

MASTER LEASE PURCHASE AGREEMENT

between

TEXAS PUBLIC FINANCE AUTHORITY

and

Pertaining to

State of Texas
Texas Public Finance Authority
Master Lease Purchase Program

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TEXAS PUBLIC FINANCE AUTHORITY
MASTER LEASE PURCHASE AGREEMENT

MASTER LEASE PURCHASE AGREEMENT ("Lease"), between the TEXAS PUBLIC FINANCE AUTHORITY (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 "Authorizing Law"), the Authority was duly established with the power and authority (i) to purchase, lease, rent, or otherwise acquire buildings and equipment for agencies of the State of Texas, (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 19, 2002, 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 equipment and building projects described or to be described on Exhibit A to this Lease, which equipment and building projects have been or prior to their listing on Exhibit A will have been accepted by the Lessee (such equipment and building projects leased and to be leased to Lessee hereunder as identified on Exhibit A hereto, together with all replacement parts, repairs, additions, attachments, accessories, restorations, replacements, and substitutions therefor, are herein collectively referred to as the "Projects"); 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 and certain related documents for the purpose of financing or refinancing Eligible Projects (as defined herein); 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 relationship between the Authority and the Lessee shall be a continuing one and Eligible Projects may be added to or deleted from this Lease from time to time in accordance with the terms of this Lease; and

WHEREAS, the parties hereto understand and agree that the Authority intends to assign the Authority's rights hereunder as security for indebtedness incurred to finance or refinance the Eligible Projects.

NOW, THEREFORE, in consideration of the premises and the mutual benefit to the parties hereto, the parties 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.

Acquisition Papers - as to each Project, 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), together with a purchase voucher, properly completed pursuant to the terms of the Lease Supplement relating to the Project.

Administration Costs - costs incurred by or on behalf of the Authority (including, without limitation, costs of enforcement of the Transaction Documents and attorneys' fees) in connection with the administration of the Program and the issuance of obligations to finance the Program, including, but not limited to, the paying agency, liquidity, dealer, financial advisory, legal, arbitrage compliance, and operating costs of the Authority.

Agency Act - the statute governing the Lessee as indicated on the signature page hereof.

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, General Counsel, or Chief Accountant 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 as the Lessee's Authorized Representative on the signature pages hereof or any person designated in writing by such Authorized Lessee Representative as an authorized representative for purposes of this Lease.

Authorizing Law - the Texas Public Finance Authority Act, Chapter 1232, Texas Government Code, as amended.

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 revenue rulings issued with respect thereto by the United States Department of the Treasury or the Internal Revenue Service.

Comptroller - the Comptroller of Public Accounts of the State of Texas or any successor thereto.

Costs of Issuance - the "costs of issuance," "issuance costs," or "issuing costs" as defined in the Authorizing Law and the Authority Regulations, incurred in connection with the issuance of any Obligations.

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.

Eligible Project - any physical structure that has been specifically authorized by the Legislature for the Authority to finance, together with the land and major equipment or personal property that is functionally related to the physical structure, or any other fixed asset used by a State Agency to conduct official State business, including, without limitation, telecommunications devices or systems, automated information systems, computers and computer software, provided, that such property has a Useful Life of at least three years and a value of at least \$10,000, valued either individually or as a group of individual items of property each having a minimum value of \$100 per item.

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 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 any other State Agency entered into in connection with the Program.

Event of Nonappropriation - the failure of the Legislature to appropriate for any fiscal period of the State sufficient funds that are lawfully available to pay all Lease Payments hereunder and under all other leases between the Authority and any other State Agency entered into in connection with the Program that are to come due (or estimated to come due) during such fiscal period, or the reduction of any appropriation to an amount insufficient to permit any such State Agency to pay such Lease Payments.

Event of Taxability - any act or omission that could cause the interest on any Obligations or payments under any Lease Supplements which are treated as interest under the Code not to be excludable under Code Section 103 from the gross income of the owner of such Obligation or the assignee of such Lease Supplement.

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.

Funds Management Agreement - with respect to the obligations under any Lease Supplements during all times that such Lease Supplements are pledged as security for any Obligations, the Funds Management Agreement and any amendments thereto, which applies to the management of funds with respect to such Obligations.

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

Lease - this Lease, all Lease Supplements hereunder, and any amendments hereto or thereto.

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 required to be maintained pursuant to this Lease, Administration Costs, and payments indemnifying the Authority.

