



August 8, 2022

Sent via email to lee.deviney@tpfa.texas.gov and bondteam@tpfa.texas.gov

Mr. Lee Deviney, Executive Director
Texas Public Finance Authority
William P. Clements Building
300 W. 15th Street, Suite 411
Austin, Texas 78701

Re: Financing of HHSC Deferred Maintenance Projects (State Fiscal 2022-23 Biennium)

Dear Mr. Deviney:

Reference is made to that certain Lease Purchase Agreement (the "Lease Purchase Agreement"), dated as of July 31, 2020, between the Texas Public Finance Authority (the "Authority") and the Texas Health and Human Services Commission (the "Commission"), as Lessee, pursuant to which the Authority leased the Properties (inclusive of the Project) to Lessee for the purposes described in the Lease Purchase Agreement. Capitalized terms used but not defined herein shall have the meanings given in the Lease Purchase Agreement.

The Authority and the Commission agree to supplement Exhibit A (Project Description) and Exhibit B (Project Completion Schedule) of the Lease Purchase Agreement with pages A-2 and B-2, respectively, attached to this letter. Pages A-2 and B-2 are deemed incorporated into and made part of the Lease Purchase Agreement for all purposes upon the date of the Authority's acknowledgment and acceptance below. The new pages incorporate additional projects to address deferred maintenance needs at Commission facilities (the "2022 Projects") as Project Components. The aggregate estimated Project Costs of the 2022 Projects is \$23,689,160 in accordance with the Legislature's appropriation therefor for the State's fiscal biennium ending August 31, 2023 in Section 10 of HB 2, 87th Texas Legislature, Regular Session (2021). The foregoing request is being made pursuant to the Lease Purchase Agreement and in accordance with the Commission's request for financing for the 2022 Projects submitted to the Authority on November 2, 2021. The Commission hereby represents that the description of the Properties in Exhibit A to the Lease Agreement is true and accurate as of the date of this request.

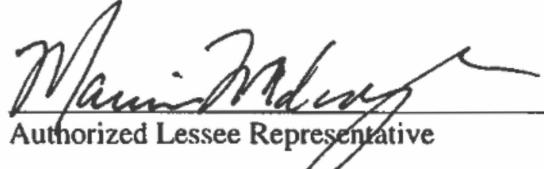
Please acknowledge receipt and acceptance of this request by signing in the space provided below. By acknowledgment and acceptance hereof, the Authority agrees to supplement Exhibit A and Exhibit B to the Lease Purchase Agreement as described above.

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Mr. Lee Deviney
August 8, 2022
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TEXAS HEALTH AND HUMAN SERVICES
COMMISSION

By:



Authorized Lessee Representative

Name: Maurice McCreary, Jr.
Title: Chief Operating Officer

Acknowledged and accepted this 8th day of August, 2022:

TEXAS PUBLIC FINANCE AUTHORITY

By:



Authority Representative

Name: Lee Deviney
Title: Executive Director

EXHIBIT A

PROJECT DESCRIPTION (2022 Projects)¹

PROJECT COMPONENTS	ESTIMATED COST ²	ESTIMATED USEFUL LIFE (Years)
Abilene State Supported Living Center	\$ 1,109,699	20
Austin State Hospital	581,742	20
Austin State Supported Living Center	463,799	20
Big Spring State Hospital	1,336,041	20
Brenham State Supported Living Center	1,373,957	20
Corpus Christi State Supported Living Center	563,558	20
Denton State Supported Living Center	983,093	20
El Paso Psychiatric Center	168,750	20
El Paso State Supported Living Center	342,879	20
Kerrville State Hospital	773,609	20
Lubbock State Supported Living Center	837,285	20
Lufkin State Supported Living Center	967,837	20
Mexia State Supported Living Center	866,780	20
North Texas State Hospital -Vernon & South	2,063,483	20
North Texas State Hospital -Wichita Falls	2,358,783	20
Richmond State Supported Living Center	581,495	20
Rio Grande State Center	1,001,680	20
Rusk State Hospital	419,781	20
San Angelo State Supported Living Center	1,249,360	20
San Antonio State Hospital & Casa Amistad	1,343,713	20
San Antonio State Supported Living Center	1,037,067	20
Terrell State Hospital	2,862,290	20
Waco Center for Youth	402,479	20
 Grand Total	 \$ 23,689,160	

¹ The Properties, as defined in the Lease Agreement and described in the Exhibit A thereto, include the Project upon commencement thereof and regardless of whether all or any portion of the Project is deemed to be complete.

² Estimated costs shown for each Project Component are preliminary estimates, and such estimated costs are subject to adjustment and allocation to other Project Components.

EXHIBIT B
PROJECT COMPLETION SCHEDULE
(2022 Projects)

EXPENDITURE PERIOD	PROJECTED PROJECT EXPENDITURES EACH PERIOD	CUMULATIVE	FUND BALANCE
Beginning Balance			\$ 23,689,160
October, 2021	-	-	23,689,160
November, 2021	-	-	23,689,160
December, 2021	-	-	23,689,160
January, 2022	-	-	23,689,160
February, 2022	-	-	23,689,160
March, 2022	\$ 236,892	\$ 236,892	23,452,268
April, 2022	236,892	473,784	23,215,376
May, 2022	236,892	710,676	22,978,484
June, 2022	236,892	947,568	22,741,592
July, 2022	236,892	1,184,460	22,504,700
August, 2022	710,675	1,895,135	21,794,025
September, 2022	710,675	2,605,810	21,083,350
October, 2022	1,184,458	3,790,268	19,898,892
November, 2022	1,184,458	4,974,726	18,714,434
December, 2022	1,184,458	6,159,184	17,529,976
January, 2023	1,184,458	7,343,642	16,345,518
February, 2023	1,184,458	8,528,100	15,161,060
March, 2023	1,184,458	9,712,558	13,976,602
April, 2023	1,184,458	10,897,016	12,792,144
May, 2023	1,184,458	12,081,474	11,607,686
June, 2023	1,184,458	13,265,932	10,423,228
July, 2023	1,184,458	14,450,390	9,238,770
August, 2023	1,184,458	15,634,848	8,054,312
September, 2023	710,675	16,345,523	7,343,637
October, 2023	710,675	17,056,198	6,632,962
November, 2023	710,675	17,766,873	5,922,287
December, 2023	710,675	18,477,548	5,211,612
January, 2024	710,675	19,188,223	4,500,937
February, 2024	710,675	19,898,898	3,790,262
March, 2024	710,675	20,609,573	3,079,587
April, 2024	710,675	21,320,248	2,368,912
May, 2024	710,675	22,030,923	1,658,237
June, 2024	710,675	22,741,598	947,562
July, 2024	710,675	23,452,273	236,887
August, 2024	236,887	23,689,160	-

LEASE PURCHASE AGREEMENT

between

TEXAS PUBLIC FINANCE AUTHORITY

And

TEXAS HEALTH AND HUMAN SERVICES COMMISSION

Pertaining to

State of Texas
Texas Public Finance Authority
Master Lease Purchase Program

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TEXAS PUBLIC FINANCE AUTHORITY

LEASE PURCHASE AGREEMENT

LEASE PURCHASE AGREEMENT (“*Lease*”), between the TEXAS PUBLIC FINANCE AUTHORITY, an agency of the State of Texas (as further defined herein, the “*Authority*”) and the agency of the State of Texas indicated on the signature page hereof, as lessee (together with any successor, the “*Lessee*”);

WITNESSETH:

WHEREAS, pursuant to Chapter 1232, Texas Government Code, as amended (the “*Authority Act*”), the Authority was duly established with the power and authority to establish a Master Lease Purchase Program (i) to purchase, lease, rent, or otherwise acquire or construct buildings and equipment for agencies of the State of Texas, including the Lessee, (ii) to institute and maintain a system for purchasing such buildings and equipment, (iii) to enter into agreements with such state agencies to properly assure the recovery of the cost of providing such buildings and equipment to such state agencies, and (iv) to issue obligations to finance or refinance the purchase of such buildings and equipment; and

WHEREAS, pursuant to a resolution duly adopted by the Authority on November 8, 2019, the Authority has determined that it is in the best interests of the State and the Authority for the Authority to enter into and execute this Lease and certain documents related hereto for the purpose of assuring the recovery of the cost of financing or refinancing construction of the building projects described herein (such building projects to be leased to Lessee as further described in Exhibit A hereto, and herein collectively referred to as a portion of the “*Project*” or “*Projects*” as further defined herein); and

WHEREAS, pursuant to a resolution duly adopted by the Lessee, the Lessee has determined that it is in the best interest of the State and the Lessee for the Lessee to enter into and execute this Lease, the Lease Agreement (as defined herein), and certain related documents for the purpose of financing or refinancing the Projects; and

WHEREAS, pursuant to Section 771.008 of the Interagency Cooperation Act, Chapter 771, Texas Government Code, as amended (the “*Interagency Act*”), the Lessee is authorized to grant to the Authority the right to access the Lessee’s appropriated funds for payment of Lease Payments coming due hereunder; and

WHEREAS, the Authority and the Lessee shall have the right to further define the Projects from time to time in accordance with the terms of this Lease; and

WHEREAS, effective as of the date of this Lease, the Lessee will enter into a Lease Agreement (the “*Lease Agreement*”) with the Authority which will provide for the Authority’s lease of the Properties (as defined in the Lease Agreement) from the Lessee, and upon and within which the Project will be completed; and

WHEREAS, the parties hereto understand and agree that the Authority intends to pledge and assign the Authority’s rights under both this Lease and the Lease Agreement as security for

Obligations (defined herein) incurred by the Authority to finance or refinance the cost of the Project.

