

*Signed agreement
after changes
6-8-80*

**AGREEMENT BETWEEN THE CITY OF HARKER HEIGHTS, TEXAS
AND EDUCATIONAL OUTFITTERS, LTD.**

**ARTICLE I.
PARTIES TO AGREEMENT**

This AGREEMENT is entered into on this the 8th day of June, 2000 between the CITY OF HARKER HEIGHTS, a Home Rule City, hereinafter referred to as CITY, and EDUCATIONAL OUTFITTERS, LTD., operating as a limited partnership under the laws of the State of Texas, hereinafter referred to as OUTFITTERS.

**ARTICLE II.
AGREEMENT PERIOD**

This AGREEMENT shall commence on August 30, 1999 and shall be completed in accordance with the Texas Department of Economic Development (formerly Texas Department of Commerce) contract with the City of Harker Heights executed by the City on December 7, 1999 which contract is incorporated herein by reference.

**ARTICLE III.
PURPOSE OF AGREEMENT**

3.01 The purpose of this AGREEMENT is to carry out an economic development project, hereinafter referred to as PROJECT, pursuant to the TDED contract, hereinafter referred to as CONTRACT, between the Texas Department of Economic Development, hereinafter referred to as DEPARTMENT, and CITY dated August 30, 1999. CITY will be overseeing the completion of PROJECT. The contract between CITY and DEPARTMENT is incorporated herein for reference as if copied herein verbatim.

3.02 The project includes:

- (a) Purchase by OUTFITTERS of engineering of building, a portion of the building cost, machinery, equipment, equity and the provision for working capital.
- (b) Construction by CITY of a portion of an approximately 8,300 square-foot building and infrastructure improvements in the form of street construction and land equity, more specifically detailed in ARTICLE V.

3.03 Notwithstanding any contrary provision contained herein, or in any other document executed contemporaneously with or prior to the date of this Agreement, the parties hereto recite and confirm that this Agreement is entered into on the basis of the following understandings and intentions:

- (a) The City is participating in this grant primarily to provide jobs for its citizens, to generally increase the quality of life in the City, to spur further commercial development in the immediate vicinity of the property described below, to

increase the taxable value of the property described below, and to obtain approximately \$338,500.00 from the Texas Capital fund to pay the cost of road construction and engineering, and contract administration.

- (b) Outfitters is participating in this grant primarily to obtain economic assistance in the construction and operation of its business on the property described below.
- (c) The parties understand and agree that the amounts set forth herein which are based on the cost to construct the building are based upon estimates. The parties will amend this agreement from time to time as necessary in order to reflect the actual costs of construction.

3.04 It is not the intention of either party hereto to proceed with the project described herein if the purposes and intentions set forth above cannot be substantially and materially accomplished. Accordingly:

- (a) The bid awarded for the construction of the building described herein shall not exceed \$430,000.00, and if the City is unable to award a construction contract to a responsible bidder for such sum or a lesser sum, either party shall have the right to terminate this contract.
- (b) Outfitters shall obtain financing by means of a third party first lien note in an amount at least equal to the bid price for the construction of the building, less the \$110,823.00 loan from TDED, due in full in not less than 15 years, with interest not to exceed 12% per annum for the first two years of the loan. Within fourteen days from the date the City opens sealed bids for the construction of the building described herein, Outfitters shall apply for such third party financing and shall make every reasonable effort to obtain financing. Financing shall be deemed to have been obtained when the lender determines that Outfitters has satisfied all of lender's financial conditions. If financing is not obtained within sixty days after the City opens sealed bids for the construction of the building described herein, this contract shall terminate.
- (c) Conditioned on Outfitters' faithful performance of its obligations, the City must convey the property described herein to Outfitters at the conclusion of the lease term at no further cost or obligation to Outfitters. However, the City shall have no liability in excess of the lease payments received by the City in the event it is subsequently prevented by law from conveying the property upon such terms. If it is determined prior to the start of construction of the building described herein that the City may not lawfully convey the property as herein provided, this contract shall terminate.

ARTICLE IV.
OBLIGATIONS OF OUTFITTERS

OUTFITTERS shall perform the following obligations:

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4.01 OUTFITTERS shall contribute Five Hundred Four Thousand Two Hundred Twenty-three and No/100 Dollars (\$504,223.00) in cash, loan, equity and working capital for this PROJECT as follows:

4.01.01 Sixty-eight Thousand Seven Hundred Nineteen and No/100 Dollars (\$68,719.00) in cash for the working capital as specified in special condition A.7.d. of the TDED contract;

4.01.02 Four Thousand Twenty-five and No/100 Dollars (\$4,025.00) loan for engineering services related to the construction of an approximately eight thousand three hundred square foot (8,300 sq. ft.) building to include HVAC, electrical and plumbing; paved driveway and parking area.. Company's financial resources shall be injected prior to contract funds for building;

4.01.03 Three Hundred Nineteen Thousand One Hundred Seventy-seven Dollars (\$319,177.00) in loan for building construction;

4.01.04 Fifty-nine Thousand Nine Hundred and No/100 Dollars (\$59,900.00) in loan for acquisition of machinery and equipment;

4.01.05 Fifty-two Thousand Four Hundred Two and No/100 Dollars (\$52,402.00) in equity for machinery and equipment as described in application for these Capital Funds.

4.02 OUTFITTERS shall enter into a *Real Estate Lease Agreement*, Attachment 1, for the building and acreage it is constructed on with the CITY and a *Real Estate Lease Agreement Certification*, Attachment 2.

4.03 OUTFITTERS shall create a minimum of eighteen (18) full-time equivalent permanent jobs of which ten (10) shall be provided to low-to-moderate income persons on or before the expiration date of this AGREEMENT at this proposed project site. The types of positions, number, wage scales and minimum skill levels of all permanent positions shall be set forth in Exhibit B attached hereto. At least fifty-one (51) percent of all jobs created during the AGREEMENT period shall be filled by low-to-moderate income persons. "Low-to-moderate income persons" is defined in the TCDP Project Implementation Manual.

4.04 OUTFITTERS shall submit to CITY a copy of OUTFITTERS' payroll verifying the number of persons employed at the Harker Heights, Texas location as of the commencement date identified in Section 2 of this contract, to establish a starting benchmark. At the minimum, the payroll report shall provide the following information for all employees: Full name of employee, Social Security Number and indicate whether employee is full time or part time as defined in the most recent version of the TCF Implementation Manual. In addition, a payroll report in the same format described above shall be submitted with the close-out documents for this contract, to determine the number of jobs created. Records and reports should document low-to-moderate income benefit and beneficiaries by race, ethnicity, gender, and handicap status

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as is made available to OUTFITTERS by their employees, in the same manner and to the same extent as DEPARTMENT requires of CITY (See attached example report-Exhibit E). These reports shall be received by CITY no later than the fifteenth (15th) day after the end of each calendar quarter of the contract period specified in Article II.

4.05 OUTFITTERS shall implement the hiring plan set forth in Exhibit C attached hereto that sets forth methods of identifying and training potential low-to-moderate income job applicants.

4.06 OUTFITTERS shall perform activities as specified in the "Exhibit A Performance Statement" of the TDED contract attached hereto as Exhibit A.

4.07 In addition to its other obligations specified herein, OUTFITTERS promises to pay CITY an amount not to exceed DEPARTMENT'S maximum obligation under the TDED contract (\$449,323.00), and OUTFITTERS shall be required to repay CITY for contract funds expended in the event OUTFITTERS does not fulfill its responsibilities under this AGREEMENT within 60 days of demand. The land will convey as provided in the lease provided that if the fair market value of the land is less than \$449,323.00 OUTFITTERS shall pay the difference between the fair market value and said sum to City. Disputes between OUTFITTERS and CITY relating to the provisions of this section shall be arbitrated. The parties shall each select an arbitrator: the two arbitrators selected shall select another arbitrator. The three arbitrators shall hear and determine the dispute. Their decisions shall be binding on the parties hereto. The parties agree to divide the arbitration costs according to the decision of the arbitrators.

4.08 OUTFITTERS is hereby restricted from transferring assets out of the partnership without the written consent of DEPARTMENT except during the normal course of business (i.e., cash, fixed assets used in the production process and accounts receivable) during the contract period.

4.09 OUTFITTERS hereby restricts its principals from reducing their proportionate ownership in OUTFITTERS without prior written approval from CITY and DEPARTMENT during the contract period.

4.10 OUTFITTERS hereby certifies that all taxes are current and future taxes will be paid when due and proof of payment will be sent to CITY within 30 days of payment.

4.11 OUTFITTERS shall permit CITY to make quarterly on-site visits to assess/monitor the progress toward job creation, and provide CITY officials or representatives at the time of on-site visits information regarding job creation and any other information deemed necessary by CITY to administer the Texas Capital Fund contract and this AGREEMENT.

4.12 OUTFITTERS shall provide CITY with a copy of the executed loan agreement of Three Hundred Eighty Three Thousand One Hundred Two (383,102.00) from the bank to be utilized in conjunction with the project funded under this contract.

