

AGENDA ITEM

Special Called Board Meeting 10-22-2020

Agenda item:

Consideration and Approval of a **Resolution** Authorizing the Issuance of Harris County Department of Education Maintenance Tax Notes, Series 2020; Providing for the Payment of Said Notes; and Resolving Other Matters Incident and Related to the Issuance, Sale, Payment and Delivery of Said Notes, Including the Approval and Execution of a Paying Agent/Registrar Agreement and the Approval and Distribution of an Official Statement.

Resource Personnel: James Colbert Jr. Superintendent
Dr. Jesus Amezcua, Asst. Supt for Business
Rich Vela, Exec. Director of Facilities

Subject: 2020 Maintenance Tax Notes

Goal: (1) Impact education and respond to evolving needs
(2) Deliver value responsibly

Rationale:

The Department proposed a Capital Improvement Plan to the Board of Trustees on August 3, 2020. A public notice was approved and advertised on August 11, 2020. The 60-day notice timeline extended until October 9, 2020. The Department through its Public Facilities Corporation will enter into a lease to finance the projects to include the Adult Ed Conference Center, The HP East Middle School Addition, and the new AB East Campus. Bond Counsel is Orrick & Co. (Marcus Deitz) and Financial Advisor is USCapital, (Lewis Wilks)

The department approved 4 underwriters on September 16, 2020: JP Morgan is the lead underwriter and 3 other underwriters: Estrada Hinojosa, Hilltop Securities and RBC Capital. The estimated projected revenue bonds are \$13,695,000

The pricing of the bonds is scheduled for October 22th, 2020 and subject to approval on October 22, 2020.

Recommendation:

It is recommended: that the Board of Trustees approve the **Resolution** Authorizing the Issuance of Harris County Department of Education Maintenance Tax Notes, Series 2020; Providing for the Payment of Said Notes; and Resolving Other Matters Incident and Related to the Issuance, Sale, Payment and Delivery of Said Notes, Including the Approval and Execution of a Paying Agent/Registrar Agreement and the Approval and Distribution of an Official Statement.

AGENDA ITEM

Special Called Board Meeting 10-22-2020

Agenda item:

Consideration and Approval of **an Order** Authorizing the Issuance of Harris County Department of Education Public Facilities Corporation Lease Revenue Bonds, Series 2020 and Awarding the Sale Thereof; Authorizing the Execution and Delivery of a Lease with an Option to Purchase Relating to Educational and Support Facilities; Authorizing the Execution and Delivery of a Ground Lease; and Approving Other Matters Incident and Relating Thereto.

Resource Personnel: James Colbert Jr. Superintendent
Dr. Jesus Amezcua, Asst. Supt for Business
Rich Vela, Exec. Director of Facilities

Subject: 2020 Public Facilities Corporation Revenue Bonds

Goal: (1) Impact education and respond to evolving needs

(2) Deliver value responsibly

Rationale:

The Department proposed a Capital Improvement Plan to the Board of Trustees on August 3, 2020. A public notice was approved and advertised on August 11, 2020. The 60-day notice timeline extended until October 9, 2020. The Department through its Public Facilities Corporation will enter into a lease to finance the projects to include the Adult Ed Conference Center, The HP East Middle School Addition, and the new AB East Campus. Bond Counsel is Orrick & Co. (Marcus Deitz) and Financial Advisor is USCapital, (Lewis Wilks)

The department approved 4 underwriters on September 16, 2020: JP Morgan is the lead underwriter and 3 other underwriters: Estrada Hinojosa, Hilltop Securities and RBC Capital. The estimated projected revenue bonds are \$27,730,000

The pricing of the bonds is scheduled for October 22th, 2020 and subject to approval on October 22, 2020.

Recommendation:

It is recommended: that the Board of Trustees approve the **“Order** Authorizing the Issuance of Harris County Department of Education Public Facilities Corporation Lease Revenue Bonds, Series 2020 and Awarding the Sale Thereof; Authorizing the Execution and Delivery of a Lease with and Option to Purchase Relating to Educational and Support Facilities; Authorizing the Execution and Delivery of a Ground Lease; and Approving Other Matters Incident and Relating Thereto.

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HOUSTON INDEPENDENT SCHOOL DISTRICT NOTICE TO PROPOSERS
 The Houston Independent School District located in the Hattie Mae White Educational Support Center at 4400 West 18th Street Houston, Texas 77092 will accept proposals, until the stated date and time deadlines, in the Board Services Office, Level C1

- Project 20-05-03 - RFQ/ External Performance Contract Campuses - with a deadline of 12:00 p.m. on September 9, 2020. The Pre-Proposal Conference for this project will be via Zoom on August 19, 2020 at 2:00 p.m.

The solicitation for bids is available on the HISD web-site at www.houstonisd.org. To access, go to **Directory, Purchasing Services, Solicitation of Bids**. The District reserves the right to reject any or all proposals, or, to accept the proposal that is most advantageous to the District.

LEGAL NOTICE
 Harris County Department of Education (HCDE) will be accepting proposals for the following:
Request for Qualification - # 20/055KJ Construction Manager-Agent/Project Manager Services
All proposals are due, Tuesday, August 25, 2020 @ 2:00 p.m. central time. Interested proposers may go to <https://hcdcebid.onwave.net/Login.aspx> and register to download the solicitation or call 713-696-0744. It is HCDE policy not to discriminate on the basis of race, color, national origin, gender, limited English proficiency or handicapping condition in its programs.

Request for Grant Proposals Notice
 Harris County Department of Education (HCDE) Center for Afterschool, Summer and Enrichment for Kids (CASE for Kids) will be accepting *Request for Proposals (RFP)* for City Connections 2020-2021 (RFP #20/053KJ). RFP workshops will be held online via Zoom at 10 a.m. on August 12th, 10 a.m. on August 17th, and 1 p.m. on August 21st. Interested proposers may go to www.afterschoolzone.org to download the application. City Connections applications are due by 5 p.m. on September 2, 2020. Completed applications must be submitted via email to caseconnections@hcdce-texas.org. For more information, email caseconnections@hcdce-texas.org.

REQUEST FOR SEALED PROPOSALS WILL BE RECEIVED BY PROCUREMENT SERVICES, PORT OF HOUSTON AUTHORITY AT PROCUREMENTPROPOSAL@PORTHOUSTON.COM UNTIL 11:00 A.M. ON SEPTEMBER 16, 2020 FOR THE FOLLOWING:
INFORMATION SECURITY STRATEGIC PARTNER (RFP-1595). A MANDATORY PRELIMINARY MEETING WILL BE HELD ON AUGUST 12, 2020 @ 1 P.M. VIA WEBEX FOR IDENTIFIED VENDORS. NONDISCLOSURE DOCUMENTS MUST BE COMPLETED AND RETURNED TO PROCUREMENTPROPOSALS@PORTHOUSTON.COM NO LATER THAN AUGUST 10, 2020 AT 5 P.M. (CST). ONLY VENDORS WHO HAVE COMPLIED WITH THE REQUIREMENTS WILL RECEIVE THE RFP SOLICITATION PACKAGE. NONDISCLOSURE FORMS MAY BE OBTAINED FROM PORT HOUSTON'S ePROCUREMENT WEBSITE <https://buyspeed.poha.com/bsol/>. THE PORT AUTHORITY RESERVES THE RIGHT TO REJECT ANY OR ALL PROPOSALS OR RESPONSES

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Anyone knowing the whereabouts of the following individuals, please contact attorney David Tubbs at Tubbs Law - (225)344-0220: Linda Lamark Knapper; Sangria Lamark; or Tunisia Tackno Boatner.

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EXHIBIT A

NOTICE OF INTENTION TO ENTER INTO A CONTRACT FOR THE ACQUISITION, IMPROVEMENT, AND EQUIPMENT OF REAL PROPERTY

NOTICE IS HEREBY GIVEN that the Harris County Board of School Trustees (the "Board") of Harris County, Texas dba the Harris County Department of Education (the "Department") will consider approval of one or more lease/purchase contracts (collectively, the "Lease/Purchase Contract") with the Harris County Department of Education Public Facility Corporation (the "Corporation"), each with a term not to exceed twenty five (25) years, for the use or purchase or other acquisition of improvements to real property, as more fully described below (the "Project"). The land upon which the Project will be constructed is owned by the Department and will be leased by the Department to the Corporation.

The Project will be subject to a mortgage and foreclosure in the event the Department fails to make payments under the Lease/Purchase Contract. The approval of the Lease/Purchase Contract is intended to provide for the issuance by the Corporation of bonds (the "Bonds") in an amount sufficient to provide for (i) the leasing of land and the construction, improvement and equipment and buildings to be used for the Project, (ii) funding any necessary reserve fund, and (iii) payment of the cost of issuance of the Bonds. Title to the Project will be retained by the Corporation until the Department has made all payments due under the Lease/Purchase Contract. The Lease/Purchase Contract shall be payable from interlocal contracts (the "Interlocal Contracts") between the Department and certain school districts located within Harris County and surplus equalization tax revenues of the Department. The Lease/Purchase Contract will be subject to (A) annual appropriations by the contracting school districts of amounts required to make the payments due under the Interlocal Contracts and (B) annual appropriations by the Department of (1) amounts received by the Department pursuant to the Interlocal Contracts and (2) surplus equalization tax revenues of the Department.

The Project will consist of the construction and equipment of a new building at the Department's ABS East Campus located at 7703 South Loop East, Houston, Texas 77012 to provide adaptive behavior services, the construction the construction and equipment of a new building at the Department's Highpoint Campus located at 8003 E. Sam Houston Parkway North, Houston, Texas 77049 to provide alternative educational services and the construction and equipment of a new building at the Department's Adult Ed Center located at 6515 Irvington and 629 King Street, Houston, Texas 7702 to provide adult education classes (consisting of general education and vocational classes). The total cost of the Project will not exceed \$54,000,000, of which approximately \$35,000,000 will be paid with the Bonds and approximately \$19,000,000 will be paid with maintenance tax notes for qualifying equipment of the Department as well as other lawfully available revenues of the Department.

NOTICE OF SALE

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 400
 (A Political Subdivision of the State of Texas
 Located within Harris County, Texas)

\$4,950,000
 UNLIMITED TAX BONDS, SERIES 2020A

Bids Due: Monday, August 24, 2020, at 10:00 A.M., Houston Time
 Bonds Awarded: Monday, August 24, 2020, at 12:00 Noon, Houston Time

Place and Time of Sale: The Board of Directors of Harris County Municipal Utility District No. 400 (the "District") will publicly receive sealed bids for the above described Bonds on Monday, August 24, 2020, at 10:00 A.M., Houston Time. At a Board of Directors meeting on Monday, August 24, 2020, at 12:00 Noon, Houston Time, the Board will immediately take action to reject any and all bids or accept the qualified bid that produces the lowest net effective interest rate for the Bonds. It is anticipated that said meeting will be held via telephone conference call on Monday, August 24, 2020, pursuant to Texas Government Code, Section 551.125, as amended, and as modified by the temporary suspension of various provisions thereof, effective March 16, 2020, by the Governor of Texas in accordance with the Texas Disaster Act of 1975, all as related to the Governor's proclamation on March 13, 2020, concerning the COVID-19 pandemic. If the Governor's proclamation is lifted or expires or if the Governor terminates the partial suspension of Texas Government Code, Section 551.125, a meeting in a physical location may become necessary. In such case, the Board will conduct the meeting at the District's regular meeting place at 1300 Post Oak Boulevard, Suite 1400, Houston, Texas 77056. Please consult the public notice for said meeting for details regarding public access. The District reserves the right to postpone the bond sale, if needed.

Address of Bids: Bids for the Bonds may be delivered to the District electronically, by telephone, or directly to the District in a sealed envelope addressed to the "President and Board of Directors of Harris County Municipal Utility District No. 400," all as described in the "Official Notice of Sale." All bids must be submitted on the "Official Bid Form" and accompanied by a Bank Cashier's Check in the amount of \$99,000 payable to the order of the District as a good faith deposit.

Information: The Bonds are more completely described in the "Official Notice of Sale" and the "Preliminary Official Statement" which may be obtained from Rathmann & Associates, L.P., c/o Julie Gerdes (julie@rathmannassociates.com). The District reserves the right to reject any or all bids and to waive any and all irregularities except time of filing. This notice does not constitute an offer to sell the Bonds but is merely notice of sale of the Bonds as required by law. The offer to sell the Bonds will be made only by means of the "Official Notice of Sale," the "Preliminary Official Statement," and the "Official Bid Form."

Board of Directors
 Harris County Municipal Utility District No. 400

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Printer Friendly

EXHIBIT A NOTICE OF INTENTION TO ENTER INTO A CONTRACT FOR THE ACQUISITION, IMPROVEMENT, AND EQUIPMENT OF REAL PROPERTY NOTICE IS HEREBY GIVEN that the Harris County Board of School Trustees (the "Board") of Harris County, Texas dba the Harris County Department of Education (the "Department") will consider approval of one or more lease/purchase contracts (collectively, the "Lease/Purchase Contract") with the Harris County Department of Education Public Facility Corporation (the "Corporation"), each with a term not to exceed twenty five (25) years, for the use or purchase or other acquisition of improvements to real property, as more fully described below (the "Project"). The land upon which the Project will be constructed is owned by the Department and will be leased by the Department to the Corporation. The Project will be subject to a mortgage and foreclosure in the event the Department fails to make payments under the Lease/Purchase Contract. The approval of the Lease/Purchase Contract is intended to provide for the issuance by the Corporation of bonds (the "Bonds") in an amount sufficient to provide for (i) the construction, improvement and equipment and buildings to be used for the Project, (ii) funding any necessary reserve fund, and (iii) payment of the cost of issuance of the Bonds. Title to the Project will be retained by the Corporation until the Department has made all payments due under the Lease/Purchase Contract. The Lease/Purchase Contract shall be payable from inter local contracts (the "Interlocal Contracts") between the Department and certain school districts located within Harris County and surplus equalization tax revenues of the Department. The Lease/Purchase Contract will be subject to (A) annual appropriations by the contracting school districts of amounts required to make the payments due under the Interlocal Contracts and (B) annual appropriations by the Department of (1) amounts received by the Department pursuant to the Interlocal Contracts and (2) surplus equalization tax revenues of the Department. The Project will consist of the construction and equipment of a new building at the Department's ABS East Campus located at 7703 South Loop East, Houston, Texas 77012 to provide adaptive behavior services, the construction and equipment of a new building at the Department's Highpoint Campus located at 8003 E. Sam Houston Parkway North, Houston, Texas 77049 to provide alternative educational services and the construction and equipment of a new building at the Department's Adult Ed Center located at 6515 Irvington and 629 King Street, Houston, Texas 77022 to provide adult education classes (consisting of general education and vocational classes). The total cost of the Project will not exceed \$54,000,000, of which approximately \$35,000,000 will be paid with the Bonds and approximately \$19,000,000 will be paid with maintenance tax notes for qualifying equipment of the Department as well as other lawfully available revenues of the Department.

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Information without boundaries

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\$ _____

Harris County Department of Education Maintenance Tax Notes, Series 2020

PURCHASE AGREEMENT

October 15, 2020

Board of Trustees
Harris County Department of Education
6300 Irvington, Blvd.
Houston, Texas 77022

Ladies and Gentlemen:

The undersigned, J.P. Morgan Securities LLC (the “*Representative*”), acting on its own behalf and on behalf of, Estrada Hinojosa & Co., Inc., RBC Capital Markets, LLC, and Hilltop Securities, Inc. (together, the “*Underwriters*”), offers to enter into the following agreement (this “*Agreement*”) with the Harris County Department of Education (the “*Issuer*”) which, upon the Issuer’s written acceptance of this offer, will be binding upon the Issuer and upon the Underwriters. This offer is made subject to the Issuer’s written acceptance hereof on or before 10:00 p.m., Houston, Texas time, on October 15, 2020, and, if not so accepted, will be subject to withdrawal by the Representative upon written notice delivered to the Issuer at any time prior to the acceptance hereof by the Issuer. Capitalized terms not otherwise defined in this Agreement shall have the same meanings set forth in the Resolution (as defined herein) or in the Official Statement (as defined herein).

1. ***Purchase and Sale of the Notes.*** Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriters hereby agree to purchase from the Issuer, and the Issuer hereby agrees to sell and deliver to the Underwriters, all, but not less than all, of the Issuer’s Maintenance Tax Notes, Series 2020 (the “*Notes*”).

The principal amount of the Notes to be issued, the dated date thereof, the maturities, and the interest rates per annum are set forth in **Schedule I** hereto. The Notes shall be as described in, and shall be issued and secured under and pursuant to the provisions of the Resolution adopted by the Board of Trustees of the Issuer on May 12, 2020 (the “*Resolution*”).

The purchase price for the Notes shall be \$ _____ (representing the par amount of the Notes, plus a reoffering premium on the Notes of \$ _____ and less an underwriting discount of \$ _____), and plus accrued interest.

The Notes will be used to provide funds to (i) rehab, equip, and repair existing school properties and (ii) pay costs incurred in connection with the issuance of the Notes.

2. ***Public Offering.*** The Underwriters intend to make a bona fide initial public offering of all the Notes at prices or yields not in excess of the initial offering prices or yields set forth in the Official Statement; provided, however, that expressly subject to Section 3 of this

Agreement relating to the issue price of the Notes, the Underwriters may change such initial offering prices or yields as they deem necessary in connection with the offering of the Notes without any requirement of prior notice, and may offer and sell the Notes to certain institutions (including dealers depositing the Notes into investment trusts) at prices or yields lower than those stated in the Official Statement. The Underwriters also reserve the right to: (i) over-allot or effect transactions that stabilize or maintain the market price of the Notes at levels above those that might otherwise prevail in the open market and (ii) discontinue such stabilizing, if commenced, at any time without prior notice. The provisions of this Section are qualified in all respects to those of Section 3 hereof. In the event of conflict between the provisions of such Section, the provisions of Section 3 shall control.

3. ***Establishment of Issue Price.*** The Representative agrees to assist the Issuer in establishing the issue price of the Notes and shall execute and deliver to the Issuer at Closing (defined herein) an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Representative, the Issuer, and Orrick, Herrington & Sutcliffe LLP, Houston, Texas (“*Bond Counsel*”), to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Notes.

(a) Except as otherwise set forth in **Schedule I** attached hereto, the Issuer will treat the first price at which 10% of each maturity of the Notes (the “10% Test”) is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% Test). At or promptly after the execution of this Purchase Contract, the Representative shall report to the Issuer the price or prices at which the Underwriters have sold to the public each maturity of Bonds.

(b) The Representative confirms that the Underwriters have offered the Notes to the public on or before the date of this Purchase Contract at the offering price or prices (the “Initial Offering Price”), or at the corresponding yield or yields, set forth in **Schedule I** attached hereto, except as otherwise set forth therein. **Schedule I** sets forth, as of the date of this Agreement, the maturities, if any, of the Notes for which the 10% Test has not been satisfied and for which the Issuer and the Representative, on behalf of the Underwriters, agree that the restrictions set forth in the next sentence shall apply, which will allow the Issuer to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “*Hold-the-Offering-Price Rule*”). So long as the Hold-the-Offering-Price Rule remains applicable to any maturity of the Notes, the Underwriters will neither offer nor sell unsold Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the Underwriters have sold at least 10% of that maturity of the Notes to the public at a price that is no higher than the initial offering price to the public.

The Representative shall promptly advise the Issuer or the Issuer’s financial advisor when the Underwriters have sold 10% of that maturity of the Notes to the public at a price that is no

higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

The Issuer acknowledges that, in making the representation set forth in this subsection, the Representative will rely on (i) the agreement of each Underwriter to comply with the Hold-the-Offering-Price Rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Notes to the public, the agreement of each dealer who is a member of the selling group to comply with the Hold-the-Offering-Price Rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an Underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Notes to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the Hold-the-Offering-Price Rule, as set forth in the retail distribution agreement and the related pricing wires. The Issuer further acknowledges that each Underwriter shall be solely liable for its failure to comply with its agreement regarding the Hold-the-Offering-Price Rule and that no Underwriter shall be liable for the failure of any other Underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement, to comply with its corresponding agreement regarding the Hold-the-Offering-Price Rule as applicable to the Notes.

- (c) The Representative confirms that:
- (1) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the Representative is a party) relating to the initial sale of the Notes to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the Representative that either the 10% Test has been satisfied as to the Notes of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the Representative and as set forth in the related pricing wires, and
 - (2) any agreement among underwriters relating to the initial sale of the Notes to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Notes to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the Representative or the Underwriters that either the 10% Test has been satisfied as to the Notes of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as

directed by the Representative or the Underwriters and as set forth in the related pricing wires.

(d) The Underwriters acknowledge that sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

- (1) “public” means any person other than an underwriter or a related party,
- (2) “underwriter” means (A) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Notes to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the public),
- (3) a purchaser of any of the Notes is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (4) “sale date” means the date of execution of this Agreement by all parties.

4. ***The Official Statement.***

(a) The Issuer previously has delivered copies of the Preliminary Official Statement in a “designated electronic format” dated October 6, 2020 (the “*Preliminary Official Statement*”) to the Representative. The Issuer will prepare a final Official Statement relating to the Notes, which will be (i) dated the date of this Agreement, (ii) complete within the meaning of Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (the “*Rule*”), and (iii) substantially in the form of the most recent version of the Preliminary Official Statement provided to the Representative before the execution hereof. Such final Official Statement, including the cover page thereto; all exhibits, appendices, maps, charts, pictures, diagrams, reports, and statements included or incorporated therein or attached thereto; and all amendments and supplements thereto that may be authorized for use with respect to the Notes, is herein referred to as the “*Official Statement.*” Until the Official Statement has been prepared and is available for distribution, the Issuer shall provide to the

Representative sufficient quantities (which may be in electronic mail form) of the Preliminary Official Statement as the Representative deems reasonably necessary to satisfy the obligations of the Underwriters under the Rule with respect to distribution to each potential customer, upon request, of a copy of the Preliminary Official Statement.

(b) The Preliminary Official Statement has been prepared for use by the Underwriters in connection with the public offering, sale and distribution of the Notes thereby. The Issuer hereby represents and warrants that the Preliminary Official Statement has been “deemed final” by the Issuer as of its date, except for the omission of such information which is dependent upon the final pricing of the Notes for completion, all as permitted to be excluded by Section (b)(1) of the Rule.

(c) The Issuer hereby authorizes the Official Statement and the information therein contained to be used by the Underwriters in connection with the public offering and the sale of the Notes. The Issuer consents to the use by the Underwriters prior to the date hereof of the Preliminary Official Statement in connection with the public offering of the Notes. The Issuer shall provide, or cause to be provided, to the Underwriters as soon as practicable after the date of the Issuer’s acceptance of this Agreement (but in any event, not later than within seven (7) business days after the Issuer’s acceptance of this Agreement and in sufficient time to accompany any confirmation that requests payment from any customer) copies of the Official Statement which are complete as of the date of its delivery to the Representative in such reasonable quantity as the Representative shall request in order for the Underwriters to comply with Section (b)(4) of the Rule and the rules of the Municipal Securities Rulemaking Board (the “MSRB”).

(d) If, after the date of this Agreement to and including the date the Underwriters is no longer required to provide an Official Statement to potential customers who request the same pursuant to the Rule (the earlier of (i) ninety (90) days from the “end of the underwriting period” (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from the MSRB, but in no case less than twenty-five (25) days after the “end of the underwriting period” for the Notes), the Issuer becomes aware of any fact or event which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or if it is necessary to amend or supplement the Official Statement to comply with law, the Issuer will notify the Representative (and for the purposes of this clause provide the Representative with such information as it may from time to time reasonably request), and if, in the reasonable opinion of the Representative, such fact or event requires preparation and publication of a supplement or amendment to the Official Statement, the Issuer will forthwith prepare and furnish, at the Issuer’s own expense (in a form and manner approved by the Representative), a reasonable number of copies of either amendments or supplements to the Official Statement so that the statements in the Official Statement as so amended and supplemented will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading or so that the Official Statement will comply with

law; provided, however, that for all purposes of this Agreement and any certificate delivered by the Issuer in accordance herewith, the Issuer makes no representations with respect to the information in the Preliminary Official Statement or the Official Statement regarding The Depository Trust Company, New York, New York, (“DTC”) or its book-entry-only system. If such notification shall be subsequent to the Closing, the Issuer shall furnish such legal opinions, certificates, instruments and other documents as the Representative may deem reasonably necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement.

(e) To the best knowledge and belief of the Issuer, the Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Notes.

5. ***Representations, Warranties, and Covenants of the Issuer.*** The Issuer hereby represents and warrants to and covenants with the Underwriters that:

(a) The Issuer is an independent school district duly created, organized and existing under the Constitution and the laws of the State of Texas (the “State”). The Issuer is authorized under the provisions of Chapter 45, Texas Education Code as amended (the “Act”) (i) to enter into, execute and deliver this Agreement, the Resolution, the Continuing Disclosure Undertaking as defined in Section 8(j)(iii) hereof and all documents required hereunder and thereunder to be executed and delivered by the Issuer (this Agreement, the Resolution, and the Continuing Disclosure Undertaking are hereinafter referred to as the “*Issuer Documents*”), (ii) to sell, issue and deliver the Notes to the Representative as provided herein, and (iii) to carry out and consummate the transactions described in the Issuer Documents and the Official Statement, and the Issuer has complied, and will at the Closing be in compliance in all respects, with the terms of the Act and the Issuer Documents as they pertain to such transactions;

(b) By all necessary official action of the Issuer prior to or concurrently with the acceptance hereof, the Issuer has duly authorized all necessary action to be taken by it for (i) the adoption of the Resolution and the issuance and sale of the Notes, (ii) the approval, execution and delivery of, and the performance by the Issuer of the obligations on its part, contained in the Notes and the Issuer Documents and (iii) the consummation by it of all other transactions described by the Official Statement, the Issuer Documents and any and all such other agreements and documents as may be required to be executed, delivered and/or received by the Issuer in order to carry out, give effect to, and consummate the transactions described herein and in the Official Statement;

(c) The Issuer Documents (assuming the due authorization and execution by the other parties thereto) constitute legal, valid and binding obligations of the Issuer enforceable in accordance with their respective terms, subject to sovereign immunity of the State and political subdivisions thereof, bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors’ rights; the Notes, when issued, delivered and paid for in accordance with the Resolution and this Agreement, will constitute legal, valid and

binding obligations of the Issuer entitled to the benefits of the Resolution and enforceable in accordance with their terms, subject to sovereign immunity of the State and political subdivisions thereof, bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights; upon the issuance, authentication and delivery of the Notes as aforesaid, the Resolution will provide, for the benefit of the owners from time to time, of the Notes, the legally valid and binding pledge of and lien it purports to create (as set forth therein);

(d) To the best of its knowledge, the Issuer is not in material breach of or default under any applicable constitutional provision, law or administrative regulation of the State or the United States or any applicable judgment or decree that would have a material adverse effect upon the operations or financial condition of the Issuer; or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Issuer is a party or to which the Issuer is otherwise subject, and no event has occurred and is continuing which constitutes or with the passage of time or the giving of notice, or both, would constitute a material default or event of default in any material respect by the Issuer under any of the foregoing; and the execution and delivery of the Notes, the Issuer Documents and the adoption of the Resolution and compliance with the provisions on the Issuer's part contained therein, will not conflict with or constitute a material breach of or default in any material respect under any constitutional provision, law or administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Issuer is a party or to which the Issuer is otherwise subject or under the terms of any such law, regulation or instrument, except as provided by the Notes and the Resolution;

(e) Except for the approval of the Notes by the Attorney General of the State and the registration thereof by the Comptroller of Public Accounts of the State, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the Issuer of its obligations under the Issuer Documents and the Notes have been duly obtained or will be obtained prior to Closing, except for such approvals, consents, registrations and orders as may be required by the Attorney General of the State, the Comptroller of Public Accounts of the State or under the Blue Sky or securities laws of any jurisdiction in connection with the offering and sale of the Notes;

(f) The Notes and the Resolution conform to the descriptions thereof contained in the Official Statement under the caption "THE NOTES;" the proceeds of the sale of the Notes will be applied generally as described in the Official Statement under the captions "THE NOTES – Description" and "THE NOTES – Sources and Uses of Funds" and the Continuing Disclosure Undertaking conforms to the description thereof contained in the Official Statement under the caption "CONTINUING DISCLOSURE OF INFORMATION;"

(g) Except as otherwise provided in the Official Statement under the caption “CONTINUING DISCLOSURE OF INFORMATION – Compliance with Prior Undertakings,” during the last five years the Issuer has complied in all material respects with its previous Continuing Disclosure Undertakings, if any, made by it in accordance with the Rule;

(h) Except as disclosed in the Official Statement on the date thereof and on the date of Closing, there is no litigation, action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or, to the best knowledge of the Issuer, threatened against the Issuer, affecting the existence of the Issuer or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Notes or the collection of ad valorem taxes pledged to payment of the principal of and interest on the Notes pursuant to the Resolution or in any way contesting or affecting the validity or enforceability of the Notes, the Issuer Documents, or contesting the exclusion from gross income of interest on the Notes for federal income tax purposes, or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto, or contesting the powers of the Issuer or any authority for the issuance of the Notes, the adoption of the Resolution or the execution and delivery of the Issuer Documents, nor, to the best knowledge of the Issuer, is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Notes or the Issuer Documents;

(i) As of the date thereof, the Preliminary Official Statement did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(j) At the time of the Issuer’s acceptance hereof and (unless the Official Statement is amended or supplemented pursuant to paragraph (d) of Section 4 of this Agreement) at all times subsequent thereto during the period up to and including the date of Closing, the Official Statement does not and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(k) If the Official Statement is supplemented or amended pursuant to paragraph (d) of Section 4 of this Agreement, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto during the period up to and including the twenty-fifth (25th) day following the “end of the underwriting period”, the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which made, not misleading;

(l) The Issuer will apply, or cause to be applied, the proceeds from the sale of the Notes as provided in and subject to all of the terms and provisions of the Resolution and will not take or omit to take any action which action or omission will adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Notes;

(m) The Issuer will furnish such information and execute such instruments and take such action in cooperation with the Representative as the Representative may reasonably request, at no expense to the Issuer, (A) to (y) qualify the Notes for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions in the United States as the Representative may designate and (z) determine the eligibility of the Notes for investment under the laws of such states and other jurisdictions and (B) to continue such qualifications in effect so long as required for the distribution of the Notes (provided, however, that the Issuer will not be required to qualify as a foreign corporation or to file any general or special consents to service of process under the laws of any jurisdiction) and will advise the Representative immediately of receipt by the Issuer of any written notification with respect to the suspension of the qualification of the Notes for sale in any jurisdiction or the threat of any proceeding for that purpose;

(n) The financial statements of, and other financial information regarding, the Issuer in the Official Statement fairly present the financial position, results of operations and condition of the Issuer as of the dates and for the periods therein set forth, and there has been no adverse change of a material nature in such financial position, results of operations or condition, financial or otherwise, of the Issuer since the dates of such statements and information;

(o) Except as disclosed in the Official Statement, the Issuer is not a party to any litigation or other proceeding pending or, to its knowledge, threatened which, if decided adversely to the Issuer, would have a materially adverse effect on the financial condition of the Issuer;

(p) Except as otherwise described in the Official Statement, prior to the Closing the Issuer will not offer or issue any bonds, notes or other obligations for borrowed money or incur any material liabilities, direct or contingent, payable from or secured by any of the ad valorem taxes, revenues or assets which will secure the Notes, except as may be incurred in the ordinary course of business, without the prior written approval of the Representative which consent will not be unreasonably withheld;

(q) Any certificate, signed by any official of the Issuer authorized to do so in connection with the transactions contemplated by this Agreement, shall be deemed a representation and warranty by the Issuer to the Underwriters as to the statements made therein; and

(r) The Issuer covenants that, between the date hereof and the date of the Closing, it will take no action which will cause the representations and warranties made in this section to be untrue as of the date of the Closing.

6. ***Representations and Covenants of the Underwriters.***

(a) The Representative hereby agrees to file the Official Statement with the MSRB through its Electronic Municipal Market Access (“EMMA”) system. Unless otherwise notified in writing the Representative, the Issuer can assume that the end of the underwriting period for purposes of the Rule is the date of the Closing;

(b) Each Underwriter has provided the Issuer prior disclosures required pursuant to MSRB’s Rule G-17 which disclosures have been received by the Issuer; and

(c) Unless an Underwriter is exempt, submitted herewith or in advance to the Issuer is a completed and notarized Form 1295 for each Underwriter in connection with such Underwriter’s participation in the execution of this Agreement generated by the Texas Ethics Commission’s (the “TEC”) electronic filing application in accordance with the provisions of Section 2252.908 of the Texas Government Code and the rules promulgated by the TEC (collectively, the “Forms 1295”). The Issuer hereby confirms receipt of a Form 1295 from each Underwriter and agrees to acknowledge such forms with the TEC through its electronic filing application within 30 days of the respective date of the Issuer’s receipt of each Form 1295. The Underwriters and the Issuer understand and agree that, with the exception of information identifying the Issuer and the contract identification number, neither the Issuer nor its consultants are responsible for the information contained in the Forms 1295 and neither the Issuer nor its consultants have verified such information.

(d) The Underwriters hereby verify that the Underwriters and their respective parent companies, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, to the extent this Agreement is a contract for goods or services, will not boycott Israel during the term of this Agreement. The foregoing verification is made solely to comply with Section 2271.002, Texas Government Code, and to the extent such Section does not contravene applicable Federal law. As used in the foregoing verification, “boycott Israel” means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. The Underwriters understand “affiliate” to mean an entity that controls, is controlled by, or is under common control with the Underwriters and exists to make a profit.

(e) Each of the Underwriters represent that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer’s internet website:

<https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf>
<https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or
<https://comptroller.texas.gov/purchasing/docs/fto-list.pdf>.

The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, as amended, and to the extent such Section does not contravene applicable federal law and excludes each Underwriter and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. Each of the Underwriters understands “affiliate” to mean any entity that controls, is controlled by, or is under common control with the Underwriters and exists to make a profit.

7. ***Closing.***

(a) At 10:00 a.m. Houston, Texas, time, on November 17, 2020, or at such other time and date as shall have been mutually agreed upon by the Issuer and the Representative (the “*Closing*”), the Issuer will, subject to the terms and conditions hereof, deliver the Notes to the Representative, duly executed and authenticated, together with the other documents hereinafter mentioned, and the Underwriters will, subject to the terms and conditions hereof, accept such delivery and pay the purchase price of the Notes, as set forth in Section 1 of this Agreement, by wire transfer payable in immediately available funds to the Resolution of the Issuer as indicated by BOKF, NA, Texas (the “*Registrar*”). Payment for the Notes as aforesaid shall be made at the offices of the Registrar or such other place as shall have been mutually agreed upon by the Issuer and the Representative.

(b) Delivery of the Notes shall be made through DTC. The Notes shall be delivered in definitive fully registered form, bearing CUSIP numbers without coupons, with one Bond for each maturity of the Notes, registered in the name of Cede & Co., all as provided in the Resolution, and shall be made available at the offices of DTC (or, if the Notes are to be held in safekeeping for DTC by the Registrar, at the office of the Registrar) to the Representative at least one business day before the Closing for purposes of inspection.

8. ***Closing Conditions.*** The Representative has entered into this Agreement in reliance upon the representations, warranties and agreements of the Issuer contained herein, and in reliance upon the representations, warranties and agreements to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Issuer of its obligations hereunder, both as of the date hereof and as of the date of the Closing. Accordingly, the Underwriters’ obligations under this Agreement to purchase, to accept delivery of and to pay for the Notes shall be conditioned upon the performance by the Issuer of its obligations to be performed hereunder and under such documents and instruments to be delivered at or prior to the Closing, and shall also be subject to the following additional conditions, including the delivery by the Issuer of such documents as are enumerated herein, in form and substance reasonably satisfactory to the Representative:

(a) The representations and warranties of the Issuer contained herein shall be true, complete and correct in all material respects on the date hereof and on and as of the date of the Closing, as if made on the date of the Closing;

(b) The Issuer shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing;

(c) At the time of the Closing, (i) the Issuer Documents and the Notes shall be in full force and effect in the form heretofore approved by the Representative and shall not have been amended, modified or supplemented, and the Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to by the Representative; (ii) the net proceeds of the sale of the Notes shall be deposited and applied as described in the Official Statement and in the Resolution; and (iii) all actions of the Issuer required to be taken by the Issuer shall be performed in order for Bond Counsel and counsel to the Underwriters to deliver their respective opinions referred to hereafter;

(d) At the time of the Closing, all official action of the Issuer relating to the Notes and the Issuer Documents shall be in full force and effect and shall not have been amended, modified or supplemented;

(e) At or prior to the Closing, the Resolution shall have been duly executed and delivered by the Issuer and the Issuer shall have duly executed and delivered and the Registrar shall have duly authenticated the definitive Bonds;

(f) At the time of the Closing, there shall not have occurred any change or any development involving a prospective change in the condition, financial or otherwise, or in the revenues or operations of the Issuer, from that set forth in the Official Statement that in the reasonable judgment of the Representative is material and adverse and that makes it, in the reasonable judgment of the Representative, impracticable to market the Notes on the terms and in the manner described in the Official Statement;

(g) The Issuer shall not have failed to pay principal or interest when due on any of its outstanding obligations for borrowed money;

(h) All steps to be taken and all instruments and other documents to be executed, and all other legal matters in connection with the transactions described in this Agreement shall be reasonably satisfactory in legal form and effect to the Representative; and

(i) At or prior to the Closing, the Representative shall have received one copy of each of the following documents:

(i) The Official Statement, and each supplement or amendment thereto, if any, as may have been agreed to by the Representative;

(ii) The Resolution, certified as having been duly adopted and in full force and effect, with such supplements or amendments as may have been agreed to by the Representative;

(iii) The undertaking of the Issuer set forth in the Resolution, which satisfies the requirements of Section (b)(5) of the Rule (the “*Continuing Disclosure Undertaking*”);

(iv) The opinion of Bond Counsel, with respect to the Notes, in substantially the form attached to the Official Statement;

(v) A supplemental opinion of Bond Counsel addressed to the Issuer and the Underwriters substantially to the effect that:

(1) the Resolution has been duly adopted and is in full force and effect;

(2) the Notes are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended (the “*1933 Act*”), and the Trust Indenture Act of 1939, as amended (the “*Trust Indenture Act*”), and it is not necessary, in connection with the offering and sale of the Notes, to register the Notes under the 1933 Act or to qualify the Resolution under the Trust Indenture Act; and

(3) Bond Counsel has reviewed the statements and information contained in the Official Statement under the captions and sub-captions “THE NOTES,” (except for the information under the sub-captions “Sources and Uses of Funds,” as to which no opinion is expressed), - “Transfer, Exchange and Registration,” and “CONTINUING DISCLOSURE OF INFORMATION” (except for the information under the sub-caption “Compliance With Prior Undertakings,” as to which no opinion is expressed), excluding any material that may be treated as included under such captions by cross-reference or reference to other documents or sources, and Bond Counsel is of the opinion that the statements and information contained therein fairly and accurately reflect the provisions of the Resolution; further, Bond Counsel has reviewed the statements and information contained in the Official Statement under the captions and sub-captions “OTHER INFORMATION - Legal Matters” (except for the last two sentences of the second paragraph thereof), “- Registration and Qualification of Notes for Sale,” “TAX MATTERS,” “STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS,” “CURRENT PUBLIC SCHOOL FINANCE SYSTEM” (except for the information under “Possible Effects of Wealth Transfer Provisions on the Issuer’s Financial Condition,” as to which no opinion is expressed), “TAX RATE LIMITATIONS” (except for the last sentence of the fourth paragraph thereof), and “INVESTMENTS,” excluding any material that may be treated as included under such captions by cross-reference or reference to other documents or sources, and Bond Counsel is of the opinion that the statements and information contained therein are correct as to matters of law.

(vi) An opinion dated as of the date of the Closing and addressed to the Underwriters, of counsel for the Underwriters, to the effect that:

(1) the Notes are exempted securities under the 1933 Act and the Trust Indenture Act and it is not necessary, in connection with the offering and sale of the Notes, to register the Notes under the 1933 Act and the Resolution need not be qualified under the Trust Indenture Act; and

(2) based upon their participation in the preparation of the Official Statement as counsel for the Underwriters and their participation at conferences at which the Official Statement was discussed, but without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement, such counsel has no reason to believe that the Official Statement contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (except for any financial, forecast, technical and statistical statements and data included in the Official Statement, the information regarding DTC and its book-entry-only system, as to which no view need be expressed);

(vii) A certificate, dated as of the date of the Closing, of an appropriate official of the Issuer to the effect that (i) the representations and warranties of the Issuer contained herein are true and correct in all material respects on and as of the date of the Closing as if made on the date of the Closing; (ii) except as described in the Official Statement, no litigation, proceeding or tax challenge against the Issuer is pending or, to the best of his or her knowledge, threatened in any court or administrative body nor is there a basis for litigation which would (a) contest the right of the trustees, officers or officials of the Issuer to hold and exercise their respective positions, (b) contest the due organization and valid existence of the Issuer, (c) contest the validity, due authorization and execution of the Notes or the Issuer Documents or (d) attempt to limit, enjoin or otherwise restrict or prevent the Issuer from functioning and collecting ad valorem taxes, including payments on the Notes, pursuant to the Resolution, and other income or the levy or collection of the ad valorem taxes pledged or to be pledged to pay the principal of and interest on the Notes, or the pledge thereof; (iii) all official action of the Issuer relating to the Official Statement, the Notes and the Issuer Documents have been duly taken by the Issuer, are in full force and effect and have not been modified, amended, supplemented or repealed; (iv) to the best of his or her knowledge, no event affecting the Issuer has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein, in light of the circumstances under which made, not misleading in any material respect as of the time of the Closing, and the information relating to the Issuer contained in the Official Statement is correct in all material respects and, as of the date of the

Official Statement did not, and as of the date of the Closing does not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading; and (v) there has not been any material adverse change in the financial condition of the Issuer since August 31, 2019, the latest date as of which audited financial information is available;

(viii) A certificate, dated as of the date of the Closing, of an appropriate official of the Issuer in form and substance satisfactory to Bond Counsel and counsel to the Underwriters setting forth the facts, estimates and circumstances in existence on the date of the Closing, which establish that it is not expected that the proceeds of the Notes will be used in a manner that would cause the Notes to be “arbitrage bonds” within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the “Code”), and any applicable regulations (whether final, temporary or proposed), issued pursuant to the Code;

(ix) The approving opinion of the Attorney General of the State and the registration certificate of the Comptroller of Public Accounts of the State in respect of the Notes;

(x) Any other certificates and opinions required by the Resolution for the issuance thereunder of the Notes;

(xi) Evidence satisfactory to the Representative that the Notes shall have the rating of “Aaa” from Moody’s Investors Service, Inc.; and

(xii) Such additional legal opinions, certificates, instruments and other documents as Bond Counsel, the Representative or counsel to the Underwriters may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the date of the Closing, of the Issuer’s representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the Issuer on or prior to the date of the Closing of all the respective agreements then to be performed and conditions then to be satisfied by the Issuer.

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance reasonably satisfactory to the Representative.

If the Issuer shall be unable to satisfy the conditions to the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Notes contained in this Agreement, or if the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Notes shall be terminated for any reason permitted by this Agreement, this Agreement shall terminate and neither the Underwriters nor the Issuer shall be under any further obligation hereunder, except that the respective obligations of the Issuer and the Underwriters set forth in Sections 4 and 10 hereof shall continue in full force and effect.

9. **Conditions to Obligations of the Issuer.** The obligations of the Issuer hereunder to deliver the Notes shall be subject to receipt on or before the date of the Closing of the purchase price set forth in Section 1 hereof, the opinion of Bond Counsel described in Section 8(j)(iv) hereof, and the opinion of the Attorney General of the State described in Section 8(j)(ix) hereof.

