.

SPEC continues to provide responsive service support to the Authority and open collaboration with management. It should be noted that SPEC does not hold a "blanket easement" provision within the operating agreement between the Authority and SPEC. This provides for systematic and ongoing dialogue as service expansion and new easements are sought to assure growth and infrastructure support for the Authority, its customers, the surrounding service areas, and SPEC.

#### *Natural Gas*

The natural gas system, sold to Atmos Energy, consists of 17.84 miles of underground gas line. The system is a 1940 – 1950 system and has been inspected with most repairs identified and completed in prior years. At present time, we do not anticipate any major cost associated with this system. Atmos Energy is obligated to inspect and repair the system per the purchase agreement. Such a sale transferred risk, eliminated maintenance costs, and created both one-time and recurring income for the Authority.

## Lubbock Reese Redevelopment Authority Management's Discussion and Analysis

### INFRASTRUCTURE ASSETS (Continued)

#### *Water and Wastewater*

The Authority purchases water from the City of Lubbock who also processes all the Authority's wastewater. The water distribution system is subject to TCEQ compliance and consists of a 500,000-gallon elevated water tower and a 250,000-gallon underground storage tank with 73.99 miles of water lines throughout the 2,046-acre property. The sewer system consists of 20.46 miles of sewer lines. Both systems are currently in standard operating condition and have experienced no major difficulty. There are occasional water breaks due to the age of the system (1940 – 1950). The cost of repairs has been minimal compared to the previous years' experience. The residual and unknown risk of this liability were recognized by management and reflected in a specific allocation within the balance sheet for water infrastructure. However, the nature of the aging system and aging main water pumps present a yet undetermined capital investment need in the future. Further, the condition of the water reaching the LRRR water delivery system, which is the most distant delivery point from the City of Lubbock water service, presents increasing general treatment costs.

The relatively flat pipeline delivering water from the City of Lubbock system presents ongoing and increasing water testing needs and water system enhancements such as chloramines boosting equipment and circulation pump systems. A SCADA monitoring system to support remote monitoring of water intake from the City of Lubbock has been installed and is operational. This will enable management to both monitor water intake and control loss of water in the system with increasing sensing capabilities. The Authority continues to invest in water system training for its staff and has increased dialogue with TCEQ.

#### *Communications and Fiber*

The telephone system is a 1954 copper wire infrastructure with 200 twisted pairs of phone cables throughout the property delivered via both aerial poles and buried conduit. These cables terminate at the meet me point in Building 20, Communications Building, and are distributed throughout the major buildings of the campus. This system has largely been abandoned as the Authority transitioned from using copper; we are now exclusively on a fiber network. Agreements with four (4) independent Internet Service Providers; Vexus, Suddenlink, Windstream, and Unite Private Network (UPN) were reached to allow redundancy and better support the Data Center. Management continues to explore the most cost-effective means of providing the most reliable telecommunications to its customers and for its own operations.

The Authority completed installation of a fiber optic network in June of 2004. This was a result of a \$1.7 million EDA grant to install this network with 144 strands of fiber. We anticipate modest income generation from the utilization and lease of the fiber optic network. To better support fiber and the Data Center, we have partnered with a third-party company, Switch IT Support. In addition, to accommodate a new customer and provide redundancy, we have invested a significant number of resources in infrastructure upgrades including a new roof, lightning rod system, HVAC system, air handlers, and security for Building 36, the Data Center. The Data Center and the availability of the fiber optic network provides both direct economic opportunities as well as value added attractions for current and potential customers.

## Lubbock Reese Redevelopment Authority Management's Discussion and Analysis

### INFRASTRUCTURE ASSETS (Continued)

#### *Communications and Fiber (Continued)*

A Service Organization Control (SOC) audit was recently completed for the Data Center.

#### *Roads*

The Authority has 37 miles of streets with 12.69 curbed miles on the inner campus. We have instituted an annual seal coat program where a certain percent of the roads and parking lots are seal coated each year. This program is possible through the participation in a “small municipality paving co-op” through an interlocal agreement which provides a cost effective and on-going, preventative street maintenance program. In addition to participating in this seal coat program, we attempt to partner with Lubbock County for assistance in street repair and maintenance as well as seek out all state and federal grant opportunities.

Management continues to evaluate and prioritize the capital equipment needs/expenditures and capital facility improvements necessary to maintain and improve the property infrastructure. These projects will be funded and allocated based upon increasing cash flow and necessity.

#### *Airfield*

The airfield consists of three runways as follows:

- Two runways, 10,500' x 150' – North/South: The center 10,500-foot runway remains open and operative to daylight /daytime Visual Flight Rules traffic. The westernmost 10,500-foot runway has been closed and serves as commercial access and buffer for activities involving commercial wind turbine construction and related research.
- One runway, 6,500' x 100' – North /South: This runway is operational, and the Authority provides baseline maintenance for both this runway and the center 10,500-foot runway.

The total amount of acreage of the airfield is approximately 1,629 acres. The airfield is in good condition, except for the northern end of the westernmost runway which is experiencing expansion joint failure and erosion and has ongoing maintenance issues. We do not anticipate any major expenses in this area unless the airfield is leased. Ground traffic control responsibilities were added to the Operations department to both maximize safety and usage of the airfield.

### SUBSEQUENT EVENTS AND PROSPECTIVE CONDITIONS

As of August 15, 2024, subsequent events include a tenant who has walked out on their agreement and another tenant whose lease unexpectedly terminated early on February 29, 2024. The estimated total loss of revenue is approximately \$1.8 million. In addition, on February 27, 2024, the Authority received a notice of award in the amount of \$2,000,000 from the Economic Development Administration.

## **Lubbock Reese Redevelopment Authority Management's Discussion and Analysis**

### **ENVIRONMENTAL ISSUES ASSOCIATED WITH THE PROPERTY**

During the time the U.S. Air Force operated Reese Air Force Base, certain chemicals (specifically, trichloroethylene, (TCE) used in cleaning and maintaining the aircraft engines leaked into the groundwater, thus contaminating the land and groundwater along a certain leaching path stretching miles from the property. The Air Force has taken full responsibility for the clean-up which includes contamination of land and groundwater as well as contamination from the Southwest Landfill, the solid waste disposal site formerly used by Reese Air Force Base. The Air Force will remain responsible for the cleanup of these sites for the duration of the time it takes to close out all sites.

Clean up of TCE was completed in 2013 and three-years' post-remedy monitoring resulted in no contamination.

The Air Force continues to investigate the release of perfluorinated compounds (PFC's) resulting from the use of aqueous film-forming foam (AFFF). AFFF was used by the Air Force for firefighting purposes which dates to the 1970's. The EPA considers PFC's to be an emerging contaminate; they have issued a Lifetime Health Advisory (HA). In addition, TCEQ has set Protective Concentration Levels (PCL's). Well sampling on and around the former base property has resulted in levels exceeding the EPA health advisory limit and/or the TCEQ PCL's.

As of April 2022, the Air Force sampled 527 wells with 250 residential and three small public wells exceeding limits. To date, 240 treatment systems have been installed and two small public systems have been connected to the City of Lubbock water system; another is in process. All properties exceeding limits are either receiving bottled water or have a treatment system or both. Since LRRRA purchases water from the City of Lubbock, none of our customers are affected. As of August 2024, the Air Force continues the planning and design phase of constructing a treatment system and facility on the property to address the cleanup of the PFC's. Construction is expected to begin in 2025.

### **CONTACTING MANAGEMENT**

This financial report is designed to provide a general overview of the Authority's finances and to demonstrate the Authority's accountability for its financial performance. If you have questions about this report or need additional financial information, contact the Lubbock Reese Redevelopment Authority's Office, 9801 Reese Blvd., Suite 200, Lubbock, TX 79416, (806) 885-6592.

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# BASIC FINANCIAL STATEMENTS





**Lubbock Reese Redevelopment Authority**  
**Statement of Net Position**

<i>September 30,</i>	2023
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<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 4,910,181
Receivables	
Accounts, net	74,227
Leases, current portion	1,710,983
Due from federal government	112,157
<hr/>	
Total current assets	6,807,548
<hr/>	
Non-current assets	
Leases receivable, net of current portion	4,230,348
Capital assets	
Land	1,481,401
Construction in progress	7,000
Buildings	2,070,050
Building improvements	4,736,282
Infrastructure and related improvements	7,362,708
Computers and office equipment	188,346
Vehicles	166,626
Grounds maintenance equipment	435,837
Right to use lease assets	15,500
Less accumulated depreciation	(8,240,327)
Less accumulated amortization	(15,500)
<hr/>	
Total capital assets, net	8,207,923
Net pension asset	156,524
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Total non-current assets	12,594,795
<hr/>	
Total assets	19,402,343
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<b>Deferred Outflows of Resources</b>	
Employer contributions subsequent to the measurement date	16,224
Net difference between projected and actual investment earnings	29,371
Differences between expected and actual experience	11,941
<hr/>	
Total deferred outflows of resources	57,536
<hr/>	
Total assets and deferred outflows of resources	\$ 19,459,879
<hr/>	

(Continued)

*The accompanying notes are an integral part of these financial statements.*

**Lubbock Reese Redevelopment Authority**  
**Statement of Net Position (Continued)**

<i>September 30,</i>	2023
<b>Liabilities</b>	
Current liabilities	
Accounts payable	\$ 73,684
Accrued expenses	62,154
Refundable deposits	71,473
Unearned revenues	321,732
Compensated absences	9,604
Lease liability, current	1,645
Total current liabilities	540,292
Total liabilities	540,292
<b>Deferred Inflows of Resources</b>	
Changes in assumption	3,230
Differences between expected and actual experience	98,432
Leases	5,589,990
Total deferred inflows of resources	5,691,652
<b>Net Position</b>	
Net investment in capital assets	8,206,278
Unrestricted	5,021,657
Total net position	13,227,935
Total liabilities, deferred inflows of resources and net position	\$ 19,459,879

*The accompanying notes are an integral part of these financial statements.*

**Lubbock Reese Redevelopment Authority**  
**Statement of Revenues, Expenses, and Changes in Net Position**

*For the year ended September 30,*

2023

**Operating Revenues**

Charges for services	
Lease income	\$ 2,399,850
Common area maintenance	734,693
Usage fees	322,584
Contract work income	6,619
Interest earned on leases	388,155
Utility franchise fee	33,641

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Total operating revenues	3,885,542
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**Operating Expenses**

Compensation and benefits	
Salaries and benefits	803,529
Contract services	43,166
General and liability insurance	214,503
Building repairs and maintenance	
Repairs and maintenance	542,787
Building maintenance materials	26,903
Marketing and promotional expenses	82,208
Travel expenses	10,698
Printing and advertising	971
Depreciation expense	684,017
Telephone	1,754
Office supplies	30,562
Training and tuition expenses	7,384
Utilities	479,104
Professional services	
Accounting and auditing fees	41,477
Legal fees	75,556
Computer software and maintenance	36,285
Other operating expenses	
Board expenses	1,899
Internet charges	20,666
Postage	2,131
Meeting expenses	7,026
Licenses and fees	350
Bad debt expenses	41,964

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Total operating expenses	3,154,940
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Operating income (loss)	730,602
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(Continued)

*The accompanying notes are an integral part of these financial statements.*

**Lubbock Reese Redevelopment Authority**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**(Continued)**

<i>For the year ended September 30,</i>	<b>2023</b>
<hr/>	
<b>Non-Operating Revenues (Expenses)</b>	
Insurance proceeds	\$ 74,863
Interest expense/bank charges	(185)
Miscellaneous income	134
Federal grant	21,528
Interest income	161,231
<hr/>	
Total non-operating revenues (expenses)	257,571
Increase in net position	988,173
<hr/>	
Net position, beginning of year	12,239,762
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Net position, end of year	\$ 13,227,935
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*The accompanying notes are an integral part of these financial statements.*

**Lubbock Reese Redevelopment Authority**  
**Statement of Cash Flows**

*For the year ended September 30,* 2023

<b>Cash flows from operating activities</b>	
Cash received from customers for services	\$ 3,829,201
Cash payments to employees	(848,098)
Cash payments to suppliers for goods and services	(1,647,480)
<hr/>	
Net cash provided by operating activities	1,333,623
<hr/>	
<b>Cash flows from noncapital financing activities</b>	
Proceeds from the settlement of insurance claims	74,863
<hr/>	
Net cash provided by noncapital financing activities	74,863
<hr/>	
<b>Cash flows from capital and related financing activities</b>	
Principal paid on capital debt	(3,391)
Interest paid on capital debt	(185)
Purchases and construction of capital assets	(454,677)
<hr/>	
Net cash (used for) capital and related financing activities	(458,253)
<hr/>	
<b>Cash flows from investing activities</b>	
Cash receipts from miscellaneous income	134
Cash receipts from interest	161,231
<hr/>	
Net cash provided by investing activities	161,365
<hr/>	
Net increase in cash and cash equivalents	1,111,598
<hr/>	
Cash and cash equivalents, beginning of year	3,798,583
<hr/>	
Cash and cash equivalents, end of year	\$ 4,910,181
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(Continued)

*The accompanying notes are an integral part of these financial statements.*

**Lubbock Reese Redevelopment Authority**  
**Statement of Cash Flows (Continued)**

*For the year ended September 30,*

2023

**Reconciliation of Operating Income to Net Cash Provided by Operating Activities**

Operating income	\$	730,602
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation		684,017
Amortization of lease receivable		(1,021,867)
Noncash pension expense		(24,075)
Decrease (increase) in assets		
Accounts receivable		172,476
Lease receivable		884,604
Prepaid expenses		5,890
Increase (decrease) in liabilities		
Accounts payable		14,024
Accrued expenses		(22,802)
Compensated absences		2,308
Refundable deposits		(4,424)
Unearned revenues		(87,130)
<hr/>		
Net cash provided by operating activities	\$	1,333,623

*The accompanying notes are an integral part of these financial statements.*

## Lubbock Reese Redevelopment Authority Notes to Financial Statements

### **Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

In June 1997, the Texas State Legislature enacted Public Law Chapter 703, establishing the Lubbock Reese Redevelopment Authority (the Authority) as a political subdivision of the State of Texas. The Authority was entrusted with investigating the acquisition, development and management of the properties within the geographical boundaries of the former Reese Air Force Base in Lubbock, Texas (the Base) which closed September 30, 1997. The Authority is the successor in interest to the Lubbock Reese Redevelopment Authority Corporation, a nonprofit corporation organized under the Texas Non-Profit Corporation Act and succeeds to all rights and liabilities of the Corporation.

The Authority's seven member board is comprised of five members appointed by the governing body of the City of Lubbock, one member appointed by the governing body of the County of Lubbock, and the executive director of the South Plains Association of Governments.

The Authority's responsibilities include maintaining the property of the former Base in a manner consistent with its lease agreement with the U. S. Air Force ("Air Force") and cooperative agreement with the Air Force Real Property Agency (AFRPA), formerly the Air Force Base Conversion Agency (AFBCA), dated August 1997. Additionally, the Authority obtained a Federal grant through the Office of Economic Adjustment (OEA) to implement the Base reuse plan that was designed to enhance the economic development opportunities of the former Base facilities and replace the estimated 2,500 jobs lost due to the Base closure. The Authority also obtained funds through interlocal cooperative agreements with the City and County of Lubbock to facilitate the reuse plan as well.

On August 25, 1999, the United States Air Force transferred approximately 2,046 acres of land, associated facilities, infrastructure and personal property to the Authority via the execution of an Economic Development Conveyance ("EDC") and Lease in Furtherance of Conveyance documents. This EDC document, which is a mechanism used by the Federal government to transfer former military installations to local reuse authorities for job creation and economic development purposes, transferred control of the Base property to the Authority for the sum of \$3,200,000, as evidenced by a promissory note, and through a 50 year lease, with commitments from the Air Force to transfer title to the property upon meeting the requirements of Section 120(h)(3)(B) of the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended.

On November 21, 2000, the Authority entered into an agreement with the Air Force to amend the EDC agreement. The amended EDC provided that the Air Force forgive the balance due of \$3,200,000 under the promissory note described in preceding paragraphs. In consideration of the Air Force canceling the promissory note, releasing the lien of the Deed of Trust, and amending the EDC agreement, the Authority agreed to reinvest the proceeds from any sale, lease, or other use of the EDC premises received by the Authority during the period ending seven years from November 1, 2000 (the reinvestment period), to pay for, or offset the costs of, public investment on or related to the former Reese AFB.

## Lubbock Reese Redevelopment Authority Notes to Financial Statements

### **Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

If, at the end of the reinvestment period, the Authority has not reinvested or committed for reinvestment, all of the proceeds generated from the sale, lease or equivalent of the EDC premises, the Authority agrees that these amounts shall become due and payable to the Air Force. This provision will only apply if the Authority is not able to demonstrate to the satisfaction of the Air Force, that excess proceeds not reinvested at the end of the reinvestment period will be used for an allowable expenditure after the end of the reinvestment period.

On September 25, 2006, the Air Force transferred title to the property in accordance with the EDC document.

#### ***Reporting Entity***

The accompanying basic financial statements present the activities of the Authority, which is a political subdivision of the State of Texas. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39, GASB Statement No. 61, GASB Statement No. 80, and GASB Statement No. 90. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the Authority has no component units.



## Lubbock Reese Redevelopment Authority Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Basis of Accounting and Financial Statement Presentation***

The Authority's basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as set forth or adopted by the Governmental Accounting Standards Board ("GASB") and the Financial Accounting Standards Board ("FASB"), and their predecessors, the National Council on Governmental Accounting ("NCGA") and the Accounting Principles Board ("APB"), respectively. Generally accepted accounting principles for local governments include those principles prescribed by the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The Authority's proprietary (enterprise) funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Revenue is recognized when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All assets and all liabilities associated with the operations are included on the statement of net position. Net position (i.e., total assets and deferred outflows net of total liabilities and deferred inflows) are segregated into net investment in capital assets, restricted, and unrestricted components.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenue of the Authority's enterprise fund is charges for services. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Authority's basic financial statements are reported using the economic resources measurement focus. These statements are reported on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Authority receives (or gives) value without directly giving (or receiving) equal value in exchange, include grants, entitlements, investment earnings and donations (if any). On an accrual basis, revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been met.

#### ***Budgetary Information***

The Authority does not have a legally adopted budget; and therefore, does not present a budget.

## Lubbock Reese Redevelopment Authority Notes to Financial Statements

### **Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### ***Cash and Cash Equivalents***

Cash and cash equivalents include cash on hand, and cash in banks with various financial institutions. For purposes of the statement of cash flows, the Authority considers all highly liquid investments with original maturities of three months or less, to be cash equivalents. In addition, those amounts that have associated restrictions are not considered cash equivalents. For more information on cash and cash equivalents, see Note 2.

#### ***Receivables and Payables***

The balance of accounts receivable consists primarily of the unpaid balances due from customer billings. An allowance was setup to write down tenant receivables who are still under agreement. Amounts due from the federal government are presented on the statement of net position and represent the amounts due from the Federal agency for reimbursement of expenses incurred for federal grants.

Payables are shown net of discounts and represent liabilities not paid as of the last day of the fiscal period.

#### ***Leases Receivable***

Leases receivable are measured at the present value of lease payments expected to be received during the lease term. Under the lease agreements, the Authority may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

#### ***Interfund Activities and Transactions***

All interfund transactions are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. This activity is eliminated in the basic financial statements.

#### ***Right to Use Lease Assets***

The Authority has recorded intangible right to use lease assets as a result of implementing GASB Statement No. 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability. The right to use lease assets are amortized on a straight-line basis over the term of the related lease. See Note 5 for more information.

**Lubbock Reese Redevelopment Authority**  
**Notes to Financial Statements**

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Capital Assets***

Purchased or constructed capital assets are reported at cost in the accompanying financial statements. Donated capital assets are recorded at their estimated fair value at the date of donation. Infrastructure assets consist of road and parking lot networks, the fiber optic and telecommunications network, and other non-building improvements. These assets have been recorded at cost or estimated fair value at the date of receipt.

The cost of normal maintenance and repairs that do not add value to the asset or materially extend the assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	40
Infrastructure and Related Improvements	5 to 20
Computers and Office Equipment	3 to 10
Building and Improvements	5 to 20
Furniture and Fixtures	5 to 15
Vehicles	5
Grounds Maintenance Equipment	5 to 15

***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then.

The Authority has three items that qualify for reporting as deferred outflows of resources, *the deferred outflows related to pensions*. The deferred outflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The deferred outflows related to pensions will be recognized as either pension expense or a reduction in the net pension liability in future reporting years.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

## Lubbock Reese Redevelopment Authority Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Deferred Outflows/Inflows of Resources (Continued)***

The Authority has three items that qualify for reporting as deferred inflows of resources. The *deferred inflows related to pensions* are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The deferred inflows related to pensions will be recognized as a reduction to pension expense in future reporting years. The deferred inflows related to leases are associated with amounts owed to the Authority, as lessor, by entities leasing the Authority's capital assets.

#### ***Unearned Revenues***

Certain revenues do not meet the measurable and available criteria for revenue recognition and, accordingly, these revenues are unearned in the business-type activities. Unearned revenue consisted entirely of lease income received but unearned as of the last day of the fiscal period.

#### ***Compensated Absences***

The Authority's employees are granted vacation and sick leave in varying amounts. Upon termination, an employee is paid the full amount of unused accumulated vacation days. Accumulated sick leave is not payable upon termination. The liability for compensated absences reported in the financial statements consists of unpaid accumulated vacation leave balances. This liability has been calculated using the number of hours of unpaid leave per employee multiplied by each respective employee's current pay rate.

#### ***Lease Liability***

Lease contracts that provide the Authority with control of a non-financial asset, such as land, buildings or equipment, for a period of time in excess of twelve months are reported as a right-to-use lease asset with a related lease liability. The lease liability is recorded at the present value of future lease payments, including fixed payments, variable payments based on an index or fixed rate, and reasonably certain residual guarantees. The intangible right-to-use lease asset is recorded for the same amount as the related lease liability plus any prepayments and initial direct costs to place the asset in service. Right-to-use lease assets are amortized over the shorter of the useful life of the asset or the lease term. The lease liability is reduced for lease payments made, less the interest portion of the lease payment.

## Lubbock Reese Redevelopment Authority Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Pensions***

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of the Authority's employees' pension plan (TCDRS) and additions to/deductions from TCDRS fiduciary net position have been determined on the same basis as they are reported by the TCDRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### ***Categories and Classification of Net Position***

*Net position flow assumption* – Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

The Authority's net position is classified into the following net position categories:

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction or improvement of these assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt is included in this component of net position.

Restricted - Net position is reported as restricted when constraints placed on net position use are either (1) externally imposed by creditors, grantors, contributions or laws and regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Unrestricted - All other categories of net position. In addition, unrestricted net position may be designated for use by management of the Authority. This requirement limits the area of operations for which expenditures of net position may be made and require that unrestricted net position be designated to support future operations in these areas.

#### ***Revenues and Expenses***

*Operating revenue* includes activities that have the characteristics of an exchange transaction, such as (a) lease income, (b) common area maintenance, (c) usage fees, (d) contract work income, (e) interest earned on leases, and (f) utility franchise fees.

## Lubbock Reese Redevelopment Authority Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Revenues and Expenses (Continued)***

*Non-operating revenue* includes activities that have the characteristics of non-exchange transactions, such as (a) insurance proceeds, (b) interest income, (c) miscellaneous income, and (d) federal grants. These revenue streams are recognized under GASB Statement No. 33 – *Accounting and Financial Reporting for Nonexchange Transactions*. Revenues are recognized when all applicable eligibility requirements have been met.

#### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates for the Authority are management’s estimate of depreciation on assets over their estimated useful lives, right to use lease assets, allowance for leases, net pension asset, deferred inflows and outflows of resources, lease liabilities, and the current portion of accrued compensated absences.

#### ***Subsequent Events***

Management has evaluated subsequent events through the date that the financial statements were available to be issued, August 15, 2024. See Note 12 for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

#### ***Recently Issued and Implemented Accounting Pronouncements***

During the fiscal year ended June 30, 2023, the Authority adopted GASB Statement No. 91, *Conduit Debt Obligations*, GASB Statement 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, and GASB Statement No. 99, *Omnibus 2022*.

The implementation of GASB Statements No. 91, 94, 96, and 99 did not affect the Authority in a material manner.

## Lubbock Reese Redevelopment Authority Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Recently Issued and Implemented Accounting Pronouncements (Continued)*

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

GASB Statement No. 100, *Accounting Changes and Error Corrections*. This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI).

GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

GASB Statement No. 102, *Certain Risk Disclosures*. The requirements of this Statement aim to improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024. Earlier application is encouraged.

GASB Statement No. 103, *Financial Reporting Model Improvements*. The requirements of this Statement aim to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025. Earlier application is encouraged.

**Lubbock Reese Redevelopment Authority**  
**Notes to Financial Statements**

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Recently Issued and Implemented Accounting Pronouncements (Continued)***

The Authority is evaluating the requirements of the above statements and the impact on reporting.

**Note 2: CASH AND CASH EQUIVALENTS**

The Authority maintains all of its cash balances in two banks located in Lubbock, Texas.

***Custodial Credit Risk***

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's policy is to collateralize balances in excess of Federal Depository Insurance Corporation (FDIC) through a surety bond or securities equal to the balance not covered by FDIC insurance coverage.

At September 30, 2023, the carrying amount of the Authority's bank deposits was \$4,910,181 and the respective bank balances totaled \$4,982,641. Of the total bank balance, \$4,315,385 was insured through the FDIC. The remaining balance was collateralized with pledged government securities held by the financial institution's trust department, with a market value of \$1,467,339 as of September 30, 2023.

Below is a summary of deposit account and cash equivalent balances as of September 30, 2023:

<u>September 30,</u>	<u>2023</u>
Demand Deposits	
Sweep Account	\$ 4,050,383
EDA Grant Account	15,002
General Account	844,796
<hr/>	
Total cash and cash equivalents	<u>\$ 4,910,181</u>



**Lubbock Reese Redevelopment Authority**  
**Notes to Financial Statements**

**Note 3: ACCOUNTS RECEIVABLE**

Accounts receivable are deemed fully collectible by management and are comprised of the following amounts at September 30, 2023:

<i>September 30,</i>	Nature of Receivable	2023
Tenants and customers	ST Leases, CAM, and usage fees	\$ 112,413
Tenants and customers	Allowance on ST Leases, CAM, and usage fees	(38,186)
Tenants and customers	Leases	5,941,331
<b>Total accounts receivable</b>		<b>\$ 6,015,558</b>

***Leases Receivable***

The Authority has a total of 54 leases with various customers. These leases range from one year to twenty years in length with both flat and graduated rent income over the life of the leases. The incremental borrowing rate was 6.2% for all leases. The Authority recognized \$2,011,735 in lease income and \$388,155 in interest earned on leases in fiscal year 2023. Further, the Authority earned \$388,115 in additional lease income related to short term leases.

<i>For the years ending September 30,</i>	Principal	Interest	Total
2024	\$ 1,710,983	\$ 328,179	\$ 2,039,162
2025	1,197,442	232,746	1,430,188
2026	744,828	165,943	910,771
2027	551,372	125,637	677,009
2028	275,380	99,144	374,524
2029-2033	812,314	296,888	1,109,202
2034-2038	361,740	150,883	512,623
2039-2040	287,272	32,881	320,153
<b>Total</b>	<b>\$ 5,941,331</b>	<b>\$ 1,432,301</b>	<b>\$ 7,373,632</b>

**Lubbock Reese Redevelopment Authority**  
**Notes to Financial Statements**

**Note 4: INTER-FUND TRANSACTIONS**

Net operating transfers made to supplement other funding sources and allow reimbursements between funds, in the normal course of operations, were as follows:

Transfers out	Transfers in	Amount
Fiber Optic Fund	General Fund	\$ 98,925
EDA Grant Fund	General Fund	1,845,122
<b>Total</b>		<b>\$ 1,944,047</b>

**Note 5: CAPITAL ASSETS**

The capital assets of the Authority are presented below:

Asset Description	Beginning Balances	Assets Placed In Service	Assets Reclassified from CIP	Ending Balances
Capital assets not being depreciated				
1500 Land	\$ 1,481,401	\$ -	\$ -	\$ 1,481,401
1450 Construction in progress	1,642,065	35,058	(1,670,123)	7,000
Capital assets being depreciated				
1505 Buildings	2,068,812	1,238	-	2,070,050
1515 Building improvements	4,423,028	313,254	-	4,736,282
1535 Infrastructure and related improvements	5,612,780	79,805	1,670,123	7,362,708
1510 Computers and office equipment	178,024	10,322	-	188,346
1520 Vehicles	166,626	-	-	166,626
1530 Grounds maintenance equipment	435,837	-	-	435,837
Right to use lease assets	15,500	-	-	15,500
<b>Total capital assets</b>	<b>\$ 16,024,073</b>	<b>\$ 439,677</b>	<b>\$ -</b>	<b>\$ 16,463,750</b>

**Lubbock Reese Redevelopment Authority**  
**Notes to Financial Statements**

**Note 5: CAPITAL ASSETS (Continued)**

The accumulated depreciation/amortization on capital assets of the Authority is presented below:

Accumulated Depreciation/Amortization on Capital Assets being Depreciated/Amortized	Beginning Balances	Current Year Depreciation/ Amortization	Reductions in Accumulated Depreciation	Ending Balances
1505 Buildings	\$ (782,067)	\$ (51,751)	\$ -	\$ (833,818)
1515 Building improvements	(2,595,663)	(214,667)	-	(2,810,330)
1535 Infrastructure and related improvements	(3,631,099)	(348,097)	-	(3,979,196)
1510 Computers and office equipment	(164,400)	(2,664)	-	(167,064)
1520 Vehicles	(138,879)	(18,453)	-	(157,332)
1530 Grounds maintenance equipment	(244,202)	(48,385)	-	(292,587)
Right to use lease assets	(15,500)	-	-	(15,500)
<b>Total accumulated depreciation/amortization</b>	<b>(7,571,810)</b>	<b>(684,017)</b>	<b>-</b>	<b>(8,255,827)</b>
<b>Net capital assets</b>	<b>\$ 8,452,263</b>	<b>\$ (244,340)</b>	<b>\$ -</b>	<b>\$ 8,207,923</b>

**Note 6: LONG-TERM LIABILITIES**

***Changes in Long-Term Liabilities***

Long-term liability activity for the year ended September 30, 2023, was as follows.

<i>September 30, 2023</i>	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Leases	\$ 5,036	\$ -	\$ 3,391	\$ 1,645	\$ 1,645
Compensated absences	7,296	25,421	23,113	9,604	9,604
<b>Total</b>	<b>\$ 12,332</b>	<b>\$ 25,421</b>	<b>\$ 26,504</b>	<b>\$ 11,249</b>	<b>\$ 11,249</b>

**Lubbock Reese Redevelopment Authority**  
**Notes to Financial Statements**

**Note 6: LONG-TERM LIABILITIES (Continued)**

***Leases***

The Authority has entered into a lease agreement for a copier. The lease agreement has been recorded at the present value of the future lease payments as of the date of their inception or, for leases existing prior to the implementation year at the remaining terms of the agreement, using the facts and circumstances available at October 1, 2021.

In April 2019, the Authority entered into a 5-year lease with BBS Financial for a new copy machine. Lease payments are \$295 a month through fiscal year 2020 and then will increase by \$1 every year until the lease is paid off.

The Authority has calculated interest on these payments based on a projected incremental borrowing rate, as neither lease contained a stated rate of interest.

Estimated maturities of long-term debt are as follows:

<i>Fiscal years ending September 30,</i>	Principal		Interest		Total
2024	\$	1,644	\$	24	\$ 1,668
Total	\$	1,644	\$	24	\$ 1,668

***Compensated Absences***

The liability at September 30, 2023 has been recorded in the financial statements and represents the Authority's commitment to fund accrued vacation costs from future operations. The compensated absences will be liquidated in the next year from business-type activities.

**Note 7: EDC CONVEYANCE**

On August 25, 1999, the United States Air Force transferred approximately 2,046 acres of land, associated facilities, infrastructure and personal property to the Authority via the execution of an Economic Development Conveyance ("EDC") and Lease in Furtherance of Conveyance documents. This EDC document, which is a mechanism used by the Federal government to transfer former military installations to local reuse authorities for job creation and economic development purposes, transferred control of the Base property to the Authority for the sum of \$3,200,000, as evidenced by a promissory note, and through a 50 year lease, with commitments from the Air Force to transfer title to the property upon meeting the requirements of Section 120(h)(3)(B) of the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended.

## Lubbock Reese Redevelopment Authority Notes to Financial Statements

### Note 7: EDC CONVEYANCE (Continued)

On August 24, 2000, the United States Air Force transferred title to buildings which represented housing for military families. At that time, the Authority sold all such houses except for the base housing office building. The base housing office building has been recorded at an estimated fair value of \$15,000 in these financial statements.

On November 21, 2000, the Authority entered into an agreement with the Air Force to amend the EDC agreement. The amended EDC provided that the Air Force forgive the balance due of \$3,200,000 under the promissory note described in preceding paragraphs. In consideration of the Air Force canceling the promissory note, releasing the lien of the Deed of Trust, and amending the EDC agreement, the Authority agreed to reinvest the proceeds from any sale, lease, or other use of the EDC premises received by the Authority during the period ending seven years from November 1, 2000 (the reinvestment period), to pay for, or offset the costs of, public investment on or related to the former Reese AFB.

On October 5, 2002, the United States Air Force transferred approximately 1,620 acres of land and associated facilities and infrastructure to the Authority that includes the old airstrips in connection with the EDC agreement above. The land and airfield has been recorded at an estimated fair value of \$270,000 in these financial statements.

On September 25, 2006, the United States Air Force transferred title to the remaining property in accordance with the EDC document. At that time, the balance in the EDC Conveyance asset was reclassified to its appropriate capital asset category.

Below is a schedule of the individual assets making up the total balance at historical cost and the status of the property under the Lease in Furtherance of Conveyance.

Description of Property	Status of Conveyance	Effective Date	Recorded Balances
Main Campus/Former Housing/Rec Fields - 317 acres	Deeded / Title Transferred	9/25/2006	\$ 3,200,000
BLDG # 1111 Former Commander's House	Deeded / Title Transferred	8/24/2000	15,000
Airfield/Terry County Auxiliary Airfield - 1,629 acres	Deeded / Title Transferred	10/5/2002	270,000

**Lubbock Reese Redevelopment Authority**  
**Notes to Financial Statements**

**Note 7: EDC CONVEYANCE (Continued)**

The following are the capital asset categories including all activity on the property since conveyance at historical cost:

<u>September 30, 2023</u>	Recorded as Land	Recorded as Buildings
Main Campus/Former Housing/Rec Fields	\$ 992,939	\$ 1,918,000
BLDG # 1111 Former Commander's House	-	15,000
Airfield/Terry County Auxiliary Airfield	488,462	-
<b>Totals</b>	<b>\$ 1,481,401</b>	<b>\$ 1,933,000</b>

**Note 8: RISK MANAGEMENT**

The Authority is a member of the Texas Municipal League (TML) Joint Insurance Fund (the "Fund"). The Fund is a self-insurance pool, which behaves as a cooperative for the purposes of providing insurance benefits for political and public entities. Through the Fund, the Authority maintains general liability coverage in the amount of \$10,000,000 as well as property and casualty insurance. The Authority has undertaken a Risk Management Program with the assistance of TML and other resources. The Authority does not anticipate losses in excess of the limits of the general liability coverage; therefore, no accrual for loss contingencies has been made.

**Note 9: TCDRS RETIREMENT PLAN**

***Plan Description***

Lubbock Reese Redevelopment Authority provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of nontraditional defined benefit pension plans. TCDRS in the aggregate issues an annual comprehensive financial report (ACFR) on a calendar year basis. The ACFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 5 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 5 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits in a lump sum are not entitled to any amounts contributed by their employer.

**Lubbock Reese Redevelopment Authority**  
**Notes to Financial Statements**

**Note 9: TCDRS RETIREMENT PLAN (Continued)**

***Benefits Provided***

Benefit amounts are determined by the sum of the employee's deposits to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

***Contributions***

The employer has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually.

***Net Pension Asset***

The TCDRS pension asset amounts, net pension asset amounts, and sensitivity information were based on an annual actuarial valuation performed as of December 31, 2022. The TCDRS pension asset amounts were rolled forward from the valuation date to the Plan year ending December 31, 2022, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date December 31, 2022.

***Actuarial Assumptions***

Methods and assumption used to determine contribution rates are as follows:

<b>Valuation Date</b>	Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.
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***Methods and assumptions used to determine contribution rates:***

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<b>Actuarial Cost Method</b>	Entry Age (level percentage of pay)
<b>Amortization Method</b>	Level percentage of payroll, closed
<b>Remaining Amortization Period</b>	0.0 years (based on contribution rate calculated in 12/31/2022 valuation)
<b>Asset Valuation Method</b>	5 year smoothed market
<b>Inflation</b>	2.50%

**Lubbock Reese Redevelopment Authority**  
**Notes to Financial Statements**

**Note 9: TCDRS RETIREMENT PLAN (Continued)**

***Actuarial Assumptions (Continued)***

<b>Salary Increases</b>	Varies by age and service. 4.7% average over career including inflation.
<b>Investment Rate of Return</b>	7.50%, net of administrative and investment expenses, including inflation
<b>Retirement Age</b>	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
<b>Mortality</b>	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
<b>Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*</b>	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected. 2022: New investment return and inflation assumptions were reflected.
<b>Change in Plan Provisions Reflected in the Schedule of Employer Contributions*</b>	2017: New Annuity Purchase Rates were reflected for benefits earned after 2017.

\*Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to the Required Supplementary Information Schedule.



**Lubbock Reese Redevelopment Authority**  
**Notes to Financial Statements**

**Note 9: TCDRS RETIREMENT PLAN (Continued)**

***Other Key Actuarial Assumptions***

All actuarial assumptions that determined the total pension liability as of December 31, 2022 were based on the results of an actuarial experience study for the period January 1, 2017 - December 31, 2020, except where required to be different by GASB 68.

	Beginning Date	Ending Date
Valuation date	Dec. 31, 2021	Dec. 31, 2022
Measurement date	Dec. 31, 2021	Dec. 31, 2022
Employer's fiscal year	Oct. 1, 2022	Sept. 30, 2023

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2023 information for a 10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is set based on a long-term time horizon; the most recent analysis was performed in March 2021.

**Lubbock Reese Redevelopment Authority**  
**Notes to Financial Statements**

**Note 9: TCDRS RETIREMENT PLAN (Continued)**

***Other Key Actuarial Assumptions (Continued)***

See Milliman’s TCDRS Investigation of Experience report for the period January 1, 2017 to December 31, 2020 for more details.

Asset Class	Benchmark	Target Allocation <sup>1</sup>	Geometric Real Rate of Return <sup>2</sup>
US Equities	Dow Jones US Total Stock Market	11.50%	4.95%
Global Equities	MSCI World (net) Index	2.50%	4.95%
International Equities - Developed Markets	MSCI World Ex USA (net) Index	5.00%	4.95%
International Equities - Emerging Markets	MSCI Emerging Markets (net) Index	6.00%	4.95%
Investment – Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	2.40%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	3.39%
Direct Lending	Morningstar LSTA US Leveraged Lo.	16.00%	6.95%
Distressed Debt	Cambridge Associates Distressed Securities Index <sup>3</sup>	4.00%	7.60%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.15%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	5.30%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index <sup>4</sup>	6.00%	5.70%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index <sup>5</sup>	25.00%	7.95%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	2.90%
Cash Equivalents	90-Day U.S. Treasury	2.00%	0.20%

**Lubbock Reese Redevelopment Authority**  
**Notes to Financial Statements**

**Note 9: TCDRS RETIREMENT PLAN (Continued)**

***Other Key Actuarial Assumptions (Continued)***

<sup>1</sup>Target asset allocation adopted at the March 2022 TCDRS Board meeting.

<sup>2</sup>Geometric real rates of return equal the expected return for the asset class minus the assumed inflation rate of 2.60%, per Cliffwater's 2022 capital market assumptions.

<sup>3</sup>Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

<sup>4</sup>Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

<sup>5</sup>Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

<i>December 31,</i>	<b>2022</b>	<b>2021</b>
Total pension liability	\$ <b>1,354,411</b>	\$ 1,402,908
Fiduciary net position	<b>1,510,935</b>	1,618,235
Net pension liability (asset)	<b>(156,524)</b>	(215,327)
Fiduciary net position as a % of total pension liability	<b>111.56%</b>	115.35%

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actual assumptions below.

<i>December 31,</i>	<b>2022</b>	<b>2021</b>
Discount rate	<b>7.60%</b>	7.60%
Long-term expected rate of return, net of investment expense	<b>7.60%</b>	7.60%

**Lubbock Reese Redevelopment Authority**  
**Notes to Financial Statements**

**Note 9: TCDRS RETIREMENT PLAN (Continued)**

	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability (Asset)
<b>Balance, December 31, 2021</b>	\$ 1,402,908	\$ 1,618,235	\$ (215,327)
Changes for the year			
Service cost	63,649	-	63,649
Interest on total pension liability	108,727	-	108,727
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	(147,648)	-	(147,648)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(23,655)	(23,655)	-
Benefit payments	(49,570)	(49,570)	-
Administrative expenses	-	(885)	885
Member contributions	-	34,660	(34,660)
Net investment income	-	(93,821)	93,821
Employer contributions	-	26,341	(26,341)
Other	-	(370)	370
<b>Balance, December 31, 2022</b>	<b>\$ 1,354,411</b>	<b>\$ 1,510,935</b>	<b>\$ (156,524)</b>

***Deferred Inflows/Outflows of Resources***

	Deferred Outflows of Resources	Deferred Inflows of Resources
<i>December 31, 2022</i>		
Differences between expected and actual experience	\$ 11,941	\$ 98,432
Changes in assumptions	-	3,230
Net difference between projected and actual earnings on pension plan investments	29,371	-
Authority's contributions subsequent to the measurement date	16,224	-
<b>Total</b>	<b>\$ 57,536</b>	<b>\$ 101,662</b>

**Lubbock Reese Redevelopment Authority**  
**Notes to Financial Statements**

**Note 9: TCDRS RETIREMENT PLAN (Continued)**

***Deferred Inflows/Outflows of Resources (Continued)***

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

*For the year ended December 31,*

2023	\$	(58,886)
2024		(49,825)
2025		5,101
2026		43,260
2027		-
Thereafter		-
<b>Total</b>	<b>\$</b>	<b>(60,350)</b>

***Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate***

The following table shows the sensitivity of the net pension asset to changes in the discount rate. In particular, the tables present the Authority's net pension asset in the plan that the Authority participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.60%) or one percentage point higher (8.60%) than the single discount rate.

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
<i>December 31, 2022</i>			
Authority's proportionate share of the net pension liability / (asset)	\$ 12,841	\$ (156,524)	\$ (300,635)

***Payables to the pension plan***

At September 30, 2023 there were no contributions due and payable to the plan for the Authority.

## Lubbock Reese Redevelopment Authority Notes to Financial Statements

### **Note 10: RELATED PARTY TRANSACTIONS**

During the year ended September 30, 2023, the Authority had agreements with related parties. See below for the corresponding detail.

The Authority had a few agreements with the engineering/architectural firm, Parkhill, Smith & Cooper, at which one of the board members is employed. The services were for \$7,000 for services related to the federal grant, to provide engineering services.

The other agreement was with South Plains Association of Governments, where again, a board member is employed. The services were \$395 for marketing. In addition, the Authority received \$4,844 in income related to renting the firing range and \$2,385 related to renting the driving course.

In addition, one of the board members is employed at one of the banking institution's the Authority utilizes.

### **Note 11: COMMITMENTS AND CONTINGENCIES**

The Authority is in the beginning stages of architectural surveys related to a project that has an estimated budget of \$3,042,320.

### **Note 12: SUBSEQUENT EVENTS**

Events occurring after September 30, 2023, have been evaluated for possible adjustments to the financial statements or disclosure as of August 15, 2024, which is the date the financial statements were available to be issued. Events include a tenant who has walked out on their agreement and another tenant whose lease unexpectedly terminated early on February 29, 2024. The estimated total loss of revenue is approximately \$1.8 million. In addition, on February 27, 2024, the Authority received a notice of award in the amount of \$2,000,000 from the Economic Development Administration.

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# REQUIRED SUPPLEMENTARY INFORMATION





## Lubbock Reese Redevelopment Authority Required Pension Supplementary Information

### Schedule of Changes in the Authority's Net Pension Liability/(Asset) and Related Ratios Last Ten Fiscal Years\*

<i>As of and for the year ended September 30, Measurement Date December 31,</i>	<b>2023</b>	2022	2021
	<b>2022</b>	2021	2020
<b>Total Pension Liability</b>			
Service cost	\$ 63,649	\$ 50,238	\$ 42,909
Interest on total pension liability	108,727	99,513	94,456
Effect of plan changes	-	-	-
Effect of assumption changes or inputs	-	(9,690)	65,071
Effect of economic/demographic (gain) or losses	(147,648)	35,823	2,569
Benefit payments/refunds of contributions	(73,225)	(63,089)	(74,751)
Net change in total pension liability	(48,497)	112,795	130,254
Total pension liability, beginning	1,402,908	1,290,113	1,159,859
Total pension liability, ending (a)	1,354,411	1,402,908	1,290,113
<b>Fiduciary Net Position</b>			
Employer contributions	26,341	21,030	16,188
Member contributions	34,660	39,981	31,252
Investment income net of investment expenses	(93,821)	291,714	127,117
Benefit payments/refunds of contributions	(73,225)	(63,089)	(74,751)
Administrative expenses	(885)	(875)	(973)
Other	(370)	306	(686)
Net change in fiduciary net position	(107,300)	289,067	98,147
Fiduciary net position, beginning	1,618,235	1,329,168	1,231,021
Fiduciary net position, ending (b)	1,510,935	1,618,235	1,329,168
Net pension liability / (asset) = (a) - (b)	\$ (156,524)	\$ (215,327)	\$ (39,055)
Fiduciary net position as a % of total pension liability	111.56%	115.35%	103.03%
Pensionable covered payroll	\$ 799,614	\$ 625,032	\$ 603,880
Net pension liability/(asset) as a % of covered payroll	-19.57%	-34.45%	-6.47%

\* The amounts presented were determined as of December 31. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Lubbock Reese Redevelopment Authority will present information for those years for which information is available.

*See notes to the required supplementary information.*

**Lubbock Reese Redevelopment Authority  
Required Pension Supplementary Information (Continued)**

	2020 2019	2019 2018	2018 2017	2017 2016	2016 2015	2015 2014
\$	53,033	\$ 41,088	\$ 31,198	\$ 44,461	\$ 36,071	\$ 44,244
	89,160	81,655	74,418	69,110	64,273	59,812
	-	-	-	-	(3,091)	-
	-	-	8,929	-	7,852	-
	(4,408)	9,545	17,448	(7,311)	(1,145)	(11,595)
	(50,296)	(52,803)	(52,296)	(48,020)	(44,124)	(27,615)
	87,489	79,485	79,697	58,240	59,837	64,846
	1,072,370	992,885	913,188	854,949	795,111	730,265
	1,159,859	1,072,370	992,885	913,188	854,949	795,111
	13,346	9,973	12,744	14,490	14,354	13,316
	30,194	27,857	27,584	25,421	24,664	25,509
	174,742	(20,676)	141,692	66,845	9,045	57,939
	(50,296)	(52,803)	(52,296)	(48,020)	(44,124)	(27,615)
	(938)	(855)	(732)	(725)	(649)	(667)
	(60)	(334)	(168)	11,487	(3,309)	1,101
	166,988	(36,838)	128,824	69,497	(19)	69,583
	1,064,033	1,100,871	972,047	902,550	902,569	832,986
	1,231,021	1,064,033	1,100,871	972,047	902,550	902,569
\$	(71,162)	\$ 8,337	\$ (107,986)	\$ (58,859)	\$ (47,601)	\$ (107,457)
	106.14%	99.22%	110.88%	106.45%	105.57%	113.51%
\$	586,290	\$ 551,673	\$ 508,429	\$ 493,271	\$ 510,174	\$ 528,654
	-12.14%	1.51%	-21.24%	-11.93%	-9.33%	-20.33%

*See notes to the required supplementary information.*

## Lubbock Reese Redevelopment Authority Required Pension Supplementary Information (Continued)

### Schedule of Authority's Contributions Last Ten Fiscal Years\*

<i>As of and for the year ended September 30,</i>	<b>2023</b>	2022	2021
Actuarially determined contributions	\$ <b>16,224</b>	\$ 16,500	\$ 15,089
Contributions in relation to the actuarially determined contributions	<b>(16,224)</b>	(16,500)	(15,089)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ <b>693,195</b>	\$ 799,614	\$ 625,032
Contributions as a percentage of covered payroll	<b>2.34%</b>	2.06%	2.41%

\* The amounts presented were determined as of December 31. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Lubbock Reese Redevelopment Authority will present information for those years for which information is available.

*See notes to the required supplementary information.*

**Lubbock Reese Redevelopment Authority  
Required Pension Supplementary Information (Continued)**

	2020		2019		2018		2017		2016		2015
\$	11,584	\$	12,957	\$	12,198	\$	14,035	\$	19,901	\$	13,316
	(11,584)		(12,957)		(12,198)		(14,035)		(19,901)		(13,316)
\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
\$	603,880	\$	586,290	\$	551,673	\$	508,429	\$	493,271	\$	510,174
	1.92%		2.21%		2.21%		2.76%		4.03%		2.61%

*See notes to the required supplementary information.*

## **Lubbock Reese Redevelopment Authority**

### **Notes to Required Pension Supplementary Information**

#### **NOTES TO REQUIRED PENSION SUPPLEMENTARY INFORMATION**

##### **Note 1: CHANGES OF BENEFIT TERMS**

A brief description of benefit terms:

- 1) All full- and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.
- 2) The plan provides retirement, disability and survivor benefits.
- 3) TCDRS is a savings-based plan. For the Authority's plan, 5% of each employee's pay is deposited into his or her TCDRS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 100%) and is then converted to an annuity.
- 4) There are no automatic COLAs. Each year, the Authority may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.
- 5) Benefit terms are established under the TCDRS Act. They may be amended as of Jan. 1 each year, but must remain in conformity with the Act.

##### **Note 2: CHANGES OF ASSUMPTIONS**

There were no modifications to the assumptions that were reflected in the actuarial valuation as of December 31, 2022.

## Lubbock Reese Redevelopment Authority Notes to Required Pension Supplementary Information

### Note 3: METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

<b>Valuation Timing</b>	Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.
<b>Actuarial Cost Method</b>	Entry Age (level percentage of pay)
<b>Amortization Method</b>	Level percentage of payroll, closed
<b>Remaining Amortization Period</b>	0.0 years (based on contribution rate calculated in 12/31/2022 valuation)
<b>Asset Valuation Method</b>	5 year smoothed market
<b>Inflation</b>	2.50%
<b>Salary Increases</b>	Varies by age and service. 4.7% average over career including inflation.
<b>Investment Rate of Return</b>	7.50%, net of administrative and investment expenses, including inflation
<b>Retirement Age</b>	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
<b>Mortality</b>	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
<b>Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*</b>	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected. 2022: New investment return and inflation assumptions were reflected.
<b>Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*</b>	2017: New Annuity Purchase Rates were reflected for benefits earned after 2017.

\*Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to Schedule.

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# SUPPLEMENTARY INFORMATION





**Lubbock Reese Redevelopment Authority**  
**Combining Statement of Net Position**

<i>September 30, 2023</i>	Campus Operations			<b>Totals</b>
	General Fund	Fiber Optic / Data Center Operations Fund	EDA Grant Fund	
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 4,895,179	\$ -	15,002	\$ 4,910,181
Receivables				
Accounts, net	73,575	652	-	74,227
Leases, current portion	1,624,951	86,032	-	1,710,983
Due from federal government	-	-	112,157	112,157
<b>Total current assets</b>	<b>6,593,705</b>	<b>86,684</b>	<b>127,159</b>	<b>6,807,548</b>
Noncurrent assets				
Lease receivables, net of current portion	4,203,727	26,621	-	4,230,348
Capital assets				
Land	1,481,401	-	-	1,481,401
Construction in progress	-	-	7,000	7,000
Buildings	2,070,050	-	-	2,070,050
Building improvements	4,485,442	250,840	-	4,736,282
Infrastructure and related improvements	5,611,189	1,751,519	-	7,362,708
Computers and office equipment	94,024	94,322	-	188,346
Vehicles	166,626	-	-	166,626
Grounds maintenance equipment	277,450	158,387	-	435,837
Right to use lease assets	15,500	-	-	15,500
Less accumulated depreciation	(6,105,398)	(2,134,929)	-	(8,240,327)
Less accumulated amortization	(15,500)	-	-	(15,500)
<b>Total capital assets, net</b>	<b>8,080,784</b>	<b>120,139</b>	<b>7,000</b>	<b>8,207,923</b>
Net pension asset	156,524	-	-	156,524
<b>Total noncurrent assets</b>	<b>12,441,035</b>	<b>146,760</b>	<b>7,000</b>	<b>12,594,795</b>
<b>Total assets</b>	<b>19,034,740</b>	<b>233,444</b>	<b>134,159</b>	<b>19,402,343</b>
<b>Deferred Outflows of Resources</b>				
Employer contributions subsequent to the measurement date	16,224	-	-	16,224
Net difference between projected and actual investment earnings	29,371	-	-	29,371
Differences between expected and actual experience	11,941	-	-	11,941
<b>Total deferred outflows of resources</b>	<b>57,536</b>	<b>-</b>	<b>-</b>	<b>57,536</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 19,092,276</b>	<b>\$ 233,444</b>	<b>\$ 134,159</b>	<b>\$ 19,459,879</b>

(Continued)

## Lubbock Reese Redevelopment Authority Combining Statement of Net Position (Continued)

<i>September 30, 2023</i>	Campus Operations			<b>Totals</b>
	General Fund	Fiber Optic / Data Center Operations Fund	EDA Grant Fund	
<b>Liabilities</b>				
Current liabilities				
Accounts payable	\$ 56,520	\$ 10,164	\$ 7,000	\$ 73,684
Accrued expenses	62,154	-	-	62,154
Refundable deposits	71,473	-	-	71,473
Unearned revenues	310,547	11,185	-	321,732
Compensated absences	9,604	-	-	9,604
Lease liability, current	1,645	-	-	1,645
<b>Total current liabilities</b>	<b>511,943</b>	<b>21,349</b>	<b>7,000</b>	<b>540,292</b>
Noncurrent liabilities				
Lease liability, net of current portion	-	-	-	-
Net pension liability	-	-	-	-
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>511,943</b>	<b>21,349</b>	<b>7,000</b>	<b>540,292</b>
<b>Deferred Inflows of Resources</b>				
Changes in assumption	3,230	-	-	3,230
Differences between expected and actual experience	98,432	-	-	98,432
Leases	5,483,101	106,889	-	5,589,990
<b>Total deferred inflows of resources</b>	<b>5,584,763</b>	<b>106,889</b>	<b>-</b>	<b>5,691,652</b>
<b>Net Position</b>				
Net investment in capital assets	8,079,139	120,139	7,000	8,206,278
Unrestricted	4,916,431	(14,933)	120,159	5,021,657
<b>Total net position</b>	<b>12,995,570</b>	<b>105,206</b>	<b>127,159</b>	<b>13,227,935</b>
<b>Total liabilities, deferred inflows, and net position</b>	<b>\$ 19,092,276</b>	<b>\$ 233,444</b>	<b>\$ 134,159</b>	<b>\$ 19,459,879</b>

## Lubbock Reese Redevelopment Authority Combining Statement of Revenues, Expenses, and Changes in Net Position

<i>For the year ended September 30, 2023</i>	Campus Operations			<b>Totals</b>
	General Fund	Fiber Optic / Data Center Operations Fund	EDA Grant Fund	
<b>Operating Revenues</b>				
Charges for services				
Lease income	\$ 2,177,266	\$ 222,584	\$ -	\$ 2,399,850
Common area maintenance	734,693	-	-	734,693
Usage fees	291,558	31,026	-	322,584
Contract work income	6,619	-	-	6,619
Interest earned on leases	378,429	9,726	-	388,155
Utility franchise fees	33,641	-	-	33,641
<b>Total operating revenues</b>	<b>3,622,206</b>	<b>263,336</b>	<b>-</b>	<b>3,885,542</b>
<b>Operating Expenses</b>				
Compensation and benefits				
Salaries and benefits	803,529	-	-	803,529
Contract services	14,166	29,000	-	43,166
General and liability insurance	203,842	10,661	-	214,503
Building repairs and maintenance				
Repairs and maintenance	542,787	-	-	542,787
Building maintenance materials	24,494	2,409	-	26,903
Marketing and promotional expenses	82,208	-	-	82,208
Travel expenses	10,698	-	-	10,698
Printing and advertising	971	-	-	971
Depreciation expense	654,581	29,436	-	684,017
Telephone	1,754	-	-	1,754
Office supplies	30,562	-	-	30,562
Training and tuition expenses	7,384	-	-	7,384
Utilities	405,222	73,882	-	479,104
Professional services				
Accounting and auditing fees	41,477	-	-	41,477
Legal fees	75,556	-	-	75,556
Computer software and maintenance	-	36,285	-	36,285

(Continued)

**Lubbock Reese Redevelopment Authority  
Combining Statement of Revenues, Expenses, and  
Changes in Net Position (Continued)**

<i>For the year ended September 30, 2023</i>	Campus Operations			<b>Totals</b>
	General Fund	Fiber Optic / Data Center Operations Fund	EDA Grant Fund	
Operating expenses (concluded)				
Other operating expenses				
Board expenses	\$ 1,899	\$ -	\$ -	\$ 1,899
Internet charges	-	20,666	-	20,666
Postage	2,131	-	-	2,131
Meeting expenses	7,026	-	-	7,026
Licenses and fees	350	-	-	350
Bad debt expense	41,964	-	-	41,964
<b>Total operating expenses</b>	<b>2,952,601</b>	<b>202,339</b>	<b>-</b>	<b>3,154,940</b>
<b>Operating income (loss)</b>	<b>669,605</b>	<b>60,997</b>	<b>-</b>	<b>730,602</b>
<b>Non-Operating Revenues (Expenses)</b>				
Insurance proceeds	74,863	-	-	74,863
Interest expense/bank charges	(185)	-	-	(185)
Miscellaneous income	134	-	-	134
Federal grant	-	-	21,528	21,528
Interest income	161,231	-	-	161,231
<b>Total nonoperating revenues (expenses)</b>	<b>236,043</b>	<b>-</b>	<b>21,528</b>	<b>257,571</b>
<b>Income (loss) before transfers</b>				
Transfers, net	1,944,047	(98,925)	(1,845,122)	-
<b>Change in net position</b>	<b>2,849,695</b>	<b>(37,928)</b>	<b>(1,823,594)</b>	<b>988,173</b>
<b>Net position, beginning of year</b>	<b>10,145,875</b>	<b>143,134</b>	<b>1,950,753</b>	<b>12,239,762</b>
<b>Net position, end of year</b>	<b>\$ 12,995,570</b>	<b>\$ 105,206</b>	<b>\$ 127,159</b>	<b>\$ 13,227,935</b>

## Lubbock Reese Redevelopment Authority Combining Statement of Cash Flows

<i>For the year ended September 30, 2023</i>	Campus Operations			<b>Totals</b>
	General Fund	Fiber Optic / Data Center Operations Fund	EDA Grant Fund	
<b>Cash flows from operating activities</b>				
Cash received from customers for services	\$ 3,558,301	\$ 270,900	\$ -	\$ <b>3,829,201</b>
Cash payments to employees	(848,098)	-	-	<b>(848,098)</b>
Cash payments to suppliers for goods and services	(1,491,310)	(163,170)	7,000	<b>(1,647,480)</b>
<b>Net cash provided by operating activities</b>	<b>1,218,893</b>	<b>107,730</b>	<b>7,000</b>	<b>1,333,623</b>
<b>Cash flows from noncapital financing activities</b>				
Proceeds from the settlement of insurance claims	74,863	-	-	<b>74,863</b>
Operating subsidies and transfers to other funds	1,944,047	(98,925)	(1,845,122)	-
<b>Net cash provided by (used for) for non-capital financing activities</b>	<b>2,018,910</b>	<b>(98,925)</b>	<b>(1,845,122)</b>	<b>74,863</b>
<b>Cash flows from capital and related financing activities</b>				
Principal paid on capital debt	(3,391)	-	-	<b>(3,391)</b>
Interest paid on capital debt	(185)	-	-	<b>(185)</b>
Purchases and construction of capital assets	(2,065,937)	(8,805)	1,620,065	<b>(454,677)</b>
<b>Net cash provided by (used for) for capital and related financing activities</b>	<b>(2,069,513)</b>	<b>(8,805)</b>	<b>1,620,065</b>	<b>(458,253)</b>
<b>Cash flows from investing activities</b>				
Cash receipts from miscellaneous income	134	-	-	<b>134</b>
Cash receipts from interest	161,231	-	-	<b>161,231</b>
<b>Net cash provided by investing activities</b>	<b>161,365</b>	<b>-</b>	<b>-</b>	<b>161,365</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,329,655</b>	<b>-</b>	<b>(218,057)</b>	<b>1,111,598</b>
Cash and cash equivalents, beginning of year	3,565,524	-	233,059	<b>3,798,583</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 4,895,179</b>	<b>\$ -</b>	<b>\$ 15,002</b>	<b>\$ 4,910,181</b>

(Continued)

**Lubbock Reese Redevelopment Authority  
Combining Statement of Cash Flows (Continued)**

<i>For the year ended September 30, 2023</i>	Campus Operations			<b>Totals</b>
	General Fund	Fiber Optic / Data Center Operations Fund	EDA Grant Fund	
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>				
Operating income	\$ 669,605	\$ 60,997	\$ -	<b>\$ 730,602</b>
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	654,581	29,436	-	<b>684,017</b>
Amortization of lease receivable	(939,596)	(82,271)	-	<b>(1,021,867)</b>
Noncash pension expense	(24,075)	-	-	<b>(24,075)</b>
(Increase) decrease in assets				
Accounts receivable	155,784	16,692	-	<b>172,476</b>
Lease receivable	803,729	80,875	-	<b>884,604</b>
Prepaid expenses	64	5,826	-	<b>5,890</b>
Increase (decrease) in liabilities				
Accounts payable	3,117	3,907	7,000	<b>14,024</b>
Accrued expenses	(22,802)	-	-	<b>(22,802)</b>
Compensated absences	2,308	-	-	<b>2,308</b>
Refundable deposits	(4,201)	(223)	-	<b>(4,424)</b>
Unearned revenues	(79,621)	(7,509)	-	<b>(87,130)</b>
Net cash provided by operating activities	<b>\$ 1,218,893</b>	<b>\$ 107,730</b>	<b>\$ 7,000</b>	<b>\$ 1,333,623</b>

## Significant GASB Pronouncements

### New Standards Implemented

- **GASB Statement No. 91, *Conduit Debt Obligations***, is effective for fiscal years starting after December 15, 2021 and will apply to the Authority's 2023 fiscal year. This statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.
- **GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements***, is effective for fiscal years after June 15, 2022. This statement will improve financial reporting by establishing the definitions of PPPs and APAs and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions.
- **GASB Statement No. 96, *Subscription-Based Information Technology Arrangements***, is effective for fiscal years beginning after June 15, 2022. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments).
- **GASB Statement No. 99, *Omnibus 2022***, is effective for varying dates depending on the requirement. This statement will enhance comparability in accounting and financial reporting and improve the consistency of authoritative literature by addressing (a) practice issues that have been identified during implementation and application of certain GASB Statements and (b) accounting and financial reporting for financial guarantees.

### Upcoming Standards

- **GASB Statement No. 100, *Accounting Changes and Error Corrections***, is effective for reporting periods beginning after June 15, 2023. This statement will enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.
- **GASB Statement No. 101, *Compensated Absences***, is effective for reporting periods beginning after December 15, 2023. This statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences.
- **GASB Statement No. 102, *Certain Risk Disclosures***, is effective for reporting periods beginning after June 15, 2024. This statement is to improve financial reporting by providing users of financial statements with essential information that currently is not often provided.
- **GASB Statement No. 103, *Financial Reporting Model Improvements***, is effective for reporting periods beginning after June 15, 2025. This statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability.

## Value-Added Suggestions

### Service Organization System Audits

- CRI can help assist with any future SOC audits on the Reese Technology Center.

### Training on CentraLease

- CRI can help assist with training Authority employee's on how to input information into the CentraLease system.

## Concluding Comments

- The Executive Director and Accounting Manager were very helpful and great to work with.
- Thank you for the opportunity to continue to serve the Authority.

## Today's Presenters

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**Lubbock Reese Redevelopment Authority**

**AUDIT REPORTING PACKAGE**

**For the Year Ended September 30, 2023**





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# TRANSMITTAL LETTER



August 15, 2024

To the Board of Directors and Management of  
Lubbock Reese Redevelopment Authority  
9801 Reese Blvd, Suite 200  
Lubbock, Texas 79416

We are pleased to present the results of our audit of the 2023 financial statements of Lubbock Reese Redevelopment Authority (the "Authority").

This report to the Board of Directors and management of the Authority summarizes our audit, the report issued and various analyses and observations related to the Authority's accounting and reporting. The document also contains the communications required by our professional standards. Our audit was designed, primarily, to express an opinion on the Authority's 2023 financial statements. We considered the Authority's current and emerging business needs, along with an assessment of risks that could materially affect the financial statements and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you expect. We received the full support and assistance of the Authority's personnel.

At Carr, Riggs & Ingram, LLC (CRI), we are continually evaluating the quality of our professionals' work in order to deliver audit services of the highest quality that will meet or exceed your expectations. We encourage you to provide any feedback you believe is appropriate to ensure that we do not overlook a single detail as it relates to the quality of our services.

This report is intended solely for the use of the Board of Directors and management of the Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate this opportunity to work with you. If you have any questions or comments, please contact me at 806-745-6789 or [abowers@cricpa.com](mailto:abowers@cricpa.com).

Very truly yours,



Alan D. "A.J." Bowers, Jr., CPA, CITP  
Partner



# REQUIRED COMMUNICATIONS





As discussed with the Board of Directors and management during our planning process, our audit plan represented an approach responsive to the assessment of risk for Lubbock Reese Redevelopment Authority (the “Authority”). Specifically, we planned and performed our audit to:

- Perform audit services, as requested by the Board of Directors and management, in accordance with auditing standards generally accepted in the United States of America, in order to express an opinion on the Authority’s financial statements for the year ending September 30, 2023.
- Communicate directly with the Board of Directors and management regarding the results of our procedures;
- Address with the Board of Directors and management any accounting and financial reporting issues;
- Anticipate and respond to concerns of the Board of Directors and management; and
- Address other audit-related projects as they arise and upon request.