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4.13 Each owner of OUTFITTERS shall be jointly and severally liable for the amount of funds provided to OUTFITTERS under the TDED contract in the event OUTFITTERS is dissolved, files under the federal bankruptcy code, or otherwise ceases to be a going concern. Such guarantees shall specifically be obtained from Cindy Schoel, Randy Schoel, and Educational Outfitters Management, L.C. (see attached example- Exhibit F).

4.14 OUTFITTERS shall provide to CITY a plan approval letter or evidence that the plans and specifications for construction of, improvements to, or the renovation of buildings, described in Exhibit A, Performance Statement, of this agreement, have been received by the Texas Department of Licensing and Regulation (TDLR) concerning the elimination of architectural barriers encountered by persons with disabilities as specified in TEX. REV. CIV. STAT. ANN. art. 9102 and the rules promulgated thereunder. Evidence of TDLR receipt must be proof of payment (i.e. paid receipt, canceled check, wire transfer receipt) and a copy of the TDLR application form. The plans and specifications shall be sent to the Texas Department of Licensing and Regulations, Architectural Barriers Division, P.O. Box 12157, Austin, Texas 78711.

4.15 OUTFITTERS shall provide to CITY a copy of an acknowledged assignment of the life insurance policy from the life insurance company authorized in Texas and acceptable to CITY or a copy of an executed questionnaire if the life insurance policy has been in existence longer than six (6) months, which reflects assignment to CITY of keyman life insurance on Mrs. Cindy Schoel in the minimum amount of Four Hundred Thirty Thousand Dollars (\$430,000.00). The OUTFITTERS must provide copies of renewals within 30 days of notice of renewal. The OUTFITTERS must give the CITY 60 days notice of a change in the insurance. The amount of insurance may decline; however the insurance coverage shall always equal or exceed the outstanding Texas Capital Fund balance. No additional life insurance is to be purchased from business income or assets without prior written approval of DEPARTMENT during the term of the contract.

4.16 OUTFITTERS shall provide CITY with: a copy of a compiled Balance Sheet and Income Statement on OUTFITTERS (due ninety (90) days after each fiscal year end) OR an audited Balance Sheet and an audited Income Statement on OUTFITTERS (due ninety (90) days after each fiscal year end) on an annual basis.

4.17 OUTFITTERS shall comply with any other relevant details or special conditions placed on the contract/lease between DEPARTMENT, CITY and OUTFITTERS.

4.18 OUTFITTERS shall purchase and provide CITY (or if necessary reimburse CITY for the cost of) a certificate for builder's risk insurance coverage prior to the start of construction of building. This insurance must remain in force until completion of the proposed building. The insurance policy shall be written by a company authorized to do business in Texas and acceptable to CITY, and in a form and amount reasonably satisfactory to CITY. CITY shall be furnished with a copy of the certificate of insurance, and the policy shall require thirty (30) days' notice to CITY prior to cancellation or reduction in the amount of coverage.

4.19 OUTFITTERS shall purchase and provide CITY with a copy of a certificate of hazard and liability insurance coverage upon completion of construction. Such coverage must be no less than Four Hundred Thirty Thousand Dollars (\$430,000.00) or an amount equal to the

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building's replacement value, whichever is greater and which names the City of Harker Heights as a loss payee.

4.20 OUTFITTERS shall provide the CITY a copy of a personal financial statement on an annual basis from all guarantors, as specified in Special Condition C.5. of the TDED contract, within ninety (90) days of the calendar year end during the contract period.

4.21 OUTFITTERS shall submit to CITY support documentation to include copies of invoices and proof of payment (i.e. paid receipts, canceled checks, wire transfer receipt) documenting match expenditures in the minimum amount of Three Hundred Nineteen Thousand One Hundred Seventy-seven Dollars (\$319,177.00) for building construction.

4.22 *deleted.*

4.23 *deleted.*

4.24 OUTFITTERS shall provide CITY with a copy of an appraisal completed by a State Certified General Appraiser on the property specifically described in the Performance Statement, based on building plans and specifications, and reflecting a minimum value of Eight Hundred Thirty Thousand Dollars (\$830,000.00). If the appraisal is less than the minimum value, the CITY and TDED may elect to exercise the rights as describe in Sections Seventeen (17) and Eighteen (18) of the CITY/TDED contract.

4.25 OUTFITTERS shall enter into a Tri-party Agreement with a lender and the CITY which includes, but is not limited to, the following conditions:

4.25.01 The lender will be required to notify the CITY, TDED and TDHCA of a default on the loan for which the project site specified in the Performance Statement is securing;

4.25.02 The lender will be required to give the CITY a minimum of ninety (90) days to make the scheduled loan payments current on the loan secured by the project site specified in the Performance Statement prior to foreclosure. Notification must be made to the CITY, TDED and TDHCA.

4.25.03 The lender will be required to give CITY a minimum of ninety (90) days to retire the outstanding balance of the loan secured by the project site specified in the Performance Statement prior to foreclosure. Notification must be made to the CITY, TDED and TDHCA.

4.25.04 The lender may take a lien on the property specified in the Performance Statement. The lien may not exceed the original amount of financing, for real estate improvements, on the land specified in the Performance Statement without the CITY's and TDED's approval.

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4.25.05 In the event of a foreclosure sale, the lender acquires the project site specified in the Performance Statement and the lender subsequently sells the property for an amount in excess of the foreclosure sales price, the lender agrees to pay such gain to the CITY. OUTFITTERS specifically agrees to this provision as a material inducement to the CITY to enter into this Agreement.

4.26 OUTFITTERS shall submit to CITY a ledger with support documentation to include copies of invoices and proof of payment (i.e. paid receipts, canceled checks, wire transfer receipt) documenting match expenditures in the minimum amount of One Hundred Thirty-two Thousand Six Hundred Forty-four and No/100 Dollars (\$132,644.00) from OUTFITTERS and/or financing for acquisition of machinery and equipment, working capital and engineering for the building construction, within sixty (60) days of expenditure or funds, but no later than thirty (30) days prior to contract expiration.

4.27 OUTFITTERS shall provide CITY a copy of the site plan for the completed real estate improvements identified in Exhibit A, Performance Statement, within sixty (60) days of completion of construction, but no later than thirty (30) days prior to contract expiration. Such plan(s) shall depict the dimensions of the public infrastructure, easements, encroachments, ingress and egress, including the location of OUTFITTERS' facilities, flatwork, driveways and the connections to the public infrastructure.

4.28 Upon the completion of each construction contract and/or occupancy, OUTFITTERS shall submit to the CITY the Certificate of Construction Completion form as specified in the TCF Implementation Manual. If occupancy is allowed without an executed Certificate of Construction Completion form, a certificate of substantial completion executed by the engineer/architect must be submitted.

4.29 *deleted.*

4.30 OUTFITTERS shall provide to the CITY a copy of the Plan Approval Letter from the Texas Department of Licensing and Regulation for the plans and specifications specified in the Exhibit A, Performance Statement.

ARTICLE V. OBLIGATIONS OF CITY

CITY shall perform the following obligations conditioned upon OUTFITTERS' strict, faithful and timely performance of its obligations hereunder:

5.01 CITY shall ensure a total of Four Hundred Fourteen Thousand Three Hundred Twenty-three and No/100 Dollars (\$414,323.00) of TDED contract funds is expended for construction of road improvements, and construction of the building as specified in the attached "Performance Statement" - Exhibit A of this contract.

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5.02 CITY shall not advertise or solicit bids for construction or rehabilitation of a project assisted with funds provided under this contract until CITY has received the applicable prevailing wage rates from Texas Department of Housing and Community Affairs.

5.03 CITY shall submit to DEPARTMENT a copy of OUTFITTERS' payroll verifying the number of persons employed as described in Section 4.04.

5.04 CITY shall provide to DEPARTMENT a copy of a canceled check and return receipt verifying the submission of documents as described in Section 4.14 to Texas Department of Licensing and Regulation.

5.05 CITY shall submit to DEPARTMENT a copy of OUTFITTERS' executed loan agreement of Three Hundred Eighty Three Thousand One Hundred Two and No/100 Dollars (\$383,102.00) from the bank to be utilized in conjunction with the project funded under this contract.

5.06 CITY shall ensure that each owner of the business assisted with funds provided under this contract executes an agreement with CITY to be jointly and severally liable for the amount of funds provided to such business under this contract in the event the business is dissolved, files under the bankruptcy code, is made the subject of a receivership or makes an assignment for the benefit of creditors, or otherwise ceases to be a going concern. CITY shall submit copies of personal guarantees to DEPARTMENT specifically obtained from Educational Outfitters Management, L.C., Cindy Schoel and her spouse, Randy Schoel.

5.07 CITY shall provide DEPARTMENT with a copy of a certificate for builder's risk insurance coverage prior to release of funds for construction and must remain in force until completion of the proposed building.

5.08 CITY shall provide DEPARTMENT with a copy of a "certificate of insurance" verifying flood insurance which covers the property specified in Special Condition B.17. of the TDED contract or an original signed statement from CITY'S chief elected official, which indicates said property does not require flood insurance.

5.09 CITY shall provide DEPARTMENT with a copy of an acknowledged assignment of the life insurance policy from the life insurance company or a copy of an executed questionnaire if the life insurance policy has been in existence longer than six (6) months, which reflects assignment to CITY of keyman life insurance on Cindy Schoel in the amount of Four Hundred Thirty Thousand Dollars (\$430,000.00). The amount of insurance may decline; however the insurance coverage shall always equal or exceed the outstanding Texas Capital Fund balance. No additional life insurance is to be purchased from business income or assets without prior written approval of DEPARTMENT during the term of the contract.

