

**Request for Proposal: Garza-Dalby 002
Questions**

1. **Criteria, #4, Tab 4 Financial Benefit to Garza County from the Contract.** The third sub-bullet states: *"The ability of the operator's plan to generate sufficient revenues to satisfy (1) existing debt obligations of the County for ongoing upgrades to the facility and (2) the County's requirement under the Second Amended and Restated Lease Agreement by and between the County and the Garza County Public Facility Corporation to generate Project Revenues sufficient to pay the Rental Payments."*

a. Please provide the existing debt obligations of the County for on-going repairs to the facility.

County Response: Garza County borrowed \$3,330,000 on 9/17/24 for Renovation of security system

b. Please provide a copy of the Second Amended and Restated Lease Agreement by and between the County and the Garza County Public Facility Corporation.

County Response: It is posted and attached

c. Please provide the Rental Payment amount and the remaining number of payments.

County Response: Annual payment approximates \$4 million on the facility with an approximate balance of \$8 million.

2. **Introduction.** The first paragraph states "The County desires to contract for the operation, management, and maintenance of the Dalby Facility for purposes of housing prisoners from Garza County and other jurisdictions on a fee basis." How many inmates does Garza County intend to house at the Dalby facility once it is operational?

County Response: Garza County does not intend to house inmates in the facility now or in the foreseeable future

3. **RFP Proposals, Award, and Protest Deadlines.** The first paragraph states *"Proposals will be opened, and the name of the firm submitting the proposal read aloud, acknowledged, at 10:30 a.m. CST March 3, 2025 in the County Judge's Office located in the Garza County Courthouse, 300 West Main, Post, Texas 79356. All respondents, Operators, or other interested parties are invited to attend the opening."* Will Garza County also post the names of the firms that submitted a proposal?

County Response: Garza County will announce all bidders upon opening proposals

4. **Mandatory Pre-RFP Meeting.** During the tour, it was stated that some of the inventory belonged to the previous Operator and would be removed if that Operator was not the awardee of this RFP. Please provide an inventory list of all Fixtures, Furnishings and Equipment (FF&E) that would not remain at the facility if another Operator was awarded. Additionally, please confirm that all other FF&E (not on the above list) would remain at the facility for the awarded Operator.

County Response: The last operator removed their property as of October 29, 2024. We are not aware of any further claim.

5. **Scope of Work, A.** What are the "current standards of the Garza County Sheriff's Office?"

County Response: The Garza County Sheriff is an elected official and as such, if involved in a contract or other operational role under some agreements, retains the authority of his office

6. **Scope of Work, D.** Please specify the extent to which the "repair, upkeep and maintenance of the Facility /equipment, systems and furnishing" are the responsibility of the Operator.

County Response: Garza County believes this to be self-explanatory

7. **Scope of Work, H.** This section mentions "jurisdictions and agencies contracting with the County" and "housing contracts which the jurisdictions and agencies have entered into with the County." Will the County be the entity contracting directly with jurisdictions to house inmates at the facility or will the awarded Operator be the entity contracting directly with jurisdictions to house inmates at the facility?

County Response: Garza County looks forward to specific proposals on housing agreements and may, if necessary, provide contracting authority

SECOND AMENDED AND RESTATED LEASE AGREEMENT (WITH OPTION TO PURCHASE)

between

GARZA COUNTY PUBLIC FACILITY CORPORATION ("Lessor")

and

GARZA COUNTY, TEXAS ("Lessee")

Dated as of March 1, 2012

Relating to:

TAXABLE PROJECT REVENUE REFUNDING BONDS
SERIES 2012

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TABLE OF CONTENTS

	<u>PAGE</u>
ARTICLE 1 DEFINITIONS AND EXHIBITS	2
Section 1.1 Definitions	2
Section 1.2 Exhibits	6
ARTICLE 2 REPRESENTATIONS, COVENANTS, WARRANTIES AND AGREEMENTS	6
Section 2.1 Representations, Covenants and Warranties of Lessee	6
Section 2.2 Representations, Covenants and Warranties of Lessor	7
ARTICLE 3 THE PROJECT	8
Section 3.1 Operation of the Project	8
ARTICLE 4 AGREEMENT TO LEASE	8
Section 4.1 Lease	8
Section 4.2 Possession and Enjoyment	8
Section 4.3 Lessor Access to Project	9
ARTICLE 5 TERM OF LEASE	9
Section 5.1 Term of Lease	9
Section 5.2 Termination of Lease Term	9
ARTICLE 6 PAYMENTS	9
Section 6.1 Rental Payments, Rental Payment Deposits and Additional Payments	9
Section 6.2 Limitation on Source of Payment	11
Section 6.3 Rental Payments and Rental Payment Deposits to be Unconditional	11
Section 6.4 Security Provisions.	11
ARTICLE 7 MAINTENANCE, TAXES, INSURANCE AND OTHER MATTERS	16
Section 7.1 Maintenance and Modification of Project by Lessee	16
Section 7.2 Taxes, Other Governmental Charges and Utility Charges	17

V
O
L

0
3
2
3

P
G

0
6
1
7

Section 7.3 Liability Insurance	18
Section 7.4 Lessee's Negligence	18
Section 7.5 Property Insurance	18
Section 7.6 Workers' Compensation Insurance.....	19
Section 7.7 Other Insurance and Requirements for Insurance.....	19
Section 7.8 Reserved.....	19
Section 7.9 Liens.....	19
Section 7.10 Restrictions Regarding Hazardous Substances.....	19
Section 7.11 Compliance with Hazardous Substance Handling Laws	20
Section 7.12 Lessee's Indemnification of Lessor and Trustee	20
Section 7.13 Remedial Action	21
Section 7.14 Discovery of Hazardous Substances.....	21
Section 7.15 Reserved.....	21
Section 7.16 County Inmates	21
ARTICLE 8 DAMAGE, DESTRUCTION AND CONDEMNATION; USE OF NET PROCEEDS	22
Section 8.1 Damage, Destruction and Condemnation	22
Section 8.2 Insufficiency of Net Proceeds.....	22
Section 8.3 Cooperation of Lessor.....	23
ARTICLE 9 LESSEE'S EQUIPMENT; WARRANTIES	23
Section 9.1 Installation of Lessee's Equipment.....	23
Section 9.2 Reserved.....	23
Section 9.3 Reserved.....	23
Section 9.4 Assignment of Warranties	24
Section 9.5 Disclaimer of Warranties	24

V
O
L

0
3
2
3

P
G

0
6
1
8

ARTICLE 10 OPTION TO PURCHASE OR DIRECT PURCHASE OR REDEMPTION OF BONDS	24
Section 10.1 When Available	24
Section 10.2 Exercise of Option.	24
Section 10.3 Release of Lessor's Interest	24
ARTICLE 11 ASSIGNMENT, SUBLEASE, MORTGAGE AND SALE	25
Section 11.1 Assignment by Lessor.....	25
Section 11.2 Assignment and Subleasing by Lessee	25
Section 11.3 Restriction on Mortgage or Sale of Project by Lessee.....	25
Section 11.4 Subordination and Attornment.....	25
ARTICLE 12 EVENTS OF DEFAULT AND REMEDIES	27
Section 12.1 Events of Default Defined	27
Section 12.2 Remedies on Default.....	28
Section 12.3 Return of Project.....	29
Section 12.4 Delay; Notice	29
Section 12.5 No Remedy Exclusive	29
Section 12.6 Agreement to Pay Attorney's Fees and Expenses	29
Section 12.7 No Additional Waiver Implied by One Waiver.....	29
ARTICLE 13 TITLE.....	30
ARTICLE 14 RESERVED	30
ARTICLE 15 ADMINISTRATIVE PROVISIONS	30
Section 15.1 Notices	30
Section 15.2 Binding Effect.....	30
Section 15.3 Severability	30
Section 15.4 Amendments, Changes and Modifications	30
Section 15.5 Further Assurances and Corrective Instruments	31

V
O
L

0
3
2
3

P
G

0
6
1
9

Section 15.6 Execution in Counterparts	31
Section 15.7 Applicable Law	31
Section 15.8 Lessor and Lessee Representatives	31
Section 15.9 Captions	31
Section 15.10 Complete Agreement	31
Section 15.11 Usury	31

V
O
L

0
3
2
3

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SECOND AMENDED AND RESTATED LEASE AGREEMENT (WITH OPTION TO PURCHASE)

THIS SECOND AMENDED AND RESTATED LEASE AGREEMENT (WITH OPTION TO PURCHASE), (the "Lease") dated as of March 1, 2012 (this "Amended and Restated Lease"), but effective as of March 30, 2012, is by and between **GARZA COUNTY PUBLIC FACILITY CORPORATION**, a corporation organized and existing under the laws of the State of Texas, as lessor ("Lessor"), whose address is Garza County Courthouse, 300 W. Main, Post, Texas 79356, and **GARZA COUNTY**, a political subdivision of the State of Texas, as lessee ("Lessee"), whose address is Garza County Courthouse, 300 W. Main, Post, Texas 79356, amending and restating that certain Amended and Restated Lease Agreement (With Option to Purchase) dated as of October 1, 2005 by and between Lessor and Lessee (the "Original Lease,") as amended by the First Amendment to Lease Agreement dated as of July 1, 2006 (the "First Amendment" and together with the Original Lease, the "Existing Lease").

WITNESSETH:

WHEREAS, Lessor and Lessee have entered into that certain Existing Lease as defined above; and

WHEREAS, Lessor and Lessee deemed it necessary and advisable to amend and restate the Existing Lease with this Lease; and

WHEREAS, Lessor has acquired the land described in the attached Exhibit "A" (the "Land") and has caused the building and equipment described on the attached Exhibit "A" (the "Improvements") to be acquired and constructed thereon; and

WHEREAS, Lessor has leased the Land and improvements (the "Project") to Lessee all pursuant to the authority granted by Subchapter D of Chapter 361, Texas Local Government Code; and

NOW, THEREFORE, in the joint and mutual exercise of their powers and in consideration of the mutual covenants herein contained, the parties hereto recite and agree as follows:

ARTICLE 1

DEFINITIONS AND EXHIBITS

Section 1.1 Definitions. Unless the context otherwise requires, the terms defined in this Section 1.1 shall, for all purposes of this Lease, have the meanings herein specified. Terms defined in the Trust Indenture and capitalized herein without being defined shall, for the purposes of this Lease, have the meanings given them in the Trust Indenture unless the context requires otherwise.

Bond Fund Portion of Such Rental Payment Deposit(s). The term Bond Fund Portion of Such Rental Payment Deposit(s) has the meaning ascribed thereto in Section 6.1(b) hereof.

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County Inmate: An inmate under the jurisdiction of Lessee.

Fiscal Year: Each twelve (12)-month fiscal period of Lessee commencing on October 1 of any year and ending on September 30 of the following year.

Net Revenues: For any specified period, the Project Revenues less Operation and Maintenance Costs.

Permitted Encumbrances: As of any particular time:

(a) liens for taxes and assessments not then delinquent, or which Lessee may, pursuant to provisions of Article 7 hereof, permit to remain unpaid;

(b) this Lease;

(c) the Deed of Trust;

(d) any mechanic's, laborer's, materialmen's, supplier's or vendor's lien or right not filed or perfected in the manner prescribed by law or being contested in accordance with the terms of the Deed of Trust and this Lease; and

(e) the outstanding liens, easements, restrictions and security interests set forth on Exhibit "B" to the Deed of Trust.