Lease Supplement - a Lease Supplement in the form of Exhibit A-1 hereto, properly completed by the Lessee and executed by an Authorized Lessee Representative and an Authority Representative, as the same may be amended or supplemented from time to time under the terms of this Lease.

Legislature - the Legislature of the State of Texas.

Lessee - the "Lessee" as defined in the preamble 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.

Paying Agent/Registrar - the paying agent/registrar identified in any Resolution.

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

Program - the Authority's Master Lease Purchase Program for the acquisition, construction, reconstruction, or restoration of buildings and acquisition of equipment for State Agencies, or the refinancing thereof, as the same may be amended or supplemented from time to time, including, without limitation, the Transaction Documents.

Project - each Project as described or to be described on Exhibit A to this Lease, which Project, prior to its listing on Exhibit A, will have been accepted by the Lessee together with all repairs, additions, attachments, replacements, and substitutions therefor.

Project Completion Amount - as to each Project, the aggregate amount of the Project Costs that the Lessee expects, as of the date of any Lease Supplement, to be necessary to complete the construction or acquisition and installation of such Project.

Project Costs - any costs associated with a Project that are authorized under the Authorizing Law, Chapters 1201 and 1371, Texas Government Code, as amended, and the Authority Regulations, to be financed with the proceeds of the Obligations.

Project Description - as to each Project, collectively, the information set forth on Exhibit A of this Lease as the same may be amended or supplemented from time to time.

Project Financing Documents - as to each Project, collectively, all documents furnished by the Lessee to the Authority in connection with the financing of the Project and issuance of Obligations to fund such Project, including, without limitation, this Lease, each Lease Supplement, and any Acquisition Papers.

Project Site - as to each Project, the land on which the Project is situated, as described in Exhibit A-1 of this Lease.

Regular Rent Payment Date - as to each Lease Supplement, the second Business Day preceding each August 1 commencing on the date of such Lease Supplement.

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 of Projects, such payments consisting of interest portions and principal portions in the amounts set forth on Exhibit A hereto, 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.

Restoration Fund - the "Restoration Fund" as defined in the Funds Management Agreement.

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 Authorizing Law or any successor account created for the same purpose pursuant to law.

Transaction Documents - collectively, any Resolution, any Obligations, the Leases and Lease Supplements, the Funds Management Agreement, 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 preamble 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 Authorizing Law;

(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 State Agency 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

SECTION 3.01 Authorization for Projects.

The Lessee represents that on or before delivery of any Lease Supplement hereunder, all legislative approvals, appropriations, and authorizations required under the Agency Act and the Authorizing Law as a condition to the construction, acquisition, or refinancing of the Project identified in such Lease Supplement and the financing or refinancing thereof by the Authority have been or will have been obtained and the delivery of a Lease Supplement with respect thereto shall constitute confirmation of such representation.

SECTION 3.02 Construction and Acquisition of Projects.

(a) The Lessee shall cause the construction and/or acquisition of each Project to be completed with due diligence and in the name of the Authority, free of any liens, and in accordance with law. 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. The Authority shall have no responsibility with respect to the acquisition of the Project.

(b) As Projects are identified for financing or refinancing hereunder, the Lessee shall prepare and assemble, or cause to be prepared and assembled, the Acquisition 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 the acquisition and/or construction of such property and shall direct the purchase of each item of property by the Authority pursuant to the terms and conditions set forth in this Lease. Contracts in connection with the acquisition and/or construction and installation of the property shall be let in accordance with all laws applicable to Lessee acquisition and/or construction and installations. An Authorized Lessee Representative shall deliver a Lease Supplement and the Acquisition Papers to and advise the Authority of the aggregate amount of funds needed for disbursement to pay the cost of the Project.

(c) The Authority shall cause the vendor or prior lender to be paid in accordance with the Lease Supplements. Title to the Projects 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. Any Project constituting

vehicles subject to registration with the State Department of Motor Vehicles shall be registered with the Authority as the registered owner.

SECTION 3.03 Use of Projects.

(a) The Lessee may use each Project for any lawful purpose consistent with the normal intended use of such Project 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 construction and/or installation and operation of each Project.

(b) The Lessee shall not sublease any Project (or any portion thereof) to, or permit any Project (or any portion thereof) to be operated or otherwise used by, any entity other than a State Agency or political subdivision 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 shall release the Lessee from its liability hereunder.