5.10 CITY shall ensure that DEPARTMENT is provided with a copy of an appraisal, completed by a State Certified General Appraiser, on the property specifically described in Special Condition B.17. of the TDED contract, based on building plans and specifications, and reflecting a minimum value of Eight Hundred Thirty Thousand Dollars (\$830,000.00). If the

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appraisal is less than the minimum value, DEPARTMENT may elect to exercise its rights as described in Sections Seventeen (17) and Eighteen (18) of the TDED contract.

5.11 CITY shall submit to DEPARTMENT a ledger with support documentation to include invoices and proof of payment (i.e. paid receipts, canceled checks, wire transfer receipts) documenting expenditures for all improvements exceeding the "minimum necessary" and/or cost overruns.

5.12 CITY shall acquire fee simple, encumbered interest in the project site, more fully described below and submit to DEPARTMENT a copy of the recorded warranty deed, pertaining to the proposed site. CITY shall ensure that all acquisition of real property, easements and/or rights-of-way, for this proposed project, be in compliance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (42 U.S.C. Sec. 4601 et seq.) and HUD implementing regulations (49 CFR Part 24). CITY shall submit to DEPARTMENT certification from the chief elected official or designee, that all warranty deeds have been recorded. This requirement applies to both private and public real property. CITY shall submit a real property acquisition form. The legal description for the project site follows:

FIELD NOTES for a tract of land in Bell County, Texas, part of the Martha Smith Survey, Abstract No. 750 and the land herein described being part of that certain 170.75 acre tract of land described in a deed from Faye Hardeman Minor and husband, T. H. Minor, and H. H. Hardeman to Harwell E. Norris, and wife Annie Norris, being on record in Volume 480, Page 507, Deed Records of Bell County, Texas.

BEGINNING at a concrete highway monument found in the east right-of-way of U.S. Highway 190, Central Texas Expressway, being the southwest corner of a 11.5654 acre tract of land described in a deed to DE-REB. LTD., being of record in Volume 3436, Page 544, Deed Records of Bell County, Texas, and being in the north line of said 170.75 acre tract, for the northwest corner of this.

THENCE with the north line of said 170.75 acre tract and the south line of said 11.565 acre tract, S. 72 deg. 21 min. 52 sec. E. 394.84 feet (Deed bearing S. 71 deg. 00 min. 00 sec. E.) to a 3/8 inch iron found being the northwest corner of Country Trails addition, 9th Phase, an addition to the City of Harker Heights, Texas, being of record in Cabinet B. Slide 245-A, Plat Records of Bell County, Texas, for the northeast corner of this.

THENCE with the west line of said addition, S. 19 deg. 19 min. 49 sec. W., 270.00 feet (adjoiner bearing S. 19 deg. 19 min. 49 sec. W.) To a 3/8 inch iron rod found, being northeast corner of a 38.989 acre tract of land described in a deed to the City of Harker Heights, being of record in Volume 3541, Page 286, Deed Records of Bell County, Texas for the southeast corner of this.

THENCE with the north line of said 38.969 acre tract, N. 49 deg. 08 min. 24 sec. W., 177.45 feet (adjoiner N 49 deg. 06 min 24 sec W., 177.45 feet) to a 3/8 inch iron rod found, being the northwest corner of said 38.989 acre tract, for a corner of this.

THENCE with the west line of said 38.969 acre tract, S. 58 deg. 11 min. 20 sec. W., 118.61 feet (adjoiner bearing S. 58 deg. 11 min. 20 sec W.) To a 3/8 inch iron rod, for a corner of this.

THENCE N. 31 deg. 48 min. 40 sec. W., 300.00 feet to a 3/8 inch rod set, in the east right-of-way of U.S. Highway 190 (Central Texas Expressway), being the southwest corner of this.

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THENCE with the said east right-of-way, N. 58 deg. 11 min. 20 sec. E. 125.00 feet (ROW Bearing N. 58 deg. 09 min. 35 sec. E.) to the PLACE OF BEGINNING containing 2.256 acres of land.

The bearings for the above description are based on the west line of said Country Trails Addition, 9th Phase.

5.13 CITY shall provide to DEPARTMENT documentation showing the winning bid(s) for the "minimum necessary" contract funded improvements. The "minimum necessary" improvements include only those improvements needed to adequately serve OUTFITTERS as specifically defined in Exhibit A., Performance Statement. Any alternate provisions of the winning bid addressing over-sizing or improvements in addition to the "minimum necessary" shall be separate from the basic bid for the minimum necessary improvements since these additional goods or services are ineligible for payment with contract funds. Contractor is responsible for the cost of any improvements exceeding the "minimum necessary" and any cost overruns.

5.14 CITY shall provide DEPARTMENT with a copy of performance bond in an amount not less than the construction contract amount prior to release of TCF dollars budgeted for road construction. The performance bond must remain in force and effect until completion of the proposed road construction.

5.15 CITY shall provide to DEPARTMENT a copy of the site survey used to award the construction contract(s) for the proposed public infrastructure improvements and the proposed real estate improvements identified in the Performance Statement, Exhibit A of the TDED contract. Such survey(s) shall depict the dimensions of the public infrastructure, the project site, easements, encroachments, ingress and egress, including the location of OUTFITTERS' real estate improvements, flatwork, driveways and the connections to the public infrastructure. If not detailed in the site survey, CITY shall provide a plat identifying the names of the property owners adjacent to the public infrastructure improvements, including the name and location of any other business that could utilize the proposed infrastructure improvements.

5.16 CITY shall provide DEPARTMENT a copy of a tri-party agreement it enters into with OUTFITTERS and the bank. Such agreement shall at a minimum include the following items:

5.16.01 The Lender must notify the CITY, DEPARTMENT and TDHCA of any default on the loan for which the project site specified in Exhibit A, Performance Statement is securing;

5.16.02 If a default occurs, the Lender must allow the CITY a minimum of ninety (90) days to make the schedule loan payments current on the loan secured by the project site specified in Exhibit A, Performance Statement, prior to foreclosure. Notification must be made to the CITY, DEPARTMENT and TDHCA;

5.16.03 The Lender must give the CITY a minimum of ninety (90) days to retire the outstanding balance of the loan secured by the project site specified in Exhibit A,

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Performance Statement, prior to foreclosure. Notification must be made to the CITY, DEPARTMENT and TDHCA;

5.16.04 The lender may take a lien on the property specified in Exhibit A, Performance Statement. The lien may not exceed the original amount of financing, for real estate improvements on the land specified in Exhibit A, without the CITY'S and DEPARTMENT'S approval; and

5.16.05 In the event of a foreclosure sale, the Lender acquires the project site specified in Exhibit A, Performance Statement and the lender subsequently sells the property for an amount in excess of the foreclosure sales price, the lender agrees to pay the CITY a pro-rata share of the gain. Such pro-rata share to be based on a comparison of the lender's investment, in the real estate, to CITY's investment.

5.17 CITY shall submit to DEPARTMENT a ledger with support documentation to include copies of invoices and proof of payment (i.e. paid receipts, canceled checks, wire transfer receipt) documenting match expenditures in the minimum amount of One Hundred Thirty-two Thousand Six Hundred Forty-four and No/100 Dollars (\$132,644.00) from OUTFITTERS and/or financing for acquisition of machinery and equipment, working capital and engineering for the building construction, within sixty (60) days of expenditure or funds, but no later than thirty (30) days prior to contract expiration.

5.18 CITY shall provide DEPARTMENT a copy of the site survey for the completed real estate improvements identified in the Performance Statement, Exhibit A of the TDED contract, upon completion of construction. Such survey(s) shall depict the dimensions of the public infrastructure, easements, encroachments, ingress and egress, including the location of the company's facilities, flatwork, driveways and the connections to the public infrastructure.

5.19 CITY shall provide DEPARTMENT with a copy of a certificate of hazard and liability insurance coverage upon completion of construction. Such coverage must be no less than Four Hundred Thirty Thousand Dollars (\$430,000.00) or an amount equal to the building's replacement value, whichever is greater and which names the City of Harker Heights as a loss payee.

5.20 CITY shall ensure that DEPARTMENT is provided with: a copy of a compiled Balance Sheet and Income Statement on OUTFITTERS (due ninety (90) days after each fiscal year end) OR an audited Balance Sheet and an audited Income Statement on OUTFITTERS (due ninety (90) days after each fiscal year end) on an annual basis.

5.21 *deleted.*

5.22 CITY shall ensure that DEPARTMENT is provided with a copy of a personal financial statement on an annual basis from all guarantors, as specified in Special Condition C.5., within ninety (90) days of the calendar year end during the contract period.

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5.23 CITY shall submit to DEPARTMENT a copy of OUTFITTERS' payroll verifying the number of persons employed at the Harker Heights, Texas location for the close-out of this contract.

5.24 CITY shall provide a Plan Approval Letter from the Texas Department of Licensing and Regulation for the plans and specifications specified in Special Condition B.4. of the TDED contract.