10. **Termination.** The Underwriters shall have the right to cancel its obligations to purchase the Notes if, between the date of this Agreement and the Closing, the market price or marketability of the Notes shall be materially adversely affected, in the reasonable judgment of the Underwriters and evidenced by a written notice to the Issuer terminating the obligation of the Underwriters to accept delivery of and pay for the Notes, by the occurrence of any of the following:

(a) legislation shall be enacted by or introduced in the Congress of the United States or recommended to the Congress for passage by the President of the United States, or the Treasury Department of the United States or the Internal Revenue Service or any member of the Congress or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, a decision by a court of the United States or of the State or the United States Tax Court shall be rendered, or an order, ruling, regulation (final, temporary or proposed), press release, statement or other form of notice by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made or proposed, the effect of any or all of which would be to impose, directly or indirectly, federal income taxation upon interest received on obligations of the general character of the Notes or the interest on the Notes as described in the Official Statement, or other action or events shall have transpired which may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences of any of the transactions described herein;

(b) legislation introduced in or enacted (or resolution passed) by the Congress or an order, decree or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary, or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Notes, including any or all underlying arrangements, are not exempt from registration under or other requirements of the 1933 Act, or that the Resolution is not exempt from qualification under or other requirements of the Trust Indenture Act, or that the issuance, offering or sale of obligations of the general character of the Notes, including any or all underlying arrangements, as described herein or by the Official Statement or otherwise, is or would be in violation of the federal securities laws as amended and then in effect;

(c) a general suspension of trading in securities on the New York Stock Exchange or the NYSE MKT LLC, the establishment of minimum prices on either such exchange, the establishment of material restrictions (not in force as of the date hereof) upon trading securities generally by any governmental authority or any national

securities exchange, a general banking moratorium declared by federal, State of New York, or State officials authorized to do so;

(d) the New York Stock Exchange or other national securities exchange or any governmental authority shall impose, as to the Notes or as to obligations of the general character of the Notes, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriters, and such imposition materially adversely affects the Underwriters' ability to market the Notes;

(e) any amendment to the federal or state Constitution or action by any federal or state court, legislative body, regulatory body or other authority materially adversely affecting the tax status of the Issuer, its property, income, securities (or interest thereon), or the validity or enforceability of the levy of taxes to pay principal of and interest on the Notes;

(f) any state blue sky or securities commission or other governmental agency or body in any state in which more than 15% of the Notes have been offered and sold shall have withheld registration, exemption or clearance of the offering of the Notes as described herein, or issued a stop order or similar ruling relating thereto;

(g) any event occurring, or information becoming known which, in the reasonable judgment of the Representative, makes untrue in any material respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and the Issuer declines to amend or supplement the Official Statement pursuant to paragraph (d) of Section 4 of this Agreement;

(h) there shall have occurred since the date of this Agreement any materially adverse change in the affairs or financial condition of the Issuer, except for changes which the Official Statement discloses are expected to occur;

(i) there shall have occurred any (i) new material outbreak of hostilities involving the United States (including, without limitation, an act of terrorism) or escalation of any such hostility that existed prior to the date hereof, (ii) new material national or international calamity or crisis, or escalation of such event that existed prior to the date hereof, or (iii) material adverse change in the financial, political or economic conditions affecting the United States;

(j) any fact or event shall exist or have existed that, in the Representative's reasonable judgment, materially adversely affects the Representative's ability to market the Notes and requires or has required an amendment of or supplement to the Official Statement;

(k) there shall have occurred or any notice shall have been given of any intended review for possible downgrade, downgrading, suspension, withdrawal or

negative change in credit watch status by any national rating service to (1) any of the Issuer's outstanding obligations secured in a like manner as the Notes (including any rating to be accorded the Notes); and

(l) the purchase of and payment for the Notes by the Underwriters, or the resale of the Notes by the Underwriters, on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission; provided, however, that such prohibition shall occur subsequent to the date hereof and shall not be due to the malfeasance, misfeasance or nonfeasance of the Underwriters.

With respect to the condition described in subparagraph (l) above, the Underwriters are not aware of any current, pending or proposed law or government inquiry or investigation as of the date of execution of this Agreement which would permit the Underwriters to invoke their termination rights hereunder.

11. *Expenses.*

(a) The Underwriters shall be under no obligation to pay, and the Issuer shall pay, any expenses incident to the performance of the Issuer's obligations hereunder, including, but not limited to (i) the cost of preparation and printing of the Notes, (ii) the fees and disbursements of Bond Counsel and the Issuer's Municipal Advisor; (iii) the fees and disbursements of any other engineers, accountants, and other experts, consultants or advisers retained by the Issuer; (iv) the fees for bond ratings; (v) the costs of preparing, printing and mailing the Preliminary Official Statement and the Official Statement; (vi) the fees and expenses of the Registrar; (vii) advertising expenses (except any advertising expenses of the Underwriters as set forth below); (viii) the out-of-pocket, miscellaneous and closing expenses, including the cost of travel, of the officers and trustees of the Issuer; (ix) the Attorney General's review fee; (x) fees and expenses of the Issuer's independent certified public accountants; and (xi) any other expenses mutually agreed to by the Issuer and the Underwriters to be reasonably considered expenses of the Issuer which are incident to the transactions described herein.

(b) The Underwriters shall pay (i) the cost of preparation and printing of this Agreement, the Blue Sky Survey and Legal Investment Memorandum, if any; (ii) all advertising expenses in connection with the public offering of the Notes; and (iii) all other expenses incurred by it in connection with the public offering of the Notes, including the fees and disbursements of counsel retained by the Underwriters and fees incurred in connection with the assignment of CUSIP numbers.

The Issuer acknowledges that the Underwriters will pay from the Underwriters' expense allocation of the underwriting discount, the applicable per bond assessment charged by the Municipal Advisory Council of Texas, a non-profit corporation whose purpose is to collect, maintain, and distribute information relating to issuing entities of municipal securities. The Representative has a representative on the Board of Directors of the Municipal Advisory Council of Texas.

12. **Notices.** Any notice or other communication to be given to the Issuer under this Agreement may be given by delivering the same in writing to Harris County Department of Education, 6300 Irvington Blvd., Houston, Texas 77022, Attention: Assistant Superintendent for Business/Chief Financial Officer; and any notice or other communication to be given to the Representative under this Agreement may be given by delivering the same in writing to JP Morgan Securities LLC, 712 Main St., Floor 5 North, Houston, Texas 77002, Attention: Curtis Flowers.

13. **Parties in Interest.** This Agreement as heretofore specified shall constitute the entire agreement between the Issuer and the Underwriters and is made solely for the benefit of the Issuer and the Underwriters (including successors or assigns of the Underwriters) and no other person shall acquire or have any right hereunder or by virtue hereof. This Agreement may not be assigned by the Issuer. All of the Issuer's representations, warranties and agreements contained in this Agreement shall remain operative and in full force and effect, regardless of (i) any investigations made by or on behalf of the Underwriters; (ii) delivery of and payment for the Notes pursuant to this Agreement; and (iii) any termination of this Agreement.

14. **Effectiveness.** This Agreement shall become effective upon the acceptance hereof by the Issuer and shall be valid and enforceable at the time of such acceptance.

15. **Choice of Law.** This Agreement shall be governed by and construed in accordance with the laws of the State.

16. **Severability.** If any provision of this Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provision or provisions of any constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatever.

17. **Business Day.** For purposes of this Agreement, "business day" means any day on which the New York Stock Exchange is open for trading.

18. **Section Headings.** Section headings have been inserted in this Agreement as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this Agreement and will not be used in the interpretation of any provisions of this Agreement.

19. **Counterparts.** This Agreement may be executed in several counterparts each of which shall be regarded as an original (with the same effect as if the signatures thereto and hereto were upon the same document) and all of which shall constitute one and the same document.

20. **No Personal Liability.** None of the members of the Board of Trustees, nor any officer, agent or employee of the Issuer, shall be charged personally by the Underwriters with any liability, or be held liable to the Underwriters under any term of provision of this Agreement, or because of execution or attempted execution, or because of any breach or attempted or alleged breach, of this Agreement.

21. ***Status of the Underwriters.*** The Issuer acknowledges and agrees that (i) the purchase and sale of the Notes pursuant to this Agreement is an arm's-length commercial transaction between the Issuer and the Underwriters, (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of this transaction, the Underwriters is and has been acting solely as a principal and is not acting as the agent or fiduciary of the Issuer, (iii) the Underwriters have not assumed an advisory or fiduciary responsibility in favor of the Issuer with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (regardless of whether the Underwriters have provided other services or is currently providing other services to the Issuer on other matters) and the Underwriters have no obligation to the Issuer with respect to the offering contemplated hereby except the obligations expressly set forth in this Agreement, and (iv) the Issuer has consulted its own legal, financial and other advisors to the extent it has deemed appropriate. The Issuer recognizes that the Underwriters expect to profit from the acquisition and potential distribution of the Notes.

[*Execution Page Follows*]

If you agree with the foregoing, please sign the enclosed counterpart of this Agreement and return it to the Representative. This Agreement shall become a binding agreement between the Issuer and the Underwriters when at least the counterpart of this letter shall have been signed by or on behalf of each of the parties hereto.

JPMORGAN SECURITIES LLC., as
Representative and for each Underwriter

By: _____
Name: _____
Title: _____

Accepted at _____ .m., this _____, 2020:

HARRIS COUNTY DEPARTMENT OF EDUCATION

By: _____
Authorized Representative

*Execution Page to Purchase Agreement for Harris County Department of Education Maintenance Tax Notes,
Series 2020*

Schedule I

Harris County Department of Education Maintenance Tax Notes, Series 2020

Dated Date: November 1, 2020

**SALE PRICES OF THE GENERAL RULE MATURITIES AND
INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES**

I. INITIAL OFFERING PRICES

<u>Maturity Date (February 15)</u>	<u>Principal</u>	<u>Interest Rate (%)</u>	<u>Initial Yield (%)^(c)</u>
2027			
2028			
2029			
2030			
2031 ^{(a)(b)}			
2032 ^{(a)(b)}			
2033 ^{(a)(b)}			
2034 ^{(a)(b)}			
2035 ^{(a)(b)}			
2036 ^{(a)(b)}			
2037 ^(a)			
2038 ^{(a)(b)}			
2039 ^{(a)(b)}			
2040 ^{(a)(b)}			

\$ _____ Term Bond

\$ _____, _____% Term Bond due February 15, 20 __, Price _____% ^{(a)(b)(c)}

II. MATURITIES FOR WHICH THE 10% TEST WAS SATISFIED ON THE SALE DATE

All

III. MATURITIES SUBJECT TO THE HOLD-THE-OFFERING-PRICE RULE

None

- (a) The Notes maturing on and after February 15, 20 __, are subject to redemption prior to maturity at the option of the Issuer, in whole or in part, on February 15, 20 __, or any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption.
- (b) Yield calculated based on the assumption that the Notes denoted and sold at a premium will be redeemed on February 15, 20 __, the first optional call date for the Notes, at a redemption price of par, plus accrued interest to the redemption date.
- (c) The initial yields are established by and are the sole responsibility of the Underwriters, and may be subsequently changed at the discretion of the Underwriters.
- (d) Term Bonds. The Term Bonds are subject to mandatory sinking fund redemption on the dates and in the amounts set forth below:

\$4 _____ Term Bond Maturing February 15, 20 __					
Mandatory Redemption Dates (2/15)		Principal Amounts			
20 __ (maturity)					

EXHIBIT A

\$ _____

**HARRIS COUNTY DEPARTMENT OF EDUCATION MAINTENANCE TAX NOTES,
SERIES 2020**

CERTIFICATE REGARDING ISSUE PRICE

The undersigned hereby certifies with respect to the sale of the [NAME OF BOND ISSUE] (the “Bonds”), as follows:

1. The undersigned is a duly authorized representative of [NAME OF UNDERWRITER] which acted as the lead underwriter (the “Representative”) of the underwriting group that purchased the Notes from the [ISSUER], pursuant to that Bond Purchase Agreement, dated [SALE DATE], and entered into by the [ISSUER] and the Representative on behalf of the underwriting group. In this capacity, I am familiar with the facts stated herein and am duly authorized to execute and deliver this certificate on behalf of the Underwriters.

2. The Underwriters have made a bona fide offering to the public of all the Notes of each maturity at the respective initial offering prices (the “Initial Offering Prices”) set forth in the pricing wire attached hereto as Schedule I. The Initial Offering Prices are the first prices at which at least 10% of the Notes of each maturity was sold to the public, [except for the Notes maturing in the years _____ (the “Undersold Maturities”)].

3. As of the date hereof, other than the undersold maturities, the first price or yield at which at least 10% of each Maturity of the Notes was sold by the Underwriters to the Public was the respective [Initial Offering Price or if actual sales at other than the initial offering price] set forth on Schedule I hereto. Attached hereto as Schedule I is also a copy of the final pricing wire for each Undersold Maturity or an equivalent communication. With respect to the Undersold Maturities, as agreed to in writing by the Representative in the Bond Purchase Agreement between the Issuer and the Representative, dated _____ [and based on information provided to the Representative by each of the Underwriters and all members of any selling group or retail distribution group], the Underwriters have not offered or sold any of the Undersold Maturities to any person at a price higher than or a yield lower than the respective Initial Offering Price for a period of time starting on the Sale Date and ending on the earlier of (a) the date on which 10% of the respective Undersold Maturity was sold at one or more prices no higher than or yields no lower than the Initial Offering Price by the Underwriter[s] or (b) the close of the fifth business day following the Sale Date.

4. The insurance premium (the “Insurance Premium”) The present value of the interest savings expected to be realized as a result of the insurance premium (the “Insurance Premium”) paid to insure the Notes exceeds the present value of the Insurance Premium discounted at a rate equal to the yield on the Notes which results assuming recovery of the Insurance Premium. Also, the Insurance Premium does not exceed a reasonable arms-length charge for the transfer of credit risk.

5. The sum of the Initial Offering Prices is \$_____, [plus pre-issuance accrued interest in the amount of \$_____. OR The Notes were issued without pre-issuance accrued interest,]

6. For purposes of this Certificate, the following definitions apply.

“Maturity” means bonds with the same credit and payment terms. Bonds with different maturity dates, or bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

“Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to an Underwriter.

“Related Party” means any entity if an Underwriter and such entity are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profit interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

“Underwriter” means (i) any person that agrees pursuant to a written contract with the issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Notes to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the Public).

The [ISSUER] may rely on the statements made herein in connection with making certain representations set forth in the Federal Tax Certificate to which this Certificate is attached and in its efforts to comply with the conditions imposed by the Internal Revenue Code of 1986, as amended, regarding the exclusion from gross income interest on the Notes. Further, Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Bond Counsel, may also rely on this Certificate of Underwriters for purposes of its opinion that interest on the Notes is excludable from gross income for federal income tax purposes and the preparation of the Internal Revenue Service Form 8038-G.

JPMORGAN SECURITIES LLC

By: _____

Name: _____

Title: _____

Dated: _____, 2020

SCHEDULE I

Schedule A

SCHEDULE B
PRICING WIRE OR EQUIVALENT COMMUNICATION

(Attached)

Schedule B

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 5, 2020

Rating: Moody's Investors Service: "___"
(See "OTHER INFORMATION-Rating" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Department, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Notes is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Notes. See "TAX MATTERS" herein.

\$13,695,000*
HARRIS COUNTY DEPARTMENT OF EDUCATION
(Harris County, Texas)
MAINTENANCE TAX NOTES
SERIES 2020

Dated Date: November 1, 2020

Due: as shown on the inside cover page hereof

The Harris County Department of Education (the "Department") Maintenance Tax Notes, Series 2020 (the "Notes"), are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Section 45.108, Texas Education Code, as amended. The Notes are payable as to principal and interest from the proceeds of a continuing, direct annual ad valorem tax levied for maintenance purposes by the Department, within the limits prescribed by law, against all taxable property located within the Department, as provided in the resolution (the "Resolution") authorizing the issuance of the Notes.

The Notes are dated November 1, 2020 (the "Dated Date"). Interest on the Notes will accrue from the date of delivery to the Underwriters, as defined herein and will be payable on August 15 and February 15 of each year until maturity or prior redemption, commencing February 15, 2021. Principal of the Notes will be payable by the Paying Agent/Registrar, initially BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"), upon presentation and surrender of the Notes for payment. See "THE NOTES—Description" herein.

The definitive Notes will be initially registered and delivered to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Notes may be acquired in denominations of \$5,000 of principal or integral multiples thereof. **No physical delivery of the Notes will be made to the beneficial owners thereof.** Principal, premium, if any, and interest on the Notes will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amount so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Notes. See "THE NOTES—Book-Entry-Only System" herein.

Proceeds from the sale of the Notes will be used to: (i) rehab, equip and repair existing school properties and (ii) pay the costs of issuing the Notes. See "THE NOTES—Sources and Uses of Funds" and "—Use of Proceeds" herein.

The Notes maturing on February 15, ___ are subject to optional redemption in whole or in part on February 15, ___ or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest from the most recent interest payment date to the date of redemption. See "THE NOTES—Optional Redemption" herein.

SEE MATURITY SCHEDULE ON THE INSIDE COVER PAGE

The Notes are offered for delivery when, as and if issued and received by the underwriters listed below (the "Underwriters") and will be subject to the approving opinion of the Attorney General of Texas and the approval of certain legal matters by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Bond Counsel (see "APPENDIX C – FORM OF BOND COUNSEL'S OPINION" attached hereto). The Notes are expected to be available for delivery in Houston, Texas, on or about November 17, 2020, Certain legal matters will be passed upon for the Underwriters listed below (the "Underwriters") by their counsel, Holland & Knight LLP, Houston, Texas.

Estrada Hinojosa

**J.P. Morgan
Hilltop Securities**

RBC Capital Markets, Inc.

* Preliminary, subject to change.

MATURITY SCHEDULE

HARRIS COUNTY DEPARTMENT OF EDUCATION (Harris County, Texas)

\$13,695,000* MAINTENANCE TAX NOTES, SERIES 2020

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield^(b)</u>	<u>CUSIP No^(c)</u>
2/15/2027	\$ 750,000			
2/15/2028	785,000			
2/15/2029	810,000			
2/15/2030	840,000			
2/15/2031	870,000			
2/15/2032	915,000			
2/15/2033	950,000			
2/15/2034	990,000			
2/15/2035	1,025,000			
2/15/2036	1,060,000			
2/15/2037	1,105,000			
2/15/2038	1,150,000			
2/15/2039	1,200,000			
2/15/2040	1,245,000			

(Interest to accrue from the Delivery Date)

* Preliminary, subject to change.

^(a) The Notes maturing on or after February 15, __, are subject to optional redemption in whole or in part on February 15, 20__ or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest from the most recent interest payment date to the date of redemption.

^(b) The initial yields at which Notes are priced are established by and are the sole responsibility of the Underwriters.

^(c) CUSIP numbers have been assigned to this issue by the CUSIP Global Services managed by Standard and Poor's Financial Services LLC on behalf of the American Bankers Association and are included solely for the convenience of the purchasers of the Notes. None of the Department, the Financial Advisor, or the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

DEPARTMENT OFFICIALS, STAFF AND CONSULTANTS

Board of Trustees

<u>Name</u>	<u>Title</u>	<u>Years of Service</u>	<u>Term Expires December</u>	<u>Occupation</u>
Eric Dick	President	2017	2022	Attorney
Danyahel (Danny) Norris	Vice President	2019	2024	Attorney
Richard Cantu	Member	2019	2024	Executive
Andrea Duhon	Member	2019	2025	Executive
Amy Flores Hinojosa	Member			Engineer
Don Summers	Member	2015	2020	Accountant
Michael Wolfe	Member	2015	2020	

Administrators

<u>Name</u>	<u>Title</u>	<u>Years of Service</u>
James Colbert, Jr	County School Superintendent	25
Jesus Amezcua	Assist. Superintendent – Business Services	33
Richard Vela	Executive Director – Facilities Support Services	29
Jonathan Parker	Asst. Supt for Academic Support Services	26
Danielle Clark	Chief Communications Officer	26
Natasha Truitt	Executive Dir. For Human Resources	27
Danielle Bartz	Chief of Staff	10
Anthony Mays	Senior Director of School Division	15

Consultants and Advisors

Certified Public Accountant	Whitley Penn LLP Houston, Texas
Bond Counsel	Orrick, Herrington & Sutcliffe LLP, Houston, Texas
Financial Advisor	USCA Municipal Advisors, LLC Houston, Texas

USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission and in effect on the date hereof, this document may be treated as an Official Statement of the Department with respect to the Notes that has been “deemed final” by the Department as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.

The information set forth herein has been obtained from the Department and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor or the Initial Purchaser. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Department or other matters described herein. See “CONTINUING DISCLOSURE OF INFORMATION” for a description of the Department’s undertaking to provide certain information on a continuing basis.

THE NOTES ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE NOTES IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

IN CONNECTION WITH THE OFFERING OF THE NOTES, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The agreements of the Department and others related to the Notes are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Notes is to be construed as constituting an agreement with the Purchaser of the Notes. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Notes to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

The Department..... The Harris County Department of Education (the “Department”) operates as an independent school district under the laws of the State of Texas (the “State”). The Department is located in Harris County, Texas. See “THE DEPARTMENT” herein.

The Notes..... The Notes are being issued in the principal amounts and mature on the dates set forth on the inside cover page hereof. The Notes bear interest from the date of delivery, at the rates per annum set forth on the inside cover hereof, which interest is payable each August 15 and February 15, commencing February 15, 2021, until maturity or prior redemption. See “THE NOTES—Description” herein.

Authority for Issuance .. The Notes are being issued pursuant to a resolution passed by the Board of Trustees of the Department, the Constitution and general laws of the State, including particularly Section 45.108, Texas Education Code, as amended. See “THE NOTES-Authority for Issuance” herein.

Use of Proceeds..... Proceeds from the sale of the Notes will be used to: (i) rehab, equip and repair existing school properties and (ii) pay the costs of issuing the Notes. See “THE NOTES—Sources and Uses of Funds” and “—Use of Proceeds” herein.

Security for Notes..... The Notes are direct obligations of the Department payable as to principal and interest from and secured by the proceeds of a continuing, direct annual ad valorem tax levied for maintenance purposes by the Department, within the limits prescribed by law, against all taxable property located within the Department. See “THE NOTES – Security and Source of Payment,” “STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS,” and “CURRENT SCHOOL FINANCE SYSTEM,” herein.

Redemption..... The Notes maturing on or after February 15, ___ are subject to optional redemption in whole or in part on February 15, ___ or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest from the most recent interest payment date to the date of redemption. See “THE NOTES—Optional Redemption” herein. Additionally, if the principal amounts designated in the serial maturity schedule on the inside cover page hereof are combined to create one or more term notes (“Term Notes”), each such Term Note shall be subject to mandatory sinking fund redemption. See “THE NOTES - Mandatory Sinking Fund Redemption.”

Tax Exemption..... In the opinion of Bond Counsel, interest on the Notes will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under “TAX MATTERS” herein, including the alternative minimum tax on corporations.

Rating..... The Notes have been assigned a rating of “___” by Moody’s. An explanation of the significance of such rating, as issued, may be obtained from Moody’s. See “OTHER INFORMAITON-Rating” herein.

Book-Entry-Only System..... The definitive Notes will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. The Notes will be issued in principal denominations of \$5,000 or any integral multiple thereof. No physical delivery of the Notes will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Notes will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Notes. See “THE NOTES-Book-Entry-Only System” herein.

Payment RecordThe Department has never defaulted in the payment of its tax-supported debt.

*Preliminary, subject to change.

SELECTED FINANCIAL INFORMATION

Fiscal Year End	Estimated Population^(a)	Taxable Assessed Valuation^(b)	Per Capita Assessed Valuation	Ad Valorem Tax Supported Debt	Per Capita Tax Supported Debt	Ratio Tax Debt to Assessed Valuation	Tax Year
2017	4,652,980	380,379,454,270	81,750	3,160,000	\$ 0.68	0.001%	2016
2018	4,652,980	399,079,153,088	85,769	2,708,572	0.58	0.001%	2017
2019	4,652,980	412,526,038,722	88,658	2,257,143	0.49	0.001%	2018
2020	4,652,980	445,338,264,373	95,710	1,805,715	0.39	0.000%	2019
2021	4,652,980	511,016,112,006	109,826	14,597,857 ^(c)	3.14	0.000%	2020

^(a) Source: Municipal Advisory Council of Texas.

^(b) Source: The Harris County Appraisal District

^(c) Includes the Notes.

General Fund Consolidated Statement Summary

	2019	2018	2017	2016	2015
Beginning Balance	\$ 29,412,165	\$ 28,122,487	\$ 30,920,238	\$ 27,903,232	\$ 26,601,199
Adjustments to Fund Balance	-	-	-	-	-
Total Revenue	50,434,906	48,459,092	46,439,978	44,859,536	48,386,286
Total Expenses	47,209,425	44,202,139	43,146,294	41,137,796	43,380,849
Net Other Resources (Uses)	(23,286)	(2,967,275)	(6,091,435)	(704,734)	(3,703,404)
Ending Balance	\$ 32,614,360	\$ 29,412,165	\$ 28,122,487	\$ 30,920,238	\$ 27,903,232

For Additional Information Regarding the District Contact:

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 Superintendent
 Harris County Department of Education
 Public Facilities Corp
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 Houston, Texas 77022-5618
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**HARRIS COUNTY DEPARTMENT OF EDUCATION
(Harris County, Texas)**

**\$13,695,000*
MAINTENANCE TAX NOTES
SERIES 2020**

INTRODUCTION

This Official Statement, including the Appendices hereto, provides certain information regarding the issuance of the Harris County Department of Education Maintenance Tax Notes, Series 2020 (the “Notes”). Except as otherwise indicated herein, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the resolution (the “Resolution”) to be adopted by the Board of Trustees (the “Board of Trustees”) of the Harris County Department of Education (the “Department”) authorizing the issuance of the Notes.

There follows in this Official Statement descriptions of the Notes and certain information regarding the Department and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the Financial Advisor, USCA Municipal Advisors, LLC, Houston, Texas, by electronic mail or upon payment of reasonable handling, mailing, and delivery charges.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. Copies of the final Official Statement pertaining to the Notes will be deposited with the Municipal Securities Rulemaking Board at www.emma.msrb.org. See “CONTINUING DISCLOSURE OF INFORMATION” herein for a description of the Department’s undertaking to provide certain information on a continuing basis.

THE NOTES

Description

The following is a description of some of the terms and conditions of the Notes, which description is qualified in its entirety by the Resolution which may be obtained upon request to the Department.

The Notes are dated November 1, 2020 (the “Dated Date”). The Notes mature on February 15 in each of the years and in the amounts shown on the inside cover page hereof. Interest on the Notes will accrue from the date of delivery to the Underwriters (the “Delivery Date”) and will be payable each August 15 and February 15, commencing February 15, 2021, until maturity or earlier redemption. Interest on the Notes will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The definitive Notes will be issued only in fully registered form in any integral multiple of \$5,000 of principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”) pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Notes will be made to the beneficial owners thereof.** Principal of, premium, if any, and accrued interest on the Notes be payable by the Paying Agent/Registrar, initially BOKF, NA, Houston, Texas (the “Paying Agent/Registrar”) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Notes. See “THE NOTES-Book-Entry-Only System” herein.

Authority for Issuance

The Notes are issued pursuant to authority conferred by the Constitution and laws of the State of Texas, including particularly Section 45.108, Texas Education Code and the Resolution.

Security and Source of Payment

The Notes will be payable from and secured by the proceeds of a continuing, direct annual ad valorem tax levied for maintenance purposes, within the limits prescribed by law, against all taxable property located within the Department. See “TAX RATE LIMITATIONS” for an explanation of the limits on such tax.

*Preliminary, subject to change.

Use of Proceeds

Proceeds from the sale of the Notes will be used to: (i) rehab, equip and repair existing school properties and (ii) pay the costs of issuing the Notes. See “THE NOTES—Sources and Uses of Funds” and “—Use of Proceeds” herein.

Optional Redemption

The Notes maturing on or after February 15, ___ are subject to optional redemption in whole or in part on February 15, ___ or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest from the most recent interest payment date to the date of redemption. If a Note (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Note (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Mandatory Sinking Fund Redemption

In addition to the foregoing optional redemption provision, if principal amounts designated in the serial maturity schedule on the inside cover page hereof are combined by the Underwriters to create Term Notes, each such Term Note shall be subject to mandatory sinking fund redemption commencing on February 15 of the first year which has been combined to form such Term Note and continuing on February 15 in each year thereafter until the stated maturity date of that Term Note, and the amount required to be redeemed in any year shall be equal to the principal amount for such year set forth in the serial maturity schedule on the inside cover page hereof.

The particular Term Notes to be mandatorily redeemed shall be selected by lot or other customary random selection method. The principal amount of the Term Notes to be mandatorily redeemed on such Mandatory Redemption date shall be reduced by the principal amount of such Term Note which, by the 45th day prior to such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the Department to the Paying Agent/Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

Notice of Redemption

Not less than 30 days prior to a redemption date for the Notes, the Paying Agent/Registrar shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Notes to be redeemed, in whole or in part at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE NOTES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, NOTWITHSTANDING THAT ANY NOTE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH NOTE OR PORTION THEREOF SHALL CEASE TO ACCRUE.

With respect to any optional redemption of the Notes, unless certain prerequisites to such redemption required by the Resolution have been met and money sufficient to pay the principal of and premium, if any, and interest on the Notes to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption is conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the Department will not redeem such Notes, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that such Notes have not been redeemed.

DTC Notices

The Paying Agent/Registrar and the Department, so long as a Book-Entry-Only System is used for the Notes, will send any notice of redemption, notice of proposed amendment to the Resolution or other notices with respect to the Notes only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Notes called for redemption or any other action premised on any such notice. Redemption of portions of the Notes by the Department will reduce the outstanding principal amount of such Notes held by DTC. In such an event, DTC may implement, through its Book-Entry-Only System, a redemption of such Notes held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement redemption of such Notes from the beneficial owners. Any such selection of Notes to be redeemed will not be governed by the Resolution and will not be conducted by the Department or the Paying Agent/Registrar. Neither the Department nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Notes or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Notes for redemption. See “THE NOTES—Book-Entry Only System” herein.

Defeasance

The Resolution provides that the Notes may be defeased in any manner now or hereafter permitted by law. Under current Texas law, such discharge may be accomplished either: (i) by depositing with the Paying Agent/Registrar or other lawfully authorized entity a sum of money equal to the principal and all interest to accrue on the Notes to maturity, and/or (ii) by depositing with the Paying Agent/Registrar or other lawfully authorized entity amounts sufficient, together with the investments earnings thereon, to provide for the payment of such Notes; provided that such deposits may be invested and reinvested only in (a) direct non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America; (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the Department adopts or approves the proceedings authorizing the issuance of refunding obligations, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent; and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the Department adopts or approves the proceedings authorizing the issuance of refunding obligations to refund the Notes, as applicable, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent; or (iii) any combination of (i) and (ii) above. The foregoing obligations may be in book-entry form and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment of the Notes. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Notes. Because the Order does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used to defease the Notes or those for any other securities used to defease the Notes will be maintained at any particular rating category.

Book-Entry-Only System

This section describes how ownership of the Notes is to be transferred and how the principal of, premium, if any, and interest on the Notes are to be paid to and credited by DTC, while the Notes are registered in its nominee name. The information in this section concerning DTC and the book-entry-only system has been provided by DTC for use in disclosure documents such as this Official Statement. The Department, the Financial Advisor and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The Department cannot and does not give any assurance that (1) DTC will distribute payment of debt service on the Notes, or redemption or other notices to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Notes), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered securities in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Notes, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of “AA+.” The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each Note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmations from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners

will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee, do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Notes within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Department as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal, and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Department or the Paying Agent/Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the Department, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest payments on the Notes to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Department or the Paying Agent/Registrar. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and reimbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the Department or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered. Discontinuance by the Department of use of the system of book-entry transfers through DTC may require compliance with DTC operational arrangements.

The Department may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Discontinuance of the system of book-entry transfers by the Department may require the consent of Participants under DTC's operational arrangements. In that event, Note certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Department believes to be reliable, but neither the Department, the Financial Advisor nor the Underwriters take responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement.

In reading this Official Statement it should be understood that while the Notes are in the book-entry-only system, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Notes, but (i) all rights of ownership must be exercised through DTC and the book-entry-only system, and (ii) except as described above, notices that are to be given to registered owners under the Order will be given only to DTC.

Paying Agent/Registrar

The initial Paying Agent/Registrar is BOKF, NA., Houston, Texas. In the Order, the Department retains the right to replace the Paying Agent/Registrar. The Department covenants to maintain and provide a Paying Agent/Registrar at all times while any Notes are outstanding and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the United States or any state and duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Notes. Upon

any change in the Paying Agent/Registrar for the Notes, the Department agrees to promptly cause a written notice thereof to be sent to each registered owner of the Notes by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Transfer, Exchange and Registration

In the event the book-entry-only system should be discontinued, the Notes may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar at its designated payment office and such transfer or exchange shall be without expenses or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Notes may be assigned by the execution of an assignment form on the Notes or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Note or Notes will be delivered by the Paying Agent/Registrar, in lieu of the Note or Notes being transferred or exchanged, at the designated payment office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Notes issued in an exchange or transfer of Notes will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Notes to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Notes registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 of principal for any one maturity and for a like aggregate principal amount as the Note or Notes surrendered for exchange or transfer. See "THE NOTES-Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Notes.

Record Date for Interest Payment

The record date ("Record Date") for the interest payable on the Notes on any interest payment date means the close of business on the last business day of the month preceding such interest payment date. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Department. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date," which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each holder of a Note appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day preceding the date of mailing of such notice.

Noteholders' Remedies

The Resolution does not provide for the appointment of a trustee to represent the interests of the noteholders upon any failure of the Department to perform in accordance with the terms of the Resolution or upon any other condition and, in the event of any such failure to perform, the registered owners would be responsible for the initiation and cost of any legal action to enforce performance of the Order. Furthermore, the Order does not establish specific events of default with respect to the Notes and, under State law, there is no right to the acceleration of maturity of the Notes upon the failure of the Department to observe any covenant under the Order. A registered owner of Notes could seek a judgment against the Department if a default occurred in the payment of principal or interest on any such Notes; however, such judgment could not be satisfied by execution against any property of the Department and a suit for monetary damages could be vulnerable to the defense of sovereign immunity. A registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the Department to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Notes as it becomes due or perform other material terms and covenants contained in the Order. In general, Texas courts have held that a writ of mandamus may be issued to require a public official to perform legally imposed ministerial duties necessary for the performance of a valid contract, and Texas law provides that, following their approval by the Attorney General and issuance, the Notes are valid and binding Notes for all purposes according to their terms. However, the enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis.

The Department is also eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the Department avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Order and the Notes are qualified with respect to the customary rights of debtors relative to their creditors, including rights afforded to creditors under the Bankruptcy Code.

Sources and Uses of Funds

Proceeds from the sale of the Notes will be applied in the amounts shown below.

<u>Sources of Funds</u>	
Par Amount of Notes	\$
[Net] Original Issue Premium / (Discount)	
Total	\$
<u>Uses of Funds</u>	
Deposit to Project Fund	\$
Costs of Issuance	
Underwriters' Discount	
Deposit to Debt Service Fund (Additional Proceeds)	
Total	\$

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Litigation Relating to the Texas Public School Finance System

On seven occasions in the last thirty years, the Texas Supreme Court (the "Court") has issued decisions assessing the constitutionality of the Texas public school finance system (the "Finance System"). The litigation has primarily focused on whether the Finance System, as amended by the Texas Legislature (the "Legislature") from time to time (i) met the requirements of article VII, section 1 of the Texas Constitution, which requires the Legislature to "establish and make suitable provision for the support and maintenance of an efficient system of public free schools," or (ii) imposed a statewide ad valorem tax in violation of article VIII, section 1-e of the Texas Constitution because the statutory limit on property taxes levied by school districts for maintenance and operation purposes had allegedly denied school districts meaningful discretion in setting their tax rates. In response to the Court's previous decisions, the Legislature enacted multiple laws that made substantive changes in the way the Finance System is funded in efforts to address the prior decisions declaring the Finance System unconstitutional.

On May 13, 2016, the Court issued its opinion in the most recent school finance litigation, *Morath v. The Texas Taxpayer & Student Fairness Coal.*, 490 S.W.3d 826 (Tex. 2016) ("*Morath*"). The plaintiffs and intervenors in the case had alleged that the Finance System, as modified by the Legislature in part in response to prior decisions of the Court, violated article VII, section 1 and article VIII, section 1-e of the Texas Constitution. In its opinion, the Court held that "[d]espite the imperfections of the current school funding regime, it meets minimum constitutional requirements." The Court also noted that:

Lawmakers decide if laws pass, and judges decide if those laws pass muster. But our lenient standard of review in this policy-laden area counsels modesty. The judicial role is not to second-guess whether our system is optimal, but whether it is constitutional. Our Byzantine school funding "system" is undeniably imperfect, with immense room for improvement. But it satisfies minimum constitutional requirements.

Possible Effects of Changes in Law on Department Notes

The Court's decision in *Morath* upheld the constitutionality of the Finance System but noted that the Financing System was "undeniably imperfect". While not compelled by the *Morath* decision to reform the Finance System, the Legislature could enact future changes to the Finance System. Any such changes could benefit or be a detriment to the Department. If the Legislature enacts future changes to, or fails adequately to fund the Finance System, or if changes in circumstances otherwise provide grounds for a challenge, the Finance System could be challenged again in the future. In its 1995 opinion in *Edgewood Independent School District v. Meno*, 917 S.W.2d 717 (Tex. 1995), the Court stated that any future determination of unconstitutionality "would not, however, affect the district's authority to levy the taxes necessary to retire previously issued bonds, but would instead require the Legislature to cure the system's unconstitutionality in a way that is consistent with the Contract Clauses of the U.S. and Texas Constitutions" (collectively, the "Contract Clauses"), which prohibit the enactment of laws that impair prior obligations of contracts.

Although, as a matter of law, the Notes, upon issuance and delivery, will be entitled to the protections afforded previously existing contractual obligations under the Contract Clauses, the Department can make no representations or predictions concerning the effect of future legislation, or any litigation that may be associated with such legislation, on the Department's financial condition, revenues or operations. While the enactment of future legislation to address school funding in Texas could adversely affect the financial condition, revenues or operations of the Department, the Department does not anticipate that the security for payment of the Notes, specifically, the Department's obligation to levy an unlimited debt service tax would be adversely affected by any such legislation. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM".

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

During the 2019 Legislative Session, the State Legislature made numerous changes to the current public school finance system, the levy and collection of ad valorem taxes, and the calculation of defined tax rates, including particularly those contained in House Bill 3 (“HB 3”) and Senate Bill 2 (“SB 2”). In some instances, the provisions of HB 3 and SB 2 will require further interpretation in connection with their implementation in order to resolve ambiguities contained in the bills. The Department is still in the process of (a) analyzing the provisions of HB 3 and SB 2, and (b) monitoring the on-going guidance provided by TEA. The information contained herein under the captions “CURRENT PUBLIC SCHOOL FINANCE SYSTEM” and “TAX RATE LIMITATIONS” is subject to change, and only reflects the Department’s understanding of HB 3 and SB 2 based on information available to the Department as of the date of this Official Statement. Prospective investors are encouraged to review HB 3, SB 2, and the Property Tax Code (as defined herein) for definitive requirements for the levy and collection of ad valorem taxes, the calculation of the defined tax rates, and the administration of the current public school finance system.

Overview

The following language constitutes only a summary of the public school finance system as it is currently structured. For a more complete description of school finance and fiscal management in the State, reference is made to Chapters 43 through 49 of the Texas Education Code, as amended.

Local funding is derived from collections of ad valorem taxes levied on property located within each school district’s boundaries. School districts are authorized to levy two types of property taxes: a maintenance and operations (“M&O”) tax to pay current expenses and an interest and sinking fund (“I&S”) tax to pay debt service on bonds. School districts may not increase their M&O tax rate for the purpose of creating a surplus to pay debt service on bonds. Prior to 2006, school districts were authorized to levy their M&O tax at a voter-approved rate, generally up to \$1.50 per \$100 of taxable value in the school district. Since 2006, the State Legislature has enacted various legislation that has compressed the voter-approved M&O tax rate, as described below. Current law also requires school districts to demonstrate their ability to pay debt service on outstanding bonded indebtedness through the levy of an I&S tax at a rate not to exceed \$0.50 per \$100 of taxable value at the time bonds are issued. Once bonds are issued, however, school districts generally may levy an I&S tax sufficient to pay debt service on such bonds unlimited as to rate or amount. See “TAX RATE LIMITATIONS – I&S Tax Rate Limitations” herein. Because property values vary widely among school districts, the amount of local funding generated by school districts with the same I&S tax rate and M&O tax rate is also subject to wide variation; however, the public school finance funding formulas are designed to generally equalize local funding generated by a school district’s M&O tax rate.

Prior to the 2019 Legislative Session, a school district’s maximum M&O tax rate for a given tax year was determined by multiplying that school district’s 2005 M&O tax rate levy by an amount equal a compression percentage set by legislative appropriation or, in the absence of legislative appropriation, by the Commissioner of Education (the “Commissioner”). This compression percentage was historically set at 66.67%, effectively setting the maximum compressed M&O tax rate for most school districts at \$1.00 per \$100 of taxable value, since most school districts in the State had a voted maximum M&O tax rate of \$1.50 per \$100 of taxable value. School districts were permitted, however, to generate additional local funds by raising their M&O tax rate up to \$0.04 above the compressed tax rate or, with voter-approval at a valid election in the school district, up to \$0.17 above the compressed tax rate (for most school districts, this equated to an M&O tax rate between \$1.04 and \$1.17 per \$100 of taxable value). School districts received additional State funds in proportion to such taxing effort.

Local Funding for School Districts

During the 2019 Legislative Session, the 86th State Legislature made several significant changes to the funding methodology for school districts (the “2019 Legislation”). The 2019 Legislation orders a school district’s M&O tax rate into two distinct parts: the “Tier One Tax Rate”, which is the local M&O tax rate required for a school district to any part of the basic level of State funding (referred to herein as “Tier One”) under the Foundation School Program, as further described below, and the Enrichment Tax Rate, being an additional amount of local M&O funding in excess of its Tier One Tax Rate. The 2019 Legislation amended formulas for the State Compression Percentage and Maximum Compressed Tax Rate (each as described below) to compress M&O tax rates in response to year-over-year increases in property values across the State and within a school district, respectively. The discussion in this subcaption “Local Funding For School Districts” is generally intended to describe funding provisions applicable to all school districts; however, there are distinctions in the funding formulas for school districts that generate local M&O tax revenues in excess of the school districts’ funding entitlements, as further discussed under the subcaption “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Revenue Level In Excess of Entitlement” herein.

State Compression Percentage. The “State Compression Percentage” for the State fiscal year ending in 2020 (the 2019-2020 school year) is a statutorily-defined percentage of the rate of \$1.00 per \$100 at which a school district must levy its Tier One Tax Rate to receive the full amount of the Tier One funding to which a school district is entitled. For the State fiscal year ending in 2020, the State Compression Percentage is set at 93% per \$100 of taxable value. Beginning in the State fiscal year ending in 2021, the State Compression Percentage is the lesser of three alternative calculations: (1) 93% or a lower percentage set by appropriation for a school year; (2) a percentage determined by formula if the estimated total taxable property value of the State (as submitted annually to the State Legislature by the State Comptroller) have increased by at least 2.5% over the prior year; and (3) the prior year State Compression Percentage. For any year, the maximum State Compression Percentage is 93%.

Maximum Compressed Tax Rate. Pursuant to the 2019 Legislation, beginning with the State fiscal year ending in 2021 (the 2020-2021 school year) the Maximum Compressed Tax Rate (the “MCR”) is the tax rate per \$100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of three alternative calculations: (1) the school district’s prior year MCR; (2) a percentage determined by formula if the school district experienced a year-over-year increase in property value of at least 2.5%; or (3) the product of State Compression Percentage for the current year multiplied by \$1.00. However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district’s MCR is calculated to be less than 90% of any other school district’s MCR for the current year, then the school district’s MCR is instead equal to the school district’s prior year MCR, until TEA determines that the difference between the school district’s MCR and any other school district’s MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase.

Tier One Tax Rate. For the 2019-2020 school year, the Tier One Tax Rate is the State Compression Percentage multiplied by (i) \$1.00, or (ii) for a school district that levied an M&O tax rate for the 2018-2019 school year that was less than \$1.00 per \$100 of taxable value, the total number of cents levied by the school district for the 2018-2019 school year for M&O purposes; effectively setting the Tier One Tax Rate for the State fiscal year ending in 2020 for most school districts at \$0.93. Beginning in the 2020-2021 school year, a school district’s Tier One Tax Rate is defined as a school district’s M&O tax rate levied that does not exceed the school district’s MCR.

Enrichment Tax Rate. The Enrichment Tax Rate is the number of cents a school district levies for M&O in excess of the Tier One Tax Rate, up to an additional \$0.17. The Enrichment Tax Rate is divided into two components: (i) “Golden Pennies” which are the first \$0.08 of tax effort in excess of a school district’s Tier One Tax Rate; and “Copper Pennies” which are the next \$0.09 in excess of a school district’s Tier One Tax Rate plus Golden Pennies.

School districts may levy an Enrichment Tax Rate at a level of their choice, subject to the limitations described under “TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate”; however to levy any of the Enrichment Tax Rate in a given year, a school district must levy a Tier One Tax Rate equal to \$0.93 for the 2019-2020 school year, or equal to the school district’s MCR for the 2020-2021 and subsequent years. Additionally, a school district’s levy of Copper Pennies is subject compression if the guaranteed yield (i.e., the guaranteed level of local tax revenue and State aid generated) of Copper Pennies is increased from one year to the next (see “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts – Tier Two”).

State Funding for School Districts

State funding for school districts is provided through the Foundation School Program, which guarantees certain levels of funding for school districts in the state. School districts are entitled to a legislatively appropriated guaranteed yield on their Tier One Tax Rate and Enrichment Tax Rate. When a school district’s respective M&O tax rates generate tax revenues at a level below the respective entitlement, the school district is entitled to receive Tier One funding or Tier Two funding, respectively, from the State in an amount equal to the difference between the school district’s entitlements and the actual M&O revenues generated by the school district’s Tier One Tax Rate and Enrichment Tax Rate, respectively.

The first level of funding, Tier One, is the basic level of funding guaranteed to all school districts based on a school district’s Tier One Tax Rate. Tier One funding may then be “enriched” with additional funds known as “Tier Two” of the Foundation School Program. Tier Two provides a guaranteed entitlement for each cent of a school district’s Enrichment Tax Rate, allowing a school district increase or decrease its Enrichment Tax Rate to supplement Tier One funding at a level of the school district’s own choice. While Tier One funding may be used for the payment of debt service (except for school districts subject to the recapture provisions of Chapter 49 of the Texas Education Code, as discussed herein), and in some instances is required to be used for that purpose (see “TAX RATE LIMITATIONS – I&S Tax Rate Limitations”), Tier Two funding may not be used for the payment of debt service or capital outlay.

The current public school finance system also provides an Existing Debt Allotment (“EDA”) to subsidize debt service on eligible outstanding school district bonds, an Instructional Facilities Allotment (“IFA”) to subsidize debt service on newly issued bonds, and a New Instructional Facilities Allotment (“NIFA”) to subsidize operational expenses associated with the opening of a new instructional facility. IFA primarily addresses the debt service needs of property-poor school districts. For the 2020-2021 State fiscal biennium, the State Legislature appropriated funds in the amount of \$1,323,444,300 for the EDA, IFA, and NIFA.