Permitted Investments: The term "Permitted Investments" means any of the following, to the extent permitted by applicable law:

(a) Government Obligations;

(b) Stripped securities, consisting of: (a) U.S. Treasury STRIPS; (b) REFCORP STRIPS (stripped by the Federal Reserve Bank of New York); (c) Financing Corp. (FICO) STRIPS (stripped by the Federal Reserve Bank of New York which have CUSIP prefixes of 317705, 31772J, and 31771K); and (d) any stripped securities assessed or rated "AAA" by Standard & Poor's Ratings Services;

(c) bonds, debentures, notes or other evidences of indebtedness that are issued by any of the following agencies or such other like governmental or government-sponsored agencies which may be hereafter created: Bank for Cooperatives; Federal Intermediate Credit Banks; Federal Financing Bank; Federal Home Loan Bank System; Export-Import Bank of the United States; Farmers Home Administration; Small Business Administration; Inter-American Development Bank; International Bank for Reconstruction and Development; Federal Land Banks; the Government National Mortgage Association; the Tennessee Valley Agency; or the Resolution Trust Funding Corporation;

(d) obligations of any person, provided that:

(i) such obligations are secured by cash, Government Obligations or a combination thereof (A) which have been deposited into a segregated escrow account for and

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irrevocably pledged to the payment, when due, of the principal or redemption price of and interest on such obligations and (B) which are sufficient, without reinvestment, to provide for the payment, when due, of the principal or redemption price of and interest on such obligations; and

(ii) such obligations are rated "AAA" by Standard & Poor's Ratings Services and "Aaa" by Moody's Investors Service at the time of their purchase by Trustee.

(e) obligations described in Section 103(a) of the Code which are rated by Standard & Poor's Ratings Services and Moody's Investors Service in one of its three highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise);

(f) certificates of deposit or time deposits of any bank (including Trustee), trust company, or savings and loan association which certificates of deposit or time deposits are fully insured by the Federal Deposit Insurance Corporation;

(g) certificates of deposit or time deposits of any bank (including Trustee), trust company, or savings and loan association whose direct, unsecured debt obligations are rated by Standard & Poor's Ratings Services and Moody's Investors Service, if all of the direct, unsecured debt obligations of such bank, trust company or savings and loan association at the time of purchase of such certificates of deposit or time deposits which are rated by each Standard & Poor's Ratings Service and Moody's Investors Service are rated in one of the two highest rating categories assigned by them (without regard to any refinement or gradation of rating category by numerical modifier or otherwise), or which certificates of deposit or time deposits are fully secured by a security interest in obligations described in clauses (a), (b), or (c) of this definition; provided, however, that if such certificates of deposit or time deposits are so secured:

(A) Trustee shall have a perfected first security interest in the obligations securing such certificates of deposit or time deposits;

(B) the obligations are held by Trustee (or an independent third party acting solely as agent for Trustee) free and clear of any lien or claims by a third party of Trustee shall have the option to appoint an intermediary bank, trust company or savings and loan association as its agent to hold the obligations securing such certificates of deposit or time deposits; and

(C) Trustee or its appointed agent shall hold such obligations free and clear of the liens or claims of third parties, which conclusion, upon the request of Trustee, shall be confirmed by an opinion of Independent Counsel acceptable to Trustee; and provided further that such certificates of deposit shall have a term not greater than 365 days;

(h) securities and the type described in clauses (a), (b) or (c) above purchased under agreements to resell such securities to any registered broker/dealer subject to Securities Investors Protection Corporation jurisdiction or to any commercial bank, if such broker/dealer or bank has an unsecured, unsecured and unguaranteed obligation rating at the time of purchase in one of the two highest rating categories by Standard & Poor's Ratings Services and Moody's Investors Service, provided:

(i) a master repurchase agreement or specific written repurchase agreement governs the transaction;

(ii) the obligations are held by Trustee (or an independent third party acting solely as agent for Trustee which agent is (A) a Federal Reserve Bank, or (B) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus, and undivided profits of not less than \$50,000,000 and Trustee shall have received written confirmation from such agent that it holds such securities free and clear of any lien or claim, as agent for Trustee) free and clear of any lien or claims by a third party;

(iii) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 CFR 306.1 et seq. or 31 CFR 350.0 et seq. in such securities is created for the benefit of Trustee;

(iv) the repurchase agreement has a term of 30 days or less;

(v) the repurchase agreement matures at least ten days (or other commercially reasonable liquidation period) prior to the date on which the moneys invested therein are reasonably expected to be needed; and

(vi) the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 100%;

(i) Reserved

(j) shares in any investment company which is rated by Standard & Poor's Ratings Services and Moody's Investors Service in one of its three highest rating categories, registered under the federal Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933 and the majority of whose investment in principal amount (valued on a cost basis) are investments described in clauses (a) through (k) above; and

(k) pooled or common trust funds of Trustee or an affiliate of Trustee consisting of investments described in clauses (a) through (k) above.

Each reference to Standard & Poor's Ratings Services or Moody's Investors Service is deemed to include a reference to their respective successors. Each reference to a particular rating is deemed to include a reference to an equivalent rating under any successor rating system promulgated by the relevant rating agency.

Purchase Price: Purchase Price shall be the amount of cash and/or Governmental Obligations which, when delivered to Trustee in accordance with Article 10 of the Indenture, shall effect the payment and discharge of the Indenture and shall cause all Bonds to no longer be Outstanding.

State and Federal law or Laws: The Constitution and laws of the State; any ordinance, rule or regulation of any agency or political subdivision of the State; any law of the United States; and any rule or regulation of any federal agency.

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Term of this Lease or Lease Term: The period during which this Lease remains in effect as specified in Sections 5.1 and 5.2 hereof.

Trust Indenture: That certain Trust Indenture between the Lessor and U.S. Bank National Association dated as of March 1, 2012.

Trustee Representative: The officer of Trustee who has direct responsibility for the administration of the Trust Indenture.

Section 1.2 Exhibits. The following Exhibits are attached to and by reference made a part of this Lease:

Exhibit "A": Description of the Land and the Improvements;

Exhibit "B": Rental Payment Deposit Schedule.

ARTICLE 2

REPRESENTATIONS, COVENANTS, WARRANTIES AND AGREEMENTS

Section 2.1 Representations, Covenants and Warranties of Lessee. Lessee represents, covenants and warrants as follows:

(a) Lessee is a duly formed and validly existing political subdivision of the State, governed by the laws of the State.

(b) The laws of the State authorize Lessee to establish, acquire, operate and maintain the Project; to enter into this Lease and the transactions contemplated hereby and thereby, and to carry out its obligations under this Lease.

(c) Any officer of Lessee executing this Lease has been duly authorized to execute and deliver this Lease under the terms and provisions of a resolution of Lessee's governing body or by other appropriate official action. All acts, conditions and things required by law to exist, happen and be performed precedent to and in connection with the execution and entry into of this Lease have happened and have been performed in regular and due time, form and manner required by law, and the parties hereto are now fully empowered to execute and enter into this Lease. It is further certified, recited and declared by Lessee that all acts, conditions and things required by the Constitution and the statutes of the State and this Lease to exist, to have happened and to have been performed precedent to and in execution and delivery of this Lease exist, have happened and have been performed in due time, form and manner as required by law. Lessee will do, execute, acknowledge and deliver all and every further act, deed, conveyance, transfer and assurance necessary to carry out the express intention of this Lease.

(d) Lessee has complied with all open meeting laws, all applicable procurement and public bidding laws, public property distribution laws, and all other State and Federal laws applicable to this Lease and to the financing, leasing, operation, purchase, maintenance and management of the Project by or on behalf of Lessee.

(e) Except as provided under the terms of this Lease, Lessee will not transfer, lease, assign, mortgage or encumber the Project.

(f) The Project is intended by Lessee to house inmates detained or incarcerated by Lessee or the State of Texas or political subdivisions thereof or Federal inmates arrested in Texas under the control of Federal agencies in Texas who are awaiting transfer to other facilities or other disposition under applicable Federal law and is designed for and intended to be operated to incarcerate only such inmates; Lessee further represents and warrants that it will not detain or incarcerate or accept for incarceration in the Project any inmates other than those detained or incarcerated by Lessee or the State of Texas or political subdivisions thereof and Federal inmates who are awaiting transfer to other facilities or other disposition under applicable Federal law and such other inmates, if any, to the extent permitted by State law as defined in and supported by an opinion of qualified counsel requested and received by Lessee. Prior to accepting any inmates from sources outside of the State, Lessee will accept inmates, if any, submitted for detention by State agencies and authorities on reasonable terms and costs to be negotiated between Lessee and such State agencies or authorities.

(g) Upon the delivery and sale of the Series 2012 Bonds, Lessee will provide to Lessor an opinion of its legal counsel in form and substance acceptable to Issuer and to Bond Counsel.

(h) This Lease constitutes a legal, valid and binding obligation of Lessee enforceable in accordance with its terms.

(i) Except for the approval of the Texas Attorney General, no further approval, consent or withholding of objections is required from any governmental authority with respect to this Lease on behalf of Lessee.

(j) The entering into and performance of this Lease is not contrary to, and does not violate, any judgment, order, law or regulation or constitute a default by Lessee under any other agreement or instrument.

(k) Reserved

(l) During the Term of this Lease, Lessee shall, or shall cause the Operator to, on a quarterly basis, provide Lessor and Trustee with the quarterly balance sheet, census report, income statements and cash flow statements of Lessee, relating to the operation of the Project. Within one hundred twenty days (120) days after the end of each Fiscal Year, Lessee shall provide Lessor and Trustee an audit, certified to by an independent certified public accountant, of the Project's operations during that Fiscal Year. Fees, costs and expenses incurred in the preparation of reports, audits, and other documents required by this Subsection 2.1(l) shall be Operation and Maintenance Costs.

Section 2.2 Representations, Covenants and Warranties of Lessor. Lessor represents, covenants and warrants as follows:

(a) Lessor is a nonprofit public corporation and instrumentality of Lessee duly organized and existing and in good standing under the laws of the State of Texas; is duly

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qualified to transact business and hold property in the State; has full and complete power to enter into this Lease and to enter into and carry out the transactions contemplated hereby and thereby, and to carry out its obligations under this Lease; is possessed of full power to own and hold real and personal property and to lease the same; and has duly authorized the execution and delivery of this Lease.

(b) Neither the execution and delivery of this Lease nor the fulfillment of or compliance with the terms and conditions thereof nor the consummation of the transactions contemplated hereby and thereby conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which Lessor is now a party or by which Lessor or its property is bound or constitutes a default under any of the foregoing or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of Lessor.

(c) Reserved

(d) Lessor has complied with all open meeting laws, all applicable procurement and public bidding laws, public property distribution laws, and all other State and Federal laws applicable to this Lease and to the financing, design, construction, leasing, operation, purchase, maintenance and management of the Project.

ARTICLE 3

THE PROJECT

Section 3.1 Operation of the Project

(a) Lessee shall exercise due care in the use, operation and maintenance of the Project, and shall not use, operate or maintain the Project improperly, carelessly, in violation of any State or Federal law or for a purpose or in a manner contrary to that contemplated by this Lease. Additionally, Lessee shall cooperate with Lessor in carrying out Lessor's duties under and pursuant to this Lease. Lessor has obtained ownership of the Project. Lessee has obtained all permits and licenses necessary for the operation, possession and use of the Project. Lessor shall comply with all State and Federal laws applicable to the Project and, if compliance with any such State and Federal law requires changes or additions to be made to the Project, such changes or additions shall be made.

ARTICLE 4

AGREEMENT TO LEASE

Section 4.1 Lease. Lessor hereby leases the Project to Lessee, and Lessee hereby leases the Project from Lessor, upon the terms and conditions set forth in this Lease.

Section 4.2 Possession and Enjoyment. Subject to compliance by Lessee with the provisions of this Lease, Lessor hereby covenants to provide Lessee during the Term of this Lease with quiet use and enjoyment of the Project, and Lessee shall during such Lease Term peaceably and quietly have and hold and enjoy the Project, without suit, trouble or hindrance

from Lessor, except as expressly set forth in this Lease. To the extent Lessor may lawfully do so, Lessor will, at the request of Lessee and at Lessee's cost, join in any legal action in which Lessee asserts its right to such possession and enjoyment.