We have audited the financial statements of the Authority for the year ended September 30, 2023, and have issued our report thereon dated August 15, 2024. Professional standards require that we provide you with the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p><b>Auditor's responsibility under Generally Accepted Auditing Standards</b></p>	<p>As stated in our engagement letter dated December 13, 2023, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP). Our audit of the financial statements does not relieve you or management of your responsibilities.</p> <p>As part of our audit, we considered the internal control of the Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.</p>
<p><b>Client's responsibility</b></p>	<p>Management, with oversight from those charged with governance, is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with the applicable framework. Management is responsible for the design and implementation of programs and controls to prevent and detect fraud. Management is responsible for overseeing nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.</p>
<p><b>Planned scope and timing of the audit</b></p>	<p>Our initial audit plan was altered during our fieldwork.</p>



MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p><b>Management judgments and accounting estimates</b></p> <p><i>The process used by management in forming particularly sensitive accounting estimates and the basis for the auditor's conclusion regarding the reasonableness of those estimates.</i></p>	<p>Please see the following section titled "Accounting Policies, Judgments and Sensitive Estimates and CRI Comments on Quality."</p>
<p><b>Potential effect on the financial statements of any significant risks and exposures</b></p> <p><i>Major risks and exposures facing the Authority and how they are disclosed.</i></p>	<p>No such risks or exposures were noted.</p>
<p><b>Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditor's judgment about the quality of accounting principles</b></p>	<p>The significant accounting policies used by the Authority are described in Note 1 to the financial statements. New accounting policies were adopted during the fiscal year as a result of the following recently issued accounting pronouncements:</p> <ul style="list-style-type: none"> <li>• Statement No. 91, Conduit Debt Obligations</li> <li>• Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements</li> <li>• Statement No. 96, Subscription-Based Information Technology Arrangements</li> <li>• Statement No. 99, Omnibus 2022</li> </ul> <p>The adoption of GASB Statement 91, 94, 96, and 99 had no impact on the financial statements.</p> <p>We noted no transactions entered into by the Authority during the fiscal year for which there is a lack of authoritative guidance or consensus.</p> <p>All significant transactions have been recognized in the financial statements in the proper period.</p> <p>Further, the disclosures in the Authority financial statements are neutral, consistent, and clear.</p>



MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p><b>Significant difficulties encountered in the audit</b></p> <p><i>Any significant difficulties, for example, unreasonable logistical constraints or lack of cooperation by management.</i></p>	<p>We encountered no significant difficulties in dealing with management in performing and completing our audit.</p>
<p><b>Disagreements with management</b></p> <p><i>Disagreements, whether or not subsequently resolved, about matters significant to the financial accounting, reporting, or auditing matter, that could be significant to the financial statements or the auditor's report. This does not include those that came about based on incomplete facts or preliminary information.</i></p>	<p>We are pleased to report that no such disagreements arose during the course of our audit.</p>
<p><b>Other findings or issues</b></p> <p><i>Matters significant to oversight of the financial reporting practices by those charged with governance, including any circumstances that could affect the form or content of the report. For example, an entity's failure to obtain the necessary type of audit, such as one under Government Auditing Standards, in addition to GAAS.</i></p>	<p>None noted.</p>
<p><b>Matters arising from the audit that were discussed with, or the subject of correspondence with, management</b></p> <p><i>Business conditions that might affect risk or discussions regarding accounting practices or application of auditing standards.</i></p>	<p>None noted.</p>





MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p><b>Corrected and uncorrected misstatements</b></p> <p><i>All significant audit adjustments arising from the audit, whether or not recorded by the Authority, that could individually or in the aggregate have a significant effect on the financial statements. We should also inform the Board of Directors about uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented, that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Any internal control deficiencies that could have prevented the misstatements.</i></p>	<p>See "Summary of Audit Adjustments" section.</p>
<p><b>Major issues discussed with management prior to retention</b></p> <p><i>Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.</i></p>	<p>Discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.</p>
<p><b>Consultations with other accountants</b></p> <p><i>When management has consulted with other accountants about significant accounting or auditing matters.</i></p>	<p>To our knowledge, there were no such consultations with other accountants.</p>
<p><b>Written representations</b></p> <p><i>A description of the written representations the auditor requested (or a copy of the representation letter).</i></p>	<p>See "Management Representation Letter" section.</p>
<p><b>Internal control deficiencies</b></p> <p><i>Any significant deficiencies or material weaknesses in the design or operation of internal control that came to the auditor's attention during the audit.</i></p>	<p>None noted.</p>



MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p><b>Fraud and illegal acts</b></p> <p><i>Fraud involving senior management or those responsible for internal controls, or causing a material misstatement of the financial statements, where the auditor determines there is evidence that such fraud may exist. Any illegal acts coming to the auditor's attention involving senior management and any other illegal acts, unless clearly inconsequential.</i></p>	<p>We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.</p>
<p><b>Other information in documents containing audited financial statements</b></p> <p><i>The external auditor's responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results.</i></p>	<p>Our responsibility related to documents (including annual reports, websites, etc.) containing the financial statements is to read the other information to consider whether:</p> <ul style="list-style-type: none"> <li>• Such information is materially inconsistent with the financial statements; and</li> <li>• We believe such information represents a material misstatement of fact.</li> </ul> <p>We have not been provided any such items to date and are unaware of any other documents that contain the audited financial statements.</p>
<p><b>Significant unusual accounting transactions</b></p> <p><i>Auditor communication with governance to include auditor's views on policies and practices management used, as well as the auditor's understanding of the business purpose.</i></p>	<p>No significant unusual accounting transactions were noted during the year.</p>



MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p><b>Required Supplementary Information</b></p> <p><i>The auditor's responsibility for required supplementary information accompanying the financial statements, as well as any procedures performed and the results.</i></p>	<p>We applied certain limited procedures to the required supplementary information (RSI) that supplements the financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.</p>
<p><b>Supplementary Information in relation to the financial statements as a whole</b></p> <p><i>The auditor's responsibility for supplementary information accompanying the financial statements, as well as any procedures performed and the results.</i></p>	<p>We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.</p>



# **ACCOUNTING POLICIES, JUDGMENTS & SENSITIVE ESTIMATES & CRI COMMENTS ON QUALITY**



## Accounting Policies, Judgments & Sensitive Estimates & CRI Comments on Quality



We are required to communicate our judgments about the quality, not just the acceptability, of the Authority’s accounting principles as applied in its financial reporting. We are also required to communicate critical accounting policies and sensitive accounting estimates. Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The Board of Directors may wish to monitor throughout the year the process used to compute and record these accounting estimates. The table below summarizes our communications regarding these matters.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	AUDITOR’S CONCLUSIONS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Depreciation of capital assets	The Authority depreciates capital assets using the straight-line method.	X	The Authority depreciates capital assets over their estimated useful lives, which are based on the experience with similar assets and guidance provided by ASC 360.	The Authority’s recognition methods and disclosures appear appropriate.

**Accounting Policies, Judgments & Sensitive Estimates  
& CRI Comments on Quality**



AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	AUDITOR'S CONCLUSIONS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Defined benefit pension plan	The Authority participates in the Texas County & District Retirement System (TCDRS), an agent multiple-employer plan administered by TCERS. TCERS utilizes an independent actuary to provide an actuarial valuation report specific to each participating employer. This report provides each participating employer with estimates of the total pension liability/(asset), fiduciary net position, related deferred outflows/inflows and actuarially required contributions in accordance with the provisions of GASB 68.	X	Key assumptions utilized by the actuary in making the estimates in accordance with GASB 68. The total pension asset was determined by an actuarial valuation as of December 31, 2022 with a measurement date of December 31, 2021.	We evaluated the assumptions used by the actuary in estimating the Authority's total pension asset, the fiduciary net position, and the related deferred outflows/inflows and found them to be in accordance with the provisions of GASB 68 and reasonable in relation to the financial statements taken as a whole.

Accounting Policies, Judgments & Sensitive Estimates  
& CRI Comments on Quality



AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	AUDITOR'S CONCLUSIONS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Compensated absences	<p>Liabilities for compensated absences attributable to services already rendered are accrued as employees earn the rights to those benefits.</p> <p>The Authority follows the provisions of Section C60: <i>Compensated Absences</i>, of the GASB Codification when reporting these liabilities.</p>	X	<p>The Authority estimates the accrued liabilities for compensated absences using leave balances accrued at the end of the fiscal year multiplied by the pay rate in effect for each employee as of the end of the fiscal year.</p>	<p>The Authority's policies are in accordance with all applicable accounting guidelines and GASB.</p>

Accounting Policies, Judgments & Sensitive Estimates  
& CRI Comments on Quality



AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	AUDITOR'S CONCLUSIONS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Determination of discount rate for lease receivable and amortization of deferred inflows of resources-leases	The Authority amortizes deferred inflows of resources-leases using the straight line method and has utilized the incremental borrowing rate to determine the lease receivable.	X	The Authority amortizes deferred inflows of resources - leases over the period of the lease term. Similarly, using past experience with similar assets and the guidance provided by GASB Statement No. 87, <i>Leases</i> , the Authority has utilized the incremental borrowing rate to determine the measurement of the lease receivable and interest payments.	We evaluated the key factors and assumptions used to develop the discount rate and fair value of assets in determining that they are reasonable in relation to the financial statements taken as a whole.



Accounting Policies, Judgments & Sensitive Estimates  
& CRI Comments on Quality



AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	AUDITOR'S CONCLUSIONS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Amortization of right-to-use assets, determination of discount rate for lease liability and fair value of underlying asset	The Authority amortizes right-to-use assets using the straight line method and has utilized the incremental borrowing rate to determine the lease liability and the fair value of the underlying assets.	X	The Authority amortizes right-to-use assets over the shorter period of the lease term or the useful life of the asset which is based on the experience with similar assets and guidance provided by GASB Statement No. 87, <i>Leases</i> . Similarly, using past experience with similar assets and the guidance provided by GASB Statement No. 87, <i>Leases</i> , the Authority has utilized the incremental borrowing rate to determine the measurement of the lease liability, interest payments and fair value of the underlying asset.	We evaluated the key factors and assumptions used to develop the estimated useful lives, discount rate and fair value of assets in determining that they are reasonable in relation to the financial statements taken as a whole.



# SUMMARY OF AUDIT ADJUSTMENTS





During the course of our audit, we accumulate differences between amounts recorded by the Authority and amounts that we believe are required to be recorded under GAAP reporting guidelines. Those adjustments are either recorded (corrected) by the Authority or passed (uncorrected). Uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even if, in the auditor's judgment, such uncorrected misstatements are immaterial to the financial statements under audit.

The following lists detail the resulting journal entries from the audit of the financial statements of Lubbock Reese Redevelopment Authority as of September 30, 2023 and for the year then ended.

The following are entries for which management provided to us for audit (client requested adjustments).

Account	Description	Debit	Credit
<b>Adjusting Journal Entries JE # 5</b>			
CAJE #1: To true-up TCDRS retirement payables.			
400-2155	TCDRS RETIREMENT PAYABLE	\$ 23,841	
400-2155	TCDRS RETIREMENT PAYABLE	8,502	
400-5150	TCDRS RETIREMENT	25,374	
400-5150	TCDRS RETIREMENT	12,299	
400-2155	TCDRS RETIREMENT PAYABLE		\$ 25,374
400-2155	TCDRS RETIREMENT PAYABLE		12,299
400-5150	TCDRS RETIREMENT		23,841
400-5150	TCDRS RETIREMENT		8,502
<b>Total</b>		<b>\$ 70,016</b>	<b>\$ 70,016</b>

The following details the **recorded (corrected) adjustments resulting from the audit** of the financial statements of the Authority as of September 30, 2023 and for the year then ended.

<b>Adjusting Journal Entries</b>			
<b>Adjusting Journal Entries JE # 1</b>			
To match beginning Net Position			
400-5100	SALARIES	\$ 23,096	
600-3600	FUND BALANCE-FIBER OPTIC OPERA	2	
400-3400	FUND BALANCE GENERAL FUND		\$ 23,096
600-1590	ACCUMULATED DEPRECIATION		2
<b>Total</b>		<b>\$ 23,098</b>	<b>\$ 23,098</b>

<b>Adjusting Journal Entries JE # 2</b>			
To reverse a client entry as the money was not received by the Authority at year-end.			
500-1256	Due from EDA Grant	\$ 90,629	
500-4000	FEDERAL GRANTS		\$ 90,629
<b>Total</b>		<b>\$ 90,629</b>	<b>\$ 90,629</b>

## Summary of Audit Adjustments



Account	Description	Debit	Credit
<b>Adjusting Journal Entries JE # 4</b>			
To record the net pension liability at 9/30/2023.			
400-1800	NET DIF BETWEEN EXPECTED AND ACTUAL	\$ 212,845	
400-2401	Deferred Inflow - Change in Assumption	3,230	
400-1415	NET PENSION ASSET		\$ 58,803
400-1850	DEF OUTFLOWS-ER CONTRIBUTIONS		276
400-1855	DEFERRED OUTFLOW- DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXP		12,798
400-1875	DEF OUTFLOWS-CHANGE IN ASSUMPTIONS		21,691
400-2400	DIF BETWEEN EXPECTED AND ACTUAL EXPERIENCE		98,432
400-5150	TCDRS RETIREMENT		24,075
<b>Total</b>		<b>\$ 216,075</b>	<b>\$ 216,075</b>
<b>Adjusting Journal Entries JE # 6</b>			
To record the additional portion of the receivable for the EDA reimbursement request.			
500-1256	Due from EDA Grant	\$ 21,528	
500-4000	FEDERAL GRANTS		\$ 21,528
<b>Total</b>		<b>\$ 21,528</b>	<b>\$ 21,528</b>
<b>Adjusting Journal Entries JE # 7</b>			
To capitalize operation expenses and record depreciation.			
400-1515	BUILDING IMPROVEMENTS	\$ 28,494	
400-1515	BUILDING IMPROVEMENTS	62,266	
400-1590	ACCUMULATED DEPRECIATION	1,528	
400-5305	DEPRECIATION EXPENSE	356	
400-5305	DEPRECIATION EXPENSE	2,076	
400-5900	OPERATIONS	26,194	
400-1515	BUILDING IMPROVEMENTS		\$ 26,194
400-1590	ACCUMULATED DEPRECIATION		356
400-1590	ACCUMULATED DEPRECIATION		2,076
400-5305	DEPRECIATION EXPENSE		1,528
400-5900	OPERATIONS		28,494
400-5900	OPERATIONS		62,266
<b>Total</b>		<b>\$ 120,914</b>	<b>\$ 120,914</b>
<b>Adjusting Journal Entries JE # 9</b>			
To propose a correction of error adjustment to record the lease receivable and deferred inflows from the prior fiscal year.			
400-1288	LONG TERM PORTION OF LEASES RECEIVABLE	\$ 1,684	
400-4200	LEASE INCOME	7,533	
400-2087	DEFERRED INFLOW OF RESOURCES		\$ 9,217
<b>Total</b>		<b>\$ 9,217</b>	<b>\$ 9,217</b>

## Summary of Audit Adjustments



Account	Description	Debit	Credit
<b>Adjusting Journal Entries JE # 10</b>			
To reduce the AR, deferred inflow and accurately record revenue related to GASB 87 leases.			
400-2087	DEFERRED INFLOW OF RESOURCES	\$ 1,929,464	
400-4200	LEASE INCOME	1,781,244	
600-2087	DEFERRED INFLOW OF RESOURCES	82,271	
600-4800	FIBER OPTIC/WIRELESS INCOME	80,875	
400-1288	LONG TERM PORTION OF LEASES RECEIVABLE		\$ 1,781,244
400-4287	LEASE REVENUE - GASB 87		1,929,464
600-1288	LONG TERM PORTION OF LEASES RECEIVABLE		80,875
600-4887	LEASE REVENUE - GASB 87		82,271
<b>Total</b>		<b>\$ 3,873,854</b>	<b>\$ 3,873,854</b>
<b>Adjusting Journal Entries JE # 11</b>			
To properly record the current portion of leases receivable.			
400-1288	LONG TERM PORTION OF LEASES RECEIVABLE	\$ 69,283	
600-1287	CURRENT PORTION OF LEASES RECEIVABLE	5,158	
400-1287	CURRENT PORTION OF LEASES RECEIVABLE		\$ 69,283
600-1288	LONG TERM PORTION OF LEASES RECEIVABLE		5,158
<b>Total</b>		<b>\$ 74,441</b>	<b>\$ 74,441</b>
<b>Adjusting Journal Entries JE # 12</b>			
To record the remeasurement of lease receivables that happened during the fiscal year.			
400-1288	LONG TERM PORTION OF LEASES RECEIVABLE	\$ 102,370	
400-4200	LEASE INCOME	4,820	
400-2087	DEFERRED INFLOW OF RESOURCES		\$ 107,190
<b>Total</b>		<b>\$ 107,190</b>	<b>\$ 107,190</b>
<b>Adjusting Journal Entries JE # 13</b>			
To record the current year additions related to leases.			
400-1288	LONG TERM PORTION OF LEASES RECEIVABLE	\$ 873,461	
400-2087	DEFERRED INFLOW OF RESOURCES		\$ 873,461
<b>Total</b>		<b>\$ 873,461</b>	<b>\$ 873,461</b>

## Summary of Audit Adjustments



Account	Description	Debit	Credit
<b>Adjusting Journal Entries JE # 14</b>			
To reverse the accounts receivable and deferred revenue that relate to October 2023.			
400-2010	DEFERRED REVENUE	\$ 67,316	
400-2500	DEFERRED REVENUE	75,583	
400-2500	DEFERRED REVENUE	27,251	
600-2500	DEFERRED REVENUE	9,031	
400-1200	ACCOUNTS RECEIVABLE		\$ 170,150
600-1200	ACCOUNTS RECEIVABLE		9,031
<b>Total</b>		<b>\$ 179,181</b>	<b>\$ 179,181</b>

<b>Adjusting Journal Entries JE # 15</b>			
To properly record the Jesse Lease at 9/30/2023.			
400-1200	ACCOUNTS RECEIVABLE	\$ 38,186	
400-1210	ALLOWANCE FOR DOUBTFUL ACCTS		\$ 38,186
<b>Total</b>		<b>\$ 38,186</b>	<b>\$ 38,186</b>

<b>Adjusting Journal Entries JE # 16</b>			
To properly record the customer deposit as revenue.			
400-5375	BAD DEBT EXPENSE	\$ 5,914	
400-4200	LEASE INCOME		\$ 5,914
<b>Total</b>		<b>\$ 5,914</b>	<b>\$ 5,914</b>

<b>Adjusting Journal Entries JE # 17</b>			
To record the interest revenue related to leases.			
400-4200	LEASE INCOME	\$ 378,429	
600-4800	FIBER OPTIC/WIRELESS INCOME	9,726	
400-4487	INTEREST REVENUE		\$ 378,429
600-4487	INTEREST REVENUE		9,726
<b>Total</b>		<b>\$ 388,155</b>	<b>\$ 388,155</b>

The following details the **passed adjustments resulting from the audit** of the financial statements of the Authority as of September 30, 2023 and for the year then ended.

<b>Passed Adjusting Journal Entries</b>			
<b>Passed Adjusting Journal Entries JE # 18</b>			
To record additional lines related to fiber optics			
600-1288	LONG TERM PORTION OF LEASES RECEIVABLE	\$ 46,689	
600-2087	DEFERRED INFLOW OF RESOURCES		\$ 46,689
<b>Total</b>		<b>\$ 46,689</b>	<b>\$ 46,689</b>



### QUALITATIVE MATERIALITY CONSIDERATIONS

In evaluating the materiality of audit differences when they do arise, we consider both quantitative and qualitative factors, for example:

- Whether the difference arises from an item capable of precise measurement or whether it arises from an estimate, and, if so, the degree of imprecision inherent in the estimate.
- Whether the difference masks a change in earnings or other trends.
- Whether the difference changes a net decrease in assets to addition, or vice versa.
- Whether the difference concerns an area of the Authority's operating environment that has been identified as playing a significant role in the Authority's operations or viability.
- Whether the difference affects compliance with regulatory requirements.
- Whether the difference has the effect of increasing management's compensation – for example, by satisfying requirements for the award of bonuses or other forms of incentive compensation.
- Whether the difference involves concealment of an unlawful transaction.



# MANAGEMENT REPRESENTATION LETTER







Technology ★ Research ★ Engineering ★ Education ★ Manufacturing

9801 Reese Blvd., Suite 200 • Lubbock, Texas 79416 • 806.885.6592 • www.ReeseCenter.com

August 15, 2024

Carr, Riggs & Ingram, LLC  
2403 82<sup>nd</sup> St  
Lubbock, TX 79423

This representation letter is provided in connection with your audit of the financial statements of the Lubbock Reese Redevelopment Authority (the "Authority"), a political subdivision of the State of Texas, which comprise the respective financial position of the business-type activities as of September 30, 2023, and the respective changes in financial position and cash flows for the period then ended, and the disclosures (collectively, the "financial statements"), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of August 15, 2024, the following representations made to you during your audit.

**Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated December 13, 2023, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.



Page | 2

- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the Authority is contingently liable, if any, have been properly recorded or disclosed.

#### **Information Provided**

- 11) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of the Authority or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the Authority and involves—
  - Management,
  - Employees who have significant roles in internal control, or
  - Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the Authority's financial statements communicated by employees, former employees, regulators, or others.
- 16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
- 17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 18) We have disclosed to you the names of the Authority's related parties and all the related party relationships and transactions, including any side agreements.

#### **Government-specific**

- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.



- 20) We have taken timely and appropriate steps to remedy identified and suspected fraud or noncompliance with provisions of laws, regulations, contracts, and grant agreements that you have reported to us.
- 21) We have a process to track the status of audit findings and recommendations.
- 22) We have identified to you any previous audits, attestation engagements, and other studies related to the objectives of the audit and whether related recommendations have been implemented.
- 23) We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
- 24) The Authority has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.
- 25) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 26) We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements.
- 27) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 28) As part of your audit, you assisted with preparing the financial statements and related notes and the journal entries to record net pension liability, leases and subscription based information technology arrangements (SBITAs) for the implementation of GASB Statement No. 96, and maintaining the capital asset depreciation schedules. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, Murvat Musa, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and disclosures.
- 29) The Authority has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 30) The Authority has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 31) The financial statements include all component units, appropriately present majority equity interests in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 32) The financial statements include all fiduciary activities required by GASBS No. 84, as amended.
- 33) The financial statements properly classify all funds and activities in accordance with GASBS No. 34, as amended.
- 34) Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
- 35) Investments, derivative instrument transactions, and land and other real estate held by endowments are properly valued.
- 36) Provisions for uncollectible receivables have been properly identified and recorded.





- 37) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 38) Revenues are appropriately classified in the statement of revenues, expenses and changes in net position.
- 39) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 40) Deposits and investment securities and derivative instrument transactions are properly classified as to risk and are properly disclosed.
- 41) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
- 42) We have appropriately disclosed the Authority's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 43) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 44) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 45) With respect to the combining financial statements.
  - a) We acknowledge our responsibility for presenting the combining financial statements in accordance with accounting principles generally accepted in the United States of America, and we believe the combining financial statements, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the combining financial statements have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
  - b) If the combining financial statements is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditors' report thereon.
- 46) We have included all leases that should be included under the implementation of GASB Statement No. 87.
- 47) We have not identified any subscription based information technology arrangements (SBITAs) that should be included under GASB Statement No. 96.

Signature: 

Title: Muvat Musa - Executive Director



## **INTERNAL CONTROL & REPORTABLE FINDINGS**





Carr, Riggs & Ingram, LLC  
2403 82nd Street  
Lubbock, TX 79423

806.745.6789  
806.748.3888 (fax)  
CRIcpa.com

To the Board of Directors and Management of  
Lubbock Reese Redevelopment Authority  
9801 Reese Blvd, Suite 200  
Lubbock, Texas 79416

In planning and performing our audit of the financial statements of the business-type activities of Lubbock Reese Redevelopment Authority (the "Authority") as of and for the year ended September 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's system of internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

During our audit, we also became aware of the deficiencies (in the table below) as internal control other than significant deficiencies or material weaknesses, and other matters that are opportunities for strengthening internal controls and operating efficiency.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various governmental unit personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.



This communication is intended solely for the information and use of management, the Board of Directors, others within the Authority, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Carr, Riggs & Ingram, L.L.C.*

Carr, Riggs & Ingram, LLC  
Lubbock, Texas  
August 15, 2024



The following legend should be used in conjunction with reviewing the “Rating” of each of the identified internal control items:

<b>IP =</b> Improvement Point	<b>D =</b> Control Deficiency	<b>SD =</b> Significant Deficiency	<b>MW =</b> Material Weakness
----------------------------------	----------------------------------	---------------------------------------	----------------------------------

CONTROL NUMBER	RATING	AREA	ITEM NOTED	SUGGESTION
N/A	IP	Policies and Procedures	The Authority should update their policies and procedures to ensure it incorporates the language required by 2 CFR 200, subparts D & E of the Uniform Guidance.	We recommend the Authority update their policies and procedures to incorporate the language for Uniform Guidance as required by 2 CFR 200 subparts D & E.
N/A	IP	Receivables and Revenues	<ul style="list-style-type: none"> <li>• The Authority incorrectly reversed an outstanding due from federal that had not been received as of September 30, 2023. In addition, a due from federal related to a federal grant revenue was not included in the current year in the amount of \$21,528.</li> <li>• The Authority improperly included the AR and unearned revenue related to October 2023 at year end.</li> </ul>	We recommend the Authority review the requested reimbursements after fiscal year end to ensure that receivables are booked in the proper fiscal year.





CONTROL NUMBER	RATING	AREA	ITEM NOTED	SUGGESTION
N/A	IP	Capital Assets	The Authority did not properly capitalize capital assets during fiscal year 2023, resulting in a material audit adjustment of \$62,266. In addition, an adjustment to an asset in the amount of \$2,300 was necessary.	We recommend the Authority review their large expenses to ensure whether they should be capitalized or expensed.

ITEM 3

# EXECUTIVE SESSION

Information to be provided at  
meeting  
(if applicable)

ITEM 4

# Minutes

**Lubbock Reese Redevelopment Authority**  
**Minutes of the Regular Meeting of the Board of Directors**  
**June 26, 2024**

The Lubbock Reese Redevelopment Authority held its Regular Meeting at 8:00 a.m. June 26, 2024, at the Reese Technology Center, LRRR Board Room, 9801 Reese Boulevard, Suite 200, Lubbock, TX 79416.

These are the minutes of the regular meeting of the Board of Directors of the Lubbock Reese Redevelopment Authority, a State of Texas Political Subdivision.

**MEMBERS PRESENT**

Tim Pierce, President	John Tye	Brian Kimberly
John Hamilton, Vice President	Julie Holladay	
George McMahan, Secretary/Treasurer	Jeff Mustin, via video conference	

**MEMBERS ABSENT**                      None

**OTHERS PRESENT**

**Reese Staff:**

Murvat Musa	CEO/Executive Director
Chris Evans	Operations Manager
Andrea Hamilton	Operations, Customer Care, & Marketing Coordinator
Cecilia Davila	Administrative Assistant

**Legal Counsel:**                      Darrell Guthrie

**Visitors:**

**Call the meeting to order.**

Tim Pierce called the meeting to order at 8:02 a.m.

**ITEM 1                      Citizen Comments** - Tim Pierce called for any citizen comments. There were none.

**ITEM 2                      Administer Oath of Office to Brian Kimberly as Board Member** –  
 Tim Pierce Administer Oath of Office to Brian Kimberly as Board Member

**ITEM 3                      Executive Session** – Tim Pierce called the Executive Session to order at 8:06 a.m.

- a. Held an Executive Session, in accordance with V.T.C.A. Government Code, Section 551.072, regarding certain matters concerning real property. Discussions regarding interest in the lease, sale, or value of buildings and property.
- b. Held an Executive Session, in accordance with V.T.C.A. Government Code, Section 551.074(a), Deliberations Regarding Personnel Matters.

Executive Director  
 Manager of Accounting  
 Manager of Operations  
 Operations, Customer Care, Marketing Coordinator  
 Operations Lead  
 Service Technician  
 Service Technician  
 Service Technician  
 Administrative Assistant  
 Board of Directors

- c. Held an Executive Session, in accordance with V.T.C.A. Government Code, Section 551.071, Consultation with Attorney.

No action taken in the Executive Session.

**Reconvene the Board of Directors Meeting**

Tim Pierce adjourned the Executive Session at 8:43 a.m. and reconvened Open Session at 8:52 a.m.

**ITEM 4**      **Elected LRRR Officers for Fiscal Year 2024 to Replace Tim Collins as Board VP**  
 Tim Pierce moved to elect John Hamilton as Board VP and George McMahan as Treasurer/Secretary; John Tye seconded; the motion passed 7-0.

**ITEM 5**      **Approved the Minutes of the May 22, 2024, Board of Directors Meeting**  
 George McMahan moved to approve the minutes of the May 22,2024 Board of Directors Meeting; John Tye seconded; the motion passed 7-0.

**ITEM 6**      **Approved a New Lease for DKHS Biotechnology, LLC for Building 37**  
 John Hamilton moved to approve a new lease for DKHS Biotechnology, LLC for Building 37; George McMahan seconded; the motion passed 7-0.

- ITEM 7**      **Approved a New Lease for GEO Reentry Services, LLC for Building 500**  
Julie Holladay moved to approve a new lease for GEO Reentry Services, for Building 500; George McMahan seconded; the motion passed 7-0
- ITEM 8**      **Approved the Resolution for Application for Funding through US Department of Transportation – 2024 DOT SMART Grant**  
John Tye moved to approve the Resolution for Application for Funding through US Department of Transportation – 2024 DOT SMART Grant; Julie Holladay seconded; the motion passed 6-0. John Hamilton, VP Engineering of Parkhill, recused himself from discussion and voting.
- ITEM 9**      **Approved the Interlocal Cooperation Agreement with South Plains Association of Governments for Application Development and Administration Services, 2024 DOT SMART Grant**  
John Tye moved to approve the Interlocal Cooperation Agreement with South Plains Association of Governments for Application Development and Administration Services, 2024 DOT SMART Grant; George McMahan seconded; the motion passed 6-0. Tim Pierce, who is the Executive Director of SPAG, recused himself from discussion and voting.
- ITEM 10**     **Approved the Texas Municipal League Intergovernmental Risk Pool Cyber Liability and Data Breach Response Interlocal Agreement**  
John Tye moved to approve the Texas Municipal League Intergovernmental Risk Pool Cyber Liability and Data Breach Response Interlocal Agreement; John Hamilton seconded; the motion passed 7-0.
- ITEM 11**     **Preliminary FY2025 Operating, Data Center/Fiber Optics, & Capital Budgets**  
Muvat Musa presented the Preliminary FY2025 Operating, Data Center/Fiber Optics, & Capital Budgets.
- ITEM 12**     **Financial Reports**  
Muvat Musa presented the May financial reports.
- ITEM 13**     **Reese Events and Activities**  
Muvat Musa presented Reese Technology Center activities and upcoming events to the Board of Directors.

**Adjournment**

Tim Pierce adjourned the meeting at 10:07 a.m.

Content of minutes agreed to and approved by:

Approved by \_\_\_\_\_  
Tim Pierce, President

ATTEST:

\_\_\_\_\_  
LRRRA Board Member

**LUBBOCK REESE REDEVELOPMENT AUTHORITY  
EXECUTIVE COMMITTEE MEETING MINUTES  
July 22, 2024**

The Lubbock Reese Redevelopment Authority held a meeting of the Executive Committee of the Board of Directors at 2:22 p.m. on Monday, July 22, 2024, at South Plains Association of Governments, 1323 58<sup>th</sup> Street, Lubbock, TX 79412.

These are the minutes of the Executive Committee of the Board of Directors of the Lubbock Reese Redevelopment Authority, a State of Texas Political Subdivision.

**Members Present:** Tim Pierce George McMahan

**Members Absent:** John Hamilton

**Others Present**

**Reese Staff:** Murvat Musa

**Legal Counsel:** None

**Others:** None

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**Call the meeting to order**

Tim Pierce called the meeting to order at 2:22 p.m.

**ITEM 1** **Citizen Comments**  
Tim Pierce called for any citizen comments. There were none.

**ITEM 2** **Approved the Fifth Amendment to Lease Agreement for Texas Tech University, National Wind Institute 67 Acre Land Lease, to Revise Land Area From 67 Acres to 48 Acres**  
George McMahan moved to approve Fifth Amendment to Lease Agreement for Texas Tech University, National Wind Institute 67 Acre Land Lease, Tim Pierce seconded; the motion passed 2-0.

**ITEM 3** **Approved the New Lease for National Technology and Engineering Solutions of Sandia, LLC aka Sandia National Laboratories for 19 Acres of Land**  
George McMahan moved to approve a New Lease for National Technology and Engineering Solutions of Sandia, LLC aka Sandia National Laboratories for 19 Acres of Land, Tim Pierce seconded; the motion passed 2-0.



**Adjournment**

Tim Pierce adjourned the meeting at 2:40 p.m.

Content of minutes agreed to and approved by:

Approved by \_\_\_\_\_  
Tim Pierce, Board President

ATTEST:

\_\_\_\_\_  
LRRR Executive Committee Member

**AGENDA ITEM 5  
EXECUTIVE SUMMARY  
TEXAS TECH UNIVERSITY, NATIONAL WIND INSTITUTE  
FIFTH AMENDMENT TO 67 ACRE LAND LEASE**

This action item is to ratify the actions of the Executive Committee approving the Fifth Amendment to TTU's 67 Acre Lease.

**Background:**

LRRA entered into a land lease agreement with Texas Tech University in 2005 for 67 acres located on the northwest end of the property to be used as a research site for the National Wind Institute. Since 2012, TTU and Sandia National Laboratories have partnered together to develop a Scaled Wind Farm Technology (SWiFT) Project located on the TTU 67 leased acres. This Fifth Amendment to the TTU Land Lease Agreement is to amend the leased acres from 67 to 48 acres in order that Sandia be able to independently operate and lease the 19 acres directly from LRRA.

**This Fifth Lease Amendment:**

1. Releases 19 acres of the 67 acres that TTU leases at LRRA so that Sandia can lease them
2. Becomes effective upon the execution of a lease with Sandia
3. Modifies the rent that TTU will pay LRRA to account for the decrease in leased acres (the annual rent to be prorated based on 48 acres being leased instead of 67 acres)
4. Provides TTU a Right of First Refusal to lease those 19 acres should Sandia decided they no longer want to lease them
5. Provides that since there will be no wind turbines left on the remaining 48 acres leased by TTU, TTU has no obligation to remediate the pad sites for those turbines. This obligation will be shifted to Sandia

The net result of shifting those 19 acres from Tech to Sandia is as follows:

Total Value of Sandia Lease	\$ 177,402.10
Original Remaining Value of TTU Lease	\$ 162,598.07
Revised Remaining Value of TTU Lease	\$ 93,921.00
Difference (loss)	<u>\$ 68,677.07</u>
Net Difference (gain) to Reese	\$ 108,725.03

See attached lease amendment.

The Staff recommends the Board ratify the action of the Executive Committee approving this Fifth Lease Amendment.

## FIFTH AMENDMENT TO LEASE AGREEMENT

THIS FIFTH AMENDMENT TO LEASE AGREEMENT (hereinafter “Amendment”) is made and entered into as of this 29th day of July 2024 at Reese Technology Center, Lubbock, Texas, by and between the Lubbock Reese Redevelopment Authority (“LRRA” or “Landlord”), a political subdivision of the State of Texas, 9801 Reese Boulevard, Suite 200, Lubbock, Texas 79416, and Texas Tech University (“TTU” or “Tenant”), Mail Stop 1033, Holden Hall, Room 102, Lubbock, Texas 79409-1033 (collectively referred to as “Parties”); and amends and/or modifies the Lease Agreement dated September 24, 2005; Extension and First Amendment to Lease Agreement Between Lubbock Reese Redevelopment Authority and Texas Tech University; the Amendment to Lease Agreement dated September 10, 2012 (internal TTU reference #OGC 9-10-2012); Right of Use Agreement dated June 28, 2013 (internal TTU reference #C04934); and the Renewal and Amendment dated October 18, 2019 (internal TTU reference #C04143-R) (collectively, the “Amended Lease”).

### BACKGROUND

LRRA understands that TTU wishes to amend the Amended Lease to allow Sandia National Labs (“SNL”) to independently operate the Sandia Scaled Wind Farm Technology (“SWiFT”) Premises that presently occupies approximately nineteen (19) acres of the current sixty-seven (67) acres provided for in the Amended Lease. This Amendment shall go into effect upon the negotiation and execution of a lease with SNL.

The following provisions are amended and/or modified as follows:

#### ARTICLE III – Rent

Modify Sections:

3.04 Base Rent. Add the following sentence to the end of this Section: “The Parties understand and agree that the Base Rent set forth in **Revised Exhibit A**, attached hereto, reflects 48/67ths of the Base Rent shown in **Exhibit A** of the Amendment to Lease Agreement dated September 10, 2012.”

Delete the following Sections in their entirety:

3.02 Existing Turbine Fee.

#### ARTICLE IV – Use of Premises

Modify Sections:

4.01 Premises. Revise to read: “A 48-acre parcel located north of the existing firing range, south of the ammunition storage area and east of the western perimeter road of the Reese Center airfield, more specifically described at **Revised Exhibit B**. Tenant reserves the right to use the Premises

for the installation and testing of wind Turbines and other supporting equipment, subject to the Parties agreement to collaborate together or with others the Landlord and adjacent tenants prior to the installation of wind turbines on the Property. Landlord represents all adjacent tenants shall have the same collaboration requirement in any lease to ensure all parties work together.; It is understood by the Parties the Premises may be used for research relating to wind energy (solar energy arrays, battery storage, and other supporting equipment), wind hazard mitigation, wind engineering, and/ or atmospheric science.”

4.03 Requirements.

Delete subsection (g) in its entirety.

4.05 Limited Lease. This section should be renumbered as 4.06.

Add the following Section:

4.07 Option and Right of First Refusal. Subject to the Right of First Refusal described below, during the Term of the Amended Lease, Tenant shall have the Option should the lease terminate with SNL to lease the nineteen (19) acre tract previously leased by TTU (the “SNL SWiFT Property”) on the same terms and conditions contained in the Amended Lease existing at the time of the exercise of the Option and subject to the revision of **Revised Exhibit A** to reflect the increase in acreage being leased by TTU. In the event Landlord receives an offer from a third-party to lease the SNL SWiFT Property upon the termination of the SNL SWiFT Property lease, TTU during the Term of the Amended Lease shall have a Right of First Refusal for a period not to exceed thirty (30) days from the receipt of written notice from the Landlord of the third-party offer for the SNL SWiFT Property. Said Landlord’s notice of third-party offer shall be provided to Tenant within three (3) business days of Landlord’s receipt of third-party offer to purchase or lease the SNL SWiFT Property. Said Right of First Refusal must be exercised by the Tenant providing written notice to the Landlord of its intent to exercise the Right of First Refusal on the same terms and conditions in the third-party offer for the SNL SWiFT Property.

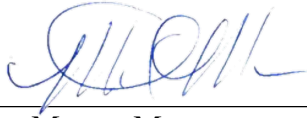
5.08 Equipment and Fixtures. The following is added at the end of the Section “At the time of the execution of this Fifth Amendment to Lease Agreement, no wind turbines remain on premises occupied by TTU. Any obligation contained herein regarding remediation of pad sites, windmills, wind turbines and related fixtures and or buried cables shall therefore not apply unless additional pad sites are built on the remaining premises occupied by TTU in accordance with the remaining terms of the Lease Agreement as amended.”

IN WITNESS WHEREOF, the undersigned Landlord and Tenant hereto execute this Second Amendment to Lease Agreement as of the date first above written.

/-----SIGNATURE PAGE FOLLOWS -----/

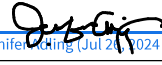
LUBBOCK REESE REDEVELOPMENT  
AUTHORITY (“Landlord”)

TEXAS TECH UNIVERSITY (“Tenant”)



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By: Murvat Musa  
Its: Chief Executive Officer



Jennifer Adling (Jul 26, 2024 14:12 CDT)

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By: Jennifer Adling  
Its: Assistant Vice President & Chief Procurement Officer

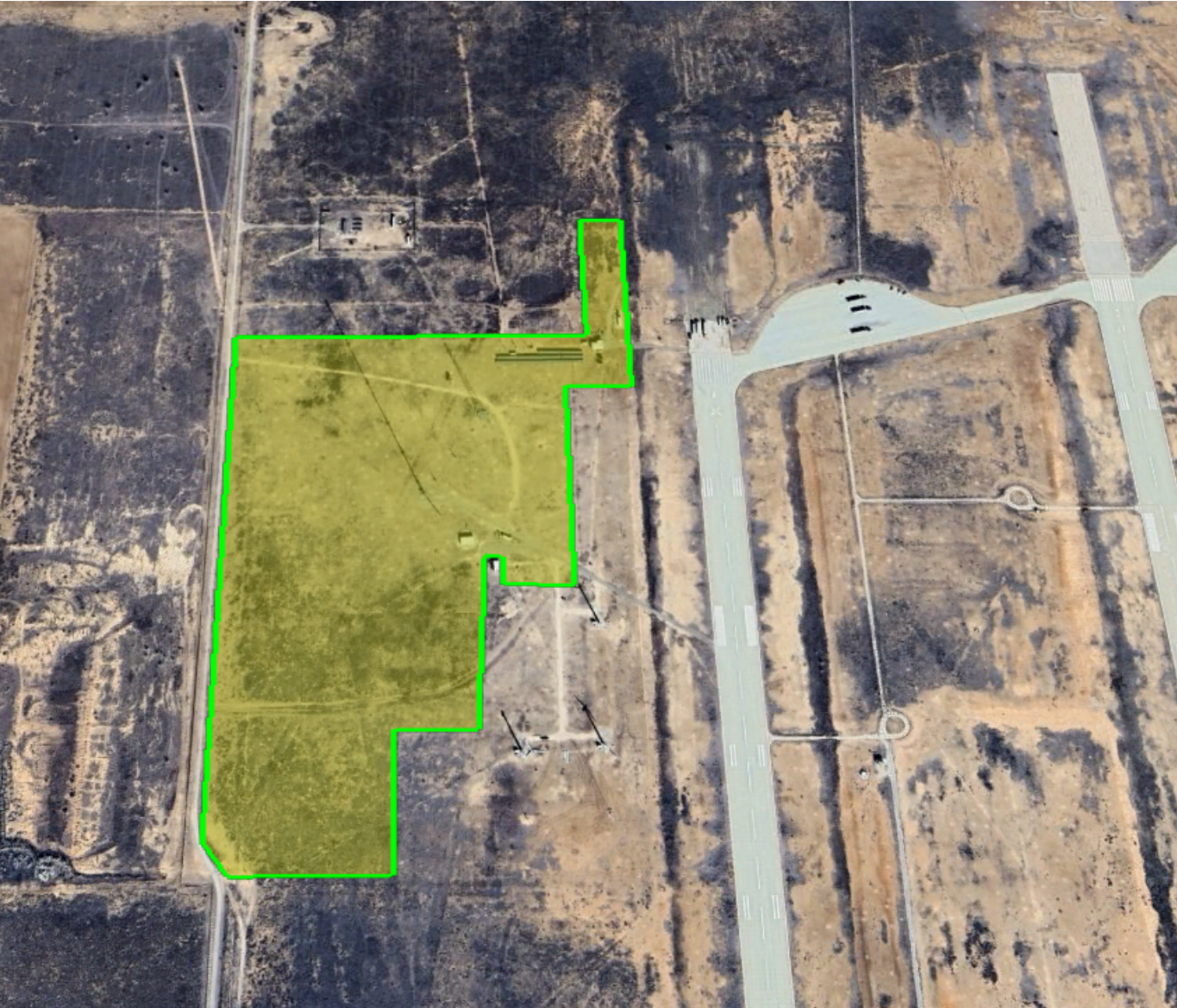
**Revised Exhibit A**

Remaining Base Rent and Renewal Fees

	<b>Base Rent</b>	<b>Renewal Fee</b>	<b>Total</b>
2024	\$ 12,257.29		\$ 12,257.29
2025	\$ 12,625.00	\$ 20,000.00	\$ 32,625.00
2026	\$ 13,003.76		\$ 13,003.76
2027	\$ 13,393.87		\$ 13,393.87
2028	\$ 13,795.69		\$ 13,795.69
2029	\$ 14,209.55		\$ 14,209.55
2030	\$ 14,635.84		\$ 14,635.84

**Revised Exhibit B**

Premises



**BOARD ACTION ITEM No. 2024-0828-026**  
**RATIFY ACTION OF THE EXECUTIVE COMMITTEE APPROVING**  
**FIFTH LEASE AMENDMENT FOR TTU NWI 67 ACRE LAND LEASE**

**BOARD OF DIRECTORS**  
**LUBBOCK REESE REDEVELOPMENT AUTHORITY (LRRRA)**  
**July 22, 2024**

Item to be Considered:

Ratify the Action of the Executive Committee of the Board of Directors Approving the Fifth Lease Amendment for TTU NWI 67 Acre Land Lease

Previous Board Action:

- a. The Board previously approved a lease and four amendments to the TTU NWI 67 Acre Land Lease
- b. The Executive Committee approved a Fifth Amendment to the Land Lease on July 22, 2024

Statement of Pertinent Facts:

The Executive Committee approved the Fifth Amendment at a meeting on July 22, 2024, with the following pertinent facts:

- a. TTU is releasing 19 of the 67 acres they lease with LRRRA for Sandia National Labs to lease them directly from LRRRA
- b. This agreement becomes effective upon execution of a lease agreement with Sandia
- c. Rent is being prorated to reflect the now 48-acre lease
- d. The amendment provides a Right of First Refusal to TTU if Sandia decides to no longer lease the land
- e. TTU will be relieved of remediating the pad sites for the existing 3 wind turbines since they will no longer be on their remaining 48 acres. This burden has been shifted to Sandia.

Advice, Opinions, Recommendations, and Motion:

If the Board of Directors concurs, the following motion is in order:

“Resolved, that the Board of Directors of the Lubbock Reese Redevelopment Authority hereby ratifies the action of the Executive Committee on July 22, 2024, where they approved the Fifth Lease Amendment for Texas Tech University, NWI 67 Acre Land Lease, and authorized its CEO/Executive Director to execute the lease subject to negotiation of final terms and conditions, as submitted, on this 28<sup>th</sup> day of August 2024.”

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Tim Pierce – Board President

ATTEST:

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LRRRA Board Member



**AGENDA ITEM 6  
EXECUTIVE SUMMARY  
SANDIA NATIONAL LABORATORIES  
19 ACRE LAND LEASE**

This action item is to ratify the actions of the Executive Committee approving a new Lease for Sandia National Laboratories to lease 19 acres of land.

**Background:**

Sandia National Laboratories wishes to lease 19 acres of land that TTU is releasing from their 67-acre land lease.

**Summary of this new lease:**

1. Sandia will lease 19 acres for renewable energy research and development. Those 19 acres currently contain Sandia owned assets including three small wind turbines and a control building.
2. This is a five-year lease, with three, one-year options to renew.
3. The starting rent is \$19,950 per year and increases annually by 3%. The total value of the 5 base years is \$105,917.26 and with the three option years the total value is \$177,402.10.
4. Sandia has the obligation to remove and remediate the pad sites for the wind turbines.
5. Provides for the installation of a bathroom system that is owned by Sandia at Sandia's expense. LRRR subsequently managed the installation of the bathroom which cost \$10,000. LRRR charged Sandia \$20,000 for the installation.

See attached fully executed Sandia PO which you will notice is not our standard lease agreement, rather Sandia's standard agreement.

The Staff recommends the Board ratify the action of the Executive Committee approving this new lease.



**LUBBOCK REESE REDEVELOPMENT AUTHORITY  
9801 REESE BLVD N STE 200  
LUBBOCK, TX 79416-2107  
UNITED STATES**

*Please Respond to:*

**ALBERT SCHNEIDER  
SUBCONTRACTING PROFESSIONAL (SP)  
SANDIA NATIONAL LABORATORIES  
PO BOX 5800 MS  
ALBUQUERQUE, NM 87185-**

Phone: (505)288-5081  
Email: ASCHNEI@SANDIA.GOV  
Fax: ()-

*Submit invoices to:*

**SANDIA NATIONAL LABORATORIES  
ACCOUNTS PAYABLE MS1385  
PO BOX 5800  
ALBUQUERQUE, NM 87185**

This FIRM FIXED PRICE Subcontract between NTESS, LLC and the above named Subcontractor is authorized for binding commitment by the SP named above and is effective on the above date, provided that the Subcontractor accepts the Subcontract terms. These terms include Section I appended hereto and Section II as set forth in SF 6432-RE (11-22) and found at <http://www.sandia.gov/bus-ops/scm/Contractor/Contractor-info.html>. By signing the copy of this Signature Page and returning it to the SP, or by delivering/performing the specified items/services, you are accepting the subcontract terms.

Electronically Signed by ALBERT SCHNEIDER dated 25-JUL-2024

Subcontracting Professional

25 July 2024

Subcontractor Representative Signature

Date



Supplier: **LUBBOCK REESE REDEVELOPMENT AUTHORITY**

Ship To: **NO SHIPMENT**  
**ATTN: PO# 2624304**  
**UNITED STATES**

Ship Via: **NO SHIPMENT**

Payment Terms	Freight Terms	FOB	DPAS Rating
<b>NET 15</b>	<b>NOT APPLICABLE</b>	<b>NOT APPLICABLE</b>	
Confirm To/Telephone	Deliver To		
()			

**Notes:** All dates referenced in this document are in GMT-7 America/Albuquerque  
All prices and amounts on this order are expressed in USD

Line	Part Number / Description	Quantity	UOM	Unit Price (USD)	Amount (USD)
1	Promised: 31-JUL-2024 00:00:00 Needed: 31-JUL-2024 00:00:00  Year 1-5 Funding for SWiFT Turbine Field Site Lease  Ship To: Use the ship-to address at the top of page  Deliver To: JOYCE PURLEY JPURLEY@SANDIA.GOV				\$105,917.26
2	Installation Charges for restroom  Ship To: Use the ship-to address at the top of page  Deliver To: JOHNNY LUEVANO JLUEVA@SANDIA.GOV				\$20,000.00
<b>Total: \$125,917.26 (USD)</b>					



**Subcontract Terms and Conditions**

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**Terms and Conditions**

**A. SECTION I CLAUSES**

**1. NORTH AMERICAN INDUSTRY CLASSIFICATION SYSTEM (NAICS) CODE CERTIFICATION - 001NAI (10-22)**

The Subcontractor represents by acceptance of this subcontract that, at the time of submission of its offer, the representations and certifications currently posted electronically in the General Services Administration's (GSA) System for Award Management (SAM) at sam.gov or as submitted via a National Technology and Engineering Solutions of Sandia, LLC (NTESS) Supplier Data Sheet are current, accurate, complete, and applicable to this award.

The NAICS code for this acquisition and size standard are **531190-1: Lessors of Other Real Estate Property, size standard \$34M.**

**2. MUTUALLY AGREED TERMS AND CONDITIONS 'SPECIAL**

1. Subcontractor shall indemnify and hold harmless NTESS from and against any actual or alleged liability, loss, costs, damages, fees of attorneys, and other expenses which NTESS may sustain or incur in consequence of:

- Subcontractor's failure to pay any employee for the Work rendered under this subcontract; or
- Any claims made by Subcontractor's personnel against NTESS.
- Subcontractor is not authorized to represent NTESS in any way or to bind NTESS by any promise, agreement, or obligation.
- Subcontractor shall flow down the requirements of this clause to any applicable lower-tier subcontracts for services.

2. Subcontractor and NTESS acknowledge and agree that the Project is located on property formerly owned and operated by the United States Air Force as the Reese Air Force Base, and that certain portions of the Project have been previously utilized by local, state and federal governmental entities (hereinafter, "the Government") in times of state or national emergencies to provide temporary evacuation shelters and other such uses. Additionally, Subcontractor has other Customers of the Project that require controlled access to the Airfield during certain operations. Subcontractor represents that the Government may continue to utilize the Project during the Term of this Lease in times of state or national emergency (with or without Subcontractor's express consent), and other Customers of the Project, when approved by the Subcontractor, may require controlled access to the Airfield, and that such use could adversely affect NTESS's ability to access the Premises and/or use the Common Areas due to additional security measures; provided, however, that such adverse impact shall only delay and shall not unreasonably deny access by NTESS to the Premises.

NTESS acknowledges and agrees that, in the event that the Government utilizes any portion of the Project in a time of state or national emergency or when the Subcontractor authorizes other Customers of the Project to control access to the Airfield, NTESS, its employees, officers, agents, and contractors will comply with all reasonable security regulations imposed by the Subcontractor or applicable governmental agency, including the requirement to obtain and display security identification cards and to comply with reasonable security procedures.

For purposes of this Section, "Project" means the land, together with the Premises(as defined below) and all other improvements constructed thereon, and all rights, privileges, easements, and appurtenances pertaining thereto, known as Reese Technology Center, a research and business park located in Lubbock County, Texas. A map of Reese Technology Center is incorporated into this subcontract as A.05 Facility Site Map.



3. Any physical additions or improvements to the Premises, other than NTESS existing additions or improvements to Programmatic Equipment, made by NTESS will become the property of Subcontractor. Subcontractor may require that NTESS, at the end of the Term and at NTESS's expense, remove any physical additions and improvements, repair any alterations, and restore the Premises to the condition existing at the Delivery Date, normal wear excepted. All alterations shall require the prior written consent of Subcontractor. NTESS agrees at its sole cost and expense to comply with all Laws when performing any alterations, including obtaining any governmental permits which may be required in connection therewith. Should NTESS desire to renovate the Premises and such renovations would require alterations to the Premises, then NTESS shall submit plans and specifications for such renovations to Subcontractor for its approval, such approval not to be unreasonably withheld, delayed or conditioned. Subcontractor shall have fourteen (14) days from receipt of NTESS's plans and specifications to approve or disapprove same. In the event Subcontractor fails to disapprove of said plans and specifications within such fourteen (14) day period, then the plans and specifications shall be deemed approved. After completion of any alterations or improvements that require consent of Subcontractor hereunder, NTESS shall provide Subcontractor with a copy of NTESS's plans and specifications for such alterations or improvements.

**3. LEASE STATEMENT OF WORK 'SPECIAL'**

THIS LEASE AGREEMENT is made and entered into by and between Lubbock Reese Development Authority whose interest in the property hereinafter described is that of LESSOR, and National Technology and Engineering Solutions of Sandia, LLC, hereinafter called the LESSEE, acting under its Prime Contract DE-NA0003525 with the United States Department of Energy acting through the National Nuclear Security Administration hereinafter called DOE/NNSA.

LESSOR hereby leases to LESSEE and LESSEE hereby leases from LESSOR, upon the terms and conditions herein set forth, certain real property situated in Lubbock County, Texas, located at the coordinates of 33.60979, -102.04976 in Lubbock, TX. The site is commonly known as the Scaled Wind Farm Technology (SWiFT) Facility and comprises a total of approximately 19-acre land parcel (the "Real Property") and LESSEE owned or controlled programmatic equipment: (1) three pad sites where three 100-foot (ft) tall wind turbines are installed, (2) one pad site where two 200 ft tall meteorological towers is installed, and (3) two pad sites containing a control building and a restroom building are NTESS controlled programmatic equipment and identified on the site plan attached hereto as Exhibit A (the Site Map) (the "Programmatic Equipment"). The Programmatic Equipment is controlled by NTESS.

Lessor shall provide designated rights of access for all entries and exits to the 19-acre parcel, to include Perimeter Road, the west runway and all caliche roads within and adjacent to the 19-acre parcel.

Lessor shall install the NTESS provided GREENFLUSH restroom within 30 days of subcontract placement as follows:

- The Lessor shall coordinate with a Green Flush representative to be on site during the installation of the vault into the trench and installation of the cabin onto the vault. Green Flush Technologies to perform minor post-install closeout activities. Lessor shall not be responsible for any charges from Green Flush Technologies.
- Restroom (Attached and incorporated by reference A.05 Restroom Specification) to be installed adjacent to the existing Control Building at the SWiFT Facility turbine field site. Installation on the south side of the Control Building, with the restroom doors facing to the north, and the west end of the restroom cabin being aligned with the west end of the Control Building. Restroom to be placed approximately 20 feet from Control Building.

The leased space shall be compliant with all applicable codes and requirements as established by the Authority having Jurisdiction (AHJ).

**4. OPERATIONS AND MAINTENENCE 'SPECIAL'**

LESSOR shall repair and maintain the Real Estate, Control Building, and Bathroom Building (collectively, the "Premises"), to include the building exterior, doors, windows, electric wiring, plumbing, and interior and exterior lighting, and HVAC system. LESSOR shall maintain in good repair and condition the Premises so that they are suitable in appearance and capable of access, occupancy, possession, use and enjoyment of the Premises without reasonably preventable or recurring disruption, and provided in the Lease and the accepted Standard Operating Procedures (SOP), attached, except in case of damage arising from the willful act or the negligence of a LESSEE employee. Noncompliance of any requirements stated herein shall immediately be deemed a Failure to Perform as described in Section II Clause titled Default, Cure, and Remedies. LESSEE shall be solely responsible for repair and maintenance of Programmatic Equipment.



**5. SECURITY REQUIREMENTS 'SPECIAL'**

All non-NTESS occupants, LESSOR representatives and Subcontractors shall meet all requirements to maintain an uncleared (grey) badge. Badging shall be worn at all times while in the facility. If the LESSOR and their Subcontractors require access to the property, they shall contact the SDR for escorting or to obtain the necessary badging access. Noncompliance with security procedures is a violation of law and violator may be turned over to the appropriate authorities. Notwithstanding the foregoing, it is expressly understood and agreed that LESSOR may escort their Subcontractors while performing the obligations set forth in sec. 3.

The leased facilities shall have the following physical security features installed/maintained during LESSEE occupancy. For those features not identified as a requirement, upon Lease execution, NTESS will finalize all available security features and services provided as part of the full-service lease as agreed to by LESSOR and LESSEE.

**6-FOOT-HIGH CHAIN LINK (OR EQUIVALENT). LOCK AND KEYS CONTROLLED BY LESSEE WITH LIMITED EXTERNAL USE FOR LESSOR MANAGEMENT AND GROUNDS STAFF. NOTWITHSTANDING THE FOREGOING, IT IS EXPRESSLY UNDERSTOOD THAT THE PREMISES ARE INSIDE OF LESSORS AIRFIELD PROPERTY THAT IS SURROUNDED BY 6-FOOT-HIGH CHAIN LINK FENCE AND CONTROLLED ACCESS GATES ARE THE ONLY APPROVED ACCESS POINTS TO THE AIRFIELD PROPERTY.**

**6. PERIOD OF PERFORMANCE WITH OPTIONS - 012OPT (05-17)**

Period of Performance shall begin 01-AUG-2024 and shall end 31-JUL-2029.

NTESS may, at its sole discretion, extend the term of this subcontract for 3 separate 1 Year option periods by providing written notice to the Subcontractor no less than sixty (60) calendar days before the subcontract expiration date. The total duration of this subcontract, including the exercise of any options under this clause, shall not exceed 8 years.

**7. TOTAL PRICE - 021TP1 (05-17)**

Total Price: \$125,917.26

**ITEM 1 LEASE PRICING TABLE**

YEAR	BASE RENT PER ACRE	OPS/MAINT PER ACRE	TOTAL PRICE PER ACRE	ANNUAL AMOUNT	MONTHLY RENTAL FEE
BASE 1	\$800.00	\$250.00	\$1,050.00	\$19,950.00	\$1,662.50
BASE 2	\$824.00	\$257.50	\$1,081.50	\$20,548.50	\$1,712.38
BASE 3	\$848.72	\$265.23	\$1,113.95	\$21,164.96	\$1,763.75
BASE 4	\$874.18	\$273.18	\$1,147.36	\$21,799.90	\$1,816.66
BASE 5	\$900.41	\$281.38	\$1,181.78	\$22,453.90	\$1,871.16
<b>TOTAL AMT-BASE YEAR</b>				<b>\$105,917.26</b>	
OPTION 1	\$927.42	\$289.82	\$1,217.24	\$23,127.52	\$1,927.29
OPTION 2	\$955.24	\$298.51	\$1,253.75	\$23,821.34	\$1,985.11
OPTION 3	\$983.90	\$307.47	\$1,291.37	\$24,535.98	\$2,044.67
<b>TOTAL AMOUNT OPTION YEARS</b>				<b>\$71,484.84</b>	
<b>GRAND TOTAL ALL YEARS</b>				<b>\$177,402.10</b>	

<b>ITEM 2</b>	<b>1 EACH.</b>	<b>\$20,000</b>			
<b>INSTALLATION OF</b>	<b>INSTALL</b>				



<b>RESTROOM</b>	<b>CHARGE FOR RESTROOM</b>				
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**8. PAYMENT BY ELECTRONIC FUNDS TRANSFER (EFT) - 805EFT (09-22)**

- (a) NTESS's preferred payment mechanism is Electronic Funds Transfer (EFT) accompanied by e-mail notification following the execution of an EFT payment. If not already signed up to receive EFT from NTESS, upon subcontract award, Subcontractor shall submit an Electronic Funds Transfer Agreement (Form SF 9424-EFT), located at [https://www.sandia.gov/files/working-with-sandia/current-suppliers/assets/forms/SF\\_9424-EFT.pdf](https://www.sandia.gov/files/working-with-sandia/current-suppliers/assets/forms/SF_9424-EFT.pdf) to iSupplier Account Management Team at [isupplier@sandia.gov](mailto:isupplier@sandia.gov).
- (b) *Subcontractor's EFT information.* NTESS shall make payment to the Subcontractor using the EFT information contained in the Electronic Funds Transfer Agreement in place between NTESS and the Subcontractor.
- (c) *Subcontractor's financial Institution Information.* The Subcontractor is responsible for timely notifying NTESS of subcontractor financial institution changes that could impact NTESS's payment to subcontractor. NTESS is not responsible for any late payments resulting from such changes.
- (d) *Liability for erroneous transfers.* Upon discovery of a duplicate payment, overpayment, fraudulent payment, or any payment made in error, Subcontractor agrees to immediately repay NTESS in the amount thereof.

**9. INVOICING - FIRM FIXED PRICE 812INV (09-23)**

Subcontractor shall submit an original invoice within thirty (30) days of delivery of goods or completion of services or in accordance with other invoicing requirements noted in the subcontract Terms and Conditions. Late submittals of invoices could delay payment.

**INVOICING INSTRUCTIONS**

Any deviation from the following invoicing instructions, including invoices delivered to a street address, MAY DELAY PAYMENT.

**A. Submittal Requirements**

- 1. Subcontractor shall submit invoices and supporting documentation, if applicable, to National Technology and Engineering Solutions of Sandia, LLC (NTESS) via one of the following methods:
  - a) Electronic Invoice (E-Invoice) via NTESS's web-based iSupplier Portal. NTESS strongly encourages Subcontractors to submit invoices electronically as this is NTESS's preferred invoicing method. See URL [http://www.sandia.gov/working\\_with\\_sandia/current\\_suppliers/accounts\\_payable/electronic.html](http://www.sandia.gov/working_with_sandia/current_suppliers/accounts_payable/electronic.html) for information on using NTESS's E-Invoice. An invoice image and supporting documentation, if applicable, shall be attached to the E-Invoice record created in iSupplier; or
  - b) U.S. Mail to the address listed below, unless otherwise specified in the subcontract.

Sandia National Laboratories  
Accounts Payable  
PO Box 5800 MS 1385





Albuquerque, NM 87185

- 2. Each invoice for this subcontract shall include the following information:
  - a) The NTESS subcontract document number as it appears exactly in the subcontract;
  - b) The Subcontractor's name exactly as it appears in the subcontract;
  - c) A unique invoice number and date;
  - d) The line item number, description/part number and quantities, if any, exactly as they appear in the subcontract;
  - e) The quantity of items remaining to be shipped, if this subcontract allows for partial shipment;
  - f) Any applicable freight charges (including freight forwarder charges paid by Subcontractor); and
  - g) A copy of the freight bill charges of \$100 or more; for payment of freight charges to occur, any freight charges invoiced separately by a freight carrier must include the NTESS subcontract number.
- 3. Subcontractor shall clearly identify if the invoice is the final invoice for this subcontract.

- B. If Subcontractor has more than one subcontract with NTESS, Subcontractor shall invoice each subcontract separately with all required information in A.2 above.
- C. Payment processing based on the agreed terms in the subcontract begin upon receipt of proper invoice by NTESS Accounts Payable with all required information in A.2. above.
- D. If Subcontractor owes NTESS money, Subcontractor agrees that NTESS, at its discretion, may use the following methods to collect the amount owed by Subcontractor to NTESS:
  - 1. Offset. NTESS reserves the right to offset from the amount NTESS would otherwise owe Subcontractor under this subcontract, any amount owed by Subcontractor to NTESS under this or any other subcontract between NTESS and Subcontractor.
  - 2. Invoices to Subcontractors. NTESS may invoice Subcontractor for any amount owed by Subcontractor to NTESS.
- E. Subcontractor shall not submit duplicate invoices to NTESS.
- F. Preferred Payment Methods:
  - 1. Electronic Funds Transfer (EFT): If not already signed up to receive EFT from NTESS, upon subcontract award, Subcontractor shall submit an Electronic Funds Transfer Agreement (Form SF 9424-EFT), located at [http://www.sandia.gov/working\\_with\\_sandia/current\\_suppliers/accounts\\_payable/electronic.html](http://www.sandia.gov/working_with_sandia/current_suppliers/accounts_payable/electronic.html). Subcontractor shall submit the completed EFT form through the iSupplier Portal for processing. No email submittals will be accepted. Once submitted, send an email (with no attachments) to [isupplier@sandia.gov](mailto:isupplier@sandia.gov), as notification that a new EFT agreement needs processing. For questions, please contact [isupplier@sandia.gov](mailto:isupplier@sandia.gov).
  - 2. Virtual Pay/Payment Plus: This is a payment mechanism using a Visa Commercial Card. If eligible, the Subcontractor will be invited to participate in the program. To determine eligibility, contact [virtualpay@sandia.gov](mailto:virtualpay@sandia.gov).
- G. Subcontractor payment information is obtained and verified via the iSupplier Portal. Use the iSupplier Portal for online viewing of the status of payments or to request additional username setups. If no username/password is enabled, email the iSupplier Helpdesk at [supreg@sandia.gov](mailto:supreg@sandia.gov) to obtain one. To avoid payment delays, Subcontractor must maintain current information in their iSupplier account at [https://supplierportal.sandia.gov/OA\\_HTML/RF.jsp?function\\_id=1027932&resp\\_id=-1&resp\\_appl\\_id=-1&security\\_group\\_id=0&lang\\_code=US&params=faWZ-ZGsr0zvoyTu6WVEVw&oas=ppj3IeldU5BXi6vQR4gCeg](https://supplierportal.sandia.gov/OA_HTML/RF.jsp?function_id=1027932&resp_id=-1&resp_appl_id=-1&security_group_id=0&lang_code=US&params=faWZ-ZGsr0zvoyTu6WVEVw&oas=ppj3IeldU5BXi6vQR4gCeg).

**10. LIMITATION OF OBLIGATION - FIXED-PRICE SUBCONTRACTS - 219FLO (05-17)**

A. This subcontract is incrementally funded. The sum of \$39,950.00 of the total price is presently available for payment under this subcontract. Although NTESS intends to fully fund this subcontract, the currently available funds as stated above are not a guarantee of work under this subcontract and cannot be exceeded under any circumstances without a revision to this subcontract or by a system generated email notification from the **SANDIA LIMITATION OF OBLIGATION DELEGATED REPRESENTATIVE** for this subcontract. A copy of the email notification shall be part of the subcontract file and shall be legally binding on the parties.



\$19,950.00 is available for line item 1 first year lease pricing

\$20,000.00 is available for line item 2 tenant improvement upon completion.

B. The Subcontractor agrees to perform up to the point at which the total amount payable by NTESS, including reimbursement in the event of termination of those item(s) for NTESS' convenience, approximates the total amount currently allotted to the subcontract. The Subcontractor will not be obligated to continue work beyond that point. NTESS will not be obligated in any event to reimburse the Subcontractor in excess of the amount allotted to the subcontract regardless of anything to the contrary in the clause entitled "Termination for Convenience." As used in this clause, the total amount payable by NTESS in the event of termination of this subcontract for convenience includes costs, profit, and estimated termination settlement costs.

C. The Subcontractor will notify the Subcontracting Professional (SP), in writing, at least sixty (60) days prior to the date when the work will reach the point at which the total amount payable by NTESS, including any cost for termination for convenience, will approximate 85 percent of the total amount then allotted to the subcontract for performance. The notification will state: (1) the estimated date when that point will be reached; and (2) an estimate of additional funding, if any, needed to continue performance. In any event, the cumulative total of the funding requested and the funding previously provided cannot exceed the existing price of the subcontract. The notification will also advise the SP of the estimated amount of additional funds that will be required for the timely performance for a subsequent period. If after such notification additional funds are not allotted by the date identified in the Subcontractor's notification, or by an agreed substitute date, the SP will terminate any item(s) for which additional funds have not been allotted, pursuant to the clause of this subcontract entitled "Termination for Convenience."

D. Increases to the Limitation of Obligation (LO) will be authorized unilaterally by LO change authorization from the Sandia LO Delegated Representative (identified in SC 403-DLO, Delegation of Authority, Sandia Limitation of Obligation Delegated Representative) which shall become a part of the subcontract or as revised by the SP. Decreases in an LO shall be made by subcontract revision only.

E. When additional funds are allotted for continued performance of the subcontract, the parties will agree on the Period of Performance (POP), which will be covered by the funds. The provisions of Paragraphs (B) through (D) of this clause will apply in like manner to the additional allotted funds and agreed to POP.

F. If the Subcontractor incurs additional costs or is delayed in the performance of work, solely by reason of NTESS' failure to allot additional funds in amounts sufficient for timely performance of the subcontract, an equitable adjustment may be made in the price or in the time of delivery, or both, if additional funds are allotted.

G. NTESS may at any time allot additional funds for the performance of the subcontract.

H. The provisions of this clause are limited to the work and allotment of funds for the subcontract. This clause no longer applies once the subcontract is fully funded.

I. Nothing in this clause shall act as a waiver of any rights or obligations of the parties under this subcontract.

**11. MULTIYEAR SUBCONTRACTS - 266MC (05-17)**

This multiyear subcontract is subject to available funding. Any cost incurred beyond the amount of funding stated in the clause titled Limitation of Obligation shall be without any additional cost to NTESS or the Government.

**12. SUSPECT/COUNTERFEIT ITEMS (S/CI) - 128SCI (07-20)**

Suspect/counterfeit item(s) (S/CI), fraudulent items (FI), fraudulent services, and fraudulent misrepresentation of goods or



services are of serious concern to NTESS because they not only threaten personal safety, equipment, and system reliability, but also, may inhibit compliance with regulatory standards. Failure of a safety or mission critical system due to S/CI & FI could also result in security implications at DOE facilities.

(a) Definitions

1. **Genuine Item.** Items that are produced and certified without the intent to deceive.
2. **Counterfeit Items.** Items that are intentionally manufactured, refurbished or altered to imitate original products without authorization in order to be passed off as genuine.
3. **Fraudulent Items.** Items that are intentionally misrepresented with intent to deceive, including items provided with incorrect identification or falsified and/or inaccurate certification. They may also include items sold by entities that have acquired the legal right to manufacture a specified quantity of an item but produce a larger quantity than authorized and sell the excess as legitimate inventory.
4. **Suspect Items.** Items where there is an indication or suspicion that they may not be genuine.