(c) Any sublease or other use arrangement for a Project with any State Agency shall terminate upon the termination of this Lease except as otherwise authorized by the Authority.

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

SECTION 3.04 Alteration or Substitution of Projects.

The Lessee may alter any Project or substitute other projects for all or any part of a Project if, before such alteration or substitution is made:

(1) (A) in the case of an alteration or substitution that would cause the amount of funds necessary to complete the acquisition and/or construction of the Project (as altered or substituted) to exceed the Project Completion Amount, an Authorized Lessee Representative certifies to the Authority that the Lessee has sufficient legally available funds to complete the acquisition and/or construction and installation of the Project; (B) the Project so altered or substituted has the same or greater remaining Useful Life as the Project to be substituted; and (C) the Project so substituted is of equal or greater usefulness or value to the Lessee;

(2) the Authorized Lessee Representative obtains an opinion of Bond Counsel or the written advice of the Attorney General of Texas to the effect that such alteration or substitution is authorized by law and will not constitute an Event of Taxability; and

(3) an Authorized Lessee Representative notifies the Authority of such alteration or substitution and provides the Authority with a revised Lease Supplement describing the Project as altered or substituted.

SECTION 3.05 Licenses and Permits.

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

SECTION 3.06 Inspection of Projects.

The Authority and its authorized agents, upon notice to the Authorized Lessee Representative and at reasonable times before, during and after completion of the construction or acquisition of Projects, may enter the Lessee's premises and inspect the Projects and examine any records of the Lessee relating to the Projects. The Lessee agrees to cooperate with the Authority in preparing an annual inventory of all Projects financed under the Program and to execute a certificate with respect thereto.

SECTION 3.07 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 Projects and the use or occupancy thereof. The Lessee shall provide for the service, repair, and maintenance of all Projects at its own expense so as to keep the Projects 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 Project 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 security interest in the Projects. The Authority, as a condition precedent to this Lease, shall transfer all manufacturers', contractors', vendors', and other representations and warranties relating to the Projects 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 ANY PROJECT OR ANY PART THEREOF. The Authority shall not be liable to Lessee, any State Agency, 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 any Project 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 any Project, any loss of business or other consequence or damage, whether or not resulting directly or indirectly from any of the foregoing.

SECTION 3.08 Taxes.

The Lessee shall pay any sales, property use, license, or other taxes from which the Lessee is not exempt, respecting the Projects, 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 3.09 Necessity for Projects.

The Lessee represents to the Authority that, as of the date any Lease Supplement is delivered to the Authority by the Lessee:

(1) the provision of the Project in accordance with such Lease Supplement is necessary in order for the Lessee to effectively carry out its lawful duties and functions; and

(2) except as otherwise expressly provided by this Lease, the Lessee expects that it will use the Project for essential governmental purposes for the entire useful economic life of the Project.

SECTION 3.10 Insufficient Funds.

(a) If the funds requested pursuant to any Lease Supplement 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.

SECTION 3.11 No Encumbrances.

Neither the Lessee nor the Authority shall create or suffer to exist any lien or other encumbrance against any Project except as provided by this Lease, any Lease Supplement, or the Resolution.

SECTION 3.12 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 Project 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 Project 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 3.13 Title Insurance.

(a) With respect to each building or real estate Project, Lessee shall cause a binder to its owner's policy of title insurance to be issued by a title insurance underwriter authorized to issue title insurance in the State, which policy insures the State's title to the Project in an amount (to the extent the Project is insurable on reasonable terms in the commercial market) not less than the amount of the Project Costs incurred to acquire and construct the Project, subject to standard printed exceptions and such other exceptions as a prudent purchaser would agree to.

(b) Title insurance required by this section shall be in effect at the time that title to the Project (or any part thereof) is acquired by the Authority.

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 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 Nonappropriation shall occur and be continuing, the Lessee agrees, upon request of the Executive Director, to deliver the Project to the Authority or the Authority's designee, if the Project is moveable, at such location within the United States of America as the Authority may designate, freight prepaid.

SECTION 4.02 Indemnification of Authority.

The Lessee (to the extent permitted by law) shall make, or cause to be made, available to the Authority lawfully available funds sufficient to indemnify the Authority for any losses or

damages whatsoever (including, without limitation, attorney's fees) incurred by the Authority that arise out of the acquisition, ownership, design, construction, maintenance, or operation of the Projects.

SECTION 4.03 Proceeds of Property Damage Insurance or Condemnation.