5.25 CITY shall submit to DEPARTMENT a ledger with support documentation to include copies of invoices and proof of payment (i.e. paid receipts, canceled checks, wire transfer receipt) documenting match expenditures in the minimum amount of Three Hundred Nineteen Thousand One Hundred Seventy-seven Dollars (\$319,177.00) from OUTFITTERS and or financing for building construction.

5.26 CITY shall provide to DEPARTMENT a copy of a performance bond in an amount not less than the construction contract amount prior to release of TCF dollars budgeted for building construction. The performance bond must remain in force and effect until completion of the proposed building construction.

5.27 CITY shall provide DEPARTMENT a copy of the site survey for the completed public infrastructure improvements identified in the Performance Statement, Exhibit A of the TDED contract, upon completion of construction. Such survey(s) shall depict the dimensions of the public infrastructure, easements, encroachments, ingress and egress, including the location of the company's facilities, flatwork, driveways and the connections to the public infrastructure.

5.28 CITY shall ensure that any business that utilizes any of the infrastructure improvements being constructed with funds provided under this contract, in whole or in part, executes a written agreement with CITY committing to provide a least fifty-one percent (51%) of all of the created/retained jobs to low and moderate income individuals for a one (1) year period beginning upon completion of the proposed infrastructure improvements. CITY is responsible for maintaining records of any business that utilizes the infrastructure improvements constructed with funds provided under this contract. These records are subject to review by DEPARTMENT on request. CITY shall submit to DEPARTMENT no later than the twentieth (20th) day of the month after the end of each calendar quarter of the contract period, specified in Section 2 of the TDED contract, a Quarterly Connection Report in a format described by DEPARTMENT.

5.29 CITY shall provide to DEPARTMENT evidence of the start of building construction on the company's project site as specified in Exhibit A, Performance Statement.

5.30 CITY shall ensure that all acquisition of real property, easements and/or rights-of-way, for this proposed project, be in compliance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (42 U.S.C. Sec. 4601 *et seq.*), HUD implementing regulations (49 CFR Part 24) and submit a real property acquisition report. Contractor shall submit to Department certification from the chief elected official or Contractor's legal counsel, that all warranty deeds, easements and/or rights-of-way, have been recorded or a

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certification that real estate acquisition was not required. This requirement applies to both private and public real property.

5.31 CITY shall provide DEPARTMENT a copy of the site plan used to award the construction contract(s) for the proposed real estate improvements identified in the Exhibit A, Performance Statement. Such plan shall depict the dimensions of the project site, easements, encroachments, ingress and egress, including the location of the company's proposed real estate improvements, flatwork, driveways and the connections to the public infrastructure.

5.32 *deleted.*

5.33 CITY shall submit an executed *Real Estate Lease Agreement* with OUTFITTERS, together with a completed and signed *Real Estate Lease Agreement Certification* to the DEPARTMENT (Attachment 1).

5.34 CITY shall take all actions reasonably necessary to assure that the CITY's computer based systems are able to operate and effectively process data which includes dates on and after January 1, 2000. At the request of the DEPARTMENT, CITY shall provide assurances satisfactory to the DEPARTMENT of CITY's Year 2000 compatibility.

5.35 Upon the completion of each construction contract and/or occupancy, City shall submit to DEPARTMENT the Certificate of Construction Completion form and the Final Wage Compliance Report as specified in the TCF Implementation Manual. If occupancy is allowed without an executed Certificate of Construction Completion form, a certificate of substantial completion executed by the engineer/architect must be submitted. Before retainage fees for construction contracts are released, a complete and executed Certificate of Construction Completion form and Final Wage Compliance Report must be received by the Department. Before all TCF dollars budgeted for engineering/architectural services can be released, a complete and executed Certificate of Construction Completion form must be received by the department and Contractor must certify it has received as-built plans for contract funded construction activities.

ARTICLE VI. MONITORING

CITY shall have the right to make quarterly on-site visits to OUTFITTERS and OUTFITTERS' project site to assess/monitor OUTFITTERS' compliance with the terms of this AGREEMENT, including access to records regarding hiring practices related to jobs created, and access to OUTFITTERS' facilities and operations that are used and carried out pursuant to the terms of this AGREEMENT. After each monitoring visit, CITY shall provide OUTFITTERS with a written report of the monitoring findings. If CITY notes deficiencies in OUTFITTERS' performance under this AGREEMENT, the monitoring report shall include requirements for the timely correction of such deficiencies by OUTFITTERS.

ARTICLE VII. WAIVER OF RIGHTS AND REMEDIES

7.01 No waiver by either party hereto of any term or condition of this AGREEMENT shall be deemed or construed to be a waiver of any other term or condition or subsequent waiver of the same term or condition.

7.02 It is expressly understood and agreed by the parties that waiver of any right or remedy provided under this AGREEMENT shall not preclude the exercise of any other right or remedy under this AGREEMENT or any provision of law, nor shall any action taken in the exercise of any right or remedy be deemed a waiver of any other rights or remedies.

ARTICLE VIII. ASSIGNMENT

This AGREEMENT shall not be assignable by OUTFITTERS without prior written consent of CITY. In the event of an assignment by OUTFITTERS to which CITY has consented, the assignee or its legal representative shall agree in writing with CITY to personally assume, perform and be bound by the covenants, obligations and agreements contained herein. Any attempted assignment in the absence of City's consent shall be void.

ARTICLE IX. SUCCESSORS AND ASSIGNS

Subject to the Article regarding assignment, this AGREEMENT shall be binding on the successors and assigns of the respective parties.

ARTICLE X. ENTIRE AGREEMENT

10.01 This Agreement is one of several executed on or after the date hereof in connection with the project, and all agreements executed contemporaneously or subsequent to this agreement are to be harmonized to the greatest extent possible. However, this AGREEMENT supersedes any and all other prior agreements, either oral or in writing between the parties hereto with respect to the subject matter hereof, and no other prior agreement, statement, or promise relating to the subject matter of this AGREEMENT which is not contained herein shall be valid or binding.

10.02 Except as provided in paragraph 3.04 hereof, if any conflict exists between this AGREEMENT and the TDED contract as amended, the TDED contract shall govern.

ARTICLE XI. CHANGES AND AMENDMENTS

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11.01 Except as specifically provided otherwise in this AGREEMENT, any alteration, additions or deletions to its terms shall be by amendment hereto in writing and executed by both parties to this AGREEMENT.

11.02 Any alterations, additions or deletions to the terms of this AGREEMENT that are required by changes in federal or state law or regulations, including specifically those set forth in the various sections and exhibits to the TDED contract, are automatically incorporated into this AGREEMENT without written amendment hereto, and shall become effective on the date designated by such law or regulation.

ARTICLE XII. NON-PERFORMANCE BY OUTFITTERS

Should OUTFITTERS default in any of its obligations or covenants imposed by this AGREEMENT, it shall be liable to CITY, in addition to any other damages suffered by CITY by virtue of such default, for reimbursement of any and all monies which CITY shall be obligated to reimburse the DEPARTMENT or any other agency as a result of such default by OUTFITTERS.

ARTICLE XIII. TERMINATION

13.01 CITY shall have the right to terminate this AGREEMENT, in whole or part, at any time before the date of completion specified in ARTICLE II above whenever CITY determines OUTFITTERS has failed to comply with any of its terms. CITY shall notify OUTFITTERS in writing prior to the twentieth (20th) day preceding the intended effective date of such termination of the reasons thereof and the portion or portions of the AGREEMENT to be terminated in the case of partial termination.

13.02 Either of the parties to this AGREEMENT shall have the right to terminate this AGREEMENT, in whole or in part, provided both parties agree in writing to the conditions of such termination.

13.03 In the event of early termination of this AGREEMENT, OUTFITTERS shall not be relieved of any liability to CITY for damages due CITY by virtue of any breach of this AGREEMENT by OUTFITTERS.

ARTICLE XIV. INDEMNIFICATION

OUTFITTERS shall comply with the requirements of all applicable laws, rules and regulations, and shall indemnify and hold harmless CITY, its officers, agents and employees from and against any and all claims, losses, damages, causes of action, expenses of litigation, court costs, and attorney's fees, for injury to or death of any person, or for damage to any property, arising out of or in any way connected with OUTFITTERS' rights and duties under this AGREEMENT.

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ARTICLE XV.
RELEASE

OUTFITTERS assumes full responsibility for the work to be performed hereunder, and hereby releases, relinquishes and discharges CITY, its officers, agents and employees, from all claims, demands, and causes of action of every kind and character, including the cost of defense thereof, for any injury to, including death, of person (whether they be third persons, contractor, or employees of either of the parties hereto) and any loss of or damage to property (whether the same be that either of the parties hereto or of third parties) caused by or alleged to be caused, arising out of, or in connection with OUTFITTERS' work to be performed hereunder whether or not said claims, demands and causes of action in whole or in part are covered by insurance.

ARTICLE XVI.
VENUE

This AGREEMENT shall be construed under and accord with the laws of the State of Texas, and all obligations of the parties created hereunder and performable in Bell County, Texas.

ARTICLE XVII.
ATTORNEY'S FEES

If any action at law or in equity is necessary to enforce or interpret the terms of this AGREEMENT, the prevailing party shall be entitled to reasonable attorney's fees, costs and necessary disbursements in addition to any other relief to which such party may be entitled.