(b) The following provisions supplement and incorporate the existing subcontract terms by reference:

1. Subcontractor expressly represents that all items, services, or software provided under this subcontract are suitable for the intended or specified use (i.e. within the subcontractor's parameters or as specified by NTESS), and do not include substandard materials, unintended, or unspecified characteristics (i.e. functionality that is not previously defined in documentation or otherwise to NTESS) or substitutions unless otherwise consulted or approved by NTESS.
2. Subcontractor represents and shall ensure that counterfeit items, including component parts, and/or materials will not be furnished or delivered to NTESS.
3. Subcontractor represents authorized and lawful use of any labels, trademarks, or logos designed for/affixed to items supplied or delivered to NTESS.
4. Subcontractor represents that all items, goods, or services provided to NTESS are verifiably compliant with any applicable quality, and/or safety and manufacturing standards that may be noted in the statement of work, catalog, or is included as part of the description or sale of the item including, but not limited to U.S. Government or industry-accepted specifications and national consensus standards.
5. Subcontractor shall use counterfeit prevention and/or quality assurance procedures, that include a counterfeit and fraudulent item detection program.
6. Subcontractor shall notify NTESS if Subcontractor suspects or becomes aware of used or counterfeit goods furnished to NTESS within 60 (sixty) business days to preclude any potential reputational or mission damage, safety, or quality issues with the item or service. Subcontractor is required to disclose the source of the S/CI and FI to NTESS and shall provide documentation authenticating traceability of affected item(s). Subcontractor must notify NTESS by either:
  - i. contacting the SP (listed on the first page of this subcontract)
  - ii. emailing the SNL Suspect/Counterfeit Items Program Coordinator at [sqasci@sandia.gov](mailto:sqasci@sandia.gov)
7. Unless otherwise specified, Subcontractor shall purchase directly from product manufacturers or authorized manufacturer distributors whenever possible.
8. Suspect/counterfeit items furnished under this subcontract will be impounded by NTESS. Subcontractor may be required to replace such items, at no cost, with items acceptable to NTESS. Subcontractor shall be liable for all costs relating to discovery, removal, impoundment, and replacement of materials and equipment that exhibit suspect or counterfeit item characteristics or conditions.
9. Subcontractor shall indemnify NTESS, its agents, and third parties for any financial loss, injury, or property damage resulting directly or indirectly from any and all suspect or counterfeit services, goods, software, materials, components, or parts. Indemnification does not apply to any subcontracts placed with Universities.



10. Unless otherwise specified in this subcontract, Subcontractor shall furnish new and unused goods which includes only those items which have not been previously opened, refurbished, substituted, used for display, or if normally provided unassembled, assembled without prior consent from the Subcontract Manager or other Sandia Delegated Representative listed on the first page of this subcontract.

(c) Detection of suspect counterfeit item(s), services, or software; evidence of misrepresentation of goods or services; or any fraudulent misrepresentations may result in reporting and/or investigation by the DOE and the Office of the Inspector General.

(d) If this subcontract provides for the use of credit cards, their use in no way relieves the Subcontractor from complying with all requirements of this section.

(e) Additional detailed information is available at the DOE webpage and in the [DOE Suspect/Counterfeit Items Resource Handbook](#). For questions or to report suspect or counterfeit items, materials, services, or software email the SNL Suspect/Counterfeit Items Program Coordinator at [sqasci@sandia.gov](mailto:sqasci@sandia.gov). Suspected fraud, waste, or abuse by a DOE employee, Subcontractor, or grant recipient involving DOE programs may also be reported to the Office of Inspector General by phone (800) 541-1625, or by email [ighotline@hq.doe.gov](mailto:ighotline@hq.doe.gov). Additional information is available at: <http://energy.gov/ig/office-inspector-general>.

**13. DELEGATION OF AUTHORITY, SANDIA LIMITATION OF OBLIGATION DELEGATED REPRESENTATIVE - 403DLO (07-24)**

The following NTESS personnel are hereby authorized to act as official representatives of NTESS for the specific purpose(s) shown below, subject to the Section II limitations as authorized. Delegated representatives shall exercise no supervision over the Subcontractor's employees.

**SANDIA DELEGATED REPRESENTATIVE(S) (SDR):**

Name/Org Number/Phone Number/Mail Stop/Email

**PURLEY, JOYCE** Org 04112 Phone 505-284-8249 Mail Stop 0143 Email JPURLEY@SANDIA.GOV

**LUEVANO, JOHNNY** Org 08926 Phone 806-401-3820 Mail Stop 0717 Email JLUEVA@SANDIA.GOV

**---SDR3 intentionally left blank--**

**SDR DUTIES DELEGATED:**

Act as the technical liaison; inspect and accept deliverables; review, approve, and request support documentation for invoices; ensure safety in accordance with NTESS's Environment, Safety, and Health Laboratory Policy System (LPS); review, obtain management approval, maintain and track subcontractor compliance of Contract Specific Safety Plans (CSSP); track all required training for subcontractor personnel; provide approval of foreign travel including obtaining DOE approval per LPS FIN001, Travel and Expense Report Policy, in accordance with the terms of the subcontract; track government-furnished property/materials (GFP/M) to include performing site visits when indicated by ISCM004.1, Manage GFP/GFM; and ensure that security requirements are followed per LPS Safeguards & Security.

The Subcontractor shall not **start plans** for international travel without first successfully completing the required training (EC100, Export Control and Foreign Corrupt Practices Act Basics), **and** obtaining final DOE approval from International Securities Operations (ISO) via the SDR.

**SANDIA LIMITATION OF OBLIGATION DELEGATED REPRESENTATIVE(S) (SLODR):**



Name/Org Number/Phone Number/Mail Stop/Email

**PURLEY, JOYCE** Org 04112 Phone 505-284-8249 Mail Stop 0143 Email JPURLEY@SANDIA.GOVSCHWARTZ,  
**MARY** Org 04112 Phone -- Mail Stop 0143 Email MESCHWA@SANDIA.GOV---SLODR3 intentionally left blank--

**SLODR DUTIES DELEGATED:**

Track and adjust the Limitation of Obligation (L/O) as authorized.

**SUBCONTRACT BUSINESS LIAISON(S) (SBL):**

**List of Subcontract Business Liaisons (SBLs)**

SBL	Email	Phone
Morgan, Amy	amorga@sandia.gov	505/283-3394
Neff, Stephen Jack	sneff@sandia.gov	505/845-0466

**SBL DUTIES DELEGATED:**

Interface with the Subcontractor regarding: (1) the NTESS badge request process; (2) coordinate with subcontractor/subcontractor personnel to provide and validate completion of required training and supporting documentation; (3) management/tracking of any government furnished property; and (4) coordination of written foreign travel authorization approval from the SDR if specific travel plans are established in the statement of work clause.

NOTE: If a Subcontract Business Liaison is not listed, the aforementioned duties are delegated to the Sandia Delegated Representative(s).

For the purpose of adding/modifying the SDR, SLODR, or SBL, the revision may occur via an email notification reflecting the change to the clause. Further, for the sole purpose of increasing the L/O, the SLODR may authorize the increase via an email notification. A subcontract revision is not required if any of these notifications are issued. A copy of the email notification shall be part of the subcontract file and shall be legally binding on the parties.

**NOTE: The Subcontracting Professional (SP) is the only person who can legally obligate NTESS for the expenditure of funds, change scope and/or level of effort and/or terms and conditions, negotiate, and sign documents legally binding NTESS. COMMITMENTS, OBLIGATIONS OR PROMISES, IMPLIED OR EXPRESSED, BY NTESS PERSONNEL OTHER THAN THE SP DO NOT BIND NTESS IN ANY MANNER.**

**14. INDEPENDENT SUBCONTRACTOR RELATIONSHIP - 432ISR (11-22)**

a) Subcontractor is an independent subcontractor in all its operations and activities related to this subcontract. The employees



used by Subcontractor to perform Work under this subcontract shall be Subcontractor's employees, agents or subcontractors, without any relation whatsoever to NTESS.

(b) Subcontractor shall be responsible for all losses, costs, claims, causes of action, damages, liabilities, and expenses, including attorneys' fees, all expenses of litigation and/or settlement, and court costs, arising from any act or omission of Subcontractor, its officers, employees, agents, suppliers, or subcontractors at any tier, in the performance of any of its obligations under this subcontract.

(c) Subcontractor shall indemnify and hold harmless NTESS from and against any actual or alleged liability, loss, costs, damages, fees of attorneys, and other expenses which NTESS may sustain or incur in consequence of:

1. Subcontractor's failure to pay any employee for the Work rendered under this subcontract
2. Any claims made by Subcontractor's personnel against NTESS

(d) Subcontractor is not authorized to represent NTESS in any way or to bind NTESS by any promise, agreement, or obligation.

(e) Subcontractor shall flow down the requirements of this clause to any applicable lower-tier subcontracts for services.

**15. PERSONAL IDENTITY VERIFICATION FOR EXTENDED PHYSICAL AND CYBER ACCESS – 600ACC (11-20)**

In accordance with [NNSA SD 206.2, Implementation of Personal Identity Verification \(PIV\) for Uncleared Contractors](#), background investigations may be required for uncleared subcontractor and lower-tier subcontractor employee(s) requiring physical or cyber access to NTESS/SNL or DOE/NNSA owned or leased facilities and/or designated Information Technology (IT) systems for more than 179 calendar days. This includes any physical and cyber access combinations that exceed 179 days.

The Subcontractor will be notified by SNL Personnel Security when the uncleared Personal Identity Verification (PIV) background investigation process is required. The Subcontractor shall ensure eligible employee(s) and lower-tier Subcontractor employees comply with the PIV process which includes:

- A. Electronic fingerprinting,
- B. Two forms of identification and having a photo taken, and
- C. Completion of SF85, [Questionnaire for Non-Sensitive Positions](#) and OF306, [Declaration for Federal Employment](#).

Unfavorable PIV determinations will result in immediate revocation of physical and/or cyber access, and may result in the Subcontractor and lower-tier Subcontractor employee(s) removal from performance of work under this agreement. Uncleared Subcontractor and lower-tier Subcontractor employee(s) may appeal unfavorable PIV determinations to DOE/NNSA.

Compliance with PIV procedures is required for Subcontractor and lower-tier Subcontractor employee(s) continued authorization to perform work and access to NTESS/SNL and DOE/NNSA sites and IT systems.

For any additional questions, contact SNL Security Connection at (505) 845-1321 or [security@sandia.gov](mailto:security@sandia.gov).

**RESOURCES**

FSO Toolcart (<https://www.sandia.gov/FSO/index.htm>), NTESS resource for badging, access, and security information.

**16. PROHIBITED COMPONENTS, EQUIPMENT, SYSTEMS, PRODUCTS, SOFTWARE, AND SERVICES DISCLOSURE - 715PRO (05-24)**





The Subcontractor shall not provide or use components, equipment, systems, software, and services from listed covered vendors in performance and deliverables. This prohibition applies to all covered vendor items and services, whether purchased directly from the covered vendor or through a third-party. Subcontractor shall flow down this requirement to lower tier suppliers in subcontracts, including subcontracts for commercial items.

**Covered Vendors- Notification of Use Required**

(i) FAR 52.204-23-Prohibition on Contracting for Hardware, Software, and Services Developed or Provided by Kaspersky Lab Covered Entities is, hereby, incorporated by reference in full force and effect. This requirement includes, but is not limited to, hardware, software, and services developed or provided in whole or in part by a Kaspersky Lab covered entity; any item that contains components using any hardware or software developed in whole or in part by a Kaspersky Lab covered entity; any successor entity to a Kaspersky Lab covered entity, including any change in names, e.g., "Kaspersky"; any entity that controls, is controlled by, or is under common control with a Kaspersky Lab covered entity; or any entity of which a Kaspersky Lab covered entity has a majority ownership. Additional prohibition requirements and "covered article" definitions are stated in the FAR clause.

(ii) FAR 52.204-25-Prohibition on Contracting for Certain Telecommunications and Video Surveillance Services or Equipment is, hereby, incorporated by reference in full force and effect. This requirement includes, but is not limited to, covered telecommunications or video surveillance equipment or services produced by Huawei Technologies Company or ZTE Corporation (or any subsidiary or affiliate of such entities) and Hytera Communications Corporation, Hangzhou Hikvision Digital Technology Company, or Dahua Technology Company (or any subsidiary or affiliate of such entities). Additional prohibition requirements, "covered telecommunications equipment or services," "covered foreign country," "critical technology," and "substantial or essential components" definitions are stated in FAR clause.

(iii) All products and services from Acronis (or any subsidiary or affiliate)

If Subcontractor uses or provides prohibited components, equipment, systems, products, software and/or services to NTESS, Subcontractor shall disclose this information by reporting the following to [contractnotification@sandia.gov](mailto:contractnotification@sandia.gov):

(i) Within one (1) business day from the date of such identification or notification: the contract number; the order number(s), if applicable; supplier name; supplier unique entity identifier (if known); supplier Commercial and Government Entity (CAGE) code (if known); brand; model number (original equipment manufacturer number, manufacturer part number, or wholesaler number); item description; and any readily available information about mitigation actions undertaken or recommended; and

(ii) Within ten (10) business days of submitting the information required per this clause: any further available information about mitigation actions undertaken or recommended. In addition, the Subcontractor shall describe the efforts it undertook to prevent the procurement or use of any good, equipment, system, product, and/or service covered by this clause.

**Covered Vendors - Full Prohibition Without Allowance for Notification of Use**

FAR 52.204-27-Prohibition on a ByteDance Covered Application is, hereby, incorporated by reference in full force and effect. This requirement includes, but is not limited to, use of social networking service TikTok or any successor application or service developed or provided by ByteDance Limited, or an entity owned by ByteDance Limited on devices used in performance of this subcontract whether device is government owned or personally owned.

**17. ORGANIZATIONAL CONFLICTS OF INTEREST - 824DR (05-17)**

The requirements of Section II Clause DEAR 952.209-72 Organizational Conflicts of Interest apply to this subcontract; the term specified under paragraph (b)(1) shall be 5 years. It is the responsibility of the Subcontractor to report any potential



conflicts to the SP.

**18. ACQUISITION CONFLICT RESOLUTION PROCESS - 850ACR (02-20)**

NTESS encourages open, honest communication between suppliers, Subcontractors, and the Subcontracting Professional (SP) in resolving a concern. It is always best to resolve issues in an open atmosphere between the suppliers, Subcontractors, and SPs without escalating the problem. The goal is to ensure timely resolution of the problem without undue expense to either parties involved.

It is the intent of NTESS to resolve supplier and Subcontractor concerns through a Conflict Resolution Process, that is timely, includes several options, is easy to use, and provides satisfactory results to the supplier, Subcontractor, and NTESS. This process is described at:

[http://www.sandia.gov/working\\_with\\_sandia/procurement/current\\_suppliers/contractor\\_bidder/index.html](http://www.sandia.gov/working_with_sandia/procurement/current_suppliers/contractor_bidder/index.html) under Policies.

By submitting a response to the solicitation, the Offeror agrees to use the Acquisition Conflict Resolution Process exclusively at the URL listed to resolve issues or concerns related to the evaluation of quotes and the failure to receive a subcontract/agreement under the solicitation.

After award of a subcontract/agreement, the Subcontractor agrees to use the Acquisition Conflict Resolution Process exclusively at the URL listed to resolve any subcontract/agreement disputes that occur during the performance of the subcontract/agreement.

**19. DOCUMENTS INCORPORATED BY REFERENCE - 030REF (05-17)**

A.05 Facility Site Map

A.05 Standard Operating Procedure (SOP) Final dated 7-16-2024

A.05 Site Prep and Installation guidelines



**BOARD ACTION ITEM No. 2024-0828-027**  
**RATIFY ACTION OF THE EXECUTIVE COMMITTEE APPROVING**  
**NATIONAL TECHNOLOGY AND ENGINEERING SOLUTIONS OF SANDIA, LLC**  
**SANDIA NATIONAL LABORATORIES 19 ACRE LAND LEASE**

**BOARD OF DIRECTORS**  
**LUBBOCK REESE REDEVELOPMENT AUTHORITY (LRRRA)**  
**August 28, 2024**

Item to be Considered:

Ratify the Action of the Executive Committee of the Board of Directors Approving a New Lease for Sandia National Laboratories for 19 Acres of Land

Previous Board Action:

The Executive Committee approved a new lease for Sandia National Laboratories on July 22, 2024.

Statement of Pertinent Facts:

The Executive Committee approved a new lease for Sandia at a meeting on July 22, 2024, with the following pertinent facts:

- a. Sandia is leasing 19 acres of land that TTU previously leased
- b. This is a five-year lease agreement with three one-year options to renew
- c. The starting rent is \$19,950 with 3% annual increases
- d. Sandia will have the obligation to remediate the pad sites when they vacate
- e. The agreement provides for the installation of a bathroom at Sandia's expense and cleaning services for it

Advice, Opinions, Recommendations, and Motion:

If the Board of Directors concurs, the following motion is in order:

“Resolved, that the Board of Directors of the Lubbock Reese Redevelopment Authority hereby ratifies the action of the Executive Committee on July 22, 2024, where they approved the Sandia National Laboratories 19 Acre Land Lease and authorizes its CEO/Executive Director to execute the lease subject to negotiation of final terms and conditions, as submitted, on this 28<sup>th</sup> day of August 2024.”

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Tim Pierce - Board President

ATTEST:

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LRRRA Board Member

**AGENDA ITEM 7  
EXECUTIVE SUMMARY  
TEXAS TECH UNIVERSITY  
TECHNOLOGY OPERATIONS AND SYSTEMS MANAGEMENT (TOSM)  
CO-LOCATION LEASE - DATA CENTER**

Texas Tech University, Technology Operations and Systems Management, has been co-located in the Reese Data Center since 2006. Their current lease expires September 30, 2024.

TTU TOSM will continue to lease the 306 square foot suite in the Data Center (Building 36) at the current rate of \$100 per square foot. Additionally, they will lease 4 dark fiber strands for \$250 per month per strand. They have the option of adding or removing dark fiber stands at any time. Their electric use will be metered and billed to them at a monthly rate to be reset/determined annually based on the average cost of electricity for that year plus 5%. This new lease is for two years with one option to extend it for an additional two years.

See attached lease agreement.

Staff are requesting board approval for this agreement.

**STANDARD CO-LOCATION AGREEMENT**

**BETWEEN**

**LUBBOCK REESE REDEVELOPMENT AUTHORITY, a Political  
Subdivision of the State of Texas**

**AS CO-LOCATION PROVIDER**

**AND**

**TEXAS TECH UNIVERSITY SYSTEM- TECHNOLOGY OPERATIONS AND  
SYSTEMS MANAGEMENT, a Texas public system of higher education**

**AS CUSTOMER**

**FOR CO-LOCATION FACILITIES AND RELATED SERVICES**

**Reese Technology Center**

**Building No. 36, Suite No. 105**

**9924 Reese Boulevard North**

**Lubbock, Texas 79416**

## **STANDARD CO-LOCATION AGREEMENT**

This Standard Co-location Agreement (the "Agreement"), is made as of the \_\_\_\_\_ day of August 2024 by and between LUBBOCK REESE REDEVELOPMENT AUTHORITY, a political subdivision of the State of Texas (hereinafter referred to as "Co-location Provider") and Texas Tech University System - Technology Operations and Systems Management, a Texas public system of higher education (hereinafter referred to as "Customer"). Co-location Provider and Customer may be referred to herein as "Party" in the singular and "Parties" in the plural.

### **WITNESSETH:**

#### **1. DEFINITIONS**

(a) Effective Date: means September 1, 2024.

(b) Co-location Provider: Lubbock Reese Redevelopment Authority, a political subdivision of the State of Texas, whose Federal Taxpayer Identification Number is 75-2713717.

(c) Customer: Texas Tech University System- Technology Operations and Systems Management a Texas public system of higher education, whose Federal Taxpayer Identification Number is 75-6002622.

(d) Co-location Space: means Suite 105 which is approximately 306 square feet. . Co-location Space temperature shall range from 65-75 degrees Fahrenheit and humidity from 40-60%.

(e) Customer Equipment means any and all computer equipment, software, networking hardware or other materials placed by or for Customer in the Co-location Space, other than Co-location Provider Equipment.

(f) Initial Term: Two (2) Years.

(g) Extensions: One (1) extension period of two (2) years, subject to the rights set forth in Section 1(h).

(h) Option to Extend Term: Customer shall have one (1) renewal option of two (2) years, such option to be exercised automatically unless Co-location Provider receives written notice from Customer of its desire not to exercise the option to extend term no less than one hundred twenty days (120) days prior to expiration of the Initial Term or any subsequent renewal term. Without receipt of such notice, this Agreement shall be extended automatically for the period specified in Section 1(g) without the necessity for the execution of any further instrument and upon the same terms and conditions as are contained in this Agreement.

(i) Service Fee: means the Monthly Service Fee associated with the use of four (4) strands of single-mode connectivity dark fiber optic cable to Building #555, #20, and #36,

subject to Customer may add or subtract strands of single-mode connectivity dark fiber optic cable at the set forth in Section 5.6.a. and **Exhibit A** upon thirty (30) days written notice to Co-Location Space Provider and approval of said addition or subtraction by its Chief Executive Officer, which shall not be unreasonably withheld; Co-location Space use within Suite No. 105; and power usage reimbursement (collectively "Service Fees") payable pursuant to Section 4, below, and as more fully set forth in **Exhibit A**, attached hereto. The parties agree that the Service Fees set forth herein is for the provision of the Co-location Space; maintenance of proper environment in the Co-location Space; site security; and exclusive use of space within the Premises.

(j) Permitted Use: Means Customers use of the Co-location Space to provide data storage and back-up capability for its operations.

(k) Service Fee Commencement Date: Means the Effective Date (as defined in Section 1(a) above).

(l) Network Manager and Maintenance Service Provider: Means Co-location Provider or its designated agent for network management and maintenance services. On the effective date of this Agreement, Co-location Provider identifies, the below, as its network manager and maintenance provider. Co-location Provider reserves the right to provide these services directly; or at its sole discretion to employ a different network manager and maintenance provider. Notwithstanding the above, Co-location Provider represents and warrants that network management and maintenance services are presently provided pursuant to a contract between Co-location Provider and:

Switch-IT Support.  
Attention: Jamie Langlois  
1655 Main St., Suite 207  
Lubbock, TX 79401  
(806) 798-2600  
[support@switchitsupport.com](mailto:support@switchitsupport.com)

(m) Co-location Provider's Address for Payment of Service Fees: Payment of Service Fee shall be made to Co-location Provider by check and delivered to Co-location Provider's address, or by electronic funds transfer to Co-location Provider's bank account at:

Plains Capital Bank  
5010 University  
Lubbock, TX 79413  
Routing Number - 111322994  
Account Number - 7260002003  
Deposits need to indicate: LUBBOCK REESE REDEVELOPMENT  
AUTHORITY

(l) Exhibits: The following exhibits are attached to the Agreement and constitute a part of this Agreement for all purposes:

- Exhibit A:** Service Fees  
**Exhibit B:** Co-location Provider's Security and Access Policies  
**Exhibit C:** Disclosure Statement

## **2. SCOPE OF THE AGREEMENT**

2.1 Make Ready. Not Applicable.

2.2 Commencement of Service. Co-location Provider will continue service after it receives: (1) receipt of a signed copy of this Agreement; and (2) payment of the amounts due under Section 1(i), above.

2.3 Available Funds. Customer shall have the right to cancel this Agreement at the end of the then current fiscal period if funds are not allotted for the next fiscal year to continue this Agreement. Customer may effect such cancellation by giving Co-location Provider written notice of its intention to cancel not less than thirty (30) days prior to the end of the then current fiscal year period, stating its reasons for cancellation. Upon cancellation of this Agreement, Customer shall not be responsible for the payment of any services received which occur after the end of the current Term; provided that Customer ceases its use of the Co-Location Space at the end of such term.

## **3. INITIAL TERM AND OPTION TO EXTEND**

3.1 Initial Term. This Agreement shall be in effect for a period of two (2) years beginning on the Effective Date, as indicated above, unless extended or terminated as otherwise provided in this Agreement. For the purposes hereof, "Agreement Year" shall be that twelve (12) month period during the Initial Term or any Extension commencing on the Effective Date or the annual anniversary thereof, as may be applicable; provided, however, that if the Effective Date is a day other than the first day of a calendar month, then the first Agreement Year shall include that period of time from the Effective Date up to the first day of the next calendar month and the following twelve (12) months, and any subsequent Agreement Year shall be the twelve (12) month period beginning on the anniversary of the first day of the next calendar month following the Effective Date. Customer shall have one (1) two (2) year option to extend the Agreement at the same monthly Service Fees. No additional Service Fees may be charged unless approved by Customer in advance.

## **4. SERVICE FEES AND INVOICES**

4.1 Service Fees. Customer agrees to pay to Co-location Provider the Service Fees set forth in **Exhibit A**, in advance for the Monthly Fixed Service Fees, on or before the 5th day of each calendar month during the Term, without deduction or setoff (except as set forth in this Agreement). If the Effective Date does not occur on the first day of a calendar month, the Fixed Service Fees (as defined below) for the first partial calendar month that the Fixed Service Fees are due will be prorated based on the actual number of days within such calendar month after the Effective Date. If the Term expires or is terminated on a day

which is not the last day of the calendar month, the Fixed Service Fee for the final partial calendar month that the Fixed Service Fees are due will be prorated based on the actual number of days within such calendar month prior to the end of the Term. All charges other than Fixed Service Fee payable by Tenant under this Lease shall be "Additional Service Fees," and are due as set forth in Section 4.2.

4.2 Service Fee Invoices; Waiver of Recovery of Certain Charges. All invoices from Co-location Provider to Customer for any Service Fee due under this Agreement will be sent by mail or electronic transfer to the address set forth in Section 14.5 or to such other address as Customer may designate by notice to Co-location Provider. Payment for Additional Service Fees shall be due on or before the 5<sup>th</sup> day of the month following receipt of the invoice. All invoices shall provide support for the basis of the charge(s). All data and information of any kind whatsoever relied upon by Co-location Provider in preparing invoices shall be available at all reasonable times to authorized agents and employees of Customer for purposes of determining the accuracy of such invoices. Customer shall pay Co-location Provider all Fixed Service Fees and undisputed Additional Service Fees by the respective due date. Any invoiced amount that is either undisputed or which is disputed and subsequently found to be due Co-location Provider and which shall remain unpaid after the due date shall accrue interest at one and one-half percent (1.5%) per month, or the highest rate allowed by Texas law, whichever is lower (hereinafter, "the Interest Rate"). Any invoiced amount paid which is either undisputed or which is disputed and subsequently found to be due Customer as a refund shall accrue interest from the date payment was made at the Interest Rate. If Customer disputes any Additional Service Fee, Customer shall notify Co-location Provider in writing of the dispute within 7 days and shall pay the undisputed portion by the due date. If Co-location Provider fails to invoice Customer for any Service Fee due from Customer within twenty-four (24) months after the last day of the calendar year during which such obligation was incurred, Co-location Provider's right to recover such charge or expense will be deemed to have been waived.

4.3 Taxes. At the present time the Co-location Provider and Customer are not taxable entities, and are exempt from ad valorem taxes. However, if the Services become taxable at some point in the future during the Term, then Customer agrees that in addition to the Service Fees due hereunder, to the fullest extent permitted by Texas law, then the following provisions shall apply: Customer shall during the Term be responsible for payment prior to delinquency of all taxes assessed against and levied upon the Service Fees, trade fixtures, furnishings, equipment and all other personal property of Customer contained in the Co-location Space. In addition, Customer shall during the Term pay to Co-location Provider monthly with the payment of the Service Fees all sales or other taxes assessed by any governmental authority against the Service Fees payable by Customer hereunder. To the extent permitted by Texas law and the United States Constitution, Customer hereby agrees to hold Co-location Provider harmless from all costs, expenses, interest and penalties that Co-location Provider may incur as a result of Customer's failure to pay the taxes set forth in this Section 4. All payments required by the Agreement are exclusive of applicable taxes. Customer will be liable for and will pay in full all such applicable amounts (exclusive of taxes payable by Co-location Provider).

## 5. CO-LOCATION

5.1 Installation. Co-location Provider grants Customer the right to operate Customer Equipment at the Co-location Space for the Permitted Use. The Co-location Space is provided on an "AS-IS" basis, and you may use the Co-location Space only for the purposes of maintaining and operating Customer Equipment as necessary to support the Permitted Use. Customer will install Customer Equipment in the Co-location Space after obtaining the appropriate authorization from Co-location Provider to access Co-location Provider's Premises. Co-location Provider's Premises include all Co-location Provider owned or leased property including the Customer's Co-location Space. Customer will remove and be solely responsible for the disposal or storage of all Customer Equipment packaging material.

5.2 Access. You will have access to the Co-location Space on a 24-hour basis. You may access the Co-location Space only in accordance with Co-location Provider's Security and Access Policies, attached hereto as **Exhibit B**, and which may be revised from time to time in accordance with applicable laws. To the extent permitted by Texas law, Customer is responsible for any and all actions of Customer representatives and any escorted persons. No unescorted persons may enter the Co-location space under any circumstances.

5.3 Addition or Removal of Customer Equipment. Customer will provide Co-location Provider with written notification ten (10) days before Customer wishes to add or remove a significant piece of Customer Equipment (this does not include replacing a piece of equipment with a similar piece of equipment). Before authorizing the removal of any significant Customer Equipment, Co-location Provider's accounting department will verify that Customer has no payments due to Co-location Provider. Once Co-location Provider authorizes the addition or removal of Customer Equipment, Customer will remove or add such Customer Equipment, and will be solely responsible to leave area in good operating condition at its own expense.

5.4 Technical Assistance. At the request of Customer, Co-location Provider's Network Manager and Maintenance Service Provider may assist Customer in performing light duties or correcting minor problems such as circuit problems and/or outages, which may include:

- a. Rebooting of equipment.
- b. Pressing of reset or other readily accessible buttons or switches.
- c. Reconfiguration of non-restricted cables with push-on type connectors.
- d. Working cooperatively with Customer and/or third party provider to locate and correct circuit problems.

Customer shall reimburse Co-location Provider for the cost of these services.



5.5 Relocation of Customer Equipment. Co-location Provider shall not arbitrarily or capriciously require Customer to relocate Customer Equipment; however, upon ninety (90) days written notice or, in the event of any emergency, Co-location Provider may require Customer to relocate Customer Equipment; provided however, the site of relocation shall afford comparable environmental conditions for the Customer Equipment and comparable accessibility to the Customer Equipment. In the event that Co-location Provider requires Customer to relocate Customer Equipment, all costs shall be borne by Co-location Provider.

#### 5.6 Customer Expansion

a. Customer may add additional Dark Fiber strands or subtract Dark Fiber strands, with a minimum of thirty (30) days written notice to the Co-location Provider, in accordance with this Agreement at a rate of no less than \$250 per month per strand without the necessity of entering into a new Agreement, subject to the Parties agree to amend the Agreement with the new number of Dark Fibers strands and the Monthly Fixed Service Fee. The Co-location Provider reserves the right to refuse any request for additional or reduction of Dark Fiber strands.

b. If the Customer expands beyond the capacity of the Leased Space, Customer may secure additional Leased Space from Co-location Provider at the rates as mutually agreed to by the Parties, and reflected in a separate agreement.

### 6. SECURITY

6.1 Co-location Provider does not guarantee security of Customer Equipment or of the Co-location Space. Co-location Provider requires that Customer and Customer's employees comply with all Co-location Security Procedures as defined on Co-location Provider's Security and Access Policies (**Exhibit B**) and the Reese Data Center Disclosure Statement (**Exhibit C**), and as may be revised from time to time with notice to Customer, in order to maximize the security of the Co-location Provider premises. Only individuals whom Customer has identified as "Customer Representatives" (and persons escorted by Customer Representatives), and that have been identified in writing to the Co-location Provider or the Network Manager and Maintenance Service Provider will be permitted to enter the Co-location Space. Only Customer Representatives will be permitted to request Services on your behalf or to request any support services with respect to Customer Equipment. For good cause, Co-location Provider may suspend the right of any Customer Representative or other person to visit the Co-location Provider's premises and/or the Co-location Space. Co-location Provider will assist in security breach detection and identification, but shall not be liable for any inability, failure or mistake in doing so.

### 7. INTERNET, LOCAL, AND LONG DISTANCE SERVICES

7.1 Internet, Local and Long Distance Services. Customer is responsible for ordering all Internet, local and long-distance lines from carriers and ordering any and all necessary cross-connects from Co-location Provider. Co-location Provider Recurring Service Fees

for such cross-connects are as indicated on the Order Form. The carriers will install such circuits in Customer's name. Customer will be solely responsible for such circuits and for all payments due to the carriers. Customer will notify the carrier directly when Customer wishes to terminate or modify such circuit. Customer understands that Co-location Provider does not own or control these services and that Co-location Provider is not responsible or liable for performance (or non-performance) of such services.

## **8. NO RESALE**

8.1 Customer shall not resell any portion of the Co-location Space or Co-location Services to any other party.

## **9. ACCEPTABLE USE GUIDELINES**

9.1 Customer must at all times conform its use of and comply with all applicable state and federal laws with respect to its operations in the Co-location Space. If Co-location Provider is informed by government authorities or other parties of illegal use of Co-location Provider's facilities or Co-location Provider otherwise learns of such use or has reason to believe such use may be occurring, then Customer will reasonably cooperate in any resulting investigation by Co-location Provider or government authorities. Any government determinations will be binding on Customer. If Customer fails to cooperate with any such investigation or determination, or fails to immediately rectify any illegal use, Customer will be in Breach (defined below) of this Agreement and Co-location Provider may immediately suspend Customer's Service.

9.2 Customer Content. Customer, not Co-location Provider, has sole and exclusive control over the content residing on the Equipment (the "Customer Content"), and must respond to any notices that the Customer Content violates the Digital Millennium Copyright Act, 17 U.S.C. § 101 et. seq. (the "DMCA") or any other law, rule, or regulation.

9.3 Equipment. Customer will immediately remove or render non-infringing, at Customer's expense, any Equipment alleged to infringe any patent, trademark, copyright, or other intellectual property right. Customer will promptly notify Co-location Provider of any lien(s) on or security interest(s) in the Customer's Equipment.

9.4 Third-Party Software. To the extent permitted by Texas law, Customer is responsible for any third-party software it uses in the Co-location Space. To the extent permitted by Texas law and the United States Constitution, Customer shall indemnify, defend, and hold Co-location Provider harmless from any action against Co-location Provider to the extent that it is based on an allegation that such third-party software has infringed an intellectual property right or trade secret, and pay those damages or costs related to the settlement of such action or finally awarded against Co-location Provider. Customer's obligation to indemnify shall apply only to the extent permitted by Constitution and laws of the State of Texas and without waiving sovereign immunity.

## 10. INSURANCE

10.1 Co-location Provider shall not be obligated to insure any furnishings, equipment, trade fixtures, or other personal property, which Customer may place or cause to be placed within the Co-location Space. Co-location Provider and Customer waive any requirement of contents insurance, or property casualty coverage on the building. Co-location Provider will maintain a policy or policies of comprehensive general liability insurance insuring Co-location Provider against loss of life, bodily injury and/or property damage with respect to Co-location Provider's Premises, operation of the Co-location Provider's Premises, parking lots and other improvements associated with the land upon which Co-location Provider's Premises are located.

Co-location Provider acknowledges that, because Customer is an agency of the State of Texas, liability for the tortious conduct of the agents and employees of Customer (other than medical liability of medical staff physicians) or for injuries cause by conditions of tangible state property is provided for solely by the provisions of the Texas Tort Claims Act (Texas Civil Practice and Remedies Code, Chapters 101 and 104), and that Workers' Compensation Insurance coverage for employees of Customer is provided by Customer as mandated by the provisions of Texas Labor Code, Chapter 503. Co-location Provider further acknowledges that State agencies are prohibited, by the general Appropriations Act, from expending any funds appropriated by that Act for purchasing policies of insurance covering claims arising under the Texas Tort Claims Act. No insurance carrier of either party shall have a right of subrogation against the other party to this Agreement. Customer assumes all risks associated with the parties not having insurance coverage covering the Co-location Space, the equipment located by Customer therein, or any services provided by the Customer to itself or any third party.

## 11. LIMITATIONS OF LIABILITY

11.1 Personal Injury. Each Customer Representative and any other persons visiting Co-location Provider facilities does so at his or her own risk and Co-location Provider shall not be liable for any harm to such persons resulting from any cause other than Co-location Providers' acts or omissions resulting in personal injury to such persons during such a visit. This entire clause, or portions thereof, if enforceable, are only enforceable to the extent allowed, and not otherwise prohibited by Texas law.

11.2 Damage to Customer Business. In no event shall Co-location Provider be liable to Customer, any Customer Representative, or any third party for any claims arising out of or related to Customer's business, Customer's customers or clients, Customer Representative's activities in the Co-location Space or otherwise, or for any lost revenue, lost profits, replacement goods, loss of technology, rights or service, incidental, punitive, indirect or consequential damages, loss of data, or interruption or loss of use of Service or of any Customer's business, even if advised of the possibility of such damages, whether under theory of contract, tort (including negligence), strict liability or otherwise. This entire clause, or portions thereof, is enforceable only to the extent allowed, and not otherwise prohibited by Texas law.

11.3 Damage to Customer Equipment. Co-location Provider assumes no liability for any damage to, or loss of, any Customer Equipment resulting from any cause other than Co-location Provider's acts or omissions. Unless caused by Co-location Provider's acts or omissions, Co-location Provider shall not be liable to Customer, any Customer Representative, or any third party for any claims arising out of or related to Customer Equipment for any lost revenue, lost profits, replacement good, loss of technology, rights or services incidental, punitive, indirect or consequential damages, loss of data, or interruption or loss of use of any Customer Equipment, even if advised of the possibility of such damages, whether under theory of contract, tort (including negligence), strict liability or otherwise. This entire clause, or portions thereof, is enforceable only to the extent allowed, and not otherwise prohibited by Texas law.

## **12. DEFENSE OF THIRD PARTY CLAIMS AND INDEMNIFICATION.**

12.1 Defense. To the extent permitted pursuant to Texas state or federal law, and subject to the Disclaimer set forth in Section 12.3, Customer will defend Co-location Provider, its director, officer, employees, affiliate and customers (collectively, the "Covered Entities") from and against any and all claims, actions or demand brought by or against Co-location Provider and/or any of the Covered Entities by third parties alleging: (a) with respect to the Customer's business: (i) infringement or misappropriation of any intellectual property rights; (ii) defamation, libel, slander, obscenity, pornography, or violation of the rights of privacy or publicity; or (iii) spamming, or any other offensive harassing or illegal conduct or violation of the Acceptable Use Guidelines or Anti-Spam Policy; (b) any damage or destruction to the Co-location Space, Co-location Provider premises, Co-location Provider Equipment or to any other Co-location Provider customer which damage is caused by or otherwise results from acts or omissions by Customer, Customer representative or Customer's designees; (c) any personal injury or property damage to any Customer employee, Customer Representative or other Customer designee arising out of such individual's activities related to the Services, unless such injury or property damage is caused by Co-location Provider's acts or omissions; or (d) any other damage arising from the Customer Equipment or Customer's business (collectively, the "Covered Claims"). In the event of any claim under this paragraph, Co-location Provider may select its own counsel.

12.2 Notification. To the extent permitted pursuant to Texas state or federal law, and Subject to the Disclaimer set forth in Section 12.3, Customer will provide Co-location Provider with prompt written notice of each Covered Claim of which Customer becomes aware, and, at Co-location Provider's sole option, Co-location Provider may elect to participate in the defense and settlement of a Covered Claim, provided that such participation shall not relieve Customer of any of its obligation under this Section.

12.3 Disclaimer. THE PARTIES ARE AWARE THAT THERE MAY BE CONSTITUTIONAL AND STATUTORY LIMITATIONS ON THE AUTHORITY OF TTU (A STATE AGENCY) TO ENTER INTO CERTAIN TERMS AND CONDITIONS, INCLUDING TERMS AND CONDITIONS (IF ANY) RELATING TO LIENS ON

TTU'S PROPERTY; DISCLAIMERS AND LIMITATIONS OF WARRANTIES; DISCLAIMERS AND LIMITATIONS OF LIABILITY FOR DAMAGES; WAIVERS, DISCLAIMERS AND LIMITATIONS OF TTU'S LEGAL RIGHTS, REMEDIES, REQUIREMENTS AND PROCESSES; LIMITATIONS OF PERIODS TO BRING LEGAL ACTION; GRANTING CONTROL OF LITIGATION OR SETTLEMENT TO ANOTHER PARTY; LIABILITY FOR ACTS OR OMISSIONS OF THIRD PARTIES; PAYMENT OF ATTORNEYS' FEES; DISPUTE RESOLUTION; INDEMNITIES; ANY PROVISION THAT CREATES AN UNKNOWN OR UNFUNDED LIABILITY; AND CONFIDENTIALITY (COLLECTIVELY, THE "LIMITATIONS"), AND TERMS AND CONDITIONS RELATED TO THE LIMITATIONS WILL NOT BE BINDING ON TTU EXCEPT TO THE EXTENT AUTHORIZED BY THE LAWS AND CONSTITUTION OF THE STATE OF TEXAS.

### **13. TERMINATION AND DEFAULT**

13.1 Conditions of Breach. Breach of this Agreement will occur if either party does not fulfill its obligations under this Agreement and such Breach is not cured within thirty (30) days of written notice by the other party. Specifically relating to payment of Service Fees, the Customer will be in Breach of this Agreement if Customer has not paid its invoice within sixty (60) days of the invoice due date.

13.2 Remedies for Breach. If Customer is in Breach of this Agreement and the breach is not cured in the time allowed under 13.1, Co-location Provider may (a) discontinue all Services to Customer; (b) disconnect Customer from its Internet, power and telecommunications services; (c) remove Customer Equipment from Co-location Space and place it in storage; and (d) order Customer to pay any and all amounts due to the date that the Customer Equipment was removed and order Customer to buy out the remaining term of the Agreement.

13.3 Estoppel and Waiver. No breach under this Agreement will be deemed to have been waived, nor will either party be guilty of laches, because of the failure of either party to take action pertaining to such breach.

13.4 Remedies Cumulative. The rights and remedies given to Co-location Provider and Customer in this Agreement are distinct, separate and cumulative remedies, and the exercise of any one or more of them will not be deemed to exclude Co-location Provider's or Customer's rights to exercise any or all of the others which are given in this Agreement, or at law or in equity, unless such remedies are expressly excluded.

### **14. MISCELLANEOUS PROVISIONS**

14.1 Force Majeure. "Event of Force Majeure" means an event beyond the control of Co-location Provider or Customer which prevents or makes a party's compliance with any of its obligations under the Agreement illegal or impracticable, including but not limited to: act of God (including, without limitation, fire, explosion, earthquake, tornado, drought, and flood); war, act or threats of terrorism, hostilities (whether or not war be declared), invasion, act of enemies, mobilization, requisition, or embargo; rebellion, insurrection,

military or usurped power, or civil war; contamination or destruction from any nuclear, chemical, or biological event; riot, commotion, strikes, go slows, lock outs, or disorder; epidemic, pandemic, viral outbreak, or health crisis; or directive of governmental authority. No party will be considered in breach of the Agreement to the extent that performance of their respective obligations is prevented or made illegal or impracticable by an Event of Force Majeure that arises during the term (or after execution of the Agreement but prior to the beginning of the term). A party asserting an Event of Force Majeure hereunder (“Affected Party”) will give reasonable notice to the other party of an Event of Force Majeure upon it being foreseen by, or becoming known to, Affected Party. In the event of an Event of Force Majeure, Affected Party will endeavor to continue to perform its obligations under the Agreement only so far as reasonably practicable.

14.2 No Lease. This Agreement is a services agreement and is not intended to and will not constitute a lease of any real or personal property. In particular, Customer acknowledges and agrees that Customer has not been granted any real property interest in the Co-location Space or other Co-location Provider premises, and Customer has no rights as a tenant or otherwise under any real property or Co-location Provider/tenant laws, regulation or ordinances.

14.3 Government Regulations. Customer will not export, re-export, transfer, or make available, whether directly or indirectly, any regulated item or information to anyone outside the U.S. in connection with this Agreement without first complying with all export control laws and regulations which may be imposed by the U.S. Government and any country or organization of nations within whose jurisdiction Customer operates or does business.

14.4 Assignment. Either party may assign its rights or delegate its duties under this Agreement either in whole or in part with the prior written consent of the other party, which should not be unreasonably withheld. Any attempted assignment or delegation without such consent will be void. This Agreement will bind and inure to the benefit of each party’s successors and permitted assigns.

14.5 Notices. Any notices sent or required to be given hereunder must be in writing and sent by certified mail, return receipt requested, or nationally recognized overnight courier to the following addresses:

**Co-location Provider:**

Lubbock Reese Redevelopment Authority  
9801 Reese Boulevard  
Suite 200  
Lubbock, Texas 79416  
Attn: Executive Director  
Telephone: (806) 885-6592  
E-mail: [mmusa@reesecenter.com](mailto:mmusa@reesecenter.com)

**Customer:**

Texas Tech University System- Technology Operations and Systems  
Management

Attn: Dustin Jordan - Managing Director

Box 43051

Lubbock, TX 79409

Telephone: (806) 834-5605

E-mail: [dustin.jordan@ttu.edu](mailto:dustin.jordan@ttu.edu)

With a copy to:

Texas Tech University Procurement Services

Attn: Contract Management

Box 41094

Lubbock, TX 79409

contracting@ttu.edu

Notices will be deemed given on the date received (or refused) when addressed to the parties at the addresses set forth above or in either case to such other addresses as Co-location Provider or Customer may designate to the other by notice. Notice may also be given by regular mail, personal delivery, courier delivery, or other commercially reasonable means and will be effective when actually received. Any address for notice may be changed by written notice delivered as provided herein. Without limiting the foregoing, any notice required or permitted to be given under this Agreement may be sent by e-mail at the appropriate e-mail address set forth in this Section 14.5, as the same may be amended, or to such other e-mail address as Co-location Provider or Customer may from time to time designate in a notice to the other; provided that such e-mailed notice expressly states that it represents a notice under Section 14.5 of this Agreement. Any e-mailed notice shall be deemed given on the date of delivery, provided that (i) such delivery is reasonably confirmed as received by the recipient (i.e., no error report is received by the sender); and (ii) if delivery occurs after 5:00 p.m. in the time zone of the recipient or on a non-business day, then such notice shall be deemed received on the first business day after the day of delivery.

14.6 Relationship of Parties. Co-location Provider and Customer are independent contractors and this Agreement will not establish any relationship of partnership, joint venture, employment, franchise or agency between Co-location Provider and Customer. Neither Co-location Provider nor Customer will have the power to bind the other or incur obligations on the other's behalf without the other's prior written consent, except as otherwise expressly provided herein.

14.7 Governing Law. This Agreement shall be governed in accordance with the laws of the State of Texas, and all obligations of the parties are performable in Lubbock County, Texas.

14.8 Authority. Customer is duly organized and validly existing and has full power and authority to enter into this Agreement and to perform the obligations of Customer under this Agreement. Co-location Provider is duly organized and validly existing and has full

power and authority to enter into this Agreement and to perform the obligations of Co-Location under this Agreement.

14.9 Counterparts. This Agreement may be executed in two or more counterparts, each of which will be deemed an original, but all of which together shall constitute one and the same instrument.

14.10 Entire Agreement. This Agreement, together with the Order Form and Co-location Provider policies referred to in this Agreement represents the complete agreement and understanding of the parties with respect to the subject matter herein, and supersedes any other agreement or understanding, written or oral. This Agreement may be modified only through a written instrument signed by both parties. Both parties represent and warrant that they have full corporate power and authority to execute and deliver this Agreement and to perform their obligations under this Agreement and the person whose signature appears above is duly authorized to enter into this Agreement on behalf of the respective party. Should any terms of this Agreement be declared void or unenforceable by court of competent jurisdiction, such terms will be amended to achieve as nearly as possible the same economic effect as the original terms and the remainder of the Agreement will remain in full force and effect. If a conflict arises between Customer's purchase order terms and this Agreement, this Agreement shall take precedence. In the case of international, federal, state or local provisions to the contrary on the face of this purchase order, attachments to this purchase order, or on the reverse side of this purchase order, this purchase order is being used for administrative purposes only, and this purchase order is placed under the subject solely to the terms and conditions of this Agreement executed between Customer and Co-location Provider.

14.11 Security Conditions. Co-location Provider and Customer acknowledge and agree that the Co-location Space is located on property formerly owned and operated by the United States Air Force as the Reese Air Force Base (the "Property"), and that certain portions of the Property have been previously utilized by local, state and federal governmental entities (hereinafter, "the Government") in times of state or national emergencies to provide temporary evacuation shelters and other such uses. Co-location Provider represents that the Government may continue to utilize the Property during the Term of this Agreement in times of state or national emergency (with or without Co-location Provider's express consent), and that such use could adversely affect Customer's ability to access the Co-location Space due to additional security measures; provided, however, that such adverse impact shall only delay and shall not unreasonably deny access by Customer to the Property.

Customer acknowledges and agrees that, in the event that the Government utilizes any portion of the Property in a time of state or national emergency, Customer, its employees, officers, agents, and contractors will comply with all reasonable security regulations imposed by the Co-location Provider or applicable governmental agency, including the requirement to obtain and display security identification cards and to comply with reasonable security procedures.



14.12 Dispute Resolution. The contested case process provided in Texas Government Code Chapter 2260, Subchapter C, shall be the Co-location Provider's sole and exclusive process for seeking a remedy for any alleged breach of contract by Customer if the parties are unable to resolve their disputes in the ordinary course of business or under Chapter 2260, Subchapter B, unless, after considering the recommendation of the Administrative Law Judge, the Legislature grants the consent to sue under Chapter 107 of the Civil Practices and Remedies Code.

THE CUSTOMER AND CO-LOCATION PROVIDER DO NOT WAIVE SOVEREIGN IMMUNITY BY ITS EXECUTION OF OR BY ANY CONDUCT OF ITS REPRESENTATIVES UNDER THIS AGREEMENT, AND THE DISPUTE RESOLUTION PROCESS DOES NOT AFFECT THE UNIVERSITY'S OR LRRA'S RIGHT TO ASSERT ALL CLAIMS AND DEFENSES IN A LAWSUIT.

14.13 Trafficking of Persons. Under §2155.0061, Texas Government Code, the Co-location Provider certifies that the individual or business entity named in the Agreement is not ineligible to receive the specified Agreement and acknowledges that the Agreement may be terminated and payment withheld if this certification is inaccurate.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date set forth above.

/ *Signature Page Follows* /

**Lubbock Reese Redevelopment Authority  
("Co-location Provider")**

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By: Murvat Musa  
Its: Chief Executive Officer

**Texas Tech University System- Technology Operations and Systems Management  
("Customer")**

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By: James Mauldin  
Its: Chief Financial Officer

**Exhibit A (Service Fees)**

**1. Monthly Fixed Service Fee During Lease Term:**

<u>Dark Fiber Charge</u>	<u>Fiber Strands</u>	<u>Fee Per Equipment Type</u>	<u>Total Monthly Fixed Service Fee</u>
Dark Fiber Optic Cable Strands	4	\$ 250.00	\$ 1,000.00
<u>Co-Location Space Charge</u>	<u>Square Feet</u>	<u>Annual Charge</u>	<u>Total Monthly Charge</u>
Suite #105 (\$100.00 per square foot)	306	\$30,600.00	\$ 2,550.00
		<b>Total Monthly Service Fee</b>	<b>\$ 3,550.00</b>

**2. Monthly Electricity Charge**

Power Usage (Dedicated, Metered, and Monitored) – the “Monthly Power Usage Rate” will be determined at the Commencement of this lease and on the first anniversary of the Commencement of the Lease, and on each anniversary thereafter, Co-Location Provider shall calculate a new Monthly Power Usage Rate based on the average cost of electricity per KWH for the past twelve (12) months plus 5%, which shall be the new Monthly Power Usage Rate for the next twelve (12) month period.

## **Exhibit B (Co-location Provider's Security and Access Policies)**

### **Co-location Provider's Security and Access Policy**

1. Purpose. Physical security of Co-location Provider's facility is the foundation for all other security measures. The procedures set forth below regarding Customer and Third-Party access and the procedures to access Customer equipment are basic infrastructure security measures. This policy is applicable to Customer, Co-location Provider, Network Manager and Maintenance Service Provider, and any Third-Party performing work in the Co-location facility.
2. Access Controls.
  - a. Access Control System to Building #36. The Customer and Network Manager and Maintenance Service Provider shall provide to Co-location Provider a list of all individuals to be granted access to Building #36. This list shall contain the minimum number of individuals necessary to conduct Customer or Network Manager and Maintenance Service Provider business. The Customer and Network Manager and Maintenance Service Provider Access Control Verification Point of Contact shall identify the individual's name, job title, work address, email address, and telephone numbers where the individual may be reached both during and after regular business hours. Upon receipt of this information, the Co-location Provider, or its designated representative, shall schedule a time to grant an identified individual card access and issue a picture identification card. Co-location Provider retains the sole right to issue an identified individual card access to the Co-location Facility.
  - b. Access to individual co-location suites. Push-button combination lock devices shall be installed on co-location suites. Access shall only be granted to the suite Customer, and, if so designated by the Customer, the Network Manager and Maintenance Service Provider. Said push-button lock device combinations shall be maintained by the Customer and the Co-location Provider.
  - c. Access in the absence of an Access Control System. In the absence of an operational Access Control System, Co-location Provider shall verify the individual requiring access is listed on the Customer or Network Manager and Maintenance Service Provider provided access lists; record the date and time access is requested; and provide access to the Co-location facility to individuals requesting access that have been cleared for access to the facility by Co-location Provider, Customer, or Network Manager and Maintenance Service Provider.
  - d. Access to Raised Floor Area of the Network Operations Center area of Building # 36. Due to the sensitive nature of the equipment installed in the raised floor area, access is strictly limited to the Network Manager and Maintenance Service Provider

and those Customers requiring access, as set forth herein, to perform maintenance, testing, or installation of equipment in the raised floor area.

e. Customer and Network Manager and Maintenance Service Provider Responsibilities.

- (1) Provide the information identified in a. above.
- (2) Identify one individual as primary and one individual as alternate access control verification points of contact. The Customer and Network Manager and Maintenance Service Provider shall provide a written statement so designating the primary and alternate access control point of contact.
- (3) Notify Co-location Provider immediately or as soon as practical upon the removal of an individual from the Customer or Network Manager and Maintenance Service Provider's access list. Failure to provide this information in a timely manner shall result in the Customer or Network Manager and Maintenance Service Provider being held liable for any unauthorized access to the Co-location Facility or damage to Customer equipment.
- (4) Notify Co-location Provider and Network Manager and Maintenance Service Provider of any Third-Party requiring access to Customer equipment. Customer shall provide notification of said requested access to Co-location Provider and Network Manager and Maintenance Service Provider, as soon as possible, and shall provide Third Party's name, job title, business address, and telephone number.
- (5) Notify Co-location Provider immediately of any suspected unauthorized access, equipment tampering, or equipment damage.
- (6) Abide by this policy, and as it may be amended from time to time.

3. Customer Access.

- a. Full Cabinet/Custom Cage Area: Customer leases entire cabinet/custom cage and has full access per the procedures set forth in 2 above. Upon access to Building #36, Customer has direct access to equipment via cabinet key and can access their cabinet without supervision.
- b. Partial Cabinet Access: Customer leases a section of a full cabinet and needs assistance getting access to equipment. In this circumstance, Customer must request access and be accompanied by a Network Manager and Maintenance Service Provider employee. Partial Cabinet Access Customers are not allowed

direct access to the cabinet. Network Manager and Maintenance Service Provider employee will retrieve server for customer and provide them with a workspace to work on the Customer's server. Network Manager and Maintenance Service Provider may assess Partial Cabinet Access fees.

4. Server Identification. Customer servers will be identified on a Co-location facility inventory list. The list shall show the specific cabinet number, U number(s), and equipment specifications. The inventory list will be available via the Network Manager and Maintenance Service Provider Help Desk Administration Portal. Additionally, a copy of the Co-location facility inventory list will be maintained in the main office of the Co-location Provider.
5. Cabinet Keys. Server Cabinet keys will be labeled and stored in the Co-location Provider key box located in the Building #36 control room. Co-location Provider employees will have a combination code for the key box and identify the correct cabinet key needed from the inventory list and verify that the individual requesting said key(s) is listed on the Co-location Facility Access Roster. The Network Manager and Maintenance Service Provider shall also retain a copy of the keys and may provide access, as set forth more fully in 6 below.
6. Access Notification. Partial Cabinet Access Customers will notify the Network Manager and Maintenance Service Provider help desk line if access is required to a Cabinet. The Network Manager and Maintenance Service Provider Support staff will then notify the appropriate employee to coordinate with the Customer. The same process shall be followed outside normal business hours. The Network Manager and Maintenance Service Provider auto attendant will notify a technician that access has been requested.
7. Cabinet Management.
  - a. Server Cabinet Access. Server Cabinet keys are maintained by the Network Manager and Maintenance Service Provider in a lockbox located in the Building #36 control room. Only individuals that have been designated in writing to the Co-location Provider by the Network Manager and Maintenance Service Provider employees shall have a combination code to the lockbox.
  - b. Server Cabinet Identification. Customer equipment shall be listed in the inventory list with the appropriate cabinet ID and U location. The inventory list will be available from the Network Manager and Maintenance Service Provider administration helpdesk system.
8. Access Monitoring.

- a. Access Control System Reports. Monthly reports from the Access Control System will be pulled to log all access to the Co-location Provider facility.
- b. 24 hour/7 day a Week Video Surveillance. The Co-location Facility has a system of video surveillance equipment to monitor access and activity to the facility. At no time shall any person tamper with, adjust, alter, or reposition any of the video surveillance equipment without the expressed written permission of the Co-location Provider. Requests to adjust, alter, or reposition video surveillance equipment shall be provided to the Co-location Provider in writing at least 48 hours in advanced of any request to adjust, alter, or reposition said equipment. The decision to grant any request to adjust, alter, or reposition said equipment shall be at the sole discretion of the Co-Location Provider. Video surveillance video footage will be archived and retained by Co-Location Provider for a period of one month.

## **Exhibit C (Reese Data Center – Disclosure Statement)**

Your trust is our most important asset. All customer data stored by the Reese Data Center (“RDC”) is protected by rigorous infrastructure and administrative procedures. To achieve the high levels of physical and data protection that today’s businesses require, RDC maintains a robust and comprehensive multi-level security environment as described herein.

### **Physical Security**

Your information is hosted on dedicated servers in accordance with industry best practices in a secure data center in Lubbock, Texas. The data center provides 24-hour physical security which includes several levels of keycard access controls and continuous surveillance.

### **Operational Management**

We have implemented policies and procedures designed to ensure that your data is secure and backed up. Our team is continually evaluating new security threats and implementing updated countermeasures designed to prevent unauthorized access. Access to all systems and data is limited to authorized members of the Technical Operations team.

### **Assurance**

All administrative access to data, information, file attachments, text, images, personally identifiable information, and other content is reviewed by staff monthly.

### **Disclosure**

RDC maintains a policy of full event disclosure for security incidents that affect customer data. In the event of any security incident affecting your data, a notification will be sent to your Authorized Administrator.

### **Engagement**

If you find a security issue or if you are concerned or suspect that your data has been compromised, please contact us at 806-885-6592.

### **Changes**

We may update this Security Statement as we add new security capabilities and make security improvements to our services. If we make any material changes, we will notify you prior to the change becoming effective.



**BOARD ACTION ITEM No. 2024-0828-028**  
**TTU TOSM DATA CENTER AND DARK FIBER LEASE**

**BOARD OF DIRECTORS**  
**LUBBOCK REESE REDEVELOPMENT AUTHORITY (LRRRA)**  
**August 28, 2024**

**Item to Be Considered:**

Approve Data Center Co-Location Lease for Texas Tech University, Technology Operations and Systems Management (TOSM)

**Previous Board Action:**

- a. The Board has approved leases for TTU TOSM since 2006

**Statement of Pertinent Facts:**

- a. Building 36, Suite 105 – 306 SF to be used exclusively by TTU TOSM
- b. Lease Term: Two (2) years with one (1) extension of 2-years and no annual rate increases
- c. Rate: \$100/SF (\$2,550 / month)
- d. Power: to be metered and billed separately
- e. Fiber: Will be leasing 4 strands at \$250/each with the option of adding or deleting stands as needed at any time

**Advice, Opinions, Recommendations, and Motion:**

If the Board of Directors concurs, the following motion is in order:

“Resolved, that the Board of Directors of the Lubbock Reese Redevelopment Authority hereby approves the TTU TOSM Lease for Suite #105 in the Reese Data Center, Building 36, and authorizes its CEO/Executive Director to execute the lease subject to negotiations of final terms and conditions, as submitted, on this, the 28<sup>th</sup> day of August 2024.”

Approved by:

\_\_\_\_\_  
Tim Pierce – Board President

ATTEST:

\_\_\_\_\_  
LRRRA Board Member

**AGENDA ITEM 8**  
**EXECUTIVE SUMMARY**  
**TEXAS TECH UNIVERSITY INTERAGENCY COOPERATION CONTRACT**  
**CAMPUS AREA MAINTENANCE (CAM) AGREEMENT**

As you are aware, we collect CAM fees from the three public entities that received property at Reese through the Public Benefit Transfer (PBT) process; Texas Tech University (TTU), South Plains College (SPC), and the City of Lubbock. Our agreement with TTU expires September 30, 2024, necessitating a new agreement.

The attached Interlocal Cooperation Contract is for two years with an option to renew for two additional years. For this upcoming fiscal year, the rate is \$2.04 per square foot which is a 2% increase over the current rate. The rate will increase 2% in the initial term and 2% or the CPI-U, whichever is less, in the optional renewal term. The rate is applied to the square footage of each building and each PBT recipient is charged the same rate. The first year's fees to TTU are \$333,556.32.

Staff are requesting Board approval for the Interagency Cooperation Contract with TTU.

## INTERAGENCY COOPERATION CONTRACT

This Interagency Cooperation Contract (the "Agreement") is signed on the dates indicated below to be effective as of the 1st day of October 2024, by and between LUBBOCK REESE REDEVELOPMENT AUTHORITY, a political subdivision of the State of Texas (hereinafter referred to as "LRRRA") and TEXAS TECH UNIVERSITY, a Texas Public Institution of Higher Education, (hereinafter referred to as "TTU"). Collectively, LRRRA and TTU are the "Parties." The Parties hereto enter into this Agreement pursuant to the provisions of the "The Interagency Cooperation Act," as set forth in Chapter 771 of the Texas Government Code.

### W I T N E S S E T H:

#### 1. BASIC AGREEMENT PROVISIONS

(a) LRRRA: Lubbock Reese Redevelopment Authority, a political subdivision of the State of Texas, whose Federal Taxpayer Identification Number is 75-2713717.

(b) LRRRA Address: 9801 Reese Blvd., Suite 200, Lubbock, TX 79416.

(c) TTU: Texas Tech University, whose Federal Taxpayer Identification Number is 75-6002622.

(d) TTU Address: Texas Tech University Office of Procurement Services, Attn: Contracting, P.O. Box 41094, Lubbock, TX 79409-1094. Email [contracting@ttu.edu](mailto:contracting@ttu.edu).

(e) Project: means the land, together with the Premises (as defined below) and all other improvements constructed thereon, and all rights, privileges, easements, and appurtenances pertaining thereto, known as the Reese Technology Center Research Park and located in Lubbock County, Texas.

(f) Common Campus Areas (hereinafter "Common Areas"): means all facilities and areas of the Project that are intended and designated by LRRRA from time to time for the common, general, and nonexclusive use of all tenants and customers of the Project, including roads, sidewalks, parking lots, and other areas maintained by LRRRA for the benefit of TTU and LRRRA's tenants and customers. LRRRA has the exclusive control over and right to manage the Common Areas. In an effort to fully engage and maintain communications with TTU, LRRRA will host an annual business meeting between the Parties. This meeting is intended to allow LRRRA the opportunity to share deferred LRRRA maintenance campus projects accomplished from the previous year (s) along with projects scheduled for the upcoming year or years. The meeting should include the following TTU representatives or their designees: the President, Senior Vice President and Chief Financial Officer ("CFO"), the Vice President for Research ("VPR"), the Provost and Senior Vice President ("Provost"), the Assistant Vice President for Operations ("AVPO"), the Assistant Vice President and Chief Procurement Officer ("AVP & CPO"), and others as deemed necessary.

(g) Initial Term: Two (2) Years.

(h) Optional Renewal Term: TTU shall have two (2) renewal options of one (1) year each (each a "Renewal Term"). The Agreement shall renew automatically unless TTU provides

written notice to LRRRA at least sixty (60) days prior to the expiration of the Initial Term or the then-effective Renewal Term, as the case may be. Absent receipt TTU providing of such notice, this Agreement will be renewed for the period specified in Section 1(h) without the necessity for the execution of any further instrument and upon the same terms and conditions as are contained in this Agreement, except the then existing Campus Area Maintenance Fee Charge (“CAM Fee Charge”) may be increased. LRRRA shall submit a proposed fee increase to TTU for review and approval, which shall not be unreasonably withheld. After the initial term, LRRRA may propose to increase the CAM Fee Charge by the current CPI-U not to exceed two percent (2%) per renewal. In the event that the CPI-U is negative at the time TTU exercises the Renewal Term option, the then existing CAM Fee Charge or Revised CAM Fee Charge shall remain in effect. The adjustment in the CAM Fee Charge will be determined by multiplying the then existing CAM Fee Charge specified in this Agreement by 1 plus the CPI-U percentage or by 1.02 in the event the CPI exceeds two percent (2%), which will result in a “Revised CAM Fee Charge.”

(i) Commencement Date: October 1, 2024.

(j) Termination Date without Renewal Terms: September 30, 2026.

(k) Monthly Campus Area Maintenance (CAM) Fee Charge: means the fee charged by LRRRA to TTU for the operation, upkeep, and maintenance of the Common Areas. The Parties agree that the Monthly CAM Fee Charge set forth herein (i) for Year 1 is \$2.04 per square foot, (ii) is calculated based on TTU’s ownership of 163,508 square feet of building footprint space within the Project, and (iii) includes all fees, grounds keeping/mowing expenses, parking, LRRRA’s insurance, street repair and maintenance, and any other charges incurred by LRRRA with respect to the Common Areas. Should TTU build a new structure or demolish an existing structure, the Monthly CAM Fee Charge shall be revised to reflect the new square footage total. The revised Monthly CAM Fee Charge shall take effect the month following the final completion of the new structure or the removal of all refuse resulting from the demolition of an existing structure. Upon completion, LRRRA shall provide TTU with a revised **Exhibit A** with an updated square footage and payment schedule. The schedule for the Original Term has been adjusted by removing storage units 251, 462, 553, and 560 from square footage amounts owed. The Monthly CAM Fee Charge does not include, and TTU is solely responsible for any and all charges associated with its own utilities, trash collection, telephone service, internet service, TTU structure renovations, or general surface cleaning, insurance, taxes (to the extent applicable), and other charges directly or indirectly attributable to TTU’s ownership of the structures within the Project boundaries. This Agreement is in addition to any other agreements between the Parties for provision of other services, and solely relates to LRRRA’s grant of a right to use the Common Areas, as defined in Section 1(f), to TTU and TTU’s agreement to pay for a share of the CAM costs associated with LRRRA’s maintenance of the Common Areas. The CAM Fee Charge will remain unchanged through the initial term.

<u>Term</u>	<u>Total Annual CAM Fee Charge</u>	<u>Total Monthly CAM Fee Charge</u>	<u>CAM Fee Charge Per Square Foot of TTU Owned Property</u>
Initial Term – Year 1 (October 1, 2024 – September 30, 2025)	\$333,556.32	\$27,796.36	\$2.04
Initial Term – Year 2 (October 1, 2025 – September 30, 2026)	\$340,096.64	\$28,341.39	\$2.08

Attached as “**Exhibit A**” is a CAM Fee Charge detail schedule for the Term of this Agreement.

(l) LRRA's Address for Payment of Rent: Payment of Rent shall be made to LRRA by electronic funds transfer (“EFT”) to LRRA's bank account at:

Plains Capital Bank  
5010 University  
Lubbock, TX 79413  
Deposits need to indicate: LUBBOCK REESE REDEVELOPMENT AUTHORITY

Any changes to EFT payment information must be confirmed with contact listed under Notices.

## 2. CAM FEE CHARGES INVOICES

(a) CAM Fee Charges. TTU agrees to pay to LRRA the Monthly CAM Fee Charge set forth in Section 1(k), in advance, by the 1st day of each calendar month during the Term, without deduction or setoff, commencing on the Commencement Date (as defined in Section 1(i)).

(b) Monthly CAM Fee Charges Invoices. All invoices from LRRA to TTU for any Monthly CAM Fee Charges due under this Agreement will be sent to the address set forth in Section 1(d) or to such other address as TTU may designate by notice to LRRA.