Section 4.3 Lessor Access to Project. Lessee agrees that Lessor and Trustee shall have the right at all reasonable times upon reasonable notice to enter upon and examine and inspect the Project subject to reasonable security rules. Lessee further agrees that Lessor shall have such rights of access to the Project as may be reasonably necessary to cause the proper maintenance of the Project in the event of failure by Lessee to perform its obligations hereunder, or to carry out Lessor's obligations and exercise Lessor's rights under Article 12 hereof, or to determine whether Lessee is in compliance with this Lease.

ARTICLE 5

TERM OF LEASE

Section 5.1 Term of Lease. This Lease shall be and remain in effect with respect to the Project for a Lease Term commencing on April 1, 1998, and continuing until terminated as provided in Section 5.2 hereof.

Section 5.2 Termination of Lease Term. The Term of this Lease will terminate upon the occurrence of the first of the following events:

(a) the exercise by Lessee of its option to purchase pursuant to Article 8 and/or Article 10 hereof or the optional purchase of the Project by Lessee pursuant to Section 6.6 hereof;

(b) a default by Lessee and Lessor's election to terminate this Lease pursuant to Article 12 hereof; or

(c) the payment by Lessee of all Rental Payments and any other amounts required to be paid by Lessee hereunder.

ARTICLE 6

PAYMENTS

Section 6.1 Rental Payments, Rental Payment Deposits and Additional Payments.

(a) Rental Payments. Anything to the contrary herein notwithstanding, and without limiting the obligation to make Rental Payment Deposits described in Section 6.1(b), during the Term of this Lease, Lessee shall pay Rental Payments with respect to the Project in the amounts and at the times sufficient, together with amounts on deposit in the Bond Fund, to pay the principal of, premium if any, and interest on the Series 2012 Bonds. The Rental Payments shall be payable to Trustee at address specified herein, or to such other person or entity and at such other address as Trustee may designate by written notice to Lessee, in lawful money of the United States of America.

(b) Rental Payment Deposits. Lessee shall make monthly Rental Payment Deposits on or before the first day of each month, commencing September 1, 2012, in an amount equal to the greater of:

(i) the amounts as set forth in Exhibit "B" attached hereto; and

(ii) one-sixth of the interest coming due on the Series 2012 Bonds on the next Interest Payment Date, and one-twelfth of the principal due on the Series 2012 Bonds on the next two Interest Payment Dates, provided that, if the next two Interest Payment Dates due hereunder include the last Interest Payment Date, such principal component for purposes of this Section 6.1(b)(ii) may be calculated by subtracting amounts in the Reserve Fund held by Trustee or otherwise to be available for payment of such principal.

An amount of each Rental Payment Deposit equal to the amount calculated in accordance with Section 6.1(b)(ii) (with respect to one or more Rental Payment Deposits, the "Bond Fund Portion of Such Rental Payment Deposit(s)") shall be credited to the Bond Fund, and the balance of such Rental Payment Deposit shall be credited to the Surplus Account of the Project Fund. A Rental Payment Deposit, and the Bond Portion of Such Rental Payment Deposit(s) shall be reduced by amounts deposited in the Bond Fund which are not prior Bond Fund Portion of Rental Payment Deposit(s) or amounts credited against any of the prior Bond Fund Portion of Rental Payment Deposit(s). The Rental Payment Deposits shall be payable to Trustee at its address specified herein, in lawful money of the United States of America.

(c) Additional Payments. Lessee shall pay, as additional rental hereunder, but solely from and to the extent Project Revenues are available therefor:

(i) amounts required to be paid by Issuer to replenish the Reserve Fund pursuant to Section 5.2 of the Trust Indenture;

(ii) amounts to be credited to the Operating Account pursuant to Section 6.4(c) hereof;

(iii) amounts, if any, to be deposited to the Operator Fee Account pursuant to Section 6.4(d) hereof;

(iv) each month, after the required deposits have been made to the Rental Account, the Operating Account and the Operator Fee Account (all as hereafter defined in Section 6.4), an amount equal to the lesser of (A) \$45,000 or (B) all remaining Project Revenues to be deposited into the Operating Reserve/ Repair/Contingency Account to the extent the amount therein shall be less than \$500,000; and

(v) each month, after the requirements of Subsections (a) through (e) of Section 6.4 have been satisfied, all remaining Project Revenues which shall be deposited into the Surplus Account.

All such additional rental shall be payable to Trustee at its address specified herein, in lawful money of the United States of America.

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Section 6.2 Limitation on Source of Payment. Notwithstanding any provision herein or in the Trust Indenture to the contrary, the obligations of Lessee under this Lease, including but not limited to its obligation to pay the Rental Payments, Rental Payment Deposits, Operation and Maintenance Costs, indemnifications hereunder, payments under Article 13 and Article 14 and Section 7.15 hereunder, and any other payments due hereunder (except payments as may be required pursuant to Section 7.16 hereof), and to make the other deposits to the various accounts within the Project Fund, shall be payable solely from the Project Revenues received during the Term of this Lease and required to be deposited in the Project Fund and the Net Proceeds. Lessee has not appropriated and does not intend to appropriate any tax revenues or other funds, for the payment of Rental Payments, Rental Payment Deposits, Operation and Maintenance Costs or other payments due hereunder. Nothing herein shall constitute a pledge by Lessee of any taxes or other money, other than Project Revenues received during the Term of this Lease and the Net Proceeds to the payment of any Rental Payment, Rental Payment Deposit, Operation and Maintenance Cost, or any other payment or amount due or to become due hereunder. Any obligation for the payment of money, or the cost of any other obligation of Lessor hereunder are payable solely from and to the extent funds are available from the Trust Estate for such purpose.

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Section 6.3 Rental Payments and Rental Payment Deposits to be Unconditional. Subject to Section 6.2 hereof, the obligation of Lessee to make Rental Payments and Rental Payment Deposits due with respect to the Project or any other transfers and payments required hereunder shall be absolute and unconditional. Notwithstanding any dispute between Lessee and Lessor or any other person, Lessee shall make all Rental Payments and Rental Payment Deposits and all other transfers and payments required hereunder when due and shall not withhold any Rental Payment or other transfer or payment pending final resolution of such dispute nor shall Lessee assert any right of set-off or counterclaim against its obligation to make such Rental Payments and Rental Payment Deposits or other transfers and payments required under this Lease. Lessee's obligation to make Rental Payments and Rental Payment Deposits or other transfers and payments during the Lease Term shall not be abated because of accident or unforeseen circumstances. However, nothing herein shall be construed to release Lessor from the performance of its obligations hereunder; if Lessor should fail to perform any such obligation, Lessee may institute such legal action against Lessor as Lessee may deem necessary to compel the performance of such obligation or to recover damages therefor.

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Section 6.4 Security Provisions.

(a) Pledge of Project Revenues; Project Fund. During the Term of this Lease, so long as Lessee's obligation to pay Rental Payments and Rental Payment Deposits and any other amounts due hereunder is outstanding, and pursuant to the authority granted by Chapter 361 Texas Local Government Code, Lessee hereby pledges, transfers, assigns and sets over to Lessor and its assigns, all Project Revenues and agrees that the Rental Payments and Rental Payment Deposits shall be a first charge on the Project Revenues to the extent necessary to pay the Rental Payments and Rental Payment Deposits when due. All of the Project Revenues are hereby constituted a trust fund for the security of the Rental Payments and Rental Payment Deposits and are hereby set aside, appropriated and shall be paid to the Project Fund, which is hereby created and shall be maintained as a separate and special fund by Trustee, (the "Project Fund"), to be held in trust pursuant to the terms of the Trust Indenture for the benefit of the Owners of the Bonds. Lessee hereby assigns to Trustee or its successors, in trust for the benefit of the Owners

of the Bonds, all its right, title and interest in and to the Project Fund subject to the terms hereof and of the Trust Indenture; provided, however, that upon the discharge of the Trust Indenture in accordance with its terms, the pledge and assignment of Lessee's interest in the Project Fund shall cease and be void. Lessee covenants and agrees that each entity supplying inmates to be incarcerated, detained, or housed in the Project shall be instructed and shall agree to send timely all payments due to Lessee for such inmates directly to Trustee for deposit in the Project Fund. Lessee shall maintain or cause to be maintained, the books and records showing all receipts and disbursements of Project Revenues herein required to be deposited to the Project Fund and of all other moneys pertaining to the Project, on which books and records there shall be maintained the separate subfunds or accounts hereinafter designated in this Section 6.4.

(b) Rental Account. In the Project Fund there is created and shall be maintained as a separate account a Rental Account (the "Rental Account") which shall be maintained by Trustee. All Project Revenues shall be paid directly to Trustee and credited to the Rental Account to the extent the amount on deposit therein is less than:

(i) a sum equal to the Rental Payment Deposit next coming due and any past due Rental Payment Deposits; and

(ii) a sum equal to the amount, if any, next required to be transferred to the Reserve Fund pursuant to Section 5.2 of the Trust Indenture to restore a deficiency in the Reserve Fund.

The moneys on hand in the Rental Account shall be used only to pay:

(A) the Rental Payment Deposits and Rental Payments as provided herein (and any additional Rental Payment Deposits and Rental Payments resulting from the execution and delivery by Lessee and Lessor of a Lease amendment as provided in Section 6.4(i) when due); and

(B) the amount required by the Trust Indenture to be deposited in the Reserve Fund to replenish it in the event Trustee is required to transfer money therefrom to the Bond Fund to pay debt service on the Bonds,

provided that, upon the exercise by Lessee of its purchase option, any amounts then credited to the Rental Account may be utilized for such purpose, and provided further that a portion of each Rental Payment Deposit may be transferred to the Surplus Account as described in Section 6.1(b) and Section 6.4(f).

(c) Operating Account. In the Project Fund there is created and shall be maintained as a separate account an Operating Account (the "Operating Account") which shall be maintained by Trustee. During each month there shall be credited to the Operating Account, from Project Revenues in excess of the requirements of the Rental Account, an amount together with amounts from any other funds which Lessee in its discretion may lawfully use to pay the Operation and Maintenance Costs, and from any other money provided by any person or entity on behalf of Lessee deposited into the Operating Account, such amount as may be required over and above the balance then held in the Operating Account to pay the reasonable and necessary Operation and Maintenance Costs which are then due and payable or may become due and

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payable within one month. Amounts credited to the Operating Account not to exceed \$200,000 may be maintained by Lessee with a local depository bank. If at any time the amounts credited to any portion of the Operating Account held by such local depository exceed \$200,000, the amount of such excess over \$200,000 shall be immediately transferred to Trustee. Lessee shall provide a monthly statement to Trustee of all activity in any portion of the Operating Account not maintained with Trustee. The moneys on hand in the Operating Account shall be used only to pay promptly when due Operation and Maintenance Costs. There shall be created in the Operating Account a separate subaccount which shall be utilized to pay the fees of Trustee and the expenses of Lessee directly incurred in performing their duties hereunder and under the Trust Indenture. Amounts on hand in the Operating Account in excess of Operations and Maintenance Costs which are then due and payable or may become due and payable within one month will be disbursed monthly to the other accounts in the Project Fund to cure any deficiency.

(d) Operator Fee Account. In the Project Fund there is created and shall be maintained as a separate account an Operator Fee Account (the "Operator Fee Account") which shall be maintained by Trustee. The Operator Fee Account shall be used only to pay any Operator Fees (Cost-Plus). There shall be credited to the Operator Fee Account in each month Project Revenues from time to time received in excess of the current requirements of the Rental Account and the Operating Account in an amount equal to the Operator Fees (Cost-Plus) due during that month.