ARTICLE XVIII.
NOTICE

Notice shall be mailed to the addresses designated herein or as may be designated in writing by the parties from time to time and shall be deemed received when sent postage prepaid U.S. Mail to the following addresses:

CITY: City of Harker Heights
ATTN: Mayor Mary Gauer
901 S. Ann Blvd.
Harker Heights, Texas 76548

OUTFITTERS: Educational Outfitters Management, L.C.
ATTN: Cindy Schoel, President
600 Indian Trail Drive Suite 104
Harker Heights, Texas 76548

IN WITNESS WHEREOF, this AGREEMENT is executed on this 8th day of June, 2000.

CITY OF HARKER HEIGHTS

Patricia Blunson for
Steve Carpenter, City Manager

Steve Carpenter

EDUCATIONAL OUTFITTERS, LTD., by
Educational Outfitters Management, L.C.

By: *Cindy Schoel*
Cindy Schoel, President

EXHIBIT A
PERFORMANCE STATEMENT
City of Harker Heights

Contractor shall carry out the following activities in the target area(s) identified on the map in its 1999 Economic Development application:

Project Summary

The purpose of this Economic Development project is to provide infrastructure improvements in the form of public road construction and building construction in support of Educational Outfitters, Ltd. (hereinafter referred to as Outfitters). The Project will be construction a eight thousand three hundred square foot (8,300 sq.ft.) Pre-engineered metal building on a 2.256 acre tract of land located on the south side of the Highway 190 Frontage Road between FM 2410 and Indian Trail. The complete legal description is provided in Section 22 Special Condition B. 17. The location of the building and land is defined as the company's project site. The infrastructure and real estate improvements will allow Outfitters to expand its operations in the City of Harker Heights. Outfitters is a retailer of educational supplies. The national objective of this project is to primarily benefit low to moderate income persons through job creation.

Project Activities

Contractor shall provide to Department documentation showing winning bid(s) for "minimum necessary" real estate improvements (defined as, improvements needed to adequately serve only Outfitters), with the alternate provisions of the winning bid(s) addressing oversizing or extra improvements. Oversizing and/or extra improvements are defined as improvements exceeding the "minimum necessary" needed by Outfitters and therefore, ineligible for payment with contract funds. Contractor and/or Outfitters are responsible for payment of all oversizing improvements, extra improvements and/or cost overruns and must provide evidence of expenditure(s) prior to drawing contract funds.

The "minimum necessary" improvements were established in the application process to be improvements identified below. Contractor shall expend a total of Four Hundred Forty-nine Thousand Three Hundred Twenty-three and No/100 Dollars (\$449,323.00) of contract funds, for the following activities:

Road Improvements in the amount of Two Hundred Fifty Thousand Two Hundred and No/100 Dollars (\$250,200.00). The "minimum necessary" improvements were established in the application process to be construction of anew asphalt roadway two thousand five hundred fifty linear feet (2,550 l.f.) Long and thirty-six feet (36 ft.) Wide, with curb and gutter to include subgrade stabilization, limestone base, box culverts, curb inlets, a storm drain culvert, traffic signs and striping. Improvements will be in the following location:

<u>Street</u>	<u>From</u>	<u>To</u>	<u>Distance</u>
proposed roadway	U.S. 190 frontage road	intersection	350 l.f.
proposed roadway	intersection east	the EO project site	650 l.f.
proposed roadway	intersection west	the city's new roadway	1,550 l.f.

Building Construction in the amount of One Hundred Ten Thousand Eight Hundred Twenty-three and No/100 Dollars (\$110,823.00), on the project site identified above, to construct a eight thousand three hundred (8,300 sq.ft.) Pre-engineered metal building, to include HVAC, electrical and plumbing; paved driveway and parking area. This will include preparation of subgrade to include, lime stabilization, concrete foundation, structural steel frame and other related improvements. Outfitters will be contributing additional funds from financing for the building

construction and site improvements. Outfitters' funds shall be injected prior to Department's release of contract funds budgeted for building construction.

Engineering in the amount of Fifty-three Thousand Three Hundred and No/100 Dollars (53,300.00) of contract funds for eligible project related infrastructure engineering services, including preliminary and final design plans and specifications, interim and final inspections.

Administration in the amount of Thirty-five Thousand and No/100 Dollars (\$35,000.00) of contract funds to carry out project administration activities, including the cost associated with the required program fiscal and compliance audit as required in Section 19 of this contract.

Contractor shall ensure Outfitters expends Sixty-eight Thousand Seven Hundred Nineteen and No/100 Dollars (\$68,719.00) of Outfitters funds for working capital and Three Hundred Eighty Three Thousand One Hundred Two Dollars (\$383,102.00) from Outfitters and/or loan funds as follows: Three Hundred Nineteen Thousand One Hundred Seventy-seven Dollars (\$319,177.00) for building construction; Fifty-nine Thousand Nine Hundred and No/100 Dollars (\$59,900.00) for machinery and equipment acquisition; and Four Thousand Twenty-five and No/100 (\$4,025.00) for engineering services related to the construction of the building. Additionally, Outfitters has previously, in the application, documented the net equity value, in the amount of Fifty-two Thousand Four Hundred Two and No/100 Dollars (\$52,402.00), in furniture, fixtures, machinery and equipment that will be used in the new facility. No further documentation is required. Outfitters' construction funds shall be expended prior to Department's release of funds budgeted for construction.

Contractor is providing the land, identified above, for the proposed building and previously, in the application, documented the net equity value, in the amount of Four Hundred Thousand and No/100 Dollars (\$400,000.00), in the project site. No further documentation is required, but this value must be supported by the appraisal required in Special Condition 22.B.18.

Contractor shall ensure that all acquisition of needed real property, easements and/or rights-of-way is in compliance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (42 U.S.C. Sec. 4601 *et seq.*) And HUD implementing regulations (49 CFR Part 24).

Contractor shall provide to Department, upon request, evidence that project funds, both private and contract, were expended in this EXHIBIT A and in EXHIBIT B of this contract.

Project Objective

As a result of this project, Contractor shall ensure that Outfitters creates Eighteen (18) permanent jobs of which fifty-one percent (51%), or ten (10) shall be held by LMI persons prior to the expiration date of this contract. In the event more than eighteen (18) permanent jobs are created, Contractor shall ensure that at least fifty-one percent (51%) of all permanent jobs created, during the contract period, are held by LMI persons. Any employee transferring from another Outfitters location or related business operation must be identified and may not be considered as a created permanent job.

EXHIBIT B

BUSINESS INFORMATION FOR EDUCATIONAL OUTFITTERS, LTD.

Job Title	Skill Level	# of Jobs		Rate of Pay
		Full Time	Part Time	
Data Entry/Receiving Clerk	Minimum Skilled		1	183.75
Office Manager	Skilled	1		280.00
Marketing/Web Admin.	Minimum Skilled		1	197.05
Shipping/Delivery Clerk	Minimum Skilled		1	183.75
Buyer/Bid Specialist	Skilled	1		218.75
Delivery Driver	Minimum Skilled		1	183.75
Commercial Sales	Skilled	1		245.00
Sales Staff	Skilled	6	4	218.75
Cashiers	Unskilled		2	183.75
Bookkeeper	Skilled	1		197.05
		Total 16 + 2 FTE's = 18 jobs		

EXHIBIT C
HIRING PLAN

Educational Outfitters, Ltd. is an equal opportunity employer. Educational Outfitters, Ltd. has a formalized affirmative action program on file in the office of the Equal Employment Opportunity Coordinator.

Educational Outfitters, Ltd. will ensure that fifty-one percent (51%) of the newly created jobs will be held by low and moderate income persons by creating entry level positions. Referrals from outside agencies will be utilized in filling the newly created job openings including, but not limited to, the local Texas Employment Commission Office and the Private Industry Council. Educational Outfitters, Ltd. may advertise position openings in local newspapers of general circulation in the City of Harker Heights, Bell County and the region. Such advertisement will carry the statement that Educational Outfitters, Ltd. is an equal opportunity employer.

All applicants will be evaluated without regard to race, sex, age, ethnic background, or religion.

Training will be done by authorized Educational Outfitters, Ltd. representatives either through on- the-job instruction, classroom training at Educational Outfitters, Ltd., or hands-on training at another Outfitters-affiliated facility with like equipment. Training capabilities of the Private Industry Council will be utilized to the extent practical and appropriate.

EXHIBIT D
Amortization Schedule - Lease Payments Capital Fund Repayment
Educational Outfitters, Ltd.