## 3. ADDITIONAL AGREEMENTS

a. Abatement. TTU’s covenant to pay Monthly CAM Fee Charge and LRRA’s covenants are independent. Except as otherwise provided, TTU will not be entitled to abate the Monthly CAM Fee Charge for any reason.

b. Default by LRRA/Events. Defaults by LRRA are failing to comply with any provision of this Agreement within thirty (30) days after written notice.

c. Default by LRRA/TTU’s Remedies. TTU’s remedies for LRRA’s default are to sue for damages.

d. Default by TTU/Events. Defaults by TTU are failing to pay timely the Monthly CAM Fee Charge.

e. Default by TTU/LRRA's Remedies. In the event of TTU's default, LRRA shall be entitled to seek remedies in accordance with applicable Texas law.

f. Remedies Cumulative. The rights and remedies given to LRRA and TTU in this Agreement are distinct, separate, and cumulative remedies, and the exercise of any one or more of them will not be deemed to exclude LRRA's or TTU's rights to exercise any or all of the others which are given in this Agreement, or at law or in equity, unless such remedies are expressly excluded.

g. Default/Waiver/Mitigation. It is not a waiver of default if the non-defaulting party fails to declare immediately a default or delays in taking any action. Pursuit of any remedies set forth in this Agreement does not preclude pursuit of other remedies in this Agreement or provided by applicable law. LRRA and TTU have a duty to mitigate damages.

h. Notices. Any notices sent or required to be given hereunder must in writing and sent by certified mail, return receipt requested, or nationally recognized overnight courier to the following addresses:

**LRRA:**

Lubbock Reese Redevelopment Authority  
9801 Reese Boulevard, Suite 200  
Lubbock, Texas 79416  
Attn: Executive Director  
Telephone: (806) 885-6592  
Email: [mmusa@reesecenter.com](mailto:mmusa@reesecenter.com)

**TTU:**

Texas Tech University  
Office of Procurement Services  
Attn. Contracting  
P.O. Box 41094  
Lubbock, TX 79409-1094  
Telephone: (806) 742-2169  
Email: [contracting@ttu.edu](mailto:contracting@ttu.edu)

Notices will be deemed given on the date received (or refused) when addressed to the Parties at the addresses set forth above or in either case to such other addresses as LRRA or TTU may designate to the other by notice. Notice may also be given by regular mail, personal delivery, courier delivery, or other commercially reasonable means and will be effective when actually received. Any address for notice may be changed by written notice delivered as provided herein.

i. Governing Law. This Agreement shall be governed in accordance with the laws of the State of Texas, and all obligations of the Parties are performable in Lubbock County, Texas.

j. Entire Agreement. This Agreement, together with the attached exhibits and riders, is the entire agreement of the Parties, and there are no oral representations, warranties, agreements, or promises pertaining to this Agreement or to any expressly mentioned exhibits and riders not incorporated in writing in this Agreement.

k. Assignment by LRRA. LRRA is expressly given the right to assign any or all of its interest under the terms of this Agreement, provided the assignee expressly assumes all obligations of LRRA hereunder and is in good standing to conduct business in Texas in accordance with the rules and regulations set by the Texas Comptroller.

l. Amendment of Agreement. This Agreement may be amended only by an instrument in writing signed by LRRA and TTU.

m. Limitation of Warranties. To the extent permitted by Texas law, THERE ARE NO IMPLIED WARRANTIES OF MERCHANTABILITY, OF FITNESS FOR A PARTICULAR PURPOSE, OR OF ANY OTHER KIND ARISING OUT OF THIS AGREEMENT, AND THERE ARE NO WARRANTIES THAT EXTEND BEYOND THOSE EXPRESSLY STATED IN THIS AGREEMENT.

n. Heirs, Successors, and Assigns. This Agreement and the covenants, agreements, and representations herein contained will be binding upon, and inure to the benefit of, the Parties hereto and their respective heirs, executors, administrators, successors, and assigns.

o. Rules of Construction. This Agreement will be construed with equal weight for the rights of both Parties, the terms hereof having been determined by fair negotiation with due consideration for the rights and requirements of both Parties.

p. Severability. If any term or provision of this Agreement is found to be invalid, illegal, or unenforceable, the remaining terms and provisions hereof will not be affected thereby; and each term and provision hereof will be valid and enforceable to the fullest extent permitted by Texas Laws.

q. Trafficking of Persons. Under §2155.0061, Texas Government Code, LRRA certifies that the individual or business entity named in the Agreement is not ineligible to receive the specified Agreement and acknowledges that the Agreement may be terminated and payment withheld if this certification is inaccurate.

r. Force Majeure. “Event of Force Majeure” means an event beyond the control of LRRA or TTU which prevents or makes a party’s compliance with any of its obligations under the Agreement illegal or impracticable, including but not limited to: act of God (including, without limitation, fire, explosion, earthquake, tornado, drought, and flood); war, act or threats of terrorism, hostilities (whether or not war be declared), invasion, act of enemies, mobilization, requisition, or embargo; rebellion, insurrection, military or usurped power, or civil war; contamination or destruction from any nuclear, chemical, or biological event; riot, commotion, strikes, go slows,

lock outs, or disorder; epidemic, pandemic, viral outbreak, or health crisis; or directive of governmental authority. No party will be considered in breach of the Agreement to the extent that performance of their respective obligations is prevented or made illegal or impracticable by an Event of Force Majeure that arises during the term (or after execution of the Agreement but prior to the beginning of the term). A party asserting an Event of Force Majeure hereunder (“Affected Party”) will give reasonable notice to the other party of an Event of Force Majeure upon it being foreseen by, or becoming known to, Affected Party. In the event of an Event of Force Majeure, Affected Party will endeavor to continue to perform its obligations under the Agreement only so far as reasonably practicable.

s. Loss of Funding. Performance by TTU under the Agreement may be dependent upon the appropriation of funds by the Texas State Legislature and/or allocation of funds by the Board of Regents of the Texas Tech University System (“TTUS Regents”). If the Legislature fails to appropriate the necessary funds, or the TTUS Regents fail to allocate the necessary funds, then TTU will issue written notice to LRRRA and TTU may terminate this Agreement without further duty or obligation hereunder, other than payment for goods and services already delivered or provided to TTU. LRRRA acknowledges that appropriation, allotment, and allocation of funds are beyond the control of TTU. TTU acknowledges that LRRRA shall have no obligation to continue to provide services, except as may be required by law, contemplated herein in the event of a loss of funding until such time as said appropriation, allotment, and allocation of funds is resolved by the Texas State Legislature or TTUS Regents.

t. Headings. The captions, section numbers and paragraph numbers appearing in this Agreement are inserted only as a matter of convenience and in no way define, amplify, limit, construe, or describe the scope or interest of any section of this Agreement.

#### **4. CONTRACT CLAIMS RESOLUTION.**

To the extent required by law, LRRRA shall use the dispute resolution process set forth in Texas Government Code 2260 to attempt to resolve any claim for breach of contract arising under this Agreement that is not resolved in the ordinary course of business. To initiate the process, LRRRA shall provide a written notice of a claim and begin negotiating with TTU, as conditions precedent to the contested case process. Governed by rules adopted by the Texas Attorney General’s Office, the contested case process is LRRRA’s sole and exclusive method to seek a remedy for breach, unless, after considering the Administrative Law Judge’s report, the Legislature gives consent for LRRRA to sue under Chapter 107 of the Civil Practices and Remedies Code.

If it is determined that Texas Government Code Chapter 2260 does not apply, and there is a dispute between LRRRA and TTU regarding this Agreement and the performance hereunder, to the extent permitted by Texas law, the Parties will, within ten (10) days following mailing of written notice of a dispute, engage in face-to-face negotiations in an attempt to resolve the dispute and shall, upon failing to negotiate a resolution, choose a mutually agreeable third party neutral, who shall mediate the dispute between the Parties. The mediator shall be a person qualified under the Texas Alternative Dispute Resolution Procedures Act and shall be appointed by a state district judge or the American Arbitration Association if the Parties are unable to agree upon a qualified person. Mediation shall be non-binding and shall be confidential. The Parties shall refrain from court proceedings during the mediation process insofar as they can do so without prejudicing their



legal rights. The Parties shall participate in good faith in accordance with the recommendations of the mediator and shall follow the procedures for mediation as suggested by the mediator. All expenses of mediation except expenses of the individual Parties, shall be shared equally by the Parties. Each party shall be represented in the mediation by a person with authority to settle the dispute. If the Parties are unable to resolve the dispute in mediation, then the default remedy provisions of this Agreement apply. In no case shall the provisions of this Paragraph delay any other time periods set forth in this Agreement except by the written agreement of the Parties.

TTU DOES NOT WAIVE SOVEREIGN IMMUNITY BY ITS EXECUTION OF OR BY ANY CONDUCT OF ITS REPRESENTATIVES UNDER THIS AGREEMENT, AND THE DISPUTE RESOLUTION PROCESS DOES NOT AFFECT THE TTU’S RIGHT TO ASSERT ALL CLAIMS AND DEFENSES IN A LAWSUIT.

LRRA DOES NOT WAIVE SOVEREIGN IMMUNITY BY ITS EXECUTION OF OR BY ANY CONDUCT OF ITS REPRESENTATIVES UNDER THIS AGREEMENT, AND THE DISPUTE RESOLUTION PROCESS DOES NOT AFFECT LRRA’S RIGHT TO ASSERT ALL CLAIMS AND DEFENSES IN A LAWSUIT.

**IN WITNESS WHEREOF**, having read and intending to be bound by the terms hereof, the Parties have signed this Agreement on the date(s) set forth below.

LUBBOCK REESE  
REDEVELOPMENT AUTHORITY  
("LRRA")

TEXAS TECH UNIVERSITY  
("TTU")

\_\_\_\_\_  
By: Muvat Musa, Chief Executive Officer

\_\_\_\_\_  
By: Noel Sloan, Senior Vice President for  
Administration and Finance and Chief  
Financial Officer

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

**EXHIBIT A**

**CAM FEE CHARGE SCHEDULE**

Lubbock Reese Redevelopment Authority							
General Fund Budget							
Bldg #	Bldg Name	Square Feet	Initial Term First Year Rate	Initial Term 10/01/2024-09/30/2025	Initial Term First Year Rate	Initial Term 10/01/2025-09/30/2026	Initial Term
251	Wind Eng. Storage Facility	1,166	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
252	EH&S	1,325	\$2.04	\$2,703.00	\$2.08	\$2,756.00	\$2,756.00
250	Wind Engineering Research	53,449	\$2.04	\$109,035.96	\$2.08	\$111,173.92	\$111,173.92
350	Wind Engineering NWI	8,189	\$2.04	\$16,705.56	\$2.08	\$17,033.12	\$17,033.12
450	Mechanical Engineering	2,174	\$2.04	\$4,434.96	\$2.08	\$4,521.92	\$4,521.92
455	TIEHH	4,035	\$2.04	\$8,231.40	\$2.08	\$8,392.80	\$8,392.80
460	Mechanical Engineering	25,201	\$2.04	\$51,410.04	\$2.08	\$52,418.08	\$52,418.08
461	Mechanical Engineering	3,091	\$2.04	\$6,305.64	\$2.08	\$6,429.28	\$6,429.28
462	Mechanical Engineering	204	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
551	TIEHH	4,229	\$2.04	\$8,627.16	\$2.08	\$8,796.32	\$8,796.32
552	GIS Lab	10,240	\$2.04	\$20,889.60	\$2.08	\$21,299.20	\$21,299.20
553	TIEHH	1,455	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
555	TIEHH	45,575	\$2.04	\$92,973.00	\$2.08	\$94,796.00	\$94,796.00
557	Advanced Particle Lab	6,000	\$2.04	\$12,240.00	\$2.08	\$12,480.00	\$12,480.00
560	TIEHH	2,821	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	Total Square Feet	169,154					
	Total Square Feet Subject to CAM	<b>163,508</b>		<b>\$333,556.32</b>		<b>\$340,096.64</b>	

**BOARD ACTION ITEM No. 2024-0828-029**  
**TEXAS TECH UNIVERSITY CAM INTERAGENCY COOPERATION CONTRACT**

**BOARD OF DIRECTORS**  
**LUBBOCK REESE REDEVELOPMENT AUTHORITY**  
**August 28, 2024**

Item to be Considered:

Texas Tech University (TTU) Interagency Cooperation Contract for CAM Fees

Previous Board Action:

The Board previously approved an agreement which expires September 30, 2024.

Statement of Pertinent Facts:

- a) Reese charges Campus Area Maintenance (CAM) fees to the Public Benefit Transferees
- b) This agreement reflects a 2% increase from the current rate resulting in a new rate of \$2.04 per square foot
- c) The agreement is for two years with two options to renew for one year each

Advice, Opinions, Recommendations, and Motion:

If the Board of Directors concurs, the following motion is in order:

"Resolved, that the Board of Directors of the Lubbock Reese Redevelopment Authority hereby approves the Interagency Cooperation Contract with Texas Tech University for CAM fees and authorizes its CEO/Executive Director to execute the agreement subject to negotiation of final terms and conditions, as submitted on this 28th day of August 2024."

\_\_\_\_\_  
Tim Pierce - Board President

ATTEST:

\_\_\_\_\_  
LRRR Board Member

**AGENDA ITEM 9  
EXECUTIVE SUMMARY  
KBR WYLE SERVICES, LLC  
EVENT SERVICE AGREEMENT**

The Lease Review Committee has reviewed and supports the following new agreement.

KBR has been a valuable partner for Reese since 2012 and has performed exceptionally well under the current lease which supports a NAVAIR test facility contract. Prior to 2012 we provided test facilities directly to NAVAIR. The Board approved the KBR building lease at the April 24, 2024, Board meeting and this agreement is for Event Services. KBR's current Event Service Agreement expires October 9, 2024.

The Event Service Agreement is made up of two (2) components, the "Flat Rate Access Fee" and an "Extras Fee".

- This agreement is for one year with four options to renew for one year each.
- The Flat Rate Access Fee is \$401,512.61 which is \$56,404.33 or 16% more than they currently pay. This increase will support other services that KBR is requesting which are detailed below. Each renewal year will increase 4%.

The flat rate for field access will include:

- 24-hour access to the field
- Exclusive access to the job trailer – which LRRRA previously purchased for their exclusive use
- Exclusive access to two vehicles – to be purchased and maintained by Reese (along with up to 90 gallons of fuel per month)
- Monthly cleaning services for two buildings, 870 and 970
- The ability to close the field outside of normal working hours and allow KBR to temporarily leave equipment on the airfield at a location RTC can accommodate
- Priority access with reasonable notice
- sUAS (small Unmanned Aircraft Systems) Authorization
- Non-Interference

Extras Fee Details:

Extras will be billed at cost plus 130% (certain items have a "not to exceed" amount) as needed for a la carte items such as rental vehicles, field grids, equipment, etc. as detailed in Exhibit B of the attached Deal Sheet.

Staff are requesting Board approval for the KBR Event Service Agreements.



**Deal Sheet**  
**KBR**  
Event Service Agreement  
“Subject to Board Approval”

**TENANT:**

KBR Wyle LLC  
345 Bob Heath Dr.  
Huntsville, AL 35806  
Phone 256-922-4200; Fax 256-922-4207  
www.KBR.com  
Duns Number: 04-102-4415

This is a renewal for an existing customer.

**BROKER:**

None

**BACKGROUND:**

KBR has been a customer at Reese since 2012 operating under a Navy contract and has performed well under the current lease. They currently lease buildings 96, 102, 110, 770, 870, 970 and 3122 for which the most recent Board approval was at the April 2024 Board meeting. The current Event Service Agreement (expiring October 8, 2024) dictates services and pricing for “events” and is funded solely by a Department of Defense, NAVAIR contract.

**PERMITTED USES:**

Tenant may use the premises as a general test support facility.

**PREMISES:**

This agreement is for providing services to Tenant for Events that will take place at designated locations on the airfield as depicted in Exhibit A.

**TYPE OF LEASE:**

Event Service Agreement

**PRIMARY TERM:**

One year, with four, one year renewal options for a total of five years to match the Navy contract which is expected to be October 9, 2024 – October 8, 2025.

**RENEWAL OPTION:**

Four (4) one (1) year options to renew to match KBR’s contract with their customer, NAVAIR. Rent will increase 4% annually.

**TERMINATION OPTION:**

KBR has the right to terminate this Agreement in the event that they lose that certain new United States Government contract with NAVAIR.

9801 REESE BLVD, SUITE 200 • LUBBOCK, TEXAS 79416 • 806.885.6592 • FAX 806.885.6003

[www.ReeseCenter.com](http://www.ReeseCenter.com)

**RENT**

KBR currently pays \$345,108.28 annually plus extra for specific items added on as needed. This new agreement will start at \$358,912 (which is a 4% increase from the current rate) plus \$35,400 to cover two vehicles which Reese will be purchasing for their exclusive use in lieu of renting cars (to include a maximum of 90 gallons of fuel per month), plus \$7,200 to cover the cost of adding two of their buildings, 870 and 970, onto our cleaning service for a total of \$401,512.61 for year one.

<b>Lease Years</b>	<b>Total Annual Base Rent</b>	<b>Monthly Payments</b>
Initial Term Year 1 October 9, 2024 – October 8, 2025	\$401,512.61	\$33,459.38
Option Year 1 October 9, 2025 – October 8, 2026	\$417,573.12	\$34,797.76
Option Year 2 October 9, 2026 – October 8, 2027	\$434,276.04	\$36,189.67
Option Year 3 October 9, 2027 – October 8, 2028	\$451,647.08	\$37,637.26
Option Year 4 October 9, 2028 – October 8, 2029	\$469,712.97	\$39,142.75
<b>Total</b>	<b>\$2,174,721.81</b>	

**SECURITY DEPOSIT:**

None required.

**SERVICE AGREEMENT – FLAT RATE, ACCESS FEE DETAILS:**

The flat rate for field access will include (this is same or similar language that is currently in their lease):

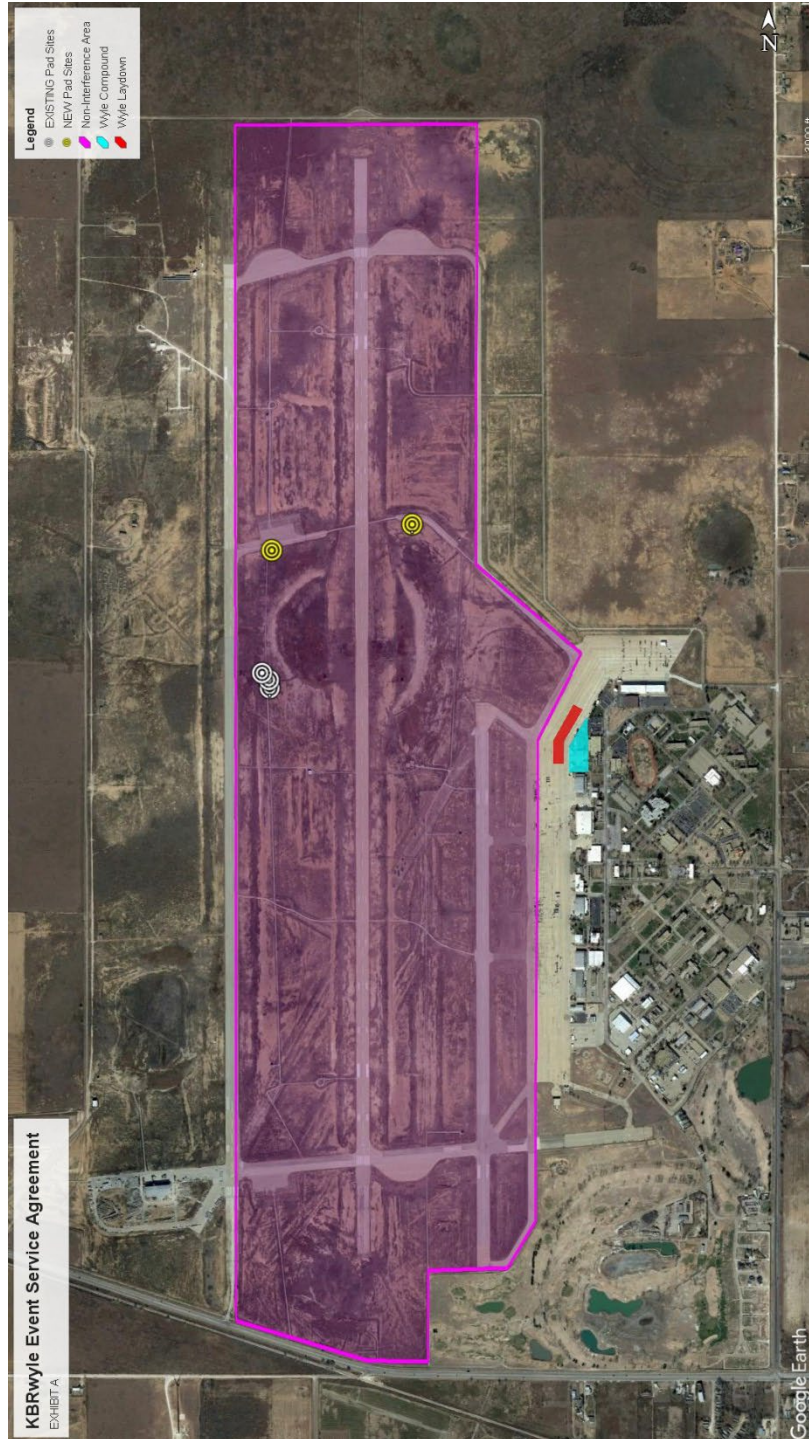
- 24-hour access to the field
- Exclusive access to the job trailer
- Exclusive access to two vehicles – to be purchased by Reese - one midsized SUV and one midsize pickup, make and model to be agreed upon by Reese and KBR
- The ability to close the field outside of normal working hours and allow KBR to temporarily leave equipment on the airfield at a location RTC can accommodate
- Priority access with reasonable notice
- sUAS (small Unmanned Aircraft Systems) Authorization
- Non-Interference
  - Any structure built by Reese or its customers in the area between the west runway and the east taxiway/tarmac shown in Exhibit A will need to be agreed upon by Reese and KBR to ensure it will not be an obstruction or interfere with test activities.



**SERVICE AGREEMENT – EXTRAS FEE DETAILS:**

Extras will be billed as needed for a la carte items such as rental vehicles, field grids, equipment, etc. based on the fee schedule that is in the current agreement.

## Exhibit A





**Exhibit B**

**EXTRA EVENT FEE SCHEDULE**

COST PLUS 100% OVERHEAD PLUS 30% FEE, DAILY RATE PER UNIT, NOT TO EXCEED (NTE):

STANDARD RENTAL CARS AND FUEL (SEDAN, TRUCK, SMALL SUV)	\$350
DIRT BIKE OR MOTORCYCLE AND FUEL	\$350
GENERATOR AND FUEL	\$350
LOWBOY TRAILER	\$350
NON-STANDARD RENTALS AND FUEL (LARGE SUV, MIMI VAN)	\$500
BOX TRUCK AND FUEL	\$500
PORTABLE RESTROOMS	\$500
MOWING	\$500
BOOM/CHERRY PICKER	\$500
FORKLIFT	\$500
18-WHEELER AND DRIVER	\$2,000
BULLDOZER	\$2,000
ADDITIONAL BUILDING/HANGER RENTAL INCLUDING UTILITIES	\$2,000

STRANDED VEHICLE RECOVERY/TOWING NTE \$500 PER INCIDENT.

ANY ITEMS NOT LISTED ABOVE REQUIRE A QUOTE AND PRIOR APPROVAL

SUCH ITEMS INCLUDE, BUT ARE NOT LIMITED TO THE FOLLOWING:

- CRANE AND DRIVER
- TEST SITE PREPARATION
- RUNWAY OR BUILDING MAINTENANCE
- AIRPLANE OR HELICOPTER WITH PILOT
- OTHER ITEMS OR SERVICES NOT LISTED ABOVE
- ESTIMATED COSTS EXCEED THE PRICES ABOVE

**EVENT SERVICE AGREEMENT**

**BETWEEN**

**LUBBOCK REESE REDEVELOPMENT AUTHORITY, a Political  
Subdivision of the State of Texas**

**AND**

**KBR WYLE SERVICES, LLC,  
a Delaware limited liability company  
D/B/A KBR**

## EVENT SERVICE AGREEMENT

This Event Service Agreement (the "Agreement") is made this \_\_\_\_ day of October \_\_\_\_, 2024, by and between LUBBOCK REESE REDEVELOPMENT AUTHORITY, a political subdivision of the State of Texas (hereinafter referred to as "Provider") and KBR Wyle Services, LLC d/b/a KBR, a Delaware limited liability company (hereinafter referred to as "Recipient"). Provider and Recipient are also referred to herein individually as a "Party" and collectively as the "Parties".

### W I T N E S S E T H:

#### 1. BASIC AGREEMENT PROVISIONS

(a) Provider: Lubbock Reese Redevelopment Authority, a political subdivision of the State of Texas, whose Federal Taxpayer Identification Number is 75-2713717.

(b) Provider Address: 9801 Reese Blvd., Suite 200, Lubbock, TX 79416.

(c) Recipient: KBR Wyle Services, LLC d/b/a KBR, whose Federal Taxpayer Identification Number is \_\_\_\_\_.

(d) Recipient Address: ATTN: \_\_\_\_\_, 345 Bob Heath Dr., Huntsville, AL 35806.

(e) Guarantor: [NOT APPLICABLE]

(f) Guarantor's Addresses: [NOT APPLICABLE]

(g) Project: means the land, together with the Premises (as defined below) and all other improvements constructed thereon, and all rights, privileges, easements, and appurtenances pertaining thereto, known as Reese Technology Center and located in Lubbock County, Texas, to include all areas not listed in the "Premises," to include open field areas, runways, taxiways, maintenance roads, perimeter roads, Reese Campus area, and Reese Village area, subject to Provider's review and written approval of Recipient's request for use.

(h) Premises means the airfield attached hereto as **Exhibit A** (the "Airfield Plan").

(i) Initial Term (Years): One (1) year.

(j) Extensions: Four (4) extension periods of one (1) year each, subject to the rights set forth in Section 1(k).

(k) Option to Extend Term: Recipient shall have four (4) renewal options of one (1) year each, such options to be exercised automatically unless Provider receives written notice from Recipient of its desire not to exercise the option to extend term no less than sixty (60) days prior to the expiration of the Initial Term or any subsequent renewal term. Without receipt of such notice, this Agreement shall be extended automatically for the period specified in Section 1(j) without the necessity for the execution of any further instrument and upon the same terms and conditions as

are contained in this Agreement, except the then existing Base Access Fee (as defined below) will be increased by a fixed four percent (4%). The adjustment in the Base Access Fee (as defined below) will be determined by multiplying the then existing Base Access Fee (as defined below) specified in the Agreement by 1.04, which will result in a “Revised Base Access Fee.”

(l) Delivery Date: October 9, 2024.

(m) Commencement Date: October 9, 2024. It is expressly understood and agreed to by the Parties that on the Commencement Date of this Agreement, the Agreement then existing between the Parties dated August 29, 2019 shall terminate.

(n) Termination Date: October 8, 2025.

(o) Base Access Fee: The Parties agree that the Base Access Fee set forth herein provides the Recipient 24-hour access to the Premises; exclusive access to the KBR Job Trailer (VIN TR225131, which Provider will ensure is properly registered in accordance with the laws of the State of Texas); a mid-size SUV (VIN \_\_\_\_\_), and a pick-up truck (VIN \_\_\_\_\_) which Provider will ensure are properly registered in accordance with the laws of the State of Texas (the “Vehicles”); the ability to close the Premises outside of normal business hours, as defined herein and subject to agreements that Provider may have with other customers of the Project; temporary storage of equipment on the Premises in a location agreed to by the Parties; priority access to Premises with reasonable notice; may operate sUAS (small Unmanned Aircraft Systems) according to Federal Aviation Administration (“FAA”) regulations, rules, and advisories, subject to the agreement of the Provider to operate in Premises airspace; and Non-Interference, as defined Section 2(d). Included in the Base Access Fee, Provider shall provide a maximum of 90 gallons of fuel per month for the Vehicles, perform regular and required maintenance, and cleaned on regular basis. Additionally, Provider shall add Building Nos. 870 and 970 to the Provider’s cleaning service contract that provides cleaning services on a monthly basis. Additionally, Provider shall not build or allow its other customers to build obstructions between the west runway and east taxiway/tarmac on the Premises that could, in Recipients judgment, interfere with its test activities. Provider may separately bill Recipient for any Extra Event Fees, as set forth in **Exhibit B** (the “Extra Fees”), or as agreed to by the Parties in advance of an event. Subject to this paragraph, Base Access Fee shall be no less than set forth below:

<b>Initial Term Agreement Years</b>	<b>Total Annual Base Access Fee</b>	<b>Total Monthly Base Access Fee</b>
Initial Term Year 1 October 9, 2024 – October 8, 2025	\$401,512.61	\$33,459.38
Option Year 1 October 9, 2025 – October 8, 2026	\$417,573.12	\$34,797.76
Option Year 2 October 9, 2026 – October 8, 2027	\$434,276.04	\$36,189.67

Option Year 3 October 9, 2027 – October 8, 2028	\$451,647.08	\$37,637.26
Option Year 4 October 9, 2028 – October 8, 2029	\$469,712.97	\$39,142.75

(p) Security Deposit: None.

(q) Termination: This Agreement is terminable by Landlord if Tenant is in default on this Agreement, provided that so long as Landlord is not in default on this Agreement, Tenant’s termination of this Agreement shall not relieve Tenant of the obligation to pay the Base Access Fee and other charges set forth in this Agreement for the term of the Agreement. Notwithstanding the foregoing, Recipient reserves the right to terminate this Agreement in the event that they lose that certain new United States Government contract with NAVAIR.

(r) Early Termination Fee: None.

(s) Permitted Use: Recipient may use the Premises as a general test support facility; and use the Premises, as described in 1(h), as mutually agreed to by the Parties on a case by case basis (collectively, "Permitted Use"). Should Recipient desire to make alterations or improvements to the Premises, said alterations or improvements would be at Recipient’s sole cost and expense, subject to Provider approval, or as otherwise agreed to by the parties. Provider reserves the right to market the remaining space to potential Recipients.

(t) Provider's Address for Payment of Access Fee: Payment of Base Access Fee and Extra Fees may be made by check and delivered to Provider’s address, or by electronic funds transfer to Provider's bank account at:

Plains Capital Bank  
5010 University  
Lubbock, TX 79413  
Routing Number - 111322994  
Account Number - 7260002003  
Deposits need to indicate: LUBBOCK REESE REDEVELOPMENT AUTHORITY

## 2. DEFINITIONS

(a) “Access Fee” means Base Access Fee plus any other amounts of money payable by Recipient to Provider.

(b) “Common Areas” means all facilities and areas of the Project that are intended and designated by Provider from time to time for the common, general, and nonexclusive use of all customers of the Project, including parking lots. Provider has the exclusive control over and right to manage the Common Areas. Recipient shall have the right to use the Common Areas, but shall maintain all responsibility and liability for its conduct, or the conduct of its agents, employees and

persons invited onto the Common Areas or Premises by Recipient. Subject to the terms and conditions of this Agreement, Provider hereby grants Recipient the right to use the Premises for the Permitted Use for the Term of this Agreement, and to use the streets, alleys and other portions of the Project necessary to obtain access to the Premises for the Permitted Use.

(c) “Injury” means (1) harm to or impairment or loss of property or its use, (2) harm to or death of a person, or (3) “personal and advertising injury” as defined in the form of liability insurance Recipient is required to maintain.

(d) “Non-Interference” means for the period beginning 72 hours in advance through completion of a Recipient scheduled test event, Provider shall not significantly interfere with or impair Recipient’s ability to conduct test support activities or delay the availability or accessibility to the Premises.

(e) “Normal Business Hours” means Monday through Friday, 8:00 a.m. to 5:00 p.m.

(f) “Provider” means Provider and its agents, officers, servants, employees, consultants, invitees, licensees, or visitors.

(g) “Recipient” means Recipient and its agents, contractors, employees, invitees, licensees, or visitors.

### 3. ACCESS FEE AND ACCESS FEE INVOICES

a. Access Fee. Recipient agrees to pay to Provider the Base Access Fee set forth in Section 1(o), in advance, on the Commencement Date and thereafter on the 1st day of each calendar month during the Term, without deduction or setoff, commencing on the Commencement Date; and, to pay any Extra Fees due pursuant to **Exhibit B**. All payments of the Access Fee or Extra Fees shall be paid in advance by no later than the fifth (5th) day of each calendar month, such monthly installment to be prorated for any partial calendar month in which the Commencement Date or Expiration Date shall occur, as applicable.

b. Access Fee Invoices. All invoices from Provider to Recipient for any Access Fee due under this Agreement will be sent to the address set forth in Section 12(m) or to such other address as Recipient may designate by notice to Provider.

### 4. TAXES

Recipient shall during the Term be responsible for payment, prior to delinquency, of all taxes assessed against and levied upon the trade fixtures, furnishings, equipment and all other personal property of Recipient contained on the Premises. In addition, Recipient shall during the Term pay to Provider monthly with the payment of Base Access Fee all sales or Access Fee taxes assessed by any governmental authority against the Access Fee payable by Recipient hereunder. Recipient hereby agrees to indemnify and hold Provider harmless from all costs, expenses, interest and penalties that Provider may incur as a result of Recipient's failure to pay the taxes set forth in this Section 4.

## 5. RECIPIENT COVENANTS

### (a) Recipient Agrees to –

(1) Provide the Premises for the entire Term beginning on the Delivery Date and ending on the Termination Date.

(2) Accept the Premises in their present condition “AS IS, WHERE IS CONDITION,” the Premises being suitable for the Permitted Use.

(3) Obey (i) all applicable federal, state, and local laws relating to the use, condition, and occupancy of the Premises; (ii) any requirements imposed by utility companies serving or insurance companies covering the Premises; and (iii) any rules and regulations for the Premises and Common Areas adopted by Provider, and as may be amended from time to time.

(4) Pay a late charge of five (5) percent of any Access Fee not received by Provider by the fifth day after it is due.

(5) Allow Provider to enter the Premises to perform Provider’s obligations, inspect the Premises, and show the Premises to prospective purchasers or Recipients; provided however, that such notice requirements shall not apply in the event of Recipient's request for Provider to come onto the Premises to perform Provider's obligations on the Premises, or in the event of an actual emergency situation that Provider reasonably believes will result in personal injury, loss of life or property damage to the Premises. In such situation, Provider will notify Recipient as soon after the entry as is reasonably possible.

(6) Repair, replace, and maintain any part of the Premises that Provider is not obligated to repair, replace, or maintain, reasonable wear excepted, including any improvements thereon, to the satisfaction of the Provider or, in lieu of such repair or replacement, Recipient shall pay to Provider an amount sufficient to compensate Provider for the loss sustained by Provider by reason of any damage to or destruction of Provider’s property.

(7) Ensure that all operators of the Vehicles are properly licensed to operate a vehicle in the state of Texas and authorized to operate the vehicle.

(8) Submit in writing to Provider any request for repairs, replacement, and maintenance that are the obligations of Provider.

(9) If requested, deliver to Provider a financing statement perfecting the security interest created by this Agreement.

(10) Vacate the Premises and return all keys to the Premises on the last day of the Term.

(11) If assessed, pay an additional cleaning fee in the event such cleaning is required as a result of any act of the Recipient or as a result of activities, which are part of the

Recipient's use of the Premises. Recipient hereby agrees to pay such fee within ten (10) days of notification of fee assessment.

(12) On request, execute an estoppel certificate that states the Delivery Date, Commencement Date, and Termination Date of the Agreement, identifies any amendments to the Agreement, describes any rights to extend the Term or purchase rights, lists defaults by Provider, and provides any other information reasonably requested.

(13) INDEMNIFY, DEFEND, AND HOLD PROVIDER HARMLESS FROM INJURY (AND ANY RESULTING OR RELATED CLAIM, ACTION, LOSS, LIABILITY, OR REASONABLE EXPENSE, INCLUDING ATTORNEY'S FEES AND OTHER FEES AND COURT AND OTHER COSTS) OCCURRING IN ANY PORTION OF THE PREMISES OR PROJECT, OR ARISING FROM RECIPIENT'S ACCESS TO, PRESENCE ON, OR USE OF THE PREMISES OR PROJECT, TO INCLUDE OPERATION OF THE VEHICLES WHETHER OPERATED ON THE PREMISES, PROJECT, OR OFF THE PROJECT. THE INDEMNITY CONTAINED IN THIS PARAGRAPH (a) IS INDEPENDENT OF RECIPIENT'S INSURANCE, (b) WILL NOT BE LIMITED BY COMPARATIVE NEGLIGENCE STATUTES OR DAMAGES PAID UNDER THE WORKERS' COMPENSATION ACT OR SIMILAR EMPLOYEE BENEFIT ACTS, AND (c) WILL SURVIVE THE END OF THE TERM.

(14) Recipient acknowledges and agrees that Provider has notified Recipient that three (3) or more commercial grade wind turbines are or shall be located on the westernmost boundary of the Project, to the west of the westernmost runway of the Project. Recipient acknowledges that such wind turbines generate noise, vibration, air turbulence, wake, shadow flicker, electromagnetic interference, and could interfere with television reception, audio, visual, view, or light, or cause other interference, and Recipient releases and holds Provider harmless from any claim for damages, losses, liabilities, losses of Access Fee, business opportunities, profits and the like that may result from the normal operation of the wind turbines on the Project.

**(b) Recipient agrees not to—**

- (1) Use the Premises for any purpose other than the Permitted Use.
- (2) Create a nuisance.
- (3) Interfere with any other Recipient's normal business operations or Provider's management of the Premises or Project.
- (4) Use the Premises in any way that would increase insurance premiums or void insurance on the Premises or the Project.
- (5) Change Provider's lock system, unless agreed to by the Parties.
- (6) Allow a lien to be placed on the Premises.
- (7) Assign this Agreement or sublease any portion of the Premises without Provider's prior express written consent.



(8) NOT APPLICABLE.

(9) Place any signs on the Premises without Provider's written consent.

(10) Bring suit against Provider in connection with any claim or suit arising pursuant to Section 5(a)(13).

(11) Use any portion of the Premises for wind energy development or the installation or use of any facilities related to wind energy development or generation.

(12) Interfere with the wind energy project being conducted on the westernmost boundary of the Project.

(13) Take any action that shall significantly interfere with or impair the availability, accessibility, flow, frequency or direction of air and wind over and above any portion of the Premises or the Project.

(14) Take any action that in any way interferes with or impairs the transmission of electric, electromagnetic or other forms of energy to or from the wind energy project, or interferes with or impairs Provider's wind energy Recipient's access to the wind energy project.

## **6. PROVIDER COVENANTS**

### **(a) Provider agrees to –**

(1) Provide to Recipient the Premises for the entire Term beginning on the Delivery Date and ending on the Termination Date.

(2) Obey all applicable laws with respect to Provider's operation of the Premises and Project.

(3) Repair and maintain the (i) Permanent Pad Sites, (ii) test site, and (iii) Common Areas.

(4) NOT APPLICABLE.

(5) NOT APPLICABLE.

(6) Subject to the current "AS IS, WHERE IS" condition of the Premises and force majeure events or conditions, prevent any action that shall "significantly interfere with or impair" (hereinafter defined) the availability, accessibility, security, or otherwise impair the conduct of test support services provided by the Recipient to its customers. The term "significantly interfere with or impair" is defined as for the period beginning 72 hours in advance through completion of a Recipient scheduled test event, Provider shall not significantly interfere with or impair Recipient's ability to conduct test support activities or delay the availability or accessibility to the Premises..

(7) NOT APPLICABLE.

**(b) Provider agrees not to—**

(1) Interfere with Recipient's possession of the Premises as long as Recipient is not in default.

(2) Unreasonably withhold consent to a proposed assignment or sublease.

**7. COMMON AREAS**

(a) Right to Use Common Areas. Recipient will have the nonexclusive right to use the Common Areas subject to any reasonable rules and regulations that Provider may prescribe.

(b) Maintenance of Common Areas. At all times during the Term, Provider will maintain the Common Areas.

**8. UTILITIES**

(a) Payment of Utility Bills. NOT APPLICABLE.

**9. DAMAGE BY CASUALTY**

It is expressly understood and agreed to by the Parties that Provider's obligation to repair and/or restore the Premises is limited to Provider's insurance on the Premises. It is also expressly understood and agreed to by the Parties that Recipient shall insure the contents and equipment contained in the Premises and that Provider has no obligation to insure Recipient's contents and/or equipment. Further, it is expressly understood and agreed to by the Parties that damage to contents and/or equipment does not invoke Recipient's or Provider's Right to Terminate the Agreement, as set forth below.

(a) Notice of Damage and Estimated Repair Time. If the Premises is damaged or destroyed by fire or other casualty ("Casualty"), Provider will, within thirty (30) days after the date of the Casualty, notify Recipient ("Provider's Casualty Notice") of the number of days, from the date of the Casualty, that Provider estimates will be required to complete the repair and restoration. If neither Recipient, nor Provider, elects to terminate this Agreement as set forth below, then the damage or destruction of the Premises will, at the expense of Provider, be repaired and restored.

(b) Recipient's Right to Terminate. If more than fifty percent (50%) of the Premises is damaged or destroyed due to Casualty, then Recipient will have the right to terminate this Agreement, effective as of the date of Casualty, by notice given to Provider within fifteen (15) days after Recipient's receipt of Provider's Casualty Notice.

(c) Provider's Right to Terminate. If more than fifty percent (50%) of the Premises is damaged or destroyed by Casualty during the Term, then Provider may elect to terminate this Agreement effective as of the date of the Casualty by notice given to Recipient not later than fifteen (15) days after Provider delivers Provider's Casualty Notice to Recipient.

(d) Provider's Repair Obligation. Provider's obligation will be to restore all portions of the Premises affected by a Casualty (exclusive of Recipient's fixtures and equipment) to their condition immediately preceding such Casualty, subject to available insurance proceeds. If Provider for any reason whatsoever fails (1) to commence the repair and restoration work required hereunder within sixty (60) days from the date of the Casualty, (2) to proceed diligently to complete such repair and restoration work, or (3) fails to complete same within the estimated time set forth in Provider's Casualty Notice, plus the number of days of delay caused by Uncontrollable Events, then, Recipient will have the right to terminate this Agreement by giving Provider notice and upon the giving of such notice, this Agreement will terminate and the Parties will be liable for their respective obligations to the date of termination and will have no liability for obligations arising after that date, except for those obligations which expressly survive termination.

## 10. HAZARDOUS MATERIALS

(a) Provider's Obligations. Provider represents and warrants that on the Delivery Date the Premises and the Project shall be in compliance with all Environmental Laws. During the Term, Provider will not use, generate, place, store, release or otherwise dispose of, or permit the use, generation, placing, storage, release or disposal of, Hazardous Materials in the Project, except in accordance with all Environmental Laws.

(b) Recipient's Obligations. During the Term, Recipient will not use, generate, place, store, release or otherwise dispose of Hazardous Materials in the Premises or the Common Areas, except in accordance with all Environmental Laws, and subject to the those Deeds Without Warranty Between the United States of America and Provider recorded in the Real Property Records of Lubbock County, Texas at Volume 8729, Page 234 (the "Airfield Deed") and Deed Record 2006041652 (the "Campus Area Deed"). Notwithstanding anything to the contrary contained in this Agreement, Provider acknowledges and agrees that Recipient shall have the right to use and store in the Premises in Recipient's ordinary course of business Hazardous Materials in accordance with Environmental Laws. In the event of a breach of the foregoing, Recipient will promptly undertake remediation or removal in accordance with all Environmental Laws. Recipient will indemnify, defend and hold Provider and Provider's Affiliated Parties harmless from and against, and reimburse Provider and Provider's Affiliated Parties for, all Hazardous Materials Liabilities asserted against or incurred by Provider or Provider's Affiliated Parties as a result of a breach of Recipient's obligations under this paragraph. Notwithstanding anything to the contrary contained herein, in no event shall Recipient be liable for Hazardous Materials existing in, on or about the Premises or the Project prior the Recipient's occupancy of the Premises. Recipient shall provide Provider a copy of Recipient's plan for responding to hazardous waste, fuel, and chemical spills no later than the Commencement Date.

(c) Definitions. As used herein,

(i) "Hazardous Materials" shall be construed broadly to include any toxic or hazardous substance, material, or waste, and any other contaminant, pollutant or constituent thereof, including without limitation, chemicals, compounds, by-products, petroleum or petroleum products, and polychlorinated biphenyls, the presence of which requires investigation or remediation under any Environmental Laws or which are or become regulated, listed or controlled by, under or pursuant to any Environmental Laws;

(ii) "Environmental Laws" means all federal, state, regional or local statutes, laws, regulations, codes, orders, permits, ordinances, decrees, rulings or judicial or administrative interpretations thereof, or similar laws of foreign jurisdictions where the Recipient conducts business, whether currently in existence or hereinafter enacted or promulgated, any of which govern, or purport to govern, or relate to pollution, protection of the environment, public health and safety, air emissions, water discharges, hazardous or toxic substances, solid or hazardous waste or occupational health and safety, as any of these terms are or may be defined in such statutes, laws, rules, regulations, codes, orders, permits, ordinances, decrees, rulings or judicial or administrative interpretations thereof, including, without limitation: the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendment and Reauthorization Act of 1986, 42 U.S.C. §9601, et seq. (collectively "CERCLA"); the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976 and subsequent Hazardous and Solid Waste Amendments of 1984, 42 U.S.C. §6901 et seq. (collectively "RCRA"); the Hazardous Materials Transportation Act, as amended, 49 U.S.C. §1801, et seq.; the Clean Water Act, as amended, 33 U.S.C. §1311, et seq.; the Clean Air Act, as amended (42 U.S.C. §7401-7642); the Toxic Substances Control Act, as amended, 15 U.S.C. §2601 et seq.; the Federal Insecticide, Fungicide, and Rodenticide Act as amended, 7 U.S.C. §136-136y ("FIFRA"); the Emergency Planning and Community Right-to-Know Act of 1986 as amended, 42 U.S.C. §11001, et seq. (Title III of SARA) ("EPCRA"); and the Occupational Safety and Health Act of 1970, as amended, 29 U.S.C. §651, et seq. ("OSHA"); and

(iii) "Hazardous Materials Liabilities" means all claims, damages, losses, forfeitures, expenses or liabilities arising from or caused in whole or in part, directly or indirectly, by a breach by the other Party of its representations, warranties or covenants under Section 10(a) or (b), including, without limitation, all costs of defense (including reasonable attorneys' fees and other costs of litigation), all consultants' fees, and all costs of investigation, repair, remediation, restoration, cleanup, detoxification or decontamination, and/or preparation and implementation of any closure, remedial action or other required plan.

(d) Survival. The provisions of this Section 10 will survive the expiration or earlier termination of this Agreement.

## **11. INSURANCE AND WAIVER OF SUBROGATION**

A Certificate of Insurance for each coverage identified below shall be submitted to Provider prior to the Delivery Date. Recipient shall provide to Provider proof of the required insurance upon each policy renewal, and cause each required policy to require insurer to give notice of termination of any policy prior to the expiry of its term which shall immediately be forwarded to Provider. Specifically, Recipient is required to have:

(a) Commercial General Liability Insurance. Commercial General Liability Insurance covering the Premises and Recipient's use thereof and use of the Vehicles against claims for bodily injury, death or property damage occurring upon, in or about the Premises (including contractual indemnity and liability coverage) or while operating the Vehicles on or off of the Project, such insurance to provide coverage of \$500,000.00 per occurrence and \$1,000,000.00 annual aggregate. Provider shall be included as an additional insured against claims for bodily injury, death, or property damage occurring upon, in or about the Premises or while operating the Vehicles on or

off of the Project to the extent of the indemnity obligations assumed under this Agreement by Recipient. In the event that Recipient's Commercial General Liability Insurance has an aviation exclusion, Recipient shall provide Aviation General Liability Insurance in amounts per occurrence and in annual aggregate that provide the same coverage amounts as those set forth for Commercial General Liability Insurance, above, or as mutually agreed to in writing by the Parties.

(b) Property Insurance. NOT APPLICABLE.

(c) Workers Compensation' and Employer's Liability Insurance. Workers' compensation insurance shall be in an amount meeting applicable state statutory requirement and the employer's liability limits shall be in an amount of \$1,000,000.00 per bodily injury by accident and \$1,000,000.00 per employee for bodily injury by disease.

(d) Other Requirements of Insurance. All such insurance will be issued and underwritten by companies with an A.M. Best rating of "A" or better and size rating of "VI" or better and Recipient will use good faith efforts to obtain a policy that will contain endorsements that (1) such insurance may not lapse with respect to Provider or be canceled with respect to Provider without the insurance company giving at least thirty (30) days prior written notice of such cancellation, (2) Recipient will be solely responsible for payment of premiums, and (3) in the event of payment of any loss covered by such policy, this insurance shall apply as primary insurance with respect to any overlapping coverage afforded to the Provider except for loss arising from Common Areas.

(e) Environmental Insurance. NOT APPLICABLE.

(f) Release of Claims/Subrogation to the Premises. SUBJECT TO THE PROVISIONS SET FORTH ABOVE, PROVIDER AND RECIPIENT RELEASE EACH OTHER FROM ALL CLAIMS OR LIABILITIES FOR DAMAGE TO THE PREMISES AND LOSS OF BUSINESS OR REVENUES THAT ARE COVERED BY THE RELEASING PARTY'S PROPERTY INSURANCE OR THAT WOULD HAVE BEEN COVERED BY THE REQUIRED INSURANCE IF THE PARTY FAILS TO MAINTAIN THE PROPERTY COVERAGE'S REQUIRED BY THIS AGREEMENT. THE PARTY INCURRING THE DAMAGE OR LOSS WILL BE RESPONSIBLE FOR ANY DEDUCTIBLE OR SELF-INSURED RETENTION UNDER ITS PROPERTY INSURANCE. PROVIDER AND RECIPIENT WILL NOTIFY THE ISSUING PROPERTY INSURANCE COMPANIES OF THE RELEASE SET FORTH IN THIS PARAGRAPH AND WILL HAVE THE PROPERTY INSURANCE POLICIES ENDORSED, IF NECESSARY, TO PREVENT INVALIDATION OF COVERAGE. THIS RELEASE WILL NOT APPLY IF IT INVALIDATES THE PROPERTY INSURANCE COVERAGE OF THE RELEASING PARTY. THE RELEASE IN THIS PARAGRAPH WILL APPLY EVEN IF THE DAMAGE OR LOSS IS CAUSED IN WHOLE OR IN PART BY THE ORDINARY NEGLIGENCE OR STRICT LIABILITY OF THE RELEASED PARTY BUT WILL NOT APPLY TO THE EXTENT THE DAMAGE OR LOSS IS CAUSED BY THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF THE RELEASED PARTY.

## **12. ADDITIONAL PROVIDER AND RECIPIENT AGREEMENTS**

a. Alterations. Any physical additions or improvements to the Premises made by Recipient will become the property of Provider. Provider may require that Recipient, at the end of the Term and at Recipient's expense, remove any physical additions and improvements, repair any alterations, and restore the Premises to the condition existing at the Delivery Date, normal wear

excepted. All alterations shall require the prior written consent of Provider. Recipient agrees at its sole cost and expense to comply with all Laws when performing any alterations, including obtaining any governmental permits which may be required in connection therewith. Should Recipient desire to renovate the Premises and such renovations would require alterations to the Premises, then Recipient shall submit plans and specifications for such renovations to Provider for its approval, such approval not to be unreasonably withheld, delayed or conditioned. Provider shall have fourteen (14) days from receipt of Recipient's plans and specifications to approve or disapprove same. In the event Provider fails to disapprove of said plans and specifications within such fourteen (14) day period, then the plans and specifications shall be deemed approved. After completion of any alterations or improvements that require consent of Provider hereunder, Recipient shall provide Provider with a copy of Recipient's plans and specifications for such alterations or improvements.

b. Abatement. Recipient's covenant to pay the Access Fee and Provider's covenants are independent. Except as otherwise provided, Recipient will not be entitled to abate Access Fee for any reason.

c. Condemnation/Substantial or Partial Taking

(1) If the Premises cannot be used for the purposes contemplated by this Agreement because of condemnation or purchase in lieu of condemnation, this Agreement will terminate.

(2) If there is a condemnation or purchase in lieu of condemnation and this Agreement is not terminated, Provider will, at Provider's expense, restore the Premises, and the Access Fee payable during the unexpired portion of the Term will be adjusted as may be fair and reasonable.

(3) Recipient will have no claim to the condemnation award or proceeds in lieu of condemnation.

d. Uniform Commercial Code. Recipient grants Provider a security interest in Recipient's personal property now or subsequently located on the Premises. This Agreement is a security agreement under the Uniform Commercial Code.

e. Default by Provider/Events. Defaults by Provider are failing to comply with any provision of this Agreement within thirty (30) days after written notice.

f. Default by Provider/Recipient's Remedies. Recipient's remedies for Provider's default are to sue for damages.

g. Default by Recipient/Events. Defaults by Recipient are:

(1) making an assignment for the benefit of its creditors;

(2) the levying on or against Recipient's property;

(3) the institution in court of competent jurisdiction of proceedings for the reorganization, liquidation, or voluntary dissolution of Recipient, or for its adjudication as a bankrupt or insolvent, or for the appointment of a receiver of the Recipient's property, if the proceedings are not dismissed, and any receiver, trustee, or liquidator appointed therein is not discharged within thirty (30) days after the proceedings are instituted;

(4) the filing of a mechanic's lien against the Premises in connection with work contracted for by Recipient that is not released by payment or bond or otherwise (including indemnification reasonably satisfactory to Provider) within thirty (30) days of Recipient's receipt of written notice of the existence of such mechanic's lien, provided, however, that Recipient shall have an affirmative duty to notify Provider of the existence or threat of any such mechanic's lien being filed against the Premises if and when Recipient receives any notice of the threatened mechanic's lien from any claimant;

(5) failing to pay timely Base Access Fee;

(6) failure by Recipient to perform or observe any of Recipient's non-monetary covenants contained in this Agreement;

(7) NOT APPLICABLE;

(8) failing to comply within ten (10) days after written notice with any provision of this Agreement; and

(9) failing by Recipient to cure any Event of Default pursuant to the terms of the Lease between Provider and Recipient shall constitute a default by Recipient under this Agreement. The Parties intend by this Agreement (i) to create cross default conditions among any Lease between Provider and Recipient and (ii) to create cross security rights and remedies in favor of Provider with respect to the personal property of the Recipient on the premises of any Leasehold between Provider and Recipient. In the event that any one or more of the provisions contained in this Agreement shall, for any reason, be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of any other provision of this Agreement or any other Lease between Provider and Recipient.

h. Default by Recipient/Provider's Remedies. Provider's remedies for Recipient's default are to terminate this Agreement by written notice and sue for damages. Provider may enter and take possession of the Premises by self-help, by changing locks if necessary, and may lock out Recipient or any other person who may be occupying the Premises, until the default is cured, without being liable for damages.

i. Remedies Cumulative. The rights and remedies given to Provider and Recipient in this Agreement are distinct, separate and cumulative remedies, and the exercise of any one or more of them will not be deemed to exclude Provider's or Recipient's rights to exercise any or all of the others which are given in this Agreement, or at law or in equity, unless such remedies are

expressly excluded. Additionally, at Provider's sole discretion, Provider may also exercise its cross-default remedies as set forth in Section 12.g.(9).

j. Default/Waiver/Mitigation. It is not a waiver of default if the non-defaulting Party fails to declare immediately a default or delays in taking any action. Pursuit of any remedies set forth in this Agreement does not preclude pursuit of other remedies in this Agreement or provided by applicable law. Provider and Recipient have a duty to mitigate damages.

k. Representations and Indemnities of Broker Relationships. Recipient and Provider each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder in connection with this Agreement, and that no one is entitled to any commission or finder's fee in connection herewith. Recipient and Provider do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar Party by reason of any dealings or actions of the indemnifying Party, including any costs, expenses, attorneys' fees reasonably incurred with respect thereto.

l. Holdover. No holding over by Recipient, whether with or without the consent of Provider, will extend the Term. If Recipient remains in possession of the Premises after the expiration of the Term without execution of a new Agreement extending the Term, Recipient will be deemed to be occupying the Premises as a Recipient at will, subject to all of the terms of this Agreement as may be applicable to a month to month tenancy and at One Hundred Fifty Percent (150%) of the monthly installment of the Base Access Fee set forth in Section 1(o) for the twelve (12) month period prior to expiration of the Term, except that thereafter either Provider or Recipient may terminate this Agreement upon thirty (30) days' notice to the other; provided that Provider, by the terms hereof, is not deemed to consent to any such holdover by Recipient and may exercise all rights provided by law to remove Recipient from the Premises upon giving Recipient the notice described herein.

m. Notices. Any notices sent or required to be given hereunder must in writing and sent by certified mail, return receipt requested, or nationally recognized overnight courier to the following addresses:

**PROVIDER:**

Lubbock Reese Redevelopment Authority  
9801 Reese Boulevard  
Suite 200  
Lubbock, Texas 79416  
Attn: Executive Director  
Telephone: (806) 885-3597

**RECIPIENT:**

KBR Wyle Services, LLC  
c/o: \_\_\_\_\_  
345 Bob Heath Dr.



Huntsville, AL 35806  
Phone: 256-922-4200  
Fax: 256-922-4207  
Email: \_\_\_\_\_

And a copy to:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Notices will be deemed given on the date received (or refused) when addressed to the parties at the addresses set forth above or in either case to such other addresses as Landlord or Tenant may designate to the other by notice. Notice may also be given by regular mail, personal delivery, courier delivery, or other commercially reasonable means and will be effective when actually received. Any address for notice may be changed by written notice delivered as provided herein. Without limiting the foregoing, any notice required or permitted to be given under this Agreement may be sent by e-mail at the appropriate e-mail address set forth in this Section 12.m, as the same may be amended, or to such other e-mail address as Landlord or Tenant may from time to time designate in a notice to the other; provided that such e-mailed notice expressly states that it represents a notice under Section 12(m) of this Agreement. Any e-mailed notice shall be deemed given on the date of delivery, provided that (i) such delivery is reasonably confirmed as received by the recipient (i.e., no error report is received by the sender); and (ii) if delivery occurs after 5:00 p.m. in the time zone of the recipient or on a non-business day, then such notice shall be deemed received on the first business day after the day of delivery.

n. Attorney's Fees. If either Party retains an attorney to enforce this Agreement, the Party prevailing in litigation is entitled to recover reasonable attorney's fees and other fees and court and other costs.

o. Governing Law. This Agreement shall be governed in accordance with the laws of the State of Texas, all obligations of the Parties are performable in Lubbock County, Texas, and venue shall be proper in Lubbock County, Texas.

p. Entire Agreement. This Agreement, together with the attached exhibits and riders, is the entire agreement of the Parties, and there are no oral representations, warranties, agreements, or promises pertaining to this Agreement or to any expressly mentioned exhibits and riders not incorporated in writing in this Agreement.

q. Assignment and Subletting by Recipient. Recipient may have the right, with the prior written consent of Provider, which consent shall not be unreasonable withheld, conditioned or delayed, to assign this Agreement, and any interest therein, provided each assignee assumes in writing all of Recipient's obligations under this Agreement and Recipient shall remain liable for

each and every obligation under this Agreement. Provider hereby grants its consent for Recipient to sublet the Premises or any thereof, or any right or privilege pertinent thereto.

The foregoing notwithstanding, Recipient may assign its entire interest under this Agreement to an Affiliate or to a successor to Recipient by purchase, merger, consolidation or reorganization without the consent of Provider, provided that all of the following conditions are satisfied (a “Permitted Transfer”): (1) no uncured event of default exists under this Agreement; (2) Recipient’s successor shall own all or substantially all of the assets of Recipient; and (3) Recipient shall give Provider written notice at least thirty (30) days prior to the effective date of the proposed purchase, merger, consolidation or reorganization. The term “Affiliate” means any person or entity controlling, controlled by or under common control with Recipient. Recipient’s notice to Provider shall include information and documentation showing that each of the above conditions has been satisfied.

r. Assignment by Provider. Provider is expressly given the right to assign any or all of its interest under the terms of this Agreement, provided the assignee expressly assumes all obligations of Provider hereunder.

s. Amendment of Agreement. This Agreement may be amended only by an instrument in writing signed by Provider and Recipient.

t. Limitation of Warranties. THERE ARE NO IMPLIED WARRANTIES OF MERCHANTABILITY, OF FITNESS FOR A PARTICULAR PURPOSE, OR OF ANY OTHER KIND ARISING OUT OF THIS AGREEMENT, AND THERE ARE NO WARRANTIES THAT EXTEND BEYOND THOSE EXPRESSLY STATED IN THIS AGREEMENT.

u. Abandoned Property. Provider may retain, destroy, or dispose of any property left on the Premises at the end of the Term.

v. Heirs, Successors, and Assigns. This Agreement and the covenants, agreements and representations herein contained will be binding upon, and inure to the benefit of, the Parties hereto and their respective heirs, executors, administrators, successors, and assigns.

w. Rules of Construction. This Agreement will be construed with equal weight for the rights of both Parties, the terms hereof having been determined by fair negotiation with due consideration for the rights and requirements of both Parties.

x. Severability. If any term or provision of this Agreement is found to be invalid, illegal or unenforceable, the remaining terms and provisions hereof will not be affected thereby; and each term and provision hereof will be valid and enforceable to the fullest extent permitted by Laws.

y. Headings. The captions, section numbers and paragraph numbers appearing in this Agreement are inserted only as a matter of convenience and in no way define, amplify, limit, construe or describe the scope or interest of any section of this Agreement.

(z) Trafficking of Persons. Under §2155.0061, Texas Government Code, Recipient certifies that the individual or business entity named in the Agreement is not ineligible to receive the specified Agreement and acknowledges that the Agreement may be terminated if this certification is inaccurate.

(aa) Chapter 2271 of the Texas Government Code. Recipient acknowledges that in accordance with Chapter 2270 of the Texas Government Code, the Provider is prohibited from entering into a contract with a company for goods or services unless the contract contains a written verification from the Recipient that it: (1) does not boycott Israel; and (2) will not boycott Israel during the term of the contract. The terms “boycott Israel” and “company” shall have the meanings ascribed to those terms in Section 808.001 of the Texas Government Code. ***By signing this Agreement, Recipient certifies that Recipient’s signature provides written verification to the Provider that Recipient: (1) does not boycott Israel; and (2) will not boycott Israel during the term of the Agreement.***

(bb) Counterparts; Signatures. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement. The exchange of copies of this Agreement and of signature pages by facsimile transmission, email or other electronic means (including, without limitation, DocuSign or other third-party electronic signature verification service) shall constitute effective execution and delivery of this Agreement as to the parties and may be used in lieu of the original Agreement for all purposes. Signatures of the parties transmitted by facsimile, email or other electronic means (including, without limitation, DocuSign or other third party electronic signature verification service) shall be deemed to be their original signatures for all purposes.

### **13. AFFIRMATIVE REPRESENTATIONS CONCERNING FTZ-260 AND OPERATION OF AIRFIELD**

a. Free Trade Zone (FTZ). The Lubbock Economic Development Authority (“LEDA”) has applied and previously received approval for eligible tenants of the Project to be able to take advantage of the benefits of its FTZ. Tenants that are eligible to participate must apply through LEDA and pay the application fees and any monthly fees associated with the volume of goods that are transported into and out of the FTZ. Interested tenants should contact the LEDA for specific details regarding the application process and the fees and regulations associated with the program.

b. Airfield. Provider currently has Federal Aviation Administration approval to operate the airstrips located within the Project. The 6,500-foot north-south runway can accommodate large cargo aircrafts such as a C-130. While Provider anticipates that there may be changes with respect to the use of the three (3) primary landing strips that are now in operation (including that the westernmost runway is non-operational, except in the case of a federal, state or local emergency), Provider intends to continue to operate the 6,500-foot north-south runway and will make the use of such runway available to Recipient in accordance with the existing Federal Aviation Administration certification. With regard to the westernmost runway, Provider has restricted use of such runway based on the operation of the commercial grade wind turbines that

exist on the Project to the west of such runway, and Recipient agrees that it may not have access to such runway. All flight arrangements must be approved through Provider and any Recipient utilizing the runway for such flights must comply with the daytime Visual Flight Rule. Notwithstanding the foregoing, Provider agrees that it will not cause or permit any material change in size, location or configuration of any airstrip or runway which will have an adverse effect on Recipient's ability to operate in the Premises or which will adversely affect access to the Premises.

#### **14. SECURITY CONDITIONS**

Provider and Recipient acknowledge and agree that the Project is located on property formerly owned and operated by the United States Air Force as the Reese Air Force Base, and that certain portions of the Project have been previously utilized by local, state and federal governmental entities (hereinafter, "the Government") in times of state or national emergencies to provide temporary evacuation shelters and other such uses. Additionally, Provider has other Recipients of the Project that require controlled access to the Airfield during certain operations. Provider represents that the Government may continue to utilize the Project during the Term of this Agreement in times of state or national emergency (with or without Provider's express consent), and other Recipients of the Project, when approved by the Provider, may require controlled access to the Airfield, and that such use could adversely affect Recipient's ability to access the Premises and/or use the Common Areas due to additional security measures; provided, however, that such adverse impact shall only delay and shall not unreasonably deny access by Recipient to the Premises.

Recipient acknowledges and agrees that, in the event that the Government utilizes any portion of the Project in a time of state or national emergency or when the Provider authorizes other Recipients of the Project to control access to the Airfield, Recipient, its employees, officers, agents, and contractors will comply with all reasonable security regulations imposed by the Provider or applicable governmental agency, including the requirement to obtain and display security identification cards and to comply with reasonable security procedures.

The execution of this Agreement by Provider shall not be considered a waiver of Provider's sovereign immunity to suit.

**IN WITNESS WHEREOF**, having read and intending to be bound by the terms hereof, the Parties have signed this Agreement on the date(s) set forth below.

**/SIGNATURE PAGE FOLLOWS/**

LUBBOCK REESE  
REDEVELOPMENT AUTHORITY  
("Provider")

KBR WYLE SERVICES, LLC, a Delaware  
Corporation, d/b/a KBR ("Recipient")

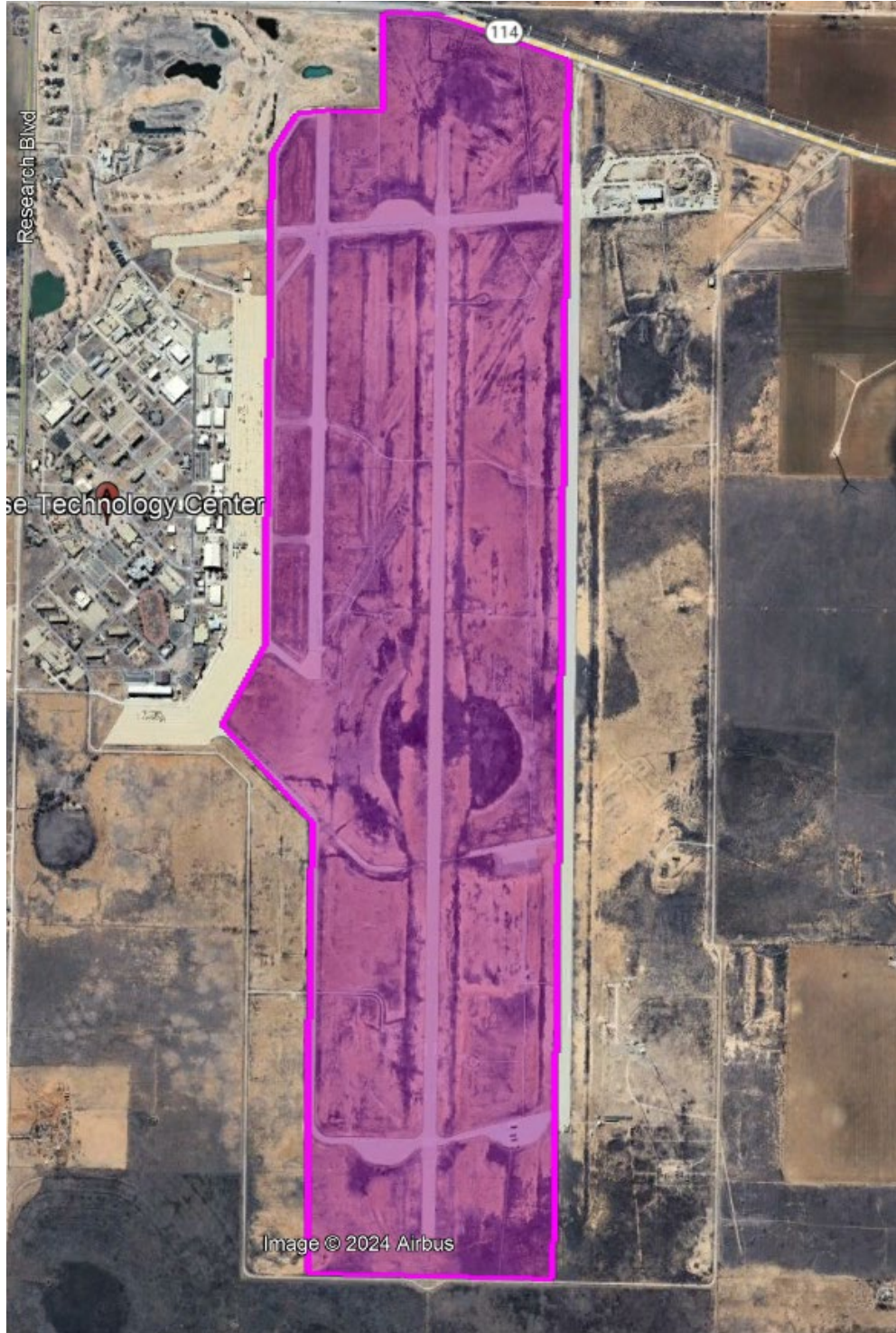
\_\_\_\_\_  
By: Murvat Musa  
Its: CEO

\_\_\_\_\_  
By: \_\_\_\_\_  
Its: \_\_\_\_\_

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

**EXHIBIT A**  
**AIRFIELD PLAN**



**EXHIBIT B**

**EXTRA EVENT FEE SCHEDULE**

COST PLUS FEE, DAILY RATE PER UNIT, NOT TO EXCEED (NTE):

STANDARD RENTAL CARS AND FUEL (SEDAN, TRUCK, SMALL SUV)	\$350
DIRT BIKE OR MOTORCYCLE AND FUEL	\$350
GENERATOR AND FUEL	\$350
LOWBOY TRAILER	\$350
NON-STANDARD RENTALS AND FUEL (LARGE SUV, MIMI VAN)	\$500
BOX TRUCK AND FUEL	\$500
PORTABLE RESTROOMS	\$500
MOWING	\$500
BOOM/CHERRY PICKER	\$500
FORKLIFT	\$500
18-WHEELER AND DRIVER	\$2,000
BULLDOZER	\$2,000
ADDITIONAL BUILDING/HANGER RENTAL INCLUDING UTILITIES	\$2,000

STRANDED VEHICLE RECOVERY/TOWING NTE \$500 PER INCIDENT.