Tier One and Tier Two allotments represent the State’s share of the cost of M&O expenses of school districts, with local M&O taxes representing the school district’s local share. EDA and IFA allotments supplement a school district’s local I&S taxes levied for debt service on eligible bonds issued to construct, acquire and improve facilities, provided that a school district qualifies for such funding and that the State Legislature makes sufficient appropriations to fund the allotments for a State fiscal biennium. Tier One and Tier Two allotments and existing EDA and IFA allotments are generally required to be funded each year by the State Legislature.

Tier One. Tier One funding is the basic level of funding guaranteed to a school district consisting of a State-appropriated baseline level of funding (the “Basic Allotment”) for each student in “Average Daily Attendance” (being generally calculated as the sum of student attendance for each State-mandated day of instruction divided by the number of State-mandated days of instruction, defined herein as “ADA”). The Basic Allotment is revised downward if a school district’s Tier One Tax Rate is less than the State-determined threshold. This Basic Allotment

is supplemented by additional State funds, allotted based upon the unique school district characteristics and demographics of students in ADA, to make up most of a school district's Tier One entitlement under the Foundation School Program.

For the 2019-2020 State fiscal year, the Basic Allotment for school districts with a Tier One Tax Rate equal to \$0.93, is \$6,160 for each student in ADA and is revised downward for school districts with a Tier One Tax Rate lower than \$0.93. For the State fiscal year ending in 2021 and subsequent State fiscal years, the Basic Allotment for a school district with a Tier One Tax Rate equal to the school district's MCR, is \$6,160 (or a greater amount as may be provided by appropriation) for each student in ADA and is revised downward for a school district with a Tier One Tax Rate lower than the school district's MCR. The Basic Allotment is then supplemented for all school districts by various weights to account for differences among school districts and their student populations. Such additional allotments include, but are not limited to, increased funds for students in ADA who: (i) attend a qualified special education program, (ii) are diagnosed with dyslexia or a related disorder, (iii) are economically disadvantaged, or (iv) have limited English language proficiency. Additional allotments to mitigate differences among school districts include, but are not limited to: (i) a transportation allotment for mileage associated with transporting students who reside two miles or more from their home campus, (ii) a fast growth allotment (for school districts in the top 25% of enrollment growth relative to other school districts), and (iii) a college, career and military readiness allotment to further Texas' goal of increasing the number of students who attain a post-secondary education or workforce credential, and (iv) a teacher incentive allotment to increase teacher compensation retention in disadvantaged or rural school districts. A school district's total Tier One funding, divided by \$6,160, is a school district's measure of students in "Weighted Average Daily Attendance" ("WADA"), which serves to calculate Tier Two funding.

Tier Two. Tier Two supplements Tier One funding and provides two levels of enrichment with different guaranteed yields (i.e., Golden Pennies and Copper Pennies) depending on the school district's Enrichment Tax Rate. Golden Pennies generate a guaranteed yield equal to the greater of (i) the local revenue per student in WADA per cent of tax effort available to a school district at the ninety-sixth (96th) percentile of wealth per student in WADA, or (ii) the Basic Allotment (or a greater amount as may be provided by appropriation) multiplied by 0.016. For the 2020-2021 State fiscal biennium, school districts are guaranteed a yield of \$98.56 per WADA for each Golden Penny levied. Copper Pennies generate a guaranteed yield per WADA equal to the school district's Basic Allotment (or a greater amount as may be provided by appropriation) multiplied by 0.008. For the 2020-2021 State fiscal biennium, school districts are guaranteed a yield of \$49.28 per WADA for each Copper Penny levied. For any school year in which the guaranteed yield of Copper Pennies per student in WADA exceeds the guaranteed yield of Copper Pennies per student in WADA for the preceding school year, a school district is required to reduce its Copper Pennies levied so as to generate no more revenue per student in WADA than was available to the school district for the preceding year. Accordingly, the increase in the guaranteed yield from \$31.95 per cent per student in WADA for the 2018-2019 school year to \$49.28 per cent per student in WADA for the 2019-2020 school year requires school districts to compress their levy of Copper Pennies by a factor of 0.64834. As such, school districts that levied an Enrichment Tax Rate of \$0.17 in school year 2018-2019 must reduce their Enrichment Tax Rate to approximately \$0.138 per \$100 taxable value for the 2019-2020 school year.

Existing Debt Allotment, Instruction Facilities Allotment, and New Instructional Facilities Allotment. The Foundation School Program also includes facilities funding components consisting of the IFA and the EDA, subject to legislative appropriation each State fiscal biennium. To the extent funded for a biennium, these programs assist school districts in funding facilities by, generally, equalizing a school district's I&S tax effort. The IFA guarantees each awarded school district a specified amount per student (the "IFA Yield") in State and local funds for each cent of I&S tax levied to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate or improve instructional facilities. The IFA Yield has been \$35 since this program first began in 1997. New awards of IFA are only available if appropriated funds are allocated for such purpose by the State Legislature. To receive an IFA award, in years where new IFA awards are available, a school district must apply to the Commissioner in accordance with rules adopted by the TEA before issuing the bonds to be paid with IFA State assistance. The total amount of debt service assistance over a biennium for which a school district may be awarded is limited to the lesser of (1) the actual debt service payments made by the school district in the biennium in which the bonds are issued; or (2) the greater of (a) \$100,000 or (b) \$250 multiplied by the number of students in ADA. The IFA is also available for lease-purchase agreements and refunding bonds meeting certain prescribed conditions. Once a school district receives an IFA award for bonds, it is entitled to continue receiving State assistance for such bonds without reapplying to the Commissioner. The guaranteed level of State and local funds per student per cent of local tax effort applicable to the bonds may not be reduced below the level provided for the year in which the bonds were issued. For the 2020-2021 State fiscal biennium, the State Legislature did not appropriate any funds for new IFA awards; however, awards previously granted in years the State Legislature did appropriate funds for new IFA awards will continue to be funded.

State financial assistance is provided for certain existing eligible debt issued by school districts through the EDA program. The EDA guaranteed yield (the "EDA Yield") is the lesser of (i) \$40 per student in ADA or a greater amount for any year provided by appropriation; or (ii) the amount that would result in a total additional EDA of \$60 million more than the EDA to which school districts would have been entitled to if the EDA Yield were \$35. The portion of a school district's local debt service rate that qualifies for EDA assistance is limited to the first \$0.29 of its I&S tax rate (or a greater amount for any year provided by appropriation by the State Legislature). In general, a school district's bonds are eligible for EDA assistance if (i) the school district made payments on the bonds during the final fiscal year of the preceding State fiscal biennium, or (ii) the school district levied taxes to pay the principal of and interest on the bonds for that fiscal year. Each biennium, access to EDA funding is determined by the debt service taxes collected in the final year of the preceding biennium. A school district may not receive EDA funding for the principal and interest on a series of otherwise eligible bonds for which the school district receives IFA funding.

Since future-year IFA awards were not funded by the State Legislature for the 2020-21 State fiscal biennium and debt service assistance on school district bonds that are not yet eligible for EDA is not available, debt service payments during the 2020-21 State fiscal biennium on

new bonds issued by school districts in the 2020-21 State fiscal biennium to construct, acquire and improve facilities must be funded solely from local I&S taxes.

A school district may also qualify for a NIFA allotment, which provides assistance to school districts for operational expenses associated with opening new instructional facilities. The 86th State Legislature appropriated funds in the amount of \$100,000,000 for each fiscal year of the 2020-2021 State fiscal biennium for NIFA allotments.

Tax Rate and Funding Equity. The Commissioner may adjust a school district's funding entitlement if the funding formulas used to determine the school district's entitlement result in an unanticipated loss or gain for a school district. Any such adjustment requires preliminary approval from the Legislative Budget Board and the office of the Governor, and such adjustments may only be made through the 2020-2021 school year.

Additionally, the Commissioner may proportionally reduce the amount of funding a school district receives under the Foundation School Program and the ADA calculation if the school district operates on a calendar that provides less than the State-mandated minimum instruction time in a school year. The Commissioner may also adjust a school district's ADA as it relates to State funding where disaster, flood, extreme weather or other calamity has a significant effect on a school district's attendance.

Furthermore, "property-wealthy" school districts that received additional State funds under the public school finance system prior to the enactment of the 2019 Legislation are entitled to an equalized wealth transition grant on an annual basis through the 2023-2024 school year in an amount equal to the amount of additional revenue such school district would have received under former Texas Education Code Sections 41.002(e) through (g), as those sections existed on January 1, 2019. This grant is phased out through the 2023-2024 school year as follows: (1) 20% reduction for the 2020-2021 school year, (2) 40% reduction for the 2021-2022 school year, (3) 60% reduction for the 2022-2023 school year, and (4) 80% reduction for the 2023-2024 school year.

Local Revenue Level in Excess of Entitlement

A school district that has sufficient property wealth per student in ADA to generate local revenues on the school district's Tier One Tax Rate and Copper Pennies in excess of the school district's respective funding entitlements (a "Chapter 49 school district"), is subject to the local revenue reduction provisions contained in Chapter 49 of Texas Education Code, as amended ("Chapter 49"). Additionally, in years in which the amount of State funds appropriated specifically excludes the amount necessary to provide the guaranteed yield for Golden Pennies, local revenues generated on a school district's Golden Pennies in excess of the school district's respective funding entitlement are subject to the local revenue reduction provisions of Chapter 49. To reduce local revenue, Chapter 49 school districts are generally subject to a process known as "recapture", which requires a Chapter 49 school district to exercise certain options to remit local M&O tax revenues collected in excess of the Chapter 49 school district's funding entitlements to the State (for redistribution to other school districts) or otherwise expending the respective M&O tax revenues for the benefit of students in school districts that are not Chapter 49 school districts, as described in the subcaption "*Options for Local Revenue Levels in Excess of Entitlement*". Chapter 49 school districts receive their allocable share of funds distributed from the constitutionally-prescribed Available School Fund, but are generally not eligible to receive State aid under the Foundation School Program, although they may continue to receive State funds for certain competitive grants and certain programs that remain outside the Foundation School Program.

Whereas prior to the 2019 Legislation, the recapture process had been based on the proportion of a school district's assessed property value per student in WADA, recapture is now measured by the "local revenue level" (being the M&O tax revenues generated in a school district) in excess of the entitlements appropriated by the State Legislature each fiscal biennium. Therefore, school districts are now guaranteed that recapture will not reduce revenue below their statutory entitlement. The changes to the wealth transfer provisions are expected to reduce the cumulative amount of recapture payments paid by school districts by approximately \$3.6 billion during the 2020-2021 State fiscal biennium.

Options for Local Revenue Levels in Excess of Entitlement. Under Chapter 49, a school district has six options to reduce local revenues to a level that does not exceed the school district's respective entitlements: (1) a school district may consolidate by agreement with one or more school districts to form a consolidated school district; all property and debt of the consolidating school districts vest in the consolidated school district; (2) a school district may detach property from its territory for annexation by a property-poor school district; (3) a school district may purchase attendance credits from the State; (4) a school district may contract to educate nonresident students from a property-poor school district by sending money directly to one or more property-poor school districts; (5) a school district may execute an agreement to provide students of one or more other school districts with career and technology education through a program designated as an area program for career and technology education; or (6) a school district may consolidate by agreement with one or more school districts to form a consolidated taxing school district solely to levy and distribute either M&O taxes or both M&O taxes and I&S taxes. A Chapter 49 school district may also exercise any combination of these remedies. Options (3), (4) and (6) require prior approval by the Chapter 49 school district's voters.

Furthermore, a school district may not adopt a tax rate until its effective local revenue level is at or below the level that would produce its guaranteed entitlement under the Foundation School Program. If a school district fails to exercise a permitted option, the Commissioner must reduce the school district's local revenue level to the level that would produce the school district's guaranteed entitlement, by detaching certain types of property from the school district and annexing the property to a property-poor school district or, if necessary, consolidate the school district with a property-poor school district. Provisions governing detachment and annexation of taxable property by the Commissioner do not provide for assumption of any of the transferring school district's existing debt.

AD VALOREM TAX PROCEDURES

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors are encouraged to review Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Valuation of Taxable Property

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the Department is the responsibility of the Harris County Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the Department, in establishing their tax rolls and tax rates. See "AD VALOREM TAX PROCEDURES – Department and Taxpayer Remedies."

State Mandated Homestead Exemptions

State law grants, with respect to each school district in the State, (1) a \$25,000 exemption of the market value of all homesteads, (2) a \$10,000 exemption of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled, and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

Local Option Homestead Exemptions

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the market value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The governing body of a school district may not repeal or reduce the amount of the local option homestead exemption described in (1), above, that was in place for the 2014 tax year (fiscal year 2015) for a period ending December 31, 2019. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

State Mandated Freeze on School District Taxes

Except for increases attributable to certain improvements, a school district is prohibited from increasing the total ad valorem tax on the homestead of persons sixty-five (65) years of age or older or of disabled persons above the amount of tax imposed in the year such homestead qualified for such exemption. This freeze is transferable to a different homestead if a qualifying taxpayer moves, and, under certain circumstances, is also transferable to the surviving spouse of persons sixty-five (65) years of age or older, but not the disabled.

Personal Property

Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such

as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

Freeport and Goods-In-Transit Exemptions

Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication (“Freeport Property”) are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days (“Goods-in-Transit”), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer’s motor vehicle, boat, or heavy equipment inventory.

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

Other Exempt Property

Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

Tax Increment Reinvestment Zones

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones (“TIRZ”) within its boundaries. At the time of the creation of the TIRZ, a “base value” for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the “tax increment”. During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

Until September 1, 1999, school districts were able to reduce the value of taxable property reported to the State to reflect any taxable value lost due to TIRZ participation by the school district. The ability of the school district to deduct the taxable value of the tax increment that it contributed prevented the school district from being negatively affected in terms of state school funding. However, due to a change in law, local M&O tax rate revenue contributed to a TIRZ created on or after May 31, 1999 will count toward a school district’s Tier One entitlement (reducing Tier One State funds for eligible school districts) and will not be considered in calculating any school district’s Tier Two entitlement. See “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts”.

Tax Limitation Agreements

The Texas Economic Development Act (Chapter 313, Texas Tax Code, as amended), allows school districts to grant limitations on appraised property values to certain corporations and limited liability companies to encourage economic development within the school district. Generally, during the last eight (8) years of the ten-year term of a tax limitation agreement, a school district may only levy and collect M&O taxes on the agreed-to limited appraised property value. For the purposes of calculating its Tier One and Tier Two entitlements, the portion of a school district’s property that is not fully taxable is excluded from the school district’s taxable property values. Therefore, a school district will not be subject to a reduction in Tier One or Tier Two State funds as a result of lost M&O tax revenues due to entering into a tax limitation agreement. See “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts”.

For a discussion of how the various exemptions described above are applied by the Department, see “AD VALOREM TAX PROCEDURES – Department Application of Tax Code” herein.

Department and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the Department, may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the Department may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Beginning in the 2020 tax year, owners of certain property with a taxable value in excess of the current year “minimum eligibility amount”, as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$50 million for the 2020 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the Department and provides for taxpayer referenda that could result in the repeal of certain tax increases. See “TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate”. The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The Department is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the Department. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the Department may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

Department’s Rights in the Event of Tax Delinquencies

Taxes levied by the Department are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the Department, having power to tax the property. The Department’s tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the Department is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the Department may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the Department must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer’s debt.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

Tax Rate Limitations

The Department is authorized by law (and pursuant to an election held in Harris County) to levy an annual tax upon all taxable property within its boundaries, within the limits prescribed by law, for the equalization of educational opportunities in Harris County and the payment of all administration expenses. The Department has levied such tax and ordered such tax to be assessed and collected on all taxable property in Harris County.

Under Article VII, Section 3 of the Texas Constitution, the Department may levy an ad valorem tax only of such tax has been approved by voters within the boundaries of the Department at an election. The Department’s ad valorem tax was authorized pursuant to Chapter 182, Acts of the 44th Legislature (1935), and Article 2790e, Vernon’s Texas Civil Statutes (codified as Chapter 18, Texas Education Code), and an election held within Harris County on April 3, 1937. Such tax is limited to \$.01 per \$ 3 00 of assessed valuation.

Department Application of Tax Code

The Department has granted an exception of \$5,000 or 20% of the market value of residence homesteads, whichever is greater. Additionally, the Department has granted an additional exception of \$160,000 to the market value of the resident homestead of persons disabled or over 65 years of age or older. Ad valorem taxes are not levied by the Department against the exempt value of residence homesteads for the payment of debt. The Department does not tax nonbusiness personal property. The Department does not permit split payments and discounts are not allowed. The Department does not tax freeport property.

THE DEPARTMENT

The Department is an independent school district and political subdivision of the State of Texas located in Harris County, Texas. Harris County, along with other governmental entities, have authority to levy ad valorem taxes. See "APPENDIX A - Table 6, Estimated Overlapping Debt."

The Department, a highly successful educational resource in the Houston area, is a tax assisted organization dedicated to the equalization of educational opportunity and to the advancement of public schools. The Department has been serving the county's public schools for more than 100 years. The organization impacts the educational community through visionary leadership, shared resources, and innovative programs. For additional information regarding the Department, see also "APPENDIX A – INFORMATION REGARDING THE DEPARTMENT" attached hereto.

INVESTMENTS

The invests its funds in investments authorized by Texas law in accordance with investment policies approved by the Board. Both State law and the Department's investment policies are subject to change.

Legal Investments

Under Texas law, the Department is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, (4) other obligations, the principal and interest of which are unconditionally guaranteed, insured, or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent, (6) bonds issued, assumed, or guaranteed by the State of Israel, (7) certificates of deposit and share certificates (i) issued by a depository institution that has its main office or a branch office in the State of Texas, that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for Department deposits, or (ii) where (a) the funds are invested by the Department through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted, at least annually, by the Department as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the Department; (b) the broker or the depository institution selected by the Department arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the Department; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the Department appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the Department with respect to the certificates of deposit; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the Department, held in the Department's name, and deposited at the time the investment is made with the Department or with a third party selected and approved by the Department and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas; (9) certain bankers' acceptances with a stated maturity of 270 days or less from the date of its issuance, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (10) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share; (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the preceding clauses, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent; and (13) public funds investment pools that have an advisory board which includes participants in the pool and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent. Texas law also permits the Department to invest bond proceeds in a guaranteed investment contract, subject to limitations as set forth in the Public Funds Investment Act, Texas Government Code, Chapter 2256 (the "PFIA").

A political subdivision such as the Department may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (10) through (12) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the Department, held in the Department's name and deposited at the time the investment is made with the Department or a third party designated by the Department; (iii) a loan made under the program through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The Department may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "Aaa" or an equivalent by at least one nationally recognized rating service. The Department may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the Department retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the Department must do so by order, ordinance, or resolution. The Department is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Investment Policies

Under Texas law, the Department is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for Department funds, maximum allowable stated maturity of any individual investment owned by the Department and the maximum average dollar-weighted maturity allowed for pooled fund groups. All Department funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, marketability of each investment, (4) diversification of the portfolio, and (5) yield.

Under Texas law, Department investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the Department shall submit an investment report detailing: (1) the investment position of the Department, (2) that all investment officers jointly prepared and signed the report, (3) the beginning and ending market value of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest Department funds without express written authority from the Board.

Additional Provisions

Under Texas law, the Department is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the Board; (4) require the qualified representative of firms offering to engage in an investment transaction with the Department to: (a) receive and review the Department's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the Department and the business organization that are not authorized by the Department's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the Department's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the Department and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the Department's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the Department's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the Department.

Current Investments

As of _____, the Department had approximately \$ _____ invested with _____. The market value of such investments is approximately 100% of their book value. No funds of the Department are invested in derivative securities; i.e., securities whose rate of return is determined by reference to some other instrument, index or commodity.

TAX MATTERS

Tax Exemption

In the opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel to the Department (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Bond Counsel is of the further opinion that interest on the Notes is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

To the extent the issue price of any maturity of the Notes is less than the amount to be paid at maturity of such Notes (excluding amounts stated to be interest and payable at least annually over the term of such Notes), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Notes which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Notes is the first price at which a substantial amount of such maturity of the Notes is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Notes accrues daily over the term to maturity of such Notes on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Notes to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Notes. Beneficial Owners of the Notes should consult their own tax advisors with respect to the tax consequences of ownership of Notes with original issue discount, including the treatment of Beneficial Owners who do not purchase such Notes in the original offering to the public at the first price at which a substantial amount of such Notes is sold to the public.

Notes purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Notes”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Notes, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Note, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Notes should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Notes. The Department has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Notes will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Notes being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Notes. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Notes may adversely affect the value of, or the tax status of interest on, the Notes. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Notes is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Notes may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Notes to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, the Obama Administration’s budget proposals in recent years have proposed legislation that would limit the exclusion from gross income of interest on the Notes to some extent for high-income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Notes. Prospective purchasers of the Notes should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Notes for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Department or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Department has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Notes ends with the issuance of the Notes, and, unless separately engaged, Bond Counsel is not obligated to defend the Department or the Beneficial Owners regarding the tax-exempt status of the Notes in the event of an audit examination by the IRS. Under current procedures, parties other than the Department and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Department legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Notes for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Notes, and may cause the Department or the Beneficial Owners to incur significant expense.

CONTINUING DISCLOSURE OF INFORMATION

In the Resolution, the Department has made the following agreement for the benefit of the holders and beneficial owners of the Notes. The Department is required to observe the agreement for so long as it remains obligated to advance funds to pay the Notes. Under the agreement, the Department will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB"). Information will be available free of charge via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

Annual Reports

The Department will provide updated financial information and operating data to the MSRB annually via EMMA. The information to be updated includes all quantitative financial information and operating data of the general type included in this Official Statement in APPENDIX A, Tables 1 through 5 and 7 through 8, and Appendix B. The Department will update and provide this information within six months after the end of each fiscal year.

The Department may provide updated information in full text or may incorporate by reference other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements if the Department commissions an audit and the audit is completed by the required time. If audited financial statements are not available by the required time, the Department will provide such financial statements on an unaudited basis within the required time and audited financial statements when they become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the Department may be required to employ from time to time pursuant to State law or regulation.

The Department's current fiscal year-end is the last day of August. Accordingly, the Department must provide updated information by the last day of February in each year, unless the Department changes its fiscal year. If the Department changes its fiscal year, it will notify the MSRB of the change.

Event Notices

The Department shall notify the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, of any of the following events with respect to the Notes: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes; (7) modifications to rights of holders of the Notes, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Notes, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the Department; (13) the consummation of a merger, consolidation, or acquisition involving the Department or the sale of all or substantially all of the assets of the Department, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of trustee, if material; (15) incurrence of a financial obligation of the Department, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Department, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Department, any of which reflect financial difficulties. The Department shall notify the MSRB in an electronic format prescribed by the MSRB, in a timely manner, of any failure by the Department to provide the financial information or operating data described under "-Annual Reports" in accordance with the Rule. All documents provided to the MSRB pursuant to this section shall be accompanied by identifying information as prescribed by the MSRB.

For these purposes, any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Department in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Department, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Department. As used in this section, the term “financial obligation” means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of a debt obligation or any such derivative instrument; provided that “financial obligation” shall not include municipal securities as to which a final official statement (as defined in 15c2-12 Rule) has been provided to the MSRB consistent with the Rule. The Department intends the words used in the above clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

Limitations and Amendments

The Department has agreed to update information and to provide notices of material events only as described above. The Department has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that has been provided except as described above. The Department makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Notes at any future date. The Department disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Notes may seek a writ of mandamus to compel the Department to comply with its agreement. Nothing in this paragraph is intended or shall act to disclaim, waive or limit the Department’s duties under federal or state securities laws.

The Department may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Department, if, but only if, (1) the agreement, as so amended, would have permitted underwriters to purchase or sell Notes in the initial primary offering in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Notes consent or (b) any qualified person unaffiliated with the Department (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Notes. If the Department amends its agreement, it has agreed to include with the financial information and operating data next provided, in accordance with its agreement described above under “Annual Reports,” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and operating data so provided.

Compliance with Prior Undertakings

During the past five years, the Department has was not subject to a continuing disclosure agreement under the Rule.

OTHER INFORMATION

Rating

The Notes have been assigned a rating of “ ___ ” by Moody’s. An explanation of the significance of such rating, as issued, may be obtained from Moody’s. The rating reflects only the view of Moody’s, and the Department makes no representation as to the appropriateness of such rating. Further, there is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely, if in the sole judgment of Moody’s, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the trading value and the market price of the Notes.

No Litigation Certificate

The Department will furnish to the Underwriters a certificate, dated as of the date of delivery of the Notes, executed by an authorized officer of the Department, to the effect that, except as disclosed in this Official Statement, no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Notes; restraining or enjoining the issuance, execution or delivery of the Notes; affecting the provisions made for the payment of or security for the Notes; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Notes; or affecting the validity of the Notes.

Registration and Qualification of Notes for Sale

No registration statement relating to the Notes has been filed with the Securities and Exchange Commission under the federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Notes have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Notes been registered or

qualified under the securities acts of any other jurisdiction. The Department assumes no responsibility for registration or qualification of the Notes under the securities laws of any other jurisdiction in which the Notes may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration and qualification for sale or other disposition of the Notes shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdictions.

The Notes as Legal Investments in Texas

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201, as amended), the Notes (1) are negotiable instruments, (2) are investment securities to which Chapter 8 of the Texas Business and Commerce Code applies, and (3) are legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. The Notes are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. With respect to investment in the Notes by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, requires the Notes to be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. (See "-Rating" above). In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Notes are legal investments for State banks, savings banks, trust companies with at least \$1 million of capital and savings and loan associations.

The Department has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Notes for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Notes for such purposes. The Department has made no review of laws in other states to determine whether the Notes are legal investments for various institutions in those states.

Legal Matters

The delivery of the Notes is subject to the approving opinion of the Attorney General of Texas to the effect that the Notes are valid and legally binding obligations of the Department payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property in the Department, and the approving legal opinion of Bond Counsel to the Department ("Bond Counsel"), in substantially the form attached hereto as Appendix C. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Notes is contingent upon the sale and delivery of the Notes.

The various legal opinions to be delivered concurrently with the delivery of the Notes express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction. Certain matters will be passed upon for the Underwriters by their counsel, Holland & Knight LLP, Houston, Texas. The fee of Holland & Knight LLP is contingent on the sale and delivery of the Notes.

Financial Advisor

USCA Municipal Advisors, LLC ("USCA" or the "Financial Advisor"), a subsidiary of U.S. Capital Advisors, LLC, is employed as Financial Advisor to the Department in connection with the issuance of the Notes. The Financial Advisor's fee for services rendered with respect to the sale of the Notes is contingent upon the issuance and delivery of the Notes. USCA, in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Notes, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

USCA has reviewed the information in this Official Statement in accordance with its responsibilities to the Department and, as applicable, to investors under federal securities laws as applied to the facts and circumstances of this transaction, but USCA does not guarantee the accuracy or completeness of such information.

Underwriting

The Notes are being purchased by the Underwriter pursuant to a bond purchase agreement with the Department, at a price of \$ _____, which reflects the par amount of the Notes, less an underwriting discount (including underwriting expenses) of \$ _____, plus a net premium of \$ _____, plus accrued interest on the Notes to the date of initial delivery.

The Underwriter's obligation to purchase the Notes is subject to certain conditions precedent, and they will be obligated to purchase all of the Notes if any of the Notes are purchased. The Department has no control over the price at which the Notes are subsequently sold and the initial yields at which the Notes will be priced and reoffered will be established by and will be the responsibility of the Underwriter. The Underwriter has provided the following sentence for inclusion in this official statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter do not guarantee the accuracy or completeness of such information.

MISCELLANEOUS

Forward-Looking Statements

The statements contained in this Official Statement, and in any other information provided by the Department, that are not purely historical, are forward-looking statements, including statements regarding the Department's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on such forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Department on the date hereof, and the Department assumes no obligation to update any such forward-looking statements. It is important to note that the Department's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Department. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

Risks Related to Coronavirus

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic, which disaster declaration he has subsequently extended. In addition, certain local officials, including the County Judge of Cass County, also declared a local state of disaster. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has issued a series of executive orders relating to COVID-19 preparedness and mitigation. These include executive orders which have, among other things, imposed limitations on social gatherings and closed school districts during the end of the 2019-20 school year. The District began remote instruction for the 2020-21 school year on August 17, 2020, under protocols outlined in guidance from the TEA. The District will begin offering limited in-person instruction, or allow students to continue remote instruction, on September 8, 2020, unless otherwise restricted by State or local government rules, orders or ordinances, including any subsequently adopted TEA guidance. In public statements, the Commissioner of the TEA has indicated that the State will continue to evaluate the need for further extensions of school closures. Many of the federal, state and local actions and policies under the aforementioned disaster declarations are focused on limiting instances where the public can congregate or interact with each other, which affects the operation of schools. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

For the 2019-2020 school year, COVID-19 related school closings and/or absenteeism did not impact ADA calculations and school funding so long as a school district committed to support students instructionally while they are at home. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM."

The TEA recently advised districts that for the 2020-2021 school year district funding will return to being based on ADA calculations requiring attendance to be taken. However, the TEA is crafting an approach for determining ADA that provides districts with several options for determining daily attendance. These include, remote synchronous instruction, remote asynchronous instruction, on campus instruction, and the Texas Virtual Schools Network. To stabilize funding expectations, districts will be provided an ADA grace period for the first two six weeks of Foundation School Program reporting. Specifically, if ADA counts during those two six weeks are more than 1% less than the first two six weeks of the 2019-2020 school year, the first two six weeks will be excluded from 2020-21 ADA calculations, subject to some restrictions. In addition to this grace period, districts will also have an attendance grace period for remote asynchronous instruction plan approval, which continues through the end of the third six weeks. Additional information regarding the plans for the 2020-2021 school year may be obtained from the TEA. Following the initial grace period, the return to funding based on ADA calculations requiring attendance to be taken during the Pandemic may have a negative impact on revenues available to the District for operations and maintenance if students do not take part in the instruction options made available by the District.

The full extent of the ongoing impact of COVID-19 on the District’s longer-term operational and financial performance will depend on future developments, many of which are outside of its control, including the effectiveness of the mitigation strategies discussed above, the duration and spread of COVID-19, and future governmental actions, all of which are highly uncertain and cannot be predicted. The District continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of the Pandemic upon the District. While the potential impact of the Pandemic on District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District’s operations and financial condition.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values within the District. The financial and operating data contained herein are the latest available but are for the dates and the periods stated herein, which are for periods prior to the economic impact of the Pandemic and efforts to slow it. It is unclear at this time what effect, if any, COVID-19 and resulting economic disruption may have on future assessed values or the collection of taxes, either because of delinquencies or collection and valuation relief resulting from the declared emergency. See “AD VALOREM PROPERTY TAXATION.” The Notes are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Notes as well as the District’s share of operations and maintenance expenses payable from ad valorem taxes.

Additionally, state funding of District operations and maintenance in future fiscal years could be adversely impacted by the negative effects on economic growth and financial markets resulting from the Pandemic as well as ongoing disruptions in the global oil markets. See “CURRENT PUBLIC SCHOOL FINANCE SYSTEM.”

Authorization

The delivery of this Official Statement has been approved by the Board of Trustees of the Department.

HARRIS COUNTY DEPARTMENT OF EDUCATION

/s/

President, Board of Trustees

ATTEST:

/s/

Secretary, Board of Trustees

APPENDIX A
INFORMATION REGARDING THE DEPARTMENT

TABLE 1 - VALUATION, EXEMPTIONS AND TAX SUPPORTED DEBT

2020 Certified Net Taxable Valuation (100% of Estimated Market Value)	\$ 511,016,112,006 ^(a)
Outstanding Tax Supported Debt (September 1, 2020)	\$ 1,354,286 ^(b)
Plus: The Notes	<u>13,695,000</u>
Total Direct Debt	<u>\$ 15,049,286 ^(c)</u>
As a % of Assessed Valuation	0.003%

^(a) Source: The District.

^(b) Reflects outstanding sinking fund deposits for the Series 2009 Qualified Zone Academy Bonds.

^(c) Preliminary, subject to change.

TABLE 2 - ASSESSED VALUATION BY CATEGORY ^(a)

	Tax Year 2020	Tax Year 2019	Tax Year 2018	Tax Year 2017	Tax Year 2016
Real Property	\$ 462,477,350,903	\$ 417,024,803,262	\$ 410,172,067,737	\$ 396,597,245,423	\$ 378,210,085,414
Personal Property	<u>120,998,675,998</u>	<u>153,522,505,609</u>	<u>72,699,168,532</u>	<u>112,663,606,935</u>	<u>110,335,968,864</u>
Gross Value	\$ 583,476,026,901	\$ 570,547,308,871	\$ 482,871,236,269	\$ 509,260,852,358	\$ 488,546,054,278
Less Adjustments ^(b)	<u>133,070,628,385</u>	<u>125,209,044,498</u>	<u>70,345,197,547</u>	<u>110,181,699,270</u>	<u>108,166,600,008</u>
Net Taxable Value	\$ 450,405,398,516	\$ 445,338,264,373	\$ 412,526,038,722	\$ 399,079,153,088	\$ 380,379,454,270

^(a) Source: Harris County Appraisal District. Values may differ from those shown elsewhere in the documents due to subsequent additions, deletions, and adjustments to the tax rolls.

^(b) Includes frozen values, exemptions and productivity loss.

TABLE 3 - TAX RATE, LEVY AND COLLECTION HISTORY; TAX RATE DISTRIBUTION

Fiscal Year End	Tax Year	Taxable Assessed Valuation	Tax Rate	Tax Levy	Percent Collected	
					Current	Total ^(a)
2017	2016	\$ 416,884,796,000	\$ 0.0052	\$ 21,678,009	100.00%	104.12%
2018	2017	434,078,173,795	0.0052	22,230,714	98.68%	100.09%
2019	2018	412,526,038,722	0.0052	23,187,623	98.18%	98.18%
2020	2019	445,338,264,373	0.0050	24,275,519	98.27%	98.27%
2021	2020	511,016,112,006	0.0050	25,550,806	In process	

^(a) Excludes penalties and interest.

Tax Rate Distribution

	2020	2019	2018	2017	2016
Maintenance	\$ 0.0050	\$ 0.0050	\$ 0.0052	\$ 0.0052	\$ 0.0052
Debt Service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ 0.0050	\$ 0.0050	\$ 0.0052	\$ 0.0052	\$ 0.0052

TABLE 4 - TEN LARGEST TAX PAYERS ^(a)

<u>Name</u>	<u>2019 Net Taxable Assessed Valuation</u>	<u>% of Total 2020 Assessed Valuation</u>
Exxon Mobil Corp	\$ 4,228,841,357	0.828%
Chevron Chemical Co.	3,866,104,140	0.757%
Centerpoint Energy Inc	3,678,076,489	0.720%
Shell Oil Co	1,962,848,498	0.384%
Equistar Chemical LP	1,748,050,562	0.342%
Palmetto Transoceanic LLC	1,202,471,874	0.235%
Enterprise	1,201,955,074	0.235%
Valero Energy Co	1,035,551,477	0.203%
National Oilwell iNc	954,122,451	0.187%
Walmart	930,842,670	0.182%
	<u>\$ 20,808,864,592</u>	<u>4.072%</u>

^(a) Source: The District.

TABLE 5 - TAX ADEQUACY

Estimated Average Annual Debt Service Requirements	\$ 1,122,346 ^(a)
\$ 0.0002 per \$100 AV against the 2020 Net Taxable AV, at 98% collection, produces:	\$ 1,123,285 ^(b)
Estimated Maximum Annual Debt Service Requirements (2028)	\$ 1,287,100 ^(a)
\$ 0.0003 per \$100 AV against the 2020 Net Taxable AV, at 98% collection, produces:	\$ 1,289,549 ^(b)

^(a) Includes the Notes. Preliminary, subject to change.

TABLE 6 - ESTIMATED OVERLAPPING DEBT ^(a)

The following summary of estimated ad valorem tax bonds of taxing entities in the District was compiled from a variety of sources listed below. No representation is made with respect to the accuracy or completion of the information obtain from sources other than the District. Furthermore, certain entities listed below may have issued substantial amounts of bonds since the dates shown in this table and may have capital improvement programs requiring the issuance of a substantial amounts of additional bonds. Sources include: The Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas and the Harris County Appraisal District.

<u>Taxing Jurisdiction</u>	<u>Overlapping Debt</u>
Please see Table 6 Supplement on the following page.	\$ 30,609,217,934
The District	\$ 15,049,286 ^(b)
Total Estimated & Overlapping Debt	<u>\$ 15,049,286</u>

^(a) Source: The Municipal Advisory Council of Texas, as of 8/31/20.

^(b) Includes the Notes. Preliminary, subject to change.

TABLE 6 - SUPPLEMENT OVERLAPPING ISSUERS

List of Overlapping Issuers to be inserted here in posted POS

TABLE 7 - PRO FORMA TAX SUPPORTED DEBT SERVICE REQUIREMENTS

FYE	Outstanding		The Notes			Total
	Debt Service	Principal*	Interest*	Total*	Debt Service*	
2021	\$ 451,429	\$ -	\$ 479,325	\$ 479,325	\$ 930,754	
2022	451,429	-	547,800	547,800	999,229	
2023	451,429	-	547,800	547,800	999,229	
2024	-	-	547,800	547,800	547,800	
2025	-	-	547,800	547,800	547,800	
2026	-	-	547,800	547,800	547,800	
2027	-	750,000	532,800	1,282,800	1,282,800	
2028	-	785,000	502,100	1,287,100	1,287,100	
2029	-	810,000	470,200	1,280,200	1,280,200	
2030	-	840,000	437,200	1,277,200	1,277,200	
2031	-	870,000	403,000	1,273,000	1,273,000	
2032	-	915,000	367,300	1,282,300	1,282,300	
2033	-	950,000	330,000	1,280,000	1,280,000	
2034	-	990,000	291,200	1,281,200	1,281,200	
2035	-	1,025,000	250,900	1,275,900	1,275,900	
2036	-	1,060,000	209,200	1,269,200	1,269,200	
2037	-	1,105,000	165,900	1,270,900	1,270,900	
2038	-	1,150,000	120,800	1,270,800	1,270,800	
2039	-	1,200,000	73,800	1,273,800	1,273,800	
2040	-	1,245,000	24,900	1,269,900	1,269,900	
	<u>\$ 1,354,286</u>	<u>\$ 13,695,000</u>	<u>\$ 7,397,625</u>	<u>\$21,092,625</u>	<u>\$ 22,446,911</u>	

Estimated Average Annual Debt Service Requirements \$ 1,122,346

Estimated Maximum Annual Debt Service Requirements (2028) \$ 1,287,100

* Preliminary, subject to change. Interest is shown for illustration purposes only.

TABLE 8 - GENERAL FUND REVENUE AND EXPENDITURE HISTORY^(a)

For Fiscal Year Ended August 31st

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
REVENUES					
Local and Intermediate Sources	\$ 45,328,028	\$ 43,633,488	\$ 42,034,954	\$ 40,518,883	\$ 43,916,837
State Program Revenues	3,289,156	3,290,314	3,031,412	3,059,624	2,944,472
Federal Program Revenues	1,817,722	1,535,290	1,373,612	1,281,029	1,524,977
Other Revenues	-	-	-	-	-
Total Revenues	<u>\$ 50,434,906</u>	<u>\$ 48,459,092</u>	<u>\$ 46,439,978</u>	<u>\$ 44,859,536</u>	<u>\$ 48,386,286</u>
EXPENDITURES					
Adult Education-Local	\$ 163,066	\$ 131,750	\$ 201,615	\$ 143,983	\$ 149,882
Alternative Teacher Certification	567,780	550,282	-	-	339,863
Assistant Superintendent-Harris	-	-	534,595	533,135	514,795
Assistant Superintendent-Pitre	-	-	-	-	-
Board of Trustees	177,757	128,396	138,343	131,482	205,738
Business Services	1,726,357	1,733,238	1,711,576	1,783,858	1,660,485
Center for After School Learning	694,019	672,106	273,537	152,784	-
Center for Safe and Secure Schools	531,902	458,510	647,093	473,676	625,609
Center for School Governance	-	-	-	-	70,604
Center for Texas Grants	558,705	558,169	550,918	540,539	-
Choice Facility Partners	-	-	-	-	1,731,034
Client Development Services	635,546	485,496	371,341	449,700	452,863
Communications & Public Information	823,411	762,760	844,140	874,333	699,227
Cooperative for After School Enrichment	-	-	-	-	168,765
Department-Wide	6,727,446	6,051,002	6,862,145	5,867,987	5,540,253
Food Service	-	-	-	-	-
Digital Learning & Instructional Tech.	223,123	204,222	188,456	197,947	18,238
Early Childhood Intervention Keep Pace	-	-	-	-	6,396
Education Certification	577,079	616,559	615,966	420,288	-
Education Foundation	-	-	9,812	199,603	201,041
External Relations Officer	-	-	-	-	131,149
Facilities Services	1,025,227	1,332,808	730,324	449,188	1,288,233
Headstart	3,274	4,558	1,986	330	-
Human Resources	1,044,283	998,178	986,813	935,877	935,662
Purchasing Support Services	538,986	488,359	487,590	472,964	-
QZAB	-	-	-	6,281	-
Purchasing Support Services	-	-	-	-	397,278
Records Management Cooperatives	1,917,340	1,826,139	1,557,380	1,519,616	1,652,481
Research and Evaluation	560,157	590,450	569,923	506,034	445,798
Resource Development	-	-	-	-	513,827
Retirement Leave Benefits	118,233	124,832	358,964	322,795	288,606
Scholastic Art	139,108	99,932	101,187	102,115	87,516
School Based Therapy	10,550,740	10,317,233	9,701,864	9,292,131	-
Chief of Staff	269,039	-	-	-	-
Special Education Services	-	239,431	289,057	-	8,558,847
Special Schools Administration	12,125,469	11,288,194	10,707,840	10,634,714	10,791,044
Superintendent's Office	513,510	443,456	445,967	382,543	429,179
Technology Services Division	3,690,024	2,860,974	3,028,436	3,686,311	4,302,817
Teaching Center	1,307,844	1,235,105	1,229,426	1,057,582	-
Total Expenditures	<u>\$ 47,209,425</u>	<u>\$ 44,202,139</u>	<u>\$ 43,146,294</u>	<u>\$ 41,137,796</u>	<u>\$ 43,380,849</u>
Excess (Deficiency) Rev. Over Exp.	\$ 3,225,481	\$ 4,256,953	\$ 3,293,684	\$ 3,721,740	\$ 5,005,437
Other Resources	-	2,803,104	2,588,083	2,547,458	-
Sale of Equipment	-	-	-	-	-
Maintenance Tax Notes (MTN) Proceeds	-	-	-	-	-
QZAB Bond Sale Proceeds	-	-	-	-	-
Transfers in	5,805,811	-	-	-	-
Transfers Out (Uses)	(5,829,097)	(5,770,379)	(8,679,518)	(3,252,192)	(3,703,404)
Excess (Deficiency) of Revenues and Other Resources Over Exp. and Other Uses	\$ 3,202,195	\$ 1,289,678	\$ (2,797,751)	\$ 3,017,006	\$ 1,302,033
Fund Balance - September 1 (Beginning)	\$ 29,412,165	\$ 28,122,487	\$ 30,920,238	\$ 27,903,232	\$ 26,601,199
Increase (Decrease) in Fund Balance	-	-	-	-	-
Fund Balance - August 31 (Ending)	<u>\$ 32,614,360</u>	<u>\$ 29,412,165</u>	<u>\$ 28,122,487</u>	<u>\$ 30,920,238</u>	<u>\$ 27,903,232</u>

^(a) Source: Department's audited financial reports.

APPENDIX B

**EXCERPTS FROM THE DEPARTMENT'S
AUDITED FINANCIAL REPORT
FOR YEAR ENDED
AUGUST 31, 2019**

APPENDIX C
FORM OF BOND COUNSEL'S OPINION

USCA MUNICIPAL ADVISORS, LLC

Financial Advisor to the Department

CERTIFICATE OF RESOLUTION

THE STATE OF TEXAS §
COUNTY OF HARRIS §
HARRIS COUNTY DEPARTMENT OF EDUCATION §

The undersigned President and Vice President of the Board of County School Trustees of Harris County, State of Texas (d/b/a the Harris County Department of Education) (the “Board” or the “Department”) hereby certify as follows:

1. The Board convened in a special meeting on August 15th at the regular designated meeting place, and the roll was called of the duly constituted officers and members to wit:

Eric Dick President
Danyahel Norris Vice-President
Amy Hinojosa Position 1, Precinct 2
Andrea Duhon Position 4, Precinct 3
Richard Cantu Position 3, At Large
Don Sumners Position 7, At Large
Mike Wolfe Position 5, At Large

and all of said persons were present at said meeting, except the following: _____, thus constituting a quorum. Among other business considered at said meeting, the attached resolution entitled:

A RESOLUTION AUTHORIZING THE ISSUANCE OF “HARRIS COUNTY DEPARTMENT OF EDUCATION MAINTENANCE TAX NOTES, SERIES 2020”; SPECIFYING THE TERMS AND FEATURES OF SAID NOTES; PROVIDING FOR THE PAYMENT OF SAID NOTES; AND RESOLVING OTHER MATTERS INCIDENT AND RELATED TO THE ISSUANCE, SALE, PAYMENT AND DELIVERY OF SAID NOTES, INCLUDING THE APPROVAL AND EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT AND THE APPROVAL AND DISTRIBUTION OF AN OFFICIAL STATEMENT

was introduced and submitted to the Board for passage and adoption. After presentation and due consideration of the resolution, and upon a motion being made and seconded, the resolution was finally passed and adopted by the Board to be effective immediately by the following vote:

___ voted “For” ___ voted “Against” ___ abstained

all as shown in the official Minutes of the Board for the meeting held on the aforesaid date.