NOW, THEREFORE, in consideration of the premises and the mutual benefit to the parties hereto, the Authority and the Lessee agree as follows:

ARTICLE I

DEFINITIONS AND OTHER PRELIMINARY MATTERS

SECTION 1.01 Definitions.

Except as otherwise provided in this Lease, the capitalized terms in this Lease shall have the meanings specified in this Section unless the context requires otherwise. Any terms capitalized but not defined herein shall have the meanings specified in the Resolution.

Administration Costs - Administration Costs as defined in the Resolution.

Agency Act – Chapter 531, Texas Government Code, as amended.

Arbitrage Rebate Rules - the provisions of the Code governing the rebate of arbitrage on tax-exempt bond proceeds to the United States government, or payment of penalties in lieu thereof.

Authority - the Texas Public Finance Authority or any successor thereto.

Authority Regulations - the regulations of the Authority in Part X, Title 34, Texas Administrative Code.

Authority Representative - the Executive Director, Deputy Director or General Counsel of the Authority, or any other member of the staff of the Authority designated by the Executive Director or the Board of the Authority as an Authority Representative.

Authorized Lessee Representative - the person designated in writing as the Lessee's authorized representative or any person designated in writing by such Authorized Lessee Representative.

Authority Act - Authority Act as defined in the recitals of this Lease.

Board - the Board of Directors of the Authority.

Bond Counsel - any law firm that is engaged by the Authority to render services to the Authority as bond counsel.

Business Day - any day on which both the Comptroller and the Authority are open for business and on which financial institutions in the cities where the principal corporate trust office of the Issuing and Paying Agent is located are not authorized by law or executive order to close.

Code - the Internal Revenue Code of 1986, as amended, together with all published regulations promulgated thereunder and rulings issued with respect thereto by the United States Department of the Treasury or the Internal Revenue Service.

Costs of Issuance - any Costs of Issuance as defined in the Resolution.

Disbursement Certificate - a certificate of the Lessee for the disbursement of funds from the Project Fund created pursuant to the Resolution, in substantially the form of Exhibit C to this Lease.

Disclosure Documents - collectively, the offering memorandum, the preliminary official statement, and the official statement and any other disclosure documents authorized by the Authority in connection with the offer and sale of any Obligations.

Effective Date - the date of execution of this Lease.

Estoppel Letter - a letter to the effect required under Section 3.02 from any prior lender for any Project to be refinanced by the Authority pursuant to the Program.

Event of Default - the occurrence of any of the following:

(1) the failure to pay when due any Lease Payment for which the Legislature (or, in the case of an institution of higher education, the board of regents thereof) has appropriated funds that are legally available to make such Lease Payments;

(2) the failure of the Lessee to cure any breach by the Lessee of any representation, warranty, or agreement under this Lease within 45 days (or such longer period as the Authority, in its discretion, may specify) after the date of having been directed by the Authority to cure such breach unless the Authority has extended such period or unless the Authority has waived such breach;

(3) the occurrence of any act of bankruptcy of the Lessee, the Authority, or the State; or

(4) the occurrence of an Event of Default as defined in any other lease between the Authority and the Lessee entered into in connection with the Program.

Event of Taxability - a change in law or fact or the interpretation thereof, or the occurrence or existence of any fact, event or circumstance (including, without limitation, the taking of any action by the Lessee, or the failure to take any action by the Lessee, or the making by the Lessee of any misrepresentation herein or in any certificate required to be given in connection with the Project or the issuance, sale or delivery of tax-exempt Obligations) that has the effect of causing interest paid or payable on tax-exempt Obligations to be includable, in whole or in part, in gross income for federal income tax purposes.

Executive Director - the executive director of the Authority, or any member of the staff of the Authority authorized by the Board to perform the duties of the executive director.

Interagency Act - the Interagency Act as defined in the Preamble to this Lease.

Lease - this Lease and any amendment hereto.

Lease Agreement - the Lease Agreement as defined in the recitals of this Lease.

Lease Payment - a Rent Payment and/or any other payment of amounts required to be paid or made available by the Lessee pursuant to this Lease, including (without limitation) costs of insurance, if any, required to be maintained pursuant to this Lease, Administration Costs, and payments indemnifying the Authority to the extent permitted by law.

Legislature - the Legislature of the State.

Lessee - the Lessee as defined in the recitals of this Lease.

Obligations - any obligations that may be issued or incurred from time to time to finance or refinance Projects for State Agencies pursuant to the Program, including without limitation, any short term or long term notes, bonds, revolving credit obligations, and other obligations issued to refinance such obligations.

Payment Obligations - the principal, premium (if any), and interest payment obligations of the Authority under any Obligations or in respect of any credit agreement (as defined in Chapter 1371, Texas Government Code, as amended) relating to any Obligations and under any note or obligation delivered by the Authority under any such credit agreement.

Person - any individual, partnership, corporation, trust, or unincorporated organization, or governmental entity.

Plans and Specifications - the plans and specifications for each respective Project, as the same may be amended from time to time as provided in Section 3.02 hereof, on file at the office of the Lessee and available at all times for inspection by the Authority.

Project or *Projects* - the construction, renovation, refurbishment, improvement, development, furnishing and equipment of all or any portion of the Properties, consisting of living centers, hospitals, and other buildings and facilities, or any portion thereof, that has been specifically authorized by the Legislature for the Authority to finance, as further described in Exhibit A to this Lease or as altered or substituted pursuant to this Lease.

Project Completion Amount - the aggregate amount of the Project Costs that the Lessee expects to be necessary to complete the Projects.

Project Completion Certificate - the certificate of the Lessee to the effect that each Project has been completed or that no further proceeds, other than reasonably required retainage, are required for the payment of Project Costs with respect to such Project, in substantially the form of Exhibit E of this Lease.

Project Completion Date - the date on which each Project is completed, as certified in the Project Completion Certificate.

Project Completion Schedule - the schedule projecting the rate of expenditure of proceeds for the payment of Project Costs in connection with the Project set forth in Exhibit B of this Lease, or such other expenditure schedule as furnished by the Lessee and approved by the Executive Director.

Project Component - each respective item (or part of an item) that has been approved to be financed with proceeds of the Obligations, as described in Exhibit A to this Lease as a component of the Project.

Project Costs - any costs associated with a Project that are authorized under the Authorizing Law, Chapter 1201, Texas Government Code, as amended, and the Authority Regulations, to be financed with the proceeds of the Obligations.

Project Financing Documents - collectively, all documents furnished by the Lessee to the Authority in connection with the financing of the Projects and issuance of Obligations to finance the Projects, including, without limitation, this Lease and any Project Papers.

Project Papers - as to the Projects or any phase thereof, all required Texas Bond Review Board approvals, procurement documents, invoices, contracts of construction or purchase and sale, and all title documents or applications therefor (if applicable), leases or subleases of any part of the Projects, together with a purchase voucher, properly completed pursuant to the terms of this Lease and applicable law.

Properties - shall have the meaning ascribed thereto in the Lease Agreement, and the description of the Properties in Exhibit A to the Lease Agreement is incorporated herein, and by reference thereto, made a part hereof.

Regular Rent Payment Date - two Business Days preceding each February 1 and August 1 commencing on the date of this Lease, or such other date as directed by the Authority Representative or to conform with Sections 6.02(f) and (g) hereof.

Rent Payment Reset - the resetting of Rent Payments pursuant to Section 6.02(h) hereof.

Rent Payments - the rent payments required to be made by the Lessee pursuant to this Lease in consideration of its use, occupation and enjoyment of the Properties, such payments consisting of interest portions and principal portions of the Obligations in the amounts set forth herein, along with any applicable Administration Costs, as the same may be amended or supplemented from time to time, including any payments required with respect to any credit agreement and any payments required as a result of a Rent Payment Reset.

Resolution - any resolution, credit agreement, or similar instrument adopted by the Authority from time to time to provide for the issuance of Obligations and governing the terms thereof.

Schedule of Rent Payments - A schedule of Rent Payments to be prepared and provided by the Authority to the Lessee.

Special Rent Payment Date - any date, other than a Regular Rent Payment Date, on which a payment is due hereunder.

State - the State of Texas.

State Agency - any board, commission, department, office, agency, institution of higher education, or other governmental entity in the executive, judicial, or legislative branch of the State government.

State Lease Fund Account - the account identified as such in the Authority Act or any successor account created for the same purpose pursuant to law.

Transaction Documents - means collectively, any Resolution, any Obligations, this Lease, and any other documents delivered in connection with any Obligations.

Useful Life - as to any Project, the actual useful economic life of such Project.

SECTION 1.02 General Rules of Construction.

(a) Whenever in this Lease the context requires:

- (1) a reference to the singular number includes the plural and vice versa; and
- (2) a word denoting gender includes the masculine, feminine, and neuter.

(b) The table of contents and the titles given to any article or section of this Lease are for convenience only and are not intended to modify the article or section.

SECTION 1.03 Preamble.

The statements and findings in the recitals of this Lease are hereby adopted and made a part of this Lease.