ANY ITEMS NOT LISTED ABOVE REQUIRE A QUOTE AND PRIOR APPROVAL  
SUCH ITEMS INCLUDE, BUT ARE NOT LIMITED TO THE FOLLOWING:

- CRANE AND DRIVER
- TEST SITE PREPARATION
- RUNWAY OR BUILDING MAINTENANCE
- AIRPLANE OR HELICOPTER WITH PILOT
- OTHER ITEMS OR SERVICES NOT LISTED ABOVE
- ESTIMATED COSTS EXCEED THE PRICES ABOVE

**BOARD ACTION ITEM No. 2024-0828-030**  
**KBR WYLE SERVICES, LLC, EVENT SERVICE AGREEMENT**

**BOARD OF DIRECTORS**  
**LUBBOCK REESE REDEVELOPMENT AUTHORITY**  
**August 28, 2024**

Item to be Considered:

KBR Wyle Services, LLC, Event Service Agreement

Previous Board Action:

The Board has previously approved leases and agreements with KBR as they have been a customer since 2012.

Statement of Pertinent Facts:

- a) Initial term: One year with four one-year renewal options
- b) Flat Rate Access Fee: \$401,512.61 for first year with 4% increases at each renewal to include purchase of two vehicles for KBR's exclusive use and monthly cleaning services for two buildings
- c) Extras Fee: Cost plus 130%

Advice, Opinions, Recommendations, and Motion:

If the Board of Directors concurs, the following motion is in order:

"Resolved, that the Board of Directors of the Lubbock Reese Redevelopment Authority hereby approves the Event Service Agreement for KBR Wyle Services, LLC, and authorizes its CEO/Executive Director to execute the agreement subject to negotiation of final terms and conditions, as submitted on this 28<sup>th</sup> day of August 2024."

\_\_\_\_\_  
Tim Pierce – Board President

ATTEST:

\_\_\_\_\_  
LRRRA Board Member



**AGENDA ITEM 10  
EXECUTIVE SUMMARY  
HELICOPTER EXPRESS, LLC  
HANGAR 82 LEASE**

The Lease Review Committee has reviewed and supports the following new lease.

Helicopter Express provides heavy lifting, utility construction, disaster relief, aerial cinematography, charter trips, and firefighting services using helicopters. Located in Chamblee, Georgia, they have been in business since 1995 and are privately owned. The site at Reese will serve as an operations, training, and maintenance center.

Rent for Hangar 82 will begin at \$5 per square foot for 53,615 square feet of space with annual increases of 3%. This lease is for a five-year initial term with two options to extend for three years each. The total value of the initial term is \$1,422,405.95. See the attached Deal Sheet and Lease for more details.

Staff are requesting Board approval for the Helicopter Express, LLC Lease for Hangar 82.

**Deal Sheet**  
**Helicopter Express, LLC**  
**Hangar 82**  
**“Subject to Board Approval”**

May 31, 2024

**Prospective Tenant:**

Helicopter Express, LLC  
2025 Flightway Drive  
Chamblee, GA 30341

**Premises:**

Hangar 82 including designated parking areas and ramp space for helicopter takeoff and landing, see Exhibit A.  
402 Davis Drive  
Lubbock, TX 79416

**Company Information:**

Helicopter Express, based in Chamblee, Georgia, provides heavy lifting, utility construction, disaster relief, aerial cinematography, charter trips, and firefighting services. Their fleet includes a wide range of helicopters, including Sikorsky, Jaman, Bell, and Airbus, to meet specific needs.

The company started in 1995 when the owner, Scott Runyan, secured the company’s first government contract with the United States Forest Service. In Georgia, they operate a state-of-the-art base that spans 250 acres.

Helicopter Express is the largest helicopter aerial firefighting operator in the United States. They currently field 41 aircraft around the world in the firefighting role. The Lubbock location will serve three functions: off season maintenance of equipment, off season training of pilots, and base of operations within the state of Texas and the surrounding areas.

Helicopter Express is privately held and according to D&B, they are considered low risk with a high viability rating. At December 31, 2023 they had total assets of over \$271 million, with total income of over \$55 million and net income of over \$15 million.

**Type of Lease:**

Modified Gross Lease

**Primary Term for Hangar 82 (53,615 SF):**

Tenant will pay \$5 per SF for a total of five (5) years with 3% annual increases.

**Rent:**

<b>Initial Term Lease Years</b>	<b>Total Annual Base Rent</b>	<b>Total Monthly Base Rent</b>	<b>Annual Base Rent Per Square Foot (53,615 sq ft)</b>
Year 1 9/1/2024 – 8/31/2025	\$268,075.00	\$22,339.58	\$5.00
Year 2 9/1/2025 – 8/31/2026	\$276,117.25	\$23,009.77	\$5.15
Year 3 9/1/2026 – 8/31/2027	\$284,159.50	\$23,679.96	\$5.30
Year 4 9/1/2027 – 8/31/2028	\$292,737.90	\$24,394.83	\$5.46
Year 5 9/1/2028 – 8/31/2029	\$301,316.30	\$25,109.69	\$5.62
<b>Total</b>	<b>\$1,422,405.95</b>		

**Renewal Options:**

Tenant shall have two (2) options to renew for three (3) years each. Each option year will have a 3% annual increase.

**Termination Option:**

None

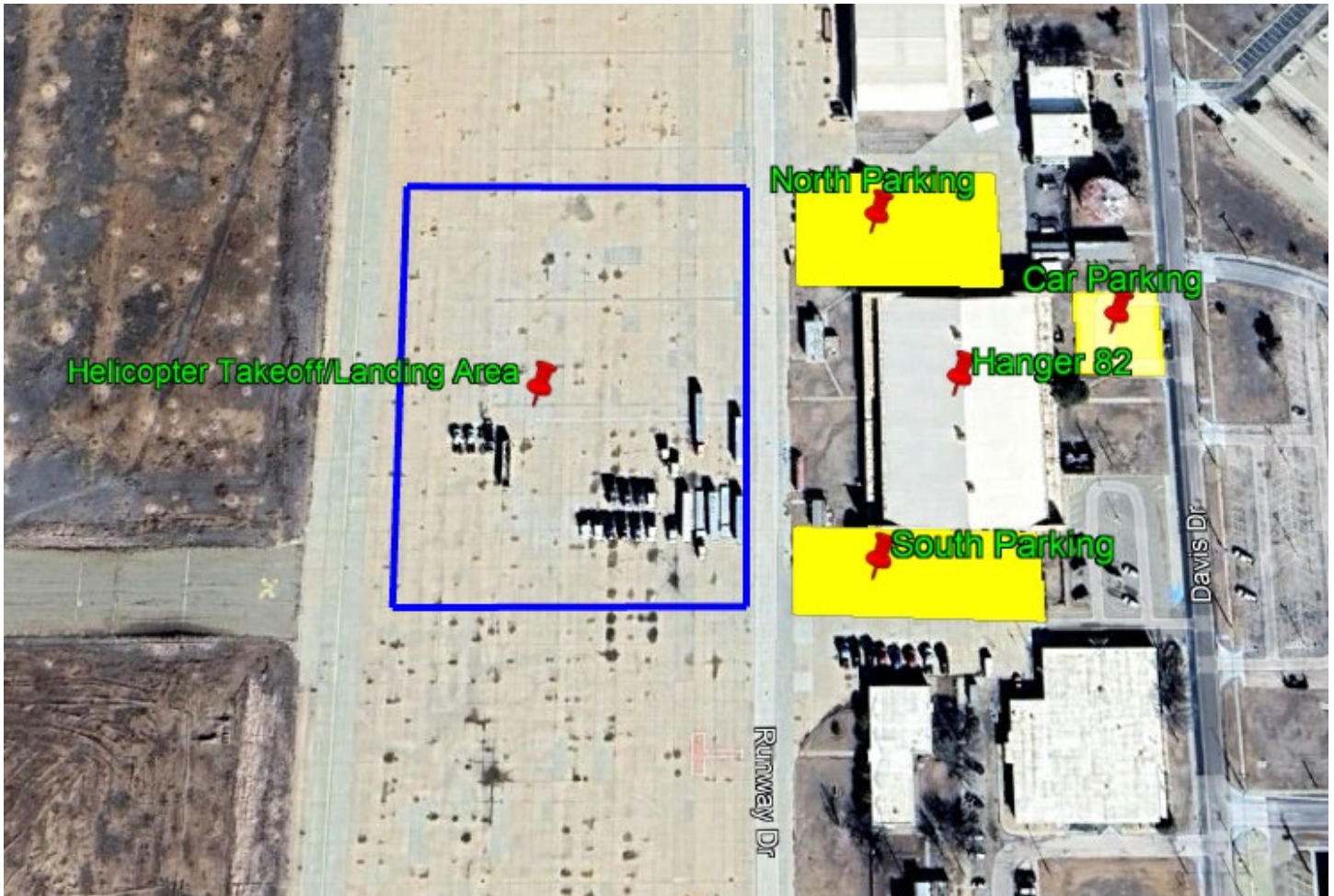
**Security Deposit:**

Tenant will pay a deposit equal to one month's rent in the amount of \$22,339.58.

**Utilities:**

Tenant is responsible for all utilities to be paid directly to provider.

**Exhibit A**





**STANDARD INDUSTRIAL LEASE**

**BETWEEN**

**LUBBOCK REESE REDEVELOPMENT AUTHORITY, a Political  
Subdivision of the State of Texas**

**AS LANDLORD**

**AND**

**HELICOPTER EXPRESS, LLC, a Delaware limited liability company**

**AS TENANT**

**FOR PREMISES LOCATED AT**

**Reese Technology Center Building No. 82**

**402 Davis Drive**

**Lubbock, Texas 79416**

## STANDARD INDUSTRIAL LEASE

This Standard Industrial Lease (the "Lease") is made this \_\_\_\_ day of \_\_\_\_\_, 2024, by and between LUBBOCK REESE REDEVELOPMENT AUTHORITY, a political subdivision of the State of Texas (hereinafter referred to as "Landlord") and HELICOPTER EXPRESS, LLC, a Delaware limited liability company (hereinafter referred to as the "Tenant"). Landlord and Tenant are also referred to herein individually as a "Party" and collectively as the "Parties".

### W I T N E S S E T H:

#### 4. BASIC LEASE PROVISIONS

(a) Landlord: Lubbock Reese Redevelopment Authority, a political subdivision of the State of Texas, whose Federal Taxpayer Identification Number is 75-2713717.

(b) Landlord Address: 9801 Reese Blvd., Suite 200, Lubbock, TX 79416.

(c) Tenant: HELICOPTER EXPRESS, LLC, a Delaware limited liability company, whose Federal Taxpayer Identification Number \_\_\_\_\_.

(d) Tenant Address: 2025 Flightway Drive, Chamblee, Georgia 30341.

(e) Guarantors: N/A

(f) Guarantors' Addresses: N/A

(g) Project: means the land, together with the Premises (as defined below) and all other improvements constructed thereon, and all rights, privileges, easements, and appurtenances pertaining thereto, known as Reese Technology Center and located in Lubbock County, Texas.

(h) Premises means that certain building ("Building") located at 402 Davis Drive, Lubbock, Texas 79416, which is commonly known as Building # 82 (a/k/a "Hangar #82"), and identified as the "Premises" on the site plan attached hereto as **Exhibit A** (the "Site Plan"), and containing approximately 53,615 square feet of floor area. Additionally, the Premises shall include the parking areas and helicopter takeoff and landing area as shown on **Exhibit A**.

(i) Initial Term (Years): Five (5) Years (as extended pursuant to subpart (k), the "Term").

(j) Extensions: Two (2) extension periods of three (3) years each, subject to the rights set forth in Section 1(k).

(k) Option to Extend Term: Tenant shall have the option for two (2) extension periods of three (3) years each. Tenant may exercise each option by providing Landlord with written notice of its desire to exercise the option to extend Term no less than one hundred eighty days (180) days prior to expiration of the Initial Term or the first extension period, or another period of time mutually agreed by the Parties. With the receipt of such notice, this Lease shall be extended for the period specified in Section 1(j), which shall be memorialized in writing and executed by

the Parties confirming the same terms and conditions as are contained in this Lease, except the existing Base Rent will be increased by a fixed three percent (3%) annually during each year of the Extension Period. The adjustment in the Base Rent will be determined by multiplying the then existing Base Rent specified in the Lease (“Base Rent”) by 1.03, which will result in a “Revised Renewal Period Base Rent.”

- (l) Delivery Date: September 1, 2024.
- (m) Commencement Date: September 1, 2024.
- (n) Termination Date: August 31, 2029.

(o) Base Rent: The Parties agree that the Base Rent set forth herein is what is commonly referred to as a "modified gross lease" and that Base Rent already includes, and Tenant shall not have to pay for Common Area (as defined below) Maintenance fees, grounds keeping-mowing expenses, parking, Landlord’s insurance, and any other charges incurred by Landlord with respect to the Premises, except as otherwise provided in this Lease. Said Base Rent does not include, and Tenant is solely responsible for any and all charges associated with utilities, trash dumpsters, telephone service, internet service, Tenant renovations, Premises maintenance, or housekeeping services, except as otherwise provided in this Lease. Subject to this paragraph, Base Rent shall be as set forth below, which represents a fixed increase of three percent (3%) annually during each year of the Lease Term. The adjustment in the Base Rent will be determined by multiplying the then existing Base Rent specified during the Lease Term (“Base Rent”) by 1.03.

<b>Initial Term Lease Year</b>	<b>Total Annual Rent</b>	<b>Total Monthly Payment</b>	<b>Annual Base Rent Per Square Foot Area (53,615 square feet)</b>
Year 1 (9/1/2024 – 8/31/2025)	\$268,075.00	\$22,339.58	\$5.00
Year 2 (9/1/2025 – 8/31/2026)	\$276,117.25	\$23,009.77	\$5.15
Year 3 (9/1/2026 – 8/31/2027)	\$284,159.50	\$23,679.96	\$5.30
Year 4 (9/1/2027 – 8/31/2028)	\$292,737.90	\$24,394.83	\$5.46
Year 5 (9/1/2028 – 8/31/2029)	\$301,316.30	\$25,109.69	\$5.62

(p) Security Deposit: Landlord agrees to accept as a security deposit one (1) months Base Rent in the amount of \$22,339.58. If Tenant defaults, Landlord may use the Security Deposit to pay arrears of Rent, to repair any damage or injury, or to pay any expense or liability incurred by Landlord as a result of the default. Landlord will promptly refund to Tenant the Security Deposit (or remainder thereof, to the extent applied to expenses for which Tenant is expressly liable for herein) at the expiration or termination of this Lease.



(q) Termination: This Lease is terminable by either Party if the other is in default of this Lease, provided that so long as that Party is not in default of this Lease, as further provided in Section 12 herein.

(r) Early Termination Fee: None.

(s) Permitted Use: Tenant may use the Premises for office space and support to its helicopter operations and training, to include heavy lifting, utility construction, disaster relief, aerial cinematography, charter trips, and firefighting services, as well as equipment maintenance.

(t) Relocation Option: Landlord reserves the right to re-locate Tenant at any time during the Term of the Lease at Landlord's expense to a building of similar size and use on the Property (the "Re-location Space"). If Tenant does not find the Re-location Space acceptable then Tenant shall be released of all liability under the Lease, including the payment of any further Rent.

(u) Option to Lease Apron Parking Area: Tenant shall have the option to lease additional helicopter parking space, on the airfield apron, for \$0.25 per square foot (with annual increase of two percent (2%), which shall result in "Additional Rent." The exact location and amount of space will be agreed upon in writing in advance by the Parties.

(v) Landlord's Address for Payment of Rent: Payment of Rent may be made by check and delivered to Landlord's address, or by electronic funds transfer to Landlord's bank account at:

Plains Capital Bank  
5010 University  
Lubbock, TX 79413  
Routing Number - 111322994  
Account Number - 7260002003  
Deposits need to indicate: LUBBOCK REESE REDEVELOPMENT AUTHORITY

## 2. DEFINITIONS

(a) "Common Areas" means all facilities and areas of the Project that are intended and designated by Landlord from time to time for the common, general, and nonexclusive use of all tenants of the Project, including parking lots. Landlord has the exclusive control over and right to manage the Common Areas. Tenant shall have the right to use the Common Areas, but shall maintain all responsibility and liability for its conduct, or the conduct of its agents, employees and persons invited onto the Common Areas or Premises by Tenant. Subject to the terms and conditions of this Lease, Landlord hereby grants Tenant the right to use the Premises for the Permitted Use for the Term of this Lease, and to use the streets, alleys and other portions of the Project necessary to obtain access to the Premises for the Permitted Use, and further subject to the access to the Premises as set forth in Section 5(a)(15) ("Gate 1180 Access").

(b) "Injury" means (1) harm to or impairment or loss of property or its use, (2) harm to or death of a person, or (3) "personal and advertising injury" as defined in the form of liability insurance Tenant is required to maintain.

(c) "Landlord" means Landlord and its agents, officers, servants, employees, consultants,

invitees, licensees, or visitors.

(d) “Rent” means Base Rent plus any other amounts of money payable by Tenant to Landlord.

(e) “Tenant” means Tenant and its agents, contractors, employees, invitees, licensees, or visitors.

(f) “Uncontrollable Event” means any obligation hereunder is prevented or substantially restricted or interfered with by reason of an event of “Force Majeure” (defined below), the affected party, upon giving notice to the other party, shall be excused from such performance to the extent of and for the duration of such prevention, restriction or interference. The affected party shall use its reasonable efforts to avoid or remove such causes of nonperformance and shall continue performance hereunder whenever such causes are removed. “Force Majeure” means flood, drought, earthquake, storm, fire, tornado, lightning, windstorm, or other natural catastrophe; acts of God, casualty or accident; war, sabotage, vandalism, civil strife or other violence; strikes or labor disputes; pandemics; any law, order, proclamation, regulation, ordinance, action, demand or requirement of any government agency; or any other act or condition beyond the reasonable control of a party hereto.

### **3. RENT AND RENT INVOICES**

(a) Rent. Tenant agrees to pay to Landlord the Base Rent, Additional Rent, and any Utility charges billed by the Landlord set forth in Sections 1(o) and 8(a), respectfully, in advance, on the 1<sup>st</sup> day of each calendar month during the Term, without deduction or setoff, commencing on the Commencement Date. Rent will be considered past due and in default if not received by the 10<sup>th</sup> of the month.

(b) Rent Invoices. All invoices from Landlord to Tenant for any Rent due under this Lease will be sent to the address set forth in Section 12(m) or to such other address as Tenant may designate by written notice to Landlord.

### **4. REAL ESTATE TAXES AND OTHER TAXES**

(a) Real Estate Taxes. Tenant will pay or cause to be paid to the appropriate governmental authorities, prior to delinquency, all Real Estate Taxes. “Real Estate Taxes” means all real property taxes and assessments that become due and payable during the Term and are assessed by the applicable taxing governmental authority against the Premises. Tenant shall only be responsible for said taxes incurred by Tenant during the Term, to include any extension, of this Lease. Tenant shall not be responsible for any back taxes or assessments incurred by a third party or prior to the Delivery Date.

(b) Notice Regarding Other Taxes. If assessed, Tenant shall during the Term be responsible for payment, prior to delinquency, of all taxes assessed against and levied upon the trade fixtures, furnishings, equipment, aircraft, and all other personal property of Tenant or under the care of the Tenant contained in the Premises. If applicable, Tenant shall during the Term pay to Landlord monthly with the payment of Base Rent all sales or rental taxes assessed by any governmental authority against the Rent payable by Tenant hereunder. Tenant hereby agrees to

hold Landlord harmless from all costs, expenses, interest and penalties that Landlord may incur as a result of Tenant's failure to pay the taxes set forth in this Section 4.

## **5. TENANT COVENANTS**

### **(a) Tenant Agrees to –**

(1) Lease the Premises for the entire Term beginning on the Delivery Date and ending on the Termination Date, unless otherwise terminated under the terms of the Lease.

(2) Accept the Premises in their present condition “AS IS, WHERE IS CONDITION,” the Premises being currently suitable for the Permitted Use. Tenant shall have the right to perform improvements to the Premises, to include the designated parking areas, subject to Landlord’s approval of the plan and specifications prior to any work being initiated, which approval shall not be unreasonably withheld, delayed, or conditioned. Furthermore, Tenant agrees and assures that any plans submitted and subsequent work performed for any renovation or alteration to the Premises must comply with the federal Americans with Disabilities Act (“ADA”) and the Texas Accessibility Standards (“TAS”) requirements and adhere to the International Building Code, as required by the LRRR Reese Operating Manual, Land and Building Use Section as may be amended from time to time.

(3) Obey (i) all applicable federal, state, and local laws relating to the use, condition, and occupancy of the Premises and related to the Permitted Use; (ii) any requirements imposed by utility companies serving or insurance companies covering the Premises; and (iii) any rules and regulations for the Premises and Common Areas adopted by Landlord, to include the Reese Technology Center Covenants, Codes, Restrictions, and Landscape Standards, as amended, and as may be amended from time to time.

(4) Pay a late charge of five (5) percent of any Rent not received by Landlord by the tenth (10<sup>th</sup>) day after it is due.

(5) Following receipt of a twenty four (24) hour written notice (including e-mail) by Landlord, allow Landlord to enter the Premises during reasonable times to perform Landlord’s obligations, inspect the Premises, and show the Premises to prospective purchasers or tenants; provided however, that such notice requirements shall not apply in the event of Tenant’s request for Landlord to come onto the Premises to perform Landlord’s obligations on the Premises, or in the event of an actual emergency situation that Landlord reasonably believes will result in personal injury, loss of life or property damage to the Premises. In such situation, Landlord will notify in writing Tenant as soon after the entry as is reasonably possible.

(6) Repair, replace, and maintain any part of the Premises that Landlord is not obligated to repair, replace, or maintain, reasonable wear excepted, including any improvements thereon (including, but not limited to, special electrical outlets and interior utility lines), to the reasonable satisfaction of the Landlord or, in lieu of such repair or replacement, Tenant shall pay to Landlord an amount sufficient to compensate Landlord for the loss sustained by Landlord by reason of any damage to or destruction of Landlord’s property. As set forth in Section 6(a)(4)(iii),

Tenant understands and agrees that Tenant is required to repair, replace, and maintain the large hangar doors, windows, window glass, plate glass, and doors associated with the Premises.

(7) Keep the sidewalks, service ways, and loading areas adjacent to the Premises clean and unobstructed.

(8) Submit in writing to Landlord any request for repairs, replacement, and maintenance that are the obligations of Landlord.

(9) Not used.

(10) Vacate the Premises and return all keys to the Premises on the last day of the Term.

(11) If accessed, pay an additional reasonable cleaning fee in the event such cleaning is required as a result of any act of the Tenant or as a result of activities, which are part of the Tenant's use of the Premises. Tenant hereby agrees to pay such fee within thirty (30) days of its receipt of written notification of the fee assessment.

(12) On request, execute an estoppel certificate that states the Delivery Date, Commencement Date, and Termination Date of the Lease, identifies any amendments to the Lease, describes any rights to extend the Term or purchase rights, lists defaults by Landlord, and provides any other information reasonably requested.

(13) INDEMNIFY, DEFEND, AND HOLD LANDLORD HARMLESS FROM ANY INJURY (AND ANY RESULTING OR RELATED CLAIM, ACTION, LOSS, LIABILITY, OR REASONABLE EXPENSE, INCLUDING ATTORNEY'S FEES AND OTHER FEES AND COURT AND OTHER COSTS) IN CONNECTION WITH ANY ACT OR OMISSION BY THE TENANT OCCURRING IN ANY PORTION OF THE PREMISES, OR ARISING FROM TENANT'S ACCESS TO, PRESENCE ON, OR USE OF THE PREMISES OR PROJECT; OR THAT IS RELATED TO TENANT'S PERMITTED USE. THE INDEMNITY CONTAINED IN THIS PARAGRAPH (a) IS INDEPENDENT OF TENANT'S INSURANCE, (b) WILL NOT BE LIMITED BY DAMAGES PAID UNDER THE WORKERS' COMPENSATION ACT OR SIMILAR EMPLOYEE BENEFIT ACTS, AND (c) WILL SURVIVE THE END OF THE TERM. HOWEVER, THE INDEMNITY CONTAINED IN THIS PARAGRAPH SHALL NOT APPLY IF AN INJURY IS CAUSED IN WHOLE OR IN PART BY THE ORDINARY NEGLIGENCE, STRICT LIABILITY, GROSS NEGLIGENCE, OR WILLFUL MISCONDUCT OF LANDLORD.

(14) Tenant acknowledges and agrees that Landlord has notified Tenant that three (3) or more commercial grade wind turbines are or shall be located on the westernmost boundary of the Project, to the west of the westernmost runway of the Project. Tenant acknowledges that such wind turbines generate noise, vibration, air turbulence, wake, shadow flicker, electromagnetic interference, and could interfere with television reception, audio, visual, view, or light, or cause other interference, and Tenant releases and holds Landlord harmless from any claim for damages, losses, liabilities, losses of rent, business opportunities, profits and the like that may result from the normal operation of the wind turbines on the Project.

(15) Tenant acknowledges the existence of and agrees to use the entrance off of Research Blvd. for the delivery or shipment of all products used in and associated with the Permitted Use, when the means of delivery or shipment is a vehicle has more than two axles (the “Gate 1180 Access Point”).

(16) Not used.

(17) Not used.

(18) Tenant shall abide by all directions regarding availability and use of the central 10,500-foot runway and eastern 6,500-foot runway. Additionally, Tenant shall provide at least twenty-four (24) hours’ notice of any use of the runways.

**(b) Tenant agrees not to and agrees to ensure that its agents, contractors, employees, invitees, licensees, sub-lessees, or visitors do not do any of the following —**

(1) Use the Premises for any purpose other than the Permitted Use.

(2) Create a nuisance, to include but not limited to noxious odors.

(3) Interfere with any other tenant’s normal business operations or Landlord’s management of the Premises or Project.

(4) Use the Premises in any way that would increase insurance premiums or void insurance on the Premises or the Project.

(5) Change Landlord’s lock system.

(6) Allow a lien to be placed on the Premises.

(7) Assign this Lease or sublease any portion of the Premises without Landlord’s prior express written consent.

(8) Use the roof on the Premises, except as may be specifically authorized in writing by the Landlord.

(9) Place any signs on the Premises without Landlord’s written consent, which shall not be unreasonably withheld, delayed, or conditioned.

(10) Bring suit against Landlord in connection with any claim or suit for which Tenant bears responsibility pursuant to Section 5(a)(13).

(11) Use any portion of the Premises for wind energy development or the installation or use of any facilities related to wind energy development or generation.

(12) Interfere with the wind energy project being conducted on the westernmost boundary of the Project.

(13) Take any action that shall significantly interfere with or impair the availability, accessibility, flow, frequency or direction of air and wind over and above any portion of the Premises or the Project.

(14) Take any action that in any way interferes with or impairs the transmission of electric, electromagnetic or other forms of energy to or from the wind energy project, or interferes with or impairs Landlord's wind energy tenant's access to the wind energy project.

## **6. LANDLORD COVENANTS**

### **(a) Landlord agrees to –**

(1) Lease to Tenant the Premises for the entire Term beginning on the Delivery Date and ending on the Termination Date, unless terminated earlier in accordance with the terms of the Lease.

(2) To deliver the Premises in broom clean condition. As agreed to by the Parties, Landlord will do one-time spot touch up painting post-Commencement Date. Landlord represents that all missing/broken windows have been replaced and the heating system is operational in the areas where heating is provided to inside the Premises.

(3) Obey all applicable laws with respect to Landlord's operation of the Premises and Project.

(4) Subject to the requirements of Section 5(a)(2), repair and maintain the (i) roof, to include roof membrane, (ii) foundation, to include floor slab, (iii) structural soundness of load bearing and exterior walls, specifically excluding the large hangar doors, windows, window glass, plate glass, and doors, and (iv) Common Areas.

### **(b) Landlord agrees not to—**

(1) Interfere with Tenant's possession and quiet enjoyment of the Premises as long as Tenant is not in default.

(2) Subject to Section 12(q), unreasonably withhold consent to a proposed assignment or sublease.

## 7. COMMON AREAS

(a) Right to Use Common Areas. Tenant will have the nonexclusive right to use the Common Areas subject to any reasonable rules and regulations that Landlord may prescribe, to include but not limited to designation of parking areas for Tenant events.

(b) Maintenance of Common Areas. At all times during the Term, Landlord will maintain the Common Areas.

## 8. UTILITIES AND TRASH REMOVAL

(a) Payment of Utility Bills. Subject to Section 3(a), Tenant shall promptly pay all charges for electricity, water, gas, telephone service, sewer service, and other utilities furnished to the Premises directly to the utility providing such service.

(b) Trash Removal. Tenant shall install, in compliance with applicable laws at a location immediately adjacent to the outside of the Premises or as designated by the Landlord, a trash dumpster. Tenant shall pay for collection of its own trash and cleaning of the Premises.

## 9. DAMAGE BY CASUALTY

(a) Notice of Damage and Estimated Repair Time. If the Premises is damaged or destroyed by fire or other casualty ("Casualty"), Landlord will, within thirty (30) days after the date of the Casualty, notify Tenant in writing ("Landlord's Casualty Notice") of the number of days, from the date of the Casualty, that Landlord estimates will be required to complete the repair and restoration. If neither Tenant, nor Landlord, elects to terminate this Lease as set forth below, then the damage or destruction of the Premises will, at the expense of Landlord, be repaired and restored, unless Casualty is determined to have been caused by intentional or unintentional neglect of the Tenant, at which the damage or destruction will be at the expense of the Tenant.

(b) Tenant's Right to Terminate. If more than thirty-five percent (35%) of the floor area of the Premises is damaged or destroyed due to Casualty, then Tenant will have the right to terminate this Lease, effective as of the date of Casualty, by notice given to Landlord within fifteen (15) days after Tenant's receipt of Landlord's Casualty Notice.

(c) Landlord's Right to Terminate. If more than thirty-five percent (35%) of the floor area of the Premises is damaged or destroyed by Casualty during the Term, then Landlord may elect to terminate this Lease effective as of the date of the Casualty by notice given to Tenant not later than fifteen (15) days after Landlord delivers Landlord's Casualty Notice to Tenant.

(d) Landlord's Repair Obligation. Landlord's obligation will be to restore all portions of the Premises and the Common Areas in the immediate vicinity of and surrounding the Premises (including but not limited all parking areas surrounding the Premises and all sidewalks, roadways, driveways and access ways leading to and from the Premises) affected by a Casualty (exclusive of Tenant's fixtures and equipment) to their condition immediately preceding such Casualty. If Landlord for any reason whatsoever fails (1) to commence the repair and restoration work required hereunder within ninety (90) days from the date of the Casualty, (2) to proceed diligently to complete such repair and restoration work, or (3) fails to complete same within the estimated time

set forth in Landlord's Casualty Notice, plus the number of days of delay caused by Uncontrollable Events, then, Tenant will have the right to terminate this Lease by giving Landlord notice and upon the giving of such notice, this Lease will terminate and the Parties will be liable for their respective obligations to the date of termination and will have no liability for obligations arising after that date, except for those obligations which expressly survive termination. Landlord agrees should damage occur in over thirty-five percent (35%) of the floor area no Rent will be due or if mutually agreed a reduced Rent will be paid, provided Tenant can use the portion of the Premises not damaged.

## 10. HAZARDOUS MATERIALS

(a) Landlord's Obligations. Landlord represents and warrants that on the Delivery Date the Premises and the Project shall be in compliance with all Environmental Laws. During the Term, Landlord will not use, generate, place, store, release or otherwise dispose of, or permit the use, generation, placing, storage, release or disposal of, Hazardous Materials in the Project, except in accordance with all Environmental Laws.

(b) Tenant's Obligations. During the Term, Tenant will not use, generate, place, store, release or otherwise dispose of Hazardous Materials in the Premises or the Common Areas, except in accordance with all Environmental Laws, and subject to the Reservations recorded in the Deed Without Warranty Between the United States of America and Landlord recorded in the Real Property Records of Lubbock County, Texas at Deed Record 2006041652. Notwithstanding anything to the contrary contained in this Lease, Landlord acknowledges and agrees that Tenant shall have the right to use and store in the Premises in Tenant's ordinary course of business Hazardous Materials in accordance with Environmental Laws, and subject to Section 10(e), below. In the event of a breach of the foregoing, Tenant will promptly undertake remediation or removal in accordance with all Environmental Laws. Tenant will indemnify, defend and hold Landlord and Landlord's Affiliated Parties harmless from and against, and reimburse Landlord and Landlord's Affiliated Parties for, all Hazardous Materials Liabilities asserted against or incurred by Landlord or Landlord's Affiliated Parties as a result of a breach of Tenant's obligations under this paragraph. Notwithstanding anything to the contrary contained herein, in no event shall Tenant be liable for Hazardous Materials existing in, on or about the Premises or the Project prior the Tenant's occupancy of the Premises. Tenant shall provide Landlord a copy of Tenant's plan for responding to hazardous waste, fuel, and chemical spills no later than the Commencement Date.

(c) Definitions. As used herein,

(i) "Hazardous Materials" shall be construed broadly to include any toxic or hazardous substance, material, or waste, and any other contaminant, pollutant or constituent thereof, including without limitation, chemicals, compounds, by-products, petroleum or petroleum products, and polychlorinated biphenyls, the presence of which requires investigation or remediation under any Environmental Laws or which are or become regulated, listed or controlled by, under or pursuant to any Environmental Laws;

(ii) "Environmental Laws" means all federal, state, regional or local statutes, laws, regulations, codes, orders, permits, ordinances, decrees, rulings or judicial or administrative interpretations thereof, or similar laws of foreign jurisdictions where the Tenant conducts business,



whether currently in existence or hereinafter enacted or promulgated, any of which govern, or purport to govern, or relate to pollution, protection of the environment, public health and safety, air emissions, water discharges, hazardous or toxic substances, solid or hazardous waste or occupational health and safety, as any of these terms are or may be defined in such statutes, laws, rules, regulations, codes, orders, permits, ordinances, decrees, rulings or judicial or administrative interpretations thereof, including, without limitation: the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendment and Reauthorization Act of 1986, 42 U.S.C. §9601, et seq. (collectively "CERCLA"); the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976 and subsequent Hazardous and Solid Waste Amendments of 1984, 42 U.S.C. §6901 et seq. (collectively "RCRA"); the Hazardous Materials Transportation Act, as amended, 49 U.S.C. §1801, et seq.; the Clean Water Act, as amended, 33 U.S.C. §1311, et seq.; the Clean Air Act, as amended (42 U.S.C. §7401-7642); the Toxic Substances Control Act, as amended, 15 U.S.C. §2601 et seq.; the Federal Insecticide, Fungicide, and Rodenticide Act as amended, 7 U.S.C. §136-136y ("FIFRA"); the Emergency Planning and Community Right-to-Know Act of 1986 as amended, 42 U.S.C. §11001, et seq. (Title III of SARA) ("EPCRA"); and the Occupational Safety and Health Act of 1970, as amended, 29 U.S.C. §651, et seq. ("OSHA"); and

(iii) "Hazardous Materials Liabilities" means all claims, damages, losses, forfeitures, expenses or liabilities arising from or caused in whole or in part, directly or indirectly, by a breach by the other Party of its representations, warranties or covenants under Section 10(a) or (b), including, without limitation, all costs of defense (including reasonable attorneys' fees and other costs of litigation), all consultants' fees, and all costs of investigation, repair, remediation, restoration, cleanup, detoxification or decontamination, and/or preparation and implementation of any closure, remedial action or other required plan.

(d) Hazardous Materials. Tenant agrees to provide Landlord access to the Leased Premises after receiving reasonable advance written notice for periodic inspections concerning the Hazardous Materials uses in its operations, to provide Landlord with a list of any and all Hazardous Materials used in its operations or which are brought on to the Leased Premises by Tenant, and shall provide Landlord with Material Safety Data Sheets for all Hazardous Materials, its security procedures and Hazardous Materials safety plans, policies and procedures to be utilized by the Tenant for protection of Tenant's employees health, safety and well-being, as well as for the plans, policies and procedures designed to protect the health, safety and well-being of any person on the Reese Technology Center Campus that may come in contact with the Hazardous Materials and chemicals in use by the Tenant.

(e) Hazardous Waste Permit. Any hazardous waste permit under the Resource Conservation and Recovery Act, or its Texas equivalent, shall be limited to generation and transportation. The Tenant shall not, under any circumstances store any hazardous waste on or about the premises for any period in excess of ninety (90) days. Any violation of this requirement shall be deemed a material breach of this Lease. Hazardous storage facilities will not be available to the Tenant. The Tenant must provide at its own expense such storage facilities; complying with all laws and regulations it needs for temporary (less than ninety (90) days) storage.

(f) Survival. The provisions of this Section 10 will survive the expiration or earlier termination of this Lease.

## 11. INSURANCE AND WAIVER OF SUBROGATION

A Certificate of Insurance for each coverage identified below shall be submitted by each Party to the other prior to the Delivery Date. Each Party shall provide to the other proof of the required insurance on or before the expiration date of each expiring policy and Tenant shall cause each required policy to require insurer to give Landlord notice of termination of any policy prior to the expiry of its term. Landlord shall provide Tenant notice of termination of any policy to the expiry of its term. It is expressly understood and agreed by the Parties that Landlord's insurer, Texas Municipal League Intergovernmental Risk Pool, may not add a private party as an additional insured party to its policies. Specifically, the Parties are required to have:

(a) Commercial General Liability Insurance. Commercial General Liability Insurance covering the Premises and its use thereof, not including Common Areas (with regard to Tenant's policy), against claims for bodily injury, death or property damage occurring upon, in or about the Premises (including contractual indemnity and liability coverage), such insurance to provide coverage of not less than \$1,000,000.00 per occurrence and \$5,000,000.00 annual aggregate. Landlord shall be included as an additional insured against claims for bodily injury, death, or property damage occurring upon, in or about the Premises; or that is related to the Permitted Use.

(b) Tenant's Property Insurance. Tenant shall maintain property insurance on an all-risk basis (including coverage against fire, wind, tornado, vandalism, malicious mischief, water damage and sprinkler leakage) covering all Tenant owned fixtures, equipment, and leasehold improvements, and other personal property located in the Premises and endorsed to provide one hundred percent (100%) replacement cost coverage. Such policy shall be written in the name of Tenant.

(c) Tenant's Workers Compensation' and Employer's Liability Insurance. Tenant shall maintain workers' compensation insurance in an amount meeting applicable state statutory requirement and the employer's liability limits shall be in an amount not less than \$1,000,000.00 per bodily injury by accident and \$1,000,000.00 per employee for bodily injury by disease.

(d) Tenant's Aircraft and Aircraft Operation Insurance. Tenant shall maintain insurance covering the Premises and Tenant's use thereof, not including Common Areas, against claims for bodily injury, death or property damage occurring upon, in or about the Premises (including contractual indemnity and liability coverage), to include use of the runways and apron, such insurance to provide coverage of not less than \$1,000,000.00 per occurrence and \$5,000,000.00 annual aggregate relating to the use, storage, or operation of aircraft. Landlord shall be included as an additional insured against claims for bodily injury, death, or property damage occurring upon, in or about the Premises; or that is related to the Permitted Use.

(e) Landlord's Hangarkeepers Liability Insurance. Landlord shall maintain hangarkeepers liability insurance covering the Premises and Common Areas, including protection against fire and other hazards, and covering incidental movement of aircraft, in the sum of not less than \$1,000,000.00 per occurrence and \$5,000,000.00 annual aggregate.

(f) Other Requirements of Insurance. All such insurance will be issued and underwritten by companies with an A.M. Best rating of "A" or better and size rating of "VI" or better and each

Party will use good faith efforts to obtain a policy that will contain endorsements that (1) such insurance may not lapse with respect to the other Party or be canceled with respect to the other Party without the insurance company giving such Party at least thirty (30) days prior written notice of such cancellation, (2) each Party will be solely responsible for payment of premiums, and (3) in the event of payment of any loss covered by such policy, this insurance shall apply as primary insurance with respect to any overlapping coverage afforded to the Landlord except for loss arising from Common Areas.

(g) Release of Claims/Subrogation. LANDLORD AND TENANT RELEASE EACH OTHER AND ANY LIENHOLDER FROM ALL CLAIMS OR LIABILITIES FOR DAMAGE TO THE PREMISES OR BUILDING, DAMAGE TO OR LOSS OF PERSONAL PROPERTY WITHIN THE BUILDING, AND LOSS OF BUSINESS OR REVENUES THAT ARE COVERED BY THE RELEASING PARTY'S PROPERTY INSURANCE OR THAT WOULD HAVE BEEN COVERED BY THE REQUIRED INSURANCE IF THE PARTY FAILS TO MAINTAIN THE PROPERTY COVERAGES REQUIRED BY THIS LEASE. THE PARTY INCURRING THE DAMAGE OR LOSS WILL BE RESPONSIBLE FOR ANY DEDUCTIBLE OR SELF-INSURED RETENTION UNDER ITS PROPERTY INSURANCE. LANDLORD AND TENANT WILL NOTIFY THE ISSUING PROPERTY INSURANCE COMPANIES OF THE RELEASE SET FORTH IN THIS PARAGRAPH AND WILL HAVE THE PROPERTY INSURANCE POLICIES ENDORSED, IF NECESSARY, TO PREVENT INVALIDATION OF COVERAGE. THIS RELEASE WILL NOT APPLY IF IT INVALIDATES THE PROPERTY INSURANCE COVERAGE OF THE RELEASING PARTY. THE RELEASE IN THIS PARAGRAPH WILL APPLY EVEN IF THE DAMAGE OR LOSS IS CAUSED IN WHOLE OR IN PART BY THE ORDINARY NEGLIGENCE OR STRICT LIABILITY OF THE RELEASED PARTY BUT WILL NOT APPLY TO THE EXTENT THE DAMAGE OR LOSS IS CAUSED BY THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF THE RELEASED PARTY.

## 12. ADDITIONAL LANDLORD AND TENANT AGREEMENTS

(a) Alterations or Tenant Improvements. Any physical additions or improvements to the Premises made by Tenant will become the property of Landlord. Landlord may require that Tenant, at the end of the Term and at Tenant's expense, remove any physical additions and improvements, repair any alterations, and restore the Premises to the condition existing at the Delivery Date, normal wear excepted. All alterations shall require the prior written consent of Landlord (which shall not be unreasonably withheld, delayed, or conditioned). Tenant agrees at its sole cost and expense to comply with all applicable laws when performing any alterations, including obtaining any governmental permits which may be required in connection therewith. Should Tenant desire to renovate the Premises and such renovations would require alterations to the Premises, then Tenant shall submit plans and specifications for such renovations to Landlord for its approval, such approval not to be unreasonably withheld, delayed or conditioned. Landlord shall have fourteen (14) days from receipt of Tenant's plans and specifications to approve or disapprove same. In the event Landlord fails to disapprove of said plans and specifications within such fourteen (14) day period, then the plans and specifications shall be deemed approved. After completion of any alterations or improvements that require consent of Landlord hereunder, Tenant shall provide Landlord with a copy of Tenant's plans and specifications for such alterations or improvements.

(b) Abatement. Tenant's covenant to pay Rent and Landlord's covenants are independent. Tenant will not be entitled to abate Rent for any reason.

(c) Condemnation/Substantial or Partial Taking

(1) If the Premises cannot be used for the purposes contemplated by this Lease because of condemnation or purchase in lieu of condemnation, this Lease will terminate at the discretion of the Tenant.

(2) If there is a condemnation or purchase in lieu of condemnation and this Lease is not terminated by the Tenant, Landlord will, at Landlord's expense, restore the Premises, and the Rent payable during the unexpired portion of the Term will be adjusted as may be fair and reasonable.

(3) Tenant will have no claim to the condemnation award or proceeds in lieu of condemnation.

(d) Not used.

(e) Default by Landlord/Events. Defaults by Landlord are:

(1) failing to comply with any provision of this Lease within thirty (30) days after written notice is received by the Landlord from the Tenant; or

(2) commencement of proceedings for the reorganization, liquidation, or voluntary dissolution of Landlord, or for its adjudication as a bankrupt or insolvent, or for the appointment of a receiver of the Landlord's property, if the proceedings are not dismissed, and any receiver, trustee, or liquidator appointed therein is not discharged within thirty (30) days after the proceedings are instituted.

(f) Default by Landlord/Tenant's Remedies. Tenant's remedies for Landlord's default are to (1) terminate this Lease; (2) recover all Tenant's property on or in the Premises with the cooperation of the Landlord; (3) recover from the Landlord all costs, loss and damage suffered by the Tenant, including all costs in relation to any default by the Landlord under this Lease; (4) sue for damages, and/or (5) exercise any of the Tenant's other legal rights.

(g) Default by Tenant/Events. Defaults by Tenant are:

(1) making an assignment for the benefit of its creditors;

(2) not used;

(3) commencement of proceedings for the reorganization, liquidation, or voluntary dissolution of Tenant, or for its adjudication as a bankrupt or insolvent, or for the appointment of a receiver of the Tenant's property, if the proceedings are not dismissed, and any receiver, trustee, or liquidator appointed therein is not discharged within thirty (30) days after the proceedings are instituted;

(4) the filing of a mechanic's or materialman's lien against the Premises in connection with work contracted for by Tenant that is not released by payment or bond or otherwise (including indemnification reasonably satisfactory to Landlord) within thirty (30) days of Tenant's receipt of written notice of the existence of such mechanic's or materialman's lien, provided, however, that Tenant shall have an affirmative duty to notify Landlord of the existence or threat of any such mechanic's or materialman's lien being filed against the Premises if and when Tenant receives any notice of the threatened mechanic's or materialman's lien from any claimant;

(5) failing to pay timely Rent, in accordance with Section 3(a);

(6) failure by Tenant to perform or observe any of Tenant's non-monetary covenants contained in this Lease within thirty (30) days after written notice is received by the Tenant from the Landlord;

(7) abandoning or vacating a substantial portion of the Premises;

(8) failing to comply within thirty (30) days after written notice with any provision of this Lease; and

(9) failing to comply with the requirements set forth in Sections 5(a)(2) within thirty (30) days after written notice is received by the Tenant from the Landlord.

(h) Default by Tenant/Landlord's Remedies. Landlord's remedies for Tenant's default are to (1) enter and take possession of the Premises; (2) enter the Premises and perform Tenant's obligations; and (3) terminate this Lease by written notice and sue for damages. Landlord may enter and take possession of the Premises by self-help, by picking or changing locks if necessary, and may lock out Tenant or any other person who may be occupying the Premises, until the default is cured, without being liable for damages.

(i) Remedies Cumulative. The rights and remedies given to Landlord and Tenant in this Lease are distinct, separate and cumulative remedies, and the exercise of any one or more of them will not be deemed to exclude Landlord's or Tenant's rights to exercise any or all of the others which are given in this Lease, or at law or in equity, unless such remedies are expressly excluded.

(j) Default/Waiver/Mitigation. It is not a waiver of default if the non-defaulting Party fails to declare immediately a default or delays in taking any action. Pursuit of any remedies set forth in this Lease does not preclude pursuit of other remedies in this Lease or provided by applicable law. Landlord and Tenant have a duty to mitigate damages.

(k) Representations and Indemnities of Broker Relationships. Tenant and Landlord each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder in connection with this Lease, and that no one is entitled to any commission or finder's fee in connection herewith. Tenant and Landlord do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar Party by reason of any dealings or

actions of the indemnifying Party, including any costs, expenses, attorneys' fees reasonably incurred with respect thereto.

(l) Holdover. No holding over by Tenant, whether with or without the consent of Landlord, will extend the Term. If Tenant remains in possession of the Premises after the expiration of the Term without execution of a new lease, amendment, or other instrument extending the Term, Tenant will be deemed to be occupying the Premises as a Tenant at will, subject to all of the terms of this Lease as may be applicable to a month to month tenancy and at One Hundred Fifty Percent (150%) of the monthly installment of the Base Rent set forth in Section 1(m) for the twelve (12) month period prior to expiration of the Term, except that thereafter either Landlord or Tenant may terminate this Lease upon thirty (30) days' notice to the other; provided that Landlord, by the terms hereof, is not deemed to consent to any such holdover by Tenant and may exercise all rights provided by law to remove Tenant from the Premises upon giving Tenant the notice described herein.

(m) Notices. Any notices sent or required to be given hereunder must in writing and sent by certified mail, return receipt requested, or nationally recognized overnight courier to the following addresses:

**LANDLORD:**

Lubbock Reese Redevelopment Authority  
9801 Reese Boulevard  
Suite 200  
Lubbock, Texas 79416  
Attn: Executive Director  
Telephone: (806) 885-6592  
Email: [mmusa@reesecenter.com](mailto:mmusa@reesecenter.com)

**TENANT:**

Helicopter Express, LLC  
Richie Kittrell, COO  
2025 Flightway Drive  
Chamblee, GA 30341  
Telephone: 770-330-3684 \_\_\_\_\_  
Fax:     N/A      
Email: [\\_richie@helicopterexpress.com](mailto:_richie@helicopterexpress.com) \_\_\_\_\_

Notices will be deemed given on the date received (or refused) when addressed to the Parties at the addresses set forth above or in either case to such other addresses as Landlord or Tenant may designate to the other by written notice. Notice may also be given by regular mail, personal delivery, courier delivery, or other commercially reasonable means and will be effective when actually received. Any address for notice may be changed by written notice delivered as provided herein. Without limiting the foregoing, any notice required or permitted to be given under this Lease may be sent by e-mail at the appropriate e-mail address set forth in this Section 12(m), as

the same may be amended, or to such other e-mail address as Landlord or Tenant may from time to time designate in a notice to the other; provided that such e-mailed notice expressly states that it represents a notice under Section 12(m) of this Lease. Any e-mailed notice shall be deemed given on the date of delivery, provided that (i) such delivery is reasonably confirmed as received by the recipient (i.e., no error report is received by the sender); and (ii) if delivery occurs after 5:00 p.m. in the time zone of the recipient or on a non-business day, then such notice shall be deemed received on the first business day after the day of delivery.

(n) Attorney's Fees. If either Party retains an attorney to enforce this Lease, the Party prevailing in litigation is entitled to recover reasonable attorney's fees and other fees and court and other costs.

(o) Governing Law. This Lease shall be governed in accordance with the laws of the State of Texas, including all matters of construction, validity and performance, without giving effect to conflict of laws provisions. Exclusive jurisdiction and venue over any and all disputes between the Parties arising under this Lease shall be in, and for such purpose each Party hereby submits to the jurisdiction of, the state and federal courts serving Lubbock County, Texas. THE PARTIES HEREBY WAIVE THE RIGHT TO TRIAL BY JURY IN ANY LITIGATION ARISING OUT OF OR RELATING TO THIS LEASE.

(p) Entire Agreement. This Lease, together with the attached exhibits and riders, is the entire agreement of the Parties, and there are no oral representations, warranties, agreements, or promises pertaining to this Lease or to any expressly mentioned exhibits and riders not incorporated in writing in this Lease.

(q) Assignment and Subletting by Tenant. Tenant may have the right, with the prior written consent of Landlord, which consent shall not be unreasonable withheld, conditioned or delayed, to assign this Lease, and any interest therein, provided each assignee assumes in writing all of Tenant's obligations under this Lease and Tenant shall remain liable for each and every obligation under this Lease. Landlord hereby grants its consent for Tenant to sublet the Premises or any thereof, or any right or privilege pertinent thereto.

The foregoing notwithstanding, Tenant may assign its entire interest under this Lease to an Affiliate or to a successor to Tenant by purchase, merger, consolidation or reorganization without the consent of Landlord, provided that all of the following conditions are satisfied (a "Permitted Transfer"): (1) no uncured event of default exists under this Lease; (2) Tenant's successor shall own all or substantially all of the assets of Tenant; and (3) Tenant shall give Landlord written notice at least thirty (30) days prior to the effective date of the proposed purchase, merger, consolidation or reorganization. The term "Affiliate" means any person or entity controlling, controlled by or under common control with Tenant. Tenant's notice to Landlord shall include information and documentation showing that each of the above conditions has been satisfied.

(r) Assignment by Landlord. Landlord is expressly given the right to assign any or all of its interest under the terms of this Lease, provided the assignee expressly assumes all obligations of Landlord hereunder, and executes an amendment with this Lease with the Tenant.

(s) Amendment of Lease. This Lease may be amended only by an instrument in writing signed by Landlord and Tenant.

(t) Limitation of Warranties. THERE ARE NO IMPLIED WARRANTIES OF MERCHANTABILITY, OF FITNESS FOR A PARTICULAR PURPOSE, OR OF ANY OTHER KIND ARISING OUT OF THIS LEASE, AND THERE ARE NO WARRANTIES THAT EXTEND BEYOND THOSE EXPRESSLY STATED IN THIS LEASE.

(u) Not used.

(v) Heirs, Successors, and Assigns. This Lease and the covenants, agreements and representations herein contained will be binding upon, and inure to the benefit of, the Parties hereto and their respective heirs, executors, administrators, successors, and assigns.

(w) Rules of Construction. This Lease will be construed with equal weight for the rights of both Parties, the terms hereof having been determined by fair negotiation with due consideration for the rights and requirements of both Parties.

(x) Severability. If any term or provision of this Lease is found to be invalid, illegal or unenforceable, the remaining terms and provisions hereof will not be affected thereby; and each term and provision hereof will be valid and enforceable to the fullest extent permitted by applicable laws.

(y) Headings. The captions, section numbers and paragraph numbers appearing in this Lease are inserted only as a matter of convenience and in no way define, amplify, limit, construe or describe the scope or interest of any section of this Lease.

(z) Trafficking of Persons. Under §2155.0061, Texas Government Code, Tenant certifies that the individual or business entity named in the Lease is not ineligible to receive the specified Lease and acknowledges that the Lease may be terminated if this certification is inaccurate.

(aa) Chapter 2271 of the Texas Government Code. Tenant acknowledges that in accordance with Chapter 2271 of the Texas Government Code, the Landlord is prohibited from entering into a contract with a company for goods or services unless the contract contains a written verification from the Tenant that it: (1) does not boycott Israel; and (2) will not boycott Israel during the term of the contract. The terms “boycott Israel” and “company” shall have the meanings ascribed to those terms in Section 808.001 of the Texas Government Code. ***By signing this Lease, Tenant certifies that Tenant’s signature provides written verification to the Landlord that Tenant: (1) does not boycott Israel; and (2) will not boycott Israel during the term of the Lease.***

(bb) Counterparts; Signatures. This Lease may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Lease and all of which, when taken together, will be deemed to constitute one and the same agreement. The exchange of copies of this Lease and of signature pages by facsimile transmission, email or other electronic means (including, without limitation, DocuSign or other third-party electronic signature verification



service) shall constitute effective execution and delivery of this Lease as to the Parties and may be used in lieu of the original Lease for all purposes. Signatures of the Parties transmitted by facsimile, email or other electronic means (including, without limitation, DocuSign or other third party electronic signature verification service) shall be deemed to be their original signatures for all purposes.

### **13. AFFIRMATIVE REPRESENTATIONS CONCERNING FTZ-260 AND OPERATION OF AIRFIELD**

(a) Free Trade Zone (FTZ). The Lubbock Economic Development Authority (“LEDA”) has applied and previously received approval for eligible tenants of the Project to be able to take advantage of the benefits of its FTZ. Tenants that are eligible to participate must apply through LEDA and pay the application fees and any monthly fees associated with the volume of goods that are transported into and out of the FTZ. Interested tenants should contact the LEDA for specific details regarding the application process and the fees and regulations associated with the program.

(b) Airfield. Landlord currently has Federal Aviation Administration approval to operate the airstrips located within the Project. The 6,500-foot north-south runway can accommodate large cargo aircrafts such as a C-130. While Landlord anticipates that there may be changes with respect to the use of the three (3) primary landing strips that are now in operation (including that the westernmost runway is non-operational, except in the case of a federal, state or local emergency), Landlord intends to continue to operate the 6,500-foot north-south runway and will make the use of such runway available to Tenant in accordance with the existing Federal Aviation Administration certification. With regard to the westernmost runway, Landlord has restricted use of such runway based on the operation of the commercial grade wind turbines that exist on the Project to the west of such runway, and Tenant agrees that it may not have access to such runway. All flight arrangements must be approved through Landlord and any tenant utilizing the runway for such flights must comply with the daytime Visual Flight Rule. Notwithstanding the foregoing, Landlord agrees that it will not cause or permit any material change in size, location or configuration of any airstrip or runway which will have an adverse effect on Tenant's ability to operate in the Premises or which will adversely affect access to the Premises.

### **14. SECURITY CONDITIONS**

Landlord and Tenant acknowledge and agree that the Project is located on property formerly owned and operated by the United States Air Force as the Reese Air Force Base, and that certain portions of the Project have been previously utilized by local, state and federal governmental entities (hereinafter, “the Government”) in times of state or national emergencies to provide temporary evacuation shelters and other such uses. Additionally, Landlord has other tenants of the Project that require controlled access to the Airfield during certain operations. Landlord represents that the Government may continue to utilize the Project during the Term of this Lease in times of state or national emergency (with or without Landlord’s express consent), and other tenants of the Project, when approved by the Landlord, may require controlled access to the Airfield, and that such use could adversely affect Tenant’s ability to access the Premises and/or use the Common Areas due to additional security measures; provided, however, that such adverse impact shall only delay and shall not unreasonably deny access by Tenant to the Premises.

Tenant acknowledges and agrees that, in the event that the Government utilizes any portion of the Project in a time of state or national emergency or when the Landlord authorizes other tenants of the Project to control access to the Airfield, Tenant, its employees, officers, agents, and contractors will comply with all reasonable security regulations imposed by the Landlord or applicable governmental agency, including the requirement to obtain and display security identification cards and to comply with reasonable security procedures.

The execution of this Lease by Landlord shall not be considered a waiver of Landlord's sovereign immunity to suit.

***/Signature Page Follows/***

**IN WITNESS WHEREOF**, having read and intending to be bound by the terms hereof, the Parties have signed this Lease on the date(s) set forth below.

LUBBOCK REESE  
REDEVELOPMENT AUTHORITY  
("Landlord")

HELICOPTER EXPRESS, LLC.  
("Tenant")

\_\_\_\_\_  
By: Murvat Musa/CEO

\_\_\_\_\_  
By: Scott Runyan, President/CEO

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

EXHIBIT A

Site Plan



## **EXHIBIT B**

### **Reese Airpark Rates and Charges**

The Tenant will be subject to rates and charges imposed for use of the Reese Technology Airpark by fixed wing aircraft. These charges may be amended from time to time but are currently:

1. Fuel Flowage Fee of \$0.08 per gallon.
2. Landing fees \$3.00 per 1,000 pounds Maximum Gross Landing Weight (MGLW).
3. Landing fees do not apply to aircraft with maximum certificated takeoff weights of 12,500 pounds or less.

**BOARD ACTION ITEM No. 2024-0828-031  
HELICOPTER EXPRESS, LLC LEASE FOR HANGAR 82**

**BOARD OF DIRECTORS  
LUBBOCK REESE REDEVELOPMENT AUTHORITY  
August 28, 2024**

Item to be Considered:

Helicopter Express, LLC Lease for Hangar 82

Previous Board Action:

None. This is a new customer for LRRRA

Statement of Pertinent Facts:

- a) Term: Five years with two renewal options for three years each
- b) Rent: \$5 per square foot with annual increases of 3%. The first year's rent is \$268,075. The total value of the initial term is \$1,422,405.95.

Advice, Opinions, Recommendations, and Motion:

If the Board of Directors concurs, the following motion is in order:

"Resolved, that the Board of Directors of the Lubbock Reese Redevelopment Authority hereby approves the Lease for Hangar 82 for Helicopter Express, LLC, and authorizes its CEO/Executive Director to execute the agreement subject to negotiation of final terms and conditions, as submitted on this 28<sup>th</sup> day of August 2024."

\_\_\_\_\_  
Tim Pierce – Board President

ATTEST:

\_\_\_\_\_  
LRRRA Board Member

**AGENDA ITEM 11  
EXECUTIVE SUMMARY  
AECOM  
BUILDING 70 LEASE**

The Lease Review Committee has reviewed and supports the following new lease.

In an effort to provide the Air Force and their two contractors with the proper space to continue the groundwater remediation efforts, both AECOM and Aerostar will be moving from Building 20 into Building 70. The Air Force plans to have the contractors, whomever they may be over the next 20 years officed at Reese in Building 70. This is a good, stable move for LRRRA with two quality customers backed by good old US taxpayer money. In order to accomplish this, we will be terminating their current lease and entering into a new lease with both contractors.

AECOM, who currently leases 1,196 square feet of office space in Building 20 and 10,500 square feet of laydown space outside for collectively \$2,297.88 per month will be moving into approximately 6,402 square feet of office space and 6,500 square feet of hangar space in Building 70, the cost of which will be \$4,563.33 per month which is comprised of \$5 per square foot for the office space and \$3 per square foot for the hangar space. For year one, that will mean annual rent of \$54,760 vs the current annual rent of \$27,574.56 resulting in an increase of rent to LRRRA of \$27,185.44 (a 99% increase) for year one. The new lease agreement is for one year with two options to extend for one year each (with 3% annual increases) which follows the federal contract.

CURRENT ANNUAL RENT	NEW ANNUAL RENT	RENT DIFFERENCE TO LRRRA
\$ 27,574.56	\$ 54,760.00	\$ 27,185.44

For more details, attached you will find the Deal Sheet, the Lease Termination Agreement, and the new lease for Building 70.

Staff are requesting Board approval for the AECOM Lease Termination Agreement and the Lease Agreement for Building 70.

**Deal Sheet**  
AECOM and SES Aerostar  
Lease for Building 70  
“Subject to Board Approval”

**Tenant:**  
AECOM and SES Aerostar

**Background Information:**

The Air Force Civil Engineering Center (AFCEC) continues to remediate groundwater contamination at the former Reese Air Force Base through contracting with two private companies, AECOM and Aerostar, which are both located at Reese. Our agreement with AECOM expires September 30, 2025 (there is a renewal option that, if exercised, will expire June 30, 2026), and our agreement with Aerostar expires August 31, 2024, with an option to renew through August 31, 2025. Both contractors are co-located in Building 20 and Aerostar leases an additional building, 1301. Additionally, they both have laydown space they lease. In total AECOM pays monthly rent to Reese of \$2,209.50 for all their leased space and Aerostar pays \$3,024.39 monthly for a total of \$5,233.89 per month. The contractors have outgrown the current space and with the next phase of the cleanup on the horizon they will require additional space.

This proposal, which will provide adequate, functional, and sustainable space for both contractors, is to move both contractors into Building 70. In order to do this, Reese will terminate all the agreements with both contractors while simultaneously executing new agreements by both contractors for Building 70. The ultimate goal however is for the AFCEC to be the Tenant of the building. These new agreements will bridge the gap until the AFCEC can get the needed approvals to be the Tenant of Building 70.

**Premises:**

Building 70, approximately 25,805 square feet (see floor plan and site plan below)  
616 Davis Drive  
Lubbock, TX 79416

**Permitted Uses:**

Tenant may use the premises for the purpose of an environmental field office.

**Type of Lease:**

Modified Gross Lease. The AFCEC plans to split the rent evenly between the two contractors, but the contractors have the option to divide the space/rent in any manner they agree upon. The proposed rent is \$5 per square foot for 12,805 square feet of office and climate-controlled space and \$3.50 per square foot for 13,000 square feet of hanger space. Rent will increase by 3% each year after the initial year. Therefore, rent will be as follows:





# Reese Technology Center

Technology ★ Research ★ Engineering ★ Education ★ Manufacturing

Year	AECOM 6,402 SQFT @\$5 6,500 SQFT @\$3.50	AECOM Monthly Rent	Aerostar 6,403 SQFT @\$5 6,500 SQFT @\$3.50	Aerostar Monthly Rent	Total 12,805 SQFT @\$5 13,000 SQFT @\$3.50
Year 1 9/1/2024 – 8/31/2025	\$54,760.00	\$4,563.33	\$54,765.00	\$4,563.75	\$109,525
Option Year 1 9/1/2025 – 8/31/2026	\$56,402.80	\$4,700.23	\$56,407.95	\$4,700.66	\$112,810.75
Option Year 2 9/1/2026 – 8/31/2027	\$58,094.88	\$4,841.24	\$58,100.19	\$4,841.68	\$116,195.07

Utilities will be paid by each customer directly to the provider.

**Renewal Options:**

The intention is that once this one-year agreement expires, AFCEC will be in a position to be the Tenant and we will enter into an agreement with them for the entire building, but in the event that the AFCEC needs additional time, we will offer a renewal options with a 3% increase.

**Optional Laydown:**

The tenants will have the option to lease laydown space (to be provided on the apron in front of Building 70) on a monthly basis by giving notice to Reese. The laydown cost is \$1.25 per square foot per year.

**Additional Terms:**

In the event Tenants need maintenance or repair services to the building, including but not limited to plumbing, electrical, or mechanical services, Reese agrees to provide such services and bill the cost to the Air Force.



**Site Plan**





## LEASE TERMINATION AGREEMENT

This Lease Termination Agreement (the "Agreement") is entered into by and between Lubbock Reese Development Authority d/b/a Reese Technology Center ("Landlord") and AECOM, a Delaware corporation ("Tenant") sets forth as follows:

WHEREAS, on or about October 10, 2023 the Parties entered into a Standard Industrial Lease effective October 1, 2023 (the "Lease") for the premises known as Building No. 20, Suites 112, 113, and 116 located physically at 9927 Research Boulevard North, Lubbock, TX 79416 and containing approximately 1,196 square feet of floor space, as well as approximate 10,500 square feet of laydown area (collectively, the "Leased Premises");

WHEREAS, the Lease commenced on October 1, 2023 for an initial term of two (2) years and did not provide for termination unless the Tenant defaulted in the performance of its obligations under the terms of the Lease:

WHEREAS, the United States Air Force Real Property Agency desires its contractors who are conducting ground water remediation on and in the vicinity of the Reese Technology Center to consolidate their operations into Building #70 of contractors; and

WHEREAS, the Parties have reached an agreement with respect to the Tenant's termination of the Lease, which the Parties desire to memorialize in this Agreement;

NOW THEREFORE, in consideration of the mutual promises herein contained, the Parties agree as follows:

1. Landlord shall retain the Security Deposit in the sum of \$1,194.00.
2. Upon the Tenant occupying Building #70, the Landlord shall release the Tenant from any and all obligations under the provisions of the Lease; and the Tenant shall release the Landlord from any and all obligations under the provisions of the Lease.

3. It is further understood and agreed that the Landlord has no obligation to the Tenant to mitigate or return any portion of Rent paid should the Landlord lease the Leased Premises to another tenant.

4. This Agreement shall be construed, interpreted, and enforced according to the laws of the State of Texas.

5. Counterparts; Signatures. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement. The exchange of copies of this Agreement and of signature pages by facsimile transmission, email or other electronic means (including, without limitation, DocuSign or other third-party electronic signature verification service) shall constitute effective execution and delivery of this Agreement as to the parties and may be used in lieu of the original Agreement for all purposes. Signatures of the parties transmitted by facsimile, email or other electronic means (including, without limitation, DocuSign or other third-party electronic signature verification service) shall be deemed to be their original signatures for all purposes.

The execution of this Agreement by Landlord shall not be considered a waiver of Landlord's sovereign immunity to suit.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of August \_\_\_\_, 2024.

/-----Signature Page Follows-----/

**LUBBOCK REESE DEVELOPMENT  
AUTHORITY**

---

By: Murvat Musa

Its: Chief Executive Officer

**AECOM**

\_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

**STANDARD INDUSTRIAL LEASE**

**BETWEEN**

**LUBBOCK REESE REDEVELOPMENT AUTHORITY, a Political  
Subdivision of the State of Texas**

**AS LANDLORD**

**AND**

**AECOM, a Delaware corporation**

**AS TENANT**

**FOR PREMISES LOCATED AT**

**Reese Technology Center Building No. 70**

**616 Davis Drive**

**Lubbock, Texas 79416**



## STANDARD INDUSTRIAL LEASE

This Standard Industrial Lease (the "Lease") is made this \_\_\_\_\_ day of August 2024, by and between LUBBOCK REESE REDEVELOPMENT AUTHORITY, a political subdivision of the State of Texas (hereinafter referred to as "Landlord") and AECOM, a Delaware corporation, (hereinafter referred to as the "Tenant"). Landlord and Tenant are also referred to herein individually as a "Party" and collectively as the "Parties".