Compound Period.....: Monthly

Nominal Annual Rate: 12.000 %

Effective Annual Rate: 12.683 %

Periodic Rate.....: 1.0000 %

Daily Rate.....: 0.03288 %

CASH FLOW DATA

Event	Start Date	Amount	Number	Period	End Date
1 Loan	08/01/2000	383,102.00	1		
2 Payment	09/01/2000	4,597.87	180	Monthly	08/01/2015

AMORTIZATION SCHEDULE - Normal Amortization

Date	Payment	Interest	Principal	Balance
Loan 08/01/2000				383,102.00
1 09/01/2000	4,597.87	3,831.02	766.85	382,335.15
2 10/01/2000	4,597.87	3,823.35	774.52	381,560.63
3 11/01/2000	4,597.87	3,815.61	782.26	380,778.37
4 12/01/2000	4,597.87	3,807.78	790.09	379,988.28
2000 Totals	18,391.48	15,277.76	3,113.72	
5 01/01/2001	4,597.87	3,799.88	797.99	379,190.29
6 02/01/2001	4,597.87	3,791.90	805.97	378,384.32
7 03/01/2001	4,597.87	3,783.84	814.03	377,570.29
8 04/01/2001	4,597.87	3,775.70	822.17	376,748.12
9 05/01/2001	4,597.87	3,767.48	830.39	375,917.73
10 06/01/2001	4,597.87	3,759.18	838.69	375,079.04
11 07/01/2001	4,597.87	3,750.79	847.08	374,231.96
12 08/01/2001	4,597.87	3,742.32	855.55	373,376.41
13 09/01/2001	4,597.87	3,733.76	864.11	372,512.30
14 10/01/2001	4,597.87	3,725.12	872.75	371,639.55
15 11/01/2001	4,597.87	3,716.40	881.47	370,758.08
16 12/01/2001	4,597.87	3,707.58	890.29	369,867.79
2001 Totals	55,174.44	45,053.95	10,120.49	
17 01/01/2002	4,597.87	3,698.68	899.19	368,968.60
18 02/01/2002	4,597.87	3,689.69	908.18	368,060.42
19 03/01/2002	4,597.87	3,680.60	917.27	367,143.15
20 04/01/2002	4,597.87	3,671.43	926.44	366,216.71
21 05/01/2002	4,597.87	3,662.17	935.70	365,281.01
22 06/01/2002	4,597.87	3,652.81	945.06	364,335.95
23 07/01/2002	4,597.87	3,643.36	954.51	363,381.44
24 08/01/2002	4,597.87	3,633.81	964.06	362,417.38
25 09/01/2002	4,597.87	3,624.17	973.70	361,443.68
26 10/01/2002	4,597.87	3,614.44	983.43	360,460.25
27 11/01/2002	4,597.87	3,604.60	993.27	359,466.98
28 12/01/2002	4,597.87	3,594.67	1,003.20	358,463.78
2002 Totals	55,174.44	43,770.43	11,404.01	
29 01/01/2003	4,597.87	3,584.64	1,013.23	357,450.55
30 02/01/2003	4,597.87	3,574.51	1,023.36	356,427.19
31 03/01/2003	4,597.87	3,564.27	1,033.60	355,393.59
32 04/01/2003	4,597.87	3,553.94	1,043.93	354,349.66
33 05/01/2003	4,597.87	3,543.50	1,054.37	353,295.29

Date	Payment	Interest	Principal	Balance
34 06/01/2003	4,597.87	3,532.95	1,064.92	352,230.37
35 07/01/2003	4,597.87	3,522.30	1,075.57	351,154.80
36 08/01/2003	4,597.87	3,511.55	1,086.32	350,068.48
37 09/01/2003	4,597.87	3,500.68	1,097.19	348,971.29
38 10/01/2003	4,597.87	3,489.71	1,108.16	347,863.13
39 11/01/2003	4,597.87	3,478.63	1,119.24	346,743.89
40 12/01/2003	4,597.87	3,467.44	1,130.43	345,613.46
2003 Totals	55,174.44	42,324.12	12,850.32	
41 01/01/2004	4,597.87	3,456.13	1,141.74	344,471.72
42 02/01/2004	4,597.87	3,444.72	1,153.15	343,318.57
43 03/01/2004	4,597.87	3,433.19	1,164.68	342,153.89
44 04/01/2004	4,597.87	3,421.54	1,176.33	340,977.56
45 05/01/2004	4,597.87	3,409.78	1,188.09	339,789.47
46 06/01/2004	4,597.87	3,397.89	1,199.98	338,589.49
47 07/01/2004	4,597.87	3,385.89	1,211.98	337,377.51
48 08/01/2004	4,597.87	3,373.78	1,224.09	336,153.42
49 09/01/2004	4,597.87	3,361.53	1,236.34	334,917.08
50 10/01/2004	4,597.87	3,349.17	1,248.70	333,668.38
51 11/01/2004	4,597.87	3,336.68	1,261.19	332,407.19
52 12/01/2004	4,597.87	3,324.07	1,273.80	331,133.39
2004 Totals	55,174.44	40,694.37	14,480.07	
53 01/01/2005	4,597.87	3,311.33	1,286.54	329,846.85
54 02/01/2005	4,597.87	3,298.47	1,299.40	328,547.45
55 03/01/2005	4,597.87	3,285.47	1,312.40	327,235.05
56 04/01/2005	4,597.87	3,272.35	1,325.52	325,909.53
57 05/01/2005	4,597.87	3,259.10	1,338.77	324,570.76
58 06/01/2005	4,597.87	3,245.71	1,352.16	323,218.60
59 07/01/2005	4,597.87	3,232.19	1,365.68	321,852.92
60 08/01/2005	4,597.87	3,218.53	1,379.34	320,473.58
61 09/01/2005	4,597.87	3,204.74	1,393.13	319,080.45
62 10/01/2005	4,597.87	3,190.80	1,407.07	317,673.38
63 11/01/2005	4,597.87	3,176.73	1,421.14	316,252.24
64 12/01/2005	4,597.87	3,162.52	1,435.35	314,816.89
2005 Totals	55,174.44	38,857.94	16,316.50	
65 01/01/2006	4,597.87	3,148.17	1,449.70	313,367.19
66 02/01/2006	4,597.87	3,133.67	1,464.20	311,902.99
67 03/01/2006	4,597.87	3,119.03	1,478.84	310,424.15
68 04/01/2006	4,597.87	3,104.24	1,493.63	308,930.52
69 05/01/2006	4,597.87	3,089.31	1,508.56	307,421.96
70 06/01/2006	4,597.87	3,074.22	1,523.65	305,898.31
71 07/01/2006	4,597.87	3,058.98	1,538.89	304,359.42
72 08/01/2006	4,597.87	3,043.59	1,554.28	302,805.14
73 09/01/2006	4,597.87	3,028.05	1,569.82	301,235.32
74 10/01/2006	4,597.87	3,012.35	1,585.52	299,649.80
75 11/01/2006	4,597.87	2,996.50	1,601.37	298,048.43
76 12/01/2006	4,597.87	2,980.48	1,617.39	296,431.04
2006 Totals	55,174.44	36,788.59	18,385.85	
77 01/01/2007	4,597.87	2,964.31	1,633.56	294,797.48
78 02/01/2007	4,597.87	2,947.97	1,649.90	293,147.58
79 03/01/2007	4,597.87	2,931.48	1,666.39	291,481.19
80 04/01/2007	4,597.87	2,914.81	1,683.06	289,798.13

Date	Payment	Interest	Principal	Balance
81 05/01/2007	4,597.87	2,897.98	1,699.89	288,098.24
82 06/01/2007	4,597.87	2,880.98	1,716.89	286,381.35
83 07/01/2007	4,597.87	2,863.81	1,734.06	284,647.29
84 08/01/2007	4,597.87	2,846.47	1,751.40	282,895.89
85 09/01/2007	4,597.87	2,828.96	1,768.91	281,126.98
86 10/01/2007	4,597.87	2,811.27	1,786.60	279,340.38
87 11/01/2007	4,597.87	2,793.40	1,804.47	277,535.91
88 12/01/2007	4,597.87	2,775.36	1,822.51	275,713.40
2007 Totals	55,174.44	34,456.80	20,717.64	
89 01/01/2008	4,597.87	2,757.13	1,840.74	273,872.66
90 02/01/2008	4,597.87	2,738.73	1,859.14	272,013.52
91 03/01/2008	4,597.87	2,720.14	1,877.73	270,135.79
92 04/01/2008	4,597.87	2,701.36	1,896.51	268,239.28
93 05/01/2008	4,597.87	2,682.39	1,915.48	266,323.80
94 06/01/2008	4,597.87	2,663.24	1,934.63	264,389.17
95 07/01/2008	4,597.87	2,643.89	1,953.98	262,435.19
96 08/01/2008	4,597.87	2,624.35	1,973.52	260,461.67
97 09/01/2008	4,597.87	2,604.62	1,993.25	258,468.42
98 10/01/2008	4,597.87	2,584.68	2,013.19	256,455.23
99 11/01/2008	4,597.87	2,564.55	2,033.32	254,421.91
100 12/01/2008	4,597.87	2,544.22	2,053.65	252,368.26
2008 Totals	55,174.44	31,829.30	23,345.14	
101 01/01/2009	4,597.87	2,523.68	2,074.19	250,294.07
102 02/01/2009	4,597.87	2,502.94	2,094.93	248,199.14
103 03/01/2009	4,597.87	2,481.99	2,115.88	246,083.26
104 04/01/2009	4,597.87	2,460.83	2,137.04	243,946.22
105 05/01/2009	4,597.87	2,439.46	2,158.41	241,787.81
106 06/01/2009	4,597.87	2,417.88	2,179.99	239,607.82
107 07/01/2009	4,597.87	2,396.08	2,201.79	237,406.03
108 08/01/2009	4,597.87	2,374.06	2,223.81	235,182.22
109 09/01/2009	4,597.87	2,351.82	2,246.05	232,936.17
110 10/01/2009	4,597.87	2,329.36	2,268.51	230,667.66
111 11/01/2009	4,597.87	2,306.68	2,291.19	228,376.47
112 12/01/2009	4,597.87	2,283.76	2,314.11	226,062.36
2009 Totals	55,174.44	28,868.54	26,305.90	
113 01/01/2010	4,597.87	2,260.62	2,337.25	223,725.11
114 02/01/2010	4,597.87	2,237.25	2,360.62	221,364.49
115 03/01/2010	4,597.87	2,213.64	2,384.23	218,980.26
116 04/01/2010	4,597.87	2,189.80	2,408.07	216,572.19
117 05/01/2010	4,597.87	2,165.72	2,432.15	214,140.04
118 06/01/2010	4,597.87	2,141.40	2,456.47	211,683.57
119 07/01/2010	4,597.87	2,116.84	2,481.03	209,202.54
120 08/01/2010	4,597.87	2,092.03	2,505.84	206,696.70
121 09/01/2010	4,597.87	2,066.97	2,530.90	204,165.80
122 10/01/2010	4,597.87	2,041.66	2,556.21	201,609.59
123 11/01/2010	4,597.87	2,016.10	2,581.77	199,027.82
124 12/01/2010	4,597.87	1,990.28	2,607.59	196,420.23
2010 Totals	55,174.44	25,532.31	29,642.13	
125 01/01/2011	4,597.87	1,964.20	2,633.67	193,786.56
126 02/01/2011	4,597.87	1,937.87	2,660.00	191,126.56
127 03/01/2011	4,597.87	1,911.27	2,686.60	188,439.96