2. The attached resolution is a true and correct copy of the original on file in the official records of the Department; the duly qualified and acting members of the Board on the date of the aforesaid meeting are those persons shown above and, according to the records of my office, advance notice of the time, place and purpose of the meeting was given to each member of the Board; and that said meeting, and the deliberation of the aforesaid public business, was open to the public and written notice of said meeting, including the subject of the above entitled resolution, was posted and given in advance thereof in compliance with the provisions of V.T.C.A., Government Code, Chapter 551, as amended.

SIGNED THIS August 15, 2020.

HARRIS COUNTY DEPARTMENT OF EDUCATION

Secretary, Board of Trustees

(SEAL)

A RESOLUTION AUTHORIZING THE ISSUANCE OF “HARRIS COUNTY DEPARTMENT OF EDUCATION MAINTENANCE TAX NOTES, SERIES 2020”; SPECIFYING THE TERMS AND FEATURES OF SAID NOTES; PROVIDING FOR THE PAYMENT OF SAID NOTES; AND RESOLVING OTHER MATTERS INCIDENT AND RELATED TO THE ISSUANCE, SALE, PAYMENT AND DELIVERY OF SAID NOTES, INCLUDING THE APPROVAL AND EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT AND THE APPROVAL AND DISTRIBUTION OF AN OFFICIAL STATEMENT

WHEREAS, pursuant to the Constitution and general laws of the State of Texas, particularly Section 45.108, Texas Education Code, as amended, the Harris County Department of Education (the “Department”) is empowered to borrow money for maintenance purposes by the Department. Proceeds from the sale of the notes (the “Notes”) will be used to (i) rehab, equip and repair existing school properties and (ii) pay the costs of issuing the Notes; and

WHEREAS, the notes herein authorized, together with other notes issued by the Department pursuant to the Act, negotiable notes in the aggregate principal amount of \$_____ should be issued and sold at this time and such principal amount of notes will not at any time exceed 75% of the previous year’s income of the Department; now, therefore,

BE IT RESOLVED BY THE BOARD OF TRUSTEES OF THE DEPARTMENT:

SECTION 1: Authorization - Series Designation- Principal Amount - Purpose. Notes of the Department shall be and are hereby authorized to be issued in the aggregate principal amount of \$_____, to be designated and bear the title “HARRIS COUNTY DEPARTMENT OF EDUCATION MAINTENANCE TAX NOTES, SERIES 2020” (hereinafter referred to as the “Notes”), for the purpose of rehab, equip and repair existing school properties, pursuant to authority conferred by and in conformity with the Constitution and laws of the State of Texas, including Sections 45.108, Texas Education Code, as amended.

SECTION 2: Fully Registered Obligations-Note Date- Authorized Denominations- Stated Maturities-Interest Rates. The Notes shall be issued as fully registered obligations only, shall be dated November 1, 2020 (the “Note Date”), shall be in denominations of \$5,000 or any integral multiple (within a Stated Maturity) thereof, and shall become due and payable on February 15 in each of the years and in principal amounts (the “Stated Maturities”) in accordance with the following schedule:

<u>Stated Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate(s)</u>
2027	\$	%
2028		
2029		
2030		
2031		
2032		
2033		
2034		

<u>Stated Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate(s)</u>
2035		
2036		
2037		
2038		
2039		
2040		

The Notes shall bear interest on the unpaid principal amounts from their date of delivery to the initial purchasers thereof at the rate(s) per annum shown above in this Section (calculated on the basis of a 360-day year of twelve 30-day months). Interest on the Notes shall be payable on August 15 and February 15 in each year, commencing February 15, 2021.

SECTION 3: Terms of Payment-Paying Agent/Registrar. The principal of, premium, if any, and the interest on the Notes, due and payable by reason of maturity, redemption or otherwise, shall be payable only to the registered owners or holders of the Notes (hereinafter called the “Holders”) appearing on the registration and transfer books maintained by the Paying Agent/Registrar and the payment thereof shall be in any coin or currency of the United States of America, which at the time of payment is legal tender for the payment of public and private debts, and shall be without exchange or collection charges to the Holders.

The selection and appointment of BOKF, NA, Dallas, Texas, to serve as Paying Agent/Registrar for the Notes is hereby approved and confirmed. Books and records relating to the registration, payment, transfer and exchange of the Notes (the “Security Register”) shall at all times be kept and maintained on behalf of the Department by the Paying Agent/Registrar, as provided herein and in accordance with the terms and provisions of a “Paying Agent/ Registrar Agreement”, substantially in the form attached hereto as **Exhibit A**, and such reasonable rules and regulations as the Paying Agent/Registrar and the Department may prescribe. The President and Secretary of the Board of Trustees are authorized to execute and deliver such Agreement in connection with the delivery of the Notes. The Department covenants to maintain and provide a Paying Agent/Registrar at all times until the Notes are paid and discharged, and any successor Paying Agent/Registrar shall be a bank, trust company, financial institution or other entity qualified and authorized to serve in such capacity and perform the duties and services of Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Notes, the Department agrees to promptly cause a written notice thereof to be sent to each Holder by United States Mail, first class postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Principal of and premium, if any, on the Notes shall be payable at the Stated Maturities or redemption, only upon presentation and surrender of the Notes to the Paying Agent/Registrar at its designated offices initially in Plano, Texas, or, with respect to a successor Paying Agent/Registrar, at the designated offices of such successor, (the “Designated Payment/Transfer Office”). Interest on the Notes shall be paid to the Holders whose name appears in the Security Register at the close of business on the Record Date (the fifteenth calendar day of the month next preceding each interest payment date) and shall be paid by the Paying Agent/Registrar (i) by check sent United States Mail, first class postage prepaid, to the address of the Holder recorded in the Security Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and

expense of, the Holder. If the date for the payment of the principal of or interest on the Notes shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

In the event of a nonpayment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/ Registrar, if and when funds for the payment of such interest have been received from the Department. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States Mail, first class postage prepaid, to the address of each Holder appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

SECTION 4: Redemption.

(a) Optional Redemption. The Notes maturing on and after February 15, 20__ shall be subject to redemption prior to maturity, at the option of the Department, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof (and if within a Stated Maturity by lot by the Paying Agent/Registrar), on February 15, 20__ or on any date thereafter at the redemption price of par plus accrued interest to the date of redemption.

(b) Exercise of Redemption Option. At least thirty (30) days prior to a redemption date for the Notes (unless a shorter notification period shall be satisfactory to the Paying Agent/Registrar), the Department shall notify the Paying Agent/Registrar of the decision to redeem Notes, the principal amount of each Stated Maturity to be redeemed, and the date of redemption therefor. The decision of the Department to exercise the right to redeem Notes shall be entered in the minutes of the governing body of the Department.

(c) Selection of Notes for Redemption. If less than all Outstanding Notes of the same Stated Maturity are to be redeemed on a redemption date, the Paying Agent/Registrar shall treat such Notes as representing the number of Notes Outstanding which is obtained by dividing the principal amount of such Notes by \$5,000 and shall select the Notes, or principal amount thereof, to be redeemed within such Stated Maturity by lot.

(d) Notice of Redemption. Not less than thirty (30) days prior to a redemption date for the Notes, a notice of redemption shall be sent by United States Mail, first class postage prepaid, in the name of the Department and at the Department's expense, to each Holder of a Note to be redeemed in whole or in part at the address of the Holder appearing on the Security Register at the close of business on the business day next preceding the date of mailing such notice, and any notice of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether received by the Holder.

All notices of redemption shall (i) specify the date of redemption for the Notes, (ii) identify the Notes to be redeemed and, in the case of a portion of the principal amount to be redeemed, the

principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state that the Notes, or the portion of the principal amount thereof to be redeemed, shall become due and payable on the redemption date specified, and the interest thereon, or on the portion of the principal amount thereof to be redeemed, shall cease to accrue from and after the redemption date, and (v) specify that payment of the redemption price for the Notes, or the principal amount thereof to be redeemed, shall be made at the Designated Payment/Transfer Office of the Paying Agent/Registrar only upon presentation and surrender thereof by the Holder. If a Note is subject by its terms to prior redemption, and has been called for redemption, and notice of redemption thereof has been duly given as hereinabove provided, such Note (or the principal amount thereof to be redeemed) shall become due and payable and interest thereon shall cease to accrue from and after the redemption date therefor; provided moneys sufficient for the payment of such Note (or of the principal amount thereof to be redeemed) at the then applicable redemption price are held for the purpose of such payment by the Paying Agent/Registrar.

(e) Conditional Notice of Redemption. With respect to any optional redemption of the Notes, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Notes to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice shall state that said redemption may, at the option of the Department, be conditional upon the receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon satisfaction of any prerequisites set forth in such notice of redemption, and if sufficient moneys are not received, such notice shall be of no force and effect, the Department shall not redeem such Notes, and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Notes have not been redeemed.

SECTION 5: Registration - Transfer - Exchange of Notes-Predecessor Notes. The Paying Agent/Registrar shall obtain, record, and maintain in the Security Register the name and address of each and every owner of the Notes issued under and pursuant to the provisions of this Resolution, or if appropriate, the nominee thereof. Any Note may be transferred or exchanged for Notes of other authorized denominations by the Holder, in person or by his duly authorized agent, upon surrender of such Note to the Paying Agent/Registrar for cancellation, accompanied by a written instrument of transfer or request for exchange duly executed by the Holder or by his duly authorized agent, in form satisfactory to the Paying Agent/Registrar.

Upon surrender of any Note for transfer at the Designated Payment/Transfer Office of the Paying Agent/Registrar, the Paying Agent/Registrar shall register and deliver, in the name of the designated transferee or transferees, one or more new Notes of authorized denominations and having the same Stated Maturity and of a like aggregate principal amount as the Note or Notes surrendered for transfer.

At the option of the Holder, Notes may be exchanged for other Notes of authorized denominations and having the same Stated Maturity, bearing the same rate of interest and of like aggregate principal amount as the Notes surrendered for exchange, upon surrender of the Notes to be exchanged at the Designated Payment/Transfer Office of the Paying Agent/Registrar. Whenever any Notes are surrendered for exchange, the Paying Agent/Registrar shall register and deliver new Notes to the Holder requesting the exchange.

All Notes issued in any transfer or exchange of Notes shall be delivered to the Holders at the Designated Payment/Transfer Office of the Paying Agent/Registrar or sent by United States Mail, first class, postage prepaid to the Holders, and, upon the registration and delivery thereof, the same shall be the valid obligations of the Department, evidencing the same obligation to pay, and entitled to the same benefits under this Resolution, as the Notes surrendered in such transfer or exchange.

All transfers or exchanges of Notes pursuant to this Section shall be made without expense or service charge to the Holder, except as otherwise herein provided, and except that the Paying Agent/Registrar shall require payment by the Holder requesting such transfer or exchange of any tax or other governmental charges required to be paid with respect to such transfer or exchange.

Notes cancelled by reason of an exchange or transfer pursuant to the provisions hereof are hereby defined to be "Predecessor Notes," evidencing all or a portion, as the case may be, of the same obligation to pay evidenced by the new Note or Notes registered and delivered in the exchange or transfer therefor. Additionally, the term "Predecessor Notes" shall include any mutilated, lost, destroyed, or stolen Note for which a replacement Note has been issued, registered, and delivered in lieu thereof pursuant to the provisions of Section 11 hereof and such new replacement Note shall be deemed to evidence the same obligation as the mutilated, lost, destroyed, or stolen Note.

Neither the Department nor the Paying Agent/Registrar shall be required to issue or transfer to an assignee of a Holder any Note called for redemption, in whole or in part, within 45 days of the date fixed for the redemption of such Note; provided, however, such limitation on transferability shall not be applicable to an exchange by the Holder of the unredeemed balance of a Note called for redemption in part.

SECTION 6: Book-Entry Only Transfers and Transactions. Notwithstanding the provisions contained in Sections 3, 4 and 5 hereof relating to the payment, and transfer/exchange of the Notes, the Department hereby approves and authorizes the use of "Book-Entry Only" securities clearance, settlement and transfer system provided by The Depository Trust Company ("DTC"), a limited purpose trust company organized under the laws of the State of New York, in accordance with the requirements and procedures identified in the operational arrangements referenced in the Blanket Issuer Letter of Representation, by and between the Department and DTC (the "Depository Agreement").

Pursuant to the Depository Agreement and the rules of DTC, the Notes shall be deposited with DTC who shall hold said Notes for its participants (the "DTC Participants"). While the Notes are held by DTC under the Depository Agreement, the Holder of the Notes on the Security Register for all purposes, including payment and notices, shall be Cede & Co., as nominee of DTC, notwithstanding the ownership of each actual purchaser or owner of each Note (the "Beneficial Owners") being recorded in the records of DTC and DTC Participants.

In the event DTC determines to discontinue serving as securities depository for the Notes or otherwise ceases to provide book-entry clearance and settlement of securities transactions in general or the Department determines that DTC is incapable of properly discharging its duties as securities depository for the Notes, the Department covenants and agrees with the Holders of the Notes to cause Notes to be printed in definitive form and provide for the Note certificates to be issued and delivered to DTC Participants and Beneficial Owners, as the case may be. Thereafter, the Notes in definitive form shall be assigned, transferred and exchanged on the Security Register maintained by

the Paying Agent/Registrar and payment of such Notes shall be made in accordance with the provisions of Sections 3, 4 and 5 hereof.

SECTION 7: Execution - Registration. The Notes shall be executed on behalf of the Department by the President of the Board of Trustees under its seal reproduced or impressed thereon and attested by the Secretary of the Board of Trustees. The signature of said officers on the Notes may be manual or facsimile. Notes bearing the manual or facsimile signatures of individuals who are or were the proper officers of the Department on the Note Date shall be deemed to be duly executed on behalf of the Department, notwithstanding that such individuals or either of them shall cease to hold such offices at the time of delivery of the Notes to the initial purchaser(s) and with respect to Notes delivered in subsequent exchanges and transfers, all as authorized and provided in Chapter 1201, Texas Government Code, as amended.

No Note shall be entitled to any right or benefit under this Resolution, or be valid or obligatory for any purpose, unless there appears on such Note either a certificate of registration substantially in the form provided in Section 9(c), manually executed by the Comptroller of Public Accounts of the State of Texas, or his duly authorized agent, or a certificate of registration substantially in the form provided in Section 9(d), manually executed by an authorized officer, employee or representative of the Paying Agent/Registrar, and either such certificate duly signed upon any Note shall be conclusive evidence, and the only evidence, that such Note has been duly certified, registered and delivered.

SECTION 8: Initial Note(s). The Notes herein authorized shall be initially issued either (i) as a single fully registered note in the total principal amount of \$_____ with principal installments to become due and payable as provided in Section 2 hereof and numbered T-1, or (ii) as multiple fully registered notes, being one note for each year of maturity in the applicable principal amount and denomination and to be numbered consecutively from T-1 and upward (hereinafter called the "Initial Note(s)") and, in either case, the Initial Note(s) shall be registered in the name of the initial purchaser(s) or the designee thereof. The Initial Note(s) shall be the Notes submitted to the Office of the Attorney General of the State of Texas for approval, certified and registered by the Office of the Comptroller of Public Accounts of the State of Texas and delivered to the initial purchaser(s). Any time after the delivery of the Initial Note(s), the Paying Agent/Registrar, pursuant to written instructions from the initial purchaser(s), or the designee thereof, shall cancel the Initial Note(s) delivered hereunder and exchange therefor definitive Notes of authorized denominations, Stated Maturities, principal amounts and bearing applicable interest rates for transfer and delivery to the Holders named at the addresses identified therefor; all pursuant to and in accordance with such written instructions from the initial purchaser(s), or the designee thereof, and such other information and documentation as the Paying Agent/Registrar may reasonably require.

SECTION 9: Forms.

(a) **Forms Generally.** The Notes, the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the Registration Certificate of Paying Agent/Registrar, and the form of Assignment to be printed on each of the Notes, shall be substantially in the forms set forth in this Section with such appropriate insertions, omissions, substitutions, and other variations as are permitted or required by this Resolution and may have such letters, numbers, or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures ("CUSIP") of the American Bankers Association) and such legends and

endorsements (including insurance legends in the event the Notes, or any maturities thereof, are purchased with insurance and any reproduction of an opinion of counsel) thereon as may, consistently herewith, be established by the Department or determined by the officers executing such Notes as evidenced by their execution. Any portion of the text of any Notes may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Note.

The definitive Notes and the Initial Notes shall be printed, lithographed, or engraved, typewritten, photocopied or otherwise reproduced in any other similar manner, all as determined by the officers executing such Notes as evidenced by their execution.

(b) Form of Definitive Notes.

REGISTERED
NO. _____

REGISTERED
\$ _____

UNITED STATES OF AMERICA
STATE OF TEXAS
HARRIS COUNTY DEPARTMENT OF EDUCATION
MAINTENANCE TAX NOTES, SERIES 2020

Delivery Date:
November 17, 2020

Interest Rate:

Stated Maturity:

CUSIP NO:

Registered Owner:

Principal Amount: DOLLARS

The Harris County Department of Education (hereinafter referred to as the “Department”), a body corporate and political subdivision in the County of Harris, State of Texas, for value received, acknowledges itself indebted to and hereby promises to pay to the order of the Registered Owner named above, or the registered assigns thereof, on the Stated Maturity date specified above the Principal Amount hereinabove stated, (or so much thereof as shall not have been paid upon prior redemption), and to pay interest on the unpaid principal amount hereof from the Delivery Date at the per annum rate of interest specified above computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on February 15 and August 15 in each year, commencing February 15, 2021. Principal of this Note is payable at its Stated Maturity or redemption to the registered owner hereof, upon presentation and surrender, at the Designated Payment/Transfer Office of the Paying Agent/Registrar executing the registration certificate appearing hereon, or its successor; provided, however, while this Note is registered to Cede & Co., the payment of principal upon a partial redemption of the principal amount hereof may be accomplished without presentation and surrender of this Note. Interest is payable to the registered owner of this Note (or one or more Predecessor Notes, as defined in the Resolution hereinafter referenced) whose name appears on the “Security Register” maintained by the Paying Agent/Registrar at the close of business on the “Record Date”, which is the fifteenth calendar day of the month next preceding each interest payment date, and interest shall be paid by the Paying Agent/Registrar by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. All payments of principal of and interest on this Note

shall be without exchange or collection charges to the owner hereof and in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

This Note is one of the series specified in its title dated as of November 1, 2020 issued in the aggregate principal amount of \$ _____ (herein referred to as the “Notes”) for the purpose of paying costs incurred in renovating and equipping various existing Department facilities, under and in strict conformity with the Constitution and laws of the State of Texas, including Sections 45.108, Texas Education Code, as amended, and pursuant to a Resolution adopted by the Board of Trustees of the Department (herein referred to as the “Resolution”).

The Notes maturing on and after February 15, 20___, may be redeemed prior to their Stated Maturities, at the option of the Department, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof (and if within a Stated Maturity selected by lot by the Paying Agent/Registrar), on February 15, 20___, or on any date thereafter, at the redemption price of par, together with accrued interest to the date of redemption.

At least thirty (30) days prior to the date fixed for any redemption of Notes, the Department shall cause a written notice of such redemption to be sent by United States Mail, first class postage prepaid, to the registered owners of each Note to be redeemed at the address shown on the Security Register and subject to the terms and provisions relating thereto contained in the Resolution. If a Note (or any portion of its principal sum) shall have been duly called for redemption and notice of such redemption duly given, then upon such redemption date such Note (or the portion of its principal sum to be redeemed) shall become due and payable, and interest thereon shall cease to accrue from and after the redemption date therefor; provided moneys for the payment of the redemption price and the interest on the principal amount to be redeemed to the date of redemption are held for the purpose of such payment by the Paying Agent/Registrar.

In the event a portion of the principal amount of a Note is to be redeemed and the registered owner is someone other than Cede & Co., payment of the redemption price of such principal amount shall be made to the registered owner only upon presentation and surrender of such Note to the Designated Payment/Transfer Office of the Paying Agent/Registrar, and a new Note or Notes of like maturity and interest rate in any authorized denominations provided by the Resolution for the then unredeemed balance of the principal sum thereof will be issued to the registered owner, without charge. If a Note is selected for redemption, in whole or in part, the Department and the Paying Agent/Registrar shall not be required to transfer such Note to an assignee of the registered owner within 45 days of the redemption date therefor; provided, however, such limitation on transferability shall not be applicable to an exchange by the registered owner of the unredeemed balance of a Note redeemed in part.

With respect to any optional redemption of the Notes, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Notes to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice shall state that said redemption may, at the option of the Department, be conditional upon the receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon satisfaction of any prerequisites set forth in such notice of redemption, and if sufficient moneys are not received, such notice shall be of no force and effect, the Department shall not redeem such

Notes, and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Notes have not been redeemed.

The Notes are payable from available funds of the Department as authorized and provided in Sections 45.108, of the Texas Education Code, including an ad valorem tax levied, within the limitations of and pursuant to the Department's maintenance taxing authority, on all taxable property located within the Department. Reference is hereby made to the Resolution, a copy of which is on file in the Designated Payment/Transfer Office of the Paying Agent/Registrar, and to all of the provisions of which the owner or holder of this Note by the acceptance hereof hereby assents, for definitions of terms; the available funds pledged to the payment of the Notes, including the tax levied and to be assessed and collected for their payment; the terms and conditions relating to the transfer or exchange of this Note; the conditions upon which the Resolution may be amended or supplemented with or without the consent of the Holders; the rights, duties, and obligations of the Department and the Paying Agent/Registrar; the terms and provisions upon which this Note may be discharged at or prior to its maturity, and deemed to be no longer Outstanding thereunder; and for other terms and provisions contained therein. Capitalized terms used herein have the meanings assigned in the Resolution.

This Note, subject to certain limitations contained in the Resolution, may be transferred on the Security Register only upon its presentation and surrender at the Designated Payment/Transfer Office of the Paying Agent/Registrar, with the Assignment hereon duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Paying Agent/Registrar duly executed by, the registered owner hereof, or his duly authorized agent. When a transfer on the Security Register occurs, one or more new fully registered Notes of the same Stated Maturity, of authorized denominations, bearing the same rate of interest, and of the same aggregate principal amount will be issued by the Paying Agent/Registrar to the designated transferee or transferees.

The Department and the Paying Agent/Registrar, and any agent of either, shall treat the registered owner whose name appears on the Security Register (i) on the Record Date as the owner entitled to payment of interest hereon, (ii) on the date of surrender of this Note as the owner entitled to payment of principal at its Stated Maturity or its redemption, in whole or in part, and (iii) on any other date as the owner for all other purposes, and neither the Department nor the Paying Agent/Registrar, or any agent of either, shall be affected by notice to the contrary. In the event of nonpayment of interest on a Note on a scheduled payment date and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Department. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States Mail, first class postage prepaid, to the address of each Holder of a Note appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

It is hereby certified, recited, represented and declared that the Department is a body corporate and political subdivision duly organized and legally existing under and by virtue of the Constitution and laws of the State of Texas; that the Notes are issued pursuant to and in compliance with Sections 45.108, of the Texas Education Code, as amended, and pursuant to the Resolution; that all acts, conditions and things required to exist and be done precedent to and in the issuance of the Notes to render the same lawful and valid obligations of the Department have been properly done,

have happened and have been performed in regular and due time, form and manner as required by the Constitution and laws of the State of Texas, and the Resolution; that the Notes do not exceed any Constitutional or statutory limitation; and that due provision has been made for the payment of the principal of and interest on the Notes as noted above. In case any provision in this Note shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby. The terms and provisions of this Note and the Resolution shall be construed in accordance with and shall be governed by the laws of the State of Texas.

IN WITNESS WHEREOF, the Board of Trustees of the Department has caused this Note to be duly executed under the official seal of the Department as of the Note Date.

HARRIS COUNTY DEPARTMENT OF EDUCATION

President

ATTEST:

Secretary

(Seal)

(c) Form of Registration Certificate of Comptroller of Public Accounts to appear on Initial Note(s) only.

REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER
OF PUBLIC ACCOUNTS

(

(

(

REGISTER NO. _____

(

THE STATE OF TEXAS

I HEREBY CERTIFY that this Note has been examined, certified as to validity and approved by the Attorney General of the State of Texas, and duly registered by the Comptroller of Public Accounts of the State of Texas.

WITNESS my signature and seal of office this _____.

Comptroller of Public Accounts
of the State of Texas

(SEAL)

(d) Form of Certificate of Paying Agent/Registrar to appear on Definitive Notes only.

REGISTRATION CERTIFICATE OF PAYING AGENT/REGISTRAR

This Note has been duly issued and registered under the provisions of the within-mentioned Resolution; the note or notes of the above entitled and designated series originally delivered having been approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts, as shown by the records of the Paying Agent/Registrar.

The designated office of the Paying Agent/Registrar in Dallas, Texas, is the Designated Payment/Transfer Office for this Note.

BOKF, NA,
as Paying Agent/Registrar

Registration Date:

By: _____
Authorized Signature

(e) Form of Assignment.

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns, and transfers unto (Print or typewrite name, address, and zip code of transferee:) _____ (Social Security or other identifying number: _____) the within Note and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within Note on the books kept for registration thereof, with full power of substitution in the premises.

DATED: _____

Signature guaranteed:

NOTICE: The signature on this assignment must correspond with the name of the registered owner as it appears on the face of the within Note in every particular.

(f) The Initial Note(s) shall be in the form set forth therefor in paragraph B of this Section, except as follows:

Heading and paragraph one shall be amended to read as follows:

NO. T-1

\$ _____

UNITED STATES OF AMERICA
STATE OF TEXAS
HARRIS COUNTY DEPARTMENT OF EDUCATION
MAINTENANCE TAX NOTES, SERIES 2020

Delivery Date:
November 1, 2020

Registered Owner: J.P. Morgan

Principal Amount: _____ THOUSAND DOLLARS

The Harris County Department of Education (hereinafter referred to as the “Department”), a body corporate and political subdivision in the County of Harris, State of Texas, for value received, acknowledges itself indebted to and hereby promises to pay to the order of the Registered Owner named above, or the registered assigns thereof, the Principal Amount hereinabove stated on August 15 in the years and in principal installments in accordance with the following schedule:

<u>YEAR OF</u> <u>MATURITY</u>	<u>PRINCIPAL</u> <u>INSTALLMENTS</u>	<u>INTEREST</u> <u>RATE</u>
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(Information to be inserted from schedule in Section 2 hereof).

(or so much principal thereof as shall not have been prepaid prior to maturity) and to pay interest on the unpaid principal installments hereof from the Delivery Date at the per annum rates of interest specified above computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on February 15 and August 15 in each year, commencing February 15, 2021. Principal installments of this Note are payable in the year of maturity or on a prepayment date to the registered owner hereof, by BOKF, NA, (the “Paying Agent/Registrar”), upon presentation and surrender, at its designated offices in Dallas, Texas (the “Designated Payment/Transfer Office”). Interest is payable to the registered owner of this Note whose name appears on the “Security Register” maintained by the Paying Agent/Registrar at the close of business on the “Record Date”, which is the fifteenth calendar day of the month next preceding each interest payment date, and interest shall be paid by the Paying Agent/Registrar by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. All payments of principal of, premium, if any, and interest on this Note shall be without exchange or collection charges to the owner hereof and in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

SECTION 10: Provision for Payment of Notes. In accordance with the provisions of Texas Education Code, Sections 45.108, available funds of the Department are hereby pledged to the

payment of the principal of and interest on the Notes (the “Debt Service Requirements”) as the same shall become due and payable.

Each year the Notes are outstanding, the Department covenants the annual budget of the Department shall include as a separate line item an amount equal to the Debt Service Requirements of the Notes due and payable in such budget year, and to the extent other available funds of the Department are not budgeted and set aside for such purposes to pay such Debt Service Requirements, the Department shall levy a tax each year within the Department’s maintenance taxing authority as authorized by Sections 45.108, sufficient to pay the Notes and such annual tax rate levied and assessed by the Department for the payment of the Notes shall be identified and stated separately in the annual tax levy of the Department from other taxes levied for maintenance purposes and debt service.

To provide for the timely payment of the Debt Service Requirements of the Notes, a tax shall be and is hereby levied, within the limitations of the Department’s maintenance tax authority, on each \$100 valuation of taxable property within the Department each year the Notes are outstanding, taking into account delinquencies, cost of collection and other available funds of the Department which are budgeted and set aside for such purposes. The amount of taxes assessed and collected each year for the payment of the Notes shall be deposited to the credit of the interest and sinking fund (the “Interest and Sinking Fund”) hereby established (to be entitled “Special 2020 Note Fund” which shall be maintained at the Department’s depository) for the payment of Debt Service Requirements of the Notes, and the amounts deposited to the credit of the Interest and Sinking Fund shall not be diverted to or utilized for any other purpose. This governing body hereby declares its purpose and intent to provide and levy a tax legally and fully sufficient to pay the Debt Service Requirements of the Notes taking into account the aforesaid matters, it having been determined that the existing and available taxing authority of the Department and the other available funds for such purpose is adequate to permit a legally sufficient tax in consideration of all other obligations of the Department.

Proper officers of the Department are hereby authorized and directed to cause to be transferred to the Paying Agent/Registrar for the Notes, from funds on deposit in the Interest and Sinking Fund, amounts sufficient to fully pay and discharge promptly each installment of interest and principal of the Notes as the same shall become payable or matures; such transfers to be made in such manner as will cause collected funds to be deposited with the Paying Agent/Registrar on or before each principal and interest payment date for the Notes.

SECTION 11: Mutilated-Destroyed-Lost and Stolen Notes. In case any Note shall be mutilated, or destroyed, lost or stolen, the Paying Agent/Registrar may execute and deliver a replacement Note of like form and tenor, and in the same denomination and bearing a number not contemporaneously outstanding, in exchange and substitution for such mutilated Note; and with respect to a lost, destroyed or stolen Note a replacement Note may be issued only upon the approval of the Department and after (i) the filing by the Holder with the Paying Agent/Registrar of evidence satisfactory to the Paying Agent/Registrar of the destruction, loss or theft of such Note, and of the authenticity of the ownership thereof and (ii) the furnishing to the Paying Agent/Registrar of indemnification in an amount satisfactory to hold the Department and the Paying Agent/Registrar harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Note shall be borne by the Holder of the Note mutilated, or destroyed, lost or stolen.

Every replacement Note issued pursuant to this Section shall be a valid and binding obligation, and shall be entitled to all the benefits of this Resolution equally and ratably with all other Outstanding Notes; notwithstanding the enforceability of payment by anyone of the destroyed, lost, or stolen Notes.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost or stolen Notes.

SECTION 12: Satisfaction of Obligation of Department. If the Department shall pay or cause to be paid, or there shall otherwise be paid to the Holders, the principal of and interest on the Notes, at the times and in the manner stipulated in this Resolution, then the pledge of taxes levied under this Resolution and all covenants, agreements, and other obligations of the Department to the Holders shall thereupon cease, terminate, and be discharged and satisfied.

Notes or any principal amount(s) thereof shall be deemed to have been paid within the meaning and with the effect expressed above in this Section when (i) money sufficient to pay in full such Notes or the principal amount(s) thereof at maturity or to the redemption date therefor, together with all interest due thereon, shall have been irrevocably deposited with and held in trust by the Paying Agent/Registrar, or an authorized escrow agent, or (ii) Government Securities shall have been irrevocably deposited in trust with the Paying Agent/Registrar, or an authorized escrow agent, which Government Securities have been certified by an independent accounting firm to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money, together with any moneys deposited therewith, if any, to pay when due the principal of and interest on such Notes, or the principal amount(s) thereof, on and prior to the Stated Maturity thereof or (if notice of redemption has been duly given or waived or if irrevocable arrangements therefor acceptable to the Paying Agent/ Registrar have been made) the redemption date thereof. The Department covenants that no deposit of moneys or Government Securities will be made under this Section and no use made of any such deposit which would cause the Notes to be treated as “arbitrage bonds” within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or regulations adopted pursuant thereto.

The term “Government Securities”, as used herein, (i) shall mean direct noncallable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations unconditionally guaranteed or insured by the agency or instrumentality and on the date of their acquisition or purchase by the Department are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and on the date of their acquisition or purchase by the Department, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent.

Any moneys so deposited with the Paying Agent/ Registrar, or an authorized escrow agent, and all income from Government Securities held in trust by the Paying Agent/Registrar, or an authorized escrow agent, pursuant to this Section which is not required for the payment of the Notes, or any principal amount(s) thereof, or interest thereon with respect to which such moneys have been so deposited shall be remitted to the Department or deposited as directed by the Department.

Furthermore, any money held by the Paying Agent/Registrar for the payment of the principal of and interest on the Notes and remaining unclaimed for a period of three (3) years after the Stated Maturity, or applicable redemption date, of the Notes such moneys were deposited and are held in trust to pay shall upon the request of the Department be remitted to the Department against a written receipt therefor. Notwithstanding the above and foregoing, any remittance of funds from the Paying Agent/Registrar to the Department shall be subject to any applicable unclaimed property laws of the State of Texas.

SECTION 13: Resolution a Contract - Amendments - Outstanding Notes. This Resolution shall constitute a contract with the Holders from time to time, be binding on the Department, and shall not be amended or repealed by the Department so long as any Note remains Outstanding except as permitted in this Section. The Department may, without the consent of or notice to any Holders, from time to time and at any time, amend this Resolution in any manner not detrimental to the interests of the Holders, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the Department may, with the written consent of Holders holding a majority in aggregate principal amount of the Notes then Outstanding affected thereby, amend, add to, or rescind any of the provisions of this Resolution; provided that, without the consent of all Holders of Outstanding Notes, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Notes, reduce the principal amount thereof, the redemption price therefor, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Notes, (2) give any preference to any Note over any other Note, or (3) reduce the aggregate principal amount of Notes required to be held by Holders for consent to any such amendment, addition, or rescission.

The term “Outstanding” when used in this Resolution with respect to Notes means, as of the date of determination, all Notes theretofore issued and delivered under this Resolution, except:

(1) those Notes cancelled by the Paying Agent/Registrar or delivered to the Paying Agent/Registrar for cancellation;

(2) those Notes deemed to be duly paid by the Department in accordance with the provisions of Section 12; and

(3) those mutilated, destroyed, lost, or stolen Notes which have been replaced with Notes registered and delivered in lieu thereof as provided in Section 11 hereof.

SECTION 14: Covenants to Maintain Tax-Exempt Status.

(a) Definitions. When used in this Section, the following terms have the following meanings:

“Closing Date” means the date on which the Notes are first authenticated and delivered to the initial purchaser against payment therefor.

“Code” means the Internal Revenue Code of 1986, as amended by all legislation, if any, effective on or before the Closing Date.

“Computation Date” has the meaning set forth in Section 1.148-1(b) of the Regulations.

“Gross Proceeds” means any proceeds as defined in Section 1.148-1(b) of the Regulations, and any replacement proceeds as defined in Section 1.148-1(c) of the Regulations, of the Notes.

“Investment” has the meaning set forth in Section 1.148-1(b) of the Regulations.

“Nonpurpose Investment” means any investment property, as defined in section 148(b) of the Code, in which Gross Proceeds of the Notes are invested and which is not acquired to carry out the governmental purposes of the Notes.

“Rebate Amount” has the meaning set forth in Section 1.148-1(b) of the Regulations.

“Regulations” means any proposed, temporary, or final Income Tax Regulations issued pursuant to Sections 103 and 141 through 150 of the Code, and 103 of the Internal Revenue Code of 1954, which are applicable to the Notes. Any reference to any specific Regulation shall also mean, as appropriate, any proposed, temporary or final Income Tax Regulation designed to supplement, amend or replace the specific Regulation referenced.

“Yield” of (1) any Investment has the meaning set forth in Section 1.148-5 of the Regulations and (2) the Notes has the meaning set forth in Section 1.148-4 of the Regulations.

(b) Not to Cause Interest to Become Taxable. The Department shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner which if made or omitted, respectively, would cause the interest on any Note to become includable in the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the Department receives a written opinion of counsel nationally recognized in the field of municipal bond law to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income tax of the interest on any Note, the Department shall comply with each of the specific covenants in this Section.

(c) No Private Use or Private Payments. Except as permitted by section 141 of the Code and the Regulations and rulings thereunder, the Department shall at all times prior to the last Stated Maturity of Notes:

(i) exclusively own, operate and possess all property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds of the Notes, and not use or permit the use of such Gross Proceeds (including all contractual arrangements with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds in any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof)

other than a state or local government, unless such use is solely as a member of the general public; and

(ii) not directly or indirectly impose or accept any charge or other payment by any person or entity who is treated as using Gross Proceeds of the Notes or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with such Gross Proceeds, other than taxes of general application within the Department or interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

(d) No Private Loan. Except to the extent permitted by section 141 of the Code and the Regulations and rulings thereunder, the Department shall not use Gross Proceeds of the Notes to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, such Gross Proceeds are considered to be “loaned” to a person or entity if: (1) property acquired, constructed or improved with such Gross Proceeds is sold or leased to such person or entity in a transaction which creates a debt for federal income tax purposes; (2) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (3) indirect benefits, or burdens and benefits of ownership, of such Gross Proceeds or any property acquired, constructed or improved with such Gross Proceeds are otherwise transferred in a transaction which is the economic equivalent of a loan.

(e) Not to Invest at Higher Yield. Except to the extent permitted by section 148 of the Code and the Regulations and rulings thereunder, the Department shall not at any time prior to the final Stated Maturity of the Notes directly or indirectly invest Gross Proceeds in any Investment (or use Gross Proceeds to replace money so invested), if as a result of such investment the Yield from the Closing Date of all Investments acquired with Gross Proceeds (or with money replaced thereby), whether then held or previously disposed of, exceeds the Yield of the Notes.

(f) Not Federally Guaranteed. Except to the extent permitted by section 149(b) of the Code and the Regulations and rulings thereunder, the Department shall not take or omit to take any action which would cause the Notes to be federally guaranteed within the meaning of section 149(b) of the Code and the Regulations and rulings thereunder.

(g) Information Report. The Department shall timely file the information required by section 149(e) of the Code with the Secretary of the Treasury on Form 8038-G or such other form and in such place as the Secretary may prescribe.

(h) Rebate of Arbitrage Profits. Except to the extent otherwise provided in section 148(f) of the Code and the Regulations and rulings thereunder:

(i) The Department shall account for all Gross Proceeds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of accounting for at least six years after the day on which the last outstanding Note is discharged. However, to the extent permitted by law, the Department may commingle Gross Proceeds of the Notes with other money of the Department, provided that the Department separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(ii) Not less frequently than each Computation Date, the Department shall calculate the Rebate Amount in accordance with rules set forth in section 148(f) of the Code and the Regulations and rulings thereunder. The Department shall maintain such calculations with its official transcript of proceedings relating to the issuance of the Notes until six years after the final Computation Date.

(iii) As additional consideration for the purchase of the Notes by the Purchaser and the loan of the money represented thereby and in order to induce such purchase by measures designed to insure the excludability of the interest thereon from the gross income of the owners thereof for federal income tax purposes, the Department shall pay to the United States out of its general fund, other appropriate fund, or, if permitted by applicable Texas statute, regulation or opinion of the Attorney General of the State of Texas, the Interest and Sinking Fund, the amount that when added to the future value of previous rebate payments made for the Notes equals (i) in the case of a Final Computation Date as defined in Section 1.148-3(e)(2) of the Regulations, one hundred percent (100%) of the Rebate Amount on such date; and (ii) in the case of any other Computation Date, ninety percent (90%) of the Rebate Amount on such date. In all cases, the rebate payments shall be made at the times, in the installments, to the place and in the manner as is or may be required by section 148(f) of the Code and the Regulations and rulings thereunder, and shall be accompanied by Form 8038-T or such other forms and information as is or may be required by Section 148(f) of the Code and the Regulations and rulings thereunder.

(iv) The Department shall exercise reasonable diligence to assure that no errors are made in the calculations and payments required by paragraphs (2) and (3), and if an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter (and in all events within one hundred eighty (180) days after discovery of the error), including payment to the United States of any additional Rebate Amount owed to it, interest thereon, and any penalty imposed under Section 1.148-3(h) of the Regulations.

(i) Elections. The Department hereby directs and authorizes the President, Vice-President or Secretary of the Board of Trustees, individually or jointly, and all other appropriate officials, agents and representatives of the Department to make elections permitted or required pursuant to the provisions of the Code or the Regulations, as they deem necessary or appropriate in connection with the Notes, in the Certificate as to Tax Exemption or similar or other appropriate certificate, form or document.

SECTION 15: Sale of the Notes. The Notes are hereby sold and shall be delivered as a negotiated sale to J.P. Morgan, Estrada Hinojosa & Company, Inc., Hilltop Securities, Inc. and RBC Capital Markets, LLC, for the purchase price of \$_____ (representing the par amount of the Notes, plus an original issue premium of \$_____ on the Notes, and less an underwriting discount of \$_____), which price and terms are hereby found and determined to be the most advantageous reasonably obtainable by the Department, pursuant to the bond purchase agreement dated the date of the final passage of this Resolution which the President of the Board is hereby authorized to execute and deliver. The Notes shall initially be registered in the name of the J.P. Morgan.

SECTION 16: Control and Custody of Notes. The President of the Board of Trustees shall be and is hereby authorized to take and have charge of all necessary orders and records, including the definitive Notes and the Initial Notes, pending the investigation and approval of the Initial Notes by the Attorney General of the State of Texas, and the registration of the Initial Notes by the Comptroller of Public Accounts and the delivery thereof to the Purchaser.

Furthermore, the President, Vice-President or Secretary of the Board of Trustees, all other appropriate officials, agents or representatives of the Department are hereby authorized and directed to furnish and execute such documents and certifications relating to the Department and the issuance of the Notes, including a certification as to facts, estimates, circumstances and reasonable expectations pertaining to the use, expenditure and investment of the proceeds of the Notes, as may be necessary for the issuance of the Notes, the approval of the Attorney General, the registration by the Comptroller of Public Accounts and the delivery of the Notes to the Purchaser and, together with the Department's financial advisor, bond counsel and the Paying Agent/Registrar, make the necessary arrangements for the delivery of the Initial Notes to the Purchaser and the initial exchange thereof for definitive Notes.

SECTION 17: Official Statement. The use of the Preliminary Official Statement in the offering and sale of the Notes is hereby ratified, confirmed and approved in all respects, and the Board of Trustees hereby finds that the information and data contained in said Preliminary Official Statement pertaining to the Department and its financial affairs is true and correct in all material respects and no material facts have been omitted therefrom which are necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The final Official Statement, which reflects the terms of sale (together with such changes approved by the President, Vice-President or Secretary of the Board of Trustees, all other appropriate officials, agents or representatives of the Department, or any one or more of said officials), shall be and is hereby in all respects approved and the Purchaser is hereby authorized to use and distribute said final Official Statement, dated October 5, 2020, in the reoffering, sale and delivery of the Notes to the public.

SECTION 18: Proceeds of Sale. The proceeds of sale of the Notes shall be deposited in a construction fund maintained at the Department's depository bank. Pending expenditure for authorized projects and purposes, such proceeds of sale may be invested in authorized investments and any investment earnings realized shall be expended for such authorized projects and purposes or deposited in the Interest and Sinking Fund as shall be determined by the Board of Trustees. Accrued interest received from the Purchaser as well as any excess note proceeds, including investment earnings, remaining after completion of all authorized projects or purposes shall be deposited to the credit of the Interest and Sinking Fund.

SECTION 19: Notices to Holders-Waiver. Wherever this Resolution provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and sent by United States Mail, first class postage prepaid, to the address of each Holder appearing in the Security Register at the close of business on the business day next preceding the mailing of such notice.

In any case where notice to Holders is given by mail, neither the failure to mail such notice to any particular Holders, nor any defect in any notice so mailed, shall affect the sufficiency of such notice with respect to all other Notes. Where this Resolution provides for notice in any manner,

such notice may be waived in writing by the Holder entitled to receive such notice, either before or after the event with respect to which such notice is given, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Paying Agent/Registrar, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 20: Cancellation. All Notes surrendered for payment, redemption, transfer, exchange, or replacement, if surrendered to the Paying Agent/Registrar, shall be promptly cancelled by it and, if surrendered to the Department, shall be delivered to the Paying Agent/Registrar and, if not already cancelled, shall be promptly cancelled by the Paying Agent/Registrar. The Department may at any time deliver to the Paying Agent/Registrar for cancellation any Notes previously certified or registered and delivered which the Department may have acquired in any manner whatsoever, and all Notes so delivered shall be promptly cancelled by the Paying Agent/Registrar. All cancelled Notes held by the Paying Agent/Registrar shall be returned to the Department.

SECTION 21: Bond Counsel Opinion. The Purchaser's obligation to accept delivery of the Notes is subject to being furnished a final opinion of Orrick Herrington & Sutcliffe LLP, Houston, Texas, approving the Notes as to their validity, said opinion to be dated and delivered as of the date of delivery and payment for the Notes. An executed counterpart of said opinion is hereby authorized to be deposited with the DTC while such Notes are issued in Book-Entry Form Only and in the event the Book-Entry Only System should be discontinued, a reproduction of such opinion is hereby authorized, but not required, to be printed on the reverse side of each definitive Note.