ARTICLE II

GENERAL REPRESENTATIONS AND WARRANTIES

SECTION 2.01 General Representations and Warranties of Authority.

The Authority represents and warrants as follows:

(a) the Authority is a validly existing agency of the State authorized to operate under the Authority Act;

(b) the Authority has full power and authority to execute and deliver this Lease, perform its obligations hereunder, and carry out the transactions contemplated hereby;

(c) the Authority has duly authorized the execution and delivery of this Lease and the performance of its obligations hereunder;

(d) the execution and delivery of this Lease, the consummation of the transactions contemplated hereby, the performance of its obligations hereunder, and the compliance with the terms hereof by the Authority will not conflict with, or constitute a default under, any law (including administrative rule), judgment, decree, order, permit, license, agreement, mortgage, lease, or other instrument to which the Authority is subject or by which it is bound.

(e) the Authority has full power and authority to issue Obligations, to cause funds to be made available to finance or refinance the Projects in accordance with this Lease, and to perform its obligations under the Transaction Documents; and

(f) the Authority is not in violation of any law, which violation could adversely affect the consummation of the transactions contemplated by the Project Financing Documents.

SECTION 2.02 General Representations and Warranties of Lessee.

The Lessee represents and warrants, as follows:

(a) the Lessee is a validly existing Lessee authorized to operate under the Agency Act;

(b) the Lessee has full power and authority to execute and deliver the Project Financing Documents, perform its obligations thereunder, and carry out the transactions contemplated thereby;

(c) the Lessee has duly authorized the execution and delivery of the Project Financing Documents and the performance of its obligations thereunder;

(d) the execution and delivery of the Project Financing Documents, the consummation of the transactions contemplated thereby, the performance of its obligations thereunder, and the compliance with the terms thereof by the Lessee will not conflict with, or constitute a default under, any law (including administrative rule), judgment, decree, order, permit, license, agreement, mortgage, lease, or other instrument to which the Lessee is subject or by which the Lessee or any of its property is bound;

(e) the Lessee is not in violation of any law, which violation could adversely affect the consummation of the transactions contemplated by the Project Financing Documents; and

(f) the Lease is the legal, valid, and binding obligation of the Lessee, in accordance with its terms.

ARTICLE III

THE PROJECTS AND THE PROPERTIES

SECTION 3.01 Authorization for Projects.

(a) The Lessee represents that all legislative approvals, appropriations, and authorizations required under the Agency Act and the Authority Act as a condition to

commencement of any Project and the financing or refinancing thereof by the Authority have been obtained with respect thereto.

(b) The Lessee represents that, as of the Effective Date, the description of the Project as provided in Exhibit A hereto is accurate.

SECTION 3.02 Completion of the Projects

(a) The Lessee shall cause the Plans and Specifications to be prepared and shall maintain the Plans and Specifications with its official records. The Authority and its authorized agents may inspect the Plans and Specifications at reasonable times. The Lessee shall cause the Projects to be completed with due diligence, substantially in accordance with the Plans and Specifications, and shall do all things which may be requisite or proper therefor. It is agreed and understood that the Lessee has entered into and executed, or will enter into and execute, all agreements and contracts necessary to assure and accomplish completion of the Projects and that the Authority shall not execute and is not a party to such agreements or contracts; the Lessee will carry out, pay, supervise, and enforce all such agreements and contracts. If for any reason any Project is delayed or any Project is not completed, there shall be no diminution in or postponement of Lease Payments.

(b) The Lessee will obtain or cause to be obtained, an Estoppel Letter from any prior lender for any Project that is subject to a prior lien before being refinanced under the Program, which Estoppel Letter will (i) confirm the amount of all outstanding payments due to such prior lender with respect to the Project to be financed pursuant to the Program, (ii) direct the Authority where to deliver funds in payment of such amounts, and (iii) agree to release all claims and liens on such Project upon receipt of such funds.

(c) The Lessee agrees to make timely payments of the Project Costs as they are incurred in accordance with the Authority Act and the Agency Act. The Lessee shall require all contractors to provide performance and payment bond as required by State law in the full amounts of the construction contracts. The Lessee shall pursue collection of any amounts due under such bonds.

(d) The Authority shall have no liability, obligation, or responsibility whatever with respect to completion of the Projects. The Authority shall not be obligated to inspect any of the Projects or the construction thereof, nor be liable for the performance or default of the Lessee, or any party, or for any failure to construct, complete, protect, or insure any of the Projects before the respective completion dates, or for the payment of costs of labor, materials, or services supplied for the construction of any of the Projects, or for the performance of any obligation of the Lessee whatsoever. In accordance with the Texas Uniform General Conditions for Construction Contracts, the Lessee agrees that it will cause the contractor for each Project to maintain builder's risk insurance until substantial completion on a Completed Value Form, or a Special Form installation floater for instances in which the project involves solely the installation of material and/or equipment, naming the Lessee and the Authority as additional insureds, during construction in amounts deemed by the Lessee to be reasonable. The Lessee agrees that it will obtain or maintain any insurance on the Project in such amounts and in the manner as may be required under any applicable rules and regulations governing the Lessee and under Texas law, including but not

limited to fire and extended coverage, for as long as any Obligations are outstanding under the Resolution or any Obligations are outstanding under any resolution.

(e) In respect to the Projects, the Lessee shall prepare and assemble, or cause to be prepared and assembled, the Project Papers and submit them, or cause them to be submitted, to the Authority. The Authority and the Lessee hereby agree that the Lessee shall negotiate or call for bids and take all other action required by law for completion of the Project. Contracts in connection with the completion of the Project shall be let in accordance with all laws applicable to Lessee.

(f) In accordance with Section 6.01 of this Lease, a real property interest shall be vested in the Authority, subject to such security interests, if any, that are permitted by applicable law and are granted by the Authority to secure financing for such Projects, or any refinancing thereof, until the payment of all amounts due and owing with respect to such Projects, provided that in no event shall the Authority grant any mortgage or security interest in any building Project. The Lessee shall at all times keep the Projects free and clear of all other encumbrances. If deemed necessary by an Authority Representative, the Lessee shall cooperate with the Authority and do all things necessary to grant a security interest in the Lessee's leasehold estate for the benefit of the Note Owners.

SECTION 3.03

Project Completion Schedule.

(a) As of the Effective Date, the Lessee reasonably expects that the Project Completion Amount will be expended within the time periods set forth in the Project Completion Schedule and represents that it is not aware of any fact or circumstance that could cause the entire Project Completion Amount not to be expended as set forth in the Project Completion Schedule, as amended from time to time.

(b) Promptly upon becoming aware of any circumstances that would result in a deviation from the Project Completion Schedule that will result in a delay in the Project Completion Date of more than three (3) months, the Lessee shall notify the Executive Director of such delay, together with the revised Project Completion Date and the cause(s) and anticipated impact on the cost of the delay.

(c) To the extent required by law or necessary to complete the Projects, promptly upon becoming aware of any circumstance that will result in the expenditure for Project Costs in any "Expenditure Period" (as set forth in the Project Completion Schedule) of an aggregate amount that is less than the "Estimated Minimum Required Cumulative Project Expenditures Each Period" (as set forth in the Project Completion Schedule) for such Expenditure Period, the Lessee shall notify the Executive Director of (1) such aggregate expenditure amount, and (2) the reason(s) that such expenditure amount will be less than the Estimated Minimum Required Cumulative Project Expenditures Each Period for such Expenditure Period.

(d) Upon the completion of a Project (or when no further proceeds of the Obligations other than reasonably required retainage are to be expended for Project Costs with respect to such Project), the Lessee shall deliver to the Executive Director a properly completed Project Completion Certificate.

SECTION 3.04 Use of Properties.

(a) The Lessee may use the Properties for any lawful purpose consistent with the normal intended use of such Properties so long as such use does not constitute an Event of Taxability. The Lessee shall obtain and provide all permits and licenses, if any, necessary for the completion of each Project.

(b) Subject to Section 3.06 hereof, the Lessee shall not sublease any Properties (or any portion thereof) to, or permit any Properties (or any portion thereof) to be operated, managed, or otherwise used by, any entity other than the Lessee, another State Agency, or a unit of local government of the State unless, before any such action is taken, the Executive Director determines that such action will not constitute an Event of Taxability, provided that no such sublease or other use arrangement for all or any portion of the Properties shall release the Lessee from its liability hereunder.

(c) The Properties may be considered by the Lessee to be state-owned property for purposes of the application of the Agency Act.

(d) The Authority covenants and agrees that, throughout the term of this Lease, the Lessee may peaceably and quietly enjoy the Properties subject, however, to Permitted Encumbrances and the Lessee's fulfillment of the covenants and agreements contained in this Lease.

SECTION 3.05 Reserved.

SECTION 3.06 Subleases by Lessee.

Subject to Section 6.02 hereof and Section 6 of the Lease Agreement, the Lessee retains the right to sublease, or otherwise permit use of, all or any portion of the Properties to and by any other State Agency, a unit of local government of the State, or (upon the Authority's prior written consent) a non-profit organization, so long as the use of the Properties by such sublessee complies and is consistent with the representations, warranties and restrictions that govern the use of the Properties by Lessee; provided, that (a) Lessee hereby covenants that any such sublease shall contain and provide for the payment of rent in amounts that are not less (when combined with amounts paid by Lessee) than Lessee's Rent Payments and other payments hereunder, and (b) Lessee shall continue to be obligated to make all payments required hereunder. The Authority shall be the third-party beneficiary of any such sublease or other use arrangement for the Properties, and any amounts actually received by the Authority as such beneficiary shall be credited against Lessee's Rent Payments. Notwithstanding any other provision herein, any sublease by the Lessee pursuant to this Section shall (a) incorporate the representations, warranties, covenants and agreements of Lessee contained in this Lease and (b) not release the Lessee from or mitigate its obligations under this Lease. Not less than thirty (30) days prior to Lessee's execution of a sublease or agreement with any other State Agency or a unit of local government of the State conferring the right to use the Properties, Lessee shall provide written notice to the Authority.