(e) Operating Reserve/Repair/Contingency Account. In the Project Fund, there is hereby created and shall be maintained as a separate account an operating/reserve/repair/contingency account (the "Operating Reserve/Repair/Contingency Account"). Trustee shall deposit into the Operating Reserve/Repair/Contingency Account, in each month, up to \$45,000 of Project Revenues received in excess of the current requirements of the Rental Account, the Operating Account and the Operator Fee Account, to the extent necessary to cause the amount on deposit therein to equal \$400,000. Funds on deposit in the Operating Reserve/Repair/Contingency Account may be used upon the request of the Issuer or the County solely:

(i) to pay unforeseen Operation and Maintenance Costs when Project Revenues on deposit in the Operating Account in the Project Fund are insufficient;

(ii) to pay unforeseen legal expenses, judgments or contributions toward settlements for any claims with respect to the Project;

(iii) to pay costs which under generally accepted principles constitute capital costs necessarily incurred for the maintenance of the Project including, but not limited to, buildings, structures and equipment, the costs of architectural, engineering, legal and other professional services, and other costs reasonably necessary and incidental thereto; and

(iv) [RESERVED.]

(v) to pay any other amounts incurred by or on behalf of the Issuer or Trustee and its duly appointed or retained agents, attorneys, consultants and managers in connection with the inspection, review, oversight, operations, maintenance, or management of the project;

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provided that money on hand in the Operating Reserve/Repair/Contingency Account shall be applied to restore any deficiency in the Rental Account and may be applied to the payment or discharge of the bonds any time when all the Outstanding Bonds are to be discharged or paid in accordance with Article 10 of the Indenture.

(f) Surplus Account. In the Project Fund there is hereby created and shall be maintained as a separate account a Surplus Account (the "Surplus Account") which shall be maintained by Trustee. There shall be credited to the Surplus Account the amount described in Section 6.1(b), and thereafter in each month Project Revenues in excess of the requirements of Subsections (a) through (e) above. Amounts on deposit in the Surplus Account shall be used to first restore a current deficiency in any of the other accounts within the Project Fund, the Bond Fund and/or the Reserve Fund, and, when not required for such purposes, may be used for any of the following purposes and not otherwise:

(i) exercise the County's option to purchase the Project pursuant to Section 10.2 hereof;

(ii) to pay for repairs or for the construction and installation of improvements or additions to the Project including equipment therefore; or

(iii) upon Lessee's direction to cause Lessor to redeem or purchase Bonds; or

(iv) to pay any unpaid fees and expenses of the Trustee and expenses of the Lessee or the Lessor directly incurred in performing their duties under this Lease or the Indenture.

Except as described herein, no money shall at any time be transferred from the Surplus Account or any other account of the Project Fund to any other fund of Lessee.

(g) Establishment of Other Accounts. Lessee reserves the right to establish other accounts in the Project Fund for the purpose of segregating Project Revenues for the payment of bonds or tax-exempt leases which may be issued by Lessee on a junior and subordinate basis to this Lease, pursuant to Subsection (j) below, to finance costs of improvements or additions to the Project or the acquisition and installation of equipment therein, and the right to apply Project Revenues to any such account for such purpose; provided that the application of such Project Revenues is expressly made junior and subordinate to the application herein of such Project Revenues to the Rental Account.

(h) Deposit and Investment of Funds. All Project Revenues deposited in the Project Fund, when uninvested, shall be kept on deposit with one or more depository banks duly qualified under the laws of the State, with the security therein required. Such revenues and funds shall be kept invested and reinvested by the Trustee upon direction of the Lessee so far as possible, solely in Permitted Investments. Such investments may be made without limitation as to rate or amount. All securities so purchased shall mature at or before the time when it is estimated that the proceeds thereof will be needed for the purposes of the account from which funds are withdrawn for the purchase. All income, gain and loss on such investments shall be credited or charged, as the case may be, to the account from which the investment was made.

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(i) Issuance of Additional Obligations. Lessee may amend this Lease and provide for additional Rental Payments and Rental Payment Deposits for the payment of Additional Bonds, the proceeds of which are used with respect to additional improvements to the Project or to refund Outstanding Bonds, upon the following conditions:

(i) Upon any such amendment there shall be deposited in the Reserve Fund an amount necessary to cause the balance therein to equal the Reserve Requirement, taking into account the Additional Bonds; and

(ii) if the proceeds of the Additional Bonds are to be used to finance the improvement of the Project or additions thereto or the acquisition and installation of equipment therein, and:

(A) Lessee obtains a written report from an independent consultant satisfactory to Trustee who is qualified to study operations of prison facilities and has a reputation for skill and experience in such work, which report sets forth and states the estimated ratio of Net Revenues to the maximum amount of Rental Payments thereafter coming due during the Term of this Lease (including the proposed amendment thereto, but excluding the last Rental Payment), for each of the three Fiscal Years following the Fiscal Year in which it is estimated the improvements, additions or equipment financed by the Lease amendment are to be placed in service, is expected to be not less than 1.50; or

(B) Lessee provides Trustee with a report of an independent certified public accountant which states that the ratio of Net Revenues to the maximum amount of Rental Payments thereafter coming due during the Term of this Lease (not including the proposed amendment) was not less than 1.25 for each of the two most recently ended Fiscal Years, and with a written report from an independent consultant satisfactory to Trustee who is qualified to study operations of prison facilities and has a reputation for skill and experience in such work, which report sets forth and states that the estimated ratio of Net Revenues to the maximum amount of Rental Payments thereafter coming due during the Term of this Lease (including the proposed amendment thereto, but excluding the last Rental Payment), for each of the three complete Fiscal Years following the Fiscal Year in which it is estimated the improvements, additions or equipment financed by the Lease amendment are to be placed in service, is expected to be not be less than 1.25. Any reports delivered pursuant to this clause (ii) shall state the relevant assumptions on which the report is based; and

(iii) if the proceeds of the Additional Bonds are to be used to refund Outstanding Bonds and Lessor provides Trustee with a Certificate of the Issuer stating to the effect that the average annual principal and interest requirements of the Bonds (after the issuance of such Additional Bonds) in the then current or any future Fiscal Year shall not increase as a result of the issuance of such Additional Bonds.

(j) Junior and Subordinate Obligations. In the absence of an event of default under Section 12.1 hereunder, Lessee may issue additional obligations for the purpose of financing improvements of the Project or additions thereto, or the acquisition and installation of items of equipment in the Project without meeting the conditions set forth in Subsection (i) hereof, provided that the application of the Project Revenues to the payment of amounts due on such

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additional obligations is expressly made junior and subordinate to the application of the Project Revenues to the Rental Account.

(k) Imposition of Charges. Lessee hereby covenants and agrees with Lessor that during the Term of this Lease, Lessee will impose and collect reasonable rates, fees and charges for the operation of the Project according to schedules calculated to produce Net Revenues such that as of the end of each Fiscal Year such Net Revenues shall be equal to not less than one hundred twenty-five percent (125%) of the amount necessary to pay all Rental Payments and Rental Payment Deposits due under this Lease, and any amendments thereto during such Fiscal Year (excluding from such requirements amounts deposited in the Bond Fund pursuant to this Lease or any amendment to pay Rental Payments during construction of improvements or additions to be financed with Additional Bonds), and, subject to the provisions of Section 6.2 hereof, the Project Revenues are hereby irrevocably pledged to the payment of the Rental Payments and other amounts due hereunder. If, in the reasonable opinion of Lessee (as set forth in a resolution of Lessee) any laws, rules or regulations enacted or promulgated by the United States of America, the State or any agency or instrumentality of either of them shall not permit Lessee to produce the level of Net Revenues required pursuant to the preceding sentence, Lessee shall, in conformity with then prevailing laws, rules or regulations, maintain rates, fees and charges which will produce the maximum permissible Net Revenues. Failure to comply with the requirements of this Section 6.4(k) shall not constitute a Default hereunder provided that within 120 days of the end of the Fiscal Year, Lessee shall engage a management consultant with skill and experience in the operation of facilities similar to the Project to make recommendations regarding the operation of the Project to produce Net Revenues to comply with this Section 6.4(k) or if less, the maximum Net Revenues deemed possible by such management consultant and Lessee follows such recommendation.

(l) Books of Account. Lessee shall keep, or shall cause to be kept, at all times proper and adequate books of account showing all receipts and disbursements of moneys derived from the operation of the Project, which shall show the segregation and application of Project Revenues in accordance with the provisions of this Lease. Such books of account shall be available for inspection and copying by Lessor and Trustee and their employees and agents at all times during normal business hours (which shall be at Lessee's cost if an event of default as defined in Section 12.1 hereof has occurred) and shall be audited annually by a certified public accountant or firm of certified public accountants acceptable to Lessor and Trustee.

ARTICLE 7

MAINTENANCE, TAXES, INSURANCE AND OTHER MATTERS

Section 7.1 Maintenance and Modification of Project by Lessee. During the Term of this Lease and as Operation and Maintenance Costs, Lessee shall maintain, preserve and keep, or cause to be maintained, preserved and kept, the Project in good repair, working order and condition and from time to time make all repairs, replacements and improvements necessary to keep the Project in such condition. Lessor shall have no responsibility for such maintenance or for any such repairs, replacements or improvements, but may take such steps as deemed reasonably necessary to maintain, preserve, and keep the Project in good repair, working order and condition and from time to time make all repairs, replacements and improvements necessary

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to keep the Project in such condition but solely to the extent moneys are on deposit in the Operating Reserve/Repair/Contingency Account Fund for the payment thereof. In addition, Lessee shall have the right to remodel the Project or to make additions, modifications and improvements thereto. All such additions, modifications and improvements shall thereafter comprise part of the Project and be subject to the provisions of this Lease. Such additions, modifications and improvements must not in any way damage the Project or cause it to be used for purposes other than those authorized under the provisions of State and Federal law; and, upon completion of any additions, modifications and improvements made pursuant to this Section, shall be of a value not less than the value of the Project immediately prior to the making of such additions, modifications and improvements. Any property for which a substitution or replacement is made pursuant to this Section 7.1 may be disposed of by Lessee in such manner and on such terms as are determined by Lessee free from this Lease. Lessee will not permit any mechanic's or other lien to be established or remain against the Project for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by Lessee pursuant to this Section 7.1. If any such lien is established and Lessee shall first notify Lessor of Lessee's intention to do so, Lessee may in good faith and at its expense contest any lien filed or established against the Project and, in such event, may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless Lessor shall notify Lessee that, in the opinion of Independent Counsel, by nonpayment of any such item the interest of Lessor in the Project will be materially endangered or the Project or any part thereof will be subject to loss or forfeiture. In such event, Lessee shall promptly pay and cause to be satisfied and discharged all such unpaid items or provide Lessor with full security against any such loss or forfeiture, in form satisfactory to Lessor. Lessor will cooperate fully with Lessee at its expense in any such contest, upon request of Lessee, if Lessee agrees to pay Lessor's expenses.

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Section 7.2 Taxes, Other Governmental Charges and Utility Charges. During the Term of this Lease and as Operation and Maintenance Costs, Lessee shall pay, or cause to be paid, when due all gas, steam, electricity, heat, power, telephone and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Project. Lessee shall also pay all property (both real and personal) and excise taxes and governmental charges of any kind whatsoever which may at any time be assessed or levied against or with respect to the Project or any part thereof or the Rental Payments or Rental Payment Deposits, or the ownership, lease, operation or use of the Project, and which become due during the Term of this Lease with respect thereto, and all special assessments and charges lawfully made by any governmental body for public improvements that may be secured by a lien on the Project. With respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, Lessee shall be obligated to pay only such installments as are required to be paid during the Term of this Lease as and when the same become due. Lessee shall not be required to pay any federal, state or local income, inheritance, estate, succession, transfer, gift, franchise, gross receipts, profits, excess profit, capital stock, corporate or other similar tax payable by Lessor, its successors or assigns, unless such tax is made in lieu of or as a substitute for any real estate or other tax upon the Project or the Rental Payments or Rental Payment Deposits.