SECTION 22: CUSIP Numbers. CUSIP numbers may be printed or typed on the definitive Notes. It is expressly provided, however, that the presence or absence of CUSIP numbers on the definitive Notes shall be of no significance or effect as regards the legality thereof and neither the Department nor attorneys approving the Notes as to legality are to be held responsible for CUSIP numbers incorrectly printed or typed on the definitive Notes.

SECTION 23: Benefits of Resolution. Nothing in this Resolution, expressed or implied, is intended or shall be construed to confer upon any person other than the Department, the Paying Agent/Registrar and the Holders, any right, remedy, or claim, legal or equitable, under or by reason of this Resolution or any provision hereof, this Resolution and all its provisions being intended to be and being for the sole and exclusive benefit of the Department, the Paying Agent/Registrar and the Holders.

SECTION 24: Inconsistent Provisions. All orders or resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Resolution are hereby repealed to the extent of such conflict, and the provisions of this Resolution shall be and remain controlling as to the matters contained herein.

SECTION 25: Governing Law. This Resolution shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

SECTION 26: Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

SECTION 27: Construction of Terms. If appropriate in the context of this Resolution, words of the singular number shall be considered to include the plural, words of the plural number shall be considered to include the singular, and words of the masculine, feminine or neuter gender shall be considered to include the other genders.

SECTION 28: Severability. If any provision of this Resolution or the application thereof to any circumstance shall be held to be invalid, the remainder of this Resolution and the application thereof to other circumstances shall nevertheless be valid, and the Board of Trustees hereby declares that this Resolution would have been enacted without such invalid provision.

SECTION 29: Continuing Disclosure Undertaking.

(a) The Department shall provide annually to the Municipal Securities Rulemaking Board (the "MSRB"), within six months after the end of each fiscal year and in an electronic format prescribed by the MSRB, financial information and operating data with respect to the Department of the general type included in the final Official Statement approved by Section 17 of this Resolution and described in **Exhibit B** hereto. The Department shall update such information within six months after the end of each fiscal year. Financial statements to be provided shall be (1) prepared in accordance with the accounting principles described in **Exhibit B** hereto and (2) audited, if the Department commissions an audit of such statements and the audit is completed within the period during which they must be provided. If audited financial statements are not available at the time the financial information and operating data must be provided, then the Department shall provide unaudited financial statements for the applicable fiscal year to the MSRB with the financial information and operating data and will file the annual audit report when and if the same becomes available.

If the Department changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the Department otherwise would be required to provide financial information and operating data pursuant to this Section.

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to documents (i) available to the public on the MSRB's internet web site or (ii) filed with the SEC. All filings shall be made electronically, in the format specified by the MSRB.

(b) The Department shall notify the MSRB in an electronic format prescribed by the MSRB, in a timely manner (not in excess of ten (10) days after the occurrence of the event), of any of the following events with respect to the Notes:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes;
- (vii) Modifications to rights of holders of the Notes, if material;
- (viii) Note calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the Notes, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the Department;
- (xiii) The consummation of a merger, consolidation, or acquisition involving the Department or the sale of all or substantially all of the assets of the Department, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) Incurrence of a debt obligation or derivative instrument entered into in connection with, or pledged a security or source of payment for, an existing or planned debt obligation of the Department, or a guarantee of any such debt obligation or derivative instrument, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the Corporation, any of which affect security holders, if material; and
- (xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the Department, any of which reflect financial difficulties.

As used in clause (xii), above, the phrase “bankruptcy, insolvency, receivership or similar event” means the appointment of a receiver, fiscal agent or similar officer for the Department in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets of the Department, or if jurisdiction has been assumed by leaving the Board and official or officers of the Department in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Department.

The term “financial obligation” when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” does not include municipal securities for which a final official statement has been provided to the MSRB consistent with the Rule. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws.

The Department shall notify the MSRB in an electronic format prescribed by the MSRB, in a timely manner, of any failure by the Department to provide financial information or operating data in accordance with Section 29 of this Resolution by the time required by such Section.

All documents provided to the MSRB shall be accompanied by identifying information, as prescribed by the MSRB.

(c) The Department shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the Department remains an “obligated person” with respect to the Notes within the meaning of the Rule, except that the Department in any event will give the notice required by this Section of any Note calls and defeasance that cause the Department to be no longer such an “obligated person.”

The provisions of this Section are for the sole benefit of the Holders and beneficial owners of the Notes, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Department undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Department’s financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The Department does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Notes at any future date.

UNDER NO CIRCUMSTANCES SHALL THE DEPARTMENT BE LIABLE TO THE HOLDERS OR BENEFICIAL OWNER OF ANY NOTE OR ANY OTHER PERSON,

IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE DEPARTMENT, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by the Department in observing or performing its obligations under this Section shall constitute a breach of or default under the Resolution for purposes of any other provision of this Resolution.

Nothing in this Section is intended to or shall act to disclaim, waive, or otherwise limit the duties of the Department under federal and state securities laws.

(d) The provisions of this Section may be amended by the Department from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Department, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell the Notes in the primary offering of the Notes in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the Holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Resolution that authorizes such an amendment) of the Outstanding Notes consent to such amendment or (b) a person that is unaffiliated with the Department (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Holders and beneficial owners of the Notes. If the Department so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with this Section an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided. The Department may also amend or repeal the provisions of this Section if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the Department also may amend the provisions of this Section in its discretion in any other manner or circumstance, but in any case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Notes in the primary offering of the Notes, giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule.

SECTION 30: Further Procedures. Any one or more of the President, Vice-President or Secretary of the Board of Trustees, all other appropriate officials, agents or representatives of the Department are hereby expressly authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and on behalf of the Department all agreements, instruments, certificates or other documents, whether mentioned herein or not, as may be necessary or desirable in order to carry out the terms and provisions of this Resolution and the issuance of the Notes. In addition, prior to the initial delivery of the Notes, the President, Vice-President or Secretary of the Board of Trustees, all other appropriate officials, agents or representatives of the Department or Bond Counsel to the Department are each hereby authorized and directed to approve any changes or corrections to this Resolution or

to any of the documents authorized and approved by this Resolution: (i) in order to cure any ambiguity, formal defect, or omission in the Resolution or such other document; or (ii) as requested by the Attorney General of the State of Texas or his representative to obtain the approval of the Notes by the Attorney General. In the event that any officer of the Department whose signature shall appear on any document shall cease to be such officer before the delivery of such document, such signature nevertheless shall be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

SECTION 31: Public Meeting. It is officially found, determined, and declared that the meeting at which this Resolution is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Resolution, was given, all as required by Texas Government Code, Chapter 551, as amended.

SECTION 32: Effective Date. This Resolution shall be in force and effect from and after its passage on the date shown below.

[Remainder of page intentionally left blank]

PASSED AND ADOPTED, this August 15, 2020.

HARRIS COUNTY DEPARTMENT OF
EDUCATION

President

ATTEST:

Secretary

EXHIBIT A
to
Resolution

PAYING AGENT/REGISTRAR AGREEMENT

See TAB No. __

EXHIBIT B
to
Resolution

DESCRIPTION OF ANNUAL FINANCIAL INFORMATION AND OPERATING DATA

Information and Data

The following information and data with respect to the Department referred to in Section 29 of this Resolution are the quantitative financial information and operating data specified and included in the Appendix or under the headings of the Official Statement referred to) below:

1. The financial statements of the Department appended to the Official Statement as Appendix A.
2. The information contained in Tables 1 through 5 and 7 through 8 of the Official Statement.

Accounting Principles

The accounting principles referred to in such Section with respect to the Department are the accounting principles described in the notes to the financial statements referred to in paragraph 1 above.

TRUST INDENTURE

By and Between

HARRIS COUNTY DEPARTMENT OF EDUCATION PUBLIC FACILITY CORPORATION
(*“Corporation”*)

And

BOKF, NA
(*“Trustee”*)

Securing

[\$_____]
HARRIS COUNTY DEPARTMENT OF EDUCATION PUBLIC FACILITY CORPORATION
LEASE REVENUE BONDS, SERIES 2020

Dated as of November 1, 2020

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**TRUST INDENTURE
SECURING
HARRIS COUNTY DEPARTMENT OF EDUCATION PUBLIC FACILITY CORPORATION
LEASE REVENUE BONDS, SERIES 2020**

THIS TRUST INDENTURE RELATING TO HARRIS COUNTY DEPARTMENT OF EDUCATION PUBLIC FACILITY CORPORATION LEASE REVENUE BONDS, SERIES 2020 (this “*Trust Indenture*”), is made as of November 1, 2020, by and between BOKF, NA, a national banking association duly organized and operating under the laws of the United States of America with an office in Houston, Texas, as trustee (the “*Trustee*”), and HARRIS COUNTY DEPARTMENT OF EDUCATION PUBLIC FACILITY CORPORATION, a non-profit corporation organized and existing under the laws of the State of Texas (the “*Corporation*”).

WITNESSETH:

WHEREAS, the Corporation has been created and organized pursuant to and in accordance with the provisions of the Public Facility Corporation Act, Chapter 303, Texas Local Government Code, as amended (“*Chapter 303*”), for the purpose of acting on behalf of the County School Trustees of Harris County, State of Texas (d/b/a Harris County Department of Education) (the “*Department*”) for the purpose of financing, refinancing, or otherwise assisting in the acquisition, construction, rehabilitation, renovation, repair, equipping, furnishing and placement in service of public facilities of the Department;

WHEREAS, Chapter 303 authorizes the Corporation to issue or incur obligations in accordance with existing law, to provide for the acquisition, construction, rehabilitation, renovation, repair, equipping, furnishing and placement in service of public facilities of the Department;

WHEREAS, Chapter 303 authorizes the Corporation to: (a) acquire title to a public facility in order to lease, convey or dispose of the public facility to the Department; (b) sell, convey, mortgage, pledge, lease, exchange, transfer and otherwise dispose of all or any part of the Corporation’s property and assets; and (c) issue or incur bonds, including refunding bonds, to finance, refinance or provide one or more public facilities;

WHEREAS, the Department has requested the Corporation, and the Corporation proposes, to issue its bonds, which will be designated the “Harris County Department of Education Public Facility Corporation Lease Revenue Bonds, Series 2020” (the “*Bonds*”);

WHEREAS, the proceeds of the Bonds will be used by the Department for the construction and equipment of a new building at the Department’s ABS East Campus located at 7703 South Loop East, Houston, Texas 77012 to provide adaptive behavior services, the construction the construction and equipment of a new building at the Department’s Highpoint Campus located at 8003 E. Sam Houston Parkway North, Houston, Texas 77049 to provide alternative educational services and the construction and equipment of a new building at the Department’s Adult Ed Center located at 6515 Irvington and 629 King Street, Houston, Texas 77022 to provide adult education classes (consisting of general education and vocational classes) (collectively, the “*Project*”). The total cost of the Project will not exceed \$54,000,000, of which approximately \$35,000,000 will be paid with the Bonds and approximately \$19,000,000 will be paid with maintenance tax notes for qualifying equipment of the Department as well as other lawfully available revenues of the Department.

WHEREAS, to accomplish the financing as contemplated (a) the Corporation and the Department will enter into a Lease With An Option To Purchase Relating to Educational and Support Facilities dated as of November 1, 2020 (the “*Lease*”), pursuant to the terms of which the Department will pay to the

Corporation such Rental Payments, as defined in the Lease (the “*Rental Payments*”), at such times and in such amounts as will be required to pay the principal of, premium, if any, and interest on the Bonds, as and when the same become due;

WHEREAS, to secure its obligations under this Trust Indenture, the Corporation will grant a leasehold deed of trust title to the Project (as defined herein) to the Trustee, on behalf of the owners of the Bonds, pursuant to a Leasehold Deed of Trust, Security Agreement, Assignment of Rents and Leases, and Financing Statement dated as of November 1, 2020 relating to the Bonds (the “*Deed of Trust*”), and the Corporation will grant to the Trustee a first priority security interest in the machinery, equipment, furnishings, or other property owned by the Corporation at any time installed or located on the Project, and substitutions or replacements therefor, in any inventory of the Corporation now or hereafter located at the Project, and in the accounts, documents, chattel paper, instruments, and general intangibles arising in any manner from the Corporation’s ownership and operation of the Project (as defined herein), pursuant to a Security Agreement dated as of even date herewith (the “*Security Agreement*”);

WHEREAS, the Corporation hereby finds and determines that the financing of the Project will further the purposes and policies of Chapter 303; and

WHEREAS, the execution and delivery of this Trust Indenture, the Lease, the Security Agreement and the Deed of Trust were authorized by order dated _____, 2020, which was duly adopted and approved by the Board of Directors of the Corporation;

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

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.1. Definitions. Terms defined in this Trust Indenture shall have the meanings given them herein unless the context requires otherwise. Terms defined in the Lease and capitalized herein shall, for purposes of this Trust Indenture, have the meaning given them in the Lease unless the context requires otherwise.

“Additional Parity Bonds” means (i) the Corporation’s Lease Revenue Refunding Bonds Series 2014, (ii) the Corporation’s Lease Revenue Refunding Bonds Series 2015, (iii) the Corporation’s Lease Revenue Refunding Bonds Series 2016, and (iv) bonds that the Corporation reserves the right to issue pursuant to Section 3.16 hereof.

“Authorized Officer” means, when used with respect to the Trustee, any Executive Vice President, any Senior Vice President, any Vice President, or any other officer, who by virtue of his or her position with the Trustee has been authorized by the Board of Directors of the Trustee to execute trust agreements similar to this Trust Indenture and related documents. The term “*Authorized Officer*,” when used with respect to the Corporation, means the President, any Vice President, Secretary, Assistant Secretary or Treasurer of the Corporation or any other officer of the Corporation who is designated in writing by or by order of the Board of Directors of the Corporation as an Authorized Officer for purposes of this Trust Indenture. The term “*Authorized Officer*,” when used with respect to the Department, means the Superintendent, Executive Director of Business Services, Executive Director of Facilities, or any representative or employee of the Department who is designated in writing by or by order of the Department as an Authorized Officer for purposes of this Trust Indenture. The term “*Authorized Officer*,” when used with respect to an Architect, means appropriately either the Architect, if an individual, or the person

designated in writing by the Architect, if a firm, as an Authorized Officer for the purpose of this Trust Indenture.

“Available Monies” means any monies on deposit with a trustee for the benefit of Bondholders which are (i) bond proceeds or refunding bond proceeds, (ii) amounts on deposit for a period of 124 consecutive days during which no petition in bankruptcy under the U.S. Bankruptcy Code has been filed by or against the entity which paid such money, and no similar proceedings have been instituted under state insolvency or other laws affecting creditors’ rights generally, or (iii) any monies with respect to which an unqualified opinion from nationally recognized counsel has been received stating that such payments to Bondholders would not constitute voidable preferences under Section 547 of the U.S. Bankruptcy Code, or similar state or federal laws with voidable preference provisions in the event of the filing of a petition for relief under the U.S. Bankruptcy Code, or similar state or federal laws with voidable preference provisions by or against the entity from whom the money is received.

“Board of Directors” means the Board of Directors of the Corporation.

“Bond” or **“Bonds”** means the \$[_____] Harris County Department of Education Public Facility Corporation Lease Revenue Bonds, Series 2020.

“Bond Payment” means the payments of principal of, premium, if any, and/or interest on the Bonds to be made to each Bondholder in accordance with this Trust Indenture and similar such payments to be made with respect to Additional Parity Bonds.

“Bond Payment Date” means, when used with respect to any Bond, February 15, 2021 and each February 15 and August 15 thereafter and continuing for so long as any Bonds are Outstanding.

“Bond Register” means the books to be maintained for the registration and transfer of the Bonds, to be kept by the Trustee.

“Bondholder” means the person in whose name any Bond is registered, as identified in the Bond Register. As used herein, an *“Owner”* or a *“Holder”* of Bonds means a Bondholder.

“Closing Date” or **“Closing”** means the date of delivery of the Bonds.

“Code” means the United States Internal Revenue Code of 1986, as now or hereafter amended, and, if the context permits, the regulations from time to time promulgated thereunder and revenue rulings and procedures from time to time issued pursuant thereto.

“DTC” means the Depository Trust Company, New York, New York, or any successor securities depository.

“DTC Participant” means brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

“Event of Default” means those events of default provided for in Section 5.1 of this Trust Indenture.

“Financing Documents” means, collectively, this Trust Indenture, the Lease, the Security Agreement, the Deed of Trust and the Bonds.

“Fixing Date” means _____, 2020.

“Initial Bonds” means the Bonds prepared in temporary form and submitted to the Attorney General for approval and delivered to the Trustee in exchange for the Bonds in accordance with Section 3.5 of this Trust Indenture.

“Issuance Costs” means the costs of issuance incurred in connection with the sale of the Bonds and the execution and delivery of the Lease.

“Lease” has the meaning assigned in the Recitals hereto.

“Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns.

“MSRB” means the Municipal Securities Rulemaking Board.

“Order” means the order of the Board of Directors of the Corporation adopted on _____, 2020, authorizing and approving the issuance of the Bonds, this Trust Indenture, the Lease, the Security Agreement, the Deed of Trust and other matters incident and related thereto.

“Outstanding” means, as of the date of determination, all Bonds theretofore issued and delivered under this Trust Indenture, except

- (a) Bonds theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;
- (b) Bonds for whose payment or redemption money in the necessary amount has been theretofore deposited in an account, other than the Payment Account identified in Article IV of this Trust Indenture, with the Trustee in trust irrevocably for the Holders of such Bonds;
- (c) Bonds in exchange for or in lieu of which other Bonds have been registered and delivered pursuant to this Trust Indenture; and
- (d) Bonds alleged to have been mutilated, destroyed, lost, or stolen which have been paid as provided in this Trust Indenture.

“Payment Account” means that certain account established pursuant to Section 4.1 of this Trust Indenture.

“Permitted Investments” means any investment permitted by Chapter 2256, Texas Government Code, as amended, and the Department’s investment policy.

“Principal Office” means, with respect to the Trustee acting in its capacity as Trustee, its offices for the purposes and at the addresses set out in Section 10.4.

“Project” has the meaning assigned in the Recitals hereto.

“Project Account” means that certain account established pursuant to Section 4.1 of this Trust Indenture.

“Project Costs” means all costs of, payment of or reimbursement for the design, acquisition, construction, installation and financing of the Project; architectural, engineering, installation and

management costs; project coordination and supervisory costs; administrative costs; capital expenditures relating to design, construction and installation; financing costs, sales tax, if any, on the Project; costs of feasibility, environmental, appraisal and other reports; inspection costs; land costs; permit fees; filing and recording costs; survey costs; Issuance Costs; and all other costs related to the Project or the financing or refinancing thereof, as authorized by Chapter 303 and set forth on Exhibit E hereto.

“Purchase Option Date” means each Bond Payment Date so designated in connection with the redemption of the Bonds and any date so designated pursuant to the Lease in the event of damage, destruction or condemnation of the Project.

“Purchase Option Price” means, for the Purchase Option Date prior to the final maturity date of the Bonds, an amount which will be sufficient, together with amounts available for such purpose, if any, on deposit in the Payment Account, Redemption Account, to pay the principal of all Bonds then Outstanding, and accrued interest thereon to the date fixed for redemption in accordance with Section 6.1 hereof, together with any other amounts then due or past due under the Lease or hereunder (including the Trustee’s reasonable fees and expenses), as of the redemption date of the Bonds, plus One Dollar (\$1.00); and on the final maturity date of such Bonds after all Bonds have been paid in full, One Dollar (\$1.00), provided that all amounts due and payable hereunder have been paid.

“Rating Agencies” means, collectively, Moody’s and S&P.

“Rebate Fund” means that certain account established in accordance with Section 4.6 of this Trust Indenture.

“Redemption Account” means that certain account established pursuant to Section 4.1 of this Trust Indenture.

“Regulations” means the regulations from time to time promulgated by the Internal Revenue Service pursuant to the Code and revenue rulings and revenue procedures from time to time issued pursuant to the Code.

“Rule” means SEC Rule 15c2-12, as amended from time to time.

“S&P” means Standard & Poor’s Ratings Services, its successors and their assigns.

“SEC” means the United States Securities and Exchange Commission.

“State” means the State of Texas.

“State Laws” means the Constitution and the laws of the State of Texas as in effect from time to time.

“Trust Estate” has the meaning assigned in Section 2.8 of this Trust Indenture.

“Trust Fund” means the fund so designated and established pursuant to Section 4.1 hereof, consisting of the Project Account, Payment Account, and Redemption Account. The Trust Fund does not include the Rebate Fund.

“Trustee” means BOKF, NA, and its successors and assigns.

Section 1.2. Rules of Construction.

(a) Words of the masculine and feminine genders shall be deemed and construed to include the other gender and the neuter gender. Unless the context otherwise indicates, the singular number shall include the plural number and vice versa, and words importing persons shall include corporations and associations, including public bodies, as well as natural persons.

(b) Headings preceding the text of the Articles and Sections hereof, and the Table of Contents, are solely for convenience of reference and shall not constitute a part of this Trust Indenture or effect its meaning, construction or effect.

Section 1.3. Preamble. The statements and findings in the preamble of this Trust Indenture are hereby adopted and made a part of this Trust Indenture.

ARTICLE II

RECITALS AND REPRESENTATIONS; GRANTING CLAUSES

Section 2.1. Sale and Lease Back. Concurrently with the issuance of the Bonds, the Department [leased] certain tracts of the Land to the Corporation and the Corporation agreed to construct certain Improvements thereon and to sublease the Land, together with the Improvements thereon, to the Department.

Section 2.2. The Project. Pursuant to the terms of the Lease, the Department has accepted the Project.

Section 2.3. Payments. Under the Lease, the Department is obligated to pay to the Corporation or its assigns Rental Payments for the lease of the Project, subject to funds being Appropriated for such purposes.

Section 2.4. Deposit of Funds. Under the Lease, the Corporation and the Department are required to deposit or cause to be deposited with the Trustee certain sums of money to be held, credited and applied in accordance with the terms hereof.

Section 2.5. Trustee. The Corporation, for and on behalf of the Bondholders, hereby appoints the Trustee and the Trustee hereby accepts such appointment to: (a) receive the proceeds from the sale of the Bonds; (b) receive all payments to be made pursuant to the Lease; (c) apply and disburse the proceeds from the sale of the Bonds and the payments received hereunder as hereinafter provided; and (d) perform all the other duties and obligations of the Trustee expressly provided for herein.

Section 2.6. Authority to Contract. Each of the parties has authority to enter into this Trust Indenture and has taken all actions necessary to authorize its execution and delivery by its Authorized Officers signing on the signature page hereof and the performance of its respective obligations hereunder.

Section 2.7. Conditions Precedent Satisfied. All acts, conditions and things required by law to exist, happen and be performed precedent to and in connection with the execution and delivery of this Trust Indenture have happened, and have been performed in regular and due time, form and manner required by law, and the parties hereto are now fully empowered to execute and enter into this Trust Indenture.

Section 2.8. Granting Clauses: Trust Estate

NOW, THEREFORE, in consideration of the mutual undertakings, provisions and agreements herein contained, in order to secure the payment of the principal of and interest on the Bonds, as determined pursuant to the Lease according to its true intent and meaning and to the extent herein provided, to secure the performance and observance of all covenants and conditions herein contained for and in consideration of these premises and of the purchase and acceptance of the Bonds by the Holders thereof from the trust hereby created and of the acceptance by the Trustee of the trust hereby created and for other good and valuable consideration, the receipt of which is hereby acknowledged, this Trust Indenture has been executed and delivered by the Corporation and the Trustee, and the Trustee has received from the Corporation for the benefit of the Bondholders: (a) all right, title and interest of the Corporation in and under, but none of its responsibilities or obligations with respect to, the Lease, including Rental Payments, and any other instrument or document relating to the Project or the financing thereof; (b) all right, title and interest of the Corporation in income, charges and funds realized from the lease, sale, transfer or other disposition of the Project; (c) a first lien interest in the Project pursuant to the Deed of Trust; (d) the Security Agreement; and (e) all money and investments in all funds (including the Trust Fund) and accounts established under this Trust Indenture, except the Rebate Fund (collectively referred to as the “*Trust Estate*”). The Trustee hereby declares that it will hold all Rental Payments or other sums paid under the Lease, as well as all other income, charges and funds realized from the removal or other disposition of the Project or other amounts received pursuant to this Trust Indenture or the Deed of Trust, except the Rebate Fund, in trust for the benefit of the Bondholders in accordance with the terms of this Trust Indenture, together with all funds and investments in the Trust Fund and all funds deposited with the Trustee, all subject to and in accordance with this Trust Indenture.

TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, unto the Trustee and its successors in trust and to its assigns forever;

BUT IN TRUST NEVERTHELESS, for the equal and proportionate benefit, security and protection of all present and future Bondholders whose Bonds are governed by this Trust Indenture, and to secure the performance of and compliance with the covenants, terms and conditions of this Trust Indenture, without preference, priority or distinction, as to lien or otherwise (except as hereinafter expressly provided) of any Bondholder over any other, so that each and every Bondholder shall have the same right, lien and privilege under this Trust Indenture and shall be equally and ratably secured on a pro rata basis.

ARTICLE III

BOND TERMS AND PROVISIONS

Section 3.1. Limited Obligation: Payments from Trust Estate Only. All payments of principal, premium, if any, and interest (and any other payments) to be made by the Corporation and the Trustee under this Trust Indenture to the Bondholders shall be made only from the income and proceeds from the Trust Estate created pursuant to this Trust Indenture and only to the extent that the Trustee shall have received income or proceeds from such Trust Estate. The Bondholders agree that they shall look solely to the income and proceeds from the Trust Estate, as set forth in this Trust Indenture, for payment of the Bonds.

Section 3.2. Method of Payment: Unclaimed Payments. (a) The Trustee is hereby appointed paying agent/registrar for the Bonds.

(b) Payments of interest made with respect to the Bonds shall be made to the persons appearing on the Bond Register of the Trustee as the Owners thereof at the close of business on the last day of the

month (whether or not a Business Day) preceding the date on which such payment is due. No presentment shall be required for payments of principal with respect to the Bonds except the payment of principal on the final maturity date of the Bonds shall be made only upon surrender of such Bond to the Trustee at its Principal Office.

(c) If funds sufficient to pay any Bond shall have been made available to the Trustee for the benefit of a Bondholder and be unclaimed by such Bondholder, it shall thereafter be the duty of the Trustee to hold such funds, without liability for interest thereon, for the benefit of such Bondholder. Such Bondholder shall thereafter be restricted exclusively to such funds for any claim of whatever nature under this Trust Indenture or with respect to said Bond. The Trustee's obligation to hold such funds shall continue for a period of three (3) years following the date on which the Bond became due (whether at maturity or at the date fixed for redemption thereof, or otherwise, as the case may be), at which time the Trustee shall surrender, pursuant to and in accordance with the provisions of any applicable escheat or forfeiture laws (including Title 6 of the Texas Property Code, as amended), any remaining funds so held by it. Upon such surrender, any claim by the Bondholders of whatever nature under this Trust Indenture shall be made pursuant to such laws, including Title 6 of the Texas Property Code, as amended.

Section 3.3. Authorization and Issuance of the Bonds: Maturity and Interest Rates. The Bonds shall be issued in a single Series and shall be designated "HARRIS COUNTY DEPARTMENT OF EDUCATION PUBLIC FACILITY CORPORATION LEASE REVENUE BONDS, SERIES 2020," and issued in the aggregate principal amount of \$[_____]. The Bonds shall be dated November 1, 2020. The Bonds shall bear interest from their date of delivery, or the most recent Bond Payment Date to which such interest has been paid or provided for, computed on the basis of a 360-day year consisting of twelve 30-day months, payable semi-annually on February 15 and August 15 of each year, beginning February 15, 2021 until maturity or prior redemption. The Bonds shall bear interest at the rates and shall mature in the amounts and on the dates, all as set forth below. (The amount of Rental Payments payable by the Department pursuant to the Lease, as set forth in Exhibit C hereto, which is made a part hereof for all purposes, shall correspond to and equal the amount of the payments of principal and interest on the Bonds.)

Maturity

Principal

Interest Rate

The Bonds shall be subject to optional and mandatory redemption as provided in Article VI of this Trust Indenture.

Section 3.4. Form of the Bonds: Denominations; Medium of Payment.

(a) The Bonds shall be issued only in fully registered form, without coupons. The definitive Bonds shall be in denominations of \$5,000 of principal amount, or an integral multiple thereof. The Bonds shall be payable solely in lawful currency of the United States of America. The Bonds shall be numbered consecutively from “R-1,” upward, except for the Initial Bonds which shall be numbered consecutively from “IR-1,” upward. The Bonds shall be rated by Moody’s.

(b) The Bonds shall be substantially in the form set forth in Exhibit B, with such variations, insertions or omissions as are appropriate and not inconsistent therewith and shall conform generally to the rules and regulations of any governmental authority or usage or requirement of law with respect thereto. Such form may be appropriately modified to provide for the issuance of the Bonds pursuant to Section 3.12 hereof.

(c) The approving opinions of Orrick, Herrington & Sutcliffe, LLP, Houston Texas, Bond Counsel, and CUSIP Numbers may be printed on the Bonds, but errors or omissions in the printing of such opinion or such numbers shall have no effect on the validity of the Bonds.

Section 3.5. Authentication. The Initial Bonds shall be submitted to the Attorney General of Texas for approval, and thereafter registered in the name of [_____] by the Comptroller of Public Accounts of the State of Texas or his duly authorized agent, by manual signature. Upon receipt of the Initial Bonds, together with a written request executed by an Authorized Officer of the Corporation, the Trustee shall authenticate and deliver one definitive Bond for each maturity in the principal amount thereof, registered in the name set forth in the Request for Authentication and Delivery referred to in Section 3.6 hereof. At any time thereafter, the Bondholders may deliver any Bond to the Trustee for exchange, accompanied by instructions from the Bondholder thereof, or such designee, designating the persons in whose names such Initial Bonds are to be registered and the addresses and the social security or tax identification numbers of such persons, and the Trustee shall thereupon, within not more than three (3) business days, authenticate, register and deliver such Bonds as provided in such instructions. No Bond shall be entitled to any benefit under this Trust Indenture or be valid or obligatory for any purpose, unless there appears on such Bond a certificate of registration executed by the Comptroller of Public Accounts of the State of Texas or a certificate of authentication executed by the Trustee, and such certification upon any Bond shall be conclusive evidence, and the only evidence, that such Bond has been duly authenticated and delivered hereunder.

Except for the Initial Bonds, the Bonds shall be authenticated by the manual signature of any employee as may be designated by an Authorized Officer of, and in the name of, the Trustee under this Trust Indenture.

Section 3.6. Delivery of the Bonds. Upon the execution and delivery of this Trust Indenture, the Corporation shall execute and deliver the Bonds to the Trustee and the Trustee shall register and authenticate the Bonds and deliver the Bonds.

Prior to the registration and authentication by the Trustee of the Bonds, there shall be filed with the Trustee:

(a) A general or other certificate of the Corporation incorporating a copy of the documents evidencing creation of the Corporation, the Corporation’s Articles of Incorporation, and any amendments thereto, and Bylaws, and any amendments thereto, and a copy of the Order;

(b) A general or other certificate of the Department incorporating a copy of the Order of the Department authorizing and approving the execution and delivery of the Lease relating to the Bonds and all other documents to be delivered by the Department in connection with the transactions contemplated by said instrument;

(c) Executed counterparts of the Financing Documents;

(d) A Request for Authentication and Delivery (substantially in the form attached hereto as Exhibit A) directing and authorizing the Trustee (i) to authenticate and deliver the Bonds upon payment to the Trustee for the account of the Corporation of the sum therein specified and (ii) to deposit the proceeds of the Bonds as provided in this Trust Indenture;

(e) A certificate by an officer or official of the Corporation charged with the responsibility for issuing the Bonds of the reasonable expectations of the Corporation on the date of issuance of the Bonds regarding the amount and use of the proceeds of the Bonds evidencing the basis for the tax exemption of the interest on the Bonds;

(f) The approving opinion of the Attorney General of the State as to the validity of the Bonds and the Lease and the related registration certificate of the Comptroller of Public Accounts of the State;

(g) An opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel (i) regarding the validity and tax-exempt status of the Bonds; and (ii) regarding enforceability of the Order and the Financing Documents and regarding exemption from registration under the Securities Act of 1933 and the Trust Indenture Act of 1939;

(h) Receipt of commitments to issue title insurance policies to be issued by Stewart Title Company (the “*Title Insurer*”), (i) in form and substance acceptable to Bond Counsel, such acceptance to be evidenced by the issuance of Bond Counsel’s opinion, and (ii) insuring the Trustee’s first priority lien on the Project in an amount equal to the original aggregate principal amount of the Bonds, subject only to the Permitted Encumbrances;

(i) Evidence of insurance coverage and payment of insurance premiums in accordance with the terms of the policies insuring the Project; and

(j) Such additional certificates of the Corporation, the Department and the Trustee as Bond Counsel may require.

Notwithstanding the foregoing, the Trustee shall not deliver the Bonds unless all liens (other than Permitted Encumbrances) have been discharged (or insured against by the title insurance policy referred to in (i) above) or sufficient funds have been deposited in escrow for such purpose. The Trustee may rely on a certificate of Title Insurer to the effect that any funds deposited in escrow are sufficient to discharge such lien(s).

Section 3.7. Bond Register. The Trustee will maintain a register of the names and addresses of the Bondholders (the “*Bond Register*”). The Trustee shall deem and treat the persons or entities in whose name the Outstanding Bonds shall be registered upon the Bond Register as the absolute Owners of such Bonds, whether such Bonds shall be overdue or not for the purpose of receiving payments of, or on account of the principal of and interest payments with respect to, such Bonds plus the Purchase Option Price as determined pursuant to the Lease and for all other purposes, and all such payments so made to such Bondholder, or upon the Bondholder’s order, shall be valid and effectual to satisfy and discharge the liability upon such Bonds to the extent of the sum or sums so paid, and neither the Corporation nor the Trustee shall be affected by any notice to the contrary.

Section 3.8. Transfers of Bonds. Any Bond may be transferred upon surrender thereof by the Bondholder in person or by his attorney-in-fact or legal representative duly authorized in writing together with a written instrument of transfer and upon payment by such Bondholder of a sum sufficient to cover any governmental tax, fee or charge required to be paid, as provided in this Trust Indenture, but otherwise no charge shall be made for such transfer. Upon any such transfer, the Corporation shall cause to be executed and the Trustee shall authenticate and deliver in the name of the transferee a new fully registered Bond or Bonds in authorized denominations and of the same maturity or maturities and interest rate(s) and in the same aggregate principal amount(s), and the Trustee shall enter the transfer of ownership in the Bond Register. No transfer of any Bond shall be effective until entered on the Bond Register.

Section 3.9. Exchange of Bonds. The Bond may be exchanged upon surrender thereof for cancellation at the Principal Office of the Trustee for a Bond or Bonds of like maturity and aggregate principal amount. The Bond surrendered in an exchange under this Section shall be cancelled. Such exchange shall be without cost to the Bondholder except that the Trustee shall require such Bondholder to pay any tax, fee or other governmental charge required to be paid with respect to such exchange. The Trustee shall not be required to make any exchanges of the Bond during the period between the last day of the month preceding the date on which a payment with respect to the Bond is due and the date on which such payment is due or during the fifteen (15) calendar days next preceding the giving of any notice of redemption.

Section 3.10. Temporary Bonds. Pending preparation of definitive Bonds, Bonds delivered under this Trust Indenture may be initially delivered in temporary form exchangeable for definitive Bonds when ready for delivery in the manner set forth in Section 3.5 hereof. Such temporary Bonds may be printed, lithographed or typewritten and may contain such reference to any of the provisions of this Trust Indenture as may be appropriate, temporary Bonds shall be executed and registered and delivered upon the same conditions and in substantially the same manner as definitive Bonds in the manner set forth in Section 3.5 hereof. If the Trustee delivers temporary Bonds, it shall execute the definitive Bonds in exchange for, and upon surrender for cancellation at the Principal Office of the Trustee of temporary Bonds in an equal aggregate principal amount and of the same maturity. Until so exchanged, the temporary Bonds shall be entitled to the same rights, remedies and benefits under this Trust Indenture as the definitive Bonds delivered pursuant hereto.

Section 3.11. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Trustee shall, at the expense of the Holder of said Bond, execute and deliver a new Bond of like tenor, maturity and number (except that such number may be preceded by a distinguishing prefix) in exchange and substitution for the Bond so mutilated. The mutilated Bond surrendered to the Trustee shall be cancelled. If the Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted by the Owner or his duly authorized agent to the Trustee and if such evidence is satisfactory to the Trustee and if an indemnity bond in an amount and form satisfactory to the Trustee shall be given, the Trustee shall execute and deliver a new Bond of like tenor, maturity and number as the Trustee shall determine in lieu of and in substitution for the Bond so lost, destroyed or stolen. If, after the delivery of such new Bond, a bona fide purchaser of the original Bond in lieu of which such new Bond was issued presents for payment or registration such original Bond, the Trustee shall be entitled to recover such new Bond from the person to whom it was delivered or any person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Corporation or the Trustee in connection therewith.

In addition to the indemnity bond described above, the Trustee may require the payment of a sum not exceeding the actual cost of preparing the new Bond issued under this Section and of the expenses incurred by the Trustee hereunder. The Bond issued under the provisions of this Section in lieu of the Bond alleged to be lost, destroyed or stolen shall be equally and ratably entitled to the benefits of this Trust

Indenture with any other Bond secured by this Trust Indenture. The Trustee shall not treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the amount of the Bonds which may be issued hereunder. As to any Bond which has been mutilated, lost, destroyed or stolen and which has matured, the Trustee may pay such Bond with funds on hand which have been provided by the Corporation in lieu of delivering a new Bond.

Section 3.12. Book-Entry Only System.

(a) The definitive Bonds shall be initially issued in the form of a separate single fully registered Bond for each of the maturities thereof. The Bonds will be registered in the name of Cede & Co., as nominee of DTC.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the Corporation, the Department and the Trustee shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom such a DTC Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the Corporation, the Department and the Trustee shall have no responsibility or obligation with respect to (a) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (b) the delivery to any DTC Participant or any other person, other than a Bondholder, as shown on the Bond Register, of any notice with respect to the Bonds, including any notice of redemption, (c) the payment to any DTC Participant or any other person, other than a Bondholder as shown in the Bond Register, of any amount with respect to principal of the Bonds, premium, if any, or interest on the Bonds, (d) the selection of the DTC Participants or purchasers of beneficial interests in the Bonds (the "*Beneficial Owners*") to receive payment in the event of partial redemption of the Bonds or (e) any consent given or other action taken by DTC as owner of the Bonds. Neither the Corporation, the Department nor the Trustee has any direct obligation or responsibility to DTC Participants or Beneficial Owners.

Except as provided in this Section, the Corporation, the Department and the Trustee shall be entitled to treat and consider the person in whose name each Bond is registered in the Bond Register as the absolute Owner of such Bond for the purpose of payment of principal of, premium, if any, and interest on the Bonds, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfer with respect to such Bond, and for all other purposes whatsoever. The Trustee shall pay all principal of the Bonds, premium, if any, and interest on the Bonds only to or upon the order of the respective Owners, as shown in the Bond Register as provided in this Trust Indenture, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Corporation's obligations with respect to payment of principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner shall receive a Bond certificate evidencing the obligation of the Corporation to make payments of amounts due pursuant to this Trust Indenture.

(b) Notwithstanding any other provision of this Trust Indenture to the contrary, as long as any Bonds are registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on the Bonds, and all deliveries and all notices with respect to such Bonds, shall be made and given, respectively, in the manner provided in the representation letter of the Corporation to DTC.

(c) In the event that the Corporation determines that DTC is incapable of discharging its responsibilities described herein and in the representation letter of the Corporation to DTC, and that it is in the best interest of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the Corporation shall (a) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC of the appointment of such successors

securities depository and transfer one or more separate Bonds to such successor securities depository or (b) notify DTC of the availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants having Bonds credited to their DTC accounts. In such event, the Bonds shall no longer be restricted to being registered in the Bond Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Bondholders transferring or exchanging Bonds shall designate, in accordance with the provisions of this Trust Indenture.

Section 3.13. Distributions of Certain Other Amounts. All amounts received or realized by the Trustee from or on account of the Trust Estate in connection with the exercise of remedies following a declaration of an Event of Default under the Lease, the Deed of Trust, the Security Agreement, or this Trust Indenture and all amounts received by the Trustee on account of the Trust Estate in connection with the removal or other disposition of Improvements following an Event of Default or Event of Nonappropriation shall be deposited to the Redemption Account and applied toward the redemption of the Bonds in accordance with Article VI hereof.

Section 3.14. Other Distributions. Any payments of any other amounts received by the Trustee as to which provision for the application thereof is made in the Lease (and for which no provision is made herein) shall be applied to the purpose for which such payments were made in accordance with the terms of the Lease.

Section 3.15. Evidence of Signatures of Bondholders and Ownership of the Bonds. Any request, direction, consent, revocation of consent or other instrument in writing required or permitted by this Trust Indenture to be signed or executed by the Bondholders may be in any number of counterpart instruments of similar tenor and may be signed or executed by such Bondholders in person or by their attorneys-in-fact or agents duly appointed by an instrument in writing for that purpose. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent and of the ownership of the Bonds shall be sufficient for any purpose of this Trust Indenture if made in a manner satisfactory to the Trustee.

The ownership of the Bonds shall be proved by the Bond Register held by the Trustee under the provisions of this Trust Indenture. Any request or consent of the Bondholders shall bind every future Holder of the same Bond in respect of anything done or suffered to be done by the Corporation or the Trustee in pursuit of such request or consent.

Section 3.16. Issuance of Additional Parity Bonds or Other Obligations.

(a) The Corporation hereby covenants and agrees that no other bonds or other obligations, other than the Bonds, shall be issued; provided, however, that the Corporation may issue additional bonds (“Additional Parity Bonds”) if the following conditions, as certified by a certificate executed by a Corporation Representative, have been met:

(i) No Event of Default hereunder or under the Lease is in existence at the time of issuance of the Additional Parity Bonds;

(ii) The laws of the State effective at the time of the authorization of such Additional Parity Bonds shall permit their issuance;

(iii) The Corporation and the Trustee shall execute an indenture or agreement supplemental hereto providing for the issuance of such Additional Parity Bonds;

(iv) The Rental Payments required to be made by the Department pursuant to the Lease shall have been increased to a level sufficient to provide for all Bond Payments with respect to any such Additional Parity Bonds; and

(v) For the Fiscal Year prior to the year in which the order authorizing the issuance of Additional Parity Bonds is adopted, the sum of (i) payments received by the Department pursuant to any of its contracts between the Department and independent school districts in Harris County, Texas for services and (ii) any unintended surplus equalization tax funds of the Department at the end of such Fiscal Year after payment of all maintenance and operating expenses for that year is not less than 1.50 times the maximum annual principal and interest requirements of the Bonds, and all Additional Parity Bonds at the time Outstanding, after giving effect to the issuance of the proposed Additional Parity Bonds.

(b) In addition to the Additional Parity Bonds authorized hereby, the Corporation shall have the right in accordance with any applicable law to issue refunding bonds in any manner authorized by law to refund all or any part of any Outstanding Bonds or Additional Parity Bonds; provided that no refunding bonds shall be issued which will have a lien on the Trust Estate prior and superior to any Bonds or Additional Parity Bonds which will remain Outstanding after the refunding and provided further that, the issuance of such refunding bonds must result in a debt service savings to the Corporation and a reduction in Rental Payments for the Department. Neither the Bonds nor any such refunding bonds described above shall be required to be further secured by a reserve fund or account.

(c) Any Additional Parity Bonds issued by the Department shall have the same payment dates as the Bonds.

ARTICLE IV

ESTABLISHMENT AND ADMINISTRATION OF FUNDS AND ACCOUNTS

Section 4.1. Trust Fund; Accounts Established.

(a) There is hereby established with the Trustee a special trust fund to be designated “The Trust Fund Relating to Harris County Department of Education Public Facility Corporation Lease Revenue Bonds, Series 2020,” referred to herein as the “Trust Fund.” The Trustee shall keep the Trust Fund separate and apart from all other funds held by it. The Trustee agrees to accept and deposit the proceeds from the sale of the Bonds, together with any other funds received by it for deposit into the Trust Fund, in accordance with and strictly as provided in this Article IV and in Article VIII of this Trust Indenture.

Within the Trust Fund, there are hereby established, and the Trustee shall administer and maintain for the benefit of the Bondholders in accordance with the terms of this Trust Indenture, the following separate and distinct accounts:

- (i) the Payment Account;
- (ii) the Redemption Account; and
- (iii) the Project Account.

(b) No amounts shall be withdrawn or transferred from or paid out of the Trust Fund, or the accounts therein, except as provided in this Article IV and in Section 5.13 hereof.

Section 4.2. Payment Account.

(a) The Payment Account shall be maintained by the Trustee until either all amounts payable under the Lease are paid in full or the Purchase Option Price is paid in full pursuant to the terms of the Lease or a redemption in whole occurs pursuant to Section 6.1 hereof. Rental Payments, proceeds of insurance or condemnation and all other funds derived from the removal or other disposition of the Improvements, payment of the Purchase Option Price and such other amounts as may be paid to the Trustee as assignee of the Corporation pursuant to the Lease to be deposited into the Payment Account shall be immediately deposited by the Trustee in the Payment Account.

(b) To the extent of funds contained therein, the Trustee shall withdraw from the Payment Account, on each Bond Payment Date, an amount equal to the amount of interest and principal payments due on the Bonds on such Bond Payment Date and shall cause the same to be applied to such payment.

(c) Upon the redemption in whole of a series of Bonds pursuant to Section 6.1 hereof, all funds in the Payment Account shall be transferred to the Redemption Account in accordance with Section 4.4 hereof.