Date	Payment	Interest	Principal	Balance
128 04/01/2011	4,597.87	1,884.40	2,713.47	185,726.49
129 05/01/2011	4,597.87	1,857.26	2,740.61	182,985.88
130 06/01/2011	4,597.87	1,829.86	2,768.01	180,217.87
131 07/01/2011	4,597.87	1,802.18	2,795.69	177,422.18
132 08/01/2011	4,597.87	1,774.22	2,823.65	174,598.53
133 09/01/2011	4,597.87	1,745.99	2,851.88	171,746.65
134 10/01/2011	4,597.87	1,717.47	2,880.40	168,866.25
135 11/01/2011	4,597.87	1,688.66	2,909.21	165,957.04
136 12/01/2011	4,597.87	1,659.57	2,938.30	163,018.74
2011 Totals	55,174.44	21,772.95	33,401.49	
137 01/01/2012	4,597.87	1,630.19	2,967.68	160,051.06
138 02/01/2012	4,597.87	1,600.51	2,997.36	157,053.70
139 03/01/2012	4,597.87	1,570.54	3,027.33	154,026.37
140 04/01/2012	4,597.87	1,540.26	3,057.61	150,968.76
141 05/01/2012	4,597.87	1,509.69	3,088.18	147,880.58
142 06/01/2012	4,597.87	1,478.81	3,119.06	144,761.52
143 07/01/2012	4,597.87	1,447.62	3,150.25	141,611.27
144 08/01/2012	4,597.87	1,416.11	3,181.76	138,429.51
145 09/01/2012	4,597.87	1,384.30	3,213.57	135,215.94
146 10/01/2012	4,597.87	1,352.16	3,245.71	131,970.23
147 11/01/2012	4,597.87	1,319.70	3,278.17	128,692.06
148 12/01/2012	4,597.87	1,286.92	3,310.95	125,381.11
2012 Totals	55,174.44	17,536.81	37,637.63	
149 01/01/2013	4,597.87	1,253.81	3,344.06	122,037.05
150 02/01/2013	4,597.87	1,220.37	3,377.50	118,659.55
151 03/01/2013	4,597.87	1,186.60	3,411.27	115,248.28
152 04/01/2013	4,597.87	1,152.48	3,445.39	111,802.89
153 05/01/2013	4,597.87	1,118.03	3,479.84	108,323.05
154 06/01/2013	4,597.87	1,083.23	3,514.64	104,808.41
155 07/01/2013	4,597.87	1,048.08	3,549.79	101,258.62
156 08/01/2013	4,597.87	1,012.59	3,585.28	97,673.34
157 09/01/2013	4,597.87	976.73	3,621.14	94,052.20
158 10/01/2013	4,597.87	940.52	3,657.35	90,394.85
159 11/01/2013	4,597.87	903.95	3,693.92	86,700.93
160 12/01/2013	4,597.87	867.01	3,730.86	82,970.07
2013 Totals	55,174.44	12,763.40	42,411.04	
161 01/01/2014	4,597.87	829.70	3,768.17	79,201.90
162 02/01/2014	4,597.87	792.02	3,805.85	75,396.05
163 03/01/2014	4,597.87	753.96	3,843.91	71,552.14
164 04/01/2014	4,597.87	715.52	3,882.35	67,669.79
165 05/01/2014	4,597.87	676.70	3,921.17	63,748.62
166 06/01/2014	4,597.87	637.49	3,960.38	59,788.24
167 07/01/2014	4,597.87	597.88	3,999.99	55,788.25
168 08/01/2014	4,597.87	557.88	4,039.99	51,748.26
169 09/01/2014	4,597.87	517.48	4,080.39	47,667.87
170 10/01/2014	4,597.87	476.68	4,121.19	43,546.68
171 11/01/2014	4,597.87	435.47	4,162.40	39,384.28
172 12/01/2014	4,597.87	393.84	4,204.03	35,180.25
2014 Totals	55,174.44	7,384.62	47,789.82	
173 01/01/2015	4,597.87	351.80	4,246.07	30,934.18
174 02/01/2015	4,597.87	309.34	4,288.53	26,645.65

Date	Payment	Interest	Principal	Balance
175 03/01/2015	4,597.87	266.46	4,331.41	22,314.24
176 04/01/2015	4,597.87	223.14	4,374.73	17,939.51
177 05/01/2015	4,597.87	179.40	4,418.47	13,521.04
178 06/01/2015	4,597.87	135.21	4,462.66	9,058.38
179 07/01/2015	4,597.87	90.58	4,507.29	4,551.09
180 08/01/2015	4,597.87	46.78	4,551.09	0.00
2015 Totals	36,782.96	1,602.71	35,180.25	
Grand Totals	827,616.60	444,514.60	383,102.00	

RENT =
\$ 4597.87 / mo. FOR 15 YEARS TO SERVICE 3rd PARTY LOAN(S)
+ \$ 461.76 / mo. FOR 20 YEARS TO REPAY TCF

EXHIBIT E
Employee Summary Report

EXHIBIT F

GUARANTEE

FOR OR VALUE RECEIVED, I, whose name is hereinafter subscribed to this instrument, and hereinafter called Guarantor, have jointly, severally and unconditionally guaranteed to the CITY OF HARKER HEIGHTS, of the State of Texas, hereinafter called City, and its successors and assigns, to the extent of Four Hundred Ninety Three Thousand Nine Hundred Twenty-five and No/100 (\$493,925.00) Dollars, but no further, that punctual payment will be made, when the same will become due and owing, to each and every claim, demand, right, or cause of action of every nature whatsoever that the said City will have against Educational Outfitters, Ltd., hereinafter called Debtor, now existing or which may hereinafter arise, so long as this guarantee will remain in effect.

It is expressly agreed and understood that this is a continuing guarantee to the extent of the sum shown above, as evidenced by an AGREEMENT and LEASE AGREEMENT between the City of Harker Heights, Texas and Educational Outfitters, Ltd. (hereafter called "DEBTOR") dated June 8, 2000, payable at the office of the Director of Finance of the City of Harker Heights, Texas (hereafter called the "OBLIGATIONS"), and will as to each Guarantor remain in full force and effect until such sum is paid in full, and will extend to and cover any and all renewal of any and all claims or demands guaranteed hereunder, as well as extensions of time of payment thereof, and will not be affected or impaired by the taking of any additional security or securities, or guarantee or guarantees, nor of any release by or demand or demands guaranteed hereunder. Notice of default by the Debtor is hereby expressly waived, and it is expressly stipulated that no delay or omission on the part of the City in enforcing the collection of its claims or demands against the Debtor will be held to in any wise impair or affect the liability of the Guarantor hereunder.

This guaranty is an absolute, complete and continuing one, and no notice of the Obligations or any extension of credit already or hereafter contracted by or extended to Debtor need be given to Guarantor. Debtor and City may from time to time rearrange, extend for any period and/or renew the Obligations without notice to Guarantor, and in such event Guarantor will remain fully bound hereunder on such Obligations. Guarantor hereby expressly waives presentment, demand, protest, notice of intention to accelerate, notice of acceleration, and notice of protest and dishonor on any and all forms of such Obligations, and also notice of acceptance of this guaranty, acceptance on the part of City being conclusively presumed by its request for this guaranty and delivery of the same to it.