Lessee may, after notifying Lessor, at Lessee's expense and in Lessee's name, in good faith contest any such taxes, assessments or utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid

during the period of such contest and any appeal therefrom unless Lessor shall notify Lessee that, in the opinion of Independent Counsel, by nonpayment of any such items the interest of Lessor in the Project will be materially endangered or the Project or any part thereof will be subject to loss or forfeiture. In such event, Lessee shall promptly pay such taxes, assessments or charges or provide Lessor with full security against any loss which may result from nonpayment, in form satisfactory to Lessor.

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Section 7.3 Liability Insurance. During the Term of this Lease and as Operation and Maintenance Costs, Lessee shall procure and maintain continuously in effect, with respect to the Project, insurance against any liability for injuries to or death of any person or injury to or loss of property arising out of or in any way relating to the maintenance, use or operation of the Project or any part thereof in a minimum amount of \$5,000,000. If funds to obtain such insurance are not available as stated in the immediately preceding sentence, Lessee shall notify Trustee of same prior to the expiration of existing insurance coverage.

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Section 7.4 Lessee's Negligence. Lessee, to the extent lawfully allowed, assumes all risks and liabilities, whether or not covered by insurance, for loss or damages to the Project and for injury to or death of any person or damages to any property, whether such injury or death be with respect to agents or employees of Lessee or of third parties and whether such property damage be to Lessee's property or the property of others, if such injury, death, loss or damage be proximately caused by the negligent conduct of Lessee, its officers, employees, agents, invitees, contractors, subcontractors, guests or prisoners. Lessee, to the maximum extent permitted by State Laws, hereby assumes responsibility for and agrees to reimburse Lessor and Trustee, which reimbursement shall be paid from and to the extent of appropriated funds, for all liabilities, obligations, losses, damages, penalties, claims, actions, costs and expenses (including reasonable attorneys' fees) of whatsoever kind and nature, imposed on, incurred by or asserted against Lessor or Trustee that in any way relate to or arise out of a claim, suit or proceeding based in whole or in part upon the conduct of Lessee, its officers, employees, agents, invitees, contractors, subcontractors, guests or prisoners. Notwithstanding anything contained herein to the contrary, Lessee does not waive any of its common law and statutory defenses and immunities. Any obligations hereunder are payable solely from and to the extent of the availability of Project Revenues. Nothing herein shall require Lessee to create a sinking fund or levy a tax to fund any obligation under this Lease.

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Section 7.5 Property Insurance. During the Term of this Lease and as Operation and Maintenance Costs, Lessee shall have and assume and shall bear the risk of loss with respect to the Project and shall procure and maintain, or cause to be procured and maintained, continuously in effect with respect to the Project, to the extent of the Purchase Price then applicable, all-risk insurance, including coverage for riots, subject only to the standard exclusions contained in the policy. Lessee also shall obtain business interruption insurance protecting Lessee, Lessor and Trustee against the loss of Project Revenues sufficient to pay Operation and Maintenance Costs and Rental Payments and Rental Payment Deposits otherwise due hereunder for a period of one year. The proceeds of such business interruption insurance shall be paid to the Project Fund and applied as provided therein if and to the extent that other moneys (other than moneys held in the Reserve Fund) are not available to pay Operation and Maintenance Costs and make Rental Payments and Rental Payment Deposits. All policies (or endorsements or riders) evidencing insurance required by this Section 7.5 shall be carried in the names of Lessee, Lessor and Trustee

as their respective interests may appear and shall name Trustee as mortgagee and loss payee. The Net Proceeds of insurance required by this Section 7.5 shall be applied as provided in this Section 7.5 and Section 8.1 hereof.

Section 7.6 Workers' Compensation Insurance. During the Term of this Lease and as Operation and Maintenance Costs, if required by State Law, Lessee shall either:

(a) carry, or cause to be carried, Workers' Compensation Insurance, or lawful alternative, covering all employees on, in, near or about the Project; or

(b) be self-insured to cover risks typically covered by Workers' Compensation Insurance. Upon request, Lessee shall furnish to Lessor certificates evidencing such coverage or self-insurance throughout the Term of this Lease.

Section 7.7 Other Insurance and Requirements for Insurance. All insurance required by this Article 7 may be carried under a separate policy or a rider or endorsement; shall be taken out and maintained with responsible insurance companies organized under the laws of one of the states of the United States, qualified to do business in the State and having a rating from A. M. Best of A- or higher; shall contain a provision that the insurer shall not cancel or revise coverage thereunder without giving written notice to both parties and Trustee at least thirty (30) days before the cancellation or revision becomes effective; and (except for Worker's Compensation Insurance) shall name Lessee, Lessor and Trustee as insured parties and name Trustee as mortgagee and loss payee. Lessee and Lessor shall deposit with Trustee policies evidencing any such insurance procured by it or the Design/Builder, or a certificate or certificates of the respective insurers stating that such insurance is in full force and effect. Thirty (30) days before the expiration of any such policy, Lessee shall furnish to Lessor and Trustee evidence that the policy has been renewed or replaced by another policy conforming to the provisions of this Article 7, unless such insurance is no longer obtainable, in which event such party shall notify the other party of this fact.

Section 7.8 Reserved

Section 7.9 Liens. Lessee shall not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Project, other than the respective rights of Lessor, Issuer and Lessee as provided in this Lease and Permitted Encumbrances. Except as expressly provided in this Article, Lessee shall promptly take such action as may be necessary duly to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim if the same shall arise at any time and reimburse Lessor for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim. Such payments required to be paid by Lessee shall be paid from and to the extent of Project Revenues in excess of the requirements of the Rental Account and the Operating Account.

Section 7.10 Restrictions Regarding Hazardous Substances. Lessee, its agents, employees, contractors, affiliates, lessees, subtenants, licensees or invitees (collectively, "Lessee's Persons") shall not generate, manufacture, store, dispose of or otherwise use or hold on or under or about the Project or transport to, from or across the Project any Hazardous

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Substances (as defined below in this Section 7.10) without the prior written consent of Lessor. Lessee and Lessee's Persons shall at no time permit, suffer or acquiesce in any other person undertaking the foregoing without Lessor's written consent. For purposes of this Section 7.10 and to the extent permitted by law, any acts or omissions of Lessor, Lessor's Persons (defined collectively as including Lessor, its agents, employees, contractors, affiliates, lessees, subtenants, licensees or invitees) or others acting for or on behalf of Lessee or Lessee's Persons shall be strictly attributable to Lessee. Lessee shall give Lessor and Trustee at least thirty (30) days' written notice of Lessee's or Lessee's Persons' intention to generate, manufacture, store, use, dispose of or transport any Hazardous Substance on or about the Project. Lessor shall have ten (10) days in which to approve or disapprove such actions in writing. If Lessee receives notice from any local, state or federal governmental agency of any proposed action against Lessee under or violation of any Hazardous Substance Law pertaining to the Project, Lessee shall promptly provide Lessor and Trustee with a copy of such notice. As used herein, "Hazardous Substances" means any oil, flammable explosives, asbestos, radioactive materials or wastes, medical waste, or other hazardous, toxic contaminated or polluting materials, substances or wastes including, without limitation, any "hazardous" or "toxic" substances, wastes, or materials under any Federal, state or local law, ordinance or regulation relating to industrial hygiene, environmental protection, or the use, analysis, generation, manufacture, storage or transportation of such substances (collectively, "Hazardous Substance Law(s)").

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Section 7.11 Compliance with Hazardous Substance Handling Laws. Lessee shall, at its own expense, comply and cause Lessee's Persons to comply with all Hazardous Substance Laws, including, without limitation, those controlling the discharge of (appropriately treated) materials or wastes into or through any sanitary sewer serving the Project. Except as discharged into the sanitary sewer in strict accordance and conformity with all applicable Hazardous Substance Laws, Lessee, at its sole cost and expense, shall cause any and all Hazardous Substances removed from the Project to be removed and transported solely by duly licensed haulers to duly licensed facilities for final disposal of such materials and wastes. Lessee shall, at its sole cost and expense, cause all contamination to be cleaned up, or all Hazardous Substances to be removed from the Project and transported for use, storage or disposal, in accordance and compliance with all Hazardous Substance Laws. All of such costs and expenses shall be paid from and to the extent of Project Revenues as Operation and Maintenance Costs.

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Section 7.12 Lessee's Indemnification of Lessor and Trustee. Lessee, to the extent permitted by law, hereby indemnifies Lessor and Trustee, their directors, officers, partners, shareholders, employees, contractors, agents, heirs, successors, personal and legal representatives and assigns (collectively, the "Indemnified Parties"), and agrees to defend (with counsel previously approved by Lessor in writing not to be unreasonably withheld) and hold the Indemnified Parties harmless from and against any and all claims, suits, court or administrative proceedings, losses, costs, damages, liabilities, deficiencies, fines, penalties, forfeitures, punitive damages or expenses (including, without limitation, attorneys' fees), or deaths of or injuries to (including, without limitation, sickness) any person tangible or intangible damage to any real or personal property, whatsoever, incurred by, arising out of, or based upon or resulting from:

(a) Lessee or Lessee's Persons' failure to perform or observe any of its obligations or agreements under this Article 7;

(b) the presence, release, threatened release, use, analysis, generation, discharge, storage, disposal or transportation of any Hazardous Substance under, in or about, to or from the Project occurring or resulting from acts or omissions of Lessee or Lessee's Persons (and not directly resulting from any negligent or intentional acts of the Indemnified Parties seeking indemnity); and

(c) Lessee's or Lessee's Persons' failure to comply with any Hazardous Substance Law. Lessee's obligation hereunder shall include, without limitation, and whether or not foreseeable, liability for compensation for lost wages, business income, profits, or other economic loss, damage to the natural resources or the environment (including, without limitation, damage to the soil, groundwater or other water supplies), nuisance, pollution, contamination, leak, spill, release or any and all other adverse effects on the environment, and all costs of any remedial action, closure, repair, cleanup or detoxification or decontamination of the Project (including, without limitation, restoration of water supplies), as determined necessary by Lessor in its sole discretion. The foregoing indemnification shall survive the expiration or earlier termination of the Term of this Lease. All costs and expenses incurred by Lessee by reason of compliance with its obligations under this Section 7.12 shall be paid solely from and to the extent of Project Revenues in excess of the requirements of the Rental Account and the Operating Account. Nothing herein shall be construed to require Lessee to create a sinking fund or levy a tax to fund obligations under this Lease.

Section 7.13 Remedial Action. Notwithstanding the foregoing, Lessor may, at its sole option (but without any obligation to do so) and at Lessee's sole cost and expense:

(a) undertake any remedial action to remove any Hazardous Substance from the Project or cleanup any contamination resulting from Lessee's or Lessee's Persons' use of the Project or Improvements; and/or

(b) participate in any proceeding under any Hazardous Substance Law against Lessee or relating to the Project arising from Lessee's or Lessee's Persons' use of the Project.

Section 7.14 Discovery of Hazardous Substances. If Lessee determines or has reasonable cause to believe that any Hazardous Substance is located on or beneath the Project, then upon such discovery or suspicion of the presence of the Hazardous Substance, Lessee shall immediately give written notice of that condition to Lessor and Trustee. Lessor may void this Lease, at its sole discretion, if Lessee fails to provide such written notice as herein provided.

Section 7.15 Reserved

Section 7.16 County Inmates. Lessee agrees that it shall pay as additional rental hereunder for the housing of any County Inmate at the Project an amount which will be sufficient to pay for the cost of housing such County Inmate in accordance with the terms of any Operating Agreement, and if no such Operating Agreement exists, or if no provision therein is made for the payment of cost of housing such County Inmate, Lessee agrees that it will pay additional rental hereunder in an amount which shall be equal to the lowest per prisoner, per day rate charged to any other jurisdiction housing inmates at the Project. Although any payment hereunder will

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come from moneys which are not Project Revenues, once such payments are made, any additional rental under this Section 7.16 shall be deemed Project Revenues.