If any Project is destroyed or damaged by fire or other casualty, or title to such 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 (in which case such replacement of any Project shall become subject to the provisions of this Lease Agreement as fully as if it were the originally leased Project) such 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 for the payment of Project Costs from the Project Fund. Any balance of the net proceeds remaining after the repair, restoration, or replacement shall be paid to Lessee.

(b) Option B - Prepayment of Rent Payments. Lessee shall prepay all Rent Payments applicable to such Project. 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 Project.

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, the Legislative Budget Board, and the Governor's Budget Office 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.

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 Notice of Nonappropriation.

Not later than the third Business Day after the occurrence of an Event of Nonappropriation, 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.

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 payment of Project Costs for Eligible Projects from time to time. It is acknowledged however, that the Authority cannot guarantee that financing will always be available and the Authority is under no obligation to purchase any Project if the Authority determines, in its sole discretion, that adequate financing is not available.

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 construction or acquisition of Eligible 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.

SECTION 5.04 Maintain Tax-Exempt Status of the Obligations.

(a) The Lessee covenants that (i) it will take, or require to be taken, all actions required by the Authority to insure that interest on the Obligations issued 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 Projects to the extent necessary to assure such exclusion of interest under the Code.

(b) Each Project is not, and is not expected to be, used in a manner that would cause the Obligations 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 a Lease Supplement will be used, directly or indirectly, to finance a Project, or a portion of a Project, to be used in any trade or business carried on by any person other than the Lessee or a state or local governmental unit.

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

(d) 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 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.

(e) 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 Project.

(f) 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 or the Projects 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

DEMISE OF PROJECTS; RENT PAYMENT PROVISIONS

SECTION 6.01 Lease of Projects.

Upon the acquisition of title to each Project by the Authority, the Authority hereby leases such Project to the Lessee, and the Lessee hereby leases such Project from the Authority under the terms of this lease and as set forth in the Lease Supplement with respect to such Project.

SECTION 6.02 Rent Payments.

(a) As rent for its use of the Projects, the Lessee shall pay, or cause to be paid, Rent Payments in the amounts, at the times, and otherwise as set forth in each Lease Supplement, as the same may be amended from time to time, and all other amounts with respect to the Projects and in accordance with this section.

(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 in accordance with the applicable Funds Management Agreement. 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 and under the Lease Supplements, prior to all other potential uses of such funds. The Authority and the Lessee acknowledge that, under current law, the Lessee will not be able to apply funds to Lease Payments for building Projects other than funds that are specifically appropriated therefor by the Legislature.

(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 cross-collateralized. Thus, Lessee's Lease and Lease Supplements will 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 in each Lease Supplement. 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 Business Day immediately preceding any date on which Payment Obligations come due, the Authorized Lessee Representative receives telephonic notice from the Executive Director (promptly confirmed in writing) to the effect that sufficient funds for the payment of all Payment Obligations are not on deposit with the Comptroller pursuant to the applicable Funds Management Agreement, 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 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 reduce the aggregate amount of the Rent Payments (including both the interest portion and the principal portion thereof) and such prepayment shall be deposited in accordance with the applicable Funds Management Agreement.

(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) Pursuant to the Authorizing Law 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 the Lease Supplements 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.

(h) The Lessee acknowledges that the Authority may finance Eligible Projects initially through an interim financing arrangement at a rate of interest to be set at such time. The Lessee further acknowledges that the Authority may refinance any initial short term financing. The Lessee hereby agrees with the Authority that the Authority may from time to time, and at any time, amend the schedule of Rent Payments in the Lease Supplement with respect to any Project to reflect the terms of any refinancing of debt incurred by the Authority to finance or refinance the construction or acquisition of such 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").

(i) The Lessee also acknowledges that all of the Lease Supplements under this Lease and under leases between the Authority and other State Agencies pursuant to the Program will 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 will serve as collateral therefor and that any Event of Default or Event of Nonappropriation under such other leases will also constitute an Event of Default or Event of Nonappropriation, as the case may be, under this Lease.

(j) The Lessee acknowledges and understands that, by delivery of a Lease Supplement, the Lessee represents that the Legislature has appropriated funds sufficient to make all Rent Payments with respect to such Lease Supplement anticipated to come due in the fiscal biennium of the State of Texas in which such Lease Supplement is delivered, assuming an

interest rate for the interest portion of Rent Payments equal to the rate established for the Lessee by the Authority from time to time for budgeting purposes.