(d) At least two weeks prior to each Rental Payment, the Trustee shall provide notice to the Corporation and the Department of the amount required to be deposited into the Payment Account to satisfy the next succeeding Bond Payment (after giving credit for any amounts, including interest earnings, then on deposit in the Payment Account and available for such payment).

Section 4.3. Reserved.

Section 4.4. Redemption Account. Funds to be used for redemption of the principal amount of the Bonds pursuant to Section 6.1 of this Trust Indenture shall be transferred by the Trustee from the Payment Account and deposited in the Redemption Account one (1) Business Day prior to the date fixed for redemption. Such funds shall be set aside in the Redemption Account solely for the purpose of redeeming the principal amount of the Bonds called for redemption and shall be applied on or after the date fixed for redemption to the payment of the principal of and interest on Bonds to be redeemed upon delivery to the Trustee of such Bonds. If there are not sufficient funds available to pay in full the interest and principal then due on the Bonds to be redeemed, the Trustee shall apply all funds on deposit in the Redemption Account first, to the payment of all accrued interest due with respect to the Bonds, pro rata in proportion to the total amount of interest due if necessary, and second, to the payment of the principal of such Bonds, pro rata in proportion to the total amount of principal due if necessary. Any funds remaining in the Redemption Account following redemption of, and payment of all principal of and interest due with respect to the Bonds, plus the Purchase Option Price, as determined pursuant to the Lease, shall be transferred to the Department.

Section 4.5. Project Account.

(a) On the Closing Date, the Trustee shall deposit to the Project Account \$[_____] from the proceeds from the sale of the Bonds and \$_____ pursuant to the Department's contribution.

(b) Any remaining amounts in the Project Account shall be disbursed for Project Costs and as otherwise specified in this Article.

(c) Disbursements to pay or reimburse the payment of Issuance Costs shall be made by the Trustee only upon receipt of a Requisition Requesting Disbursement of Project Costs, Including Issuance Costs, in the form attached hereto as Exhibit "D", approved and executed by an Authorized Officer of the

Department and the Corporation. The total amount to be paid from the Project Account for Issuance Costs pursuant to this subparagraph (c) shall not exceed \$250,000.

(d) Disbursements from the Project Account for Project Costs other than Issuance Costs and the distribution pursuant to subparagraph (b) shall be made, no more frequently than twice a month, by the Trustee only upon, and within five Business Days following receipt of a properly completed and executed Requisition Requesting Disbursement of Project Costs, Including Issuance Costs, in the form attached hereto as Exhibit “D”, executed by an Authorized Officer of the Corporation and approved by an Authorized Officer of the Department. The Trustee shall also create a subaccount within the Project Account designated the “Casualty and Condemnation Proceeds Subaccount” in order to deposit and account for any casualty or condemnation proceeds received pursuant to Section 8.1 of the Lease. The disbursements of any such casualty or condemnation proceeds shall be made by the Trustee in accordance with the procedures established in this subparagraph (d).

(e) Upon receipt of a fully executed and approved Requisition Requesting Disbursement of Project Costs or of Issuance Costs and its required attachments, the Trustee may rely conclusively upon such requisition and shall have no liability on account of any disbursement from the Project Account in accordance with such requisition and shall not be required to make any investigation in connection therewith.

(f) Upon a redemption of all Outstanding Bonds pursuant to Section 6.1, all funds then on deposit in the Project Account shall be transferred to the Redemption Account in accordance with the terms of Section 4.4, and the Project Account shall be closed.

(g) No amounts shall be withdrawn or transferred from or paid out of the Project Account except as provided in this Article IV.

(h) Not later than December 31, 2024, the Trustee shall transfer any remaining money in the Project Account to the Payment Account.

Section 4.6. Establishment and Application of Rebate Fund.

(a) In order to facilitate compliance with the Corporation’s covenants contained herein, there is hereby established a special fund to be designated as the “*Rebate Fund.*” The Rebate Fund shall be held by the Trustee separate and apart from the Trust Fund, shall be for the sole benefit of the United States of America and shall not be subject to the claim of any other person including, without limitation, the Bondholders. The Trustee shall administer the Rebate Fund as provided in this Article IV.

(b) The Trustee will deposit or transfer to the credit of the Rebate Fund each amount delivered to the Trustee by the Department or the Corporation for deposit thereto and each amount directed in writing by the Department to be transferred thereto.

(c) (1) Within five days after each receipt or transfer of funds to the Rebate Fund in accordance with Section 11.4 of the Lease (and in any event within 55 days after each Computation Date, as defined in Section 4.8 of this Indenture), the Trustee shall withdraw from the Rebate Fund and pay to the United States of America the appropriate portion of the Rebate Amount (determined by the Department) to the place and in the manner required by section 148(f) of the Code, the Regulations and rulings thereunder.

(2) Within five days after receipt from the Department of any “correction amount,” interest, and penalty, if any, pursuant to Section 11.4(b)(viii) of the Lease, the Trustee shall

withdraw such amounts from the Rebate Fund and pay such amounts to the United States of America.

(3) All payments to the United States of America pursuant to this subsection shall be made by the Trustee for the account and in the name of the Corporation and shall be paid by check or draft posted by registered United States Mail (return receipt requested), addressed to the Internal Revenue Service Center, Ogden, Utah 84201, accompanied by the relevant Internal Revenue Service Form, such as Form 8038-T, and, in the case of correction amounts, by the required written explanation provided by the Department or the Corporation.

(d) The Trustee shall preserve all statements, forms, and explanations received from the Department pursuant to Section 2.4 of the Lease and all records of transactions in the Rebate Fund until six years after the discharge of the Bonds.

(e) If at any time during the term of this Trust Indenture the Corporation, the Trustee, or the Department desires to take any action which would otherwise be prohibited by the terms of this Section, such person shall be permitted to take such action if it shall first obtain and provide at the expense of the Department, payable solely from lawfully Available Monies, to the other persons named herein an opinion of Bond Counsel to the effect that such action shall not adversely affect the exclusion of interest on the Bonds from gross income of the owners thereof for federal income tax purposes and shall be in compliance with the laws of the State and the terms of this Trust Indenture. The Trustee shall be fully protected in relying on such an opinion of Bond Counsel.

Section 4.7. Deposit and Investment of Funds in Trust Fund.

(a) Except as otherwise provided in this Section 4.7, the Trust Fund shall be invested by the Trustee in Permitted Investments pursuant to written instructions of the Corporation or, if the Corporation does not provide written instructions for such investment, the Trustee shall invest the Trust Fund in the Federated Treasury Obligations Fund (CUSIP 60934N120, TOTXX). No funds in the Trust Fund shall be invested in any Permitted Investment which matures or becomes due and payable after the Business Day preceding the date upon which such funds will be required by the Trustee for uses and purposes specified in this Trust Indenture. Investments on deposit in all funds and accounts shall be valued at cost.

Proceeds from the sale of the Bonds are not to be directed by the Corporation for investment in any Permitted Investments except for a temporary period pending disbursement in accordance with the purpose for which the Bonds are issued and such proceeds are not to be used by the Corporation directly or indirectly so as to cause any part of the Bonds to be or become “*arbitrage bonds*” within the meaning of the Code or any published regulations or rulings prescribed or made pursuant thereto.

(b) All interest or income received by the Trustee on the investment of funds held in the Project Account shall be retained therein until such Account is closed pursuant to Section 4.5 hereof.

(c) Interest or income received by the Trustee on the investment of funds held in the Payment Account shall be retained therein for the purpose of making payments from the Payment Account in the manner specified in this Trust Indenture.

(d) Amounts deposited in the Payment Account including, but not limited to, interest and investment income, shall be applied as a credit against the next Rental Payment due from the Department under the Lease.

(e) The Trustee shall act only as an agent of the Corporation in making or disposing of any investment. The Trustee shall not be liable for any loss resulting from the making or disposition of any investment pursuant to the provisions of subsection (a) of this Section 4.7, and any such losses shall be charged to the account with respect to which such investment was made.

Section 4.8. Tax Covenants. The following terms shall be defined in this Section as follows:

“Computation Date” has the meaning set forth in Section 1.148-1(b) of the Regulations.

“Gross Proceeds” means any proceeds as defined in Section 1.148-1(b) of the Regulations, and any replacement proceeds as defined in Section 1.148-1(c) of the Regulations, of the Bonds.

“Investment” has the meaning set forth in Section 1.148-1(b) of the Regulations.

“Nonpurpose Investment” means any Investment in which Gross Proceeds of the Bonds are invested and which is not acquired to carry out the governmental purposes of the Bonds.

“Rebate Amount” has the meaning set forth in Section 1.148-1(b) of the Regulations.

“Yield of”

(1) any Investment has the meaning set forth in Section 1.148-5 of the Regulations; and

(2) the Bonds has the meaning set forth in Section 1.148-4 of the Regulations.

(a) Not to Cause Interest to Become Taxable. The Corporation shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner which if made or omitted, respectively, would cause the interest on any Bond to become includable in the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the Corporation receives a written opinion of Bond Counsel to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income tax of the interest on any Bond, the Corporation shall comply with each of the specific covenants in this Section.

(b) No Private Use or Private Payments. Except to the extent that it will not cause the Bonds to become “private activity bonds” within the meaning of section 141 of the Code and the Regulations and rulings thereunder, the Corporation and/or the Department shall at all times prior to the last stated maturity of Bonds:

(1) exclusively own, operate and possess all property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds of the Bonds, and not use or permit the use of such Gross Proceeds (including all contractual arrangements with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds in any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and

(2) not directly or indirectly impose or accept any charge or other payment by any other person or entity who is treated as using Gross Proceeds of the Bonds or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with such

Gross Proceeds other than taxes of general application within the Department or interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

(c) No Private Loan. Except to the extent that it will not cause the Bonds to become “private activity bonds” within the meaning of section 141 of the Code and the Regulations and rulings thereunder, the Corporation shall not use Gross Proceeds of the Bonds to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, such Gross Proceeds are considered to be “loaned” to a person or entity if: (1) property acquired, constructed or improved with such Gross Proceeds is sold or leased to such person or entity in a transaction which creates a debt for federal income tax purposes; (2) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (3) indirect benefits, or burdens and benefits of ownership, of such Gross Proceeds or any property acquired, constructed or improved with such Gross Proceeds are otherwise transferred in a transaction which is the economic equivalent of a loan.

(d) Not to Invest at Higher Yield. Except to the extent permitted by section 148 of the Code and the Regulations and rulings thereunder, the Corporation shall not at any time prior to the final Stated Maturity of the Bonds directly or indirectly invest Gross Proceeds in any Investment, if as a result of such investment the Yield of any Investment acquired with Gross Proceeds, whether then held or previously disposed of, exceeds the Yield of the Bonds.

(e) Not Federally Guaranteed. Except to the extent permitted by section 149(b) of the Code and the Regulations and rulings thereunder, the Corporation shall not take or omit to take any action which would cause the Bonds to be federally guaranteed within the meaning of section 149(b) of the Code and the Regulations and rulings thereunder.

(f) Information Report. The Corporation shall timely file the information required by section 149(e) of the Code with the Secretary of the Treasury on Form 8038-G or such other form and in such place as the Secretary may prescribe.

(g) Not to Divert Arbitrage Profits. Except to the extent permitted by section 148 of the Code and the Regulations and rulings thereunder, the Corporation shall not, at any time prior to the earlier of the stated maturity or final payment of the Bonds, enter into any transaction that reduces the amount required to be paid to the United States pursuant to Section 4.06 hereof because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm’s length and had the Yield of the Bonds not been relevant to either party.

(h) Bonds Not Hedge Bonds.

(1) The Corporation expects to spend at least 85% of the spendable proceeds from the Bonds within three years after issuance.

(2) Not more than 50% of the Bond proceeds are expected to be invested in Nonpurpose Investments having a substantially guaranteed Yield for a period of 4 years or more.

(i) Elections. The Corporation hereby directs and authorizes the Department to make such elections in the Certificate as to Tax Exemption or similar or other appropriate certificate, form, or document permitted or required pursuant to the provisions of the Code or the Regulations, as they deem necessary or appropriate in connection with the Bonds. Such elections shall be deemed to be made on the Closing Date.

Notwithstanding any provision of this Trust Indenture or in the Lease to the contrary, and unless otherwise specifically agreed in a separate written agreement, the Trustee shall not be liable or responsible for any calculation or determination which may be required in connection with or for the purpose of complying with section 148 of the Code or any successor statute or any regulation, ruling, or other judicial or administrative interpretation thereof, including, without limitation, the calculation of the amounts required to be paid to the United States of America or the determination of the maximum amount which may be invested in Nonpurpose Investments having a Yield higher than the Yield on the Bonds, in connection with any such investments, and the Trustee shall not be liable or responsible for monitoring the compliance by the Department or the Corporation of any of the requirements of section 148 of the Code or any applicable regulation, ruling, or other judicial or administrative interpretation thereof; it being acknowledged and agreed that the sole obligation of the Trustee in this regard shall be to invest the moneys received by the Trustee pursuant to the instructions of the Department in the specific investments identified by the Department or, in the absence of such identification, to make investments as otherwise provided herein and to disburse said moneys in accordance with the terms of this Trust Indenture. Accordingly, the Trustee shall not be liable for the Bonds becoming “arbitrage bonds” as a result of investments made pursuant to the terms of this Trust Indenture.

Notwithstanding any other provision of this Trust Indenture, the Corporation’s representations and obligations under the covenants and provisions of this Section 4.8, and the obligations of the Trustee under Section 4.6 relating to the Rebate Fund, shall survive the defeasance and discharge of the Bonds for as long as such matters are relevant to the exclusion of interest on the Bonds from the gross income of the owners for federal income tax purposes.

Section 4.9. Payment of Other Costs. The Department has agreed in Section 6.1 of the Lease to pay from lawfully available Appropriated funds the ordinary fees and expenses of the Trustee, the extraordinary fees and expenses of the Trustee, utility charges, ad valorem taxes (prior to their delinquency) which are imposed on the Project, if any, the operating and maintenance costs of the Project, and the premiums of insurance policies relating to the Project; provided that the Trustee’s fees and expenses shall be paid solely from Available Funds.

Section 4.10. Continuing Disclosure Undertaking.

(a) The Corporation shall provide annually to the MSRB within six months after the end of each fiscal year, financial information and operating data with respect to the Corporation of the general type included in the final Official Statement under Tables numbered one through five, and in APPENDIX B. The Corporation shall update such information within six months after the end of each fiscal year. Any financial statements so to be provided shall be (1) prepared in accordance with the accounting principles prescribed by the Texas State Board of Education or such other accounting principles as the Corporation may be required to employ from time to time pursuant to State law or regulation and (2) audited, if the Corporation commissions an audit of such statements and the audit is completed within the period during which they must be provided. If audited financial statements are not so provided, then the Corporation shall provide unaudited financial statements for the applicable fiscal year by the required time and audited financial statements when and if audited financial statements become available.

If the Corporation changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the Corporation otherwise would be required to provide financial information and operating data pursuant to this Section.

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to documents (i) available to the public on the MSRB’s internet web site or (ii) filed with the SEC.

(b) The Corporation shall notify the MSRB in an electronic format prescribed by the MSRB, in a timely manner (not in excess of ten (10) Business Days after the occurrence of the event), of any of the following events with respect to the Bonds:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) Modifications to rights of holders of the Bonds, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the Notes, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the Corporation;
- (xiii) The consummation of a merger, consolidation, or acquisition involving the Corporation or the sale of all or substantially all of the assets of the Corporation, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) Incurrence of a debt obligation or derivative instrument entered into in connection with, or pledged a security or source of payment for, an existing or planned debt obligation of the Corporation, or a guarantee of any such debt obligation or derivative instrument, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the Corporation, any of which affect security holders, if material; and

(xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the Corporation, any of which reflect financial difficulties.

As used in clause (12), above, the phrase “bankruptcy, insolvency, receivership or similar event” means the appointment of a receiver, fiscal agent or similar officer for the Corporation in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets of the Corporation, or if jurisdiction has been assumed by leaving the Board and official or officers of the Corporation in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Corporation.

The term “financial obligation” when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” does not include municipal securities for which a final official statement has been provided to the MSRB consistent with the Rule. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws.

The Corporation shall notify the MSRB in an electronic format prescribed by the MSRB, in a timely manner, of any failure by the Corporation to provide financial information or operating data in accordance with the Section by the time required by this Section.

All documents provided to the MSRB shall be accompanied by identifying information, as prescribed by the MSRB.

(c) The Corporation shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the Corporation remains an “obligated person” with respect to the Bonds within the meaning of the Rule, except that the Corporation in any event will give the notice required by this Section of any Bond calls and defeasance that cause the Corporation to be no longer such an “obligated person.”

The provisions of this Section are for the sole benefit of the Registered Owners and beneficial owners of the Bonds, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Corporation undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Corporation’s financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The Corporation does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE CORPORATION BE LIABLE TO THE REGISTERED OWNER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE CORPORATION, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY

SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by the Corporation in observing or performing its obligations under this Section shall constitute a breach of or default under the Order for purposes of any other provision of this Order.

Nothing in this Section is intended to or shall act to disclaim, waive, or otherwise limit the duties of the Corporation under federal and state securities laws.

The provisions of this Section may be amended by the Corporation from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Corporation, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell the Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the Registered Owners of a majority in aggregate principal amount (or any greater amount required by any other provision of this Order that authorizes such an amendment) of the Outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the Corporation (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Registered Owners and beneficial owners of the Bonds. If the Corporation so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with this Section an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided. The Corporation may also amend or repeal the provisions of this Section if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the Corporation also may amend the provisions of this Section in its discretion in any other manner or circumstance, but in any case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds, giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule.

ARTICLE V

DEFAULT; LIMITATION OF LIABILITY

Section 5.1. Events of Default. The following shall be “*Events of Default*” under this Trust Indenture and the terms “*Events of Default*” and “*Default*” shall mean, whenever they are used in this Trust Indenture, any one or more of the following events:

(a) Failure by the Corporation to provide funds sufficient to pay the principal of, premium, if any, and interest on the Bonds when and as the same shall become due and payable.

(b) Failure by the Corporation to observe or perform any covenant, condition or agreement on its part to be observed or performed hereunder, other than as referred to in subsection (a) of this Section, and such failure is not cured within thirty (30) calendar days after written notice thereof is provided to the Corporation by the Trustee, provided that if such failure is capable of being cured but cannot be cured within such 30-day period, such failure will not be an Event of Default if the Corporation has commenced the cure of such failure within the 30-day period and diligently pursues the cure.

(c) An Event of Default or an Event of Nonappropriation, as defined and described in the Lease, shall have happened and is continuing.

(d) Any material statement, representation or covenant made by the Corporation or in any writing ever delivered by the Corporation hereunder or in connection therewith is determined to be false, misleading or erroneous in any material respect.

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

Section 5.2. Remedies on Default.

(a) Upon the occurrence of an Event of Default, and as long as such Event of Default is continuing, the Trustee may, and upon the written instruction of the owners of more than 50% of the principal amount of the Bonds shall, and subject to Section 7.3(g) hereof, exercise any one or more of the following remedies, to the extent that such remedies are permitted by law; provided that the Lease may not be terminated unless the Department is in default under the Lease or an Event of Nonappropriation under the Lease has occurred:

(i) With or without terminating the Lease, declare the principal of and accrued interest on all Outstanding Bonds to be immediately due and payable, by a notice in writing to the Corporation and the Department; or

(ii) Take any other such actions at law or in equity which may be available under State Laws to enforce the Lease or this Trust Indenture.

(b) If an Event of Default shall have occurred and be continuing or there shall occur an Event of Nonappropriation under the Lease, the Trustee may, and upon receipt of written instructions from the Holders of an aggregate of 25% of the principal amount of the Bonds shall, and subject to Section 7.3(g) hereof, as provided herein, foreclose on the Deed of Trust, or otherwise take possession of the Project.

Section 5.3. Remedies on an Event of Nonappropriation. Upon an Event of Nonappropriation under the Lease:

(a) Without further demand or notice, the Lease shall terminate at the end of the Fiscal Year for which sufficient funds have been Appropriated and the Department shall immediately, upon the expiration of such Fiscal Year, surrender possession and control of the Project to the Trustee. The Department shall provide the Corporation and the Trustee with written notice of such Event of Nonappropriation within five (5) Business Days following an action which constitutes failure by the Department to appropriate funds sufficient to pay Rental Payments under the Lease coming due during the succeeding Fiscal Year.

(b) Upon termination of the Lease pursuant to Section 5.3(a), if the Department has not delivered possession and control of the Project to the Corporation or Trustee and conveyed or released its interest in the Project as therein required, the termination shall nevertheless be effective, but the Department shall be responsible for the payment of damages in an amount equal to the amount of Rental Payments thereafter coming due which are attributable to the number of days (including any grace period) during which the Department fails to take such actions.

(c) Upon termination of a Lease, the Trustee may, but shall not be required to, take the necessary action without further notice or demand to foreclose the Deed of Trust on the Project; provided, however, in the event that all principal of, premium, if any, and interest on the Bonds, have been paid under the provisions of Section 5.13 hereof and whenever all fees, expenses, and charges of the Trustee shall have been paid, any portion of the properties comprising the Trust Estate remaining hereunder shall be paid, transferred and assigned to the Department.

Section 5.4. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Trustee is intended to be exclusive, and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Lease or this Trust Indenture or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 5.5. No Additional Waiver Implied By One Waiver. Subject to the requirements of Section 5.12 of this Trust Indenture, the Trustee may waive any Event of Default and its consequences and rescind any declaration of maturity of principal upon notice to the Bondholders of such waiver. No waiver of any default or Event of Default hereunder shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon or create liability on the part of the Trustee for doing so.

Section 5.6. Termination of Lease.

(a) If the Lease is terminated, at the Trustee's option, all amounts in the Payment Account may be transferred to the Redemption Account and the Bondholders of the Bonds shall be paid pursuant to the provisions of Section 6.1 of this Trust Indenture.

(b) If there are not sufficient funds available to pay in full the redemption price of all Bonds to be redeemed, the Trustee shall apply all funds on deposit in the Redemption Account first to the payment of all accrued interest due with respect to the Bonds, pro rata if necessary, according to the total interest then due and second to the payment of principal of the Bonds, pro rata if necessary.

Section 5.7. Notice of Default. The Trustee shall give written notice by registered or certified mail to the Corporation and the Department as soon as practicable, but in no event later than ten (10) Business Days after the Department's failure to make any Rental Payment when due (without regard to any grace period) or any other failure by the Department to comply with the provisions of the Lease, or the occurrence of any other Event of Default of which the Trustee has actual knowledge or has received notice; provided, however, that the receipt of such notice shall not be a condition to the occurrence of an Event of Default hereunder. If such notice relates to a failure to make an obligated payment or transfer, it shall specify the amount. If such notice relates to a matter other than a failure to make an obligated payment or transfer, it shall specify the manner in which the Department has failed to comply with the provisions of the Lease and demand such compliance.

Section 5.8. Appointment of Liquidating Trustee. The Trustee may appoint a liquidating trustee for the purpose of taking possession of the Project and causing the Project to be removed and sold at public sale. The liquidating trustee so appointed shall be a bank or trust company organized under the laws of the United States of America or one of the states thereof, and the Trustee is authorized in its sole discretion to appoint itself or an affiliate as liquidating trustee. All proceeds from the public sale of the Project and all other amounts in the Trust Estate, if any, shall be paid to the Trustee and the Trustee shall deposit such funds to the Redemption Account, after deduction of the reasonable fees and expenses of the liquidating trustee and any amounts which may be due to the Trustee hereunder. In the event that the

Trustee or the liquidating trustee believes that public sale of the Project would not be in the best interests of the Bondholders, it may in its sole discretion (but shall not be obligated to) recommend to Bondholders that this Trust Indenture and/or the Lease be amended by action of the Holders of fifty-one percent (51%) of the principal amount of the Bonds in order to allow such other disposition as may be appropriate under the circumstances.

Section 5.9. Initiation of Remedies. All rights of action hereunder may be enforced by the Trustee without the possession of the Bonds or the production thereof in any trial or other proceeding relating thereto and any such suit or proceeding instituted by the Trustee may be brought in its name as Trustee without the necessity of joining the Bondholders as plaintiffs or defendants. Any recovery of judgment shall be for the ratable benefit of the Bondholders.

Section 5.10. Rights and Remedies of the Bondholders. The Bondholders shall have the right to institute any action, suit or proceeding for the enforcement of this Trust Indenture, the execution of any trust hereof or any other remedy hereunder if an Event of Default has occurred and is continuing. Nothing in this Trust Indenture shall, however, affect or impair the right of the Bondholders to enforce the payment of the principal of, premium, if any, and interest on the Bonds at and after the maturity thereof or the obligation of the Trustee to pay the principal of, premium, if any, and interest on the Bonds hereunder to the Bondholders thereof at the time and place, from the source and in the manner provided in this Trust Indenture. Notwithstanding any provision herein to the contrary, a Bondholder may not pursue any remedy with respect to this Trust Indenture unless (a) the Bondholder gives the Trustee written notice stating that an Event of Default or an Event of Nonappropriation is continuing; (b) the Holders of an aggregate of at least 25% of the principal amount of the Bonds then Outstanding make a written request to the Trustee to pursue the remedy; (c) such Holder or Holders offer to the Trustee indemnity reasonably satisfactory to the Trustee against any loss, liability or expenses; and (d) the Trustee does not comply with the request within sixty (60) days after receipt thereof and the offer of indemnity.

Section 5.11. Termination of Proceedings. In the event the Trustee shall have proceeded to enforce any right under the Lease or this Trust Indenture and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee, then the Bondholders, the Corporation and the Trustee shall be restored to their former positions and rights hereunder and under the Lease, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Section 5.12. Waivers of Events of Default. The Trustee shall waive any Event of Default and its consequences and rescind any declaration of maturity of principal upon the written request of the Bondholders owning a majority in Outstanding principal amount of the Bonds; however, there shall not be waived any Event of Default in the payment of Rental Payments unless, prior to such waiver or rescission or in case any proceeding taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely to the Trustee, all arrears of such Rental Payments shall have been paid or provided for. In case of any such waiver or rescission or in case any proceeding taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely to the Trustee, then the Corporation, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder and under the Lease, respectively, but no such waiver or rescission shall extend to any subsequent or other default or impair any right consequent thereon.

Section 5.13. Application of Money.

(a) Upon an Event of Default or an Event of Nonappropriation, if money held by the Trustee for the Bonds is insufficient to pay the principal of, premium, if any, and interest on the Bonds, all money received and held by the Trustee pursuant to this Trust Indenture as a part of the Trust Estate and all money

received by the Trustee pursuant to any right given or action taken under the provisions of this Article shall, after payment of the costs and expenses of the proceedings resulting in the collection of such money and of the expenses, liabilities and advances incurred or made by the Trustee, be applied as follows:

FIRST - To the payment of the Trustee's unpaid fees and expenses and the reimbursement of any advances made by the Trustee, and any receiver and the reasonable attorneys' fees of the Trustee, or any receiver;

SECOND - To the payment to the persons entitled thereto of all installments of accrued interest then due on the Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installments, to the persons entitled thereto, without any discrimination or privilege among Bondholders;

THIRD - To the payment to the persons entitled thereto of the unpaid principal of and premium, if any, on the Bonds which shall have become due by maturity or acceleration (other than Bonds matured or called for redemption for the payment of which money is held pursuant to the provisions of this Trust Indenture), in the order of their due dates, and, if the amount available shall not be sufficient to pay in full the principal of and premium, if any, on such Bonds due on any particular date, then to the payment ratably, according to the amount of the principal and premium, if any, due on such date, to the persons entitled thereto without any discrimination or privilege among Bondholders;

FOURTH - To the payment of operating expenses, if any, of the Project and for reasonable renewals, repairs and replacements of the Project necessary to prevent impairment of the Trust Estate; and

FIFTH - To be held for the payment of the Bondholders entitled thereto as the same shall become due of the principal of, premium, if any, and interest on the Bonds which may thereafter become due either at maturity or upon call for redemption prior to maturity and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with interest and premium, if any, then due and owing, payment shall be made ratably according to the amount of principal, premium, if any, and accrued interest due on such date to the Bondholders entitled thereto without any discrimination or privilege among Bondholders.

(b) Whenever money is to be applied pursuant to the provisions of this Section, such money shall be applied at such times and from time to time as the Trustee shall determine, having due regard to the amount of such money available for such application and the likelihood of additional money becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be a Bond Payment Date unless it shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue, to the extent funds are available on such date to pay the amounts due. The Trustee shall give notice to the Corporation, the Department and the Bondholders of the deposit with it of any such money and of the fixing of any such date and shall not be required to make payment to the Bondholders until such Bonds shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

(c) Whenever all principal of, premium, if any, and interest on the Bonds have been paid under the provisions of this Section 5.13, and whenever all fees, expenses, and charges of the Trustee shall have been paid, any portion of the properties comprising the Trust Estate relating to the Bonds remaining hereunder shall be paid, transferred, and assigned to the Department.

Section 5.14. No Obligation With Respect to Performance by Trustee. The Corporation shall have no obligation or liability to any of the other parties or to the Bondholders with respect to the performance by the Trustee of any duty imposed upon it under this Trust Indenture.

Section 5.15. No Liability to the Bondholders for Rental Payments or Covenants. Except as expressly provided in this Trust Indenture, neither the Corporation nor the Trustee shall have any obligation or liability to the Bondholders with respect to the payment of Rental Payments by the Department when due or with respect to the performance by the Department of any other covenant made by it in the Lease.

Section 5.16. No Responsibility for Sufficiency of Lease. The Trustee shall not be responsible for the sufficiency of the Lease or the assignment made to it of the right to receive Rental Payments pursuant to the Lease or the value of the Project, but the foregoing does not reduce or eliminate any of the Trustee's specified responsibilities or obligations under this Trust Indenture. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it on behalf of the Department under the terms of and in accordance with this Trust Indenture. Further, the Trustee shall not be responsible or liable for the loss of investment income resulting from the failure of the Corporation or the Department to provide written instructions to the Trustee directing the investment of the Trust Fund.

Section 5.17. No Liability of Trustee. The Trustee shall not be liable to anyone for any delay in the delivery of any property to the Department, for any default on the part of any supplier, manufacturer or builder or for any defect in any of the property or in the title thereto, nor shall anything herein be construed as a warranty on the part of the Trustee in respect thereof or as a representation in respect of the title thereto. In the absence of the Trustee's negligence or willful misconduct, the Trustee shall not be liable for actions taken or not taken in good faith, or actions taken at the direction of the Bondholders owning a requisite percentage of the principal amount of the Bonds. The Trustee shall not be liable for costs, expenses, suits, judgments, actions, claims, losses, damages and liabilities whatsoever, including consequential damages, litigation and court costs, amounts paid in settlement, amounts paid to discharge judgments and legal fees and expenses, directly or indirectly arising out of (i) the use, maintenance, condition or management of, or from any work or thing done in connection with, the Project by any third party who is not acting as an attorney, agent or servant of the Trustee, (ii) any act of negligence of any third party who is not acting as an attorney, agent or servant of the Trustee or of any officer, agent, contractor, servant, employee, licensee or invitee of such third party in connection with the Project or the Lease, or (iii) the authorization of payment of costs by any third party who is not acting as an attorney, agent or servant of the Trustee.

The Trustee may perform its powers and duties hereunder by or through such attorneys, agents and servants as it shall appoint with reasonable care, shall be entitled to rely in good faith upon the advice of counsel selected by it with reasonable care and shall be answerable for only its own negligence or willful misconduct and not for any negligence or willful misconduct of any attorney, agent or servant appointed by it with reasonable care. The Trustee shall not be responsible in any way for the recitals herein contained or for the execution (except for its own execution) or validity of this Trust Indenture or of the Bonds or for any mistake of fact or law. **IN NO EVENT SHALL THE TRUSTEE BE LIABLE TO ANY PARTY OR THIRD PARTY FOR SPECIAL, INDIRECT OR CONSEQUENTIAL DAMAGES, LOST PROFITS OR LOSS OF BUSINESS ARISING UNDER OR IN CONNECTION WITH THIS TRUST INDENTURE OR THE OWNERSHIP OF THE PROJECT, EVEN IF APPRISED OF THE LIKELIHOOD OF SUCH DAMAGES AND REGARDLESS OF THE FORM OF ACTION. THE TRUSTEE SHALL NOT BE RESPONSIBLE OR LIABLE TO ANY BONDHOLDER TO PAY ANY INTEREST OR PRINCIPAL DUE OR TO BECOME DUE ON THE BONDS OR THE PURCHASE OPTION PRICE AS DETERMINED PURSUANT TO THE LEASE EXCEPT OUT**

OF FUNDS AVAILABLE TO THE TRUSTEE IN THE TRUST FUND OR ANY ACCOUNT THEREIN.

Section 5.18. Enforcement of Lease. The Corporation represents, warrants and covenants that it will take all action and execute all documents necessary or appropriate to enforce the terms and conditions of the Lease.

ARTICLE VI

REDEMPTION OF THE BONDS

Section 6.1. Terms of Redemption.

(a) If the Lease is terminated, the Bonds shall be subject to redemption as a whole, but not in part, at the Purchaser's option, on any date at a redemption price of par plus accrued interest to the date fixed for redemption from any moneys held hereunder, including funds obtained pursuant to remedies hereunder, under the Deed of Trust or under the Lease. The Bonds shall be called for redemption on the date for which notice can be given. If there are not sufficient funds available to pay in full all interest and principal then due on such Bonds then Outstanding, the Trustee shall apply all monies held in the Trust Fund, or otherwise available hereunder with respect to the Bonds, in accordance with the provisions of Section 5.13 of this Trust Indenture.

(b) The Bonds shall be subject to redemption on any date, at the option of the Department, in whole but not in part, upon the Department's payment of the full Purchase Option Price pursuant to Sections 8.1 and 10.1(c) of the Lease, at a redemption price equal to the principal of and accrued interest on the Bonds to the date set for redemption.

(c) The Bonds shall be subject to redemption on or after February 15, 20__, at the option of the Corporation, in whole but not in part, upon the Department's payment of the full Purchase Option Price at a redemption price equal to the principal of and accrued interest on the Bonds to the date set for redemption.

(d) [The Bonds maturing on February 15, 20__ (the "Term Bonds") are subject to mandatory redemption prior to maturity in the amounts and on the dates set out below, at a price equal to the principal amount to be redeemed plus accrued interest to the redemption date:

[INSERT]

The particular Term Bonds to be redeemed shall be selected by the Trustee, by lot or other customary random method.]

Section 6.2. Selection of Bonds Redeemed in Part. If less than all of the Bonds are called for redemption, the Bonds or portions thereof to be redeemed shall be selected by the Trustee by lot in integral multiples of \$5,000 from among those maturities designated by the Corporation. Upon the redemption of any Bond in part, the Corporation shall execute and the Trustee shall authenticate and deliver to the Owner thereof a new Bond or Bonds of the same maturity and interest rate and in an authorized denomination equal to the aggregate principal amount of the unredeemed portion of the Bond. On each Bond Payment Date for the Bonds, the Trustee shall make the principal and/or interest installment payments from the Payment Account.

Section 6.3. Notice of Redemption. Not less than thirty (30) days prior to a redemption date for the Bonds, a notice of redemption will be sent by U.S. mail, first class postage prepaid, in the name of the Corporation to each Holder of a Bond to be redeemed at the address of such Holder appearing on the Bond Register at the close of business on the Business Day next preceding the date of mailing. Such notice shall state the redemption date, the redemption price, and the place at which Bonds are to be surrendered for payment. Any notice of redemption so mailed as provided in this subsection will be conclusively presumed to have been duly given, whether or not the Holder receives such notice. By the date fixed for redemption, due provision shall be made with the Trustee for payment of the redemption price of the Bonds to be redeemed. When Bonds have been called for redemption and notice of redemption has been given as herein provided, the Bonds so redeemed shall no longer be regarded to be Outstanding, except for the purpose of receiving payment solely from the funds so provided for redemption, and interest which would otherwise accrue after the redemption date on any Bond called for redemption shall terminate on the date fixed for redemption. Unless sufficient funds to pay the redemption price of the Bonds to be redeemed shall have been received by the Trustee prior to the giving of notice of redemption, such notice shall state that said redemption is conditional upon the receipt of such funds by the Trustee on or prior to the date fixed for redemption. If such funds are not received by the redemption date, such notice shall be of no force or effect, the Corporation shall not redeem the Bonds, the redemption price shall not be due and payable and the Trustee shall give notice, in the same manner in which the notice of redemption was given, that such funds were not so received and that the Bonds will not be redeemed.

ARTICLE VII

THE TRUSTEE

Section 7.1. Employment of Trustee. In consideration of the recitals hereinabove set forth and for other valuable consideration, the Corporation hereby appoints the Trustee (a) to receive the proceeds from the sale of the Bonds; (b) to receive all payments to be made pursuant to the Lease; (c) to apply and disburse the proceeds from the sale of the Bonds and the payments received pursuant to the Lease and this Trust Indenture as provided for herein; and (d) to perform all the other duties and obligations of the Trustee expressly provided for herein. The Trustee shall not be required to give any bond or surety in respect of the execution of the trust and powers given to it by this Trust Indenture.

Section 7.2. Acceptance of Appointment. The Trustee hereby accepts the appointment above referred to subject to the terms and conditions of this Trust Indenture.

Section 7.3. Rights and Duties of Trustee.

(a) By executing and delivering this Trust Indenture, the Trustee accepts the duties and obligations of the Trustee expressly provided in this Trust Indenture, but only upon the terms and conditions set forth in this Trust Indenture. Except during the continuance of an Event of Default, the Trustee undertakes to perform such functions and duties and only such functions and duties as are specifically set forth in this Trust Indenture, and no implied duties or obligations shall be read into this Trust Indenture against the Trustee. In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Trust Indenture, and use the same degree of care and skill in the exercise of such rights and powers, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) The Trustee may rely and shall be protected in acting or refraining from acting upon any order, resolution, certificate, statement, instrument, opinion, report, notice (electronic, telephonic, teletype, written or otherwise), request, directors' action, consent, order, bond, debenture or other paper or document reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties.

(c) Any request or direction of the Corporation or the Department mentioned herein shall be sufficiently evidenced by a writing originally signed by an Authorized Officer.

(d) Whenever in the administration of this Trust Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon a certificate of an Authorized Officer of the Corporation or the Department.

(e) The Trustee shall not be bound to make any investigation into the facts or matters stated in any order, resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Department or Corporation personally or by agent or attorney.

(f) The Trustee may consult with legal counsel selected with reasonable care and the advice of such counsel or any opinion of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered, or omitted by the Trustee hereunder in good faith and in reliance thereon;

(g) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Trust Indenture at the request or direction of the Bondholders, unless such Bondholders, subject to Section 5.10, shall have offered to the Trustee security or indemnity satisfactory to it against the costs, expenses, and liabilities which might be incurred by it in compliance with such request or direction;

(h) No provision of this Trust Indenture shall require the Trustee to expend or risk its funds or otherwise incur any financial liability in the performance of any of its duties hereunder;

(i) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers unless it is negligent in doing so;

(j) In the event the Trustee receives inconsistent or conflicting requests and indemnity from two or more groups of Holders of Bonds, each representing less than a majority in aggregate principal amount of the Bonds Outstanding, pursuant to the provisions of this Trust Indenture, the Trustee, in its sole discretion, may determine what action, if any, shall be taken;

(k) The Trustee's immunities and protections from liability and its right to indemnification in connection with the performance of its duties under this Trust Indenture, together with the Trustee's right to compensation, shall survive the Trustee's resignation or removal, the discharge of this Trust Indenture and final payment of the Bonds;

(l) The permissive right of the Trustee to take the actions permitted by this Trust Indenture shall not be construed as an obligation or duty to do so;

(m) Except for information provided by the Trustee concerning the Trustee, the Trustee shall have no responsibility for any information in any offering memorandum or other disclosure material distributed with respect to the Bonds, and the Trustee shall have no responsibility for compliance with any state or federal securities laws in connection with the Bonds;

(n) In performing its duties under the Deed of Trust and the Lease, the Trustee shall be entitled to all of the rights, protections and immunities accorded to it as Trustee under this Trust Indenture whether or not therein expressly so provided;

(o) Naming of the Trustee as an insured or additional insured under any insurance policy, or the furnishing to the Trustee of any information relating thereto, shall not impose upon the Trustee any responsibility or duty to approve the form of such policy, the qualifications of the company issuing same or any other matters relating thereto; and

(p) In the event the Trustee incurs expenses or renders services in any proceedings which result from the occurrence or continuance of an Event of Default under Section 5.1(e) hereof, or from the occurrence of any event which, by virtue of the passage of time, would become such Event of Default, the expenses so incurred and compensation for services so rendered are intended to constitute expenses of administration under the United States Bankruptcy Code or equivalent law.

(q) The Trustee shall not be responsible or liable for any failure or delay in the performance of its obligations under this Trust Indenture arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes; fire; flood; hurricanes or other storms; wars; terrorism; similar military disturbances; sabotage; epidemic; pandemic; riots; interruptions; accidents; labor disputes; acts of civil or military authority or governmental action; it being understood that the Trustee shall use commercially reasonable efforts that are consistent with accepted practices in the banking industry to resume performance as soon as reasonably practicable under the circumstances.

(r) In no event shall the Trustee be responsible or liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss of damage and regardless of the form of such action.

(s) The Trustee may seek the approval of the Bondholders by any means it deems appropriate and not inconsistent with the terms of this Trust Indenture in connection with the giving of any consent or taking of any action.

Section 7.4. Removal and Resignation. A bank or trust company authorized to provide corporate trust services may be substituted by the Corporation to act as successor trustee under this Trust Indenture, upon written request of the Owners of 51% of the Outstanding principal amount of the Bonds. Such substitution shall not be deemed to affect the rights or obligations of the Bondholders. Upon any such substitution, the Trustee agrees to assign to such substituted Trustee its rights under this Trust Indenture and deliver all documents and funds held in connection with this Trust Indenture to such substituted Trustee. Any such successor shall have capital and surplus exclusive of borrowed capital aggregating at least \$50,000,000 and shall be subject to examination or supervision by a federal or state banking authority. If such bank or trust company publishes reports of condition at least annually, pursuant to law or the requirements of any supervising or examining authority above referred to, then for purposes of this Section, the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee or any successor may at any time resign by giving mailed notice to the Bondholders, the Department and the Corporation of its intention to resign and of the proposed date of resignation, which shall be a date not less than sixty (60) calendar days after such notice is deposited in the United States mail with postage fully prepaid, unless an earlier resignation date and the appointment of a successor Trustee shall have been or is approved in writing by the Bondholders. In the event that a successor Trustee is not

appointed within sixty (60) calendar days after such notice is deposited in the United States mail, the Owners of 51% of the Outstanding principal amount of the Bonds may petition the appropriate court having jurisdiction to appoint a successor Trustee. No resignation or removal of the Trustee and appointment of a successor Trustee shall become effective until acceptance of appointment by the successor Trustee.

Section 7.5. Appointment of Agent. The Trustee may appoint an agent to exercise any of the powers, rights or remedies granted to the Trustee under this Trust Indenture and to hold title to property or to take any other action which may be desirable or necessary.

Section 7.6. Merger or Consolidation of Trustee. Any corporation resulting from any merger or consolidation to which the Trustee or any successor to it shall be a party or any corporation in any manner succeeding to all or substantially all of the corporate trust business of the Trustee or any successor Trustee, provided that such corporation, if not an affiliate of the Trustee, shall have a capital and surplus aggregating at least \$50,000,000.00, shall be the successor Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto.

Section 7.7. Trustee Notice. The Trustee shall be required to take notice of any Event of Default hereunder arising from failure by the Department to pay Rental Payments when due or the occurrence of an Event of Nonappropriation of which an Authorized Officer of the Trustee has actual knowledge. Unless the Trustee shall be specifically notified in writing of any other default by the Department or the Corporation, the Trustee shall not be required to take notice or be deemed to have notice of any other Event of Default hereunder. Further, the Trustee shall not be deemed to have notice of any other events or occurrences under the Financing Documents unless an Authorized Officer of the Trustee has received written notice thereof from the Department, the Corporation or a Bondholder.

Section 7.8. Directors, Officers, Employees and Agents Exempt from Personal Liability. This Trust Indenture is solely a corporate obligation of the Trustee and no recourse under or upon any obligation, covenant, or agreement of this Trust Indenture, or for any claim based hereon, shall be asserted against any past, present, or future director, officer, employee, representative or agent as such of the Trustee whether by virtue of any law or otherwise. All such liability and claims against such persons are expressly waived as a condition of, and in consideration for, the execution and delivery of this Trust Indenture.

ARTICLE VIII

USE OF PROCEEDS

Section 8.1. Application of Bond Proceeds. Proceeds from the sale of the Bonds shall, promptly upon receipt by the Corporation, be applied by the Trustee as follows:

(a) \$[_____] shall be deposited to the Project Account for the Project and to pay costs of issuance of the Bonds and an additional \$_____ shall be contributed to the Project Account by the Department.

(b) \$0.00 shall be deposited to the Payment Account.

ARTICLE IX

[RESERVED]

ARTICLE X

AMENDMENT; DEFEASANCE; ADMINISTRATIVE PROVISIONS

Section 10.1. Amendment. The Trustee, the Department and the Corporation, without the consent of the Bondholders, may amend this Trust Indenture, the Deed of Trust, the Lease or other instruments evidencing the existence of a lien as shall not be inconsistent with the terms and provisions hereof for any one of the following purposes:

- (a) To cure any ambiguity, inconsistency or formal defect or omission;
- (b) To grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders or the Trustee or either of them;
- (c) To subject additional revenues to the lien and pledge of this Trust Indenture;
- (d) To add to the covenants and agreements contained therein other covenants and agreements thereafter to be observed for the protection of the Bondholders or to surrender or limit any right, power or authority herein reserved to or conferred upon the Corporation;
- (e) To evidence any succession by the Department, the Trustee or the Corporation and the assumption by such successor of the requirements, covenants and agreements of the Department, the Trustee or the Corporation in this Trust Indenture, the Lease and the Bonds; or
- (f) To make any other amendment that does not adversely affect the interests of the Bondholders.