ARTICLE 8

DAMAGE, DESTRUCTION AND CONDEMNATION; USE OF NET PROCEEDS

Section 8.1 Damage, Destruction and Condemnation. If:

(a) the Project or any portion thereof is destroyed or is damaged by fire or other casualty; or

(b) title to or the temporary use of the Project or any part thereof, or the interest of Lessee or Lessor in the Project or any part thereof, shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, Lessee, so long as no Event of Default has occurred or with the passage of time would occur, shall have the rights specified in this Section 8.1 with respect to the Net Proceeds of any insurance or condemnation award and shall either:

(i) if such Net Proceeds together with any other funds provided pursuant to this Article 8 are sufficient to repair, restore, modify or improve the Project to a state which in the reasonable judgment of the Issuer is adequate for its intended purposes, apply such Net Proceeds to the prompt repair, restoration, modification or improvement of the Project by Lessee, in which event Lessee shall be obligated to continue to pay the Rental Payments and Rental Payment Deposits due with respect to the Project, or

(ii) if and to the extent Net Proceeds and other Project Revenues are sufficient for such purpose, and solely from and to the extent of Net Proceeds and other Project Revenues, purchase the Project promptly on a date for which it is possible to give notice in accordance with this clause by giving notice of such intent to Trustee no less than sixty (60) days prior to such date and by depositing with Trustee on such date an amount equal to the Purchase Price together with all Rental Payments and Rental Payment Deposits and other amounts then due or past due less the funds held by Trustee on such date pursuant to the Trust Indenture, in which event the Net Proceeds may be used for such purchase.

Section 8.2 Insufficiency of Net Proceeds. If the Net Proceeds are insufficient to pay in full the cost of any repair, restoration, modification or improvement of the Project or to pay the Purchase Price pursuant to Article 10 hereof, Lessee shall, so long as no Event of Default has occurred or with the passage of time would occur, either:

(a) complete the work and pay any cost in excess of the amount of the Net Proceeds, and Lessee agrees that, if by reason of any such insufficiency of the Net Proceeds, Lessee shall make any payments pursuant to the provisions of this Section 8.2, such payments shall be paid solely from and to the extent of Project Revenues in excess of the requirements of the Rental Account and the Operating Account, and Lessee shall not be entitled to any reimbursement therefor from Lessor nor shall Lessee be entitled to any diminution of the Rental Payments or Rental Payment Deposits due with respect to the Project, or

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(b) to the extent permissible under State Law and solely from and to the extent of Project Revenues, pay the cost in excess of Net Proceeds necessary to pay the Purchase Price and other amounts due hereunder. Lessee may at its sole option use other available moneys lawfully appropriated for the purpose of complying with clauses (a) and (b) of this Section 8.2.

If the Net Proceeds are insufficient to allow Lessee to pursue either of the alternatives set forth in paragraph (a) or (b) of this Section 8.2, then Trustee, as assignee of Lessor's rights hereunder, at the direction of the Owners of at least 66 2/3 % of the principal amount of the Bonds then Outstanding, shall determine how the Net Proceeds will be applied.

Section 8.3 Cooperation of Lessor. Lessor shall cooperate fully with Lessee at Lessee's expense in filing any proof of loss with respect to any insurance policy covering the casualties described in Section 8.1 hereof and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Project or any part thereof and will, to the extent it may lawfully do so, permit Lessee to litigate at Lessee's expense in any proceeding resulting therefrom in the name of and on behalf of Lessor. In no event will Lessor voluntarily settle, or consent to the settlement of, any proceeding arising out of any insurance claim or any prospective or pending condemnation proceeding with respect to the Project or any part thereof without the written consent of Lessee. If there is an Event of Default which has not been cured or if there is an event which with the passage of time will constitute an Event of Default, then Lessee will not voluntarily settle or consent to any settlement of any proceeding arising out of any insurance claim or prospective or pending condemnation proceeding with respect to the Project or any part thereof.

ARTICLE 9

LESSEE'S EQUIPMENT; WARRANTIES

Section 9.1 Installation of Lessee's Equipment. Lessee may at any time and from time to time, in its sole discretion and at its own expense, install items of movable machinery and equipment in or upon the Project, which items shall be identified by tags or other symbols affixed thereto as property of Lessee not included in the Project. All such items so identified shall remain the sole property of Lessee, in which Lessor shall have no interest, and may be modified or removed by Lessee at any time, provided that Lessee shall repair and restore any and all damage to the Project resulting from the installation, modification or removal of any such items. Nothing in this Lease shall prevent Lessee from purchasing items to be installed pursuant to this Section 9.1 under a conditional sale or lease with option to purchase contract, or subject to a vendor's lien or security agreement as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest shall attach to any part of the Project. Notwithstanding anything contained herein the contrary, this Section 9.1 shall not apply to any furniture, fixtures or equipment acquired with proceeds of the Series 1998 Bonds, with proceeds of any series of Additional Bonds or with Project Revenues.

Section 9.2 Reserved

Section 9.3 Reserved

Section 9.4 Assignment of Warranties. Lessor hereby assigns to Lessee for and during this Term of this Lease, all of its interest in all warranties and guarantees, express or implied, issued on or applicable to the Project, and Lessor hereby authorizes Lessee to obtain the customary services furnished in connection with such warranties and guarantees at Lessee's expense.

Section 9.5 Disclaimer of Warranties. LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY LESSEE OF THE PROJECT, OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE PROJECT.

ARTICLE 10

OPTION TO PURCHASE OR DIRECT PURCHASE OR REDEMPTION OF BONDS

Section 10.1 When Available. Lessee shall have the option to purchase all, but not less than all, of Lessor's interest in the Project on any date for an amount equal to the Purchase Price for such date or to direct Lessor to redeem or purchase all or a portion of the Bonds as permitted by Article 3 of the Indenture, but only in the manner provided in this Article 10.

Section 10.2 Exercise of Option.

(a) Lessee shall give written notice to Lessor and Trustee of its intention to exercise its option to direct Lessor to purchase or partially redeem Bonds, not less than forty-five (45) days prior to the date on which the option is to be exercised and shall deposit with Trustee on the date on which the option is to be exercised, an amount equal to the applicable purchase or redemption price of the Bonds to be purchased or redeemed, less the funds held by Trustee on such date pursuant to the Trust Indenture and available and directed by Lessor to be used therefor.

(b) Lessee may purchase Lessor's entire interest in the Project at any time in accordance with the provisions of Section 10.1 of the Trust Indenture in order to also cause a defeasance of the Bonds, by depositing irrevocably in escrow, with Trustee, cash and/or Government Obligations in the amount of the Purchase Price and provided that contemporaneously therewith, Lessor shall cause the defeasance of the Outstanding Bonds in accordance with Article 10 of the Indenture.

Section 10.3 Release of Lessor's Interest. Upon exercise by Lessee of its option to purchase and payment in full of all amounts due and owing hereunder, Lessee shall have no further obligations under this Lease, and Lessor and its assigns shall, at Lessee's request and expense, take all actions necessary to authorize, execute and deliver to Lessee any and all documents necessary to vest in Lessee all of Lessor's right, title and interest in and to the Project, free and clear of all liens, leasehold interests and encumbrances created or incurred by Lessor including, if necessary, a release of any and all liens or interests created under the provisions of this Lease and the Deed of Trust and excluding Permitted Encumbrances other than this Lease and the Deed of Trust.

ARTICLE 11

ASSIGNMENT, SUBLEASE, MORTGAGE AND SALE

Section 11.1 Assignment by Lessor. Lessee shall not assign its obligations under this Lease and no purported assignment thereof shall be effective. All of Lessor's rights, title and/or interest in and to this Lease, the Rental Payments and Rental Payment Deposits and other amounts due hereunder and the Project may be assigned and reassigned in whole or in part to one or more assignees or subassignees by Lessor at any time, without the consent of Lessee. No such assignment or reassignment shall be effective unless and until the assignor shall have filed with Lessee a copy or written notice thereof identifying the assignee or reassignee. The parties recognize that Lessor shall assign its right, title and interest in the Rental Payments and Rental Payment Deposits and the right to exercise remedies pursuant to this Lease to Trustee for the benefit of the Owners of the Bonds pursuant to the Indenture, and Issuer has granted to Trustee a first mortgage lien on the Project, pursuant to the Deed of Trust, and all references to Trustee contained in this Lease, except as depository agent of Lessee, are made solely because and in recognition of such assignment and grant. Lessee shall have no obligation, responsibility, duty or liability to the Owners of the Bonds with respect to the performance by Issuer or Trustee of any duty imposed on Issuer or Trustee under the Trust Indenture. The term "Lessor" shall include all permitted assigns of Lessor, including Trustee. Lessee shall pay all Rental Payments and Rental Payment Deposits due hereunder to or at the direction of Lessor or the assignee named in the most recent assignment or notice of assignment filed with Lessee. During the Lease Term, Lessee shall keep a complete and accurate record of all such assignments.

Section 11.2 Assignment and Subleasing by Lessee. This Lease may not be assigned or subleased by Lessee without the written consent of Lessor.

Section 11.3 Restriction on Mortgage or Sale of Project by Lessee. Lessee will not mortgage, sell, assign, transfer or convey its interest in the Project or any portion thereof during the Term of this Lease without the prior written consent of Lessor.

Section 11.4 Subordination and Attornment.

(a) Subject to the rights afforded to Lessee under Sections (b) and (c) below, this Lease and all of Lessee's rights hereunder are, shall be, shall remain, and are expressly made subordinate and subject to:

- (i) the Deed of Trust;
- (ii) the Indenture; and

(iii) all rights and remedies of Trustee pursuant to the documents described in the Deed of Trust and the Indenture, and the liens and security interest created thereby, and to all renewals, modifications and extensions thereof.

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(i) Trustee, on behalf of the Owners of the Bonds, succeeds to the interests of Lessor under this Lease in any manner, including but not limited to, foreclosure, conveyance in lieu of foreclosure, or sale by any entity under the provisions set out in Title 11, United States Code; or

(ii) any purchaser acquires the Project upon any foreclosure of the Deed of Trust or the sale of the Project by Trustee under the Deed of Trust in accordance with the Deed of Trust,

then, in either case Lessee shall, upon demand by Trustee or such purchaser attorn to same, as the case may be, upon any such occurrence, and shall recognize Trustee or such purchaser, as the case may be, as Lessor under this Lease. Trustee or such purchaser, as the case may be, agree to honor the terms of this Lease so long as Lessee is not in default under this Lease and has not failed to make payment of the Rental Payments or Rental Payment Deposits and other amounts due hereunder from Project Revenues. Lessee agrees, however, to execute and deliver at any time and from time to time, upon the request of Trustee, or any such purchaser, any instrument or certificate which, in the sole judgment of Trustee, or such purchaser, may be necessary in any such foreclosure proceeding or otherwise to evidence such attornment. To the extent permitted by law, in the event of any such attornment, Lessee further waives the provisions of any statute or rule of law, now or hereafter in effect, which may give or purport to give Lessee any right or election to terminate or otherwise adversely affect this Lease and the obligations of Lessee thereunder as a result of any such foreclosure proceeding or sale by Trustee.