### W I T N E S S E T H:

#### 1. BASIC LEASE PROVISIONS

(a) Landlord: Lubbock Reese Redevelopment Authority, a political subdivision of the State of Texas, whose Federal Taxpayer Identification Number is 75-2713717.

(b) Landlord Address: 9801 Reese Blvd., Suite 200, Lubbock, TX 79416.

(c) Tenants: AECOM, a Delaware corporation, whose Federal Taxpayer Identification Number 61-1088522.

(d) Tenant Addresses: AECOM: One California Plaza, 300 S. Grand Ave, Suite 900, Los Angeles, CA 90071, Attn: Real Estate Department, with a copy to DLA Piper LLP (US), 303 Colorado Street, Suite 3000, Austin, TX 78701, Attn: J. Pieratt.

(e) Guarantors: N/A

(f) Guarantors' Addresses: N/A

(g) Project: means the land, together with the Premises (as defined below) and all other improvements constructed thereon, and all rights, privileges, easements, and appurtenances pertaining thereto, known as Reese Technology Center and located in Lubbock County, Texas, attached hereto as **Exhibit A**.

(h) Premises means that certain building ("Building") located at 616 Davis Drive, Lubbock, Texas 79416, which is commonly known as Building #70 (a/k/a "Hangar #70"), and identified as the "Premises" on the site plan attached hereto as **Exhibit B** (the "Site Plan"), and containing approximately 6,402 square feet of office and climate-controlled space and 6,500 square feet of hanger space. Additionally, the Premises shall include the non-exclusive Parking Area, immediately adjacent "Equipment and Truck Parking Area," and Optional Laydown Area as shown on **Exhibit B**.

(i) Initial Term (Years): One (1) Year.

(j) Extensions: Two (2) extension periods of one (1) year each, subject to the rights set forth in Section 1(k).

(k) Option to Extend Term: Tenant shall have two (2) extension periods of one (1) year each, such option to be exercised automatically unless Landlord receives written notice from

Tenant of its desire not to exercise the option to extend term no less than ninety (90) days prior to expiration of the Initial Term or any subsequent renewal term. Without receipt of such notice, this Lease shall be extended automatically for the period specified in Section 1(j) without the necessity for the execution of any further instrument and upon the same terms and conditions as are contained in this Lease, except the then existing Base Rent will be increased by a fixed three percent (3%) annually during each year of the Extension Period. The adjustment in the Base Rent will be determined by multiplying the then existing Base Rent specified in the lease (“Base Rent”) by 1.03, which will result in a “Revised Renewal Period Base Rent.”

- (l) Delivery Date: October 1, 2024.
- (m) Commencement Date: October 1, 2024.
- (n) Termination Date: September 30, 2025.

(o) Base Rent: The parties agree that the Base Rent set forth herein is what is commonly referred to as a "modified gross lease" and that Base Rent already includes, and Tenant shall not have to pay for Common Area (as defined below) Maintenance fees, grounds keeping-mowing expenses, parking, Landlord’s insurance, and any other charges incurred by Landlord with respect to the Premises, except as otherwise provided in this Lease. Said Base Rent does not include, and Tenant is solely responsible for any and all charges associated with utilities, trash dumpsters, telephone service, internet service, Tenant renovations, or housekeeping services, except as otherwise provided in this Lease. Subject to this paragraph, Base Rent shall be as set forth below, which represents a fixed increase of three percent (3%) annually during each year of the Lease Term. The adjustment in the Base Rent will be determined by multiplying the then existing Base Rent specified during the Lease Term (“Base Rent”) by 1.03.

<b>Initial Term Lease Year</b>	<b>Total Annual Rent</b>	<b>Total Monthly Payment</b>	<b>Annual Base Rent Per Square Foot Area (6,402 SQFT @ \$5.00 6,500 SQFT @ \$3.50)</b>
Year 1 (10/1/2024 – 9/30/2025)	\$54,760.00	\$4,563.33	\$5.00/\$3.50
Option Year 1 (10/1/2025 – 9/30/2026)	\$56,402.80	\$4,700.23	\$5.15/\$3.605
Option Year 2 (10/1/2026 – 9/30/2027)	\$58,094.88	\$4,841.24	\$5.30/\$3.71

- (p) Security Deposit: None.
- (q) Early Termination Fee: None.

Permitted Use: Tenants may use the Premises for an environmental field office, general office use and use of the Laydown Area for the storage of associated equipment and supplies.

(r) Relocation Option: Landlord reserves the right to re-locate Tenant at any time during the Term of the Lease at Landlord's expense to a building of similar size and use on the Property (the "Re-location Space"). If Tenant does not find the Re-location Space acceptable then Tenant shall be released of all liability under the Lease.

(s) Option to Lease Laydown Area: Tenant shall have the option to lease Laydown Area, on the airfield apron, as shown in **Exhibit B**, for an annual rate of \$1.25 per square foot (with annual increase of three percent (3%), which shall result in "Additional Rent." The exact location and amount of space will be agreed upon in writing in advance by the Parties.

(t) Landlord's Address for Payment of Rent: Payment of Rent may be made by check and delivered to Landlord's address, or by electronic funds transfer to Landlord's bank account at:

Plains Capital Bank  
5010 University  
Lubbock, TX 79413  
Routing Number - 111322994  
Account Number - 7260002003  
Deposits need to indicate: LUBBOCK REESE REDEVELOPMENT AUTHORITY

## 2. DEFINITIONS

(a) "Common Areas" means all facilities and areas of the Project that are intended and designated by Landlord from time to time for the common, general, and nonexclusive use of all tenants of the Project, including parking lots. Landlord has the exclusive control over and right to manage the Common Areas. Tenant shall have the right to use the Common Areas, but shall maintain all responsibility and liability for its conduct, or the conduct of its agents, employees and persons invited onto the Common Areas or Premises by Tenant. Subject to the terms and conditions of this Lease, Landlord hereby grants Tenant the right to use the Premises for the Permitted Use for the Term of this Agreement, and to use the streets, alleys and other portions of the Project necessary to obtain access to the Premises for the Permitted Use, and further subject to the access to the Premises as set forth in Section 5(a)(15) ("Gate 1180 Access Point").

(b) "Injury" means (1) harm to or impairment or loss of property or its use, (2) harm to or death of a person, or (3) "personal and advertising injury" as defined in the form of liability insurance Tenant is required to maintain.

(c) "Landlord" means Landlord and its agents, officers, servants, employees, consultants, invitees, licensees, or visitors.

(d) "Rent" means Base Rent plus any other amounts of money payable by Tenant to Landlord.

(e) "Tenant" means Tenant and its agents, contractors, employees, invitees, licensees, or visitors.

### **3. RENT AND RENT INVOICES**

(a) Rent. Tenant agrees to pay to Landlord the Base Rent, Additional Rent, and any Utility charges (collectively, “Rent”) billed by the Landlord set forth in Sections 1(o) and 8(a), respectfully, in advance, on the 1<sup>st</sup> day of each calendar month during the Term, without deduction or setoff, commencing on the Commencement Date. Rent will be considered past Due and in default if not received by the 10<sup>th</sup> of the month and after written notice is received from Landlord.

(b) Rent Invoices. All invoices from Landlord to Tenant for any Rent due under this Lease will be sent to the address set forth in Section 12(m) or to such other address as Tenant may designate by written notice to Landlord.

### **4. REAL ESTATE TAXES AND OTHER TAXES**

(a) Real Estate Taxes. Tenant will pay or cause to be paid to the appropriate governmental authorities, prior to delinquency all Real Estate Taxes. “Real Estate Taxes” means all real property taxes and assessments that become due and payable during the Term and are assessed by the applicable taxing governmental authority against the Premises. Tenant shall only be responsible for said taxes incurred by Tenant during the term, to include any extension, of this Lease. Tenant shall not be responsible for any back taxes or assessments incurred by a third party or prior to the Delivery Date. Notwithstanding the foregoing, Landlord hereby represents and warrants to Tenant that Landlord is exempt from paying Real Estate Taxes and Tenant’s Real Estate Taxes shall be limited to (i) taxes assessed on Tenant’s personal property within the Premises, if any and (ii) taxes assessed on the value of this Lease, if any, levied by the Lubbock County Appraisal District pursuant to the applicable sections of the Texas Tax Code.

(b) Notice Regarding Other Taxes. If assessed, Tenant shall during the Term be responsible for payment, prior to delinquency, of all taxes assessed against and levied upon the trade fixtures, furnishings, equipment, aircraft, and all other personal property of Tenant or under the care of the Tenant contained in the Premises. If applicable, Tenant shall during the Term pay to Landlord monthly with the payment of Base Rent all sales or rental taxes assessed by any governmental authority against the Rent payable by Tenant hereunder. Tenant hereby agrees to hold Landlord harmless from all costs, expenses, interest and penalties that Landlord may incur as a result of Tenant's failure to pay the taxes set forth in this Section 4.

### **5. TENANT COVENANTS**

#### **(a) Tenant Agrees to –**

(1) Lease the Premises for the entire Term beginning on the Delivery Date and ending on the Termination Date.

(2) Accept the Premises in their present condition “AS IS, WHERE IS CONDITION,” the Premises being currently suitable for the Permitted Use. Tenant shall have the right to perform improvements to Building #70, subject to Landlord’s approval of the plan and specifications prior to any work being initiated, other than cosmetic alterations (limited to interior painting). Furthermore, Tenant agrees and assures that any plans submitted and subsequent work

perform for any renovation or alteration to the Premises must comply with the federal Americans with Disabilities Act (“ADA”) and the Texas Accessibility Standards (“TAS”) requirements and adhere to the International Building Code, as required by the LRRRA Covenants, Restrictions and Landscape Standards, as may be amended from time to time, as applicable. Notwithstanding the foregoing, Landlord shall deliver the Premises in clean, broom swept condition with all utilities in good working order, in full compliance with applicable laws and the Building systems and structure in good working order and condition.

(3) Obey (i) all applicable federal, state, and local laws relating to the use, condition, and occupancy of the Premises and related to the Permitted Use; (ii) any requirements imposed by utility companies serving or insurance companies covering the Premises; and (iii) any rules and regulations for the Premises and Common Areas adopted by Landlord, to include the Reese Technology Center Covenants, Codes, Restrictions, and Landscape Standards, as amended, and as may be amended from time to time.

(4) Pay a late charge of five (5) percent of any Rent not received by Landlord by the tenth (10<sup>th</sup>) day after it is due and written notice from Landlord is received.

(5) Following a twenty four (24) hour notice, allow Landlord to enter the Premises to perform Landlord’s obligations, inspect the Premises, and show the Premises to prospective purchasers or tenants; provided however, that such notice requirements shall not apply in the event of Tenant's request for Landlord to come onto the Premises to perform Landlord's obligations on the Premises, or in the event of an actual emergency situation that Landlord reasonably believes will result in personal injury, loss of life or property damage to the Premises. In such situation, Landlord will notify Tenant as soon after the entry as is reasonably possible.

(6) Repair, replace, and maintain any part of the Premises that Landlord is not obligated to repair, replace, or maintain, reasonable wear excepted, including any improvements thereon (including, but not limited to, special electrical outlets and interior utility lines), to the reasonable satisfaction of the Landlord or, in lieu of such repair or replacement, Tenant shall pay to Landlord an amount sufficient to compensate Landlord for the loss sustained by Landlord by reason of any damage to or destruction of Landlord’s property. As set forth in Section 6(a)(4)(iii), Tenant understands and agrees that Tenant is required to repair, replace, and maintain the large hangar doors, windows, window glass, plate glass, and doors associated with the Premises.

(7) Keep the sidewalks, service ways, and loading areas adjacent to the Premises clean and unobstructed.

(8) Submit in writing to Landlord any request for repairs, replacement, and maintenance that are the obligations of Landlord.

(9) Intentionally Deleted

(10) Vacate the Premises and return all keys to the Premises on the last day of the Term.

(11) If accessed, pay an additional cleaning fee in the event such cleaning is required as a result of any act of the Tenant or as a result of activities, which are part of the Tenant's use of the Premises. Tenant hereby agrees to pay such fee within ten (10) days of notification of fee assessment.

(12) On request, execute an estoppel certificate that states the Delivery Date, Commencement Date, and Termination Date of the lease, identifies any amendments to the lease, describes any rights to extend the Term or purchase rights, lists defaults by Landlord, and provides any other information reasonably requested.

(13) INDEMNIFY, DEFEND, AND HOLD LANDLORD HARMLESS FROM ANY INJURY (AND ANY RESULTING OR RELATED CLAIM, ACTION, LOSS, LIABILITY, OR REASONABLE EXPENSE, INCLUDING ATTORNEY'S FEES AND OTHER FEES AND COURT AND OTHER COSTS) OCCURRING IN ANY PORTION OF THE PREMISES, OR ARISING FROM TENANT'S ACCESS TO, PRESENCE ON, OR USE OF THE PREMISES OR PROJECT; OR THAT IS RELATED TO TENANT'S PERMITTED USE. THE INDEMNITY CONTAINED IN THIS PARAGRAPH (a) IS INDEPENDENT OF TENANT'S INSURANCE, (b) WILL NOT BE LIMITED BY COMPARATIVE NEGLIGENCE STATUTES OR DAMAGES PAID UNDER THE WORKERS' COMPENSATION ACT OR SIMILAR EMPLOYEE BENEFIT ACTS, (c) WILL SURVIVE THE END OF THE TERM, AND (d) WILL APPLY EVEN IF AN INJURY IS CAUSED IN WHOLE OR IN PART BY THE ORDINARY NEGLIGENCE OR STRICT LIABILITY OF LANDLORD BUT WILL NOT APPLY TO THE EXTENT AN INJURY IS CAUSED BY THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF LANDLORD.

(14) If not provided prior to the Commencement Date, provide a schematic to Landlord within thirty (30) days of the Commencement Date designating the Office Space, Hangar Space, and Equipment and Truck Parking occupied by the Tenant.

(15) The Tenant acknowledges the existence of and agrees to use the entrance off Research Blvd. for the delivery or shipment of all products used in and associated with the Permitted Use, when the means of delivery or shipment is a vehicle that has more than two axels (the "Gate 1180 Access Point").

(16) Not Used.

(17) Not Used.

(18) Tenant shall abide by all directions regarding availability and use of the central 10,500-foot runway and eastern 6,500-foot runway. Additionally, Tenant shall provide at least twenty-four (24) hours' notice of any use of the runways.

**(b) Tenant agrees not to and agrees to ensure that its agents, contractors, employees, invitees, licensees, sub-lessees, or visitors do not do any of the following —**

- (1) Use the Premises for any purpose other than the Permitted Use.
- (2) Create a nuisance, to include but not limited to noxious odors.

(3) Interfere with any other tenant's normal business operations or Landlord's management of the Premises or Project.

(4) Use the Premises in any way that would increase insurance premiums or void insurance on the Premises or the Project.

(5) Change Landlord's lock system.

(6) Allow a lien to be placed on the Premises.

(7) Assign this lease or sublease any portion of the Premises without Landlord's prior express written consent, except as otherwise provided under this Lease.

(8) Use the roof on the Premises, except as may be specifically authorized in writing by the Landlord.

(9) Place any signs on the Premises without Landlord's written consent.

(10) Bring suit against Landlord in connection with any claim or suit arising pursuant to Section 5(a)(13).

(11) Use any portion of the Premises for wind energy development or the installation or use of any facilities related to wind energy development or generation.

(12) Interfere with the wind energy project being conducted on the westernmost boundary of the Project.

(13) Take any action that shall significantly interfere with or impair the availability, accessibility, flow, frequency or direction of air and wind over and above any portion of the Premises or the Project.

(14) Take any action that in any way interferes with or impairs the transmission of electric, electromagnetic or other forms of energy to or from the wind energy project, or interferes with or impairs Landlord's wind energy tenant's access to the wind energy project.

## **6. LANDLORD COVENANTS**

### **(a) Landlord agrees to –**

(1) Lease to Tenant the Premises for the entire Term beginning on the Delivery Date and ending on the Termination Date.

(2) To deliver the Premises in broom clean condition.

(3) Obey all applicable laws with respect to Landlord's operation of the Premises and Project.

(4) Subject to the requirements of Section 5(a)(2), repair and maintain the (i) roof, to include roof membrane, (ii) foundation, to include floor slab, (iii) structural soundness of load bearing and exterior walls, specifically excluding the large hangar doors, windows, window glass, plate glass, and doors, and (iv) Common Areas.

(5) Subject to the requirements of Sections 5(a)(2) and (6), in the event Tenant requires maintenance or repair services for Building #70, including but not limited to plumbing, electrical, or mechanical services, Landlord shall provide such services and bill the cost to Tenant.

(6) If any such condition for which Landlord is responsible prevents Tenant from making normal use of the Premises, then Tenant shall be relieved from any of its obligations under the Lease (including the obligation to pay Rent) from the date such condition commenced until normal use of the Premises is restored, and if such condition continues for more than thirty (30) consecutive days, then Tenant may terminate this Lease by written notice to Landlord and Tenant shall have no further liability under this Lease.

**(b) Landlord agrees not to—**

(1) Interfere with Tenant's possession of the Premises as long as Tenant is not in default (beyond any applicable notice and cure periods).

(2) Subject to Section 12(q), unreasonably withhold consent to a proposed assignment or sublease.

**7. COMMON AREAS**

(a) Right to Use Common Areas. Tenant will have the nonexclusive right to use the Common Areas subject to any reasonable rules and regulations that Landlord may prescribe, to include but not limited to designation of parking areas for Tenant events.

(b) Maintenance of Common Areas. At all times during the Term, Landlord will maintain the Common Areas.

**8. UTILITIES AND TRASH REMOVAL**

(a) Payment of Utility Bills. Subject to Section 3(a), Tenant shall promptly pay all charges for electricity, water, gas, telephone service, sewer service, and other utilities furnished to the Premises directly to the utility providing such service.

(b) Trash Removal. Tenants shall install, in compliance with applicable Laws at a location immediately adjacent to the outside of the Premises or as designated by the Landlord, a trash dumpster. Tenant shall pay for collection of their own trash and cleaning of the Premises.

**9. DAMAGE BY CASUALTY**

(a) Notice of Damage and Estimated Repair Time. If the Premises is damaged or destroyed by fire or other casualty ("Casualty"), Landlord will, within thirty (30) days after the



date of the Casualty, notify Tenant ("Landlord's Casualty Notice") of the number of days, from the date of the Casualty, that Landlord estimates will be required to complete the repair and restoration. If neither Tenant, nor Landlord, elects to terminate this Lease as set forth below, then the damage or destruction of the Premises will, at the expense of Landlord, be repaired and restored, unless Casualty is determined to have been caused by intentional or unintentional neglect of the Tenant, at which the damage or destruction will be at the expense of the Tenant.

(b) Tenant's Right to Terminate. If more than thirty-five percent (35%) of the floor area of the Premises is damaged or destroyed due to Casualty, then Tenant will have the right to terminate this Lease, effective as of the date of Casualty, by notice given to Landlord within fifteen (15) days after Tenant's receipt of Landlord's Casualty Notice.

(c) Landlord's Right to Terminate. If more than thirty-five percent (35%) of the floor area of the Premises is damaged or destroyed by Casualty during the Term, then Landlord may elect to terminate this Lease effective as of the date of the Casualty by notice given to Tenant not later than fifteen (15) days after Landlord delivers Landlord's Casualty Notice to Tenant.

(d) Landlord's Repair Obligation. Landlord's obligation will be to restore all portions of the Premises and the Common Areas in the immediate vicinity of and surrounding the Premises (including but not limited all parking areas surrounding the Premises and all sidewalks, roadways, driveways and access ways leading to and from the Premises) affected by a Casualty (exclusive of Tenant's fixtures and equipment) to their condition immediately preceding such Casualty, subject to available insurance proceeds. If Landlord for any reason whatsoever fails (1) to commence the repair and restoration work required hereunder within ninety (90) days from the date of the Casualty, (2) to proceed diligently to complete such repair and restoration work, or (3) fails to complete same within the estimated time set forth in Landlord's Casualty Notice, plus the number of days of delay caused by Uncontrollable Events, then, Tenant will have the right to terminate this Lease by giving Landlord notice and upon the giving of such notice, this Lease will terminate and the Parties will be liable for their respective obligations to the date of termination and will have no liability for obligations arising after that date, except for those obligations which expressly survive termination. Landlord agrees that in the event of a Casualty and provided that neither party chooses to terminate this Lease, Rent will be proportionately reduced to reflect the percentage of the Premises which is no longer tenantable.

## **10. HAZARDOUS MATERIALS**

(a) Landlord's Obligations. Landlord represents and warrants that on the Delivery Date the Premises and the Project shall be in compliance with all Environmental Laws. During the Term, Landlord will not use, generate, place, store, release or otherwise dispose of, or permit the use, generation, placing, storage, release or disposal of, Hazardous Materials in the Project, except in accordance with all Environmental Laws. Landlord and its successors and assigns shall indemnify, defend, reimburse and hold Tenant, its employees and lenders, harmless from and against any and all environmental damages, including the cost of remediation, which result from Hazardous Materials which existed on the Premises prior to Tenant's occupancy or which are caused by the negligence or willful misconduct of Landlord, its agents or employees. Landlord's obligations, as and when required by the Environmental Laws, shall include, but not be limited to,

the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease.

(b) Tenant's Obligations. During the Term, Tenant will not use, generate, place, store, release or otherwise dispose of Hazardous Materials in the Premises or the Common Areas, except in accordance with all Environmental Laws, and subject to the Reservations recorded in the Deed Without Warranty Between the United States of America and Landlord recorded in the Real Property Records of Lubbock County, Texas at Deed Record 2006041652. Notwithstanding anything to the contrary contained in this Lease, Landlord acknowledges and agrees that Tenant shall have the right to use and store in the Premises in Tenant's ordinary course of business Hazardous Materials in accordance with Environmental Laws, and subject to Section 10(e), below. In the event of a breach of the foregoing, Tenant will promptly undertake remediation or removal in accordance with all Environmental Laws. Tenant will indemnify, defend and hold Landlord and Landlord's Affiliated Parties harmless from and against, and reimburse Landlord and Landlord's Affiliated Parties for, all Hazardous Materials Liabilities asserted against or incurred by Landlord or Landlord's Affiliated Parties as a result of a breach of Tenant's obligations under this paragraph. Notwithstanding anything to the contrary contained herein, in no event shall Tenant be liable for Hazardous Materials existing in, on or about the Premises or the Project prior the Tenant's occupancy of the Premises. Tenant shall provide Landlord a copy of Tenant's plan for responding to hazardous waste, fuel, and chemical spills no later than the Commencement Date.

(c) Definitions. As used herein,

(i) "Hazardous Materials" shall be construed broadly to include any toxic or hazardous substance, material, or waste, and any other contaminant, pollutant or constituent thereof, including without limitation, chemicals, compounds, by-products, petroleum or petroleum products, and polychlorinated biphenyls, the presence of which requires investigation or remediation under any Environmental Laws or which are or become regulated, listed or controlled by, under or pursuant to any Environmental Laws;

(ii) "Environmental Laws" means all federal, state, regional or local statutes, laws, regulations, codes, orders, permits, ordinances, decrees, rulings or judicial or administrative interpretations thereof, or similar laws of foreign jurisdictions where the Tenant conducts business, whether currently in existence or hereinafter enacted or promulgated, any of which govern, or purport to govern, or relate to pollution, protection of the environment, public health and safety, air emissions, water discharges, hazardous or toxic substances, solid or hazardous waste or occupational health and safety, as any of these terms are or may be defined in such statutes, laws, rules, regulations, codes, orders, permits, ordinances, decrees, rulings or judicial or administrative interpretations thereof, including, without limitation: the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendment and Reauthorization Act of 1986, 42 U.S.C. §9601, et seq. (collectively "CERCLA"); the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976 and subsequent Hazardous and Solid Waste Amendments of 1984, 42 U.S.C. §6901 et seq. (collectively "RCRA"); the Hazardous Materials Transportation Act, as amended, 49 U.S.C. §1801, et seq.; the Clean Water Act, as amended, 33 U.S.C. §1311, et seq.; the Clean Air Act, as amended (42 U.S.C. §7401-7642); the Toxic Substances Control Act, as amended, 15 U.S.C. §2601 et seq.; the Federal Insecticide, Fungicide, and Rodenticide Act as amended, 7 U.S.C. §136-

136y ("FIFRA"); the Emergency Planning and Community Right-to-Know Act of 1986 as amended, 42 U.S.C. §11001, et seq. (Title III of SARA) ("EPCRA"); and the Occupational Safety and Health Act of 1970, as amended, 29 U.S.C. §651, et seq. ("OSHA"); and

(iii) "Hazardous Materials Liabilities" means all claims, damages, losses, forfeitures, expenses or liabilities arising from or caused in whole or in part, directly or indirectly, by a breach by the other Party of its representations, warranties or covenants under Section 10(a) or (b), including, without limitation, all costs of defense (including reasonable attorneys' fees and other costs of litigation), all consultants' fees, and all costs of investigation, repair, remediation, restoration, cleanup, detoxification or decontamination, and/or preparation and implementation of any closure, remedial action or other required plan.

(d) Hazardous Materials. Tenant agrees to provide Landlord access to the Leased Premises for periodic inspections concerning the Hazardous Materials uses in its operations, to provide Landlord with a list of any and all Hazardous Materials used in its operations or which are brought on to the Leased Premises by Tenant, and shall provide Landlord with Material Safety Data Sheets for all Hazardous Materials, its security procedures and Hazardous Materials safety plans, policies and procedures to be utilized by the Tenant for protection of Tenant's employees health, safety and well-being, as well as for the plans, policies and procedures designed to protect the health, safety and well-being of any person on the Reese Technology Center Campus that may come in contact with the Hazardous Materials and chemicals in use by the Tenant.

(e) Hazardous Waste Permit. Any hazardous waste permit under the Resource Conservation and Recovery Act, or its Texas equivalent, shall be limited to generation and transportation. The Tenant shall not, under any circumstances store any hazardous waste on or about the premises for any period in excess of ninety (90) days. Any violation of this requirement shall be deemed a material breach of this Lease. Hazardous storage facilities will not be available to the Tenant. The Tenant must provide at its own expense such storage facilities; complying with all laws and regulations it needs for temporary (less than ninety (90) days) storage.

(f) Testing. Landlord acknowledges that Tenant shall have the right (but not obligation and at Tenant's sole cost and expense) to conduct a Phase I Environmental Study on or before ninety (90) days following the Commencement Date ("Base Line Study"). Should Tenant conduct a Base Line Study, Tenant will provide a copy thereof to Landlord. The Base Line Study is intended to demonstrate the level of contamination of the Premises, if any, at the time of the Commencement Date. At the time Tenant vacates the Premises, in the event Landlord wishes to pursue any claim against Tenant with respect to the presence of Hazardous Materials on the Premises, Landlord (at Landlord's sole cost and expense) may conduct an additional environmental assessment of the Premises identical or reasonable equivalent in scope to the Base Line Study to demonstrate the level of contamination of the Premises, if any, at the time Tenant vacates the Premises ("Exit Study"). If (and only if) the Exit Study reveals contamination not described in the Base Line Study, then, to the extent that such contamination resulted from the actions of Tenant, then Landlord shall have the right to enforce its rights against Lesser under this Lease.

(g) Survival. The provisions of this Section 10 will survive the expiration or earlier termination of this Lease.

## 11. INSURANCE AND WAIVER OF SUBROGATION

A Certificate of Insurance for each coverage identified below shall be submitted to Landlord prior to the Delivery Date by each Tenant. Tenant shall provide to Landlord proof of the required insurance on or before the expiration date of each expiring policy, and cause each required policy to require insurer to give Landlord notice of termination of any policy prior to the expiry of its term. Specifically, Tenant is required to have:

(a) Commercial General Liability Insurance. Commercial General Liability Insurance covering the Premises and Tenant's use thereof, not including Common Areas, against claims for bodily injury, death or property damage occurring upon, in or about the Premises (including contractual indemnity and liability coverage), such insurance to provide coverage of not less than \$500,000.00 per occurrence and \$1,000,000.00 annual aggregate. Landlord shall be included as an additional insured against claims for bodily injury, death, or property damage occurring upon, in or about the Premises; or that is related to the Permitted Use.

(b) Tenant's Property Insurance. Property insurance on an all-risk basis (including coverage against fire, wind, tornado, vandalism, malicious mischief, water damage and sprinkler leakage) covering all Tenant owned fixtures, equipment, and leasehold improvements, and other personal property located in the Premises and endorsed to provide one hundred percent (100%) replacement cost coverage. Such policy shall be written in the name of Tenant. Landlord to maintain proper insurance coverage of the building, Tenant is only responsible for its owned fixtures, equipment and leasehold improvements.

(c) Workers Compensation' and Employer's Liability Insurance. Workers' compensation insurance shall be in an amount meeting applicable state statutory requirement and the employer's liability limits shall be in an amount not less than \$1,000,000.00 per bodily injury by accident and \$1,000,000.00 per employee for bodily injury by disease.

(d) Other Requirements of Insurance. All such insurance will be issued and underwritten by companies with an A.M. Best rating of "A" or better and size rating of "VI" or better and Tenant will use good faith efforts to obtain a policy that will contain endorsements that (1) such insurance may not lapse with respect to Landlord or be canceled with respect to Landlord without the insurance company giving Landlord at least thirty (30) days prior written notice of such cancellation, (2) Tenant will be solely responsible for payment of premiums, and (3) in the event of payment of any loss covered by such policy, this insurance shall apply as primary insurance with respect to any overlapping coverage afforded to the Landlord except for loss arising from Common Areas.

(e) Release of Claims/Subrogation. LANDLORD AND TENANT RELEASE EACH OTHER AND ANY LIENHOLDER FROM ALL CLAIMS OR LIABILITIES FOR DAMAGE TO THE PREMISES OR BUILDING, DAMAGE TO OR LOSS OF PERSONAL PROPERTY WITHIN THE BUILDING, AND LOSS OF BUSINESS OR REVENUES THAT ARE COVERED BY THE RELEASING PARTY'S PROPERTY INSURANCE OR THAT WOULD HAVE BEEN COVERED BY THE REQUIRED INSURANCE IF THE PARTY FAILS TO MAINTAIN THE PROPERTY COVERAGES REQUIRED BY THIS LEASE. THE PARTY INCURRING THE DAMAGE OR LOSS WILL BE RESPONSIBLE FOR ANY DEDUCTIBLE OR SELF-INSURED RETENTION UNDER ITS PROPERTY INSURANCE. LANDLORD AND TENANT WILL NOTIFY THE ISSUING PROPERTY INSURANCE COMPANIES OF THE

RELEASE SET FORTH IN THIS PARAGRAPH AND WILL HAVE THE PROPERTY INSURANCE POLICIES ENDORSED, IF NECESSARY, TO PREVENT INVALIDATION OF COVERAGE. THIS RELEASE WILL NOT APPLY IF IT INVALIDATES THE PROPERTY INSURANCE COVERAGE OF THE RELEASING PARTY. THE RELEASE IN THIS PARAGRAPH WILL APPLY EVEN IF THE DAMAGE OR LOSS IS CAUSED IN WHOLE OR IN PART BY THE ORDINARY NEGLIGENCE OR STRICT LIABILITY OF THE RELEASED PARTY BUT WILL NOT APPLY TO THE EXTENT THE DAMAGE OR LOSS IS CAUSED BY THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF THE RELEASED PARTY.

## 12. ADDITIONAL LANDLORD AND TENANT AGREEMENTS

a. Alterations or Tenant Improvements. Any physical additions or improvements to the Premises made by Tenant will become the property of Landlord. Landlord may require that Tenant, at the end of the Term and at Tenant's expense, remove any physical additions and improvements, repair any alterations, and restore the Premises to the condition existing at the Delivery Date, normal wear excepted; provided, however, as a condition to such removal, Landlord shall identify such physical additions or improvements to be removed concurrently with providing consent thereto. All alterations (except for cosmetic alterations (limited to interior painting)) shall require the prior written consent of Landlord. Tenant agrees at its sole cost and expense to comply with all Laws when performing any alterations, including obtaining any governmental permits which may be required in connection therewith. Should Tenant desire to renovate the Premises and such renovations would require alterations to the Premises, then Tenant shall submit plans and specifications for such renovations to Landlord for its approval, such approval not to be unreasonably withheld, delayed or conditioned. Landlord shall have fourteen (14) days from receipt of Tenant's plans and specifications to approve or disapprove same. In the event Landlord fails to disapprove of said plans and specifications within such fourteen (14) day period, then the plans and specifications shall be deemed approved. After completion of any alterations or improvements that require consent of Landlord hereunder, Tenant shall provide Landlord with a copy of Tenant's plans and specifications for such alterations or improvements.

b. Abatement. Tenant's covenant to pay Rent and Landlord's covenants are independent. Except as otherwise provided herein, Tenant will not be entitled to abate Rent for any reason.

c. Condemnation/Substantial or Partial Taking

(1) If the Premises cannot be used for the purposes contemplated by this lease because of condemnation or purchase in lieu of condemnation, this lease will terminate.

(2) If there is a condemnation or purchase in lieu of condemnation and this lease is not terminated, Landlord will, at Landlord's expense, restore the Premises, and the Rent payable during the unexpired portion of the Term will be abated to reflect the percentage of the Premises which is no longer tenantable.

(3) Tenant will have no claim to the condemnation award or proceeds in lieu of condemnation.

d. Uniform Commercial Code. Landlord hereby waives any and all lien rights to Tenant's personal property located within the Premises whether under the terms of this Lease or arising under the Texas Property Code.

e. Default by Landlord/Events. Defaults by Landlord are failing to comply with any provision of this lease within thirty (30) days after written notice and failing to provide Essential Services to Tenant within ten days after written notice.

f. Default by Landlord/Tenant's Remedies. Tenant's remedies for Landlord's default are to sue for damages and, if Landlord does not provide an Essential Service for thirty (30) days after default, terminate this Lease. As used herein, "Essential Services" means utility connections reasonably necessary for occupancy of the Building #20 Space for the Permitted Use.

g. Default by Tenant/Events. Defaults by Tenant are:

(1) making an assignment for the benefit of its creditors;

(2) the levying on or against Tenant's property;

(3) the institution in court of competent jurisdiction of proceedings for the reorganization, liquidation, or voluntary dissolution of Tenant, or for its adjudication as a bankrupt or insolvent, or for the appointment of a receiver of the Tenant's property, if the proceedings are not dismissed, and any receiver, trustee, or liquidator appointed therein is not discharged within thirty (30) days after the proceedings are instituted;

(4) the filing of a mechanic's lien against the Premises in connection with work contracted for by Tenant that is not released by payment or bond or otherwise (including indemnification reasonably satisfactory to Landlord) within thirty (30) days of Tenant's receipt of written notice of the existence of such mechanic's lien, provided, however, that Tenant shall have an affirmative duty to notify Landlord of the existence or threat of any such mechanic's lien being filed against the Premises if and when Tenant receives any notice of the threatened mechanic's lien from any claimant;

(5) failing to pay timely Rent within five (5) days written notice from Landlord;  
and

(6) failure by Tenant to perform or observe any of Tenant's non-monetary covenants contained in this Lease within thirty (30) days after written notice from Landlord; provided, however, Tenant shall have additional time to cure such non-monetary default, provided that Tenant is diligently pursuing such cure.

h. Default by Tenant/Landlord's Remedies. Landlord's remedies for Tenant's default are to (1) enter and take possession of the Premises; (2) enter the Premises and perform Tenant's obligations; and (3) terminate this Lease by written notice and sue for damages. Landlord may enter and take possession of the Premises by self-help, by picking or changing locks if necessary,

and may lock out Tenant or any other person who may be occupying the Premises, until the default is cured, without being liable for damages.

i. Remedies Cumulative. The rights and remedies given to Landlord and Tenant in this Lease are distinct, separate and cumulative remedies, and the exercise of any one or more of them will not be deemed to exclude Landlord's or Tenant's rights to exercise any or all of the others which are given in this Lease, or at law or in equity, unless such remedies are expressly excluded.

j. Default/Waiver/Mitigation. It is not a waiver of default if the non-defaulting Party fails to declare immediately a default or delays in taking any action. Pursuit of any remedies set forth in this lease does not preclude pursuit of other remedies in this lease or provided by applicable law. Landlord and Tenant have a duty to mitigate damages.

k. Representations and Indemnities of Broker Relationships. Tenant and Landlord each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder in connection with this Lease, and that no one is entitled to any commission or finder's fee in connection herewith. Tenant and Landlord do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar Party by reason of any dealings or actions of the indemnifying Party, including any costs, expenses, attorneys' fees reasonably incurred with respect thereto.

l. Holdover. No holding over by Tenant, whether with or without the consent of Landlord, will extend the Term. If Tenant remains in possession of the Premises after the expiration of the Term without execution of a new lease extending the Term, Tenant will be deemed to be occupying the Premises as a tenant at will, subject to all of the terms of this Lease as may be applicable to a month to month tenancy and at One Hundred Fifty Percent (150%) of the monthly installment of the Base Rent set forth in Section 1(m) for the twelve (12) month period prior to expiration of the Term, except that thereafter either Landlord or Tenant may terminate this Lease upon thirty (30) days' notice to the other; provided that Landlord, by the terms hereof, is not deemed to consent to any such holdover by Tenant and may exercise all rights provided by law to remove Tenant from the Premises upon giving Tenant the notice described herein.

m. Notices. Any notices sent or required to be given hereunder must in writing and sent by certified mail, return receipt requested, or nationally recognized overnight courier to the following addresses:

**LANDLORD:**

Lubbock Reese Redevelopment Authority  
9801 Reese Boulevard  
Suite 200  
Lubbock, Texas 79416  
Attn: Executive Director  
Telephone: (806) 885-3597

Email: [mmusa@reesecenter.com](mailto:mmusa@reesecenter.com)

**TENANTS:**

**AECOM**

One California Plaza  
300 S. Grand Ave, Suite 900  
Los Angeles, CA 90071  
Attn: Real Estate Department  
Telephone: \_\_\_\_\_  
Email: \_\_\_\_\_

With a copy to:  
DLA Piper LLP (US)  
303 Colorado Street, Suite 3000  
Austin, TX 78701  
Attn: J. Pieratt  
Telephone: \_\_\_\_\_  
Email: \_\_\_\_\_

Notices will be deemed given on the date received (or refused) when addressed to the parties at the addresses set forth above or in either case to such other addresses as Landlord or Tenant may designate to the other by notice. Notice may also be given by regular mail, personal delivery, courier delivery, or other commercially reasonable means and will be effective when actually received. Any address for notice may be changed by written notice delivered as provided herein. Without limiting the foregoing, any notice required or permitted to be given under this Lease may be sent by e-mail at the appropriate e-mail address set forth in this Section 12.m, as the same may be amended, or to such other e-mail address as Landlord or Tenant may from time to time designate in a notice to the other; provided that such e-mailed notice expressly states that it represents a notice under Section 12.m. of this Lease. Any e-mailed notice shall be deemed given on the date of delivery, provided that (i) such delivery is reasonably confirmed as received by the recipient (i.e., no error report is received by the sender); and (ii) if delivery occurs after 5:00 p.m. in the time zone of the recipient or on a non-business day, then such notice shall be deemed received on the first business day after the day of delivery.

n. Attorney's Fees. If either Party retains an attorney to enforce this Lease, the Party prevailing in litigation is entitled to recover reasonable attorney's fees and other fees and court and other costs.

o. Governing Law. This Lease shall be governed in accordance with the laws of the State of Texas, and all obligations of the Parties are performable in Lubbock County, Texas.

p. Entire Agreement. This Lease, together with the attached exhibits and riders, is the entire agreement of the Parties, and there are no oral representations, warranties, agreements, or promises pertaining to this lease or to any expressly mentioned exhibits and riders not incorporated in writing in this lease.



q. Assignment and Subletting by Tenant. Tenant may have the right, with the prior written consent of Landlord, which consent shall not be unreasonable withheld, conditioned or delayed, to assign this Lease, and any interest therein, provided each assignee assumes in writing all of Tenant's obligations under this Lease and Tenant shall remain liable for each and every obligation under this lease. Landlord hereby grants its consent for Tenant to sublet the Premises or any thereof, or any right or privilege pertinent thereto.

The foregoing notwithstanding, Tenant may assign its entire interest under this Lease to an Affiliate or to a successor to Tenant by purchase, merger, consolidation or reorganization without the consent of Landlord, provided that all of the following conditions are satisfied (a "Permitted Transfer"): (1) no uncured event of default exists under this Lease; (2) Tenant's successor shall own all or substantially all of the assets of Tenant; and (3) Tenant shall give Landlord written notice at least thirty (30) days prior to the effective date of the proposed purchase, merger, consolidation or reorganization. The term "Affiliate" means any person or entity controlling, controlled by or under common control with Tenant. Tenant's notice to Landlord shall include information and documentation showing that each of the above conditions has been satisfied.

r. Assignment by Landlord. Landlord is expressly given the right to assign any or all of its interest under the terms of this Lease, provided the assignee expressly assumes all obligations of Landlord hereunder.

s. Amendment of Lease. This Lease may be amended only by an instrument in writing signed by Landlord and Tenant.

t. Limitation of Warranties. THERE ARE NO IMPLIED WARRANTIES OF MERCHANTABILITY, OF FITNESS FOR A PARTICULAR PURPOSE, OR OF ANY OTHER KIND ARISING OUT OF THIS LEASE, AND THERE ARE NO WARRANTIES THAT EXTEND BEYOND THOSE EXPRESSLY STATED IN THIS LEASE.

u. Abandoned Property. Landlord may retain, destroy, or dispose of any property left on the Premises at the end of the Term.

v. Heirs, Successors, and Assigns. This Lease and the covenants, agreements and representations herein contained will be binding upon, and inure to the benefit of, the Parties hereto and their respective heirs, executors, administrators, successors, and assigns.

w. Rules of Construction. This Lease will be construed with equal weight for the rights of both Parties, the terms hereof having been determined by fair negotiation with due consideration for the rights and requirements of both Parties.

x. Severability. If any term or provision of this Lease is found to be invalid, illegal or unenforceable, the remaining terms and provisions hereof will not be affected thereby; and each term and provision hereof will be valid and enforceable to the fullest extent permitted by Laws.

y. Headings. The captions, section numbers and paragraph numbers appearing in this Lease are inserted only as a matter of convenience and in no way define, amplify, limit, construe or describe the scope or interest of any section of this Lease.

z. Trafficking of Persons. Under §2155.0061, Texas Government Code, Tenant certifies that the individual or business entity named in the Agreement is not ineligible to receive the specified Agreement and acknowledges that the Agreement may be terminated if this certification is inaccurate.

aa. Chapter 2271 of the Texas Government Code. Tenant acknowledges that in accordance with Chapter 2271 of the Texas Government Code, the Landlord is prohibited from entering into a contract with a company for goods or services unless the contract contains a written verification from the Tenant that it: (1) does not boycott Israel; and (2) will not boycott Israel during the term of the contract. The terms “boycott Israel” and “company” shall have the meanings ascribed to those terms in Section 808.001 of the Texas Government Code. ***By signing this Lease, Tenant certifies that Tenant’s signature provides written verification to the Landlord that Tenant: (1) does not boycott Israel; and (2) will not boycott Israel during the term of the Lease.***

bb. Counterparts; Signatures. This Lease may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Lease and all of which, when taken together, will be deemed to constitute one and the same agreement. The exchange of copies of this Lease and of signature pages by facsimile transmission, email or other electronic means (including, without limitation, DocuSign or other third-party electronic signature verification service) shall constitute effective execution and delivery of this Lease as to the parties and may be used in lieu of the original Lease for all purposes. Signatures of the parties transmitted by facsimile, email or other electronic means (including, without limitation, DocuSign or other third party electronic signature verification service) shall be deemed to be their original signatures for all purposes.

### **13. AFFIRMATIVE REPRESENTATIONS CONCERNING FTZ-260 AND OPERATION OF AIRFIELD**

a. Free Trade Zone (FTZ). The Lubbock Economic Development Authority (“LEDA”) has applied and previously received approval for eligible tenants of the Project to be able to take advantage of the benefits of its FTZ. Tenants that are eligible to participate must apply through LEDA and pay the application fees and any monthly fees associated with the volume of goods that are transported into and out of the FTZ. Interested tenants should contact the LEDA for specific details regarding the application process and the fees and regulations associated with the program.

b. Airfield. Landlord currently has Federal Aviation Administration approval to operate the airstrips located within the Project. The 6,500-foot north-south runway can accommodate large cargo aircrafts such as a C-130. While Landlord anticipates that there may be changes with respect to the use of the three (3) primary landing strips that are now in operation (including that the westernmost runway is non-operational, except in the case of a federal, state or local emergency), Landlord intends to continue to operate the 6,500-foot north-south runway and will make the use of such runway available to Tenant in accordance with the existing Federal Aviation Administration certification. With regard to the westernmost runway, Landlord has restricted use of such runway based on the operation of the commercial grade wind turbines that

exist on the Project to the west of such runway, and Tenant agrees that it may not have access to such runway. All flight arrangements must be approved through Landlord and any tenant utilizing the runway for such flights must comply with the daytime Visual Flight Rule. Notwithstanding the foregoing, Landlord agrees that it will not cause or permit any material change in size, location or configuration of any airstrip or runway which will have an adverse effect on Tenant's ability to operate in the Premises or which will adversely affect access to the Premises.

#### **14. SECURITY CONDITIONS**

Landlord and Tenant acknowledge and agree that the Project is located on property formerly owned and operated by the United States Air Force as the Reese Air Force Base, and that certain portions of the Project have been previously utilized by local, state and federal governmental entities (hereinafter, "the Government") in times of state or national emergencies to provide temporary evacuation shelters and other such uses. Additionally, Landlord has other tenants of the Project that require controlled access to the Airfield during certain operations. Landlord represents that the Government may continue to utilize the Project during the Term of this Lease in times of state or national emergency (with or without Landlord's express consent), and other tenants of the Project, when approved by the Landlord, may require controlled access to the Airfield, and that such use could adversely affect Tenant's ability to access the Premises and/or use the Common Areas due to additional security measures; provided, however, that such adverse impact shall only delay and shall not unreasonably deny access by Tenant to the Premises.

Tenant acknowledges and agrees that, in the event that the Government utilizes any portion of the Project in a time of state or national emergency or when the Landlord authorizes other tenants of the Project to control access to the Airfield, Tenant, its employees, officers, agents, and contractors will comply with all reasonable security regulations imposed by the Landlord or applicable governmental agency, including the requirement to obtain and display security identification cards and to comply with reasonable security procedures.

#### **15. TERMINATION OF EXISTING LEASE**

Reference is herein made to that certain Standard Industrial Lease dated October 10, 2023 by and between Landlord and Tenant for the lease of those certain buildings and associated laydown areas located at 9927 Reese Boulevard, Lubbock, Texas 79416 (the "Existing Lease"). By execution of this Lease, Landlord and Tenant hereby acknowledge and agree that the Existing Lease shall be automatically terminated (without penalty), of no further force or effect and all associated rights and obligations of the parties shall be forever waived and released.

The execution of this Agreement by Landlord shall not be considered a waiver of Landlord's sovereign immunity to suit.

**/Signature Page Follows/**

**IN WITNESS WHEREOF**, having read and intending to be bound by the terms hereof, the Parties have signed this Lease on the date(s) set forth below.

LUBBOCK REESE  
REDEVELOPMENT AUTHORITY  
("Landlord")

AECOM  
("Tenant")

\_\_\_\_\_  
By: Murvat Musa/CEO

\_\_\_\_\_  
By: \_\_\_\_\_

Its: \_\_\_\_\_

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date



# EXHIBIT B

## Site Plan



**BOARD ACTION ITEM No. 2024-0828-032**  
**AECOM LEASE TERMINATION AGREEMENT AND NEW LEASE BUILDING 70**

**BOARD OF DIRECTORS**  
**LUBBOCK REESE REDEVELOPMENT AUTHORITY**  
**August 28, 2024**

Items to be Considered:

AECOM Lease Termination Agreement  
AECOM New Lease Building 70

Previous Board Action:

The Board has approved several leases for AECOM

Statement of Pertinent Facts:

- a) Term: One year with two options to renew for one year each
- b) Rent: \$5 per square foot for office space and \$3 per square foot for hangar space with annual increases of 3%. The first year's rent is \$54,760.

Advice, Opinions, Recommendations, and Motion:

If the Board of Directors concurs, the following motion is in order:

"Resolved, that the Board of Directors of the Lubbock Reese Redevelopment Authority hereby approves the Lease Termination Agreement and the new Lease for Building 70 for AECOM and authorizes its CEO/Executive Director to execute the agreement subject to negotiation of final terms and conditions, as submitted on this 28<sup>th</sup> day of August 2024."

\_\_\_\_\_  
Tim Pierce – Board President

ATTEST:

\_\_\_\_\_  
LRRRA Board Member

**AGENDA ITEM 12  
EXECUTIVE SUMMARY  
SES CIVIL AND ENVIRONMENTAL LLC, dba AEROSTAR  
BUILDING 70 LEASE**

The Lease Review Committee has reviewed and supports the following new lease.

In an effort to provide the Air Force and their two contractors with the proper space to continue the groundwater remediation efforts, both AECOM and Aerostar will be moving from Building 20 into Building 70. The Air Force plans to have the contractors, whomever they may be over the next 20 years officed at Reese in Building 70. This is a good, stable move for LRRRA with two quality customers backed by good old US taxpayer money. In order to accomplish this, we will be terminating their current lease and entering into a new lease with both contractors.

Aerostar, who currently leases 1,910 square feet of office space in Building 20, 1,785 square feet of warehouse space, and 1,500 square feet of laydown space outside for collectively \$3,110.60 per month will be moving into approximately 6,403 square feet of office space and 6,500 square feet of hangar space in Building 70, the cost of which will be \$4,563.75 per month which is comprised of \$5 per square foot for the office space and \$3 per square foot for the hangar space. For year one, that will mean annual rent of \$54,765 vs the current annual rent of \$37,327.25 resulting in an increase of rent to LRRRA of \$17,437.75 (a 47% increase) for year one. The new lease agreement is for one year with two options to extend for one year each (with 3% annual increases) which follows the federal contract.

CURRENT ANNUAL RENT	NEW ANNUAL RENT	RENT DIFFERENCE TO LRRRA
\$ 37,327.25	\$ 54,765.00	\$ 17,437.75

For more details, attached you will find the Deal Sheet, the Lease Termination Agreement, and the new lease for Building 70.

Staff are requesting Board approval for the Aerostar Lease Termination Agreement and the Lease Agreement for Building 70.



**Deal Sheet**  
AECOM and SES Aerostar  
Lease for Building 70  
“Subject to Board Approval”

**Tenant:**  
AECOM and SES Aerostar

**Background Information:**

The Air Force Civil Engineering Center (AFCEC) continues to remediate groundwater contamination at the former Reese Air Force Base through contracting with two private companies, AECOM and Aerostar, which are both located at Reese. Our agreement with AECOM expires September 30, 2025 (there is a renewal option that, if exercised, will expire June 30, 2026), and our agreement with Aerostar expires August 31, 2024, with an option to renew through August 31, 2025. Both contractors are co-located in Building 20 and Aerostar leases an additional building, 1301. Additionally, they both have laydown space they lease. In total AECOM pays monthly rent to Reese of \$2,209.50 for all their leased space and Aerostar pays \$3,024.39 monthly for a total of \$5,233.89 per month. The contractors have outgrown the current space and with the next phase of the cleanup on the horizon they will require additional space.

This proposal, which will provide adequate, functional, and sustainable space for both contractors, is to move both contractors into Building 70. In order to do this, Reese will terminate all the agreements with both contractors while simultaneously executing new agreements by both contractors for Building 70. The ultimate goal however is for the AFCEC to be the Tenant of the building. These new agreements will bridge the gap until the AFCEC can get the needed approvals to be the Tenant of Building 70.

**Premises:**

Building 70, approximately 25,805 square feet (see floor plan and site plan below)  
616 Davis Drive  
Lubbock, TX 79416

**Permitted Uses:**

Tenant may use the premises for the purpose of an environmental field office.

**Type of Lease:**

Modified Gross Lease. The AFCEC plans to split the rent evenly between the two contractors, but the contractors have the option to divide the space/rent in any manner they agree upon. The proposed rent is \$5 per square foot for 12,805 square feet of office and climate-controlled space and \$3.50 per square foot for 13,000 square feet of hanger space. Rent will increase by 3% each year after the initial year. Therefore, rent will be as follows:



# Reese Technology Center

Technology ★ Research ★ Engineering ★ Education ★ Manufacturing

Year	AECOM 6,402 SQFT @\$5 6,500 SQFT @\$3.50	AECOM Monthly Rent	Aerostar 6,403 SQFT @\$5 6,500 SQFT @\$3.50	Aerostar Monthly Rent	Total 12,805 SQFT @\$5 13,000 SQFT @\$3.50
Year 1 9/1/2024 – 8/31/2025	\$54,760.00	\$4,563.33	\$54,765.00	\$4,563.75	\$109,525
Option Year 1 9/1/2025 – 8/31/2026	\$56,402.80	\$4,700.23	\$56,407.95	\$4,700.66	\$112,810.75
Option Year 2 9/1/2026 – 8/31/2027	\$58,094.88	\$4,841.24	\$58,100.19	\$4,841.68	\$116,195.07

Utilities will be paid by each customer directly to the provider.

**Renewal Options:**

The intention is that once this one-year agreement expires, AFCEC will be in a position to be the Tenant and we will enter into an agreement with them for the entire building, but in the event that the AFCEC needs additional time, we will offer a renewal options with a 3% increase.

**Optional Laydown:**

The tenants will have the option to lease laydown space (to be provided on the apron in front of Building 70) on a monthly basis by giving notice to Reese. The laydown cost is \$1.25 per square foot per year.

**Additional Terms:**

In the event Tenants need maintenance or repair services to the building, including but not limited to plumbing, electrical, or mechanical services, Reese agrees to provide such services and bill the cost to the Air Force.

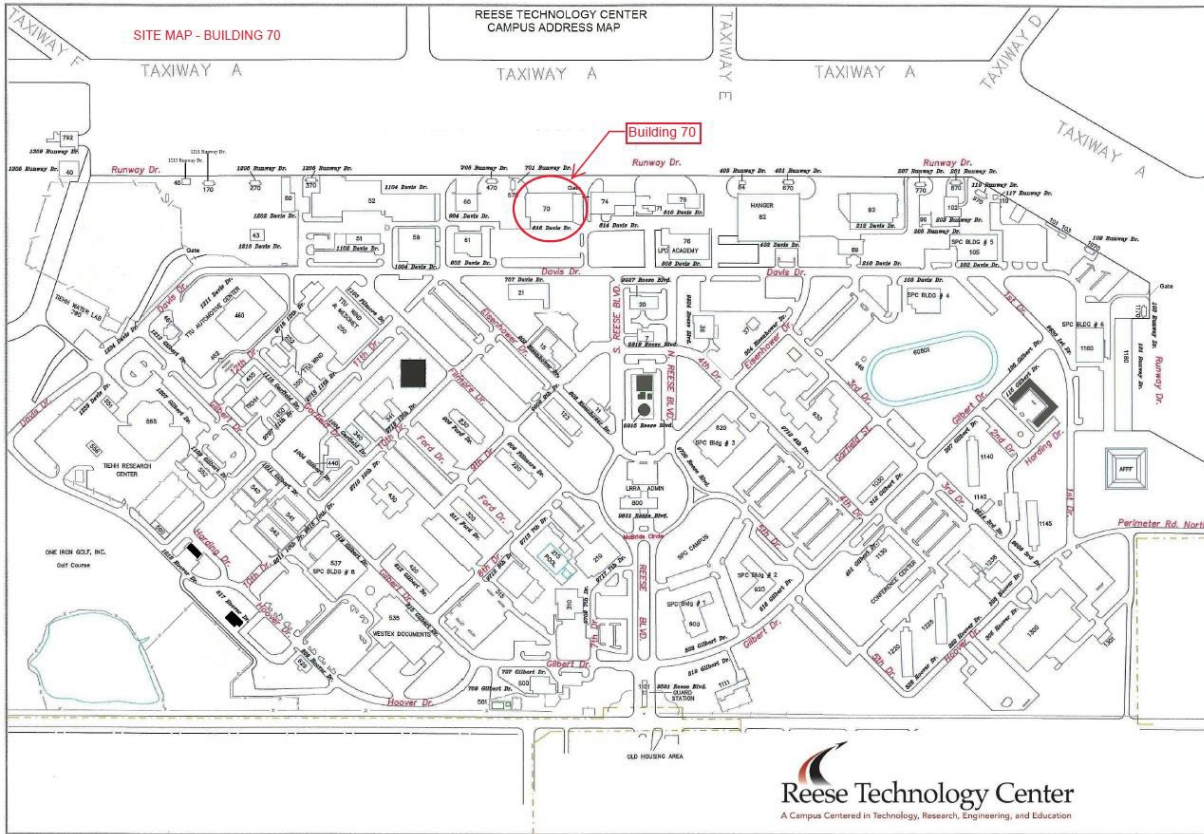


**Site Plan**



# Reese Technology Center

Technology ★ Research ★ Engineering ★ Education ★ Manufacturing



## LEASE TERMINATION AGREEMENT

This Lease Termination Agreement (the "Agreement") is entered into by and between Lubbock Reese Development Authority d/b/a Reese Technology Center ("Landlord") and SES Civil and Environmental LLC, an Alaska limited liability company ("Tenant") sets forth as follows:

WHEREAS, on or about March 27, 2019 the Parties entered into a Standard Industrial Lease effective April 1, 2019 (the "Lease #1") for the premises known as Building No. 20, Suites 112, 113, 114, 115, and 116 located physically at 9927 Research Boulevard North, Lubbock, TX 79416 and containing approximately 1,373 square feet of floor area; and on or about March 27, 2019 the Parties entered into a Standard Industrial Lease effective April 1, 2019 (the "Lease #2") for the premises known as Building No. 1301 located physically at 305 Hoover Drive, Lubbock, TX 79416 and containing approximately 1,785 square feet of floor area (collectively, the "Leased Premises");

WHEREAS, the Lease commenced on April 1, 2019 for an initial term of one (1) year and two extension periods of one (1) year each; since March 9, 2023 the Leases #1 and Lease #2 (the "Leases") have been on a month-to-month basis; and the Leases did not provide for termination unless the Tenant defaulted in the performance of its obligations under the terms of the Lease:

WHEREAS, the United States Air Force Real Property Agency desires its contractors who are conducting ground water remediation on and in the vicinity of the Reese Technology Center to consolidate their operations into Building #70; and

WHEREAS, the Parties have reached an agreement with respect to the Tenant's termination of the Lease, which the Parties desire to memorialize in this Agreement;

NOW THEREFORE, in consideration of the mutual promises herein contained, the Parties agree as follows:

1. Landlord shall retain the Lease #1 Security Deposit in the sum of \$915.33.
2. Landlord shall retain the Lease #2 Security Deposit in the sum of \$1,190.00.
3. Upon the Tenant occupying Building #70, the Landlord shall release the Tenant from any and all obligations under the provisions of the Leases; and the Tenant shall release the Landlord from any and all obligations under the provisions of the Leases.
4. It is further understood and agreed that the Landlord has no obligation to the Tenant to mitigate or return any portion of Rent paid should the Landlord lease the Leased Premises to another tenant.
5. This Agreement shall be construed, interpreted, and enforced according to the laws of the State of Texas.
6. Counterparts; Signatures. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement. The exchange of copies of this Agreement and of signature pages by facsimile transmission, email or other electronic means (including, without limitation, DocuSign or other third-party electronic signature verification service) shall constitute effective execution and delivery of this Agreement as to the parties and may be used in lieu of the original Agreement for all purposes. Signatures of the parties transmitted by facsimile, email or other electronic means (including, without limitation, DocuSign or other third-party electronic signature verification service) shall be deemed to be their original signatures for all purposes.

The execution of this Agreement by Landlord shall not be considered a waiver of Landlord's sovereign immunity to suit.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of August \_\_\_\_, 2024.

/-----Signature Page Follows-----/



**LUBBOCK REESE DEVELOPMENT  
AUTHORITY**

---

By: Murvat Musa

Its: Chief Executive Officer

**SES CIVIL AND ENVIRONMENTAL LLC**

---

By: \_\_\_\_\_

Its: \_\_\_\_\_

**STANDARD INDUSTRIAL LEASE**

**BETWEEN**

**LUBBOCK REESE REDEVELOPMENT AUTHORITY, a Political  
Subdivision of the State of Texas**

**AS LANDLORD**

**AND**

**SES CIVIL AND ENVIRONMENTAL LLC (d/b/a Aerostar SES), an Alaska limited  
liability company**

**AS TENANT**

**FOR PREMISES LOCATED AT**

**Reese Technology Center Building No. 70**

**616 Davis Drive**

**Lubbock, Texas 79416**

## STANDARD INDUSTRIAL LEASE

This Standard Industrial Lease (the "Lease") is made this \_\_\_\_ day of August 2024, by and between LUBBOCK REESE REDEVELOPMENT AUTHORITY, a political subdivision of the State of Texas (hereinafter referred to as "Landlord") and SES Civil and Environmental LLC, an Alaska limited liability company (d/b/a Aerostar SES) (hereinafter referred to as the "Tenant"). Landlord and Tenant are also referred to herein individually as a "Party" and collectively as the "Parties".

### W I T N E S S E T H:

#### 1. BASIC LEASE PROVISIONS

(a) Landlord: Lubbock Reese Redevelopment Authority, a political subdivision of the State of Texas, whose Federal Taxpayer Identification Number is 75-2713717.

(b) Landlord Address: 9801 Reese Blvd., Suite 200, Lubbock, TX 79416.

(c) Tenants: SES Civil and Environmental LLC, an Alaska limited liability company, whose Federal Taxpayer Identification Number \_\_\_\_\_.

(d) Tenant Addresses: SES Civil and Environmental LLC: 1006 Floyd Culler Court, Oak Ridge, TN 37830.

(e) Guarantors: N/A

(f) Guarantors' Addresses: N/A

(g) Project: means the land, together with the Premises (as defined below) and all other improvements constructed thereon, and all rights, privileges, easements, and appurtenances pertaining thereto, known as Reese Technology Center and located in Lubbock County, Texas, attached hereto as **Exhibit A**.

(h) Premises means that certain building ("Building") located at 616 Davis Drive, Lubbock, Texas 79416, which is commonly known as Building #70 (a/k/a "Hangar #70"), and identified as the "Premises" on the site plan attached hereto as **Exhibit B** (the "Site Plan"), and containing approximately 6,403 square feet of office and climate-controlled space and 6,500 square feet of hanger space. Additionally, the Premises shall include the non-exclusive Parking Area, immediately adjacent "Equipment and Truck Parking Area," and Optional Laydown Area as shown on **Exhibit B**.

(i) Initial Term (Years): One (1) Year.

(j) Extensions: Two (2) extension periods of one (1) year each, subject to the rights set forth in Section 1(k).

(k) Option to Extend Term: Tenant shall have two (2) extension periods of one (1) year each, such option to be exercised automatically unless Landlord receives written notice from

Tenant of its desire not to exercise the option to extend term no less than one hundred eighty days (180) days prior to expiration of the Initial Term. Without receipt of such notice, this Lease shall be extended automatically for the period specified in Section 1(j) without the necessity for the execution of any further instrument and upon the same terms and conditions as are contained in this Lease, except the then existing Base Rent will be increased by a fixed three percent (3%) annually during each year of the Extension Period. The adjustment in the Base Rent will be determined by multiplying the then existing Base Rent specified in the lease (“Base Rent”) by 1.03, which will result in a “Revised Renewal Period Base Rent.”

(l) Delivery Date: September 1, 2024.

(m) Commencement Date: September 1, 2024.

(n) Termination Date: August 31, 2025.

(o) Base Rent: The parties agree that the Base Rent set forth herein is what is commonly referred to as a "modified gross lease" and that Base Rent already includes, and Tenant shall not have to pay for Common Area (as defined below) Maintenance fees, grounds keeping-mowing expenses, parking, Landlord’s insurance, and any other charges incurred by Landlord with respect to the Premises, except as otherwise provided in this Lease. Said Base Rent does not include, and Tenant is solely responsible for any and all charges associated with utilities, trash dumpsters, telephone service, internet service, Tenant renovations, or housekeeping services, except as otherwise provided in this Lease. Subject to this paragraph, Base Rent shall be as set forth below, which represents a fixed increase of three percent (3%) annually during each year of the Lease Term. The adjustment in the Base Rent will be determined by multiplying the then existing Base Rent specified during the Lease Term (“Base Rent”) by 1.03.

<b>Initial Term Lease Year</b>	<b>Total Annual Rent</b>	<b>Total Monthly Payment</b>	<b>Annual Base Rent Per Square Foot Area (6,403 SQFT @ \$5.00 6,500 SQFT @ \$3.50)</b>
Year 1 (9/1/2024 – 8/31/2025)	\$54,765.00	\$4,563.75	\$5.00/\$3.50
Option Year 1 (9/1/2025 – 8/31/2026)	\$56,407.95	\$4,700.66	\$5.15/\$3.605
Option Year 2 (9/1/2026 – 8/31/2027)	\$58,100.19	\$4,841.68	\$5.30/\$3.71

(p) Security Deposit: None.

(a) Termination: This Lease is terminable by Landlord if Tenant is in default on this Lease, provided that so long as Landlord is not in default on this Agreement, Tenant’s termination of this Agreement shall not relieve Tenant of the obligation to pay the Rent and other charges set forth in this Agreement for the term of the Agreement. It is expressly understood and agreed to by

the Parties that when AFCEC assumes responsibility for this Lease the Tenant shall be released from responsibilities under the terms of this Lease.

(q) Early Termination Fee: None.

(b) Permitted Use: Tenants may use the Premises for an environmental field office.

(r) Relocation Option: Landlord reserves the right to re-locate Tenant at any time during the Term of the Lease at Landlord's expense to a building of similar size and use on the Property (the "Re-location Space"). If Tenant does not find the Re-location Space acceptable then Tenant shall be released of all liability under the Lease.

(s) Option to Lease Laydown Area: Tenant shall have the option to lease Laydown Area, on the airfield apron, as shown in **Exhibit B**, for an annual rate of \$1.25 per square foot (with annual increase of three percent (3%), which shall result in "Additional Rent." The exact location and amount of space will be agreed upon in writing in advance by the Parties.

(t) Landlord's Address for Payment of Rent: Payment of Rent may be made by check and delivered to Landlord's address, or by electronic funds transfer to Landlord's bank account at:

Plains Capital Bank  
5010 University  
Lubbock, TX 79413  
Routing Number - 111322994  
Account Number - 7260002003  
Deposits need to indicate: LUBBOCK REESE REDEVELOPMENT AUTHORITY

## 2. DEFINITIONS

(a) "Common Areas" means all facilities and areas of the Project that are intended and designated by Landlord from time to time for the common, general, and nonexclusive use of all tenants of the Project, including parking lots. Landlord has the exclusive control over and right to manage the Common Areas. Tenant shall have the right to use the Common Areas, but shall maintain all responsibility and liability for its conduct, or the conduct of its agents, employees and persons invited onto the Common Areas or Premises by Tenant. Subject to the terms and conditions of this Lease, Landlord hereby grants Tenant the right to use the Premises for the Permitted Use for the Term of this Agreement, and to use the streets, alleys and other portions of the Project necessary to obtain access to the Premises for the Permitted Use, and further subject to the access to the Premises as set forth in Section 5(a)(15) ("Gate 1180 Access Point").

(b) "Injury" means (1) harm to or impairment or loss of property or its use, (2) harm to or death of a person, or (3) "personal and advertising injury" as defined in the form of liability insurance Tenant is required to maintain.

(a) "Landlord" means Landlord and its agents, officers, servants, employees, consultants, invitees, licensees, or visitors.

(b) "Rent" means Base Rent plus any other amounts of money payable by Tenant to

Landlord.

(c) “Tenant” means Tenant and its agents, contractors, employees, invitees, licensees, or visitors.

### **3. RENT AND RENT INVOICES**

(u) Rent. Tenant agrees to pay to Landlord the Base Rent, Additional Rent, and any Utility charges (collectively, “Rent”) billed by the Landlord set forth in Sections 1(o) and 8(a), respectfully, in advance, on the 1<sup>st</sup> day of each calendar month during the Term, without deduction or setoff, commencing on the Commencement Date. Rent will be considered past Due and in default if not received by the 10<sup>th</sup> of the month.

(v) Rent Invoices. All invoices from Landlord to Tenant for any Rent due under this Lease will be sent to the address set forth in Section 12(m) or to such other address as Tenant may designate by written notice to Landlord.

### **2. REAL ESTATE TAXES AND OTHER TAXES**

(a) Real Estate Taxes. Tenant will pay or cause to be paid to the appropriate governmental authorities, prior to delinquency, all Real Estate Taxes. "Real Estate Taxes" means all real property taxes and assessments that become due and payable during the Term and are assessed by the applicable taxing governmental authority against the Premises. Tenant shall only be responsible for said taxes incurred by Tenant during the term, to include any extension, of this Lease. Tenant shall not be responsible for any back taxes or assessments incurred by a third party or prior to the Delivery Date.