Exclusive of the aforementioned types of amendment and subject to the terms and provisions contained in this Section 10.1, and not otherwise, with the approval of Owners owning not less than 66 $\frac{2}{3}$ % in aggregate principal amount of Bonds then Outstanding, the Trustee, the Corporation and the Department shall have the right, from time to time, anything contained in this Trust Indenture to the contrary notwithstanding, to amend any of the terms or provisions contained in this Trust Indenture, the Deed of Trust, the Lease or in any amendment thereto; provided, however, that nothing in this Section 10.1 shall permit or be construed as permitting: (i) without the consent of each Bondholder so affected, an extension of the maturity of the principal of or the interest on any Bond, a reduction in the principal amount of any Bond or a reduction in the rate of interest thereon; (ii) without the consent of each Bondholder, a privilege or priority of any Bond over any other Bond or a reduction in the aggregate principal amount of the Bonds required for consent to an amendment; or (iii) without the consent of each Bondholder, creation of any prior or parity liens on the Trust Estate. In addition, nothing in this Section 10.1 shall permit or be construed as permitting the amendment of the Deed of Trust or the Lease without the approval of Owners owning not less than 66 $\frac{2}{3}$ % in aggregate principal amount of the Bonds then Outstanding.

Subject to the first paragraph of this Section 10.1, the Trustee, without the consent of the Owners owning not less than 51% in aggregate principal amount of the Bonds then Outstanding, may not consent to any amendment to the Lease. Unless each Bondholder so affected consents, no amendment to the Lease shall be consented to if the amendment would result in (i) an extension of any Rental Payment Date, a

reduction in any Rental Payment or a reduction in the Purchase Option Price as determined pursuant to the Lease; or (ii) a reduction in the number of consenting Bondholders required for consent to such amendment.

If at any time an amendment shall be proposed for any of the purposes of this Section requiring the approval of Bondholders, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, notify all Bondholders from whom consent is sought, of the proposed amendment in the manner provided by Section 10.5 hereof. Such notice shall briefly set forth the nature of the proposed amendment and shall state that copies thereof are on file at the Principal Office of the Trustee for inspection. If, within 60 calendar days after mailing of the notice or such longer period not to exceed 120 calendar days as the Trustee may prescribe, the requisite number of Bondholders, at the time notice of such amendment is given, shall have consented to and approved the execution thereof as herein provided, no Bondholder shall have any right to object to any of the terms and provisions contained therein or the operation thereof, in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Corporation from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such amendment, this Trust Indenture shall be and is deemed to be modified and amended in accordance with such amendment.

There shall be filed with the Trustee with respect to each amendment to this Trust Indenture an opinion of counsel acceptable to the Trustee to the effect that such amendment is authorized or permitted by this Trust Indenture and that all conditions precedent with respect to the execution and delivery thereof have been fulfilled.

Section 10.2. Defeasance. In the event the Bonds delivered pursuant hereto shall become due and payable in accordance with their terms and the whole amount of the principal and interest so due and payable upon such Bonds shall be paid or in the event there has been deposited with the Trustee cash or noncallable obligations of the United States or obligations for which the full faith and credit of the United States are pledged for the timely payment of principal and interest thereon, in an amount sufficient without reinvestment (together with interest earnings thereon) that constitute Available Monies to provide for payment of the whole amount of the principal and interest when due and payable upon such Bonds and there has been filed with the Trustee a certificate of an independent certified public accountant to the effect that such deposit will be sufficient to cause the said whole amount to be paid when due, and an opinion of nationally recognized bond counsel to the effect that such deposit will not adversely affect the exclusion from gross income for federal income tax purposes of interest paid with respect to such Bonds and that all of the requirements of this Trust Indenture for defeasance of the Bonds have been complied with, and that all conditions precedent herein provided for relating to the satisfaction and discharge of this Trust Indenture have been complied with, if irrevocable and satisfactory arrangements have been made with the Trustee, and if in either such event all administrative expenses and amounts due or to become due hereunder shall have been paid or provided for, then, and in either such event, the right, title and interest of the Trustee and the Corporation under this Trust Indenture with respect to such Bonds shall thereupon cease, terminate and become void, and the Trustee shall assign and transfer to the Department, upon the order of the Department, all property (in excess of the amounts required for the foregoing) then held by the Trustee relating to such Bonds (including the Lease and all payments thereunder and all balances in any account created under this Trust Indenture) and shall execute such documents as may be reasonably required by the Department in this regard.

Section 10.3. Recording and Filing: Release of Liens.

(a) The Trustee shall cause to be recorded or filed, at the Corporation's expense, all necessary financing statements (other than financing statements to be filed in connection with original issuance of the Bonds), including continuation statements, related to this Trust Indenture, the Lease, or the Deed of Trust and all supplements hereto and thereto, and such other documents as may be necessary to be kept and filed

in such manner and in such places as may be required by law in order to perfect, preserve and protect fully the security of the Owners and the rights of the Trustee hereunder and under the Deed of Trust.

(b) The Corporation shall (or shall cause the Department to), upon the reasonable request of the Trustee, from time to time execute and deliver such further instruments and take such further action as may be reasonable and as may be required to effectuate the purposes of this Trust Indenture or any provision hereof.

(c) The Corporation expressly authorizes and directs the Trustee to file and refile all required financing statements to perfect the Trustee's security interest in the Trust Estate and the security interests created under the Deed of Trust. The Trustee agrees to promptly release all of its security interests in the Trust Estate upon payment (or provision for payment pursuant to Section 10.2) in full of the Bonds. Notwithstanding the foregoing, the Trustee shall not be responsible for the sufficiency of or the proper recording or indexing of any financing or continuation statements or releases.

(d) The Corporation shall take such measures as are necessary to ensure the removal and release of any lien filed against the Project after the Closing Date.

Section 10.4. Notices. All notices to be given under this Trust Indenture shall be made in writing and personally delivered or mailed by first class mail to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other parties in writing from time to time. Any such notice shall be deemed to have been received when personally delivered or, if mailed, three (3) calendar days after deposit in the United States mail, with postage fully prepaid. The Trustee may rely upon a notice given to it by any party who the Trustee reasonably believes is authorized to give such notice. Notwithstanding the foregoing, notices to the Trustee shall be effective only upon receipt.

Addresses for Notices:

TO: Corporation

Harris County Department of Education Public Facility Corporation
6300 Irvington Blvd.
Houston, Texas 77022-5618
Attention: President, Board of Directors
Telephone: (713) 694-7300
Telecopy: (713) 696-0730

TO: Trustee

BOKF, NA
1401 McKinney Avenue, Suite 1000
Houston, Texas 77010
Telephone: (713) 289-5829

TO: Department

Harris County Department of Education
6300 Irvington Blvd.
Houston, Texas 77022-5618
Attention: Superintendent
Telephone: (713) 696-0715
Telecopy: (713) 696-0730

Section 10.5. Reserved.

Section 10.6. Applicable Law. This Trust Indenture shall be construed and governed in accordance with the laws of the State.

Section 10.7. Severability. Any provision of this Trust Indenture found to be prohibited by law shall be ineffective only to the extent of such prohibition and such prohibition shall not invalidate the remainder of this Trust Indenture.

Section 10.8. Binding on Successors. This Trust Indenture shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

Section 10.9. Headings. Headings preceding the text of the several Articles and Sections hereof, and the table of contents, are solely for convenience of reference and shall not constitute a part of this Trust Indenture or affect its meaning, construction or effect.

Section 10.10. Execution in Counterparts. This Trust Indenture may be executed in several counterparts, each of which shall be deemed an original and all of which shall constitute but one and the same instrument.

Section 10.11. Complete Agreement. This Trust Indenture supersedes and takes the place of any and all previous agreements entered into among the parties hereto with respect to the subject matter hereof.

Unless otherwise specified, all references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Trust Indenture.

IN WITNESS WHEREOF, the parties have executed and attested this Trust Indenture by their officers thereunto duly authorized as of the date and year first written above.

**HARRIS COUNTY DEPARTMENT OF
EDUCATION PUBLIC FACILITY
CORPORATION**

By: _____
Name: Rich Vela
Title: President, Board of Directors

BOKF, NA
as Trustee

By: _____
Name: _____
Title: _____

EXHIBIT A

REQUEST FOR AUTHENTICATION AND DELIVERY OF BONDS

To: BOKF, NA, as Trustee
Houston, Texas

Re: \$[_____] Harris County Department of Education Public Facility Corporation Lease
Revenue Bonds, Series 2020 (the "Bonds")

Ladies and Gentlemen:

With reference to the captioned Bonds, and in compliance with Section 3.6(d) of the Trust Indenture, dated as of November 1, 2020 (the "Indenture"), between the Harris County Department of Education Public Facility Corporation (the "Issuer") and you, as Trustee, the Issuer has heretofore caused to be delivered to you, as Trustee, the initial Bonds in the original aggregate principal amounts set forth in the Indenture, in fully-registered form, approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas (the "Initial Bonds"). Capitalized terms used herein and not otherwise defined shall have the meanings assigned in the Indenture. You are hereby instructed as follows:

- (1) Upon receipt by you of payment for the account of the Issuer of the initial aggregate purchase price of the Bonds in the amount of \$[_____] , you are hereby instructed to cancel the Initial Bonds and to authenticate and deliver definitive Bonds (in exchange for the Initial Bonds) registered in the name of BOKF, NA dba Bank of Texas.
- (2) You are hereby instructed to deposit the proceeds of the Bonds, as provided in the Indenture, into the funds and accounts created pursuant to the Indenture, as described in the Closing Memorandum attached as Exhibit A.
- (3) From amounts held in the Project Account, you are instructed to pay the amounts set forth in the schedule attached hereto as Exhibit B to the persons listed in Exhibit B for services rendered in connection with the issuance of the Bonds.

Dated: _____, 2020

HARRIS COUNTY DEPARTMENT OF
EDUCATION PUBLIC FACILITY
CORPORATION

By: _____
Name: _____
Title: _____

The Bonds shall be prepared, authenticated and delivered as set forth in Article III of the Indenture.

The Trustee hereby acknowledges receipt of this request pursuant to the terms of the above-referenced Indenture.

BOKF, NA,
as Trustee

By: _____
Name: _____
Title: _____

EXHIBIT B

[FORM OF BOND]
United States of America
State of Texas

NUMBER
R _____
REGISTERED

PRINCIPAL AMOUNT
\$ _____

**HARRIS COUNTY DEPARTMENT OF EDUCATION PUBLIC FACILITY CORPORATION
LEASE REVENUE BOND, SERIES 2020**

Interest Rate:

Dated Date:

Maturity Date

November 1, 2020

Registered Owner:

CEDE & Co

Principal Amount:

_____ Dollars

HARRIS COUNTY DEPARTMENT OF EDUCATION PUBLIC FACILITY CORPORATION, a nonprofit corporation and public instrumentality duly organized and validly existing under the laws of the State of Texas (hereinafter called the "*Corporation*"), for value received, hereby promises to pay, only from the sources as hereinafter provided, to the Registered Owner identified above, or registered assigns, on the Maturity Date specified above, the Principal Amount identified above, and to pay interest thereon at the rate shown above, calculated on the basis of a 360-day year of twelve 30-day months, from the later of the date of delivery, or the most recent interest payment date to which interest has been paid or duly provided for Interest on this Bond is payable semi-annually on February 15 and August 15 of each year until maturity or prior redemption, beginning February 15, 2021, by check mailed to the registered owner of record as of the fifteenth day of the month next preceding each interest payment date, as shown on the registration books kept by BOKF, NA, Houston, Texas (the "*Trustee*").

All capitalized terms shall have the meanings given to them in the Trust Indenture unless the context requires otherwise.

THIS BOND IS PAYABLE SOLELY FROM PAYMENTS TO BE MADE BY HARRIS COUNTY DEPARTMENT OF EDUCATION TO THE CORPORATION IN ACCORDANCE WITH THE LEASE WITH OPTION TO PURCHASE, DATED AS OF NOVEMBER 1, 2020 (THE "LEASE"), BETWEEN THE CORPORATION, AS LESSOR, AND THE DEPARTMENT, AS LESSEE. THIS BOND SHALL NEVER CONSTITUTE AN INDEBTEDNESS OR GENERAL OBLIGATION OF THE CORPORATION, THE STATE OF TEXAS, THE DEPARTMENT, OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF TEXAS, WITHIN THE MEANING OF ANY CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION WHATSOEVER, BUT THIS BOND SHALL BE A LIMITED OR SPECIAL OBLIGATION OF THE CORPORATION PAYABLE SOLELY FROM DESIGNATED FUNDS AS PROVIDED IN THE TRUST INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, THE DEPARTMENT, OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF TEXAS IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF THIS BOND OR THE INTEREST THEREON, THE PURCHASE OPTION PRICE AS DETERMINED PURSUANT TO THE LEASE OR OTHER COSTS INCIDENT

THERETO. NEITHER THE MEMBERS OF THE GOVERNING BODY OF THE CORPORATION NOR ANY PERSON EXECUTING THIS BOND SHALL BE LIABLE PERSONALLY ON THIS BOND BY REASON OF THE ISSUANCE THEREOF.

THE OBLIGATION OF THE DEPARTMENT TO MAKE PAYMENTS UNDER THE LEASE IS A CURRENT EXPENSE, PAYABLE SOLELY FROM FUNDS ANNUALLY APPROPRIATED BY THE DEPARTMENT FOR SUCH USE FROM (I) ANY LAWFULLY AVAILABLE FUNDS RECEIVED BY THE DEPARTMENT PURSUANT TO ALL CONTRACTS BETWEEN THE DEPARTMENT AND INDEPENDENT SCHOOL DISTRICTS IN HARRIS COUNTY, TEXAS FOR SERVICES; (II) ANY UNINTENDED SURPLUS MAINTENANCE TAX FUNDS AND (III) ANY OTHER LAWFULLY AVAILABLE FUNDS OF THE DEPARTMENT. THE LEASE MAY BE TERMINATED ANNUALLY BY THE DEPARTMENT AND THERE CAN BE NO ASSURANCE THAT THE DEPARTMENT WILL NOT TERMINATE THE LEASE. IF THE LEASE IS TERMINATED, THE DEPARTMENT WILL HAVE NO FURTHER OBLIGATION TO MAKE RENTAL PAYMENTS REGARDLESS OF WHETHER ANY BOND REMAINS OUTSTANDING. THE LEASE AND THE OBLIGATIONS OF THE DEPARTMENT THEREUNDER DO NOT CONSTITUTE A PLEDGE, LIABILITY OR CHARGE UPON THE FUNDS OF THE DEPARTMENT AND DO NOT CONSTITUTE A DEBT OR GENERAL OBLIGATION OF THE STATE OF TEXAS, THE DEPARTMENT, THE CORPORATION, OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF TEXAS. THE CORPORATION HAS NO TAXING POWER.

This Bond is one of an authorized issue of bonds in the original aggregate principal amount of \$[_____] (the “*Bonds*”), authorized by Chapter 303, Texas Local Government Code, as amended, and an order duly adopted by the governing body of the Corporation, to be issued for the purpose of (i) construction and equipment of a new building at the Harris County Department of Education’s (the “*Department*”) Highpoint Campus located at 8003 E. Sam Houston Parkway North, Houston, Texas 77049 to provide alternative educational services and the construction and equipment of a new building at the Department’s Adult Ed Center located at 6515 Irvington and 629 King Street, Houston, Texas 77022 to provide adult education classes (consisting of general education and vocational classes) (collectively, the “*Project*”), and (ii) paying certain costs and expenses in connection with the financing thereof . This Bond is payable solely from Rental Payments to be made by the Department pursuant to the Lease.

The Project is owned by the Corporation and the Corporation is obligated to pay the debt service payments and other costs associated with the Bonds pursuant to a Trust Indenture, dated as of November 1, 2020 (the “*Trust Indenture*”), by and between the Corporation and BOKF, NA (the “*Trustee*”). The Department is obligated pursuant to the Lease to pay to the Corporation Rental Payments which will always be sufficient in time and amount to pay the principal of and interest on the Bonds, as the same mature and become due. Under the Lease, it is the obligation of the Department to pay all expenses of operating and maintaining the Project in good repair, to keep it properly insured and to pay all taxes, assessments and other charges levied or assessed against or with respect to the Project, all of which payments are subject to the appropriation in each fiscal year of funds by the Department in sufficient amounts.

The Bonds are issued under and secured and entitled to the protection given by the Trust Indenture. Pursuant to the Trust Indenture, as security for the payment of the principal of, premium, if any, and interest on the Bonds, the Corporation assigned and pledged to the Trustee, all of its right, title, and interest in, but none of its obligations or responsibilities under, the Lease and all revenues, payments, receipts and money to be held thereunder as part of the Trust Estate for the Bonds. As further security for the payment of the principal of, premium, if any, and interest on the Bonds, the Corporation has granted a first lien interest in the Project to the Trustee. Reference is hereby made to the Trust Indenture for a description of the Project, the provisions, among others, with respect to the nature and extent of the security for the Bonds, the rights,

duties and obligations of the Corporation, the Trustee and the owners of the Bonds, and the provisions regulating the manner in which the terms of the Trust Indenture and the Lease may be modified, to all of which provisions the owner of this Bond, on behalf of himself and his successors in interest, assents by acceptance hereof.

The Corporation and the Trustee may deem and treat the person in whose name this Bond is registered as the absolute owner hereof (whether or not this Bond shall be overdue) for the purpose of receiving payment of, or on account of, the principal of, premium, if any, and interest due on this Bond and for all other purposes, and the Corporation and the Trustee shall not be affected by any notice to the contrary.

The Bonds are subject to redemption on any Bond Payment Date, at the option of the Department, in whole but not in part, upon the Department's payment of the full Purchase Option Price for the Project following damage, destruction or condemnation thereof, at a redemption price equal to the principal of and interest on the Bonds then outstanding on the redemption date.

If the Lease is terminated, the Bonds shall be subject to redemption, at the option of the Trustee, in whole but not in part, on any Bond Payment Date at a redemption price of the principal of and interest on the Bonds to the date set for redemption.

The Bonds are subject to optional redemption on or after February 15, 20__, at the option of the Corporation, in whole but not in part, upon the Department's payment of the full Purchase Option Price for the Project, at a redemption price equal to the principal of and interest on the Bonds, plus accrued interest on the redemption date.

No presentment shall be required for payments of principal on this Bond, except the payment of principal on the final maturity date of this Bond shall be made only upon surrender of this Bond to the Trustee at its Principal Office.

Notice of any redemption shall be given at least thirty (30) days prior to the date fixed for redemption by first class U.S. mail, postage prepaid, addressed to the registered owner of each Bond to be redeemed at the address shown on the books of registration kept by the Trustee at the close of business on the business day next preceding the date of mailing. When Bonds have been called for redemption, and due provision has been made to redeem the same, the amounts so redeemed shall be payable solely from the funds provided for redemption, and interest which would otherwise accrue on the amounts called for redemption shall cease to accrue on the date fixed for redemption.

The owner of this Bond shall have no right to enforce the provisions of the Trust Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Trust Indenture, or to institute, appear in, or defend any suit or other proceedings with respect thereto except as provided in the Trust Indenture. In certain events, on the conditions, in the manner, and with the effect set forth in the Trust Indenture, the principal of the Bonds issued under the Trust Indenture and then outstanding may become or may be declared due and payable before the stated maturity thereof, together with interest accrued thereon. Modifications or alterations of the Trust Indenture, or of any supplements thereto, may be made only to the extent and in the circumstances permitted by the Trust Indenture.

[THE FOLLOWING PARAGRAPH SHALL APPEAR ONLY ON THE INITIAL BONDS]

No Bond shall be valid or obligatory for any purpose or be entitled to any benefit under the Trust Indenture until this Bond is registered by the Comptroller of Public Accounts of the State of Texas by due execution of the Comptroller's registration certificate affixed hereto.

[THE FOLLOWING PARAGRAPH SHALL APPEAR ONLY ON THE DEFINITIVE BONDS]

No Bond shall be valid or obligatory for any purpose or be entitled to any benefit under the Trust Indenture until this Bond is authenticated by the Trustee by due execution of the Trustee's Authentication Certificate affixed hereto.

IT IS HEREBY CERTIFIED, RECITED, AND DECLARED that all acts, conditions, and things required to exist, happen, and be performed precedent to and in the issuance of this Bond do exist, have happened, and have been performed in due time, form, and manner as required by law in order to make this Bond a valid and legal revenue obligation of the Corporation and that the issuance of the Bond, together with all other obligations of the Corporation, does not exceed or violate any constitutional or statutory limitation applicable to the Corporation.

IN WITNESS WHEREOF, THE HARRIS COUNTY DEPARTMENT OF EDUCATION PUBLIC FACILITY CORPORATION has caused this Bond to be executed by its President by his manual or facsimile signature and has caused this Bond to be attested by its Secretary by his manual or facsimile signature.

ATTEST:

**HARRIS COUNTY DEPARTMENT OF
EDUCATION PUBLIC FACILITY
CORPORATION**

Secretary, Board of Directors

President, Board of Directors

FORM OF TRUSTEE'S AUTHENTICATION CERTIFICATE
(Not Necessary for Bond Initially Delivered)

TRUSTEE'S AUTHENTICATION CERTIFICATE

It is hereby certified that this Bond has been issued under the provisions of the Trust Indenture described in this Bond; and that this Bond has been issued in exchange for or replacement of a bond or bonds of an issue which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

Date of Authentication _____
_____ as Trustee

By: _____
Authorized Signatory

FORM OF COMPTROLLER'S REGISTRATION CERTIFICATE

(To be printed on or attached to Bonds Initially Delivered)

OFFICE OF COMPTROLLER OF PUBLIC ACCOUNTS
OF THE STATE OF TEXAS:

REGISTRATION NO. _____

I hereby certify that this Bond has been examined, certified as to validity, and approved by the Attorney General of the State of Texas, and that this Bond has been registered by the Comptroller of Public Accounts of the State of Texas.

Witness my signature and seal this _____, ____.

Comptroller of Public Accounts of
the State of Texas

FORM OF ASSIGNMENT

ASSIGNMENT

FOR VALUED RECEIVED, the undersigned owner of this Bond, or duly authorized representative or attorney thereof, hereby assigns this Bond to _____ (Assignee's Social Security Number or Taxpayer Identification Number) _____ (Print or type Assignee's name and address, including zip code) and hereby irrevocably constitutes and appoints _____ attorney to transfer the registration of this Bond on the Registration Books kept by the Trustee with full power of substitution in the premises.

Dated _____

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

NOTICE: Signature above must correspond with name of the Registered Owner as it appears upon the front of this Bond in every particular, without alteration or enlargement or any change whatsoever.

The following abbreviations, when used in the assignment above or on the face of the within Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common
TEN ENT - as tenants by the entireties
JT TEN - as joint tenants with right of survivorship and not as tenants in common
UN IF GIFT MIN ACT - _____ (Minor) Custodian

Uniform Gifts to Minors Act _____ (State)

Additional abbreviations may also be used though not in the list above.

[The legal opinion of Orrick, Herrington & Sutcliffe LLP, Houston, Texas, may be printed on the Bonds, except the Bonds initially delivered.]

EXHIBIT C
SCHEDULE OF BOND PAYMENTS

EXHIBIT D TO TRUST INDENTURE

**REQUISITION REQUESTING DISBURSEMENT OF
PROJECT COSTS, INCLUDING ISSUANCE COSTS**

In accordance with the terms of that certain Lease with an Option to Purchase dated as of November 1, 2020 (the *Lease*), between the HARRIS COUNTY DEPARTMENT OF EDUCATION (the "*Department*") and the HARRIS COUNTY DEPARTMENT OF EDUCATION PUBLIC FACILITY CORPORATION (the "*Corporation*") and further in accordance with the terms of that certain Trust Indenture (the "*Trust Indenture*") dated as of November 1, 2020 by and between BOKF, NA (the "*Trustee*") and the Corporation, the Corporation hereby requests a disbursement from the Project Account for certain Project Costs relating to the issuance and sale of the Bonds pursuant to the Trust Indenture. The Corporation hereby represents and warrants for all purposes that:

The amount to be disbursed is \$ _____.

Payments, for the purposes and in the amounts set forth below, are to be made to the respective payees (insert federal reference wire numbers, if appropriate):

<u>Purpose of Payment</u>	<u>Amount</u>	<u>Payee</u>
---------------------------	---------------	--------------

Of the amount to be disbursed \$_____ constitutes Project Costs relating to the issuance and sale of the Bonds pursuant to the Trust Indenture; such amount was necessarily or reasonably incurred; such amount is not being paid in advance of time, if any, fixed for such payment; and such amount has been properly recorded on the Corporation's books.

If applicable to each such disbursement, the work relating to such Project Costs has been completed.

No amount set forth in this Requisition was included in any Requisition Requesting Disbursement of Project Costs, including Issuance Costs previously filed with the Trustee for which payment was actually made by the Trustee.

No Event of Default under the Lease or Trust Indenture has occurred and is continuing or will result from the disbursement requested herein.

Capitalized terms used herein and not defined shall have the meanings assigned in the Lease and/or the Trust Indenture.

**HARRIS COUNTY DEPARTMENT OF
EDUCATION PUBLIC FACILITY
CORPORATION**

Dated: _____

By: _____
Title: _____

APPROVED:

**HARRIS COUNTY DEPARTMENT OF
EDUCATION**

Dated: _____

By: _____
Title: _____

EXHIBIT E TO TRUST INDENTURE

ESTIMATED PROJECT COSTS

Deposit to Project Account

Deposit to Project Account to pay Issuance Costs

Deposit to Payment Account

Total Cost

LEASE WITH AN OPTION TO PURCHASE

Relating To

EDUCATIONAL AND SUPPORT FACILITIES

By and Between

**COUNTY SCHOOL TRUSTEES OF HARRIS COUNTY, STATE OF TEXAS
(d/b/a HARRIS COUNTY DEPARTMENT OF EDUCATION),**

as the Department

and

**HARRIS COUNTY DEPARTMENT OF EDUCATION
PUBLIC FACILITY CORPORATION,**

as the Corporation

Dated as of November __, 2020

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**LEASE WITH AN OPTION TO PURCHASE
RELATING TO EDUCATIONAL AND SUPPORT FACILITIES**

THIS LEASE WITH AN OPTION TO PURCHASE RELATING TO EDUCATIONAL AND SUPPORT FACILITIES, dated as of November __, 2020, by and between **HARRIS COUNTY DEPARTMENT OF EDUCATION PUBLIC FACILITY CORPORATION**, a non-profit public corporation duly organized under the laws of the State of Texas (the “*Corporation*”), whose address is 6300 Irvington, Houston, Texas 77022, and **COUNTY SCHOOL TRUSTEES OF HARRIS COUNTY, STATE OF TEXAS (d/b/a HARRIS COUNTY DEPARTMENT OF EDUCATION)** (the “*Department*”), whose address is 6300 Irvington, Houston, Texas 77022.

W I T N E S S E T H:

WHEREAS, the Department is authorized to enter into contracts for the financing, design and construction of educational and support facilities;

WHEREAS, the Corporation has been organized pursuant to the Texas Public Facility Corporation Act, Chapter 303, Texas Local Government Code, as amended;

WHEREAS, the Corporation has agreed to construct the facilities on the property described in Exhibit A and to lease the Project (as defined herein) to the Department, and the Department agreed to pay lease payments to the Trustee (hereinafter defined) for the account of the Corporation;

WHEREAS, in order to construct the facilities described in the Project (i) the Department is willing to enter into this Lease With An Option To Purchase and (ii) the Corporation is willing to enter into a Trust Indenture, dated as of November 1, 2020 (the “*Trust Indenture*”) with BOKF NA, Houston, Texas, as Trustee (the “*Trustee*”) authorizing the issuance of \$[_____] **HARRIS COUNTY DEPARTMENT OF EDUCATION PUBLIC FACILITY CORPORATION LEASE REVENUE BONDS, SERIES 2020**”; and

NOW THEREFORE, in the joint and mutual exercise of their powers, and in consideration of the mutual covenants herein contained, the Department and the Corporation hereby agree to this Lease and the Corporation leases the Project (including [the Land and] the Improvements) to the Department upon the terms and conditions set forth in this Lease and the parties hereto agree as follows:

ARTICLE I.

DEFINITIONS AND EXHIBITS

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

“Appropriate, Appropriated or Appropriation” means the adoption by the Department of a budget or amendments to a budget for a Fiscal Year which includes the Rental Payments and other payments required, if any, to be made by the Department under this Lease during such Fiscal Year.

“Available Funds” means funds Appropriated by the Department for the payment of Rental Payments and other payments, if any, required to be made under this Lease during a Fiscal Year from (i)

payments received by the Department pursuant to all contracts between the Department and independent school districts in Harris County, Texas for services, (ii) any unintended surplus equalization tax funds of the Department at the end of each Fiscal Year after payment of all maintenance and operating expenses for that year, and (iii) any other lawfully available funds of the Department.

“Bonds” means, the \$[_____] Harris County Department of Education Public Facility Corporation Lease Revenue Bonds, Series 2020, issued pursuant to the Trust Indenture.

“Business Day” means any day other than a Saturday, Sunday or a day on which banking institutions in the city in which the Principal Office of the Trustee is located, or on which banking institutions located in the City of New York, New York are required or authorized by law to be closed, or a day other than a day on which the New York Stock Exchange is closed.

“Corporation” means Harris County Department of Education Public Facility Corporation, and its successors and permitted assigns.

“Corporation Representative” means the President, any Vice President, Secretary, Assistant Secretary or Treasurer of the Corporation or any other officer of the Corporation who is designated in writing or by resolution by the Board of Directors of the Corporation as a Corporation Representative for purposes of this Lease.

“Department” means the County School Trustees of Harris County, State of Texas (d/b/a Harris County Department of Education), a political subdivision of the State and its successors and assigns.

“Department Representative” means the Superintendent, Executive Director of Business Services, Executive Director of Facilities, or any representative or employee of the Department who is designated in writing by resolution of the Department as a Department Representative for purposes of this Lease.

“Deed of Trust” means the Leasehold Deed of Trust, Security Agreement, Assignment of Rents and Leases and Financing Statement, dated as of November __, 2020, by the Corporation to Jeffrey L. Seasor, for the use and benefit of the Trustee, granting a first lien and security interest in the leasehold interest granted herein, and any supplement thereto.

“Event of Default” means those events described in Section 12.1 of this Lease.

“Event of Nonappropriation” means any of the following events:

1. The failure of the Department to appropriate from Available Funds sufficient funds to pay the Rental Payments during the upcoming Fiscal Year (net of any funds then on deposit in the Payment Account or anticipated to be on deposit therein prior to the Payment Date during such Fiscal Year); or
2. The reduction of any Appropriation to an amount insufficient to permit the Department to pay the Rental Payments (net of any funds then on deposit or anticipated to be on deposit in the related Payment Subaccount) during such Fiscal Year in which event the Event of Nonappropriation shall be retroactive to the beginning of the Fiscal Year in which the reduction is made.

“Fiscal Year” means each twelve (12) month fiscal period of the Department commencing on September 1 and ending on August 31 of the following year, or such other annual accounting period as

the Department may hereafter adopt.

“Improvements” means the improvements (but not the Land), which are generally described in the attached Exhibit “A”, which have been acquired, constructed and installed on the Land.

“Land” means the real property described in the attached Exhibit “A” upon which the Improvements have been constructed or installed.

“Lease” means this Lease With An Option To Purchase and any duly authorized and executed amendment hereto.

“MSRB” means the Municipal Securities Rulemaking Board.

“Nationally Recognized Bond Counsel” means an attorney or firm of attorneys selected by the Corporation and reasonably acceptable to the Trustee, and listed among the Municipal Bond Attorneys in The Bond Buyer’s Municipal Marketplace, or any successor publication thereto.

“Net Proceeds” means any insurance proceeds or condemnation award paid with respect to the Project remaining after payment therefrom of all expenses incurred in the collection thereof.

“Payment Date or Rental Payment Date” means [February 1, 2021] and each August 1 and February 1 thereafter for so long as any Rental Payment is due and payable, as provided in Section 6.1 hereof and as set forth in Exhibit “B” attached hereto.

“Permitted Encumbrances” means as of any particular time, (i) this Lease; (ii) the Deed of Trust; (iii) the Trust Indenture; (iv) the Bonds; (v) any mechanic’s, laborer’s, materialman’s, supplier’s or vendor’s lien or right not filed or perfected in the manner prescribed by law or being contested in accordance with the terms of this Lease, and (vi) the easements, restrictions and other matters described in Exhibit “C” attached hereto.

“Project” means the Improvements comprising the Department’s educational and support facilities described on Exhibit “A” hereto.

“Purchase Option Price” means, collectively, the Purchase Option Price as defined in the Trust Indenture.

“Rental Payment” means a semi-annual payment due on [February 1, 2021] and each August 1 and February 1 thereafter and at such other times and in the amounts as required to pay principal and interest on the Bonds when due, from the Department to the Trustee (for the account of the Corporation), as provided in Section 6.1 hereof and in the amounts set forth in the attached Exhibit “B”.

“Rule” means SEC Rule 15c2-12, as amended from time to time.

“SEC” means the United States Securities and Exchange Commission.

“Survey” means a certified survey of the Land prepared in accordance with the provisions of Section 7.12 hereof.

“Taxes” means all property and excise taxes and governmental charges of any kind whatsoever which may at any time be assessed or levied against or with respect to the Land, the Project or any part thereof, or the ownership of the Project, and which become due during the Term of this Lease with respect thereto, and all special assessments and charges made by any governmental body for public

improvements that may be secured by a lien on the Land or the Project.

“**Term of this Lease or Lease Term**” means the period during which this Lease remains in effect as specified in Section 5.1 hereof.

“**Trust Indenture**” means the Trust Indenture Relating to \$[_____] Harris County Department of Education Public Facility Corporation Lease Revenue Bonds, Series 2020, dated as of the date hereof, by and between the Corporation and the Trustee, and any duly authorized and executed amendment thereto, between the Corporation and Trustee.

“**Trustee**” means BOKF NA pursuant to, or any successor thereto appointed in accordance with, the Trust Indenture. Any obligations owed under the Lease by the Corporation or the Department to the Trustee shall be owed to the Trustee in its capacity as assignee of the Corporation’s rights under the Lease.

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

Exhibit “A”: Description of the Land and the Improvements.

Exhibit “B”: Schedule of Rental Payments.

Exhibit “C”: List of Permitted Encumbrances.

ARTICLE II.

REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 2.1. Representations, Covenants and Warranties of the Department. The Department represents, covenants and warrants as follows:

(a) The Department is a duly formed and validly existing political subdivision of the State of Texas.

(b) State Laws authorize the Department to execute, perform and make payments under this Lease for the refinancing of the Project, to enter into this Lease and the transactions contemplated hereby, and to carry out the Department’s obligations under this Lease. This Lease is a legal, valid and binding obligation of the Department, enforceable in accordance with its terms.

(c) The representative of the Department executing this Lease has been duly authorized to execute and deliver this Lease under the terms and provisions of a resolution of the governing body of the Department or by other appropriate official action.

(d) The Department has complied and will comply with all open meetings laws, all public contract procurement laws and all other State and Federal laws applicable to the execution, delivery and performance of this Lease and to the acquisition of the Project by the Department.

(e) Except as provided or permitted under the terms of this Lease and the Deed of Trust, the Department will not transfer, lease, assign, mortgage or encumber the Project.

(f) The Department will use the Project during the Lease Term for essential purposes.

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

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

(i) The Department presently expects to have sufficient Available Funds to satisfy its obligations under this Lease; provided, however, that the Department has no obligation to Appropriate Available Funds in any Fiscal Year.

(j) The Department shall provide the Trustee with written instructions regarding investment of the Trust Fund created for the benefit of the Bonds.

(k) The Project complies with all relevant State standards and governmental requirements pertaining to the operation of public schools.

(l) The Department shall take all actions necessary to assure the exclusion of the interest paid with respect to the Bonds from the gross income of the owners of the Bonds.

(m) The Department shall not begin construction on the Project (including storage or drop off of material prior to construction and/or the clearing of the Project site for construction) prior to providing proof of adequate flood insurance coverage to the Trustee.

Section 2.2. Representations, Covenants and Warranties of the Corporation. The Corporation represents, covenants and warrants as follows:

(a) The Corporation is a non-profit public corporation duly organized, validly existing and in good standing under Chapter 303, Texas Local Government Code; is duly qualified to transact business and hold property in the State; has full and complete power to enter into this Lease and to enter into and carry out the transactions contemplated hereby, and to carry out its obligations under this Lease; is possessed of full power to own and hold real and personal property, and to lease the same; and has duly authorized the execution and delivery of this Lease. This Lease is a legal, valid and binding obligation of the Corporation, enforceable in accordance with its terms. The representative of the Corporation executing this Lease has been duly authorized to execute and deliver this Lease.

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

(c) Upon termination of this Lease pursuant to subsections 5.1(b), 5.1(d) or 5.1(e) hereof, the Corporation will deliver to the Department all documents which are or may be necessary to vest all of the Corporation's right, title and interest in and to the Project in the Department and will execute releases for all liens and encumbrances in favor of the Corporation created under this Lease with respect to the Project as provided in Article X hereof.

(d) The Corporation and its Board of Directors have duly authorized the execution of this Lease, the Deed of Trust and the Trust Indenture and the performance of the Corporation's obligations thereunder.

(e) The Corporation has complied and will comply with all open meetings laws, all public contract procurement laws and all other State and federal laws applicable to the execution, delivery and performance of this Lease and to the approval of construction of the Project and the payment of Project Costs.

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

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

(h) The Corporation shall take all actions necessary to assure the exclusion of the interest paid with respect to the Bonds from the gross income of the owners of the Bonds for federal income tax purposes.

(i) The Project complies with all relevant State standards and governmental requirements and is suitable for the Department's purposes.

(j) The Corporation shall not allow construction on the Project (including storage or drop off of material prior to construction and/or the clearing of the Project site for construction) prior to providing proof of adequate flood insurance coverage to the Trustee.

Section 2.3. Survival of Representations, Covenants and Warranties. The representations, covenants and warranties contained in this Lease shall survive the termination of this Lease.

Section 2.4. Financial Statements: Reporting Requirements. For so long as the Department is obligated to the Corporation hereunder, the Department shall submit to the Corporation and the Trustee the following:

(a) A copy of its audited financial statement prepared in accordance with generally accepted accounting principles for each Fiscal Year within one hundred and fifty (150) days of the close of the Fiscal Year; and

(b) An annual certificate of appropriation evidencing the Appropriation of sufficient funds to pay the following year's Rental Payments (net of any funds then on deposit or anticipated to be on deposit in the related Payment Subaccount) and any other amounts necessary to perform its obligations hereunder and a copy of the Department's annual budget for the current fiscal year within twenty (20) days of each Fiscal Year end.

ARTICLE III.

THE PROJECT

Section 3.1. Financing the Project.

The Corporation will enter into the Trust Indenture, cause the Bonds to be issued and enter into

such contracts as are necessary and appropriate to cause completion of the Project in accordance with the provisions of this Lease.

Section 3.2. Payment of Costs.

(a) The proceeds from the sale of the Bonds shall be deposited into the accounts established pursuant to, or as otherwise provided by, the Trust Indenture. The use and disbursement of all funds deposited with the Trustee shall be governed by the Trust Indenture.

(b) In the event any disbursement under this Section is to be made by the Trustee by wire transfer, the Corporation and the Department agree to enter into an agreement concerning wire transfer instructions in a form to be provided by the Trustee. Until such an agreement has been entered into, the Trustee shall not be required to make any payment hereunder by wire transfer.

Section 3.3. Compliance with Laws.

(a) The Department shall occupy, operate and maintain the Project for use as (i) an adult education center in North Houston, (ii) a high school in Northwest Houston, and (iii) a school dedicated to serving special needs students in grades K-12 in an academic and behavior setting located in Southwest Houston; provided, that in no event may the Project be used for a purpose which may adversely affect the treatment of the Bonds as obligations described in Section 103 of the Code, the interest on which is excludable from "gross income" for purposes of federal income taxation.

(b) The Department shall comply with all laws, statutes, ordinances, rules and regulations of applicable governmental authorities, now existing or enacted or promulgated in the future, which affect the Project and the use and occupancy thereof. The Department shall obtain all permits and licenses necessary for the operation, possession and use of the Project. The Department shall make, at the Department's own cost and expense from Available Funds, any and all repairs, additions and alterations (whether the same constitute a capital improvement or expenditure) to the Project that are required by local, state or federal statutes, rules, ordinances or regulations or as may be ordered or required by any governmental authority, whether (i) in order to meet the special needs of the Department, or by reason of the occupancy of the Department, or otherwise and (ii) regardless of whether such laws, rules and regulations, and the cost of implementing them, are imposed upon the fee owner or the Corporation. In making any alterations, additions and improvements, the Department shall comply with the terms of Section 7.7 below.

(c) The Department may, after written notice to the Corporation, by appropriate proceedings conducted promptly in the Department's name and at the Department's expense, contest the validity or enforcement of any laws, statutes, rules, regulations or ordinances, and the Department may defer compliance with same during such contest, provided the Department diligently prosecutes such contest to a final determination by the authority having jurisdiction thereof and the delay in complying with such regulations and ordinances does not create a lien or encumbrance on the Project or subject the Corporation or the Project to any liability for damages, fines or penalties.

ARTICLE IV.

AGREEMENT TO LEASE

Section 4.1. Lease of Improvements. In consideration for the rents, covenants, agreements and conditions herein set forth, which the Department agrees to pay, keep and perform, the Corporation

does hereby let, demise and rent unto the Department, and the Department agrees to rent and lease from the Corporation, the Project.

Section 4.2. Possession and Enjoyment. Subject to compliance by the Department with the provisions of this Lease, the Corporation hereby covenants to provide the Department during the Term of this Lease with quiet use and enjoyment of the Project, and the Department shall during the Lease Term peaceably and quietly have and hold and enjoy the Project, without suit, trouble or hindrance from the Corporation. To the extent the Corporation may lawfully do so, the Corporation will, at the request of the Department and at the Department's cost, join in any legal action in which the Department asserts its right to such possession and enjoyment, if the interests of the Corporation therein are not opposed to those of the Department.

Section 4.3. Access to Project. The Department agrees that the Corporation, any Corporation Representative and the Trustee shall have the right at all reasonable times to enter upon and to examine and inspect the Project. The Department further agrees that the Corporation and any Corporation Representative and the Trustee shall have such rights of access to the Project as may be reasonably necessary, but shall have no obligation to cause the proper maintenance of the Project in the event of failure by the Department to perform its obligations hereunder, or to carry out the Department's obligations and exercise the Department's rights under Article XII hereof, or to determine whether the Department is in compliance with this Lease.

ARTICLE V.

TERM OF LEASE

Section 5.1. Term of Lease. This Lease shall be and remain in effect with respect to the Project for a Lease Term commencing on the date hereof and continuing until terminated upon the occurrence of the first of the following events:

- (a) termination of this Lease occurs as provided in and pursuant to Section 12.3 hereof;
- (b) the date on which the Department pays all amounts required to be paid to exercise the option to purchase pursuant to Article X hereof;
- (c) the effective date of termination of this Lease by the Corporation or Trustee pursuant to the exercise of rights to terminate this Lease upon the occurrence of an Event of Default as permitted pursuant to Article XII hereof;
- (d) the date on which the Department pays all amounts required to be paid by the Department hereunder;
- (e) the date on which the Department pays all amounts required to exercise the option to purchase set forth in subsection 8.1 hereof; or
- (f) November __, 20__.

ARTICLE VI.

RENTAL PAYMENTS

Section 6.1. Rental Payments.

(a) During the Term of this Lease, the Department shall pay to Trustee the Rental Payments with respect to the Project on the Rental Payment Dates in the amounts set forth in Exhibit "B" attached hereto from Available Funds. The Department shall be entitled to a credit against such Rental Payments at the times and in the amounts set forth in, and determined in accordance with, the Trust Indenture. The Rental Payments shall be payable to Trustee at its address specified in, the Trust Indenture, or to such other person or entity and at such other address as the Trustee may designate by written notice to the Department, in lawful money of the United States of America. All Rental Payments received by the Trustee shall be credited to the related Payment Subaccount established pursuant to the Payment Account established pursuant to the Trust Indenture. If any Bonds are to be redeemed prior to maturity on a Rental Payment Date, the Department's Rental Payment shall include an amount sufficient to pay the redemption price of Bonds to be redeemed on such date.

(b) The Department also agrees to pay from lawfully available Appropriated funds on such dates as they shall become due and owing all other amounts related to the operation and maintenance of the Project including, without limitation, the ordinary fees and expenses of the Trustee, the extraordinary fees and expenses of the Trustee, utility charges, to the extent applicable, ad valorem taxes and impositions (prior to their delinquency) imposed on the Project, the premiums of insurance policies relating to the Project, and other amounts incurred by the Corporation with respect to the Project; provided that the fees and expenses of the Trustee shall be paid solely from Available Funds. In the event the Trustee incurs expenses or renders services in any proceedings which result from an Event of Default under Section 12.1(d) of this Lease, or from any default which, with the passage of time, would become an Event of Default, the expenses so incurred and compensation for services so rendered are intended to constitute expenses of administration under the United States Bankruptcy Code or equivalent law.