(c) If:

(i) Trustee should elect, expressly in writing to succeed to the interest of Lessor under this Lease in any manner, subsequent to foreclosure, conveyance in lieu of foreclosure, sale by any entity under the provisions set out in Title 11, United States Code, section 363, or a confirmed plan of reorganization or abandonment by any entity under the relevant provisions of Title 11 of the United States Code; or

(ii) any purchaser acquires the Project and expressly elects to succeed to Lessor's interest in this Lease, upon any foreclosure of the Deed of Trust or any sale of the Project by Trustee under the Deed of Trust in accordance with the Deed of Trust,

then Trustee or such purchaser, as the case may be, in the event of attornment, shall have the same remedies by entry, action, or otherwise in the event of any default under this Lease by Lessee in the payment of Rental Payments or Rental Payment Deposits or other amounts due hereunder, or in the performance of any of the terms, covenants, and conditions of this Lease on Lessee's part to be performed that Lessor had or would have had if Trustee or such purchaser had not succeeded to the interest of Lessor, from and after any attornment (it being understood and agreed that Trustee and any purchaser shall only be found to have attorned to Lessee in the event that they expressly, and in writing, elect to succeed to Lessor's interest in this Lease and expressly elect to be bound to Lessee under all terms, conditions, and covenants of this Lease). Provided Lessee is not in default under this Lease and has not failed make payment of the Rental Payments or Rental Payment Deposits and other amounts due hereunder from Project Revenues

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and Project Revenues have been sufficient therefor, Lessee shall continue to have all the rights available to Lessee under this Lease, including but not limited to the right to exercise its option to purchase the Project.

ARTICLE 12

EVENTS OF DEFAULT AND REMEDIES

Section 12.1 Events of Default Defined. The following shall be "Events of Default" under this Lease and the term "Events of Default" shall mean, whenever they are used in this Lease, with respect to the Project, any one or more of the following events:

(a) Failure by Lessee to make a Rental Payment or a Rental Payment Deposit at the time specified herein; provided that such failure to pay a Rental Payment or a Rental Payment Deposit is not an Event of Default if such failure is due solely to an insufficiency of Project Revenues and there is an amount in the Reserve Fund equal to such Rental Payment or the Bond Fund Portion of Such Rental Payment Deposit(s) and which amount, together with other moneys deposited to the Rental Account, is at least equal to such delinquent Rental Payment or Rental Payment Deposit, and an amount not greater than such Rental Payment or the Bond Fund Portion of Such Rental Payment Deposit(s) is transferred from the Reserve Fund to the Bond Fund;

(b) Failure by Lessee to observe and perform any covenant, condition or agreement on its part to be observed or performed by it hereunder, other than as referred to in Section 12.1(a) for a period of thirty (30) calendar days after written notice specifying such failure and requesting that it be remedied has been given to Lessee by Lessor, unless Lessor shall agree in writing to an extension of such time prior to its expiration; however, if the failure stated in the notice cannot be corrected within the applicable period, Lessor will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by Lessee within the applicable period and diligently pursued until the default is corrected.

(c) The discovery by Lessor that any material statement, representation or warranty made by Lessee in this Lease or in any writing ever delivered by Lessee pursuant to or in connection with this Lease is false, misleading or erroneous in any material respect.

(d) The filing by Lessee of a voluntary petition in bankruptcy, or failure by Lessee promptly to lift any execution, garnishment or attachment of such consequence as would impair the ability of Lessee to carry on its operations at the Project, or adjudication of Lessee as a bankrupt or assignment by Lessee for the benefit of creditors, or the entry by Lessee into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to Lessee in any proceedings instituted under the provisions of the Federal Bankruptcy Statute, as amended, or under any similar federal or state laws which may hereafter be enacted.

(e) If Lessee disposes of any portion of the Project (or any interest therein), without the consent of Trustee, except as necessary in the reasonable judgment of the Issuer or the County, to discard, replace, or trade in worn, damaged or obsolete items, or if any event occurs

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or any condition exists the effect of which is to cause a lien to be placed on the Project or Lessee's interest in the Project, other than Permitted Encumbrances.

The provisions of this Section 12.1 and of Section 12.2 hereof are subject to the limitation that if by reason of force majeure Lessee is unable in whole or in part to carry out its obligations under this Lease with respect to the Project, other than the obligation of Lessee to pay Rental Payments or Rental Payment Deposits which shall be payable when due notwithstanding the provisions of this paragraph, Lessee shall not be deemed in default during the continuance of such inability or during any other delays which are a direct consequence of the force majeure inability. The term force majeure, as used herein shall mean, without limitation, the following: acts of God; acts of public enemies; orders or restraints of any kind of the government of the United States of America or any of its departments, agencies or officials, or any civil or military authority; landslides; earthquakes; fires; storms; droughts; floods; explosions; breakage or accident to machinery, transmission pipes or canals; or any other cause or event not reasonably within the control of Lessee and not resulting from Lessee's negligence. Lessee agrees, however, to remedy with all reasonable dispatch the cause or causes preventing it from carrying out its obligations under this Lease; however, the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of Lessee, and Lessee shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is, in Lessee's judgment, unfavorable to Lessee. The Parties hereto recognize and agree that although failure by Lessee to make a Rental Payment, Rental Payment Deposit, or any other payment required to be paid hereunder at the time specified herein is an "Event of Default" except as provided in Sections 12.1(a) and 7.16 hereof, Lessee has no obligation to make any payments under this Lease except from and to the extent of available Project Revenues. If failure to make such payment at the time specified is a result of the insufficiency of Project Revenues, such Event of Default shall not be deemed to have been caused by Lessee, although Lessee agrees that the remedies as set forth herein may be exercised in accordance with the terms hereof.

Section 12.2 Remedies on Default. Whenever any Event of Default referred to in Sections 12.1(a) through (e) hereof shall have happened and be continuing with respect to the Project, Lessor shall have the right, at its option and without any further demand or notice, to take one or any combination of the following remedial steps:

(a) With or without terminating this Lease, to the extent permitted by State law, re-enter and take possession of the Project and exclude Lessee from using the Project; however, if this Lease has not been terminated, Lessor shall return possession of the Project to Lessee when the event of default is cured and, further, Lessee shall, during such period of repossession by Lessor without termination of this Lease, continue to be responsible for the Rental Payments and Rental Payment Deposits due hereunder;

(b) With or without terminating this Lease, re-enter and take possession of the Project, and sell or lease the Project, however, nothing contained herein shall impose an obligation upon Lessor to sell or lease the Project, and any proceeds from such disposition shall be distributed as provided in the Trust Indenture;

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(c) Terminate this Lease and accelerate and declare all Rental Payments (but not Rental Payment Deposits) under this Lease due or to become due, to be immediately due and payable by Lessee, whereupon such amounts shall be immediately due and payable; or

(d) Take whatever action at law or in equity may appear necessary or desirable to collect the Rental Payments and Rental Payment Deposits then due and thereafter to become due hereunder or to enforce performance and observance of any other obligation, agreement or covenant of Lessee under this Lease, provided that anything to the contrary herein notwithstanding, Lessee's option to purchase the Project in accordance with Article 10 hereof shall survive any Default or Event of Default hereunder, whether or not the Lease is otherwise terminated.

All amounts to be paid by Lessee pursuant to this Article 12 shall be payable solely from Project Revenues which have been deposited in the Project Fund, or moneys otherwise available under the Trust Indenture, and from Net Proceeds, and in no event shall such amounts be payable from any other funds of Lessee.

Section 12.3 Return of Project. Upon the expiration or termination of this Lease pursuant to Section 5.2(a) or (c), Lessee shall deliver possession of the Project to Lessor in the condition, repair, appearance and working order required in Section 7.1 hereof, and shall, within ten (10) days thereafter, release its interest in the Project granted by this Lease.

Section 12.4 Delay; Notice. No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle any party to exercise any remedy reserved to it in this Lease, it shall not be necessary to give any notice other than such notice as may be required in this Lease.

Section 12.5 No Remedy Exclusive. No remedy herein conferred upon or reserved to Lessor is intended to be exclusive, and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Lease or now or hereafter existing at law or in equity.

Section 12.6 Agreement to Pay Attorney's Fees and Expenses. In the event either party to this Lease should default under any of the provisions hereof and the nondefaulting party should employ attorneys or incur other expenses for the collection of funds or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party the reasonable fee of such attorneys and such other expenses so incurred by the nondefaulting party, provided in the case of Lessee such amounts shall come solely from Project Revenues, and in the case of Lessor such amounts shall come solely from the Trust Estate.

Section 12.7 No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Lease should be breached by either party and thereafter waived by

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the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE 13

TITLE

During the Term of this Lease, legal title to the Project and any and all repairs, replacements, substitutions and modifications to it shall be in Lessor, subject to Lessee's interest therein under the provisions of this Lease. Lessee shall not permit any lien or encumbrance of any kind to exist against the title to the Project other than Permitted Encumbrances. Upon termination of this Lease for either of the reasons specified in Sections 5.2(b) hereof, legal title to the Project shall become vested in Lessee and Lessor, Issuer and Trustee shall execute and deliver to Lessee at Lessee's expense such documents as Lessee may request to evidence the transfer of title to the Project to Lessee and the termination of Issuer's and Trustee's interests in the Project created under this Lease, the Trust Indenture and the Deed of Trust. Upon termination of this Lease for either of the reasons specified in Sections 5.2(a) or (c) hereof, all interest of Lessee in the Project pursuant to this Lease immediately shall revert to Trustee, free of any right, title or interest of Lessee.

ARTICLE 14

RESERVED

ARTICLE 15

ADMINISTRATIVE PROVISIONS

Section 15.1 Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given on the earlier of (a) delivery or (b) three (3) days following deposit in the United States mail in certified or registered form with postage fully prepaid to the addresses shown in the first paragraph hereof or, in the case of Issuer or Trustee, to Issuer's and Trustee's addresses as shown in the Trust Indenture. Lessor, Lessee, Issuer and Trustee by notice given hereunder, may designate different addresses to which subsequent notices, certificates or other communications will be sent.

Section 15.2 Binding Effect. This Lease shall inure to the benefit of and shall be binding upon Lessor and Lessee and their respective successors and assigns, as and to the extent that assignments are permitted by this Lease.

Section 15.3 Severability. In the event any provision of this Lease shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 15.4 Amendments, Changes and Modifications. This Lease may be amended or any of its terms modified only by written amendment authorized and executed by Lessee and Lessor.

Section 15.5 Further Assurances and Corrective Instruments. Lessor and Lessee agree that they will, if necessary, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Project hereby leased or intended so to be or for carrying out the expressed intention of this Lease.

Section 15.6 Execution in Counterparts. This Lease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 15.7 Applicable Law. This Lease shall be governed by and construed in accordance with State Laws.

Section 15.8 Lessor and Lessee Representatives. Whenever under the provisions of this Lease the approval of Lessor or Lessee is required or Lessor or Lessee is required to take some action at the request of the other, such approval of such request shall be given for Lessor by a Lessor Representative and for Lessee by a Lessee Representative, and any party hereto shall be authorized to rely upon any such approval or request.

Section 15.9 Captions. The captions or headings in this Lease are for convenience only and in no way define, limit or describe the scope or intent of any provisions, Articles or Sections of this Lease.

Section 15.10 Complete Agreement. This Lease supersedes and takes the place of any and all previous agreements entered into between the parties hereto with respect to the subject matter hereof.

Section 15.11 Usury. All agreements and transactions between Lessee and Lessor, whether now existing or hereafter arising, whether contained herein or in any other instrument, and whether written or oral, are hereby expressly limited so that in no contingency or event whatsoever, whether by reason of prepayment, demand for payment or otherwise, shall the amount contracted for, charged or received by Lessor from Lessee for the use, forbearance, or detention of the principal portion of the Rental Payments or Rental Payment Deposits or interest thereon which remains unpaid from time to time, exceed the maximum amount permissible under applicable law, including Chapter 1204, Vernon's Texas Civil Statutes, as amended, it particularly being the intention of the parties hereto to conform strictly to State and Federal laws, whichever is applicable. Any interest payable hereunder or under any other instrument relating to the lease-purchase evidenced hereby that is in excess of the legal maximum under State and Federal laws shall, in the event of prepayment, demand or otherwise, be automatically, as of the date of such prepayment, demand or otherwise, applied to a reduction of the principal portion of the Rental Payments or Rental Payment Deposits and not to the payment of interest, or if such excessive interest exceeds the unpaid balance of the principal portion of the Rental Payments, or Rental Payment Deposits such excess shall be refunded to Lessee. To the extent permitted by State and Federal laws, determination of the legal maximum amount of interest shall at all times be made by amortizing, prorating, allocating and spreading in equal parts during the period of the full stated Term of this Lease all interest at any time contracted for, charged or received from

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Lessee in connection with the loan, so that the actual rate of interest on account of such indebtedness is uniform throughout the term thereof.