(b) Notice Regarding Other Taxes. If assessed, Tenant shall during the Term be responsible for payment, prior to delinquency, of all taxes assessed against and levied upon the trade fixtures, furnishings, equipment, aircraft, and all other personal property of Tenant or under the care of the Tenant contained in the Premises. If applicable, Tenant shall during the Term pay to Landlord monthly with the payment of Base Rent all sales or rental taxes assessed by any governmental authority against the Rent payable by Tenant hereunder. Tenant hereby agrees to hold Landlord harmless from all costs, expenses, interest and penalties that Landlord may incur as a result of Tenant's failure to pay the taxes set forth in this Section 4.

### **5. TENANT COVENANTS**

#### **(a) Tenant Agrees to –**

(1) Lease the Premises for the entire Term beginning on the Delivery Date and ending on the Termination Date.

(2) Accept the Premises in their present condition “AS IS, WHERE IS CONDITION,” the Premises being currently suitable for the Permitted Use. Tenant shall have the right to perform improvements to Building #70, subject to Landlord’s approval of the plan and specifications prior to any work being initiated. Furthermore, Tenant agrees and assures that any

plans submitted and subsequent work perform for any renovation or alteration to the Premises must comply with the federal Americans with Disabilities Act (“ADA”) and the Texas Accessibility Standards (“TAS”) requirements and adhere to the International Building Code, as required by the LRRRA Covenants, Restrictions and Landscape Standards, as may be amended from time to time.

(3) Obey (i) all applicable federal, state, and local laws relating to the use, condition, and occupancy of the Premises and related to the Permitted Use; (ii) any requirements imposed by utility companies serving or insurance companies covering the Premises; and (iii) any rules and regulations for the Premises and Common Areas adopted by Landlord, to include the Reese Technology Center Covenants, Codes, Restrictions, and Landscape Standards, as amended, and as may be amended from time to time.

(4) Pay a late charge of five (5) percent of any Rent not received by Landlord by the tenth (10<sup>th</sup>) day after it is due.

(5) Following a twenty four (24) hour notice, allow Landlord to enter the Premises to perform Landlord’s obligations, inspect the Premises, and show the Premises to prospective purchasers or tenants; provided however, that such notice requirements shall not apply in the event of Tenant's request for Landlord to come onto the Premises to perform Landlord's obligations on the Premises, or in the event of an actual emergency situation that Landlord reasonably believes will result in personal injury, loss of life or property damage to the Premises. In such situation, Landlord will notify Tenant as soon after the entry as is reasonably possible.

(6) Repair, replace, and maintain any part of the Premises that Landlord is not obligated to repair, replace, or maintain, reasonable wear excepted, including any improvements thereon (including, but not limited to, special electrical outlets and interior utility lines), to the satisfaction of the Landlord or, in lieu of such repair or replacement, Tenant shall pay to Landlord an amount sufficient to compensate Landlord for the loss sustained by Landlord by reason of any damage to or destruction of Landlord’s property. As set forth in Section 6(a)(4)(iii), Tenant understands and agrees that Tenant is required to repair, replace, and maintain the large hangar doors, windows, window glass, plate glass, and doors associated with the Premises.

(7) Keep the sidewalks, service ways, and loading areas adjacent to the Premises clean and unobstructed.

(8) Submit in writing to Landlord any request for repairs, replacement, and maintenance that are the obligations of Landlord.

(9) If requested, deliver to Landlord a financing statement perfecting the security interest created by this lease.

(10) Vacate the Premises and return all keys to the Premises on the last day of the Term.

(11) If accessed, pay an additional cleaning fee in the event such cleaning is required as a result of any act of the Tenant or as a result of activities, which are part of the Tenant's use of the Premises. Tenant hereby agrees to pay such fee within ten (10) days of notification of fee assessment.

(12) On request, execute an estoppel certificate that states the Delivery Date, Commencement Date, and Termination Date of the lease, identifies any amendments to the lease, describes any rights to extend the Term or purchase rights, lists defaults by Landlord, and provides any other information reasonably requested.

(13) INDEMNIFY, DEFEND, AND HOLD LANDLORD HARMLESS FROM ANY INJURY (AND ANY RESULTING OR RELATED CLAIM, ACTION, LOSS, LIABILITY, OR REASONABLE EXPENSE, INCLUDING ATTORNEY'S FEES AND OTHER FEES AND COURT AND OTHER COSTS) OCCURRING IN ANY PORTION OF THE PREMISES, OR ARISING FROM TENANT'S ACCESS TO, PRESENCE ON, OR USE OF THE PREMISES OR PROJECT; OR THAT IS RELATED TO TENANT'S PERMITTED USE. THE INDEMNITY CONTAINED IN THIS PARAGRAPH (a) IS INDEPENDENT OF TENANT'S INSURANCE, (b) WILL NOT BE LIMITED BY COMPARATIVE NEGLIGENCE STATUTES OR DAMAGES PAID UNDER THE WORKERS' COMPENSATION ACT OR SIMILAR EMPLOYEE BENEFIT ACTS, (c) WILL SURVIVE THE END OF THE TERM, AND (d) WILL APPLY EVEN IF AN INJURY IS CAUSED IN WHOLE OR IN PART BY THE ORDINARY NEGLIGENCE OR STRICT LIABILITY OF LANDLORD BUT WILL NOT APPLY TO THE EXTENT AN INJURY IS CAUSED BY THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF LANDLORD.

(14) If not provided prior to the Commencement Date, provide a schematic to Landlord within thirty (30) days of the Commencement Date designating the Office Space, Hangar Space, and Equipment and Truck Parking occupied by the Tenant.

(15) The Tenant acknowledges the existence of and agrees to use the entrance off Research Blvd. for the delivery or shipment of all products used in and associated with the Permitted Use, when the means of delivery or shipment is a vehicle that has more than two axels (the "Gate 1180 Access Point").

(16) Not Used.

(17) Not Used.

(18) Tenant shall abide by all directions regarding availability and use of the central 10,500-foot runway and eastern 6,500-foot runway. Additionally, Tenant shall provide at least twenty-four (24) hours' notice of any use of the runways.

**(b) Tenant agrees not to and agrees to ensure that its agents, contractors, employees, invitees, licensees, sub-lessees, or visitors do not do any of the following —**

- (1) Use the Premises for any purpose other than the Permitted Use.
- (2) Create a nuisance, to include but not limited to noxious odors.



(3) Interfere with any other tenant's normal business operations or Landlord's management of the Premises or Project.

(4) Use the Premises in any way that would increase insurance premiums or void insurance on the Premises or the Project.

(5) Change Landlord's lock system.

(6) Allow a lien to be placed on the Premises.

(7) Assign this lease or sublease any portion of the Premises without Landlord's prior express written consent.

(8) Use the roof on the Premises, except as may be specifically authorized in writing by the Landlord.

(9) Place any signs on the Premises without Landlord's written consent.

(10) Bring suit against Landlord in connection with any claim or suit arising pursuant to Section 5(a)(13).

(11) Use any portion of the Premises for wind energy development or the installation or use of any facilities related to wind energy development or generation.

(12) Interfere with the wind energy project being conducted on the westernmost boundary of the Project.

(13) Take any action that shall significantly interfere with or impair the availability, accessibility, flow, frequency or direction of air and wind over and above any portion of the Premises or the Project.

(14) Take any action that in any way interferes with or impairs the transmission of electric, electromagnetic or other forms of energy to or from the wind energy project, or interferes with or impairs Landlord's wind energy tenant's access to the wind energy project.

## **6. LANDLORD COVENANTS**

### **(a) Landlord agrees to –**

(1) Lease to Tenant the Premises for the entire Term beginning on the Delivery Date and ending on the Termination Date.

(2) To deliver the Premises in broom clean condition.

(3) Obey all applicable laws with respect to Landlord's operation of the Premises and Project.

(4) Subject to the requirements of Section 5(a)(2), repair and maintain the (i) roof, to include roof membrane, (ii) foundation, to include floor slab, (iii) structural soundness of load bearing and exterior walls, specifically excluding the large hangar doors, windows, window glass, plate glass, and doors, and (iv) Common Areas.

(5) Subject to the requirements of Sections 5(a)(2) and (6), in the event Tenant requires maintenance or repair services for Building #70, including but not limited to plumbing, electrical, or mechanical services, Landlord shall provide such services and bill the cost to Tenant.

**(b) Landlord agrees not to—**

(1) Interfere with Tenant's possession of the Premises as long as Tenant is not in default.

(2) Subject to Section 12(q), unreasonably withhold consent to a proposed assignment or sublease.

**3. COMMON AREAS**

(a) Right to Use Common Areas. Tenant will have the nonexclusive right to use the Common Areas subject to any reasonable rules and regulations that Landlord may prescribe, to include but not limited to designation of parking areas for Tenant events.

(b) Maintenance of Common Areas. At all times during the Term, Landlord will maintain the Common Areas.

**4. UTILITIES AND TRASH REMOVAL**

(a) Payment of Utility Bills. Subject to Section 3(a), Tenant shall promptly pay all charges for electricity, water, gas, telephone service, sewer service, and other utilities furnished to the Premises directly to the utility providing such service.

(b) Trash Removal. Tenants shall install, in compliance with applicable Laws at a location immediately adjacent to the outside of the Premises or as designated by the Landlord, a trash dumpster. Tenant shall pay for collection of their own trash and cleaning of the Premises.

**9. DAMAGE BY CASUALTY**

(a) Notice of Damage and Estimated Repair Time. If the Premises is damaged or destroyed by fire or other casualty ("Casualty"), Landlord will, within thirty (30) days after the date of the Casualty, notify Tenant ("Landlord's Casualty Notice") of the number of days, from the date of the Casualty, that Landlord estimates will be required to complete the repair and restoration. If neither Tenant, nor Landlord, elects to terminate this Lease as set forth below, then the damage or destruction of the Premises will, at the expense of Landlord, be repaired and restored, unless Casualty is determined to have been caused by intentional or unintentional neglect of the Tenant, at which the damage or destruction will be at the expense of the Tenant.

(b) Tenant's Right to Terminate. If more than thirty-five percent (35%) of the floor area of the Premises is damaged or destroyed due to Casualty, then Tenant will have the right to terminate this Lease, effective as of the date of Casualty, by notice given to Landlord within fifteen (15) days after Tenant's receipt of Landlord's Casualty Notice.

(c) Landlord's Right to Terminate. If more than thirty-five percent (35%) of the floor area of the Premises is damaged or destroyed by Casualty during the Term, then Landlord may elect to terminate this Lease effective as of the date of the Casualty by notice given to Tenant not later than fifteen (15) days after Landlord delivers Landlord's Casualty Notice to Tenant.

(d) Landlord's Repair Obligation. Landlord's obligation will be to restore all portions of the Premises and the Common Areas in the immediate vicinity of and surrounding the Premises (including but not limited all parking areas surrounding the Premises and all sidewalks, roadways, driveways and access ways leading to and from the Premises) affected by a Casualty (exclusive of Tenant's fixtures and equipment) to their condition immediately preceding such Casualty, subject to available insurance proceeds. If Landlord for any reason whatsoever fails (1) to commence the repair and restoration work required hereunder within ninety (90) days from the date of the Casualty, (2) to proceed diligently to complete such repair and restoration work, or (3) fails to complete same within the estimated time set forth in Landlord's Casualty Notice, plus the number of days of delay caused by Uncontrollable Events, then, Tenant will have the right to terminate this Lease by giving Landlord notice and upon the giving of such notice, this Lease will terminate and the Parties will be liable for their respective obligations to the date of termination and will have no liability for obligations arising after that date, except for those obligations which expressly survive termination. Landlord agrees should damage occur in over thirty-five percent (35%) of the floor area no rent will be due or if mutually agreed a reduced rent will be paid, provided Tenant can use the portion of the Premises not damaged.

## **10. HAZARDOUS MATERIALS**

(a) Landlord's Obligations. Landlord represents and warrants that on the Delivery Date the Premises and the Project shall be in compliance with all Environmental Laws. During the Term, Landlord will not use, generate, place, store, release or otherwise dispose of, or permit the use, generation, placing, storage, release or disposal of, Hazardous Materials in the Project, except in accordance with all Environmental Laws.

(e) Tenant's Obligations. During the Term, Tenant will not use, generate, place, store, release or otherwise dispose of Hazardous Materials in the Premises or the Common Areas, except in accordance with all Environmental Laws, and subject to the Reservations recorded in the Deed Without Warranty Between the United States of America and Landlord recorded in the Real Property Records of Lubbock County, Texas at Deed Record 2006041652. Notwithstanding anything to the contrary contained in this Lease, Landlord acknowledges and agrees that Tenant shall have the right to use and store in the Premises in Tenant's ordinary course of business Hazardous Materials in accordance with Environmental Laws, and subject to Section 10(e), below. In the event of a breach of the foregoing, Tenant will promptly undertake remediation or removal in accordance with all Environmental Laws. Tenant will indemnify, defend and hold Landlord and Landlord's Affiliated Parties harmless from and against, and reimburse Landlord and Landlord's Affiliated Parties for, all Hazardous Materials Liabilities asserted against or incurred

by Landlord or Landlord's Affiliated Parties as a result of a breach of Tenant's obligations under this paragraph. Notwithstanding anything to the contrary contained herein, in no event shall Tenant be liable for Hazardous Materials existing in, on or about the Premises or the Project prior the Tenant's occupancy of the Premises. Tenant shall provide Landlord a copy of Tenant's plan for responding to hazardous waste, fuel, and chemical spills no later than the Commencement Date.

(f) Definitions. As used herein,

(i) "Hazardous Materials" shall be construed broadly to include any toxic or hazardous substance, material, or waste, and any other contaminant, pollutant or constituent thereof, including without limitation, chemicals, compounds, by-products, petroleum or petroleum products, and polychlorinated biphenyls, the presence of which requires investigation or remediation under any Environmental Laws or which are or become regulated, listed or controlled by, under or pursuant to any Environmental Laws;

(ii) "Environmental Laws" means all federal, state, regional or local statutes, laws, regulations, codes, orders, permits, ordinances, decrees, rulings or judicial or administrative interpretations thereof, or similar laws of foreign jurisdictions where the Tenant conducts business, whether currently in existence or hereinafter enacted or promulgated, any of which govern, or purport to govern, or relate to pollution, protection of the environment, public health and safety, air emissions, water discharges, hazardous or toxic substances, solid or hazardous waste or occupational health and safety, as any of these terms are or may be defined in such statutes, laws, rules, regulations, codes, orders, permits, ordinances, decrees, rulings or judicial or administrative interpretations thereof, including, without limitation: the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendment and Reauthorization Act of 1986, 42 U.S.C. §9601, et seq. (collectively "CERCLA"); the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976 and subsequent Hazardous and Solid Waste Amendments of 1984, 42 U.S.C. §6901 et seq. (collectively "RCRA"); the Hazardous Materials Transportation Act, as amended, 49 U.S.C. §1801, et seq.; the Clean Water Act, as amended, 33 U.S.C. §1311, et seq.; the Clean Air Act, as amended (42 U.S.C. §7401-7642); the Toxic Substances Control Act, as amended, 15 U.S.C. §2601 et seq.; the Federal Insecticide, Fungicide, and Rodenticide Act as amended, 7 U.S.C. §136-136y ("FIFRA"); the Emergency Planning and Community Right-to-Know Act of 1986 as amended, 42 U.S.C. §11001, et seq. (Title III of SARA) ("EPCRA"); and the Occupational Safety and Health Act of 1970, as amended, 29 U.S.C. §651, et seq. ("OSHA"); and

(iii) "Hazardous Materials Liabilities" means all claims, damages, losses, forfeitures, expenses or liabilities arising from or caused in whole or in part, directly or indirectly, by a breach by the other Party of its representations, warranties or covenants under Section 10(a) or (b), including, without limitation, all costs of defense (including reasonable attorneys' fees and other costs of litigation), all consultants' fees, and all costs of investigation, repair, remediation, restoration, cleanup, detoxification or decontamination, and/or preparation and implementation of any closure, remedial action or other required plan.

(g) Hazardous Materials. Tenant agrees to provide Landlord access to the Leased Premises for periodic inspections concerning the Hazardous Materials uses in its operations, to provide Landlord with a list of any and all Hazardous Materials used in its operations or which are

brought on to the Leased Premises by Tenant, and shall provide Landlord with Material Safety Data Sheets for all Hazardous Materials, its security procedures and Hazardous Materials safety plans, policies and procedures to be utilized by the Tenant for protection of Tenant's employees health, safety and well-being, as well as for the plans, policies and procedures designed to protect the health, safety and well-being of any person on the Reese Technology Center Campus that may come in contact with the Hazardous Materials and chemicals in use by the Tenant.

(h) Hazardous Waste Permit. Any hazardous waste permit under the Resource Conservation and Recovery Act, or its Texas equivalent, shall be limited to generation and transportation. The Tenant shall not, under any circumstances store any hazardous waste on or about the premises for any period in excess of ninety (90) days. Any violation of this requirement shall be deemed a material breach of this Lease. Hazardous storage facilities will not be available to the Tenant. The Tenant must provide at its own expense such storage facilities; complying with all laws and regulations it needs for temporary (less than ninety (90) days) storage.

(i) Survival. The provisions of this Section 10 will survive the expiration or earlier termination of this Lease.

## 11. INSURANCE AND WAIVER OF SUBROGATION

A Certificate of Insurance for each coverage identified below shall be submitted to Landlord prior to the Delivery Date by each Tenant. Tenant shall provide to Landlord proof of the required insurance on or before the expiration date of each expiring policy, and cause each required policy to require insurer to give Landlord notice of termination of any policy prior to the expiry of its term. Specifically, Tenant is required to have:

(a) Commercial General Liability Insurance. Commercial General Liability Insurance covering the Premises and Tenant's use thereof, not including Common Areas, against claims for bodily injury, death or property damage occurring upon, in or about the Premises (including contractual indemnity and liability coverage), such insurance to provide coverage of not less than \$500,000.00 per occurrence and \$1,000,000.00 annual aggregate. Landlord shall be included as an additional insured against claims for bodily injury, death, or property damage occurring upon, in or about the Premises; or that is related to the Permitted Use.

(b) Tenant's Property Insurance. Property insurance on an all-risk basis (including coverage against fire, wind, tornado, vandalism, malicious mischief, water damage and sprinkler leakage) covering all Tenant owned fixtures, equipment, and leasehold improvements, and other personal property located in the Premises and endorsed to provide one hundred percent (100%) replacement cost coverage. Such policy shall be written in the name of Tenant.

(c) Workers Compensation' and Employer's Liability Insurance. Workers' compensation insurance shall be in an amount meeting applicable state statutory requirement and the employer's liability limits shall be in an amount not less than \$1,000,000.00 per bodily injury by accident and \$1,000,000.00 per employee for bodily injury by disease.

(d) Other Requirements of Insurance. All such insurance will be issued and underwritten by companies with an A.M. Best rating of "A" or better and size rating of "VI" or better and Tenant will use good faith efforts to obtain a policy that will contain endorsements that

(1) such insurance may not lapse with respect to Landlord or be canceled with respect to Landlord without the insurance company giving Landlord at least thirty (30) days prior written notice of such cancellation, (2) Tenant will be solely responsible for payment of premiums, and (3) in the event of payment of any loss covered by such policy, this insurance shall apply as primary insurance with respect to any overlapping coverage afforded to the Landlord except for loss arising from Common Areas.

(e) Release of Claims/Subrogation. LANDLORD AND TENANT RELEASE EACH OTHER AND ANY LIENHOLDER FROM ALL CLAIMS OR LIABILITIES FOR DAMAGE TO THE PREMISES OR BUILDING, DAMAGE TO OR LOSS OF PERSONAL PROPERTY WITHIN THE BUILDING, AND LOSS OF BUSINESS OR REVENUES THAT ARE COVERED BY THE RELEASING PARTY'S PROPERTY INSURANCE OR THAT WOULD HAVE BEEN COVERED BY THE REQUIRED INSURANCE IF THE PARTY FAILS TO MAINTAIN THE PROPERTY COVERAGES REQUIRED BY THIS LEASE. THE PARTY INCURRING THE DAMAGE OR LOSS WILL BE RESPONSIBLE FOR ANY DEDUCTIBLE OR SELF-INSURED RETENTION UNDER ITS PROPERTY INSURANCE. LANDLORD AND TENANT WILL NOTIFY THE ISSUING PROPERTY INSURANCE COMPANIES OF THE RELEASE SET FORTH IN THIS PARAGRAPH AND WILL HAVE THE PROPERTY INSURANCE POLICIES ENDORSED, IF NECESSARY, TO PREVENT INVALIDATION OF COVERAGE. THIS RELEASE WILL NOT APPLY IF IT INVALIDATES THE PROPERTY INSURANCE COVERAGE OF THE RELEASING PARTY. THE RELEASE IN THIS PARAGRAPH WILL APPLY EVEN IF THE DAMAGE OR LOSS IS CAUSED IN WHOLE OR IN PART BY THE ORDINARY NEGLIGENCE OR STRICT LIABILITY OF THE RELEASED PARTY BUT WILL NOT APPLY TO THE EXTENT THE DAMAGE OR LOSS IS CAUSED BY THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF THE RELEASED PARTY.

## 12. ADDITIONAL LANDLORD AND TENANT AGREEMENTS

a. Alterations or Tenant Improvements. Any physical additions or improvements to the Premises made by Tenant will become the property of Landlord. Landlord may require that Tenant, at the end of the Term and at Tenant's expense, remove any physical additions and improvements, repair any alterations, and restore the Premises to the condition existing at the Delivery Date, normal wear excepted. All alterations shall require the prior written consent of Landlord. Tenant agrees at its sole cost and expense to comply with all Laws when performing any alterations, including obtaining any governmental permits which may be required in connection therewith. Should Tenant desire to renovate the Premises and such renovations would require alterations to the Premises, then Tenant shall submit plans and specifications for such renovations to Landlord for its approval, such approval not to be unreasonably withheld, delayed or conditioned. Landlord shall have fourteen (14) days from receipt of Tenant's plans and specifications to approve or disapprove same. In the event Landlord fails to disapprove of said plans and specifications within such fourteen (14) day period, then the plans and specifications shall be deemed approved. After completion of any alterations or improvements that require consent of Landlord hereunder, Tenant shall provide Landlord with a copy of Tenant's plans and specifications for such alterations or improvements.

b. Abatement. Tenant's covenant to pay Rent and Landlord's covenants are independent. Tenant will not be entitled to abate Rent for any reason.

c. Condemnation/Substantial or Partial Taking

(1) If the Premises cannot be used for the purposes contemplated by this lease because of condemnation or purchase in lieu of condemnation, this lease will terminate.

(2) If there is a condemnation or purchase in lieu of condemnation and this lease is not terminated, Landlord will, at Landlord's expense, restore the Premises, and the Rent payable during the unexpired portion of the Term will be adjusted as may be fair and reasonable.

(3) Tenant will have no claim to the condemnation award or proceeds in lieu of condemnation.

d. Uniform Commercial Code. Each Tenant grants Landlord a security interest in Tenant's personal property now or subsequently located on the Premises. This lease is a security agreement under the Uniform Commercial Code. Furthermore, Tenant authorizes Landlord to file a UCC-1 Financing Statement with the Texas Secretary of State to perfect its interest in Tenant's personal property now or subsequently located on the Premises, without any further signature or authorization of the Tenant, and this Lease and security agreement contained herein shall serve as a financing statement and may be filed if necessary.

e. Default by Landlord/Events. Defaults by Landlord are failing to comply with any provision of this lease within thirty (30) days after written notice.

f. Default by Landlord/Tenant's Remedies. Tenant's remedies for Landlord's default are to sue for damages.

g. Default by Tenant/Events. Defaults by Tenant are:

(1) making an assignment for the benefit of its creditors;

(2) the levying on or against Tenant's property;

(3) the institution in court of competent jurisdiction of proceedings for the reorganization, liquidation, or voluntary dissolution of Tenant, or for its adjudication as a bankrupt or insolvent, or for the appointment of a receiver of the Tenant's property, if the proceedings are not dismissed, and any receiver, trustee, or liquidator appointed therein is not discharged within thirty (30) days after the proceedings are instituted;

(4) the filing of a mechanic's lien against the Premises in connection with work contracted for by Tenant that is not released by payment or bond or otherwise (including indemnification reasonably satisfactory to Landlord) within thirty (30) days of Tenant's receipt of written notice of the existence of such mechanic's lien, provided, however, that Tenant shall have an affirmative duty to notify Landlord of the existence or threat of any such mechanic's lien being filed against the Premises if and when Tenant receives any notice of the threatened mechanic's lien from any claimant;

(5) failing to pay timely Rent;

(6) failure by Tenant to perform or observe any of Tenant's non-monetary covenants contained in this Lease;

(7) abandoning or vacating a substantial portion of the Premises;

(8) failing to comply within ten (10) days after written notice with any provision of this Lease; and

(9) failing to comply with the requirements set forth in Sections 5(a)(2).

h. Default by Tenant/Landlord's Remedies. Landlord's remedies for Tenant's default are to (1) enter and take possession of the Premises; (2) enter the Premises and perform Tenant's obligations; and (3) terminate this Lease by written notice and sue for damages. Landlord may enter and take possession of the Premises by self-help, by picking or changing locks if necessary, and may lock out Tenant or any other person who may be occupying the Premises, until the default is cured, without being liable for damages. If the Tenant fails to cure any default within ten (10) days after being locked out of the Premises, Landlord may consider all of Tenant's personal property Abandoned Property, as set forth in Section 12.u.

i. Remedies Cumulative. The rights and remedies given to Landlord and Tenant in this Lease are distinct, separate and cumulative remedies, and the exercise of any one or more of them will not be deemed to exclude Landlord's or Tenant's rights to exercise any or all of the others which are given in this Lease, or at law or in equity, unless such remedies are expressly excluded.

j. Default/Waiver/Mitigation. It is not a waiver of default if the non-defaulting Party fails to declare immediately a default or delays in taking any action. Pursuit of any remedies set forth in this lease does not preclude pursuit of other remedies in this lease or provided by applicable law. Landlord and Tenant have a duty to mitigate damages.

k. Representations and Indemnities of Broker Relationships. Tenant and Landlord each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder in connection with this Lease, and that no one is entitled to any commission or finder's fee in connection herewith. Tenant and Landlord do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar Party by reason of any dealings or actions of the indemnifying Party, including any costs, expenses, attorneys' fees reasonably incurred with respect thereto.

l. Holdover. No holding over by Tenant, whether with or without the consent of Landlord, will extend the Term. If Tenant remains in possession of the Premises after the expiration of the Term without execution of a new lease extending the Term, Tenant will be deemed to be occupying the Premises as a tenant at will, subject to all of the terms of this Lease as may be applicable to a month to month tenancy and at One Hundred Fifty Percent (150%) of the monthly installment of the Base Rent set forth in Section 1(m) for the twelve (12) month period prior to expiration of the Term, except that thereafter either Landlord or Tenant may terminate this



Lease upon thirty (30) days' notice to the other; provided that Landlord, by the terms hereof, is not deemed to consent to any such holdover by Tenant and may exercise all rights provided by law to remove Tenant from the Premises upon giving Tenant the notice described herein.

m. Notices. Any notices sent or required to be given hereunder must in writing and sent by certified mail, return receipt requested, or nationally recognized overnight courier to the following addresses:

**LANDLORD:**

Lubbock Reese Redevelopment Authority  
9801 Reese Boulevard  
Suite 200  
Lubbock, Texas 79416  
Attn: Executive Director  
Telephone: (806) 885-3597  
Email: [mmusa@reesecenter.com](mailto:mmusa@reesecenter.com)

**TENANTS:**

**SES Civil and Environmental, LLC**  
1006 Floyd Culler Court  
Oak Ridge, TN 37830  
Telephone: 865-481-7837  
Email: \_\_\_\_\_

Notices will be deemed given on the date received (or refused) when addressed to the parties at the addresses set forth above or in either case to such other addresses as Landlord or Tenant may designate to the other by notice. Notice may also be given by regular mail, personal delivery, courier delivery, or other commercially reasonable means and will be effective when actually received. Any address for notice may be changed by written notice delivered as provided herein. Without limiting the foregoing, any notice required or permitted to be given under this Lease may be sent by e-mail at the appropriate e-mail address set forth in this Section 12.m, as the same may be amended, or to such other e-mail address as Landlord or Tenant may from time to time designate in a notice to the other; provided that such e-mailed notice expressly states that it represents a notice under Section 12.m. of this Lease. Any e-mailed notice shall be deemed given on the date of delivery, provided that (i) such delivery is reasonably confirmed as received by the recipient (i.e., no error report is received by the sender); and (ii) if delivery occurs after 5:00 p.m. in the time zone of the recipient or on a non-business day, then such notice shall be deemed received on the first business day after the day of delivery.

n. Attorney's Fees. If either Party retains an attorney to enforce this Lease, the Party prevailing in litigation is entitled to recover reasonable attorney's fees and other fees and court and other costs.

o. Governing Law. This Lease shall be governed in accordance with the laws of the State of Texas, and all obligations of the Parties are performable in Lubbock County, Texas.

p. Entire Agreement. This Lease, together with the attached exhibits and riders, is the entire agreement of the Parties, and there are no oral representations, warranties, agreements, or promises pertaining to this lease or to any expressly mentioned exhibits and riders not incorporated in writing in this lease.

q. Assignment and Subletting by Tenant. Tenant may have the right, with the prior written consent of Landlord, which consent shall not be unreasonable withheld, conditioned or delayed, to assign this Lease, and any interest therein, provided each assignee assumes in writing all of Tenant's obligations under this Lease and Tenant shall remain liable for each and every obligation under this lease. Landlord hereby grants its consent for Tenant to sublet the Premises or any thereof, or any right or privilege pertinent thereto.

The foregoing notwithstanding, Tenant may assign its entire interest under this Lease to an Affiliate or to a successor to Tenant by purchase, merger, consolidation or reorganization without the consent of Landlord, provided that all of the following conditions are satisfied (a "Permitted Transfer"): (1) no uncured event of default exists under this Lease; (2) Tenant's successor shall own all or substantially all of the assets of Tenant; and (3) Tenant shall give Landlord written notice at least thirty (30) days prior to the effective date of the proposed purchase, merger, consolidation or reorganization. The term "Affiliate" means any person or entity controlling, controlled by or under common control with Tenant. Tenant's notice to Landlord shall include information and documentation showing that each of the above conditions has been satisfied.

r. Assignment by Landlord. Landlord is expressly given the right to assign any or all of its interest under the terms of this Lease, provided the assignee expressly assumes all obligations of Landlord hereunder.

s. Amendment of Lease. This Lease may be amended only by an instrument in writing signed by Landlord and Tenant.

t. Limitation of Warranties. THERE ARE NO IMPLIED WARRANTIES OF MERCHANTABILITY, OF FITNESS FOR A PARTICULAR PURPOSE, OR OF ANY OTHER KIND ARISING OUT OF THIS LEASE, AND THERE ARE NO WARRANTIES THAT EXTEND BEYOND THOSE EXPRESSLY STATED IN THIS LEASE.

u. Abandoned Property. Landlord may retain, destroy, or dispose of any property left on the Premises at the end of the Term.

v. Heirs, Successors, and Assigns. This Lease and the covenants, agreements and representations herein contained will be binding upon, and inure to the benefit of, the Parties hereto and their respective heirs, executors, administrators, successors, and assigns.

w. Rules of Construction. This Lease will be construed with equal weight for the rights of both Parties, the terms hereof having been determined by fair negotiation with due consideration for the rights and requirements of both Parties.

x. Severability. If any term or provision of this Lease is found to be invalid, illegal or unenforceable, the remaining terms and provisions hereof will not be affected thereby; and each term and provision hereof will be valid and enforceable to the fullest extent permitted by Laws.

y. Headings. The captions, section numbers and paragraph numbers appearing in this Lease are inserted only as a matter of convenience and in no way define, amplify, limit, construe or describe the scope or interest of any section of this Lease.

z. Trafficking of Persons. Under §2155.0061, Texas Government Code, Tenant certifies that the individual or business entity named in the Agreement is not ineligible to receive the specified Agreement and acknowledges that the Agreement may be terminated if this certification is inaccurate.

aa. Chapter 2271 of the Texas Government Code. Tenant acknowledges that in accordance with Chapter 2271 of the Texas Government Code, the Landlord is prohibited from entering into a contract with a company for goods or services unless the contract contains a written verification from the Tenant that it: (1) does not boycott Israel; and (2) will not boycott Israel during the term of the contract. The terms “boycott Israel” and “company” shall have the meanings ascribed to those terms in Section 808.001 of the Texas Government Code. ***By signing this Lease, Tenant certifies that Tenant’s signature provides written verification to the Landlord that Tenant: (1) does not boycott Israel; and (2) will not boycott Israel during the term of the Lease.***

bb. Counterparts; Signatures. This Lease may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Lease and all of which, when taken together, will be deemed to constitute one and the same agreement. The exchange of copies of this Lease and of signature pages by facsimile transmission, email or other electronic means (including, without limitation, DocuSign or other third-party electronic signature verification service) shall constitute effective execution and delivery of this Lease as to the parties and may be used in lieu of the original Lease for all purposes. Signatures of the parties transmitted by facsimile, email or other electronic means (including, without limitation, DocuSign or other third party electronic signature verification service) shall be deemed to be their original signatures for all purposes.

### **13. AFFIRMATIVE REPRESENTATIONS CONCERNING FTZ-260 AND OPERATION OF AIRFIELD**

a. Free Trade Zone (FTZ). The Lubbock Economic Development Authority (“LEDA”) has applied and previously received approval for eligible tenants of the Project to be able to take advantage of the benefits of its FTZ. Tenants that are eligible to participate must apply through LEDA and pay the application fees and any monthly fees associated with the volume of goods that are transported into and out of the FTZ. Interested tenants should contact the LEDA for specific details regarding the application process and the fees and regulations associated with the program.

b. Airfield. Landlord currently has Federal Aviation Administration approval to operate the airstrips located within the Project. The 6,500-foot north-south runway can accommodate large cargo aircrafts such as a C-130. While Landlord anticipates that there may be changes with respect to the use of the three (3) primary landing strips that are now in operation (including that the westernmost runway is non-operational, except in the case of a federal, state or local emergency), Landlord intends to continue to operate the 6,500-foot north-south runway and will make the use of such runway available to Tenant in accordance with the existing Federal Aviation Administration certification. With regard to the westernmost runway, Landlord has restricted use of such runway based on the operation of the commercial grade wind turbines that exist on the Project to the west of such runway, and Tenant agrees that it may not have access to such runway. All flight arrangements must be approved through Landlord and any tenant utilizing the runway for such flights must comply with the daytime Visual Flight Rule. Notwithstanding the foregoing, Landlord agrees that it will not cause or permit any material change in size, location or configuration of any airstrip or runway which will have an adverse effect on Tenant's ability to operate in the Premises or which will adversely affect access to the Premises.

#### **14. SECURITY CONDITIONS**

Landlord and Tenant acknowledge and agree that the Project is located on property formerly owned and operated by the United States Air Force as the Reese Air Force Base, and that certain portions of the Project have been previously utilized by local, state and federal governmental entities (hereinafter, "the Government") in times of state or national emergencies to provide temporary evacuation shelters and other such uses. Additionally, Landlord has other tenants of the Project that require controlled access to the Airfield during certain operations. Landlord represents that the Government may continue to utilize the Project during the Term of this Lease in times of state or national emergency (with or without Landlord's express consent), and other tenants of the Project, when approved by the Landlord, may require controlled access to the Airfield, and that such use could adversely affect Tenant's ability to access the Premises and/or use the Common Areas due to additional security measures; provided, however, that such adverse impact shall only delay and shall not unreasonably deny access by Tenant to the Premises.

Tenant acknowledges and agrees that, in the event that the Government utilizes any portion of the Project in a time of state or national emergency or when the Landlord authorizes other tenants of the Project to control access to the Airfield, Tenant, its employees, officers, agents, and contractors will comply with all reasonable security regulations imposed by the Landlord or applicable governmental agency, including the requirement to obtain and display security identification cards and to comply with reasonable security procedures.

The execution of this Agreement by Landlord shall not be considered a waiver of Landlord's sovereign immunity to suit.

**/Signature Page Follows/**

**IN WITNESS WHEREOF**, having read and intending to be bound by the terms hereof, the Parties have signed this Lease on the date(s) set forth below.

LUBBOCK REESE  
REDEVELOPMENT AUTHORITY  
("Landlord")

SES CIVIL AND ENVIRONMENTAL, LLC  
("Tenant")

\_\_\_\_\_  
By: Murvat Musa/CEO

\_\_\_\_\_  
By: \_\_\_\_\_

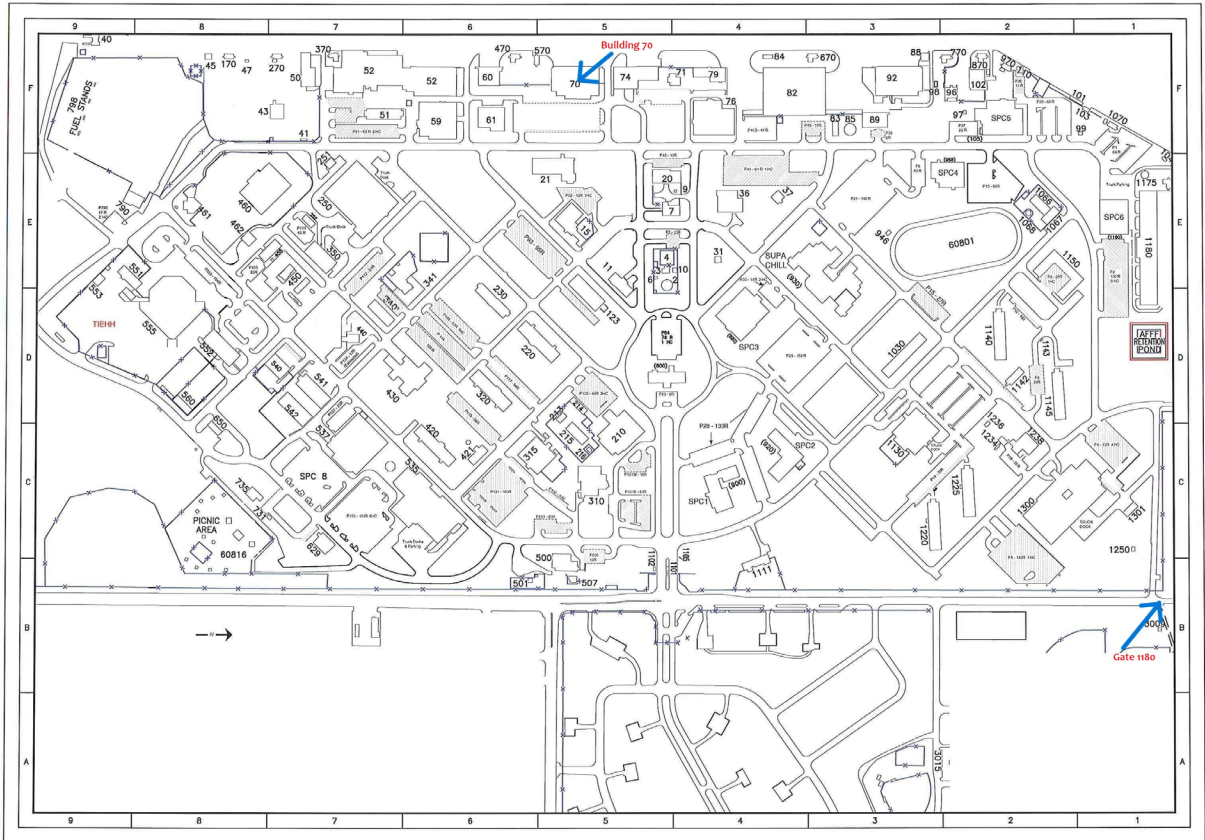
Its: \_\_\_\_\_

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

# EXHIBIT A

## Project



# EXHIBIT B

## Site Plan



**BOARD ACTION ITEM No. 2024-0828-033**  
**AEROSTAR LEASE TERMINATION AGREEMENT AND NEW LEASE BUILDING 70**

**BOARD OF DIRECTORS**  
**LUBBOCK REESE REDEVELOPMENT AUTHORITY**  
**August 28, 2024**

Items to be Considered:

SES Civil and Environmental LLC dba Aerostar SES Lease Termination Agreement  
SES Civil and Environmental LLC dba Aerostar SES New Lease Building 70

Previous Board Action:

The Board has approved several leases for Aerostar SES

Statement of Pertinent Facts:

- a) Term: One year with two options to renew for one year each
- b) Rent: \$5 per square foot for office space and \$3 per square foot for hangar space with annual increases of 3%. The first year's rent is \$54,765.

Advice, Opinions, Recommendations, and Motion:

If the Board of Directors concurs, the following motion is in order:

"Resolved, that the Board of Directors of the Lubbock Reese Redevelopment Authority hereby approves the Lease Termination Agreement and the new Lease for Building 70 for SES Civil and Environmental, LLC, and authorizes its CEO/Executive Director to execute the agreement subject to negotiation of final terms and conditions, as submitted on this 28<sup>th</sup> day of August 2024."

\_\_\_\_\_  
Tim Pierce – Board President

ATTEST:

\_\_\_\_\_  
LRRR Board Member



ITEM 13

LRRA FY2025  
Preliminary  
Budgets

**AGENDA ITEM 13  
EXECUTIVE SUMMARY  
FY2025 DATA CENTER/FIBER OPTICS BUDGET**

We are pleased to present you with the following preliminary Data Center/Fiber Optics budget for Fiscal Year 2025. A summary of FY2024 and five years comparison are below.

**Current Year – FY 2024**

- We project total income at FYE to be approximately \$269,444, 11% more than the budgeted amount of \$242,000. This difference is due to greater than expected demand for data center services and United Supermarkets’ continued occupancy of a cage (that they were to move out of many months ago).
- On the expense side, we expect total expenses of \$136,704, an approximate 21% decrease compared to the budgeted amount of \$174,300.
- We project to end FY 2024 with net income before depreciation of approximately \$132,740, versus the budgeted amount of \$67,700 resulting in a 96% increase compared to what was projected.

**Proposed Budget – FY 2025**

- Our proposed FY 2025 budget calls for stable customers in the data center with income of \$235,000. This assumes United Supermarkets will fully vacate their cage by December 2024.
- FY 2025 projected expenses, \$156,300, are about 14% greater than the FY 2024 projected year end amount of \$136,704. We plan for additional expenses to service or replace aging equipment.

**DATA CENTER/FIBER OPTICS FUND - COMPARISON**

	FY 2021 - Audited	FY 2022 - Audited	FY 2023 - Audited	FY 2024 - Projected	FY 2025 - Proposed
<b>TOTAL INCOME</b>	\$ 222,734	\$ 265,147	\$ 263,336	\$ 269,444	\$ 235,000
<b>TOTAL EXPENSES</b>	\$ 145,051	\$ 168,516	\$ 172,903	\$ 136,704	\$ 156,300
<b>NET INCOME</b>	<b>\$ 77,683</b>	<b>\$ 96,631</b>	<b>\$ 90,433</b>	<b>\$ 132,740</b>	<b>\$ 78,700</b>

Amounts do not include depreciation & capital expenses

**DATA CENTER/FIBER OPTICS BUDGET - FY2025 PROPOSED**

	A	B	C	D	E	F	G	H	I	J	K	L
1				DESCRIPTION	FYE 2024 ACTUAL YTD JULY 31, 2024	FYE 2024 APPROVED BUDGET	FYE 2024 PROJECTED YEAR END	FYE 2024 % Change Approved Budget to Projected Year End	FYE 2025 PROPOSED BUDGET	% Change FYE24 Projected YE to FYE25 Proposed	% Change FYE24 Approved Budget to FYE25 Proposed	NOTES
2	<b>INCOME</b>							Column F to G		Column G to I	Column F to I	
3		4260	0	Usage Fees	\$ 23,422.78	\$ 27,000.00	\$ 28,107.34	4.10%	\$ 25,000.00	-11.06%	-7.41%	Metered usage charged to customers-United, TTU, & SitePro
5		4800	0	Fiber Optic Income	\$ 201,113.70	\$ 215,000.00	\$ 241,336.44	12.25%	\$ 210,000.00	-12.98%	-2.33%	Co-location leases, fiber & conduit fees. Include United
6	<b>INCOME TOTAL</b>				\$ 224,536.48	\$ 242,000.00	\$ 269,443.78	11.34%	\$ 235,000.00	-12.78%	-2.89%	
7												
8	<b>UTILITIES</b>											
9		5220	502	Internet Charges	\$ 17,221.60	\$ 22,000.00	\$ 20,665.92	-6.06%	\$ 22,000.00	6.46%	0.00%	UPN \$1550/mo 80% billed to DC. Optimum \$490 100% to DC
10		5380	423	Electric	\$ 44,764.55	\$ 75,000.00	\$ 53,717.46	-28.38%	\$ 60,000.00	11.70%	-20.00%	SPEC bill for data center, avg monthly \$5,000
11		5380	439	Gas	\$ 1,733.49	\$ 2,300.00	\$ 2,080.19	-9.56%	\$ 2,300.00	10.57%	0.00%	Atmos bill for data center, avg monthly \$190
12	<b>UTILITIES TOTAL</b>				\$ 63,719.64	\$ 99,300.00	\$ 76,463.57	-23.00%	\$ 84,300.00	10.25%	-15.11%	
13	<b>ADMINISTRATION</b>											
14		5310	428	Janitorial Cleaning	\$ 650.00	\$ 1,000.00	\$ 780.00	-22.00%	\$ 1,000.00	28.21%	0.00%	Cruz \$40 per month. Recently changed vendors and expect a price increase
15		5350	114	Insurance	\$ 12,046.32	\$ 13,000.00	\$ 14,455.58	11.20%	\$ 16,000.00	10.68%	23.08%	TML. Re-rates received 6/11
16	<b>ADMIN TOTAL</b>				\$ 12,696.32	\$ 14,000.00	\$ 15,235.58	8.83%	\$ 17,000.00	11.58%	21.43%	
17												
18	<b>OPERATIONS</b>											
19		5560	0	Building Maintenance	\$ 6,539.76	\$ 15,000.00	\$ 7,847.71	-47.68%	\$ 15,000.00	91.14%	0.00%	Expenses for all things related to B36. annual room alert (CPL) monitoring
20		5800	0	Equipment Maintenance	\$ 6,463.94	\$ 16,000.00	\$ 7,756.73	-51.52%	\$ 10,000.00	28.92%	-37.50%	Maint contracts. Anthony Mechanical \$7500
21		5800	414	IT Support/NOC Maint	\$ 24,500.00	\$ 30,000.00	\$ 29,400.00	-2.00%	\$ 30,000.00	2.04%	0.00%	Switch \$1,950/mo & \$500/mo for United, ARIN
22	<b>OPERATIONS TOTAL</b>				\$ 37,503.70	\$ 61,000.00	\$ 45,004.44	-26.22%	\$ 55,000.00	22.21%	-9.84%	
23	<b>EXPENSE TOTAL</b>				\$ 113,919.66	\$ 174,300.00	\$ 136,703.59	-21.57%	\$ 156,300.00	14.33%	-10.33%	
24												
25	<b>NET INCOME BEFORE DEPRECIATION</b>				\$ 110,616.82	\$ 67,700.00	\$ 132,740.18	96.07%	\$ 78,700.00	-40.71%	16.25%	
26	DEPRECIATION	5305	0	Depreciation	\$ 32,834.60	\$ 40,000.00	\$ 39,401.52	-1.50%	\$ 46,000.00	16.75%	100.00%	
27	<b>NET INCOME</b>				\$ 77,782.22	\$ 27,700.00	\$ 93,338.66	236.96%	\$ 32,700.00	-64.97%	18.05%	
28												
29	<b>FY 2024 APPROVED CAPITAL PROJECTS</b>											
30	2 New UPS Units - Facility Gateway Corporation				\$ 56,259.20	\$ 60,000.00	\$ 56,259.20	-6.23%				
31												
32												

# AGENDA ITEM 13

## EXECUTIVE SUMMARY

### FY2025 OPERATING BUDGET

We are pleased to present you with the following preliminary Operating Budget for Fiscal Year 2025. A summary of FY2024 and five years comparison are below.

#### Current Year – FY 2024

- We project total income at FYE to be \$3,539,893, which is about 5% greater than what was budgeted. Accounting for this increase is greater than expected interest income, insurance proceeds, and utility franchise fees.
- On the expense side, we expect total expenses of \$2,385,120, which is about 7% less than what was budgeted. Accounting for this is a decrease in payroll and utilities.
- We project to end FY 2024 with net income before depreciation of \$1,154,773 versus the budgeted amount of \$803,311; a 44% increase.

#### Proposed Budget – FY 2025

- Our proposed FY 2025 budget calls for total income of \$3,475,000.
- Total expenses for FY2025 are projected to be \$2,679,350 which is greater than the FY24 year-end amount because we continue to see consistent increases for materials and services across the board. Additionally, our insurance rerates, overall, are 25% greater than this fiscal year.

#### OPERATING FUND - COMPARISON

	FY 2021 - Audited	FY 2022 - Audited	FY 2023 - Audited	FY 2024 - Projected	FY 2025 - Proposed
TOTAL INCOME	\$ 3,319,176	\$ 3,535,019	\$ 3,858,249	\$ 3,539,893	\$ 3,475,000
TOTAL EXPENSES	\$ 2,311,492	\$ 2,971,355	\$ 2,298,020	\$ 2,385,120	\$ 2,679,350
<b>NET INCOME</b>	<b>\$ 1,007,684</b>	<b>\$ 563,664</b>	<b>\$ 1,560,229</b>	<b>\$ 1,154,773</b>	<b>\$ 795,650</b>

Amounts do not include depreciation & capital expenses.

The decrease in net income for FY2022 is due to expenses associated with the cleanup of RBP.

**GENERAL OPERATING BUDGET - FY2025 PROPOSED**

	A	B	C	D	E	F	G	H	I	J	K	L
				DESCRIPTION	FYE 2024 ACTUAL YTD JULY 31, 2024	FYE 2024 APPROVED BUDGET	FYE 2024 PROJECTED YEAR END	FYE 2024 % Change Approved Budget to Projected Year End	FYE 2025 PROPOSED BUDGET	% Change FYE24 Projected YE to FYE25 Proposed	% Change FYE24 Approved Budget to FYE25 Proposed	Notes
1												
2								Column F to G		Column G to I	Column F to I	
3	INCOME	4200	0	Lease	\$ 1,723,801.10	\$ 2,200,000.00	\$ 2,068,561.32	-5.97%	\$ 2,300,000.00	11.19%	4.55%	Leases currently in place. Assumes customers will exercise option
4		4250	0	CAM	\$ 626,456.20	\$ 749,000.00	\$ 751,747.44	0.37%	\$ 764,000.00	1.63%	2.00%	TTU, SPC, COL pay monthly. 2% increase
5		4260	0	Usage Fees	\$ 283,177.03	\$ 275,000.00	\$ 339,812.44	23.57%	\$ 275,000.00	-19.07%	0.00%	FY 22=\$307 FY21 = \$297 FY20=\$312, FY19=\$322K. Loss of SPC students
6		4300	0	Contract Work	\$ 16,108.49	\$ 8,000.00	\$ 19,330.19	141.63%	\$ 8,000.00	-58.61%	0.00%	KBR Event extras
7		4350	0	Insurance Proceeds	\$ 70,813.80	\$ -	\$ 70,813.80	100.00%	\$ -	-100.00%	0.00%	Not budgeted
8		4400	0	Interest Income	\$ 201,994.57	\$ 100,000.00	\$ 242,393.48	142.39%	\$ 100,000.00	-58.74%	0.00%	Averaging 4.34%. Projecting 2.5%
9		4600	0	Misc	\$ 14,739.20	\$ -	\$ 14,739.20	100.00%	\$ -	-100.00%	0.00%	Not budgeted
10		4650	423	Utility Franchise Fee - Electric	\$ 20,354.51	\$ 20,000.00	\$ 24,425.41	22.13%	\$ 20,000.00	-18.12%	0.00%	SPEC franchise fees, pays monthly based on customer usage
11		4650	439	Utility Franchise Fee - Gas	\$ 8,069.57	\$ 8,069.57	\$ 8,069.57	0.00%	\$ 8,000.00	-0.86%	-0.86%	Atmos franchise fees pays once per year. Notice of amt rec'd July
12	INCOME TOTAL				\$ 2,965,514.47	\$ 3,360,069.57	\$ 3,539,892.85	5.35%	\$ 3,475,000.00	-1.83%	3.42%	
13												
14	PAYROLL	5100	0	Salaries	\$ 560,011.00	\$ 725,000.00	\$ 672,013.20	-7.31%	\$ 750,000.00	11.60%	3.45%	Includes employee bonuses/rasies of \$75K
15		5110	0	Payroll Taxes	\$ 37,779.63	\$ 56,000.00	\$ 45,335.56	-19.04%	\$ 58,000.00	27.93%	3.57%	Based on number above
16		5120	116	Insurance - Health	\$ 65,583.12	\$ 110,000.00	\$ 78,699.74	-28.45%	\$ 105,000.00	33.42%	-4.55%	Estimated rate increase of 6%. Changing plan to less expensive one
17		5120	117	Insurance - Dental/Vision	\$ 2,633.17	\$ 5,700.00	\$ 3,159.80	-44.56%	\$ 5,700.00	80.39%	0.00%	Principal
18		5120	118	Insurance - Life/AD&D	\$ 252.99	\$ 400.00	\$ 303.59	-24.10%	\$ 400.00	31.76%	0.00%	Principal
19		5120	119	Insurance - LTD	\$ 6,360.11	\$ 8,700.00	\$ 7,632.13	-12.27%	\$ 9,500.00	24.47%	9.20%	Principal. Increase based on age and pay
20		5120	120	Insurance - Dread Disease	\$ 2,518.18	\$ 3,700.00	\$ 3,021.82	-18.33%	\$ 3,900.00	29.06%	5.41%	Manhattan
21		5140	121	Insurance - Workers Comp	\$ 7,582.70	\$ 10,000.00	\$ 9,099.24	-9.01%	\$ 11,000.00	20.89%	10.00%	TML rerate is 9% increase + amt for audit
22		5150	131	Retirement - TCDRS	\$ 16,084.11	\$ 20,000.00	\$ 19,300.93	-3.50%	\$ 18,000.00	-6.74%	-10.00%	Rate changes in January 25 from 2.34% to 2.26%
23		5700	211	Payroll Service	\$ 860.35	\$ 1,200.00	\$ 1,032.42	-13.97%	\$ 1,200.00	16.23%	0.00%	Snelling fees for processing payroll
24	PAYROLL TOTAL				\$ 699,665.36	\$ 940,700.00	\$ 839,598.43	-10.75%	\$ 962,700.00	14.66%	2.34%	

**GENERAL OPERATING BUDGET - FY2025 PROPOSED**

	A	B	C	D	E	F	G	H	I	J	K	L
				DESCRIPTION	FYE 2024 ACTUAL YTD JULY 31, 2024	FYE 2024 APPROVED BUDGET	FYE 2024 PROJECTED YEAR END	FYE 2024 % Change Approved Budget to Projected Year End	FYE 2025 PROPOSED BUDGET	% Change FYE24 Projected YE to FYE25 Proposed	% Change FYE24 Approved Budget to FYE25 Proposed	Notes
1												
2								Column F to G		Column G to I	Column F to I	
25				<b>ADMINISTRATION</b>								
26		2651	111	Prin Exp Xerox Lease Copier Payment	\$ 2,926.59	\$ 3,214.00	\$ 3,511.91	9.27%	\$ 3,500.00	-0.34%	8.90%	Principle portion of Xerox lease payment, new lease in March 2024
27		5200	101	General Office Supplies	\$ 15,166.11	\$ 16,000.00	\$ 18,199.33	13.75%	\$ 16,000.00	-12.08%	0.00%	General office supplies. Includes Xerox usage expenses
28		5200	103	Office Equip/Software	\$ 14,851.22	\$ 20,000.00	\$ 17,821.46	-10.89%	\$ 20,000.00	12.22%	0.00%	software/hardware. \$13K is software
29		5210	101	Board Expenses	\$ 1,920.66	\$ 3,000.00	\$ 2,304.79	-23.17%	\$ 3,000.00	30.16%	0.00%	Board breakfast
30		5250	111	Interest Exp Xerox Copier Lease	\$ 376.47	\$ 545.00	\$ 451.76	-17.11%	\$ 950.00	110.29%	74.31%	Interest portion of lease payment
31		5310	107	Janitorial/Building Maint	\$ 22,050.00	\$ 28,000.00	\$ 26,460.00	-5.50%	\$ 30,000.00	13.38%	7.14%	changed vandor to Cruz cost is \$2160/month. Added KBR \$160 and Sandia
32		5320	106	Telephone Admin Cell	\$ 1,707.92	\$ 2,400.00	\$ 2,049.50	-14.60%	\$ 2,400.00	17.10%	0.00%	Cell phone reimbursements for 4 emp at \$50 per month
33		5340	127	Postage	\$ 1,712.26	\$ 2,500.00	\$ 2,054.71	-17.81%	\$ 2,500.00	21.67%	0.00%	Postage and cost of machine and equipment. New machine 6/23
34		5350	114	Insurance - Liability & Property	\$ 210,443.90	\$ 245,000.00	\$ 252,532.68	3.07%	\$ 300,000.00	18.80%	22.45%	TML rerates received 6/11
35		5360	208	License and Fee	\$ 388.75	\$ 1,500.00	\$ 466.50	-68.90%	\$ 1,500.00	221.54%	0.00%	TCEQ, boiler, and elevator licenses/fees
36		5363	124	Staff Meetings	\$ 3,296.68	\$ 5,000.00	\$ 3,956.02	-20.88%	\$ 5,000.00	26.39%	0.00%	Staff lunch meetings & employee Christmas Party
37		5363	305	Meetings & Memberships	\$ 5,108.34	\$ 4,000.00	\$ 6,130.01	53.25%	\$ 4,000.00	-34.75%	0.00%	Overflow Chamber events. For those not scheduled
40		5400	125	Recruitment - Customer and New Emp	\$ 1,622.76	\$ 1,000.00	\$ 1,622.76	62.28%	\$ 1,000.00	-38.38%	0.00%	D&B used for vetting customers
41		5400	303	Advertising & Printing	\$ -	\$ 2,000.00	\$ -	-100.00%	\$ 2,000.00	100.00%	0.00%	Stationary - letterhead, envelopes, checks
42		5410	132	Awards & Recognition	\$ 121.24	\$ 500.00	\$ 145.49	-70.90%	\$ 500.00	243.67%	0.00%	Employee service awards and berevement expenses
43		5540	134	Prof Services - Document Shredding	\$ 1,124.00	\$ 1,300.00	\$ 1,348.80	3.75%	\$ 1,400.00	3.80%	7.69%	VRC storage and shredding. Rate inc from \$105 to \$113.3
44		5540	401	Prof Services - Campus	\$ 709.50	\$ 2,000.00	\$ 851.40	-57.43%	\$ 2,000.00	134.91%	0.00%	Other Staff training and other misc. services. CC fees/CC revenues to offset
45		5545	112	Serv Contract - Network Maintenance	\$ 17,655.78	\$ 14,000.00	\$ 21,186.94	51.34%	\$ 20,000.00	-5.60%	42.86%	Switch IT support. Maint contract is \$1113 per month as of June 2023
46		5610	110	ED Travel/Meetings	\$ 8,768.24	\$ 8,000.00	\$ 10,521.89	31.52%	\$ 10,000.00	-4.96%	25.00%	ED training/travel
47		5620	404	Campus Training	\$ 7,865.15	\$ 5,000.00	\$ 7,865.15	57.30%	\$ 7,000.00	-11.00%	40.00%	All other employee training, SGR and cyber security
48		5700	203	Audit Fee	\$ 20,500.00	\$ 39,200.00	\$ 39,200.00	0.00%	\$ 43,000.00	9.69%	9.69%	FY25 audit \$37,950. Centralease is \$1200 annual. GASB 87 \$2,000
49		5710	113	Legal Fees	\$ 58,041.60	\$ 75,000.00	\$ 69,649.92	-7.13%	\$ 75,000.00	7.68%	0.00%	FY23 \$72K, FY22 \$47K, FY21 \$45K, FY20 \$36K
50				<b>ADMIN TOTAL</b>	<b>\$ 396,357.17</b>	<b>\$ 479,159.00</b>	<b>\$ 488,331.02</b>	<b>1.91%</b>	<b>\$ 550,750.00</b>	<b>12.78%</b>	<b>14.94%</b>	

**GENERAL OPERATING BUDGET - FY2025 PROPOSED**

	A	B	C	D	E	F	G	H	I	J	K	L
				DESCRIPTION	FYE 2024 ACTUAL YTD JULY 31, 2024	FYE 2024 APPROVED BUDGET	FYE 2024 PROJECTED YEAR END	FYE 2024 % Change Approved Budget to Projected Year End	FYE 2025 PROPOSED BUDGET	% Change FYE24 Projected YE to FYE25 Proposed	% Change FYE24 Approved Budget to FYE25 Proposed	Notes
1												
2								Column F to G		Column G to I	Column F to I	
51												
52	UTILITIES	5380	122	Telephone Land Line	\$ 6,549.06	\$ 9,000.00	\$ 7,858.87	-12.68%	\$ 8,000.00	1.80%	-11.11%	Sangoma \$270/mo and Vexus \$380/mo
53		5380	405	Water/Wastewater/Solid Waste	\$ 175,413.39	\$ 325,000.00	\$ 250,413.39	-22.95%	\$ 275,000.00	9.82%	-15.38%	FY23 \$254, FY22 \$248, FY21=\$169K. Water multiplier 1.50 and WW of 1.27. includes solid waste
54		5380	423	Electricity	\$ 99,401.54	\$ 150,000.00	\$ 129,281.85	-13.81%	\$ 150,000.00	16.03%	0.00%	SPEC bill. Significant rate increases
55		5380	439	Gas	\$ 16,303.54	\$ 25,000.00	\$ 19,564.25	-21.74%	\$ 25,000.00	27.78%	0.00%	Atmos bill
56		5380	502	Internet	\$ 4,932.27	\$ 7,000.00	\$ 5,918.72	-15.45%	\$ 6,000.00	1.37%	-14.29%	Vexus for KBR = \$100/mo and UPN billed 20% = \$325/mo
57	UTILITIES TOTAL				\$ 302,599.80	\$ 516,000.00	\$ 413,037.08	-19.95%	\$ 464,000.00	12.34%	-10.08%	
58												
59	MARKETING	5430	102	Office Enhancements	\$ 79.00	\$ 1,000.00	\$ 94.80	-90.52%	\$ 1,000.00	954.85%	0.00%	Décor
60		5430	133	Sponsorships	\$ 14,505.00	\$ 15,000.00	\$ 17,406.00	16.04%	\$ 18,000.00	3.41%	20.00%	Chamber, LEDA, LBB Apt Assn, FISD, SPC Events, United Way
61		5430	301	Marketing General	\$ 728.77	\$ 4,000.00	\$ 874.52	-78.14%	\$ 4,000.00	357.39%	0.00%	Other marketing . Annual customer cookout
62		5430	302	ED Expenses & Customer Gifts	\$ 16,413.16	\$ 12,000.00	\$ 19,695.79	64.13%	\$ 20,000.00	1.54%	66.67%	ED lunch's with customers, customer gifts/Christmas gifts
63		5430	303	Advertisement & Printing	\$ 750.00	\$ 2,000.00	\$ 900.00	-55.00%	\$ 2,000.00	100.00%	0.00%	Other marketing ads
64		5430	304	Ads in Publications	\$ -	\$ 1,000.00	\$ -	-100.00%	\$ 1,000.00	100.00%	0.00%	Magazine ads
65		5430	305	Meetings & Memberships	\$ 1,002.00	\$ 3,000.00	\$ 1,202.40	-59.92%	\$ 3,000.00	149.50%	0.00%	Marketing Memberships
66		5430	307	Meals and Entertainment	\$ 1,124.08	\$ 2,000.00	\$ 1,348.90	-32.56%	\$ 2,000.00	48.27%	0.00%	Marketing customer and potential customer lunches
67		5430	310	Travel	\$ -	\$ 3,000.00	\$ -	-100.00%	\$ 3,000.00	#DIV/0!	0.00%	Conference travel
68		5430	311	Marketing Training	\$ 325.00	\$ 2,000.00	\$ 390.00	0.00%	\$ 2,000.00	100.00%	100.00%	Leadership Lubbock, other
69		5430	312	Technology	\$ 14,633.24	\$ 25,000.00	\$ 17,559.89	-29.76%	\$ 25,000.00	42.37%	0.00%	LoopNet \$6480/yr, Contract Cre8tive \$3800/yr, Adobe Suite \$2820/yr
71	MARKETING TOTAL				\$ 49,560.25	\$ 70,000.00	\$ 59,472.30	-15.04%	\$ 81,000.00	36.20%	15.71%	
72												

**GENERAL OPERATING BUDGET - FY2025 PROPOSED**

	A	B	C	D	E	F	G	H	I	J	K	L
				DESCRIPTION	FYE 2024 ACTUAL YTD JULY 31, 2024	FYE 2024 APPROVED BUDGET	FYE 2024 PROJECTED YEAR END	FYE 2024 % Change Approved Budget to Projected Year End	FYE 2025 PROPOSED BUDGET	% Change FYE24 Projected YE to FYE25 Proposed	% Change FYE24 Approved Budget to FYE25 Proposed	Notes
1												
2								Column F to G		Column G to I	Column F to I	
73	OPERATIONS	5900	401	Campus General	\$ 18,061.75	\$ 30,000.00	\$ 21,674.10	-27.75%	\$ 30,000.00	38.41%	0.00%	general campus expenses
74		5900	402	Shop Supplies	\$ 5,070.00	\$ 7,000.00	\$ 6,084.00	-13.09%	\$ 7,000.00	15.06%	0.00%	Supplies for shop
75		5900	403	Tools & Tool Repair	\$ 9,031.83	\$ 5,000.00	\$ 10,838.20	116.76%	\$ 5,000.00	-53.87%	0.00%	Tools and small repairs
76		5900	405	Water System	\$ 17,793.69	\$ 10,000.00	\$ 21,352.43	113.52%	\$ 15,000.00	-29.75%	50.00%	Repairs for water system breaks
77		5900	406	Ops Cell Phone	\$ 3,650.14	\$ 5,400.00	\$ 4,380.17	-18.89%	\$ 5,400.00	23.28%	0.00%	4 cell phone reimb = \$2400 per yr plus Verizon iPad at \$240/mo
78		5900	407	Work Clothes	\$ 5,164.54	\$ 2,000.00	\$ 5,164.54	158.23%	\$ 2,000.00	-61.27%	0.00%	Per policy, 11 shirts, 6 pants, 3 shorts, 1 jacket, 1 shoes
79		5900	417	Animal/Pest control	\$ 675.00	\$ 1,000.00	\$ 810.00	-19.00%	\$ 1,000.00	23.46%	0.00%	Terminix and other bills associated with pest removal (L. Watson)
80		5900	419	Security/Safety	\$ 5,373.85	\$ 15,000.00	\$ 6,448.62	-57.01%	\$ 10,000.00	55.07%	-33.33%	All security: S2 - toll tags, badges, software, Corvus - B800, B36, pump house, keys and cores, all fire related
81		5900	420	Roof	\$ 11,273.02	\$ 5,000.00	\$ 13,527.62	170.55%	\$ 5,000.00	-63.04%	0.00%	Roof repairs
82		5900	421	HVAC	\$ 30,465.61	\$ 20,000.00	\$ 36,558.73	82.79%	\$ 25,000.00	-31.62%	25.00%	Anthony Mechanical annual maint fees \$9750
83		5900	422	Painting	\$ 52.57	\$ 15,000.00	\$ 63.08	-99.58%	\$ 15,000.00	100.00%	0.00%	No large paint projects planned
84		5900	423	Electric	\$ 49,410.48	\$ 25,000.00	\$ 59,292.58	137.17%	\$ 25,000.00	-57.84%	0.00%	LED replacements - outside of 60, 70,52,50 = 20 lights
85		5900	424	Fence Repair	\$ 328.39	\$ 5,000.00	\$ 394.07	-92.12%	\$ 5,000.00	1168.82%	0.00%	Fence repairs - mostly collected from insurance
86		5900	425	Plumbing & Irrigation	\$ 15,777.46	\$ 10,000.00	\$ 18,932.95	89.33%	\$ 20,000.00	5.64%	100.00%	Plumbing repairs
87		5900	428	Cleaning	\$ 3,117.87	\$ 3,000.00	\$ 3,741.44	24.71%	\$ 3,000.00	-19.82%	0.00%	Building cleaning to enable customer walk through. Cintas mat cleaning
89		5900	430	Ground Maintenance	\$ 250,750.85	\$ 300,000.00	\$ 300,901.02	0.30%	\$ 315,000.00	4.69%	5.00%	L&N=\$220k was \$204,705, no rate increase since 1/2018 . Other = \$95k
90		5900	434	Signage	\$ 1,082.50	\$ 3,000.00	\$ 1,299.00	-56.70%	\$ 3,000.00	130.95%	0.00%	Signs as needed for new customers
91		5900	440	Door Repair	\$ 28,063.77	\$ 10,000.00	\$ 33,676.52	236.77%	\$ 20,000.00	-40.61%	100.00%	Repair of doors. Fy23 budget of 17 garage doors at \$60,000
92		5900	441	Environmental	\$ -	\$ 2,500.00	\$ -	-100.00%	\$ 2,500.00	100.00%	0.00%	Misc. environmental
93		5900	442	Safety Supplies	\$ 869.76	\$ 4,000.00	\$ 1,043.71	-73.91%	\$ 4,000.00	283.25%	0.00%	Safety equipment; harnesses, etc..
94		5900	445	Architect & Engineering	\$ -	\$ 50,000.00	\$ -	-100.00%	\$ 50,000.00	#DIV/0!	0.00%	Parkhill misc engineering fees
95		5900	446	Solid Waste	\$ -	\$ -	\$ -	#DIV/0!	\$ 30,000.00	#DIV/0!	#DIV/0!	New item broken out from utilities
96		5900	448	KBR Event Expenses	\$ 10,018.73	\$ 5,000.00	\$ 12,022.48	140.45%	\$ 5,000.00	-58.41%	0.00%	Equipment rented for KBR events. Mostly vehicles.
97		5900	449	Vehicle Repair & Maint	\$ 8,591.98	\$ 5,000.00	\$ 10,310.38	106.21%	\$ 5,000.00	-51.51%	0.00%	Vehicle repairs
98		5900	450	Gas/Fuel	\$ 5,921.30	\$ 10,000.00	\$ 7,105.56	-28.94%	\$ 10,000.00	40.73%	0.00%	Fuel for vehicles and equipment
99		5900	451	Windows	\$ 7,549.61	\$ 3,000.00	\$ 9,059.53	201.98%	\$ 3,000.00	100.00%	0.00%	Broken window repairs
100	<b>OPERATIONS TOTAL</b>				<b>\$ 488,094.70</b>	<b>\$ 550,900.00</b>	<b>\$ 584,680.73</b>	<b>6.13%</b>	<b>\$ 620,900.00</b>	<b>6.19%</b>	<b>12.71%</b>	
101												
102	<b>EXPENSE TOTAL</b>				<b>\$ 1,936,277.28</b>	<b>\$ 2,556,759.00</b>	<b>\$ 2,385,119.57</b>	<b>-6.71%</b>	<b>\$ 2,679,350.00</b>	<b>12.34%</b>	<b>4.79%</b>	
103	<b>NET INCOME BEFORE DEPRECIATION</b>				<b>\$ 1,029,237.19</b>	<b>\$ 803,310.57</b>	<b>\$ 1,154,773.28</b>	<b>43.75%</b>	<b>\$ 795,650.00</b>	<b>-31.10%</b>	<b>-0.95%</b>	
104	DEPRECIATION	5305		Depreciation	\$ 499,244.30	\$ 625,000.00	\$ 599,093.16	-4.15%	\$ 650,000.00	8.50%	4.00%	
105	<b>NET INCOME</b>				<b>\$ 529,992.89</b>	<b>\$ 178,310.57</b>	<b>\$ 555,680.12</b>	<b>211.64%</b>	<b>\$ 145,650.00</b>	<b>-73.79%</b>	<b>-18.32%</b>	



GENERAL OPERATING BUDGET - FY2025 PROPOSED

	A	B	C	D	E	F	G	H	I	J	K	L
				DESCRIPTION	FYE 2024 ACTUAL YTD JULY 31, 2024	FYE 2024 APPROVED BUDGET	FYE 2024 PROJECTED YEAR END	FYE 2024 % Change Approved Budget to Projected Year End	FYE 2025 PROPOSED BUDGET	% Change FYE24 Projected YE to FYE25 Proposed	% Change FYE24 Approved Budget to FYE25 Proposed	Notes
1												
2								Column F to G		Column G to I	Column F to I	
106												
107												
108	<b>TOTAL APPROVED AND OUTSTANDING CAPITAL PROJECTS AS OF OCTOBER 2024</b>											
109	B1238 Rehab. New roof, lighting - Carry over from FY2023 Budget POSTPONED UNTIL NEEDED								\$ 60,000.00			
110	<b>TOTAL</b>								<b>\$ 60,000.00</b>			
111												
112												
113	<b>FY 2024 APPROVED CAPITAL PROJECTS</b>											
114	2024 Seal Coat				\$ 69,807.40	\$ 75,000.00	\$ 69,807.40	-6.92%				
115	Storm Drain Inlets - 6 on South End of Tarmac				\$ -	\$ 100,000.00	\$ 50,000.00	-50.00%				
116	HVAC System Controls B20 & B36				\$ 39,947.00	\$ 30,000.00	\$ 39,947.00	33.16%				
117	Work Truck				\$ 60,277.02	\$ 60,000.00	\$ 60,277.02	0.46%				
118	EDA GRANT MATCH				\$ 200,499.40	\$ 1,042,320.00	\$ 250,499.40	-75.97%				
119	<b>TOTAL</b>				<b>\$ 370,530.82</b>	<b>\$ 1,307,320.00</b>	<b>\$ 470,530.82</b>	<b>-64.01%</b>				
120												
121												
122	<b>FY 2025 PROPOSED CAPITAL PROJECTS</b>											
123	6,500 Runway Rejuvenate in lieu of Annual Seal Coat								\$ 90,000.00			
124	Work Truck to replace totalled pick up truck								\$ 60,000.00			
125	Automated Meter Reading (AMR) Meters								\$ 100,000.00			
126	Building 800, 2nd Floor, Floor Replacement								\$ 27,000.00			
127	<b>TOTAL</b>								<b>\$ 277,000.00</b>			

**AGENDA ITEM 11  
EXECUTIVE SUMMARY  
FY2025 CAPITAL BUDGET**

**East, 6,500-foot, Runway**

\$90,000 for Reclamite Asphalt Rejuvenator for east runway.