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 in each Lease Supplement. However, Lessee agrees to indemnify the Authority 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 Project.

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 Nonappropriation, 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:

(A) declare all of the remaining unpaid principal portion of the Rent Payments under any or all Lease Supplements to be immediately due and payable to the extent the Legislature has appropriated funds for such payment;

(B) enter and take possession of any or all Projects under Lease Supplements without terminating this Lease or such Lease Supplements, and sublease all or any part of such Projects for the account of the Lessee; or

(C) terminate any or all Lease Supplements, enter and take possession of the Projects under such Lease Supplements, and, at the Authority's discretion (to the extent permitted by law) sell or lease all or any part of such Projects;

provided, that if the Authority shall lease or sublease any Project, it may lease or sublease such Project 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 Nonappropriation, 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 a Project, the Lessee shall immediately surrender the Project to the Authority.

(d) If the Authority leases or subleases a Project 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 Project).

(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.

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 Supplements.

This Lease shall remain in full force and effect from the date hereof until the later of (i) December 31, 2020, or (ii) 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) and all other obligations under this Lease have been satisfied, unless this Lease is terminated earlier pursuant to the terms hereof. Each Lease Supplement hereunder will terminate as to the Project identified thereon when all Rent Payments have been paid with respect to such Project.

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 Projects, 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 Projects.

SECTION 8.03 Conveyance of Projects upon Termination.

When any Lease Supplement is terminated as a result of all Lease Payments having been paid with respect to the Project identified thereon, 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 such Project to the Lessee.

ARTICLE IX

MISCELLANEOUS PROVISIONS

SECTION 9.01 Amendment.

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 or the written advice of the Attorney General of Texas 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 or the written advice of the Attorney General of Texas 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 a Lease Supplement; 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, telex, telegram, or other electronic transmission, or by express or personal delivery, prepaid and addressed as follows:

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

(3) 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

(a) 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.

(b) 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.

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

TEXAS PUBLIC FINANCE AUTHORITY

By: _____
Authority Representative

NAME OF AGENCY

By: _____
Authorized Lessee Representative
Name:
Title:

Date of Agency Resolution Approving this Lease: _____

Agency Address for Notices:

Telephone: _____

Facsimile: _____

EXHIBIT A

to the

Master Lease Purchase Agreement

This Exhibit A will be deemed to be amended by adding all information from all Lease Supplements delivered under the Master Lease Purchase Agreement in the form of Exhibit A-1 hereto, as such Lease Supplements may be amended or modified from time to time pursuant to the terms of the Master Lease Purchase Agreement.

EXHIBIT A - 1

to the

Master Lease Purchase Agreement Lease Supplement

This is a Lease Supplement, as defined in the Master Lease Purchase Agreement (the "Master Lease") between the Lessee and the Authority (as defined below). Under the terms of the Master Lease, this Lease Supplement is required to be completed in two original counterparts, which are promptly to be delivered to the Authority.

NAME OF AGENCY: _____ Agency #: _____ Appropriation Yr: _____

The undersigned does hereby certify, that he/she is an Authorized Lessee Representative of the agency of the State of Texas set forth above (the "Lessee") pursuant to the terms of the Master Lease Purchase Agreement (the "Master Lease") between the Lessee and the Texas Public Finance Authority. The terms of the Master Lease are hereby incorporated herein by reference. This is a Lease Supplement as defined in the Master Lease. Capitalized terms not otherwise defined herein are used as defined in the Master Lease.

Authorization, Acceptance, Request for Acquisition

The undersigned, confirms that the Project described below is an "Eligible Project" as defined in the Master Lease and either (i) has been delivered to and received by the Lessee or (ii) is an interim portion of a larger Project and such interim portion has been approved for interim partial payment. All installation or other work necessary prior to the use thereof has been completed. The Project has been examined and/or tested and is in good operating order and condition and is in all respects satisfactory to the Lessee and complies with all terms of the Master Lease. The Lessee hereby requests the Authority to acquire the Project for lease to the Lessee pursuant to the Master Lease and to cause the purchase price to be paid to the vendor as provided herein. The undersigned hereby represents that the execution, delivery, and performance of this Lease Supplement has been duly authorized by the Lessee. The delivery by the Lessee of this Lease Supplement constitutes a confirmation that the representations and warranties of the Lessee contained in the Master Lease Agreement are true and correct on the date hereof as though made on the date hereof. Notwithstanding the foregoing, neither the Authority nor the Lessee waives

or limits, by execution of this Lease Supplement, any claim against the vendor or any other seller, installer, contractor, or other provider of property or services related to the purchase, construction, shipment, delivery, installation, or maintenance of the Project.