SECTION 3.07 Licenses and Permits.

The Lessee represents that it has obtained, or will obtain, all necessary licenses, permits, and other governmental approvals necessary for the completion and operation of the Projects.

SECTION 3.08 Inspection of Properties.

The Authority and its authorized agents, upon notice to the Authorized Lessee Representative and at reasonable times before, during and after completion of the Projects, may enter and inspect the Properties and examine any records of the Lessee relating to the Projects.

SECTION 3.09 Compliance with Laws; Repair and Maintenance; Limitation of Liability.

(a) The Lessee shall comply with all municipal, county, state, and federal laws, rules, regulations, and ordinances applicable to the Properties and the use or occupancy thereof. The Lessee shall provide for the service, repair, and maintenance of all Properties at its own expense so as to keep the Properties in as good condition, repair, appearance, and working order as when delivered to the Lessee hereunder, ordinary wear and tear excepted. The Lessee shall, at its own expense, replace any portion of the Properties and all parts and devices which may become stolen, lost, damaged beyond repair, or rendered unfit for use for any reason whatsoever; provided that all such replacement parts, mechanisms, and devices shall be free and clear of liens, encumbrances, and rights of others so as not to impair the Authority's interest in the Properties. The Authority, as a condition precedent to this Lease, shall transfer all manufacturers', contractors', vendors', and other representations and warranties relating to the Properties to the Lessee.

(b) LESSEE AGREES THAT THE AUTHORITY SHALL NOT BE RESPONSIBLE FOR LATENT DEFECTS, WEAR AND TEAR, OR GRADUAL DETERIORATION OR LOSS OF SERVICE OR USE OF THE PROPERTIES OR ANY PART THEREOF. The Authority shall not be liable to Lessee, any State Agency, any unit of local government of the State, any non-profit organization or anyone else, for any liability, injury, claim, loss, damage; or expense of any kind or nature caused directly or indirectly by the inadequacy of all or any portion of the Properties or any item supplied by any contractor, vendor, or any other party, any interruption of use or loss of service or use or performance of all or any portion of the Properties, any loss of business or other consequence or damage, whether or not resulting directly or indirectly from any of the foregoing.

SECTION 3.10 Taxes.

The Lessee shall pay any sales, property use, license, or other taxes from which the Lessee is not exempt, respecting all or any portion of the Properties, imposed, assessed, levied, or becoming due and payable on or after the Effective Date of this Lease, together with any penalties, fines, or interest thereon. Any tax statement received by the Authority for taxes payable by the Lessee shall be promptly forwarded by the Authority to the Lessee for payment.

SECTION 3.11 Necessity for Projects.

The Lessee represents to the Authority that:

(1) the provision of the Projects is necessary in order for the Lessee to effectively carry out its lawful duties and functions; and

(2) the Lessee expects that it will use the Projects for essential governmental purposes for the entire useful economic life of the Projects.

SECTION 3.12 Insufficient Funds.

(a) If the funds requested are insufficient for the payment of all Project Costs of any Project, the Authority shall not be responsible for the payment of any Project Costs that cannot be paid from such funds.

(b) If the funds so requested are insufficient to pay all of the Project Costs of any Project or to restore the Project in the event the Project is destroyed, damaged, or deteriorates, and the Lessee does not have other lawfully available funds for such purposes, the Lessee shall notify the Legislature of such shortfall.

(c) The Lessee represents that, as of the Effective Date, it expects that an amount of funds equal to the Project Completion Amount will enable the Lessee to complete the Projects.

SECTION 3.13 Disposition of Projects.

At the direction of the Legislature and to the extent allowed by law, the Authority may sell, lease or otherwise dispose of all or any portion of a Project, provided the Authority applies the proceeds of such sale, lease or disposition in accordance with such directive and, if tax-exempt Obligations that financed or refinanced any Project remain outstanding, in accordance with Section 141 of the Code, if applicable. Any such legislative directive must appropriate the proceeds derived from such sale, lease or other disposition for deposit into the Interest and Sinking Fund to be applied in accordance with the Resolution for the payment of Note Obligations, if any are then currently outstanding, and the remainder for deposit to the Project Fund to be used to pay Project Costs of any substitute Project.

SECTION 3.14 No Encumbrances.

Neither the Lessee nor the Authority shall create or suffer to exist any lien or other encumbrance against all or any portion of the Properties except as provided by this Lease, the Lease Agreement, or the Resolution.

SECTION 3.15 Assumption of Risks.

(a) Except as set forth in Section 3.13, Lessee shall assume and bear the risks of loss, damage, destruction, or theft of any portion of the Properties and all component parts thereof caused by force majeure or Lessee's employees and agents or by others. No such loss or damage shall impair or reduce the obligations of Lessee hereunder, which shall continue in full force and effect, except as expressly provided herein.

(b) Lessee assumes all risk and liabilities for injury to or death of any person or damage to any property, in any manner arising out of possession, use, operation, custody, control,

condition, or storage of any portion of the Properties whether such injury or death be with respect to agents or employees of Lessee or third parties, and whether such property damage be to Lessee's property or the property of others. This subsection shall not be construed to limit or waive in any way the sovereign immunity of the Lessee, the liability of which under this subsection is limited to amounts in which the Lessee is otherwise permitted or required to respond in accordance with applicable law. This subsection is not intended to confer any rights on any third parties to this agreement.

SECTION 3.16 Title to the Properties.

The Lessee represents and warrants, to the best of its knowledge and belief, that it owns fee simple title to the Properties subject to no restrictions, liens, or other encumbrances other than Permitted Encumbrances (as defined in the Lease Agreement). The Lessee covenants that it will comply with Section 12(a) of the Lease Agreement throughout the term of this Lease.

SECTION 3.17 Disbursements from Project Fund.

(a) Lessee may cause disbursements to be made from the applicable subaccount of the Project Fund in accordance with this Lease, the Authorizing Law and the Resolution by submitting a Disbursement Certificate in the form attached hereto as Exhibit C, to the Authority and apply the amounts so transferred to the payment of Project Costs.

(b) The Lessee acknowledges that the Project Fund may be applied in accordance with the Resolution for purposes other than the payment of Project Costs.

(c) The Lessee acknowledges and agrees that, in accordance with the Resolution interest earned on amounts held in the Project Fund may be transferred to the Interest and Sinking Fund to the extent a deficit exists therein or to such other Fund as directed by the Authority Representative.

(d) In the event that the Authority determines that the Lessee has breached any material representation, warranty, or agreement in this Lease, the Authority, in its discretion, may suspend further disbursement of amounts from the Project Fund if it is advised in writing by its counsel that (1) such suspension is lawful, and (2) such breach constitutes a breach of this Lease. Such suspension may commence not sooner than the 30th day after the date of delivery to an Authorized Agency Representative of notice of such suspension, and may continue until such breach is cured or is waived by the Executive Director. If such breach is not cured or waived within 90 days after the date such suspension commenced, the Authority may apply any remaining amounts in the Project Fund allocated to the payment of Project Costs in the manner permitted by the Resolution and law.

SECTION 3.18 Status Reports.

Not later than the 15th day of each month, the Lessee shall prepare and deliver to the Executive Director a status report, containing the information set forth in Exhibit D to this Lease, covering the preceding calendar month. At other times the Lessee shall provide the Executive Director, upon request, with any information available to the Lessee regarding the expenditure of amounts disbursed to the Lessee from the Project Fund or use of the Project.

ARTICLE IV

PARTICULAR AGREEMENTS

SECTION 4.01 Lessee's Obligation Unconditional, Subject to Appropriation.

(a) Subject to Subsection (b) of this Section, all obligations of the Lessee under this Lease are absolute and unconditional and are not subject to any diminution, abatement, setoff, or counterclaim, and the Lessee shall not suspend or discontinue any Lease Payment. The Lessee shall apply, or cause to be applied, any funds lawfully available to it (whether from the State Lease Fund Account or any other source) to the Lease Payments as they come due.

(b) The obligation of the Lessee to make Lease Payments is subject to enactment by the Legislature (or, in the case of an institution of higher education, the board of regents thereof) of appropriations that are lawfully available to be applied to the Lease Payments. THIS LEASE SHALL NOT CONSTITUTE A DEBT OR GENERAL OBLIGATION OF THE STATE OF TEXAS OR ANY OF ITS AGENCIES, OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OF TEXAS OR OF ANY SUCH AGENCIES. THE SOURCES OF PAYMENT OF LESSEE'S OBLIGATIONS HEREUNDER SHALL BE LIMITED STRICTLY TO THE SOURCES IDENTIFIED HEREIN. THE OBLIGATION OF THE STATE OF TEXAS TO CONTINUE TO MAKE LEASE PAYMENTS IS SUBJECT TO APPROPRIATION OF FUNDING AS DESCRIBED IN THIS LEASE.