Guarantor authorizes City, without notice or demand and without affecting Guarantor's liability hereunder, to take and hold security for the payment of this guaranty and/or the Obligations guaranteed, and exchange, enforce, waive, release and impair any such security or release other parties liable on the Obligations; and to apply such security and direct the order or manner of sale thereof as City at its discretion may

determine; and to obtain a guaranty of the Obligations from any one or more other persons, corporations or entities whomsoever and at any time or times to enforce, waive, rearrange, modify, limit, impair or release such other persons, corporations or entities from their obligations under such guaranties.

Guarantor waives any right to require City to (a) proceed against Debtor or join Debtor in any lawsuit filed against Guarantor, (b) proceed against or exhaust any security held from Debtor, or (c) pursue any other remedy in City's power whatsoever. Guarantor waives any defense arising by reason of any disability, lack of corporate authority or power or other defense of Debtor or any other guarantor of the Obligations, and shall remain liable hereon regardless of whether Debtor or any other guarantor be found not liable thereon for any reason. Until all the Obligations shall have been paid in full, Guarantor shall have no right of subrogation, and waives any right to enforce any remedy which City now has or may hereafter have against Debtor, and waives any benefit of and any right to participate in any security now or hereafter held by City. In the event that Debtor becomes a debtor in any bankruptcy or insolvency proceedings before all of the Obligations becomes due, Guarantor agrees that City may accelerate the maturity of the Obligations solely for the purpose of enforcing Guarantor's obligation to pay the Obligations. Guarantor agrees to provide promptly to City all information reasonably requested by City concerning the Obligations, any security for the Obligations and the financial status of Guarantor and of any other parties obligated on the Obligations.

Guarantor will, immediately upon notice from City of Debtor's failure to pay any of the Obligations at maturity, pay to City in Harker Heights, Bell County, Texas, the amount due and unpaid by said Debtor. The failure of City to give this notice shall not in any way release Guarantor hereunder. Guarantor agrees that if the maturity of the Obligations hereby guaranteed is accelerated by bankruptcy or otherwise, such maturity shall also be deemed accelerated for the purpose of this guaranty without demand or notice to Guarantor.

It is expressly agreed that the liability of Guarantor for the payment of the Obligations secured hereby shall be primary and not secondary.

Guarantor waives all defenses given to sureties or guarantors at law or in equity other than actual payment of the Obligations, and performance of the actions, constituting the Obligations. Guarantor absolutely and unconditionally covenants and agrees that if all or any part of the Obligations (or any instrument or agreement made or executed in connection therewith) is for any reason found to be invalid, illegal, unenforceable, uncollectible or legally impossible, for any reason whatsoever (including, without limiting the generality of the foregoing, upon the grounds that the payment and/or performance of the Obligations is ultra vires or otherwise without authority, may violate applicable usury laws, is subject to valid defenses, claims or offsets of Debtor, or any instrument evidencing any of the Obligations is forged or otherwise irregular); then in any such case Guarantor shall pay and perform the Obligations as herein

provided and that no such occurrence shall in any way diminish or otherwise affect Guarantor's obligations hereunder.

As security for its obligations hereunder, Guarantor hereby grants to City a security interest in, a general lien upon and/or right of set-off of the following (herein referred to as the "Security"): (i) the balance of every deposit account now or hereafter existing, of Guarantor, of any corporation in which Guarantor is the majority or controlling shareholder or of any partnership in which Guarantor is a partner, with City and any other claim of Guarantor, of any corporation in which Guarantor is the majority or controlling shareholder or of any partnership in which Guarantor is a partner, against City now or hereafter existing, and all monies, instruments, securities, documents, chattel paper, credits, claims, demands and any other property, rights and interest of Guarantor, of any corporation in which Guarantor is the majority or controlling shareholder or of any partnership in which Guarantor is a partner, which at any time shall come into the possession or custody or under the control of City or any of its agents or affiliates, for any purpose; (ii) any claim of Guarantor against Debtor now or hereafter existing and all monies, instruments, securities, documents, chattel paper, credits, claims, demands and any other property, rights and interests of Debtor, which at any time shall come into the possession or custody or under the control of Guarantor, of any of Guarantor's agents, of any corporation in which Guarantor is the majority or controlling shareholder or of any partnership in which Guarantor is a partner, for any purpose; and (iii) the proceeds, products and accessions of any to any of the foregoing. City, at its option, may at any time, without notice and without any liability, retain all or any part of the Security until all of the Obligations has been paid in full or may set off all or any part of the Security against the Obligations, whether the Obligations is matured or unmatured, in any manner and in any order of preference which City, in its sole discretion, chooses. City shall be deemed to have possession of any of the Security in transit to or set apart for it or any of its agents or affiliates. The right is expressly granted to City, at its discretion, to file one or more financing statements under the Uniform Commercial Code naming Guarantor as Debtor and City as Secured Party and indicating therein the types or describing the items of Security herein specified. City shall not be required to take any steps necessary to preserve any rights against prior parties to any of the Security. In the event of default under this guaranty, City may sell or cause to be sold in the City of Harker Heights, Bell County, Texas, or elsewhere, in one or more sales or parcels, at such price as City may deem best, and for cash or on credit or for future delivery, without assumption of any credit risk, all or any of the Security at any broker's board or at public or private sale, without demand or performance or notices of intention to sell or of time or place of the sale (except such notice as is required by applicable statute and cannot be waived), and City or anyone else may be the purchaser of any or all of the Security so sold and thereafter hold the same absolutely, free from any claim or right of whatever kind, including any equity of redemption, of Guarantor, any such demand, notice or right and equity being hereby expressly waived and released. The grant of the above security interest and lien shall not in anywise limit or be construed as limiting City to collect payment of any liability of Guarantor incurred hereby only out of the Security, but it is expressly understood and

provided that all such liability shall constitute the absolute, unconditional and continuing obligation of Guarantor.

The Guaranty is intended for and shall insure to the benefit of City and each and every other person who shall from time to time be or become the owner or holder of any of the Obligations, and each and every reference herein to "City" shall also include and refer to each and every successor or assignee of City at any time holding or owing any part of or interest in any part of the Obligations. This Guaranty shall be transferable by City, it being understood and stipulated that upon the assignment or transfer by City of any of the Obligations (or any part thereof or interest therein thus transferred or assigned by City), such transferee shall also, unless provided otherwise by City in its assignment, have and may exercise all the rights granted to City under this Guaranty to the extent of the part or interest in the Obligations thus assigned or transferred to said person. Guarantor expressly waives notice of transfer or assignment of the Obligations, or any part thereof, or of the rights of City hereunder.

Any notice or demand to Guarantor hereunder or in connection herewith may be given and shall conclusively be deemed and considered to have been given and received upon the deposit thereof, in writing, in the U.S. Mails, duly stamped and addressed to Guarantor at the address of Guarantor shown below; but actual notice, however given or received, shall always be effective. The last preceding sentence shall not be construed in anywise to affect or impair any waiver of notice or demand herein provided or to require giving of notice or demand to or upon Guarantor in any situation for any reason.

The rights of City hereunder are cumulative and shall not be exhausted by its exercise of any of its rights hereunder, under any prior guaranty or otherwise against Guarantor or by any number of successive actions until and unless all indebtedness constituting the Obligations has been paid, all other Obligations have been performed. The existence of this Guaranty shall not in any way diminish or discharge the rights of City under any prior guaranty agreement executed by Guarantor.

This Guaranty shall be deemed to have been made under and shall be governed by the laws of the State of Texas in all respects.

Guarantor acknowledges and agrees that this Guaranty accurately represents and contains the entire agreement between Guarantor and City with respect to the subject matter hereof, that Guarantor is not relying, in the execution of this Guaranty, on any representations (whether written or oral) made by or on behalf of City except as expressly set forth in this Guaranty, and that any and all prior statements and/or representations made by or on behalf of City to Guarantor (whether written or oral) in connection with the subject matter hereof are merged herein. This Guaranty shall not be waived, altered, modified or amended as to any of its terms or provisions except in writing duly signed by City and Guarantor.

Headings are provided as a matter of convenience only and are not to be considered in interpreting the meaning of any provision hereunder. The use of any gender herein shall include the other gender.

A determination that any provision of this Guaranty is unenforceable or invalid shall not affect the enforceability or validity of any other provision.

Guarantor acknowledges that Guarantor has had the opportunity to obtain of the advice of legal counsel of his own choice in connection with the preparation and negotiation of this Guaranty, and has been afforded an opportunity to review this Guaranty with such legal counsel, and that Guarantor fully understands the implications and ramifications of the agreements herein made by Guarantor.

This guaranty is and shall be in every particular available to the successors and assigns of City and is and shall always be fully binding upon the heirs, representatives and assigns of Guarantor, notwithstanding that some or all of the monies, to the repayment of which this guaranty applies, may be actually advanced after any bankruptcy, receivership, reorganization, death, legal incapacity or other event affecting Guarantor.

Witness Our Hands in Harker Heights, Texas, on this 8th day of June, 2000.

Cindy Schoel, Guarantor
600 Indian Trail Drive, Suite 104
Harker Heights, Texas 76548

Randy Schoel, Guarantor
600 Indian Trail Drive, Suite 104
Harker Heights, Texas 76548

Educational Outfitters Management,
L.C., Guarantor

By: _____
Cindy Schoel, President
600 Indian Trail Drive, Suite 10 4
Harker Heights, Texas 76548

ATTACHMENT 1

Lease Agreement