All required approvals for acquisition and/or construction and financing of the Project, if any, including approval of the Bond Review Board, if required, have been obtained on or before the date hereof.

Necessity for Project

The Lessee further confirms that the Project is necessary for the Lessee to effectively carry out its lawful duties and functions and that the Project will be used for governmental purposes for the entire useful economic life of the Project.

Source of Funds

The Lessee further confirms both that the Legislature has appropriated funds sufficient and properly available to make all Rent Payments anticipated to come due in the current fiscal biennium of the State of Texas, and that the lessee will request legislative appropriations for Rent Payments that will be due in future biennia.

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 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 Master Lease) amounts required hereunder.

Project Information for Equipment:

Description: _____
Serial No.: _____
State Tag No: _____
Useful Life of Project/
Desired Financing Term _____
Location of Equipment: _____

Project Information for Building Construction:

Description: _____
Project Site: _____
Useful Life of Project: _____

Payments:

Payee Name or Contractor: _____

Address: _____

Payee ID #: _____

Purchase or Contract Price: _____

Disburse to: _____

Payment Due Date: _____

Method of Payment: _____

Requisition No.: _____

Invoice Date / Invoice Number(s): _____

Invoice Received Date: _____

Order Date: _____

Service/Delivery Date: _____

TBPC Order No., if any: _____

(OPTIONAL)

Legal Description: _____

PCC: _____

COBJ Code: _____

Appropriation Source (check one): _____

Capital Budget Rider _____

Operating Budget _____

Budget Information:

Appropriated Fund No: _____ Index: _____

Agency Fund No.: _____ AOBJ: _____

Appropriation No: _____ Subfund: _____

Program Cost Account (PCA) No: _____

Appropriation Year (AY): _____

Lessee hereby confirms that it has verified in accordance with all applicable statutes, that the Vendor listed above, if any, does not owe any outstanding and unpaid obligations to the State of Texas.

Attached hereto are:

1. A vendor's or contractor's invoice for the Project approved by the Lessee.
2. Schedule 1, showing the approximate semiannual payments to be made by the Lessee for the Project.
3. All other Acquisition Documents (as defined in the Master Lease): Specify:

You are hereby requested to make a disbursement as indicated above.

Authorized Lessee Representative

By: _____
Title: _____
Date: _____

Countersigned and
Approved for payment:*

Authorized Representative of the Texas Public Finance
Authority

By: _____
Title: _____
Date: _____

*By execution of this Lease Supplement, the Authority does not incur any obligation with respect to Rent Payments other than as provided in the Master Lease.

SCHEDULE 1

TO

LEASE SUPPLEMENT

SCHEDULE OF ANTICIPATED RENT PAYMENTS

Date ⁽¹⁾	Principal Portion ⁽²⁾⁽³⁾	Interest Portion ⁽²⁾⁽³⁾⁽⁴⁾
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

¹ Payment period may not exceed the shorter of the Useful Life of the Project or 20 years from the date of delivery of the Lease Supplement. All payments will be due on the second business day preceding each August 1, or other date set by the Authority. By delivery of this Lease Supplement, the Lessee represents that the term of the payments do not exceed the Useful Life of the Project. For construction projects, the Lessee may request to pay interest only throughout the anticipated completion date of the construction period and begin principal payments only thereafter.

² Principal and interest will be completed by the Authority prior to execution by the parties hereto and will be subject to Rent Payment Reset (as defined in the Master Lease) from time to time upon notice from the Authority that the indebtedness incurred to finance the Project has been refinanced and setting forth the revised principal and interest schedules.

³ The initial principal portions will be increased upon Rent Payment Reset to include an amount to pay the anticipated issuance costs of the Authority to be incurred in connection with the financing and/or refinancing of the Project. The interest amounts will be revised upon Rent Payment Reset to reflect the interest cost, fees, expenses, and other such costs of any refinancing, including any advances under a Credit Agreement. Furthermore, interest portions will be subject to increase upon the occurrence of an Event of Default under the Master Lease or any financing documents entered into by the Authority to finance or refinance the purchase of the Project.

⁴ The "net effective interest rate" calculated in accordance with Chapter 1204, Texas Government Code may not exceed the rate allowable under said Chapter.