(c) Except as expressly provided by this Lease, the Lessee waives (to the extent permitted by law) any right that it may have to terminate or cancel this Lease.

(d) If any Event of Non-appropriation shall occur and be continuing, the Lessee agrees, upon request of the Executive Director, to deliver the Properties to the Authority or the Authority's designee.

SECTION 4.02 Indemnification of Authority.

The Lessee (to the extent permitted by law) shall make available to the Authority lawfully available funds sufficient to indemnify the Authority and all of its board members, officers, employees, directors, agents, and consultants for any losses or damages whatsoever (including, without limitation, attorney's fees) incurred by the Authority or any of its board members, officers, employees, directors, agents, and consultants that arise out of the Properties, including completion of any Project. The Authority shall obtain such reimbursement pursuant to all applicable interagency fund transfer procedures in effect at the time of the transfer.

SECTION 4.03 Casualty Loss or Condemnation.

If any Property or Project is destroyed or damaged by fire or other casualty, or title to such Property or Project shall be taken by theft, loss, or the exercise of the power of eminent domain or otherwise while this Lease is in effect, the Lessee shall elect one of the following options:

(a) Option A – Repair, Restoration, or Replacement. Lessee shall use its own funds to promptly repair, restore, or replace such portion of the Properties (in which case such repair,

restoration, or replacement of such portion of the Properties shall become subject to the provisions of this Lease as fully as if it were an originally leased Project). Such funds of the Lessee, or net proceeds of a condemnation award or insurance policy, if any, shall be delivered to the Authority and be deposited in the Restoration Fund and applied by the Authority toward the payment of the cost of such repair, restoration, or replacement, in the same manner and upon the same conditions as set forth in the Resolution and this Lease for the payment of Project Costs from the Project Fund. Any balance of the net proceeds remaining after the repair, restoration, or replacement, or in the event the Lessee elects not to repair, restore or replace such portion of the Properties, such funds shall be deposited in the Interest and Sinking Fund for the payment of Note Obligations. Any amounts remaining after the satisfaction of all obligations under the Resolution and this Lease shall be paid to Lessee.

(b) Option B – Prepayment of Rent Payments. Lessee shall prepay all Rent Payments applicable to such portion of the Properties, subject to enactment by the Legislature (or, in the case of an institution of higher education, the board of regents thereof) of appropriations that are lawfully available to be applied to such Rent Payments. Such prepayment price shall be an amount equal to the then outstanding aggregate principal portion of all regular Rent Payments plus all of the accrued interest portion plus other amounts that may be required under Payment Obligations applicable to such portion of the Properties.

The Lessee shall notify the Authority of its election in writing within 60 days after the taking, damage, loss, or destruction. Neither of the foregoing options shall be deemed to require payments by the Lessee other than from legally available funds.

SECTION 4.04 Notice to Lessee of Appropriation Necessary for Lease Payments.

Before each regular session of the Legislature, the Executive Director shall provide the Authorized Lessee Representative with notice of the amount of the Rent Payments and the amount (or estimated amount, as applicable) of the other Lease Payments that are to come due (or estimated to come due) during the next fiscal period with respect to this Lease.

SECTION 4.05 Notice to Legislature of Appropriation Necessary for Lease Payments.

Before each regular session of the Legislature, the Lessee shall notify the Authority, the Legislative Budget Board, and the Governor's Budget Office of the amount of the Rent Payments and the amount (or estimated amount, as applicable) of the rest of the Lease Payments that are to come due (or are estimated to come due) during the next fiscal period.

SECTION 4.06 Condition of the Properties and the Projects.

EXCEPT AS MAY BE SET FORTH OR PROVIDED FOR IN THIS LEASE, THE LESSEE ACKNOWLEDGES AND AGREES THAT NEITHER THE AUTHORITY NOR ANY BOARD MEMBERS, OFFICERS, AGENTS, EMPLOYEES, OR REPRESENTATIVES OF THE AUTHORITY, MAKES OR HAS MADE ANY WARRANTIES OR REPRESENTATIONS OF ANY KIND OR CHARACTER, EXPRESS OR IMPLIED, WITH RESPECT TO THE PROPERTIES OR ANY PORTION THEREOF (INCLUDING ANY PROJECT), THE PHYSICAL CONDITION OF THE PROPERTIES, INCOME TO BE DERIVED OR EXPENSES

TO BE INCURRED WITH RESPECT TO THE PROPERTIES, THE FITNESS OR SUITABILITY FOR ANY PARTICULAR USE OF THE PROPERTIES, OR ANY OTHER MATTER OR THING RELATING TO OR AFFECTING THE SAME, AND THERE ARE NO ORAL AGREEMENTS, WARRANTIES, OR REPRESENTATIONS COLLATERAL TO OR AFFECTING THE PROPERTIES OR ANY PORTION OF THEM, AND THAT THE LESSEE HAS INSPECTED THE PROPERTIES AND LEASES THE PROPERTIES "AS IS, WHERE IS."

SECTION 4.07

Notice of Non-appropriation.

Not later than the third Business Day after the occurrence of an Event of Non-appropriation, the Lessee shall notify the Authority of such occurrence and of the amount of appropriated funds (if any) that will be available for application to Lease Payments during the succeeding fiscal biennium of the State (or, in the case of an institution of higher education, during the succeeding fiscal year of the institution).

ARTICLE V

THE OBLIGATIONS

SECTION 5.01

Issuance and Sale of Obligations.

The Authority shall use its best efforts to issue and sell Obligations or otherwise obtain financing in an amount sufficient for the Project Completion Amount for the payment of Project Costs, in accordance with the Resolution. It is acknowledged however, that the Authority cannot guarantee that adequate financing will always be available with respect to the Project, which shall be determined in the Authority's sole discretion.

SECTION 5.02

Refunding of Obligations.

The Authority, in its sole discretion, may determine when and under what circumstances Obligations are to be issued to refund or refinance any outstanding Obligations issued to finance the Projects.

SECTION 5.03

Cooperation by Lessee.

The Lessee shall take the action(s), enter into the agreement(s), provide the certification(s) contemplated by this Lease, and otherwise cooperate with the Authority and its agents, to effect the lawful issuance and sale of Obligations and enter into any amendments or supplements required to issue any Obligations.

SECTION 5.04

Maintain Tax-Exempt Status of the Obligations.

The Lessee covenants that (i) it will take, or require to be taken; all actions required by the Authority to insure that interest on Obligations issued on a tax-exempt basis to finance the Projects is and remains excludable from gross income for federal income tax purposes; (ii) it will not take or authorize to be taken any actions that would adversely affect such exclusion under the Code; and (iii) it will refrain from certain uses of the Properties to the extent necessary to assure such exclusion of interest under the Code.

The Properties are not, and are not expected to be, used in a manner that would cause Obligations issued on a tax-exempt basis to constitute “private activity bonds” (within the meaning of Code Section 141(a)). In this regard, not more than 5% of the proceeds of any funds advanced with respect to this Lease will be used, directly or indirectly, to finance Projects, or a portion of the Projects, to be used in any trade or business carried on by any person other than the Lessee or a state or local governmental unit.

The Lessee will not sell, lease, or otherwise change the use of any Project financed with the Proceeds of Obligations issued on a tax-exempt basis, or otherwise change the intended use of the proceeds of Obligations issued on a tax-exempt basis for any Project, in any manner that would impair the exclusion from gross income for federal income tax purposes of interest on Obligations issued on a tax-exempt basis to finance any Project.

All covenants and representations of the Lessee contained herein or in any tax compliance certificate or other instrument delivered by the Lessee in connection with the execution and delivery of any Obligations issued on a tax-exempt basis to finance the Projects shall survive the execution, sale, and delivery of such Obligations and the date of execution and delivery of the instruments containing such representations and covenants.

Promptly upon request, the Lessee shall provide the Authority with any information available to the Lessee relating to (i) the expenditure of funds by or on behalf of the Lessee, or (ii) the use of any portion of the Properties.

The Lessee shall timely take such lawful action as requested by the Executive Director to avoid, remedy, or mitigate the effect of an Event of Taxability.

SECTION 5.05 Arbitrage Rebate.

The Lessee shall timely take such lawful action as requested by the Executive Director to avoid or mitigate the Authority’s obligation to make payments to the United States government under the Arbitrage Rebate Rules, unless an Authorized Lessee Representative certifies to the Authority that the requested action is not practicable.

SECTION 5.06 Disclosure Documents.

(a) The Lessee shall provide the Authority, promptly upon request, with available information relating to the Lessee, the Projects or the Properties that the Executive Director determines appropriate for inclusion in the Disclosure Documents. The Lessee authorizes the Authority to include any such information in the Disclosure Documents.

(b) The Lessee shall provide the Authority with certification of an Authorized Lessee Representative to the effect that the information contained in the Disclosure Documents provided by the Lessee is accurate and does not omit any information necessary to make the information provided not misleading.

(c) The Lessee authorizes the Authority and any offeree or purchaser of any Obligations to rely on the information and certifications provided by the Lessee under this Section.

Obligations will not be issued unless the information and certifications requested under this Section have been provided by the Lessee.

ARTICLE VI

RENT PAYMENT PROVISIONS

SECTION 6.01

Lease of the Properties.