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LESSEE:

GARZA COUNTY, TEXAS

By: *Norman Lee*
County Judge

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ATTEST:

Jim Plummer

County Clerk

THE STATE OF TEXAS)
) ss.
COUNTY OF GARZA)

BEFORE ME, the undersigned authority, on this day personally appeared the Hon. Norman Lee, County Judge, and Jim Plummer, County Clerk, of Garza County, known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE on this the 16th day of March, 2012.

Meg Nelson
Notary Public, State of Texas



EXHIBIT "A" TO AMENDED AND RESTATED LEASE AGREEMENT

LEGAL DESCRIPTION OF THE LAND

BEING a 74.40 acres tract of land out of Section 1225, E.L. & R.R. R. R. Co. Survey, Certificate No. 10, and Section 1226, E.L. & R.R. R. R. Co. Survey, Abstract No. 776, Garza County, Texas and being more particularly described as follows:

BEGINNING at a 1/2" iron rod and cap set in the East line of State Highway 207 for the Southwest and beginning corner of this tract, whence the Northeast corner of the Original Town of Post, Texas bears South 00° 13' 00", 400.0 feet and North 89° 47' 00" East, 1172.90 feet and the Southeast corner of Section 1225, Abstract 304, Garza County, Texas bears South 00° 13' 00" East, 403.1 feet and North 89° 47' 00" East 1174.0 feet;

THENCE North 34° 12' 07" West, along the East line of said State Highway 207, 258.65 feet to a 1/2" iron rod and cap set for a corner of this tract;

THENCE North 67° 32' 15" East, 353.67 feet to a 1/2" iron rod and cap set for a corner of this tract;

THENCE North 11° 21' 39" West, 695.61 feet to a 1/2" iron rod and cap set for a corner of this tract;

THENCE South 82° 00' 25" West, 686.91 feet to a 1/2" iron rod and cap set for a corner in the East line of said State Highway 207 for a corner of this tract;

THENCE North 34° 12' 07" West, along the East line of said State Highway 207, 939.27 feet to a 1/2" iron rod and cap set for the Northwest corner of this tract;

THENCE North 89° 47' 00" East, at 2332.81 feet pass the East line of said Section 1225 and the West line of Section 1226, Abstract 776, Garza County, Texas, continuing for a total distance of 3063.90 feet to a 1/2" iron rod and cap set for the Northeast corner of this tract;

THENCE South 30° 22' 00" West, 812.91 feet to a 1/2" iron rod and cap set for a corner of this tract;

THENCE South 00° 13' 00" East, 679.70 feet to a 1/2" iron rod and cap set in the West line of F.M. 651 for a corner of this tract;

THENCE South 20° 25' 00" West, along the West line of F.M. 651, 93.19 feet to a 1/2" iron rod and cap set for a corner of this tract;

THENCE South 89° 47' 00" West, 244.14 feet to a 1/2" iron rod and cap set for a corner of this tract;

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THENCE South 00° 13' 00" East, 250.00 feet to a 1/2" iron rod and cap set for the most Southerly Southeast corner of this tract;

THENCE South 89° 47' 00" West, at 41.74 feet pass the West line of said Section 1226 and the East line of said Section 1225, continuing for a total distance of 1216.03 feet to the Point of Beginning.

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IMPROVEMENTS

Any buildings, structures or fixtures on the Land except movable machinery and equipment not financed or refinanced with proceeds of the Bonds, Additional Bonds or Project Revenues and identified in accordance with Section 9.1 of this Lease.

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EXHIBIT "B" TO AMENDED AND RESTATED LEASE AGREEMENT

RENTAL PAYMENT DEPOSIT SCHEDULE

(SEE ATTACHED)

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Exhibit B

Date	Rental Payment Deposit	Date	Rental Payment Deposit	Date	Rental Payment Deposit
5/1/2012	\$332,253.26	11/1/2016	\$333,080.83	5/1/2021	\$333,486.67
6/1/2012	\$332,253.26	12/1/2016	\$333,080.83	6/1/2021	\$333,486.67
7/1/2012	\$332,253.26	1/1/2017	\$333,080.83	7/1/2021	\$333,486.67
8/1/2012	\$332,253.26	2/1/2017	\$333,080.83	8/1/2021	\$333,486.67
9/1/2012	\$332,253.26	3/1/2017	\$333,080.83	9/1/2021	\$333,486.67
10/1/2012	\$332,253.26	4/1/2017	\$333,080.83	10/1/2021	\$333,486.67
11/1/2012	\$332,522.50	5/1/2017	\$333,080.83	11/1/2021	\$333,450.00
12/1/2012	\$332,522.50	6/1/2017	\$333,080.83	12/1/2021	\$333,450.00
1/1/2013	\$332,522.50	7/1/2017	\$333,080.83	1/1/2022	\$333,450.00
2/1/2013	\$332,522.50	8/1/2017	\$333,080.83	2/1/2022	\$333,450.00
3/1/2013	\$332,522.50	9/1/2017	\$333,080.83	3/1/2022	\$333,450.00
4/1/2013	\$332,522.50	10/1/2017	\$333,080.83	4/1/2022	\$333,450.00
5/1/2013	\$332,522.50	11/1/2017	\$333,193.33	5/1/2022	\$333,450.00
6/1/2013	\$332,522.50	12/1/2017	\$333,193.33	6/1/2022	\$333,450.00
7/1/2013	\$332,522.50	1/1/2018	\$333,193.33	7/1/2022	\$333,450.00
8/1/2013	\$332,522.50	2/1/2018	\$333,193.33	8/1/2022	\$333,450.00
9/1/2013	\$332,522.50	3/1/2018	\$333,193.33	9/1/2022	\$333,450.00
10/1/2013	\$332,522.50	4/1/2018	\$333,193.33	10/1/2022	\$333,450.00
11/1/2013	\$332,876.67	5/1/2018	\$333,193.33	11/1/2022	\$333,106.67
12/1/2013	\$332,876.67	6/1/2018	\$333,193.33	12/1/2022	\$333,106.67
1/1/2014	\$332,876.67	7/1/2018	\$333,193.33	1/1/2023	\$333,106.67
2/1/2014	\$332,876.67	8/1/2018	\$333,193.33	2/1/2023	\$333,106.67
3/1/2014	\$332,876.67	9/1/2018	\$333,193.33	3/1/2023	\$333,106.67
4/1/2014	\$332,876.67	10/1/2018	\$333,193.33	4/1/2023	\$333,106.67
5/1/2014	\$332,876.67	11/1/2018	\$333,467.50	5/1/2023	\$333,106.67
6/1/2014	\$332,876.67	12/1/2018	\$333,467.50	6/1/2023	\$333,106.67
7/1/2014	\$332,876.67	1/1/2019	\$333,467.50	7/1/2023	\$333,106.67
8/1/2014	\$332,876.67	2/1/2019	\$333,467.50	8/1/2023	\$333,106.67
9/1/2014	\$332,876.67	3/1/2019	\$333,467.50	9/1/2023	\$333,106.67
10/1/2014	\$332,876.67	4/1/2019	\$333,467.50	10/1/2023	\$333,106.67
11/1/2014	\$333,105.00	5/1/2019	\$333,467.50	11/1/2023	\$333,230.00
12/1/2014	\$333,105.00	6/1/2019	\$333,467.50	12/1/2023	\$333,230.00
1/1/2015	\$333,105.00	7/1/2019	\$333,467.50	1/1/2024	\$333,230.00
2/1/2015	\$333,105.00	8/1/2019	\$333,467.50	2/1/2024	\$333,230.00
3/1/2015	\$333,105.00	9/1/2019	\$333,467.50	3/1/2024	\$333,230.00
4/1/2015	\$333,105.00	10/1/2019	\$333,467.50	4/1/2024	\$333,230.00
5/1/2015	\$333,105.00	11/1/2019	\$333,435.00	5/1/2024	\$333,230.00
6/1/2015	\$333,105.00	12/1/2019	\$333,435.00	6/1/2024	\$333,230.00
7/1/2015	\$333,105.00	1/1/2020	\$333,435.00	7/1/2024	\$333,230.00
8/1/2015	\$333,105.00	2/1/2020	\$333,435.00	8/1/2024	\$333,230.00
9/1/2015	\$333,105.00	3/1/2020	\$333,435.00	9/1/2024	\$333,230.00
10/1/2015	\$333,105.00	4/1/2020	\$333,435.00	10/1/2024	\$333,230.00
11/1/2015	\$333,181.67	5/1/2020	\$333,435.00	11/1/2024	\$632,033.33
12/1/2015	\$333,181.67	6/1/2020	\$333,435.00	12/1/2024	\$632,033.33
1/1/2016	\$333,181.67	7/1/2020	\$333,435.00	1/1/2025	\$632,033.33
2/1/2016	\$333,181.67	8/1/2020	\$333,435.00	2/1/2025	\$632,033.33
3/1/2016	\$333,181.67	9/1/2020	\$333,435.00	3/1/2025	\$632,033.33
4/1/2016	\$333,181.67	10/1/2020	\$333,435.00	4/1/2025	\$632,033.33
5/1/2016	\$333,181.67	11/1/2020	\$333,486.67	5/1/2025	\$632,033.33
6/1/2016	\$333,181.67	12/1/2020	\$333,486.67	6/1/2025	\$632,033.33
7/1/2016	\$333,181.67	1/1/2021	\$333,486.67	7/1/2025	\$632,033.33
8/1/2016	\$333,181.67	2/1/2021	\$333,486.67	8/1/2025	\$632,033.33
9/1/2016	\$333,181.67	3/1/2021	\$333,486.67	9/1/2025	\$632,033.33
10/1/2016	\$333,181.67	4/1/2021	\$333,486.67	10/1/2025	\$632,033.33

STATE COMPTROLLER'S REGISTRATION CERTIFICATE
OFFICE OF COMPTROLLER OF PUBLIC ACCOUNTS
STATE OF TEXAS

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Registration _____ No. 79843

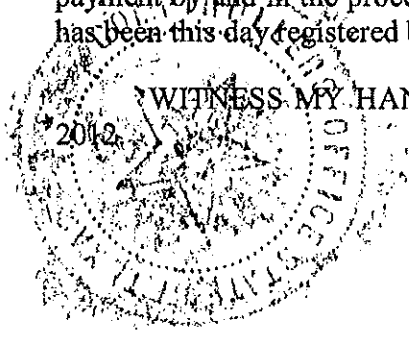
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I HEREBY CERTIFY that there is on file and of record in my office an opinion of the Attorney General of the State of Texas approving this Amended and Restated Lease Agreement (With Option to Purchase) and certifying that this Lease and the proceedings relating thereto have been examined by him as required by law and that this Lease is a valid and binding limited obligation of Garza County, Texas payable from project revenues and other funds pledged to its payment by, and in the proceedings authorizing the same, and I do further certify that this Lease has been this day registered by me as Comptroller.

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WITNESS MY HAND AND SEAL OF OFFICE this 30 day of MAR 2012

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Jean Combs
Comptroller of Public Accounts of the State
of Texas

(SEAL)

FILED FOR RECORD
2012 Apr 03 at 04:24 PM
Jim Plummer, County Clerk
GARZA COUNTY, TEXAS
By: [Signature] DEPUTY