**Work Truck**

\$60,000 for a work truck to replace pickup truck that was totaled.



**Automated Meter Reading (AMR) Meters**

We are considering a water meter replacement program but currently do not have an estimate.



**Reese Office 2<sup>nd</sup> Floor – New Flooring**

\$27,000 to replace the carpeted flooring on the 2<sup>nd</sup> floor of Reese office building. We will replace the carpet with quality commercial grade vinyl planks.



ITEM 14

LRRA  
Financial  
Reports

## CASH BALANCES - JULY 31, 2024

	6/30/2024	7/31/2024	Change
General Fund Bank Accounts	\$ 4,743,711	\$ 4,886,908	\$ 143,197
Fiber Optic Fund Checking	\$ -	\$ -	\$ -
EDA Grant Checking	\$ 48,877	\$ 47,127	\$ (1,750)
Capital Maintenance - Designated	\$ 855,000	\$ 855,000	\$ -
Petty Cash	\$ -	\$ -	\$ -
<b>Total Cash</b>	<b>\$ 5,647,588</b>	<b>\$ 5,789,035</b>	<b>\$ 141,447</b>
Accounts Receivable - G/F	\$ 278,717	\$ 211,229	\$ (67,488)
Accounts Receivable - F/O	\$ 14,387	\$ 14,418	\$ 31
<b>Total Accounts Receivable</b>	<b>\$ 293,104</b>	<b>\$ 225,647</b>	<b>\$ (67,457)</b>
<b>Total Cash &amp; Accounts Receivable</b>	<b>\$ 5,940,692</b>	<b>\$ 6,014,682</b>	<b>\$ 73,990</b>

### Aged Accounts Receivable as of 07/31/2024

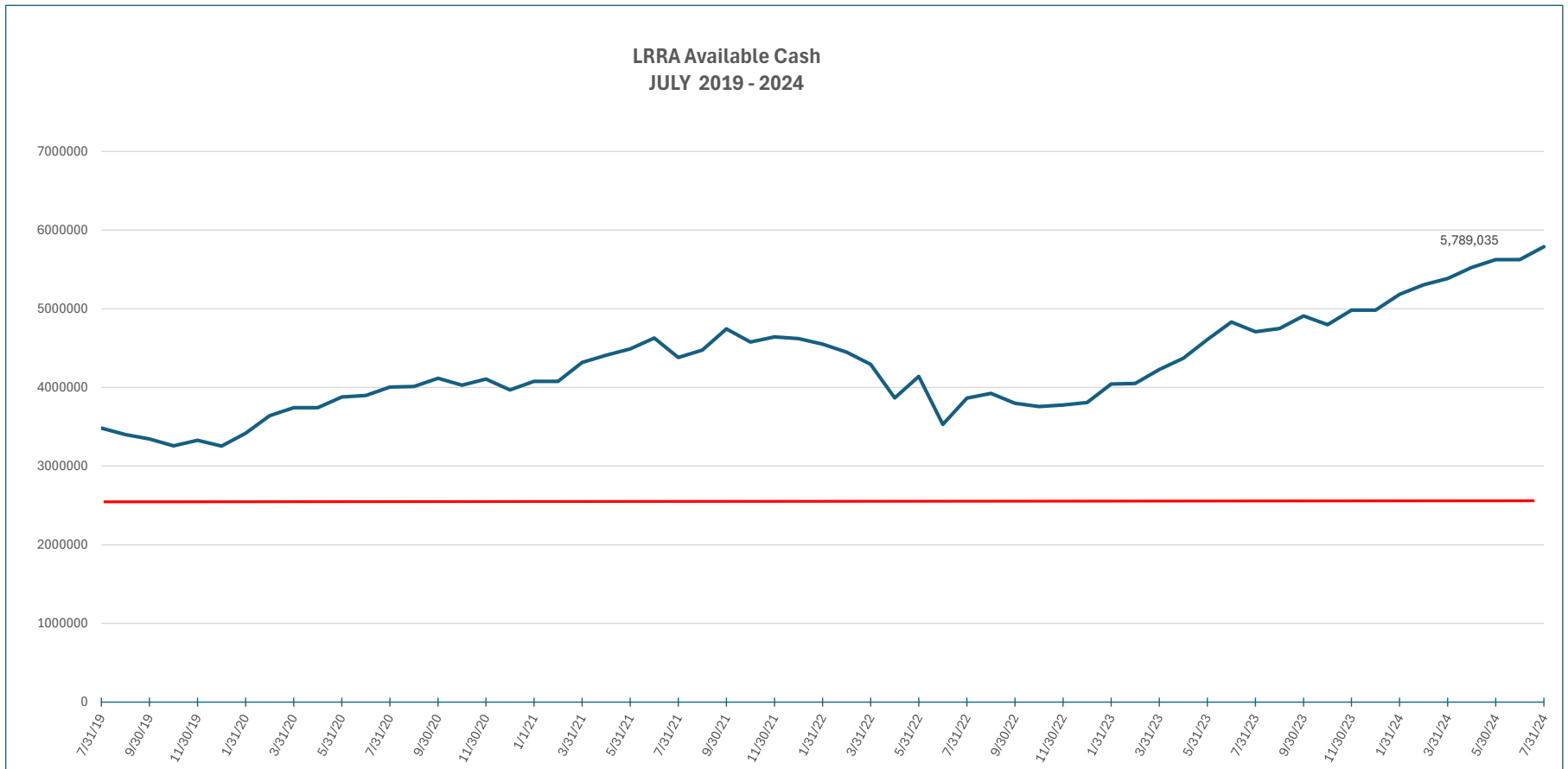
CURRENT	1 - 30 Days - Invoices	31 - 60 Days - Invoices	61 > Days - Invoices	Over 90 Days	TOTAL
145,987.52	63,589.29	10,665.69	5,590.14	(185.74)	225,646.90

### EXTRAORDINARY EXPENSES/CAPITAL EXPENSES & OTHER

SEWER LINE BREAK IN REESE ROOM	14,788.62	EXPENSES/CAPITALIZED
GRANT PROFESSIONAL SERVICES	15,000.00	EXPENSES
EAST 90 EDA GRANT ENGINEERING SERVICES	48,003.40	CAPITALIZED

\$ 77,792.02

LRRRA Available Cash  
JULY 2019 - 2024



## FINANCIAL HIGHLIGHTS - JULY 31, 2024

DESCRIPTION	Month	G/F	Month	F/O	Month's Total	YTD	G/F	YTD	F/O	YTD	Total
Operating Revenue	\$ 244,365		\$ 19,694		\$ 264,059		\$ 2,479,582		\$ 201,114		\$ 2,680,696
Other Revenue - Usage Fees	\$ 1,756		\$ 2,485		\$ 4,241		\$ 283,177		\$ 23,423		\$ 306,600
Total Revenue	\$ 246,121		\$ 22,179		\$ 268,300		\$ 2,762,759		\$ 224,537		\$ 2,987,296
Expenses	\$ 184,054		\$ 10,762		\$ 194,816		\$ 1,933,988		\$ 113,920		\$ 2,047,908
Net Income BPSID	\$ 62,067		\$ 11,417		\$ 73,484		\$ 828,771		\$ 110,617		\$ 939,388
Interest Income - Plus	\$ 22,510		\$ -		\$ 22,510		\$ 201,995		\$ -		\$ 201,995
Depreciation - Less	\$ (49,924)		\$ (3,283)		\$ (53,207)		\$ (499,244)		\$ (32,835)		\$ (532,079)
Net Income	\$ 34,653		\$ 8,134		\$ 42,787		\$ 531,522		\$ 77,782		\$ 609,304

LUBBOCK REESE REDEVELOPMENT AUTHORITY

Balance Sheet  
As of 7/31/2024

(In Whole Numbers)

	Data Center /			
	General Fund	EDA Grant Fund	Fiber Optic Fund	Total
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
CASH AND CASH EQUIVALENTS	5,741,908	-	-	5,741,908
RESTRICTED CASH AND CASH EQUIVALENTS	-	47,127	-	47,127
ACCOUNTS RECEIVABLE	211,229	-	14,418	225,647
LEASES RECEIVABLE, CURRENT - GASB 87	1,694,234	-	80,874	1,775,108
INVESTMENT	-	-	-	-
DUE FROM FEDERAL GOVERNMENT	(112,157)	(112,157)	-	(224,315)
PREPAID EXPENSES	46,777	-	567	47,343
DUE FROM TRANSFERS	-	-	-	-
<b>Total CURRENT ASSETS</b>	<b>7,581,990</b>	<b>(65,030)</b>	<b>95,858</b>	<b>7,612,819</b>
<b>NONCURRENT ASSETS</b>				
LEASES RECEIVABLE, NET OF CURRENT PORTION	4,938,173	-	112,654	5,050,827
<b>Total NONCURRENT ASSETS</b>	<b>4,938,173</b>	<b>-</b>	<b>112,654</b>	<b>5,050,827</b>
<b>CAPITAL ASSETS</b>				
LAND	1,481,401	-	-	1,481,401
CONSTRUCTION IN PROGRESS	5,303	128,035	-	133,338
BUILDINGS	2,070,050	-	-	2,070,050
INFRASTRUCTURE AND RELATED IMPROVEMENTS	5,611,189	-	1,751,519	7,362,708
COMPUTERS AND OFFICE EQUIPMENT	133,971	-	150,581	284,552
BUILDINGS IMPROVEMENTS	4,440,151	-	250,840	4,690,990
VEHICLES	226,903	-	-	226,903
GROUNDS MAINTENANCE EQUIPMENT	277,450	-	158,387	435,837
RIGHT TO USE LEASE ASSET - GASB 87	15,500	-	-	15,500
BASE CONVEYANCE	-	-	-	-
BASE HOUSING	-	-	-	-
OTHER	-	-	-	-
LESS ACCUMULATED DEPRECIATION	(6,603,738)	-	(2,167,761)	(8,771,500)
LESS ACCUMULATED DEPRECIATION - GASB 87	(15,500)	-	-	(15,500)
<b>Total CAPITAL ASSETS</b>	<b>7,642,680</b>	<b>128,035</b>	<b>143,566</b>	<b>7,914,281</b>
<b>NET PENSION ASSET</b>				
NET PENSION ASSETS, NET	215,327	-	-	215,327
<b>Total NET PENSION ASSET</b>	<b>215,327</b>	<b>-</b>	<b>-</b>	<b>215,327</b>
<b>Total ASSETS</b>	<b>20,378,170</b>	<b>63,005</b>	<b>352,078</b>	<b>20,793,253</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
EMPLOYER CONTRIBUTIONS SUBSEQUENT TO THE MEASUREMENT	16,500	-	-	16,500
CHANGE IN ASSUMPTIONS	21,691	-	-	21,691
DIFFERENCES BETWEEN EXPECTED AND ACTUAL EXPERIENCE	24,739	-	-	24,739
<b>Total DEFERRED OUTFLOWS OF RESOURCES</b>	<b>62,930</b>	<b>-</b>	<b>-</b>	<b>62,930</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>20,441,100</b>	<b>63,005</b>	<b>352,078</b>	<b>20,856,183</b>



LUBBOCK REESE REDEVELOPMENT AUTHORITY

Balance Sheet  
As of 7/31/2024

(In Whole Numbers)

	Data Center /			
	General Fund	EDA Grant Fund	Fiber Optic Fund	Total
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
ACCOUNTS PAYABLE	25,590	48,003	-	73,593
ACCRUED EXPENSES	62,279	-	-	62,279
REFUNDABLE DEPOSITS	103,194	-	-	103,194
UNEARNED REVENUES	413,861	-	20,216	434,077
COMPENSATED ABSENCES	9,604	-	-	9,604
LEASE LIABILITY, CURRENT	1,645	-	-	1,645
LEASE PAYABLES	-	-	-	-
DUE TO TRANSFERS	-	-	-	-
OTHER LIABILITIES	-	-	-	-
<b>Total CURRENT LIABILITIES</b>	<b>616,172</b>	<b>48,003</b>	<b>20,216</b>	<b>684,391</b>
<b>NON-CURRENT LIABILITIES</b>				
LEASE LIABILITY, NET OF CURRENT PORTION	(2,927)	-	-	(2,927)
<b>Total NON-CURRENT LIABILITIES</b>	<b>(2,927)</b>	<b>-</b>	<b>-</b>	<b>(2,927)</b>
<b>Total LIABILITIES</b>	<b>613,245</b>	<b>48,003</b>	<b>20,216</b>	<b>681,464</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
NET DIFF BETWEEN PROJECTED AND ACTUAL INVESTMENT	183,474	-	-	183,474
CHANGE IN ASSUMPTION	6,460	-	-	6,460
LEASES - GASB 87	6,422,697	-	189,160	6,611,857
<b>Total DEFERRED INFLOWS OF RESOURCES</b>	<b>6,612,631</b>	<b>-</b>	<b>189,160</b>	<b>6,801,791</b>
<b>TOTAL LIABILITIES</b>	<b>7,225,876</b>	<b>48,003</b>	<b>209,376</b>	<b>7,483,255</b>
<b>FUND EQUITY</b>				
BEGINNING OF PERIOD	12,659,810	15,002	103,812	12,778,624
TRANSFERS IN (OUT)	23,892	15,000	(38,892)	-
YEAR TO DATE EARNINGS	531,522	(15,000)	77,782	594,304
<b>Total FUND EQUITY</b>	<b>13,215,224</b>	<b>15,002</b>	<b>142,702</b>	<b>13,372,928</b>
<b>TOTAL LIABILITY, FUND BALANCE, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>20,441,100</b>	<b>63,005</b>	<b>352,078</b>	<b>20,856,183</b>
Total report	-	-	-	-

LUBBOCK REESE REDEVELOPMENT AUTHORITY  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY  
 From 10/1/2023 Through 7/31/2024

(In Whole Numbers)

	<b>General Fund</b>	<b>EDA Grant Fund</b>	<b>Data Center / Fiber Optic Fund</b>	<b>Total</b>
OPERATING REVENUES	2,762,760	-	224,536	2,987,296
OPERATING EXPENSES	2,433,233	15,000	146,754	2,594,987
<b>OPERATING INCOME(LOSS)</b>	<b>329,527</b>	<b>(15,000)</b>	<b>77,782</b>	<b>392,310</b>
NONOPERATING INTEREST INCOME	201,995	-	-	201,995
TRANSFERS IN (OUT)	23,892	15,000	(38,892)	-
<b>NET NONOPERATING REVENUES</b>	<b>225,886</b>	<b>15,000</b>	<b>(38,892)</b>	<b>201,995</b>
<b>INCREASE (DECREASE) IN FUND</b>	<b>555,414</b>	<b>-</b>	<b>38,891</b>	<b>594,304</b>
<b>FUND EQUITY, BEGINNING</b>	<b>12,659,810</b>	<b>15,002</b>	<b>103,812</b>	<b>12,778,624</b>
<b>FUND EQUITY, ENDING</b>	<b>13,215,224</b>	<b>15,002</b>	<b>142,702</b>	<b>13,372,928</b>

LUBBOCK REESE REDEVELOPMENT AUTHORITY

SUPPLEMENTAL SCHEDULE OF REVENUES

From 10/1/2023 Through 7/31/2024

(In Whole Numbers)

	<b>General Fund</b>	<b>Data Center / Fiber Optic Fund</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
LEASE INCOME	1,723,801	-	1,723,801
DATA CENTER / FIBER OPTIC INCOME	-	201,114	201,114
COMMON AREA MAINTENANCE/PBT CAM	626,456	-	626,456
USAGE FEES	283,177	23,423	306,600
CONTRACT WORK INCOME	16,108	-	16,108
UTILITY FRANCHISE FEES	28,424	-	28,424
<b>Total OPERATING REVENUES</b>	<b>2,677,967</b>	<b>224,536</b>	<b>2,902,503</b>
<b>NON-OPERATING REVENUES</b>			
INSURANCE PROCEEDS	70,814	-	70,814
INTEREST EXPENSE / BANK CHARGES	(376)	-	(376)
MISCELLANEOUS INCOME	13,979	-	13,979
INTEREST INCOME	201,995	-	201,995
<b>Total NON-OPERATING REVENUES</b>	<b>286,411</b>	<b>-</b>	<b>286,411</b>
<b>TOTAL REVENUES</b>	<b>2,964,378</b>	<b>224,536</b>	<b>3,188,914</b>

LUBBOCK REESE REDEVELOPMENT AUTHORITY

Statement of Revenues and Expenditures

From 10/1/2023 Through 7/31/2024

(In Whole Numbers)

	General Fund	EDA Grant Fund	Data Center / Fiber Optic Fund	Total
<b>OPERATING EXPENSES</b>				
<b>COMPENSATION AND BENEFITS:</b>				
SALARIES AND BENEFITS	699,443	-	-	699,443
CONTRACT SERVICES	19,489	15,000	6,540	41,029
GENERAL AND LIABILITY INSURANCE	210,444	-	12,046	222,490
<b>Total COMPENSATION AND BENEFITS:</b>	<b>929,376</b>	<b>15,000</b>	<b>18,586</b>	<b>962,962</b>
<b>BUILDING REPAIRS AND MAINTENANCE:</b>				
REPAIRS AND MAINTENANCE	488,095	-	-	488,095
BUILDING MAINTENANCE MATERIALS	22,050	-	650	22,700
MARKETING AND PROMOTIONAL EXPENSES	49,681	-	-	49,681
TRAVEL EXPENSES	8,768	-	-	8,768
PRINTING AND ADVERTISING	1,623	-	-	1,623
DEPRECIATION EXPENSE	499,244	-	32,835	532,079
TELEPHONE	1,708	-	-	1,708
OFFICE SUPPLIES	30,017	-	-	30,017
TRAINING AND TUITION EXPENSES	7,865	-	-	7,865
UTILITIES	302,600	-	46,498	349,098
<b>Total BUILDING REPAIRS AND MAINTENANCE:</b>	<b>1,411,652</b>	<b>-</b>	<b>79,983</b>	<b>1,491,634</b>
<b>PROFESSIONAL SERVICES</b>				
ACCOUNTING AND AUDITING FEES	21,360	-	-	21,360
LEGAL FEES	58,042	-	-	58,042
<b>Total PROFESSIONAL SERVICES</b>	<b>79,402</b>	<b>-</b>	<b>-</b>	<b>79,402</b>
<b>COMPUTER SOFTWARE AND MAINTENANCE</b>				
COMPUTER SOFTWARE AND MAINTENANCE	-	-	30,964	30,964
<b>Total COMPUTER SOFTWARE AND MAINTENANCE</b>	<b>-</b>	<b>-</b>	<b>30,964</b>	<b>30,964</b>
<b>OTHER OPERATING EXPENSES</b>				
BOARD EXPENSES	1,921	-	-	1,921
BANK CHARGES	376	-	-	376
INTERNET CHARGES	-	-	17,222	17,222
POSTAGE	1,712	-	-	1,712
MEETING EXPENSES	8,405	-	-	8,405
LICENSES AND FEES	389	-	-	389
Total OTHER OPERATING EXPENSES	12,803	-	17,222	30,025
<b>Total OTHER OPERATING EXPENSES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total OPERATING EXPENSES</b>	<b>2,433,233</b>	<b>15,000</b>	<b>146,754</b>	<b>2,594,987</b>

LUBBOCK REESE REDEVELOPMENT AUTHORITY  
Statement of Revenues and Expenditures  
From 7/1/2024 Through 7/31/2024

**GENERAL FUND**

(In Whole Numbers)

	Current Month Actual	Current Month Budget	Month Actual vs Budget Variance	YTD Actual	YTD Budget	YTD Actual vs Budget Variance
<b>REVENUES</b>						
Leases	157,136	183,333	(26,198)	1,723,801	1,833,333	(109,532)
PBT Cam Fees	62,646	62,417	229	626,456	624,167	2,290
Usage Fees	1,756	22,917	(21,160)	283,177	229,167	54,010
Contract Services	-	667	(667)	16,108	6,667	9,442
Utility Franchise Fees	1,688	1,667	21	28,424	24,736	3,688
Insurance Proceeds	22,260	-	22,260	70,814	-	70,814
Other-Miscellaneous	635	-	635	13,979	-	13,979
<b>Total REVENUES</b>	<b>246,121</b>	<b>271,000</b>	<b>(24,879)</b>	<b>2,762,760</b>	<b>2,718,070</b>	<b>44,690</b>
<b>EXPENSES</b>						
Salaries & Taxes	50,973	65,083	14,111	597,791	650,833	53,043
Benefits - Health, Retirement & Wkr's Comp	10,170	13,208	3,039	101,652	132,083	30,431
Insurance -Property & General Liabilities	21,505	20,417	(1,088)	210,444	204,167	(6,277)
Administrative Expenses	1,860	1,025	(835)	10,749	12,500	1,751
General Office Expenses	3,217	6,287	3,070	59,407	62,871	3,463
Accounting & Auditing Services	90	100	10	21,360	40,200	18,840
Legal Services	7,710	6,250	(1,460)	58,042	62,500	4,458
Network Maintenance Contract	1,629	1,167	(462)	17,656	11,667	(5,989)
Training & Travel	1,910	1,083	(827)	16,633	10,833	(5,800)
Marketing Expenses	2,616	5,833	3,218	49,560	58,333	8,773
Operations	32,092	45,908	13,816	488,095	459,083	(29,011)
Utilities	50,283	56,517	6,234	302,600	404,167	101,567
<b>Total EXPENSES</b>	<b>184,054</b>	<b>222,879</b>	<b>38,825</b>	<b>1,933,988</b>	<b>2,109,238</b>	<b>175,249</b>
<b>NIBPSID</b>	<b>62,067</b>	<b>48,121</b>	<b>13,946</b>	<b>828,772</b>	<b>608,832</b>	<b>219,940</b>
<b>NON OPERATING REVENUE</b>						
Interest Income	22,510	8,333	14,176	201,995	83,333	118,661
<b>Total NON OPERATING REVENUE</b>	<b>22,510</b>	<b>8,333</b>	<b>14,176</b>	<b>201,995</b>	<b>83,333</b>	<b>118,661</b>
<b>DEPRECIATION</b>						
Depreciation Expense	(49,924)	(52,083)	2,159	(499,244)	(520,833)	21,589
<b>Total DEPRECIATION</b>	<b>(49,924)</b>	<b>(52,083)</b>	<b>2,159</b>	<b>(499,244)</b>	<b>(520,833)</b>	<b>21,589</b>
<b>Increase (Decrease) In Fund Equity</b>	<b>34,652</b>	<b>4,371</b>	<b>30,281</b>	<b>531,522</b>	<b>171,332</b>	<b>360,190</b>

**GENERAL FUND**

**Explanation of Significant Budget Variances**

**2024 JULY**

		Month Variance	YTD Variance	Explanations	Projected Outcome at Year End
<b>Revenues, Leases</b>	<b>4200, 4201</b>	\$ <b>(26,198)</b>	\$ <b>(109,532)</b>	Due to loss of RBL and JESSE	Year End is expected to be under budget.
<b>Revenues, Usage</b>	<b>4,260</b>	\$ <b>(21,160)</b>	\$ <b>54,010</b>	TTU-UTILITIES caused higher amount in JUNE. They paid. Came back a negative in July.	Year End is expected to be on budget
<b>Revenues, Insurance Proceeds</b>	<b>4350</b>	\$ <b>22,260</b>	\$ <b>70,814</b>	Insurance Proceeds for GATE 43 = 15,250.00 AND REESE ROOM = 7,010.31 (GATE 43 IN SUBROGATION)	Year End is over budget.
<b>Expenses, Salaries &amp; Taxes</b>	<b>5100, 5110</b>	\$ <b>14,111</b>	\$ <b>53,043</b>	Staff vacancy	Year End is expected to be under budget
<b>Expenses, Operations</b>	<b>5900</b>	\$ <b>13,816</b>	\$ <b>(29,011)</b>	Repairs to Reese Room but that was the biggest expense in Operation this month	Year End is expected to be on budget.

LUBBOCK REESE REDEVELOPMENT AUTHORITY  
Statement of Revenues and Expenditures  
From 7/1/2024 Through 7/31/2024

**DATA CENTER / FIBER OPTIC FUND**

(In Whole Numbers)

	<b>Current Month Actual</b>	<b>Current Month Budget</b>	<b>Month Actual vs Budget Variance</b>	<b>YTD Actual</b>	<b>YTD Budget</b>	<b>YTD Actual vs Budget Variance</b>
<b>REVENUES</b>						
Usage Fees	2,485	2,250	235	23,423	22,500	923
Fiber Optic/Wireless Income	19,694	17,917	1,777	201,114	179,167	21,947
<b>Total REVENUES</b>	<b>22,179</b>	<b>20,167</b>	<b>2,012</b>	<b>224,536</b>	<b>201,667</b>	<b>22,870</b>
<b>EXPENSES</b>						
Insurance -Property & General Liabilities	1,132	1,083	(48)	12,046	10,833	(1,213)
General Office Expenses	45	83	38	650	833	183
Computer Software & Maintenance	2,450	3,833	1,383	30,964	38,333	7,369
Internet	1,722	1,833	111	17,222	18,333	1,112
Building Maintenance & Repairs	-	1,250	1,250	6,540	12,500	5,960
Utilities	5,414	6,442	1,028	46,498	64,417	17,919
<b>Total EXPENSES</b>	<b>10,762</b>	<b>14,525</b>	<b>3,763</b>	<b>113,920</b>	<b>145,250</b>	<b>31,330</b>
<b>NIBPSID</b>	11,416	5,642	5,774	110,617	56,417	54,200
<b>DEPRECIATION</b>						
Depreciation Expense	(3,283)	(3,333)	50	(32,835)	(33,333)	499
<b>Total DEPRECIATION</b>	<b>(3,283)</b>	<b>(3,333)</b>	<b>50</b>	<b>(32,835)</b>	<b>(33,333)</b>	<b>499</b>
<b>Increase (Decrease) In Fund Equity</b>	<b>8,133</b>	<b>2,308</b>	<b>5,824</b>	<b>77,782</b>	<b>23,084</b>	<b>54,699</b>

**COMBINED FUNDS**

(In Whole Numbers)

	<b>Current Month Actual</b>	<b>Current Month Budget</b>	<b>Current Month Actual vs Budget Variance</b>	<b>YTD Actual</b>	<b>YTD Budget</b>	<b>YTD Actual vs Budget Variance</b>
<b>REVENUES</b>						
Leases	157,136	183,333	(26,198)	1,723,801	1,833,333	(109,532)
PBT Cam Fees	62,646	62,417	229	626,456	624,167	2,290
Usage Fees	4,241	25,167	(20,925)	306,600	251,667	54,933
Contract Services	-	667	(667)	16,108	6,667	9,442
Utility Franchise Fees	1,688	1,667	21	28,424	24,736	3,688
Insurance Proceeds	22,260	-	22,260	70,814	-	70,814
Other-Miscellaneous	635	-	635	13,979	-	13,979
Fiber Optic/Wireless Income	19,694	17,917	1,777	201,114	179,167	21,947
<b>Total REVENUES</b>	<b>268,300</b>	<b>291,167</b>	<b>(22,867)</b>	<b>2,987,296</b>	<b>2,919,736</b>	<b>67,560</b>
<b>EXPENSES</b>						
Salaries & Taxes	50,973	65,083	14,111	597,791	650,833	53,043
Benefits - Health, Retirement & Wkr's Comp	10,170	13,208	3,039	101,652	132,083	30,431
Insurance -Property & General Liabilities	22,636	21,500	(1,136)	222,490	215,000	(7,490)
Administrative Expenses	16,860	1,025	(15,835)	25,749	12,500	(13,249)
General Office Expenses	3,262	6,370	3,108	60,057	63,704	3,647
Accounting & Auditing Services	90	100	10	21,360	40,200	18,840
Computer Software & Maintenance	2,450	3,833	1,383	30,964	38,333	7,369
Internet	1,722	1,833	111	17,222	18,333	1,112
Legal Services	7,710	6,250	(1,460)	58,042	62,500	4,458
Network Maintenance Contract	1,629	1,167	(462)	17,656	11,667	(5,989)
Training & Travel	1,910	1,083	(827)	16,633	10,833	(5,800)
Marketing Expenses	2,616	5,833	3,218	49,560	58,333	8,773
Operations	32,092	45,908	13,816	488,095	459,083	(29,011)
Building Maintenance & Repairs	-	1,250	1,250	6,540	12,500	5,960
Utilities	55,696	62,958	7,262	349,098	468,583	119,485
<b>Total EXPENSES</b>	<b>209,816</b>	<b>237,404</b>	<b>27,587</b>	<b>2,062,908</b>	<b>2,254,487</b>	<b>191,580</b>
<b>NIBPSID</b>	<b>58,483</b>	<b>53,763</b>	<b>4,720</b>	<b>924,388</b>	<b>665,249</b>	<b>259,140</b>
<b>NON OPERATING REVENUE</b>						
Interest Income	22,510	8,333	14,176	201,995	83,333	118,661
<b>Total NON OPERATING REVENUE</b>	<b>22,510</b>	<b>8,333</b>	<b>14,176</b>	<b>201,995</b>	<b>83,333</b>	<b>118,661</b>
<b>DEPRECIATION</b>						
Depreciation Expense	(53,208)	(55,417)	2,209	(532,079)	(554,167)	22,088
<b>Total DEPRECIATION</b>	<b>(53,208)</b>	<b>(55,417)</b>	<b>2,209</b>	<b>(532,079)</b>	<b>(554,167)</b>	<b>22,088</b>
<b>Increase (Decrease) In Fund Equity</b>	<b>27,785</b>	<b>6,680</b>	<b>21,105</b>	<b>594,304</b>	<b>194,416</b>	<b>399,888</b>



**MONTHLY & YTD COMPARISONS OF CURRENT & PRIOR YEAR'S ACTUALS**

(In Whole Numbers)

	Current Month Actual	Prior Year's Month Actual	Variance	YTD Actual	Prior Year's YTD Actual	Variance
<b>REVENUES</b>						
Leases	157,136	147,116	10,020	1,723,801	1,954,583	(230,782)
PBT Cam Fees	62,646	61,224	1,422	626,456	612,245	14,211
Usage Fees	4,241	29,192	(24,951)	306,600	244,718	61,882
Contract Services	-	-	-	16,108	5,469	10,639
Utility Franchise Fees	1,688	1,659	29	28,424	29,719	(1,295)
Insurance Proceeds	22,260	-	-	70,814	72,143	-
Other-Miscellaneous	635	-	635	13,979	134	13,845
Fiber Optic/Wireless Income	19,694	20,216	(522)	201,114	192,004	9,110
<b>Total REVENUES</b>	<b>268,300</b>	<b>259,407</b>	<b>8,893</b>	<b>2,987,296</b>	<b>3,111,016</b>	<b>(123,720)</b>
<b>EXPENSES</b>						
Salaries & Taxes	50,973	49,843	1,130	597,791	591,172	6,619
Benefits - Health, Retirement & Wkr's	10,170	11,564	(1,394)	101,652	107,260	(5,608)
Insurance -Property & General Liabilities	22,636	17,875	4,761	222,490	178,753	43,737
Administrative Expenses	16,860	358	16,502	25,749	8,582	17,167
General Office Expenses	3,262	8,865	(5,603)	60,057	55,162	4,895
Accounting & Auditing Services	90	82	8	21,360	34,561	(13,201)
Computer Software & Maintenance	2,450	2,941	(491)	30,964	30,403	561
Internet	1,722	1,722	-	17,222	17,222	-
Legal Services	7,710	4,980	2,730	58,042	58,736	(694)
Network Maintenance Contract	1,629	1,646	(17)	17,656	9,073	8,583
Training & Travel	1,910	2,576	(666)	16,633	15,928	705
Marketing Expenses	2,616	6,383	(3,767)	49,560	52,943	(3,383)
Operations	32,092	43,155	(11,063)	488,095	443,826	44,269
Building Maintenance & Repairs	-	-	-	6,540	13,453	(6,913)
Utilities	55,696	33,222	22,474	349,098	343,063	6,035
<b>Total EXPENSES</b>	<b>209,816</b>	<b>185,211</b>	<b>24,605</b>	<b>2,062,908</b>	<b>1,960,137</b>	<b>102,771</b>
<b>NIBPSID</b>	<b>58,483</b>	<b>74,196</b>	<b>(15,713)</b>	<b>924,388</b>	<b>1,150,879</b>	<b>(226,491)</b>
<b>NON OPERATING REVENUE</b>						
Interest Income	22,510	17,385	5,125	201,995	124,244	77,751
<b>Total NON OPERATING REVENUE</b>	<b>22,510</b>	<b>17,385</b>	<b>5,125</b>	<b>201,995</b>	<b>124,244</b>	<b>77,751</b>
<b>DEPRECIATION</b>						
Depreciation Expense	(53,208)	(53,208)	-	(532,079)	(532,079)	-
<b>Total DEPRECIATION</b>	<b>(53,208)</b>	<b>(53,208)</b>	<b>-</b>	<b>(532,079)</b>	<b>(532,079)</b>	<b>-</b>
<b>Increase (Decrease) In Fund Equity</b>	<b>27,785</b>	<b>38,373</b>	<b>(10,588)</b>	<b>594,304</b>	<b>743,044</b>	<b>-</b>

## CASH BALANCES - JUNE 30, 2024

	5/31/2024	6/30/2024	Change
General Fund Bank Accounts	\$ 4,704,820	\$ 4,743,711	\$ 38,891
Fiber Optic Fund Checking	\$ -	\$ -	\$ -
EDA Grant Checking	\$ 65,686	\$ 48,877	\$ (16,809)
Capital Maintenance - Designated	\$ 855,000	\$ 855,000	\$ -
Petty Cash	\$ -	\$ -	\$ -
<b>Total Cash</b>	<b>\$ 5,625,506</b>	<b>\$ 5,647,588</b>	<b>\$ 22,082</b>
Accounts Receivable - G/F	\$ 170,232	\$ 278,717	\$ 108,485
Accounts Receivable - F/O	\$ 8,951	\$ 14,387	\$ 5,436
<b>Total Accounts Receivable</b>	<b>\$ 179,183</b>	<b>\$ 293,104</b>	<b>\$ 113,921</b>
<b>Total Cash &amp; Accounts Receivable</b>	<b>\$ 5,804,689</b>	<b>\$ 5,940,692</b>	<b>\$ 136,003</b>

## FINANCIAL HIGHLIGHTS - JUNE 30, 2024

DESCRIPTION	Month	G/F	Month	F/O	Month's Total	YTD	G/F	YTD	F/O	YTD	Total
Operating Revenue	\$ 223,057		\$ 19,694		\$ 242,751		\$ 2,235,218		\$ 181,420		\$ 2,416,638
Other Revenue - Usage Fees	\$ 73,424		\$ 2,454		\$ 75,878		\$ 281,421		\$ 20,938		\$ 302,359
Total Revenue	\$ 296,481		\$ 22,148		\$ 318,629		\$ 2,516,639		\$ 202,358		\$ 2,718,997
Expenses	\$ 207,510		\$ 11,395		\$ 218,905		\$ 1,749,934		\$ 103,157		\$ 1,853,091
Net Income BPSID	\$ 88,971		\$ 10,753		\$ 99,724		\$ 766,705		\$ 99,201		\$ 865,906
Interest Income - Plus	\$ 21,382		\$ -		\$ 21,382		\$ 179,485		\$ -		\$ 179,485
Depreciation - Less	\$ (49,924)		\$ (3,283)		\$ (53,207)		\$ (449,320)		\$ (29,551)		\$ (478,871)
Net Income	\$ 60,429		\$ 7,470		\$ 67,899		\$ 496,870		\$ 69,650		\$ 566,520

LUBBOCK REESE REDEVELOPMENT AUTHORITY

Balance Sheet  
As of 6/30/2024

	Data Center /			
	General Fund	EDA Grant Fund	Fiber Optic Fund	Total
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
CASH AND CASH EQUIVALENTS	5,598,711	-	-	5,598,711
RESTRICTED CASH AND CASH EQUIVALENTS	-	48,877	-	48,877
ACCOUNTS RECEIVABLE	278,717	-	14,387	293,104
LEASES RECEIVABLE, CURRENT - GASB 87	1,694,234	-	80,874	1,775,108
INVESTMENT	-	-	-	-
DUE FROM FEDERAL GOVERNMENT	(112,157)	(112,157)	-	(224,315)
PREPAID EXPENSES	69,024	-	1,698	70,722
DUE FROM TRANSFERS	-	-	-	-
<b>Total CURRENT ASSETS</b>	<b>7,528,528</b>	<b>(63,280)</b>	<b>96,960</b>	<b>7,562,208</b>
<b>NONCURRENT ASSETS</b>				
LEASES RECEIVABLE, NET OF CURRENT PORTION	4,938,173	-	112,654	5,050,827
<b>Total NONCURRENT ASSETS</b>	<b>4,938,173</b>	<b>-</b>	<b>112,654</b>	<b>5,050,827</b>
<b>CAPITAL ASSETS</b>				
LAND	1,481,401	-	-	1,481,401
CONSTRUCTION IN PROGRESS	5,303	80,032	-	85,335
BUILDINGS	2,070,050	-	-	2,070,050
INFRASTRUCTURE AND RELATED IMPROVEMENTS	5,611,189	-	1,751,519	7,362,708
COMPUTERS AND OFFICE EQUIPMENT	133,971	-	150,581	284,552
BUILDINGS IMPROVEMENTS	4,431,081	-	250,840	4,681,921
VEHICLES	-	-	-	226,903
GROUND MAINTENANCE EQUIPMENT	277,450	-	158,387	435,837
RIGHT TO USE LEASE ASSET - GASB 87	15,500	-	-	15,500
BASE CONVEYANCE	-	-	-	-
BASE HOUSING	-	-	-	-
OTHER	-	-	-	-
LESS ACCUMULATED DEPRECIATION	(6,553,814)	-	(2,164,478)	(8,718,292)
LESS ACCUMULATED DEPRECIATION - GASB 87	(15,500)	-	-	(15,500)
<b>Total CAPITAL ASSETS</b>	<b>7,683,535</b>	<b>80,032</b>	<b>146,849</b>	<b>7,910,416</b>
<b>NET PENSION ASSET</b>				
NET PENSION ASSETS, NET	215,327	-	-	215,327
<b>Total NET PENSION ASSET</b>	<b>215,327</b>	<b>-</b>	<b>-</b>	<b>215,327</b>
<b>Total ASSETS</b>	<b>20,365,563</b>	<b>16,752</b>	<b>356,463</b>	<b>20,738,778</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
EMPLOYER CONTRIBUTIONS SUBSEQUENT TO THE MEASUREMENT	16,500	-	-	16,500
CHANGE IN ASSUMPTIONS	21,691	-	-	21,691
DIFFERENCES BETWEEN EXPECTED AND ACTUAL EXPERIENCE	24,739	-	-	24,739
<b>Total DEFERRED OUTFLOWS OF RESOURCES</b>	<b>62,930</b>	<b>-</b>	<b>-</b>	<b>62,930</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>20,428,493</b>	<b>16,752</b>	<b>356,463</b>	<b>20,801,708</b>

LUBBOCK REESE REDEVELOPMENT AUTHORITY

Balance Sheet  
As of 6/30/2024

	Data Center /			
	General Fund	EDA Grant Fund	Fiber Optic Fund	Total
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
ACCOUNTS PAYABLE	35,627	1,750	2,590	39,967
ACCRUED EXPENSES	62,393	-	-	62,393
REFUNDABLE DEPOSITS	104,887	-	-	104,887
UNEARNED REVENUES	418,989	-	20,216	439,205
COMPENSATED ABSENSES	9,604	-	-	9,604
LEASE LIABILITY, CURRENT	1,645	-	-	1,645
LEASE PAYABLES	-	-	-	-
DUE TO TRANSFERS	-	-	-	-
OTHER LIABILITIES	-	-	-	-
<b>Total CURRENT LIABILITIES</b>	<b>633,145</b>	<b>1,750</b>	<b>22,806</b>	<b>657,701</b>
<b>NON-CURRENT LIABILITIES</b>				
LEASE LIABILITY, NET OF CURRENT PORTION	(2,927)	-	-	(2,927)
<b>Total NON-CURRENT LIABILITIES</b>	<b>(2,927)</b>	<b>-</b>	<b>-</b>	<b>(2,927)</b>
<b>Total LIABILITIES</b>	<b>630,218</b>	<b>1,750</b>	<b>22,806</b>	<b>654,774</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
NET DIFF BETWEEN PROJECTED AND ACTUAL INVESTMENT	183,474	-	-	183,474
CHANGE IN ASSUMPTION	6,460	-	-	6,460
LEASES - GASB 87	6,422,697	-	189,160	6,611,857
<b>Total DEFERRED INFLOWS OF RESOURCES</b>	<b>6,612,631</b>	<b>-</b>	<b>189,160</b>	<b>6,801,791</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>7,242,849</b>	<b>1,750</b>	<b>211,966</b>	<b>7,456,565</b>
<b>FUND EQUITY</b>				
BEGINNING OF PERIOD	12,659,810	15,002	103,812	12,778,624
TRANSFERS IN (OUT)	28,964	-	(28,964)	-
YEAR TO DATE EARNINGS	496,870	-	69,650	566,519
<b>Total FUND EQUITY</b>	<b>13,185,644</b>	<b>15,002</b>	<b>144,497</b>	<b>13,345,143</b>
<b>TOTAL LIABILITY, FUND BALANCE, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>20,428,493</b>	<b>16,752</b>	<b>356,463</b>	<b>20,801,708</b>

Total report

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LUBBOCK REESE REDEVELOPMENT AUTHORITY  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY  
 From 10/1/2023 Through 6/30/2024

(In Whole Numbers)

	<b>General Fund</b>	<b>EDA Grant Fund</b>	<b>Data Center / Fiber Optic Fund</b>	<b>Total</b>
OPERATING REVENUES	2,516,639	-	202,358	2,718,997
OPERATING EXPENSES	2,199,254	-	132,708	2,331,963
<b>OPERATING INCOME(LOSS)</b>	<b>317,385</b>	<b>-</b>	<b>69,650</b>	<b>387,034</b>
NONOPERATING INTEREST INCOME	179,485	-	-	179,485
TRANSFERS IN (OUT)	28,964	-	(28,964)	-
<b>NET NONOPERATING REVENUES</b>	<b>208,449</b>	<b>-</b>	<b>(28,964)</b>	<b>179,485</b>
<b>INCREASE (DECREASE) IN FUND EQUITY</b>	<b>525,834</b>	<b>-</b>	<b>40,686</b>	<b>566,519</b>
<b>FUND EQUITY, BEGINNING</b>	<b>12,659,810</b>	<b>15,002</b>	<b>103,812</b>	<b>12,778,624</b>
<b>FUND EQUITY, ENDING</b>	<b>13,185,644</b>	<b>15,002</b>	<b>144,497</b>	<b>13,345,143</b>

LUBBOCK REESE REDEVELOPMENT AUTHORITY

SUPPLEMENTAL SCHEDULE OF REVENUES

From 10/1/2023 Through 6/30/2024

(In Whole Numbers)

	<b>General Fund</b>	<b>Data Center / Fiber Optic Fund</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
LEASE INCOME	1,566,665	-	1,566,665
DATA CENTER / FIBER OPTIC INCOME	-	181,420	181,420
COMMON AREA MAINTENANCE/PBT CAM	563,811	-	563,811
USAGE FEES	281,421	20,938	302,359
CONTRACT WORK INCOME	16,108	-	16,108
UTILITY FRANCHISE FEES	26,736	-	26,736
<b>Total OPERATING REVENUES</b>	<b>2,454,741</b>	<b>202,358</b>	<b>2,657,099</b>
<b>NON-OPERATING REVENUES</b>			
INSURANCE PROCEEDS	48,553	-	48,553
INTEREST EXPENSE / BANK CHARGES	(376)	-	(376)
MISCELLANEOUS INCOME	13,344	-	13,344
INTEREST INCOME	179,485	-	179,485
<b>Total NON-OPERATING REVENUES</b>	<b>241,006</b>	<b>-</b>	<b>241,006</b>
<b>TOTAL REVENUES</b>	<b>2,695,747</b>	<b>202,358</b>	<b>2,898,105</b>

LUBBOCK REESE REDEVELOPMENT AUTHORITY

Statement of Revenues and Expenditures

From 10/1/2023 Through 6/30/2024

(In Whole Numbers)

	<b>General Fund</b>	<b>Fiber Optic Oper Fund</b>	<b>Total</b>
<b>OPERATING EXPENSES</b>			
<b>COMPENSATION AND BENEFITS:</b>			
SALARIES AND BENEFITS	638,300	-	638,300
CONTRACT SERVICES	17,676	6,540	24,216
GENERAL AND LIABILITY INSURANCE	188,939	10,915	199,854
<b>Total COMPENSATION AND BENEFITS:</b>	<b>844,916</b>	<b>17,454</b>	<b>862,370</b>
<b>BUILDING REPAIRS AND MAINTENANCE:</b>			
REPAIRS AND MAINTENANCE	456,002	-	456,002
BUILDING MAINTENANCE MATERIALS	19,895	605	20,500
MARKETING AND PROMOTIONAL EXPENSES	47,066	-	47,066
TRAVEL EXPENSES	7,353	-	7,353
PRINTING AND ADVERTISING	1,623	-	1,623
DEPRECIATION EXPENSE	449,320	29,551	478,871
TELEPHONE	1,523	-	1,523
OFFICE SUPPLIES	29,625	-	29,625
TRAINING AND TUITION EXPENSES	7,370	-	7,370
UTILITIES	252,317	41,085	293,402
<b>Total BUILDING REPAIRS AND MAINTENANCE:</b>	<b>1,272,094</b>	<b>71,241</b>	<b>1,343,335</b>
<b>PROFESSIONAL SERVICES</b>			
ACCOUNTING AND AUDITING FEES	21,270	-	21,270
LEGAL FEES	50,332	-	50,332
<b>Total PROFESSIONAL SERVICES</b>	<b>71,602</b>	<b>-</b>	<b>71,602</b>
<b>COMPUTER SOFTWARE AND MAINTENANCE</b>			
COMPUTER SOFTWARE AND MAINTENANCE	-	28,514	28,514
<b>Total COMPUTER SOFTWARE AND MAINTENANCE</b>	<b>-</b>	<b>28,514</b>	<b>28,514</b>
<b>OTHER OPERATING EXPENSES</b>			
BOARD EXPENSES	1,733	-	1,733
BANK CHARGES	376	-	376
INTERNET CHARGES	-	15,499	15,499
POSTAGE	1,415	-	1,415
MEETING EXPENSES	6,843	-	6,843
LICENSES AND FEES	275	-	275
<b>Total OTHER OPERATING EXPENSES</b>	<b>10,642</b>	<b>15,499</b>	<b>26,142</b>
<b>Total OPERATING EXPENSES</b>	<b>2,199,254</b>	<b>132,708</b>	<b>2,331,963</b>



LUBBOCK REESE REDEVELOPMENT AUTHORITY  
Statement of Revenues and Expenditures  
From 6/1/2024 Through 6/30/2024

**GENERAL FUND**

(In Whole Numbers)

	<b>Current Month Actual</b>	<b>Current Month Budget</b>	<b>Month Actual vs Budget Variance</b>	<b>YTD Actual</b>	<b>YTD Budget</b>	<b>YTD Actual vs Budget Variance</b>
<b>REVENUES</b>						
Leases	158,813	183,333	(24,520)	1,566,665	1,650,000	(83,335)
PBT Cam Fees	62,646	62,417	229	563,811	561,750	2,061
Usage Fees	73,424	22,917	50,507	281,421	206,250	75,171
Contract Services	-	667	(667)	16,108	6,000	10,108
Utility Franchise Fees	1,599	1,667	(68)	26,736	23,070	3,666
Insurance Proceeds	-	-	-	48,553	-	48,553
Other-Miscellaneous	-	-	-	13,344	-	13,344
<b>Total REVENUES</b>	<b>296,481</b>	<b>271,000</b>	<b>25,481</b>	<b>2,516,639</b>	<b>2,447,070</b>	<b>69,569</b>
<b>EXPENSES</b>						
Salaries & Taxes	50,700	65,083	14,383	546,818	585,750	38,932
Benefits - Health, Retirement & Wkr's Comp	9,846	13,208	3,362	91,482	118,875	27,393
Insurance -Property & General Liabilities	21,505	20,417	(1,088)	188,939	183,750	(5,189)
Administrative Expenses	1,616	1,025	(591)	8,888	11,475	2,587
General Office Expenses	4,064	6,287	2,223	56,190	56,584	394
Accounting & Auditing Services	87	100	13	21,270	40,100	18,830
Legal Services	7,710	6,250	(1,460)	50,332	56,250	5,918
Network Maintenance Contract	1,629	1,167	(462)	16,027	10,500	(5,527)
Training & Travel	2,750	1,083	(1,667)	14,723	9,750	(4,973)
Marketing Expenses	5,352	5,833	481	46,944	52,500	5,556
Operations	61,958	45,908	(16,049)	456,002	413,175	(42,827)
Utilities	40,293	39,617	(677)	252,317	347,650	95,333
<b>Total EXPENSES</b>	<b>207,510</b>	<b>205,979</b>	<b>(1,531)</b>	<b>1,749,934</b>	<b>1,886,359</b>	<b>136,424</b>
<b>NIBPSID</b>	<b>88,972</b>	<b>65,021</b>	<b>23,951</b>	<b>766,704</b>	<b>560,711</b>	<b>205,993</b>
<b>NON OPERATING REVENUE</b>						
Interest Income	21,382	8,333	13,048	179,485	75,000	104,485
<b>Total NON OPERATING REVENUE</b>	<b>21,382</b>	<b>8,333</b>	<b>13,048</b>	<b>179,485</b>	<b>75,000</b>	<b>104,485</b>
<b>DEPRECIATION</b>						
Depreciation Expense	(49,924)	(52,083)	2,159	(449,320)	(468,750)	19,430
<b>Total DEPRECIATION</b>	<b>(49,924)</b>	<b>(52,083)</b>	<b>2,159</b>	<b>(449,320)</b>	<b>(468,750)</b>	<b>19,430</b>
<b>Increase (Decrease) In Fund Equity</b>	<b>60,429</b>	<b>21,271</b>	<b>39,158</b>	<b>496,870</b>	<b>166,961</b>	<b>329,909</b>

LUBBOCK REESE REDEVELOPMENT AUTHORITY  
Statement of Revenues and Expenditures  
From 6/1/2024 Through 6/30/2024

**DATA CENTER / FIBER OPTIC FUND**

(In Whole Numbers)

	<b>Current Month Actual</b>	<b>Current Month Budget</b>	<b>Month Actual vs Budget Variance</b>	<b>YTD Actual</b>	<b>YTD Budget</b>	<b>YTD Actual vs Budget Variance</b>
<b>REVENUES</b>						
Usage Fees	2,454	2,250	204	20,938	20,250	688
Fiber Optic/Wireless Income	19,694	17,917	1,777	181,420	161,250	20,170
<b>Total REVENUES</b>	<b>22,148</b>	<b>20,167</b>	<b>1,982</b>	<b>202,358</b>	<b>181,500</b>	<b>20,858</b>
<b>EXPENSES</b>						
Insurance -Property & General Liabilities	1,132	1,083	(48)	10,915	9,750	(1,165)
General Office Expenses	245	83	(162)	605	750	145
Computer Software & Maintenance	3,215	3,833	618	28,514	34,500	5,986
Internet	1,722	1,833	111	15,499	16,500	1,001
Building Maintenance & Repairs	150	1,250	1,100	6,540	11,250	4,710
Utilities	4,931	6,442	1,511	41,085	57,975	16,890
<b>Total EXPENSES</b>	<b>11,395</b>	<b>14,525</b>	<b>3,130</b>	<b>103,157</b>	<b>130,725</b>	<b>27,568</b>
<b>NIBPSID</b>	10,753	5,642	5,112	99,201	50,775	48,426
<b>DEPRECIATION</b>						
Depreciation Expense	(3,283)	(3,333)	50	(29,551)	(30,000)	449
<b>Total DEPRECIATION</b>	<b>(3,283)</b>	<b>(3,333)</b>	<b>50</b>	<b>(29,551)</b>	<b>(30,000)</b>	<b>449</b>
<b>Increase (Decrease) In Fund Equity</b>	<b>7,470</b>	<b>2,308</b>	<b>5,162</b>	<b>69,650</b>	<b>20,775</b>	<b>48,875</b>

**COMBINED FUNDS**

(In Whole Numbers)

	<b>Current Month Actual</b>	<b>Current Month Budget</b>	<b>Current Month Actual vs Budget Variance</b>	<b>YTD Actual</b>	<b>YTD Budget</b>	<b>YTD Actual vs Budget Variance</b>
<b>REVENUES</b>						
Leases	158,813	183,333	(24,520)	1,566,665	1,650,000	(83,335)
PBT Cam Fees	62,646	62,417	229	563,811	561,750	2,061
Usage Fees	75,878	25,167	50,712	302,359	226,500	75,859
Contract Services	-	667	(667)	16,108	6,000	10,108
Utility Franchise Fees	1,599	1,667	(68)	26,736	23,070	3,666
Insurance Proceeds	-	-	-	48,553	-	48,553
Other-Miscellaneous	-	-	-	13,344	-	13,344
Fiber Optic/Wireless Income	19,694	17,917	1,777	181,420	161,250	20,170
<b>Total REVENUES</b>	<b>318,630</b>	<b>291,167</b>	<b>27,463</b>	<b>2,718,997</b>	<b>2,628,570</b>	<b>90,427</b>
<b>EXPENSES</b>						
Salaries & Taxes	50,700	65,083	14,383	546,818	585,750	38,932
Benefits - Health, Retirement & Wkr's Comp	9,846	13,208	3,362	91,482	118,875	27,393
Insurance -Property & General Liabilities	22,636	21,500	(1,136)	199,854	193,500	(6,354)
Administrative Expenses	1,616	1,025	(591)	8,888	11,475	2,587
General Office Expenses	4,309	6,370	2,061	56,795	57,334	539
Accounting & Auditing Services	87	100	13	21,270	40,100	18,830
Computer Software & Maintenance	3,215	3,833	618	28,514	34,500	5,986
Internet	1,722	1,833	111	15,499	16,500	1,001
Legal Services	7,710	6,250	(1,460)	50,332	56,250	5,918
Network Maintenance Contract	1,629	1,167	(462)	16,027	10,500	(5,527)
Training & Travel	2,750	1,083	(1,667)	14,723	9,750	(4,973)
Marketing Expenses	5,352	5,833	481	46,944	52,500	5,556
Operations	61,958	45,908	(16,049)	456,002	413,175	(42,827)
Building Maintenance & Repairs	150	1,250	1,100	6,540	11,250	4,710
Utilities	45,224	46,058	834	293,402	405,625	112,223
<b>Total EXPENSES</b>	<b>218,905</b>	<b>220,504</b>	<b>1,599</b>	<b>1,853,091</b>	<b>2,017,084</b>	<b>163,992</b>
<b>NIBPSID</b>	<b>99,725</b>	<b>70,663</b>	<b>29,062</b>	<b>865,905</b>	<b>611,486</b>	<b>254,419</b>
<b>NON OPERATING REVENUE</b>						
Interest Income	21,382	8,333	13,048	179,485	75,000	104,485
<b>Total NON OPERATING REVENUE</b>	<b>21,382</b>	<b>8,333</b>	<b>13,048</b>	<b>179,485</b>	<b>75,000</b>	<b>104,485</b>
<b>DEPRECIATION</b>						
Depreciation Expense	(53,208)	(55,417)	2,209	(478,871)	(498,750)	19,879
<b>Total DEPRECIATION</b>	<b>(53,208)</b>	<b>(55,417)</b>	<b>2,209</b>	<b>(478,871)</b>	<b>(498,750)</b>	<b>19,879</b>
<b>Increase (Decrease) In Fund Equity</b>	<b>67,899</b>	<b>23,580</b>	<b>44,319</b>	<b>566,519</b>	<b>187,736</b>	<b>378,783</b>


**MONTHLY & YTD COMPARISONS OF CURRENT & PRIOR YEAR'S ACTUALS**

(In Whole Numbers)

	Current Month Actual	Prior Year's Month Actual	Variance	YTD Actual	Prior Year's YTD Actual	Variance
<b>REVENUES</b>						
Leases	158,813	192,908	(34,095)	1,566,665	1,807,468	(240,803)
PBT Cam Fees	62,646	61,224	1,422	563,811	551,020	12,791
Usage Fees	75,878	29,134	46,744	302,359	215,526	86,833
Contract Services	-	920	(920)	16,108	5,469	10,639
Utility Franchise Fees	1,599	1,609	(10)	26,736	28,060	(1,324)
Insurance Proceeds	-	-	-	48,553	72,143	(23,590)
Other-Miscellaneous	-	-	-	13,344	134	13,210
Fiber Optic/Wireless Income	19,694	20,216	(522)	181,420	171,788	9,632
<b>Total REVENUES</b>	<b>318,630</b>	<b>306,012</b>	<b>12,618</b>	<b>2,718,997</b>	<b>2,851,609</b>	<b>(132,612)</b>
<b>EXPENSES</b>						
Salaries & Taxes	50,700	74,219	(23,519)	546,818	541,329	5,489
Benefits - Health, Retirement & Wkr's	9,846	12,480	(2,634)	91,482	95,696	(4,214)
Insurance -Property & General Liabilities	22,636	17,875	4,761	199,854	160,878	38,976
Administrative Expenses	1,616	248	1,368	8,888	8,224	664
General Office Expenses	4,309	3,954	355	56,795	46,297	10,498
Accounting & Auditing Services	87	7,579	(7,492)	21,270	34,479	(13,209)
Computer Software & Maintenance	3,215	2,941	274	28,514	27,462	1,052
Internet	1,722	1,722	-	15,499	15,499	-
Legal Services	7,710	6,280	1,430	50,332	53,756	(3,424)
Network Maintenance Contract	1,629	1,501	128	16,027	7,427	8,600
Training & Travel	2,750	1,636	1,114	14,723	13,352	1,371
Marketing Expenses	5,352	3,077	2,275	46,944	46,560	384
Operations	61,958	42,536	19,422	456,002	400,672	55,330
Building Maintenance & Repairs	150	919	(769)	6,540	13,453	(6,913)
Utilities	45,224	44,622	602	293,402	309,841	(16,439)
<b>Total EXPENSES</b>	<b>218,905</b>	<b>221,588</b>	<b>(2,683)</b>	<b>1,853,091</b>	<b>1,774,926</b>	<b>78,165</b>
<b>NIBPSID</b>	<b>99,725</b>	<b>84,423</b>	<b>15,302</b>	<b>865,905</b>	<b>1,076,683</b>	<b>(210,778)</b>
<b>NON OPERATING REVENUE</b>						
Interest Income	21,382	17,201	4,181	179,485	106,858	72,627
<b>Total NON OPERATING REVENUE</b>	<b>21,382</b>	<b>17,201</b>	<b>4,181</b>	<b>179,485</b>	<b>106,858</b>	<b>72,627</b>
<b>DEPRECIATION</b>						
Depreciation Expense	(53,208)	(53,208)	-	(478,871)	(478,871)	-
<b>Total DEPRECIATION</b>	<b>(53,208)</b>	<b>(53,208)</b>	<b>-</b>	<b>(478,871)</b>	<b>(478,871)</b>	<b>-</b>
<b>Increase (Decrease) In Fund Equity</b>	<b>67,899</b>	<b>48,416</b>	<b>19,483</b>	<b>566,519</b>	<b>704,670</b>	<b>(138,151)</b>

August 28, 2024

LRRRA Quarterly Investments and Collateralization Report

Bank and Account Title	Account Number Ending	Interest Yield	Benchmark Rate (6-Month US T-Bill)	Quarter 1 Earned	Interest Oct - Dec 2023	Quarter 2 Interest Earned	Jan - Mar 2024	Quarter 3 Interest Earned	Apr - June 2024	FY2024 Interest Earned YTD	Account Balance as of 6/30/24	FDIC Insured or Collateralization (market value)			
PlainsCapital Operating Account	2003	5.12%	5.33%	\$	10,462.32	\$	13,017.88	\$	16,851.92	\$	40,332.12	\$	1,450,486.56	\$	1,089,407.00
<b>Totals PlainsCapital</b>				\$	<b>10,462.32</b>	\$	<b>13,017.88</b>	\$	<b>16,851.92</b>	\$	<b>40,332.12</b>	\$	<b>1,450,486.56</b>		
Peoples Bank ICS/Sweep Account*	288	4.60%	5.33%	\$	46,199.62	\$	46,215.89	\$	46,737.44	\$	139,152.95	\$	4,189,535.61	\$	250,000.00
Peoples Bank EDA	575	0.00%	5.33%	\$	-	\$	-	\$	-	\$	-	\$	48,877.47	\$	250,000.00
<b>Totals Peoples Bank</b>				\$	<b>46,199.62</b>	\$	<b>46,215.89</b>	\$	<b>46,737.44</b>	\$	<b>139,152.95</b>	\$	<b>4,238,413.08</b>		
<b>Total of All Accounts</b>				\$	<b>56,661.94</b>	\$	<b>59,233.77</b>	\$	<b>63,589.36</b>	\$	<b>179,485.07</b>	\$	<b>5,688,899.64</b>		
Per our Investment Policy our Weighted Average Maturity (WAM) is 6 months. Our investments are all cash and available immediately															
*No more than \$250,000 (the FDIC insured amount) is invested in each bank as part of this program															

**AGENDA ITEM 14  
EXECUTIVE SUMMARY  
MANAGEMENT'S RESPONSE TO FY23 AUDIT FINDINGS**

In the FY2023 financial audit, the auditors identified three improvement points. Attached is a summary of those findings and the management's response.

**LUBBOCK REESE REDEVELOPMENT AUTHORITY  
MANAGEMENT'S RESPONSE TO AUDITOR'S  
INTERNAL CONTROL AND REPORTABLE FINDINGS**

ITEM NOTED	AUDITOR'S SUGGESTION	MANAGEMENT'S RESPONSE
The Authority should update their policies and procedures to ensure it incorporates the language required by 2 CFR 200, subparts D & E of the Uniform Guidance.	We recommend the Authority updated their policies and procedures to incorporate the language for Uniform Guidance as required by 2 CFR 200 subparts D & E.	This finding was noted last year and staff continues to research to find the appropriate level of policies and procedures that fit and make sense for our organization. Thus far, we have been unable to find any organization our size that has such policies and procedures.
* The Authority incorrectly reversed an outstanding due from federal that had not been received as of September 30, 2023. In addition, a due from federal related to a federal grant revenue was not included in the current year in the amount of \$21,528. * The Authority improperly included the AR and unearned revenue related to October 2023 at year end.	We recommend the Authority review the requested reimbursements after fiscal year end to ensure that receivables are booked in proper fiscal year.	We did not incorrectly reverse the account. Our procedure is to reverse the prior years' entry to bring the account to zero for the beginning of the new fiscal year. Then we post the current years' amount. Our error is we failed to post the current years' entry.
The Authority did not properly capitalize capital assets during fiscal year 2023, resulting in a material audit adjustment of \$62,266. In addition, an adjustment to an asset in the amount of \$2,300 was necessary.	We recommend the Authority review their large expenses to ensure whether they should be capitalized or expenses.	Staff reviews large expenses monthly to ensure they are correctly entered. In this specific case, this expense was a series of smaller purchases that after being summed, made up a larger amount that should have been capitalized.



## August 2024 EVENTS & ACTIVITIES

	DATE	EVENT
<b>August</b>	August 7	Reese Annual Customer Cookout
	August 20	Vulpes Chamber Ribbon Cutting
	August 28	LRRR Board Meeting
<b>Looking Ahead</b>		
<b>September</b>	September 2	LRRR Office Closed for Labor Day Holiday
	September 11	SPAG General Assembly
	September 13	Parkhill Golf Tournament
	September 19	Lubbock Chamber State of the TTU System Luncheon
	September 25	LRRR Board Meeting
	September 26	SHRM – Emotional Intelligence with Eric Bailey author of “The Cure for Stupidity”