Upon the acquisition of a real property interest in any portion of the Properties by the Authority (whether by fee simple title, leasehold estate, or otherwise), the Authority hereby leases such real property interest to the Lessee, and the Lessee hereby leases such real property interest from the Authority under the terms of this Lease.

SECTION 6.02

Rent Payments.

(a) As rent for its use of the Properties, the Lessee shall pay, or cause to be paid, Rent Payments in the amounts, at the times, and otherwise as set forth in a Schedule of Rent Payments.

(b) The Lessee shall pay Rent Payments or cause the Rent Payments to be paid, from funds lawfully available for the payment of Rent Payments to the Comptroller for deposit into the State Lease Fund Account in accordance with the Resolution. Lessee agrees that notwithstanding anything to the contrary herein, Lessee will, to the extent permitted by law, apply all funds available to Lessee, regardless of their source or any other budget considerations of the Lessee, first to the payment of the Lease Payments hereunder, prior to all other potential uses of such funds. The Authority and the Lessee acknowledge that, under current law, the Lessee may not be able to apply funds to Lease Payments for Projects other than funds that are specifically appropriated therefor by the Legislature, or, in the event that the Lessee is an institution of higher education, by the board of regents thereof.

(c) The Lessee agrees to pay Rent Payments in immediately available funds on or before the second Business Day preceding each Regular Rent Payment Date and to pay other obligations hereunder in the amounts and on the dates fixed by the Executive Director from time to time. The Lessee and the Authority acknowledge that this Lease is one of several similar leases made by the Authority with various State Agencies in connection with the Program and that the Projects hereunder and under the other leases may be pool-funded and/or, to the extent permitted by law, cross-collateralized. Thus, this Lease may also secure obligations of other State Agencies. When necessary, the Authority will allocate costs of issuance of any Obligations among the various State Agencies pro rata in accordance with their respective participation in the Program by adding the same to the principal portion of Rent Payments due under each Lease. The Authority will calculate from time to time the correct amount of the Rent Payments due from the Lessee on each Regular Rent Payment Date and notify the Lessee of the same.

(d) If on the second Business Day immediately preceding any date on which Payment Obligations come due, the Authorized Lessee Representative receives written notice from the Executive Director to the effect that sufficient funds for the payment of all Payment Obligations are not on deposit in the State Lease Fund Account, the Lessee shall immediately (before the close

of business) cause to be deposited in immediately available funds (to the extent lawfully available) the amount directed by the Executive Director.

(e) The Lessee may prepay Rent only in accordance with the following:

(1) With the prior written consent of the Authority, Lessee may prepay Rent Payments or cause Rent Payments to be prepaid for the purpose of effecting a defeasance of Lessee's obligation to make Rent Payments hereunder or any portion thereof.

(2) In the absence of written consent of the Authority, the Lessee may prepay Rent Payments or cause Rent Payments to be prepaid at any time and in any amount by depositing such amount into the State Lease Fund Account; provided however, that no such prepayments shall in any way defease or reduce the aggregate amount of the Rent Payments (including both the interest portion and the principal portion thereof). Lessee shall notify the Authority not less than seven (7) days in advance of any such prepayment, which shall be deposited with the Comptroller in accordance with the Resolution.

(3) The Lessee shall pay and indemnify the Authority to the extent permitted by law for any costs associated with such prepayment, including but not limited to any costs associated with the defeasance of outstanding Obligations.

(f) In addition to the other items required herein, Lessee agrees to pay all costs, expenses, insurance premiums, if any, and other payments required under the terms of this Lease as directed by the Executive Director. The Lessee shall pay all such amounts, without notice and without set-off, deduction, or abatement. In the event of any non-payment of such amounts, the Authority shall have, in addition to all other rights and remedies, all rights and remedies provided for herein or by law for the non-payment of Rent Payments.

(g) If requested by the Authority in writing, any Lease Payments for which an appropriation has been made that are not paid to the Authority within ten (10) days after the due date thereof shall bear interest at a rate equal to Authority's cost of funds, from the due date thereof through the date payment of the same shall be made. If it shall become necessary for the Authority to bring suit for collection of any sum(s) herein stipulated to be paid by the Lessee, and the Authority shall prevail, the Lessee agrees to pay any and all such reasonable expenses and costs as the Authority may incur, including, but not limited to, reasonable attorneys' fees actually incurred or reasonably determined to be the cost of legal services supplied by salaried employees of the Authority.

(h) Pursuant to the Authority Act and the Interagency Act, Lessee hereby irrevocably authorizes the Authority to access the Lessee's appropriated funds from time to time by issuing vouchers thereon to the Comptroller to transfer funds from the accounts identified in Exhibit F of this Lease to the State Lease Fund Account for the payment of Lease Payments, and Lessee further authorizes the Authority to complete on the Lessee's behalf all purchase voucher documentation necessary to cause purchase vouchers to be issued for the Projects.

(i) The Lessee acknowledges that the Authority may finance Projects initially through an interim financing arrangement, such as the Obligations, at a rate of interest to be set at the time of issuance. The Lessee further acknowledges that the Authority may refinance any interim

financing arrangement in a manner deemed by the Authority to be reasonable and financially prudent. The Lessee hereby agrees that the Authority may from time to time, and at any time, amend the Schedule of Rent Payments provided herein to reflect the terms of any refinancing of debt incurred by the Authority to finance or refinance a Project, including without limitation, to reflect any amounts drawn under a credit agreement with respect to any Obligations (such change in the Schedule of Rent Payments being referred to herein as the “*Rent Payment Reset*”).

(j) The Lessee also acknowledges that, in addition to this Lease, other leases between the Authority and other State Agencies pursuant to the Program may be pledged or assigned as security for Obligations and any credit agreement (as defined in Chapter 1371, Texas Government Code, as amended) relating to the Obligations and may serve as collateral therefor, and that any Event of Default or Event of Non-appropriation under such other leases may also constitute an Event of Default or Event of Non-appropriation, as the case may be, under this Lease.

(k) From a portion of the Rent Payments the Authority shall pay to any paying agent, dealer, liquidity, rating agency or any Person performing similar duties, when due, reasonable compensation for all services in connection with acting as such under the Resolution; provided, however, that the Authority may, without creating a default hereunder or under the, contest in good faith the necessity for any such services and expenses and the reasonableness of any such fees, charges, or expenses.

SECTION 6.03 Administration Costs.

The Authority intends to recover from the Lessee all Administration Costs by including approximate costs as an element of the Rent Payments herein or through such other method as may be consistent with the Act upon refinancing the Obligations. However, Lessee agrees to indemnify the Authority to the extent permitted by law for any such costs to the extent they are not recovered through such mechanism. As soon as practicable after the date of receipt by an Authorized Lessee Representative of a statement from the Authority for Administration Costs, the Lessee shall pay, or cause to be paid; to the Authority, from lawfully available funds, all Administration Costs specified in such statement.

SECTION 6.04 Third Party Beneficiary.

The Authority shall be a third-party beneficiary of all subleases of; and other use arrangements for, any portion of the Properties.

ARTICLE VII

REMEDIES

SECTION 7.01 Remedies.

(a) Upon the occurrence of and during the continuation of any Event of Default arising from the failure to make a Lease Payment, upon the occurrence of and during the continuation of an Event of Non-appropriation, or upon 30 days prior to the expiration of the commitment of any provider of liquidity or credit enhancement for any Obligations while such Obligations are still outstanding, the Authority may take any one or more of the following remedial actions:

(1) declare all of the remaining unpaid principal portion of the Rent Payments under this Lease to be immediately due and payable solely to the extent that the Legislature (or, in the event that the Lessee is an institution of higher education, the board of regents thereof) has appropriated funds for such payment; or

(2) enter and take possession of all or any portion of the Properties under this Lease without terminating this Lease, and sublease all or any portion of the Properties for the account of the Lessee; or

(3) terminate this Lease, enter and take possession of all or any portion of the Properties under this Lease, and, at the Authority's discretion (to the extent permitted by law) sell equipment acquired as part of the Properties, or lease all or any portion of the Properties;

provided, that if the Authority shall lease or sublease all or any portion of the Properties, it may lease or sublease such portion of the Properties only to Persons and under such conditions, that will not constitute or create an Event of Taxability.

(b) Upon the occurrence of and during the continuation of any Event of Default or an Event of Non-appropriation, the Authority may take any action at law or in equity to collect any amount due or that may become due under this Lease or to enforce performance of any obligation of the Lessee under this Lease by mandamus or otherwise.

(c) Upon the Authority taking possession of all or any portion of the Properties, the Lessee shall immediately surrender such property to the Authority.

(d) If the Authority leases or subleases all or any portion of the Properties as a result of its exercise of remedies taken in the enforcement of this Lease, the Lessee and any sublessee of the Lessee shall remain liable (to the extent of lawfully available funds and otherwise as permitted by law) for all payments that are due or that become due under this Lease (except to the extent the Authority receives payments as a result of the subleasing or leasing of the Properties).

(e) No remedy available to the Authority for the enforcement of this Lease is exclusive of any other remedy, and each remedy is cumulative of every other remedy.

(f) No delay or omission to exercise any remedy shall impair the right to exercise such remedy.

(g) The Authority is not required to provide notice in order to exercise any remedy in the enforcement of this lease.

SECTION 7.02 Waivers Restricted.

In the event any provision of this Lease is breached by either party and such breach is thereafter waived by the other party, such waiver shall be limited to the particular breach and shall not constitute a waiver of any other breach.

SECTION 7.03 Assignment of Remedial Rights to Obligation Owners.

The Lessee acknowledges that certain rights and remedies that are available to the Authority under this Lease have been or will be assigned to the owners of the Obligations pursuant to a Resolution and, if such Obligations are supported by liquidity or credit enhancement arrangements, also assigned to the provider of such liquidity or credit arrangements, and such owners and credit providers shall have the right to exercise (to the extent permitted by law) such rights and remedies. The Lessee hereby authorizes the owners of the Obligations and, if applicable, any provider of credit or liquidity for any Obligations, to rely on this Lease in regard to the assignment and exercise of such rights.

SECTION 7.04 Performance of Lessee's Obligations by Authority.

While the Lessee is in default of any provision of this Lease, the Lessee authorizes (to the extent permitted by law) the Authority to take any lawful action to cure such default and to act in the name and stead of the Lessee to the same extent as the Lessee is empowered to act.

SECTION 7.05 Notice of Default to Authority.

The Lessee shall notify the Authority of any breach by the Lessee of any of its representations, warranties, or agreements under this Lease as soon as possible after the occurrence of such breach.

ARTICLE VIII

TERM OF AGREEMENT

SECTION 8.01 Term of Agreement and Lease.

This Lease shall remain in full force and effect from the date hereof until the date all Payment Obligations on all outstanding Obligations have been paid (or provision has been made for such payment in accordance with the relevant Resolution), all pecuniary obligations of the Authority in connection with such Obligations have been satisfied, and all other obligations under this Lease have been satisfied, unless this Lease is terminated earlier pursuant to the terms hereof. The Authority, at its sole option, may provide the Lessee with written notice, delivered by the Executive Director to the Authorized Lessee Representative, that all such obligations have been satisfied and the term of this Lease has ended in accordance with this Section.

SECTION 8.02 Reinstatement.

If this Lease is terminated as a result of the occurrence of an Event of Default, the Authority agrees to reinstate this Lease when all defaults under this Lease have been cured or waived, and the Lessee shall be restored to the use, occupancy, and possession of the Properties, subject to the rights of any Person who has entered into a binding agreement providing for the leasing of all or any portion of the Properties.

SECTION 8.03

Conveyance of Properties Upon Termination.

When this Lease is terminated as a result of all Lease Payments having been paid with respect to the Properties, the Executive Director shall notify the Lessee that Lease Payments are no longer required to be made, and the Authority, for the sum of \$1.00 paid to it, shall convey its right, title, and interest in the Properties to the Lessee, and the Lessee shall purchase such right, title and interest in the Properties from the Authority.

SECTION 8.04

Disposition of Funds Upon Termination.

When this Lease is terminated or upon the prior termination of this Lease from any cause, any amounts remaining in any fund, account, or reserve created in connection with the Properties or a Project shall be disbursed in accordance with the Resolution.

ARTICLE IX

MISCELLANEOUS PROVISIONS

SECTION 9.01

Amendment.

(a) The Authority and the Lessee, by mutual agreement, may amend this Lease if, before the amendment takes effect:

(1) the Lessee obtains an opinion of its legal counsel to the effect that such amendment is permitted under the Agency Act and other law governing the Lessee;

(2) the Authority obtains an opinion of Bond Counsel to the effect that such amendment will not violate the Authorizing Law or the applicable Resolution; and

(3) either of the following requirements is satisfied:

(A) the Authority obtains an opinion of Bond Counsel to the effect that such amendment will not constitute an Event of Taxability and an opinion of Bond Counsel to the effect that such amendment will not adversely affect the rights of the owners of the Obligations under the applicable Resolution or any assignee of the rights under this Lease; or

(B) the owners of at least a majority in aggregate principal amount of the outstanding Obligations affected by such amendment consent thereto, except that the consent of the owner of each outstanding Obligation affected by such amendment is required if such amendment would decrease the minimum percentage of owners of Obligations required for effective consent to such amendment;

provided, that Rent Payment Reset shall not constitute an amendment hereunder.

SECTION 9.02 Notices and Other Communications.

(a) Notices, certificates, approvals, and other communications under this Lease shall be in writing and delivered by first class mail, return receipt requested, facsimile transmission or other electronic transmission, or by express or personal delivery, prepaid and addressed as follows:

(1) if to the Lessee, to the address, telephone, and facsimile set forth on the signature page hereof; and

(2) if to the Authority:

Texas Public Finance Authority
William P. Clements Building
300 W. 15th Street, Suite 411
Austin, Texas 78701
Telephone: (512) 463-5544
Facsimile: (512) 463-5501
Attention: Executive Director
Email: BondTeam@tpfa.texas.gov

(b) Any party to this Lease may designate any additional or different address to which communications under this Lease shall be delivered by giving at least five days' advance notice thereof to the affected party.

(c) A provision of this Lease that provides for a different method of giving notice or otherwise conflicts with this Section supersedes this Section to the extent of the conflict.

SECTION 9.03 Exclusive Benefit.

This Lease shall inure to the exclusive benefit of and be binding on the Authority, the Lessee, and their respective successors and assigns.

SECTION 9.04 Severability.

If any part of this Lease is ruled unenforceable by a court of competent jurisdiction, this Lease shall remain operable to the fullest extent possible under the application of such ruling.

SECTION 9.05 Counterparts.

This Lease may be executed in multiple counterparts, each of which shall be an original and all of which shall constitute one and the same document.

SECTION 9.06 Time of Essence.

Time is of the essence in this Lease.

SECTION 9.07 Governing Law.

This Lease shall be governed by and construed in accordance with the law of the State.

SECTION 9.08

No Waiver of Sovereign Immunity.

Nothing in this Lease shall be construed to waive the sovereign immunity of the State or any entity thereof, including the sovereign immunity of either the Lessor or the Lessee, as an agency or public authority of the State.

SECTION 9.09

Conflict with Resolution.

In the event of an irreconcilable conflict between the provisions of this Lease and the Resolution, the provisions of the Resolution shall control and be given effect.

SECTION 9.10

Memorandum of Understanding.

This Lease shall constitute the memorandum of understanding that defines the division of authority between the Authority and the Lessee, as required to be adopted by the Authority and the Lessee pursuant to Section 1232.102(c), Texas Government Code, as amended (with respect to buildings), or Section 1232.103(c), Texas Government Code, as amended (with respect to equipment).

SECTION 9.11

Memorandum of Lease; True Lease.

The Authority and the Lessee agree that the parties to this Lease shall execute, acknowledge and deliver simultaneously with the execution of this Lease, in recordable form, a memorandum of lease setting forth the basic terms hereof. The Authority and the Lessee intend the transaction described in this Lease to be a true lease. If such transaction is deemed by a court of competent jurisdiction to be a lease intended for security, then to secure payment and performance of Lessee's obligations under this Lease, Lessee grants the Authority and its assigns, to the extent allowed by law and solely to allow the Authority to exercise its rights and remedies provided under this Lease and the Authority Act, a security interest in the Properties and in all attachments, accessories, additions, substitutions, products, replacements, rentals and proceeds (including insurance proceeds) therefrom as well as a security interest in any other property financed pursuant to this Lease or any other agreement between the Authority and the Lessee (collectively, "Collateral"). Lessee shall execute and timely deliver to the Authority financing statements or any other documents the Authority deems necessary to perfect or protect the Authority's security interest in the Collateral. The Authority or the Authority's agent may file as a Uniform Commercial Code financing statement any lease document (or copy thereof, where permitted by law) the Authority deems necessary to perfect or protect the Authority's security interest in the Collateral. If Lessee fails to execute any such document, the Authority or the Authority's agent is hereby authorized to file any of the foregoing signed only by the Authority or the Authority's agent.

[EXECUTION PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have caused this Lease to be executed by their respective duly authorized officers, as of this July 31, 2020.

TEXAS PUBLIC FINANCE AUTHORITY

By: Lee Devine
Authority Representative
Name: Lee Devine
Title: Executive Director

TEXAS HEALTH AND HUMAN SERVICES
COMMISSION

By: _____
Authorized Lessee Representative
Name: _____
Title: _____

Date of Agency Resolution Approving this Lease:

Agency Address for Notices:

Telephone: _____
Facsimile: _____

IN WITNESS WHEREOF, the parties have caused this Lease to be executed by their respective duly authorized officers, as of this July 31, 2020.

TEXAS PUBLIC FINANCE AUTHORITY

By: _____
Authority Representative
Name: _____
Title: _____

TEXAS HEALTH AND HUMAN SERVICES
COMMISSION

By: 
Authorized Lessee Representative
Name: Phil Wilson
Title: Executive Commissioner

Date of Agency Resolution Approving this Lease
Transaction: October 30, 2019

Agency Address for Notices:

Texas Health and Human Services Commission
909 West 45th Street; Mail Code: 2064
Austin, Texas 78751
Telephone: (512) 206-4692
Attention: Renu Razdan, AIA, LEED AP,
BD+C, Director, Maintenance and
Construction Dept.
Email: renu.razdan@hhsc.state.tx.us

With a copy to:

Texas Health and Human Services Commission
4900 N. Lamar Blvd.; Mail Code 1100
Austin, Texas 78751
Attention: Office of Chief Counsel
Email: Office_of_Chief_Counsel@hhsc.state.tx.us

EXHIBIT A
PROJECT DESCRIPTION¹

PROJECT COMPONENTS	ESTIMATED COST ²	ESTIMATED USEFUL LIFE (Years)
Abilene State Supported Living Center	\$ 7,756.448	20
Austin State Hospital	12,362,170	20
Austin State Supported Living Center	7,008,688	20
Big Spring State Hospital	15,778,906	20
Brenham State Supported Living Center	7,837,577	20
Corpus Christi State Supported Living Center	12,606,199	20
Denton State Supported Living Center	5,148,976	20
El Paso Psychiatric Center	4,021,445	20
El Paso State Supported Living Center	2,175,037	20
Kerrville State Hospital	9,516,708	20
Lubbock State Supported Living Center	5,302,152	20
Lufkin State Supported Living Center	2,372,843	20
Mexia State Supported Living Center	8,222,668	20
North Texas State Hospital -Vernon & South	9,989,621	20
North Texas State Hospital -Wichita Falls	12,795,689	20
Richmond State Supported Living Center	10,385,313	20
Rio Grande State Center	3,223,834	20
Rusk State Hospital	15,071,598	20
San Angelo State Supported Living Center	15,592,064	20
San Antonio State Hospital & Casa Amistad	10,441,172	20
San Antonio State Supported Living Center	8,475,719	20
Terrell State Hospital	15,407,003	20
Waco Center for Youth	7,324,447	20
 Grand Total	 \$ 208,816,277	

¹ The Properties, as defined in the Lease Agreement and described in the Exhibit A thereto, include the Project upon commencement thereof and regardless of whether all or any portion of the Project is deemed to be complete.

² Estimated costs shown for each Project Component are preliminary estimates, and such estimated costs are subject to adjustment and allocation to other Project Components.

EXHIBIT B
PROJECT COMPLETION SCHEDULE

EXPENDITURE PERIOD	PROJECTED PROJECT EXPENDITURES EACH PERIOD	CUMULATIVE	FUND BALANCE
Beginning Balance			\$ 208,816,277
November, 2019	-	-	208,816,277
December, 2019	-	-	208,816,277
January, 2020	-	-	208,816,277
February, 2020	-	-	208,816,277
March, 2020	-	-	208,816,277
April, 2020	-	-	208,816,277
May, 2020	\$ 277,733	\$ 277,733	208,538,544
June, 2020	188,532	466,265	208,350,012
July, 2020	310,597	776,862	208,039,415
August, 2020	959,721	1,736,583	207,079,694
September, 2020	1,120,643	2,857,226	205,959,051
October, 2020	3,125,578	5,982,804	202,833,473
November, 2020	4,274,995	10,257,799	198,558,478
December, 2020	4,732,263	14,990,062	193,826,215
January, 2021	4,732,263	19,722,325	189,093,952
February, 2021	4,732,263	24,454,588	184,361,689
March, 2021	5,670,475	30,125,063	178,691,214
April, 2021	5,670,475	35,795,538	173,020,739
May, 2021	5,670,475	41,466,013	167,350,264
June, 2021	5,670,475	47,136,488	161,679,789
July, 2021	5,670,475	52,806,963	156,009,314
August, 2021	6,328,655	59,135,618	149,680,659
September, 2021	6,328,655	65,464,273	143,352,004
October, 2021	6,328,655	71,792,928	137,023,349
November, 2021	6,328,655	78,121,583	130,694,694
December, 2021	6,328,655	84,450,238	124,366,039
January, 2022	6,328,655	90,778,893	118,037,384
February, 2022	6,328,655	97,107,548	111,708,729
March, 2022	6,328,655	103,436,203	105,380,074
April, 2022	6,328,655	109,764,858	99,051,419
May, 2022	6,328,655	116,093,513	92,722,764
June, 2022	6,328,655	122,422,168	86,394,109
July, 2022	6,328,655	128,750,823	80,065,454
August, 2022	6,328,655	135,079,478	73,736,799
September, 2022	6,328,655	141,408,133	67,408,144
October, 2022	6,328,655	147,736,788	61,079,489
November, 2022	6,328,655	154,065,443	54,750,834
December, 2022	6,328,655	160,394,098	48,422,179

EXPENDITURE PERIOD	PROJECTED PROJECT EXPENDITURES EACH PERIOD	CUMULATIVE	FUND BALANCE
January, 2023	6,328,655	166,722,753	42,093,524
February, 2023	4,650,998	171,373,751	37,442,526
March, 2023	4,320,362	175,694,113	33,122,164
April, 2023	4,320,362	180,014,475	28,801,802
May, 2023	2,160,181	182,174,656	26,641,621
June, 2023	2,160,181	184,334,837	24,481,440
July, 2023	2,160,181	186,495,018	22,321,259
August, 2023	2,160,181	188,655,199	20,161,078
September, 2023	2,160,181	190,815,380	18,000,897
October, 2023	2,160,181	192,975,561	15,840,716
November, 2023	2,160,181	195,135,742	13,680,535
December, 2023	2,160,181	197,295,923	11,520,354
January, 2024	2,160,181	199,456,104	9,360,173
February, 2024	2,160,181	201,616,285	7,199,992
March, 2024	1,200,000	202,816,285	5,999,992
April, 2024	1,200,000	204,016,285	4,799,992
May, 2024	1,200,000	205,216,285	3,599,992
June, 2024	1,200,000	206,416,285	2,399,992
July, 2024	1,200,000	207,616,285	1,199,992
August, 2024	1,199,992	208,816,277	-

EXHIBIT C
FORM OF DISBURSEMENT CERTIFICATE
DISBURSEMENT CERTIFICATE

The undersigned hereby certifies, on behalf of the Texas Health and Human Services Commission (the "Lessee"), as follows:

(a) The capitalized terms in this Certificate that are not herein defined shall have the meanings defined in the Texas Public Finance Authority Lease Purchase Agreement, dated as of July 31, 2020, between the Lessee and the Texas Public Finance Authority.

(b) Except as previously disclosed in writing to the Executive Director, the Lessee is not in breach of any representation, warranty, or agreement in the Lease.

(c) The Lessee reasonably expects to expend funds, in the aggregate amount of the disbursements requested by this Certificate, for the payment of the Project Costs for which disbursement is requested.

(d) For each item of Project Costs for which a disbursement of funds is requested, state the following information [attach separate sheet if necessary]:

Program Cost Account	Appropriated Fund No. (D22 Profile)	Agency Fund No. (D23 Profile)	Agency General Ledger Account	Appropriation Year	Amount of Disbursement	Project Identification

IN WITNESS WHEREOF, the undersigned executes this Certificate on the date shown below.

**TEXAS HEALTH AND HUMAN SERVICES
COMMISSION**

By: _____
Authorized Lessee Representative

Date: _____

EXHIBIT D
MONTHLY STATUS REPORT INFORMATION

The monthly status report prepared by the Lessee pursuant to this Lease shall contain the following information with respect to the Project:

- (1) identity of the Project (name, ID no., etc.) and the original date on which such Project was first financed hereunder;
- (2) fund number(s);
- (3) the budget amount for the Project (including adjustments, if any);
- (4) description of work category;
- (5) amount expended for reporting month;
- (6) total amount expended to date;
- (7) amount encumbered;
- (8) available balance;
- (9) percent work complete, if applicable;
- (10) percent funds expended;
- (11) narrative identifying any problems (including, without limitation, delays and cost overruns) and indicating whether such problems will substantially alter the work schedule or costs;
- (12) identify any use of the Project by (a) any other State Agency, including use pursuant to a sublease or other agreement, or (b) any Person other than a state or local governmental unit.

EXHIBIT E
FORM OF PROJECT COMPLETION CERTIFICATE
PROJECT COMPLETION CERTIFICATE

FUND NO. _____

The undersigned hereby certifies, on behalf of the Texas Health and Human Services Commission (the "Lessee"), as follows:

(a) The capitalized terms in this Certificate that are not herein defined shall have the meanings defined in the Texas Public Finance Authority Lease Purchase Agreement, dated as of July 31, 2020 between the Lessee and the Texas Public Finance Authority.

(b) The Project was completed on (or no further proceeds of the Obligations are to be expended for Project Costs as of) _____ [insert date].

(c) Except for \$ _____ (the "Retainage"), all Project Costs that have been incurred have been paid, and no further disbursements from the Project Fund for the payment of Project Costs will be necessary.

(d) The Retainage is sufficient to pay all claims (1) for the payment of any Project Costs that are not presently due, and (2) for the payment of any Project Costs the liability for which is being contested or disputed by the Lessee.

IN WITNESS WHEREOF, the undersigned executes this Certificate on the date shown below.

TEXAS HEALTH AND HUMAN SERVICES
COMMISSION

By: _____
Authorized Lessee Representative

Date: _____

EXHIBIT F
INSTRUCTIONS TO COMPTROLLER

Pursuant to Section 771.008 of the Interagency Cooperation Act, Chapter 771, Texas Government Code, as amended, and Chapter 1232, Texas Government Code, as amended, Lessee hereby authorizes the Authority to access Lessee's appropriated funds in the accounts identified below from time to time by issuing vouchers thereon to the Comptroller to transfer to the State Lease Fund Account (as defined in the Lease) amounts required hereunder.

Budget Information:

Appropriated Fund No:	_____	Index: _____
Agency Fund No.:	_____	AOBJ: _____
Appropriation No:	_____	Subfund: _____
Program Cost Account (PCA) No:	_____	
Appropriation Year (AY):	_____	