Section 6.2. Current Expenses. The obligations of the Department under this Lease, including its obligation to pay the Rental Payments and other payments due with respect to the Project in any Fiscal Year for which this Lease is in effect, shall constitute a current expense of the Department for such Fiscal Year. Nothing in this Lease shall be construed (a) to cause the obligations of the Department hereunder to constitute an indebtedness of the Department within the meaning of State Laws or (b) to constitute a pledge by the Department of any taxes or other money other than Available Funds for the then current Fiscal Year.

Section 6.3. Rental Payments to be Unconditional. Subject to annual Appropriation thereof by the Department and except as provided in Sections 6.2 and 6.5 hereof, the obligation of the Department to make Rental Payments due with respect to the Project or any other transfers and payments required hereunder shall be absolute and unconditional. Notwithstanding any dispute between the Department and the Corporation or any other person, the Department shall make all Rental Payments and other transfers and payments required hereunder when due and shall not withhold any Rental Payment or other payment pending final resolution of such dispute nor shall the Department assert any right of set-off or counterclaim against its obligation to make such Rental Payments or other transfers and payments required under this Lease. However, nothing herein shall be construed to release the Corporation from the performance of its obligations hereunder. If the Corporation should fail to perform any obligation of the Corporation set out in this Lease, the Department may institute such legal action against the Corporation as the Department may deem necessary to compel the performance of such obligation or to recover damages therefor.

Section 6.4. Intent to Continue Rental Payments. Subject to the provisions of Section 2.1(i) hereof, the Department presently intends to continue this Lease for the entire Lease Term and to pay all Rental Payments or other transfers and payments required hereunder. The Department reasonably believes that funds in an amount sufficient to make all such Rental Payments or other payments will be available for such purposes.

Section 6.5. Nonappropriation of Funds. If an Event of Nonappropriation occurs with respect to any Fiscal Year during the Term of this Lease, this Lease shall terminate as provided in Section 12.3 hereof.

Section 6.6. Cost of Operations. The Department agrees to pay, but only from lawfully available Appropriated funds, all operating costs attendant to the Project including, but not limited to, maintenance expenses, insurance premiums and ad valorem taxes, if any, incurred in connection with the Project.

Section 6.7. Late Penalty. Subject to Section 1204.006, Texas Government Code, in the event that the Department fails to pay to the Trustee, from Available Funds, a Rental Payment when due, then the Department agrees to pay to the Trustee, in addition to such Rental Payment, to the extent permitted by law, a late penalty equal to the amount of the delinquent Rental Payment multiplied by the maximum per diem interest rate then allowed by law for the number of days for which such Rental Payment is delinquent and the Corporation shall deposit such late penalty to the credit of the Payment Account.

Section 6.8. Issuance of Additional Bonds or Other Obligations. The Department hereby covenants and agrees that, no additional bonds or other obligations shall be issued or incurred which are payable from Available Funds, except in accordance with Section 3.16 of the Trust Indenture.

ARTICLE VII.

MAINTENANCE; TAXES; INSURANCE; AND OTHER MATTERS

Section 7.1. Maintenance of Project by the Department. During the Term of this Lease, the Department shall, from lawfully available Appropriated funds, maintain, preserve and keep the Project in good repair, working order and condition and from time to time make or cause to be made all repairs and replacements necessary to keep the Project in such condition and in a condition suitable for the Project's intended use. The Corporation shall have no responsibility for such maintenance or for any such repairs or replacements. Subject to the provisions of Section 11.4 of this Lease, the Department shall have the right to contract with a third party to maintain, repair, replace, and improve the Project, as necessary to keep the Project in good repair, working order, and condition to the extent that such contract does not adversely affect the exclusion of interest on the Bonds for federal tax purposes; provided that the Corporation, the Department and the Trustee may rely on an opinion of Nationally Recognized Bond Counsel that the exclusion of interest on the Bonds for federal tax purposes will not be adversely affected by the agreements with such third party for maintenance, repair, replacements, and/or improvements; and provided further, that the Department shall not be relieved of its obligation to maintain, repair, replace, and improve the Project by designating a third party to perform such duties.

Section 7.2. Taxes and Other Charges. The Department shall pay Taxes (prior to delinquency) lawfully assessed or levied against or with respect to the Land or the Project or any part thereof or the Rental Payments, and which become due during the Term of this Lease with respect thereto, and all special assessments and charges lawfully made by any governmental body for public

improvements that may be secured by a lien on the Land or the Project; with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Department shall be obligated to pay only such installments as are required to be paid during the Term of this Lease as and when the same become due. The Department may, after notifying the Corporation and at the Department's expense and in the Corporation's name, in good faith contest any such taxes, assessments or other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom, provided that the Department delivers (a) an opinion of independent counsel to the effect that by nonpayment of any such items the interest of the Corporation in the Land or the Project will not be materially endangered or the Land or the Project or any part thereof will not be subject to loss or forfeiture, (b) evidence of the Department's compliance with any tender requirements of any laws governing protest of taxes, assessments or other charges and (c) to the Trustee an indemnity bond or cash deposit or other security acceptable to the Trustee, with a surety acceptable to Trustee, in the amount of the tax assessments or other charge being contested by the Department plus an additional sum sufficient to pay costs, interest, and penalties that may be imposed or incurred in connection with or during the contest. In no event may a contest be maintained or continued that might, if adversely determined, result in a sale of the Project pursuant to a court order foreclosing any statutorily provided lien to secure such tax or imposition .

Section 7.3. Liability Insurance. During the Term of this Lease, the Department shall, from lawfully available Appropriated funds, procure and maintain continuously in effect, or cause to be procured and maintained continuously in effect, with respect to the Project, insurance against liability for injuries to or death of any person or damage to or loss of property arising out of or in any way relating to the maintenance, use or operation of the Project or any part thereof. The insurance or coverage shall include coverage for premises/operations, independent contractors, environmental risks, products/completed operations, personal and advertising inquiry, contractual liability and explosion, collapse and underground property damage and be in the amount of \$5,000,000 combined single limit. The insurance required under this subparagraph may be provided through an “*umbrella*” or “*blanket*” policy which provides coverage as to the Project in the minimum coverage amount previously set forth in this Section. The Trustee and the Corporation shall be named as additional insureds in all policies of liability insurance relating to the Project.

Section 7.4. Property Insurance. The Department shall, from lawfully available Appropriated funds, maintain throughout the Term of the Lease all risk (or its equivalent) property and casualty insurance or coverage on the Project in an amount not less than the replacement cost of the Project, subject only to such exceptions and exclusions as are customarily contained in such policies. For purposes of this Section, the replacement cost of the Project shall be the cost of restoration, repair, modification or improvement of the Project following a property or casualty loss with respect thereto, without deduction for depreciation. The Department shall ensure that at all times the limits of coverage are sufficient to pay for the full replacement cost of the Project at the time of the loss. All policies shall be issued to the Department as the first named insured or term denoting a similar meaning, but shall name the Corporation and Trustee as loss payee as their interests may appear under a standard mortgagee's endorsement. If the Department shall act as its own contractor for alterations or improvements to the Project that cost more than \$100,000, it shall obtain builder's risk insurance for the full contemplated value of such alterations and improvements. The Net Proceeds of insurance required by this Section 7.4 shall be applied as provided in Section 8.1 hereof. The insurance required under this subparagraph may be provided through an “*umbrella*” or “*blanket*” policy.

Section 7.5. Requirements for Insurance Policies. All insurance required to be obtained pursuant to Sections 7.3 and 7.4 hereof shall be provided by a commercial insurer rated “A” by Best or in one of the two highest rating categories of Standard & Poor's Ratings Services and Moody's Investors

Service, Inc.; may be carried under a separate policy or a rider or endorsement; shall be taken out and maintained with responsible insurance companies organized under the laws of one of the states of the United States and qualified to do business in the State; shall contain a provision that the insurer shall not cancel or revise coverage thereunder without giving written notice to all parties at least thirty (30) calendar days before the cancellation or revision becomes effective and shall name the Department, the Corporation and the Trustee as insureds. Original policies (or an insurance certificate together with a photocopy of the original policy) evidencing any such insurance shall be deposited with the Corporation. Before the expiration of any such policy, the Department shall furnish to the Corporation evidence that the policy has been renewed or replaced by another policy conforming to the provisions of this Article VII, unless, in the opinion of an independent insurance consultant, such insurance is no longer obtainable at commercially reasonable rates, in which event the Department shall notify the Corporation and Trustee of this fact. The Department shall furnish the Trustee at closing and on each February 1, an Officer's Certificate stating that all required insurance is in full force and effect.

Section 7.6. Utility Charges. During the Term of this Lease, the Department shall pay from lawfully available Appropriated funds directly to vendors and suppliers all deposits, charges, fees and costs incurred for all utility equipment and services connected with the use and occupancy of the Project by the Department, including, but not limited to, water, sewer, refuse removal, electricity, gas and telephone. In addition, the Department shall pay the costs of any janitorial services and related supplies connected with the operation of the Project.

Section 7.7. Alterations to the Project by the Department. The Department shall, from and to the extent of lawfully available Appropriated funds in excess of the amounts required to be paid by the Department under this Lease and the funds required to be held by Trustee pursuant to the Trust Indenture, have the right to make alterations, additions, modifications and improvements to the Project. All such alterations, additions, modifications and improvements shall thereafter comprise part of the Project and be subject to the provisions of this Lease. All alterations, additions, modification and improvements must be performed in a good and workmanlike manner in compliance with all applicable laws and as permitted by Section 11.4 hereof. Such alterations, additions, modifications and improvements must not in any way damage the Project or cause it to be used for purposes other than those authorized under the provisions of applicable State and federal law. The Project, upon completion of any alterations, additions, modifications and improvements made pursuant to this Section 7.7, must be verified in writing by an Architect to be of a value not less than the value of the Project immediately prior to the making of such alterations, additions, modifications and improvements. Any property for which a substitution or replacement is made pursuant to this Section 7.7 may be disposed of by the Department in such manner and on such terms as determined by the Department. The Department will not permit any mechanic's or other lien to be established or remain against the Project for labor or materials furnished in connection with any alterations, additions, modifications, improvements, repairs, renewals or replacements made by the Department pursuant to this Section 7.7. If any such lien is established or filed and the Department shall first notify the Corporation of the Department's intention to do so, the Department may in good faith contest any lien filed or established against the Project and, in such event, may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom provided that the Department (a) delivers an opinion of Independent Counsel to the effect that, by nonpayment of any such item the interest of the Corporation in [the Land or] the Project will not be materially endangered or [the Land or] the Project or any part thereof will not be subject to loss or forfeiture; (b) evidence of the Department's compliance with any tender requirements of any laws governing protest of such liens and (c) to the Trustee an indemnity bond or cash deposit or other security acceptable to the Trustee, with a surety acceptable to Trustee, in the amount of the lien being contested by the Department plus an additional sum sufficient to pay costs, interest, and penalties that may be imposed or incurred in connection with or during the contest. The Corporation will cooperate fully with the

Department in any such contest, upon request of the Department, if the Department agrees to pay the Corporation's expenses.

Section 7.8. Workers' Compensation Insurance. During the Term of this Lease, to the extent required by State law, the Department shall, from lawfully available Appropriated funds, carry Workers' Compensation Insurance or self-insure, as required by State law, covering all employees on, in or about the Project and, upon request, shall furnish to the Corporation certificates evidencing any such coverage throughout the Term of this Lease.

Section 7.9. No Deduction or Offset; Advances.

(a) The Corporation and the Department intend and agree that all expenses, taxes, fees, insurance premiums, rebate payments, reserve deposits and costs associated with the Project and this Lease, shall be paid by the Department (from and to the extent of lawfully available Appropriated funds), without right of offset or deduction by the Department against the Corporation, the Trustee or any Bondholder.

(b) If the Department fails to perform any of its obligations, the Corporation may, but shall not be obligated to, take such action as may be necessary to cure such failure, including the advancement of money, and the Department shall be obligated to repay from Available Funds all such advances on demand, with interest at the maximum rate permitted by Chapter 1204, Texas Government Code.

Section 7.10. Liens. The Department shall not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Project or the Rental Payments, other than the respective rights of the Corporation and the Department under this Lease and the Permitted Encumbrances. Subject to the Department's rights set out in Section 7.7 hereof, the Department shall promptly take such action as may be necessary duly to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim if the same shall arise at any time during the Term of this Lease and reimburse the Corporation or the Trustee from Available Funds for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

Section 7.11. Restrictions on Use of Rental Payments. No portion of the Rental Payments held by Trustee pursuant to the Trust Indenture shall be expended pursuant to this Article VII.

Section 7.12. Survey.

(a) **Field Note Description.** The Department has provided the Survey to the Corporation. The Survey contained a certified metes and bounds description and complied with the following requirements: (i) the beginning point shall be established by a monument located at the beginning point, or by reference to a nearby monument; (ii) the sides of the Land shall be described by giving the distances and bearings of each; (iii) the distances, bearings, and angles shall be taken from a recent instrument survey, or recently recertified instrument survey, by a registered professional engineer or registered public surveyor; (iv) curved sides shall be described by data including: length of arc, central angle, radius of circle for the arc and cord distance, and bearing; (v) the description shall be a single perimeter description of the entire Land, and there shall also be a separate metes and bounds description of any constituent tracts out of the Land; (vi) the description shall include a reference to all streets, alleys, and other rights-of-way that abut the Land, and the width of all rights-of-way mentioned shall be given the first time these rights-of-way are referred to; (vii) for each boundary line abutting a street, road, alley or other means of access, the description must, in calling the boundary line, state that the boundary line and the right-of-way line are the same; (viii) if the Land has been recorded on a map or plat as part of an abstract or

subdivision, reference to such recording data shall be made; and (ix) the total acreage and square footage of the Land shall be certified.

(b) Certification. The certification for the property description was addressed to the Corporation and the Department, signed by the surveyor (a registered public surveyor or registered professional engineer), bearing a current date, registration number, and seal, and was in the following form or its substantial equivalent:

The undersigned hereby certifies to the Corporation and the Department that (a) this survey was made on the ground on [_____, 20__] as per the field notes shown hereon and correctly shows the boundary lines and dimensions and area of the land indicated hereon and each individual parcel thereof indicated herein; (b) all monuments shown hereon actually exist, and the location, size and type of such monuments are correctly shown; (c) this Survey correctly shows the size, location and type of all buildings, and other visible structures, other improvements and items on the subject Property; (d) this survey correctly shows the location and dimensions of all alleys, street, roads, rights-of-way, easements, building setback lines and other matters of record of which the undersigned has been advised affecting the subject property according to the legal description in such easements and other matters (with instrument, book, and page number indicated); (e) except as shown hereon, there are no (1) visible improvements, visible easements, rights-of-way, party walls, drainage ditches, streams, uses, discrepancies or conflicts, (2) visible intrusions or encroachments onto adjoining premises, streets, or alleys by any of said buildings, structures, or other improvements, (3) visible intrusions or encroachments on the subject Property by buildings, structures, or other improvements on adjoining premises, or (4) visible intrusions or encroachments on any easement, building setback line or other restricted area by any buildings, structures or other improvements on the subject property; (f) the distance from the nearest intersecting street or road is as shown hereon; (g) the subject property has direct and free access to a dedicated public streets or road as shown hereon, accepted for maintenance by the entity to which such street or road was dedicated; and (h) no part of the subject property lies in a Special Flood Hazard Area as indicated on Map Number C0830L, Panel Number 4820, dated June 8, 2007, as determined by or in accordance with criteria established by the Federal Insurance Administration or as determined by or in accordance with the criteria established by any city or other governmental authority having jurisdiction.

ARTICLE VIII.

DAMAGE, DESTRUCTION AND CONDEMNATION; USE OF NET PROCEEDS

Section 8.1. Damage, Destruction and Condemnation. If (a) the Project or any portion thereof is destroyed or is damaged by fire or other casualty or (b) title to or the temporary use of the Project or any part thereof, or the interest of the Department or the Corporation in the Project or any part thereof, shall be taken (or conveyed in lieu thereof) under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, the Department shall have the rights specified in this Section 8.1 with respect to the Net Proceeds of any insurance or condemnation award. If the Net Proceeds of the insurance are sufficient (in the judgment of the Department) to pay in full the cost of the restoration, repair, modification or improvement of the Project, they shall be paid over to the Department to be applied to the prompt repair, restoration, modification or improvement of the Project by the Department, in which event the Department shall be obligated to continue to pay from Available Funds the amounts required to be paid by the Department

pursuant to this Lease. If the Net Proceeds are insufficient (in the judgment of the Department) to pay in full the cost of any repair, restoration, modification or improvement of the Project, the Department may (x) from lawfully available Appropriated funds, pay the excess amounts necessary to fully restore the Project (in which event the Department shall be obligated to continue to pay from Available Funds the amounts required to be paid by the Department pursuant to this Lease) or (y) terminate this Lease (and all the Department's interest in the Project) on the next succeeding Payment Date by depositing with Trustee from lawfully available Appropriated funds on such Payment Date an amount equal to the Purchase Option Price applicable for that Payment Date together with all Rental Payments and other amounts then due or past due less the Net Proceeds and the funds held by Trustee on such date pursuant to the Trust Indenture; provided, however, that if the Department shall not appropriate funds to pay such Purchase Option Price, then this Lease shall terminate and the Department shall have no further obligations hereunder. After application of the Net Proceeds pursuant to the foregoing provisions of this Section 8.1, any remaining Net Proceeds shall be paid to the Department.

Section 8.2. Condemnation by the Department. Notwithstanding anything to the contrary contained in Section 8.1, or anywhere else in this Lease, if title to or the temporary use of the Project or any part thereof, or the interest of the Corporation or Trustee in the Project or any part thereof, shall be taken under the exercise of the power of eminent domain by the Department, the Corporation and the Department hereby expressly acknowledge and agree, to the extent permitted by law, and pursuant to the requirements of State law, that the damages payable to the Corporation or the Trustee, as the case may be, pursuant to such exercise of the power of eminent domain by the Department shall be an amount which will be sufficient on the date payment is made by the Department to the Corporation, Trustee or clerk of the court of a court of competent jurisdiction, together with amounts, if any, on deposit in the related Payment Subaccount and/or related Redemption Subaccount, to pay the redemption price of all Bonds then Outstanding on the next Payment Date upon which Bonds can be redeemed in accordance with Section 6.1 of the Trust Indenture, plus the ordinary fees and expenses included within the Purchase Option Price as provided in this Lease.

Section 8.3. Cooperation of the Department. The Department shall cooperate fully with the Corporation in filing any proof of loss with respect to any insurance policy covering the casualties described in Section 8.1 hereof and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Project or any part thereof and will, to the extent it may lawfully do so, permit the Corporation to litigate in any proceeding resulting therefrom in the name of and on behalf of the Department. In no event will the Department voluntarily settle, or consent to the settlement of, any proceeding arising out of any insurance claim or any prospective or pending condemnation proceeding with respect to the Project or any part thereof without the written consent of the Corporation and Trustee. The Department shall file and pursue any claims it has under any insurance policies described in this Lease, and shall not voluntarily settle, or consent to the settlement of, any proceeding arising out of any casualty insurance claim, without the Corporation's prior written consent.

ARTICLE IX.

LESSEE'S EQUIPMENT; WARRANTIES

Section 9.1. Installation of the Department's Equipment. The Department may at any time and from time to time, in its sole discretion and at its own expense, install items of personal property, movable machinery and equipment in or upon the Project, which items shall be identified by tags or other symbols affixed thereto as property of the Department not included in the Project. All such items so identified shall remain the sole property of the Department, in which the Corporation shall have no interest, and may be modified or removed by the Department at any time, provided that the Department shall repair and restore any and all damage to the Project resulting from the installation, modification or

removal of any such items. Nothing in this Lease shall prevent the Department from purchasing items to be installed pursuant to this Section 9.1 under a conditional sale or lease with option to purchase contract, or subject to a vendor's lien or security agreement as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest shall attach to any part of the Project; provided further however, that to the extent the Department's obligation under any such conditional sale or lease with option to purchase contract is payable solely from Available Funds or from the Department's general fund, the incurrence of such obligation shall be subject to the limitations of the Trust Indenture and this Lease.

Section 9.2. Design of Project. The design of the Project was previously reviewed and approved by the Department, and the Corporation shall have no responsibility in connection with the design of the Project or its suitability for the use intended by the Department, other than to insure construction of the Improvements in accordance with the Plans and Specifications.

Section 9.3. Operation and Maintenance of Project. Except as may be set forth in the Trust Indenture, the Corporation shall have no obligation to inspect, service, operate or maintain the Project or any portion thereof under any circumstances; such matters shall be performed by the Department.

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

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

ARTICLE X.

OPTION TO PURCHASE

Section 10.1. Purchase Rights. The Department shall be entitled to full title and all ownership interests in the Project, the Trustee's liens and security interests therein shall be terminated and the Department shall be deemed to have exercised its option to purchase:

(a) Upon payment in full of all Rental Payments as the same become due in accordance with Exhibit "B" hereto, plus One Dollar (\$1.00) and the payment in full of all other amounts due under this Agreement;

(b) Upon termination of this Lease, in accordance with the terms of redemption for the Bonds set out in Section 6.1(a) of the Trust Indenture;

(c) Upon damage, destruction or condemnation of the Project, in accordance with the terms of redemption for the Bonds set out in Section 6.1(b) of the Trust Indenture; or

(d) Upon payment of the Purchase Option Price hereunder on or any Rental Payment Date thereafter, in accordance with the terms of redemption for the Bonds set out in Section 6.1(c) of the Trust Indenture.

Section 10.2. Release of the Corporation's Interest. Upon exercise by the Department of its option to purchase and the Department's payment in full of all amounts due and owing hereunder, the Department shall have no further obligations under this Lease, and the Corporation and its assigns shall take all actions necessary to authorize, execute and deliver to the Department any and all documents necessary to vest in the Department all of the Corporation's right, title and interest in and to the Project, free and clear of all liens, leasehold interests and encumbrances, including, if necessary, a release of any and all liens or interests created under or pursuant to the provisions of this Lease, the Trust Indenture, and the Deed of Trust.

ARTICLE XI.

ASSIGNMENT, SUBORDINATION, SUBLEASING, MORTGAGING AND SELLING; TAX MATTERS

Section 11.1. Assignment by the Corporation.

(a) The Department acknowledges that the Corporation will assign its right, title and interest in this Lease to Trustee for the benefit of the Bondholders. No other assignment of this Lease by the Corporation is permitted without the prior written consent of the Department. The Department shall pay all Rental Payments and all other amounts required to be paid by this Lease to or at the direction of Trustee. The Corporation and the Department each represents, warrants, covenants and agrees that it will do, execute, acknowledge and deliver all and every further act, deed, conveyance, transfer and assurance necessary or proper for the perfection of any and all of the security interests in the Project provided for in the Trust Indenture, or the Deed of Trust, whether now owned or held or hereafter acquired, including, but not limited to, executing or causing to be executed such financing statements and continuation statements as shall be necessary under applicable law to perfect and maintain such security interests.

(b) Any rights of and obligations owed hereunder to the Trustee by the Department or the Corporation shall be owed to the Trustee in its capacity as assignee of the Corporation's rights hereunder.

Section 11.2. Assignment and Subleasing by the Department. During the Term of this Lease, this Lease and the Department's interest in the Project may not be assigned or subleased by the Department without the prior written consent of the Corporation; provided, however, the Department, subject to Section 11.4 hereof, shall be permitted to allow the Project to be used by governmental entities and community organizations for community meetings and like purposes, as determined by the Department in its sole discretion.

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

Section 11.4. Tax Covenants.

(a) The Department and the Corporation shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that the interest component of all payments hereunder shall be exempt from federal income taxation.

(b) The Department and the Corporation intend that the interest on the Bonds shall be excludable from gross income of the owners thereof for federal income tax purposes pursuant to Sections

103 and 141 through 150 of the Internal Revenue Code of 1986, as amended (the “Code”), and all applicable temporary, proposed and final regulations (the “Regulations”) and procedures promulgated thereunder and applicable to the Bonds. For this purpose, the Department covenants that it will or it will cause the Corporation to monitor and control the receipt, investment, expenditure, and use of all gross proceeds of the Bonds (including all property the acquisition, construction or improvement of which is to be financed directly or indirectly with the proceeds of the Bonds) and take or omit to take or it will cause the Corporation to take or omit to take such other and further actions as may be required by Sections 103 and 141 through 150 of the Code and the Regulations to cause interest on the Bonds to be and remain excludable from the gross income, as defined in Section 61 of the Code, of the owners of the Bonds for federal income tax purposes. Without limiting the generality of the foregoing, the Department shall or it will cause the Corporation to comply with each of the following covenants:

(i) The Department will use or it will cause the Corporation to use all of the proceeds of the Bonds to (1) provide funds to pay the Project Costs, and (2) pay the costs of issuing the Bonds. The Department will not use any portion of the proceeds of the Bonds to pay principal of, or interest or redemption premium on, any other obligation of the Department or a related person.

(ii) The Department and the Corporation will not directly or indirectly take any action, or omit to take any action, which action or omission would cause the Bonds to constitute “private activity bonds” within the meaning of Section 141(a) of the Code. Except to the extent that it will not cause any of the Bonds to become “private activity bonds” within the meaning of section 141 of the Code and the Regulations and rulings thereunder:

(1) the Corporation and/or the Department shall at all times prior to the last stated maturity of the Bonds, respectively, exclusively own, operate and possess all the property the acquisition, construction or improvement of which is to be financed directly or indirectly with gross proceeds (as defined in section 1.148-1(b) of the Regulations) of the Bonds, respectively, and not use or permit the use of such gross proceeds (including all contractual arrangements with terms different than those applicable to the general public) or any property acquired, constructed or improved with such gross proceeds in any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public;

(2) the Corporation and/or the Department shall at all times prior to the last stated maturity of the Bonds, respectively, not directly or indirectly impose or accept any charge or other payment by any person or entity who is treated as using gross proceeds of the Bonds, or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such gross proceeds, other than taxes of general application or interest earned on investments acquired with such gross proceeds pending application for their intended purposes; and

(3) the Corporation and the Department shall not use gross proceeds of the Bonds to make or finance loans to any person or entity other than a state or local government (for purposes of the foregoing covenant, gross proceeds are considered to be “loaned” to a person or entity if: (A) property acquired, constructed or improved with such gross proceeds is sold or leased to such person or entity in a transaction which creates a debt for federal income tax purposes; (B) capacity in or service from such property is committed to such person or entity under a take or pay, output or similar contract or arrangement; or (C) indirect benefits, or burdens and benefits of ownership, of such gross proceeds or any property acquired, constructed or improved with such gross proceeds are otherwise transferred in a transaction which is the economic equivalent of a loan).

(iii) Principal of and interest on the Bonds will be paid solely from the Rental Payments and other amounts, if any, collected from the Trust Estate by the Department or the Trustee, investment earnings on such collections, and as available, proceeds of the Bonds.

(iv) Based upon all facts and estimates now known or reasonably expected to be in existence on the respective dates the Bonds were or are delivered, the Department and the Corporation reasonably expect that the proceeds of the Bonds will not be used in a manner that would cause any of the Bonds, or any portion thereof to be an “arbitrage bond” within the meaning of Section 148 of the Code.

(v) At all times while the Bonds are outstanding, the Department will identify and properly account for or it will cause the Corporation to identify and properly account for all amounts constituting gross proceeds of such bonds in accordance with the Regulations. The Department will or it will cause the Corporation to monitor the yield on the investments of the proceeds of the Bonds and, to the extent required by the Code and the Regulations, will restrict the yield on such investments to a yield which is not materially higher than the yield on the Bonds. To the extent necessary to prevent the Bonds from constituting “arbitrage bonds,” the Department will or it will cause the Corporation to make such payments as are necessary to cause the yield on all yield restricted nonpurpose investments allocable to the Bonds, respectively, to be less than the yield that is materially higher than the yield on such bonds.

(vi) The Department and the Corporation will not take any action or knowingly omit to take any action, if taken or omitted, would cause any of the Bonds to be treated as “federally guaranteed” obligations for purposes of Section 149(b) of the Code.

(vii) The Department and the Corporation represent that not more than fifty percent (50%) of the proceeds of the Bonds will be invested in nonpurpose investments (as defined in Section 148(f)(6)(A) of the Code) having a substantially guaranteed yield for four years or more within the meaning of Section 149(g)(3)(A)(ii) of the Code, and the Department and the Corporation expected at the time the Bonds are issued that at least eight-five percent (85%) of the proceeds of the such bonds will be used to carry out the governmental purpose of such bonds within the three-year period beginning on the dates of issue of such Bonds.

(viii) The Department will take all necessary steps or it will cause the Corporation to comply with the requirement that certain amounts, if any, earned by the Department on the investment of the gross proceeds of the Bonds be rebated to the federal government. Specifically, the Department will or it will cause the Corporation to (1) maintain records regarding the receipt, investment, and expenditure of the gross proceeds of the Bonds as may be required to calculate such excess arbitrage profits separately from records of amounts on deposit in the funds and accounts of the Department allocable to other obligations of the Department or moneys which do not represent gross proceeds of any obligations of the Department and retain such records for at least six years after the day on which the last outstanding Bond is discharged, (2) account for all gross proceeds under a reasonable, consistently applied method of accounting, not employed as an artifice or device to avoid in whole or in part, the requirements of Section 148 of the Code, including any specified method of accounting required by applicable Regulations to be used for all or a portion of any gross proceeds, (3) calculate, at such times as are required by applicable Regulations, the amount of excess arbitrage profits, if any, earned from the investment of the gross proceeds of the Bonds, and (4) timely deposit with the Trustee all amounts required to be rebated to the federal government under applicable Regulations, along with an Internal Revenue Service Form 8038-T completed as of such computation date or such other form as may be required to be filed by the Regulations. In addition, the Department and the Corporation will

exercise reasonable diligence to assure that no errors are made in the calculations required by the preceding sentence and, if such an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter, including delivery to the Trustee for payment to the federal government of any delinquent amounts owed to it (the “correction amount”), interest thereon and any penalty, and providing any required written explanation of such error and a completed Internal Revenue Service Form 8038-T or such other form as may be required to be filed by the Regulations.

(ix) The Department and the Corporation will not directly or indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Bonds that might result in a reduction of the amount required to be paid to the federal government because such arrangement results in a smaller profit or a larger loss than would have resulted if such arrangement had been at arm’s length and had the yield on the Bonds not been relevant to either party.

(x) The Department and the Corporation will timely file or cause to be filed with the Secretary of the Treasury of the United States the information required by Section 149(e) of the Code with respect to the Bonds on such form and in such place as the Secretary may prescribe.

(xi) The Department and the Corporation will not issue or use the Bonds as part of an “abusive arbitrage device” (as defined in Section 1.148-10(a) of the Regulations). Without limiting the foregoing, none of the Bonds are, and none will be, part of a transaction or series of transactions that attempts to circumvent the provisions of Section 148 of the Code and the Regulations, by (1) enabling the Department or the Corporation to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage, or (2) increasing the burden on the market for tax-exempt obligations.

(xii) Proper officers of the Department and the Corporation charged with the responsibility for issuing the Bonds are hereby directed to make, execute and deliver certifications as to facts, estimates or circumstances in existence as of the date of issuance of such bonds and stating whether there are facts, estimates or circumstances that would materially change the Department’s and the Corporation’s expectations. On and after the date of issuance of the Bonds the Department and the Corporation will take such actions as are necessary and appropriate to assure the continuous accuracy of the representations contained in such certificates.

(xiii) The covenants and representations made or required by this section are for the benefit of the Bondholders and any subsequent Bondholders, and may be relied upon by the Bondholders and any subsequent Bondholders and bond counsel to the Department and the Corporation.

In complying with the foregoing covenants, the Department and the Corporation may rely upon an unqualified opinion issued to the Department or the Corporation by Nationally Recognized Bond Counsel that any action by the Department or the Corporation or reliance upon any interpretation of the Code or Regulations contained in such opinion will not cause interest on the Bonds to be includable in gross income for federal income tax purposes under existing law.

Notwithstanding any other provision of this Lease, the Department’s and the Corporations representations and obligations under the covenants and provisions of this Section 11.4 shall survive the defeasance and discharge of the Bonds for as long as such matters are relevant to the exclusion of interest on the Bonds from the gross income of the owners for federal income tax purposes.

Section 11.5. Reserved.

EVENTS OF DEFAULT; NONAPPROPRIATION; AND REMEDIES

Section 11.6. Events of Default Defined. The following shall be “*Events of Default*” under this Lease and the terms “*Events of Default*” and “*Default*” shall mean, whenever they are used in this Lease, any one or more of the following events:

(a) Failure by the Department to make a Rental Payment or to pay any other amount due hereunder from Available Funds at the time specified herein;

(b) Failure by the Department to observe and perform any covenant, condition or agreement on its part to be observed or performed by it hereunder, other than as referred to in subsection (a) of this Section 12.1, or the failure to pay the Purchase Option Price when required by Section 8.1 hereof, and such failure is not cured within thirty (30) calendar days after written notice thereof is provided to the Department by the Corporation or by the Trustee; provided that if such failure cannot be cured within such 30-day period, such failure will not be an Event of Default if the Department has commenced the cure of such failure within the 30-day period and diligently pursues the cure;

(c) Any material statement, representation or covenant made by the Department herein or in any writing ever delivered by the Department pursuant to this Lease or in connection herewith is determined to be false, misleading or erroneous in any material respect;

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

(e) Failure by the Department to deliver, no later than November __, 2020, a title insurance policy; provided that such documents do not reflect any additional easement, encroachment, encumbrance, defect or other interest in the properties described in the Deed of Trust.

Section 11.7. Remedies on Default. Whenever an Event of Default shall have happened and be continuing with respect to the Project, the Corporation shall have the right, to the extent permitted by law, at its option and without any further demand or notice, to take one or any combination of the following remedial steps:

(a) With or without terminating this Lease, declare all Rental Payments due or to become due during the then current Fiscal Year to be immediately due and payable by the Department to the extent Available Funds are Appropriated, whereupon such Rental Payments shall be, to the extent permitted by State law, immediately due and payable; or

(b) With or without terminating this Lease, re-enter and take possession of the Project and exclude the Department from using the Project; however, if this Lease has not been terminated, the Corporation shall return possession of the Project to the Department when the Event of Default is cured (including payment of all costs and expenses incurred by the Corporation, the Trustee or the owner resulting therefrom), and, further, the Department shall, during such period of repossession by the

Corporation without termination of this Lease, to the extent Available Funds have been Appropriated for such purposes, continue to be responsible for the Rental Payments due or to become due during the Term of this Lease; or

(c) Terminate this Lease upon giving thirty (30) days' prior written notice to the Department and the Trustee at the expiration of which period of time the Department shall immediately surrender possession and control of the Project to Trustee, but in no event prior to thirty (30) days after the date on which written notice has been given, and the Trustee shall have the right, thereafter, to sell, lease, sublease or otherwise dispose of the Project; provided, however, that any proceeds from the sale, transfer or other disposition of the Project, in excess of the amount necessary to pay the outstanding principal of, premium, if any, and interest, on the Bonds, shall be paid to the Department; or

(d) Take whatever action at law or in equity may appear necessary or desirable to collect the Rental Payments then due or to become due during the then current Fiscal Year or to enforce performance and observance of any other obligation, agreement or covenant of the Department under this Lease.

Section 11.8. Remedies on Event of Nonappropriation.

(a) Upon an Event of Nonappropriation, without further demand or notice, this Lease shall terminate at the end of the Fiscal Year for which sufficient funds have been Appropriated, and the Department shall immediately, upon the expiration of the said Fiscal Year, surrender possession and control of the Project to the Trustee. The Department shall provide the Corporation and the Trustee with written notice of such Event of Nonappropriation within five (5) Business Days following an action by the Department which constitutes a failure to appropriate funds sufficient to pay the Rental Payments due during the succeeding Fiscal Year.

(b) Upon termination of this Lease pursuant to Section 12.3(a), if the Department has not delivered possession and control of the Project to the Corporation or Trustee and conveyed or released its interest in the Project as therein required, the termination shall nevertheless be effective, but the Department shall be responsible, from and to the extent of Available Funds as provided in this Lease and the Trust Indenture, for the payment of damages in an amount equal to the amount of Rental Payments thereafter coming due which are attributable to the number of days (including the ten (10) calendar day period provided for in Section 12.4 hereof) during which the Department fails to take such actions. Any proceeds from the sale, transfer or other disposition of the Project, in excess of the amount necessary to pay the outstanding principal of, premium, if any, and interest on the Bonds, shall be paid to the Department.

Section 11.9. Return of Project. Upon the expiration or termination of this Lease prior to the payment of all Rental Payments in accordance with Section 6.1 hereof or prior to payment of the purchase price in accordance with Article X hereof, the Department shall deliver possession of the Project to the Corporation in the condition, repair, appearance and working order required in Section 7.1 hereof and shall, within ten (10) calendar days thereafter, release its interest in the Project granted by this Lease.

Section 11.10. Delay: Notice. No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle any party to exercise any remedy reserved to it in this Lease it shall not be necessary to give any notice, other than such notice as may be required in this Lease.

Section 11.11. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Corporation is intended to be exclusive, and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Lease or now or hereafter existing at law or in equity.

Section 11.12. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Lease should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 11.13. Exercise of Remedies with Trustee's Consent. The Corporation agrees that it shall not exercise any remedy hereunder without the Trustee's prior written consent.

ARTICLE XII.

TITLE

Section 12.1. Title. During the Term of this Lease, legal title to the Project and any and all repairs, replacements, substitutions and modifications to it shall be in the Corporation. Upon termination of this Lease under subsections 5.1(b), 5.1(d) or 5.1(e) hereof, legal title to the Project, full and unencumbered (with the exception of Permitted Encumbrances) shall immediately be conveyed by the Corporation to the Department, and the Corporation and Trustee shall execute and deliver to the Department such documents as the Department may reasonably request to evidence the conveyance of such title to the Department and the termination of the Corporation's and Trustee's interest in the Improvements [and the Land.]

ARTICLE XIII.

HAZARDOUS MATERIALS PROVISIONS

Section 13.1. Restrictions Regarding Hazardous Substances. Except to the extent such is accomplished in compliance with all applicable Hazardous Substance Laws (defined below), the Department, its agents, employees, contractors, affiliates, licensees or invitees shall not generate, manufacture, store, dispose of or otherwise use or hold on or under or about the various sites comprising the Project or transport to, from, or across such sites any Hazardous Substances (as defined below in this Section 14.1) without the prior written consent of the Corporation, which consent shall not be unreasonably withheld. For purposes of this Article XIV and to the extent permitted by law, any acts or omissions of the Department or others acting for or on behalf of the Department (whether or not they are negligent, intentional, willful or unlawful) shall be strictly attributable to the Department. The Department shall give the Corporation at least thirty (30) days' written notice of the Department's intention to generate, manufacture, store, use, dispose of or transport any Hazardous Substance. The Corporation shall have ten (10) days in which to approve or disapprove such actions in writing. The Corporation acknowledges and agrees that the Department will be operating educational and support facilities on the various sites comprising the Project, and that in the ordinary course of operating such facilities, the Department may have need to use and store above ground reasonable quantities of Hazardous Substances. The Corporation further acknowledges and agrees that nothing herein shall prohibit, and the consent of the Corporation is hereby expressly granted, and no further notice is required to the Corporation for, the use, disposal, storage, or possession on, under or about the various sites comprising the Project of such Hazardous Substances as are necessary for or incidental and related to the Department's performance of its obligations contained in this Lease related to the Department's operation of educational and support facilities on such sites and to the maintenance, repair and preservation of the Project. The Department agrees to provide the Corporation upon the Corporation's reasonable request, any and all information

concerning Hazardous Substances used or stored in connection with the operation of the Project, including without limitation, inventory records, manifests and material safety data sheets. If the Department receives notice from any local, state or federal governmental agency of any proposed action against the Department under or in violation of any Hazardous Substance Law pertaining to the Project, the Department shall promptly provide the Corporation with a copy of such notice. As used herein, “*Hazardous Substances*” means any oil, flammable materials, explosives, asbestos, radioactive materials or wastes, medical waste, or other hazardous, toxic, contaminated or polluting materials, substances or wastes including, without limitation, any “*hazardous*” or “*toxic*” substances, wastes, or materials under any federal, state, or local law, ordinance or regulation relating to industrial hygiene, environmental protection, or the use, analysis, generation, manufacture, storage or transportation of such substances (collectively, “*Hazardous Substances Law(s)*”).

Section 13.2. Compliance with Hazardous Substance Laws. The Department is in compliance with all Hazardous Substance Laws, and shall, at its own expense, continue to comply with all Hazardous Substance Laws including, without limitation, those controlling the discharge of materials or wastes into or through any sanitary sewer serving the Project. Except as discharged into the sanitary sewer in strict accordance and conformity with all applicable Hazardous Substance Laws, the Department, at its sole cost and expense, shall cause any and all Hazardous Substances removed from the Project to be removed and transported solely by duly licensed haulers to duly licensed facilities for final disposal of such materials and wastes. The Department shall, at its sole cost and expense, cause all contamination to be cleaned up, or all Hazardous Substances to be removed from the Project and transported for use, storage or disposal, in accordance and compliance with all Hazardous Substance Laws. The Department will provide prompt notice to Trustee of any violation or alleged violation by it of any Hazardous Substance Laws.

Section 13.3. Department’s Indemnification. The Department, to the extent permitted by law, and only from lawfully available Appropriated funds, hereby indemnifies the Corporation, the Trustee and the Trustee, their directors, officers, partners, shareholders, employees, contractors, agents, successors personal and legal representatives and assigns (collectively, the “*Indemnified Parties*”) and, to the extent permitted by law, agrees to defend (with counsel previously approved by the Corporation, the Trustee and Trustee in writing) and hold the Indemnified Parties harmless from and against any and all claims, damages, losses, costs, demands, suits, court or administrative proceedings, or expenses (including without limitation, attorneys’ fees), incurred by, arising out of, or based upon or resulting from (a) the failure by the Department to perform or observe any of its obligations or agreements under this Article XIV; (b) the presence, release, threatened release, use, analysis, generation, discharge, storage, disposal or transportation of any Hazardous Substance under, in or about, to or from the Project occurring or resulting from acts or omissions of the Department (and not directly resulting from any negligent or intentional acts of the Indemnified Parties seeking indemnity); and (c) the Department’s failure to comply with any Hazardous Substance Law. The Trustee shall be a third party beneficiary for purposes hereof.

Section 13.4. Remedial Action. Notwithstanding the foregoing, the Corporation or the Trustee may, at its sole option (but without any obligation to do so) and at the Department’s sole cost and expense from lawfully available funds, (a) undertake any remedial action to remove any Hazardous Substance from the project or clean-up any contamination resulting from the Department’s violation of any of the requirements of this Article and/or (b) participate in any proceeding under any Hazardous Substance Law against the Department or relating to the Project arising from the Department’s violation of any of the requirements of this Article.

Section 13.5. Discovery of Hazardous Substances. If the Department determines or has reasonable cause to believe that any Hazardous Substance is located on or beneath the Project, then upon

such discovery or suspicion of the presence of the Hazardous Substance the Department shall immediately give written notice of that condition to the Corporation.

ARTICLE XIV.

ADMINISTRATIVE PROVISIONS

Section 14.1. Continuing Disclosure Undertaking.

(a) The Department shall provide annually to the MSRB within six months after the end of each fiscal year, financial information and operating data with respect to the Department of the general type included in the final Official Statement under Tables numbered one through five, and in APPENDIX B. The Department shall update such information within six months after the end of each fiscal year. Any financial statements so to be provided shall be (1) prepared in accordance with the accounting principles prescribed by the Texas State Board of Education or such other accounting principles as the Department may be required to employ from time to time pursuant to State law or regulation and (2) audited, if the Department commissions an audit of such statements and the audit is completed within the period during which they must be provided. If audited financial statements are not so provided, then the Department shall provide unaudited financial statements for the applicable fiscal year by the required time and audited financial statements when and if audited financial statements become available.

If the Department changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the Department otherwise would be required to provide financial information and operating data pursuant to this Section.

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to documents (i) available to the public on the MSRB's internet web site or (ii) filed with the SEC.

(b) The Department shall notify the MSRB in an electronic format prescribed by the MSRB, in a timely manner (not in excess of ten (10) Business Days after the occurrence of the event), of any of the following events with respect to the Bonds:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) Modifications to rights of holders of the Bonds, if material;

- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the Notes, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the Department;
- (xiii) The consummation of a merger, consolidation, or acquisition involving the Department or the sale of all or substantially all of the assets of the Department, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) Incurrence of a debt obligation or derivative instrument entered into in connection with, or pledged a security or source of payment for, an existing or planned debt obligation of the Department, or a guarantee of any such debt obligation or derivative instrument, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the Department, any of which affect security holders, if material; and
- (xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the Department, any of which reflect financial difficulties.

As used in clause (12), above, the phrase “bankruptcy, insolvency, receivership or similar event” means the appointment of a receiver, fiscal agent or similar officer for the Department in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets of the Department, or if jurisdiction has been assumed by leaving the Board and official or officers of the Department in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Department.

The term “financial obligation” when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” does not include municipal securities for which a final official statement has been provided to the MSRB consistent with the Rule. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws.

The Department shall notify the MSRB in an electronic format prescribed by the MSRB, in a timely manner, of any failure by the Department to provide financial information or operating data in accordance with this Section by the time required by this Section.

All documents provided to the MSRB shall be accompanied by identifying information, as prescribed by the MSRB.

(c) The Department shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the Department remains an “obligated person” with respect to the Bonds within the meaning of the Rule, except that the Department in any event will give the notice required by this Section of any Bond calls and defeasance that cause the Department to be no longer such an “obligated person.”

The provisions of this Section are for the sole benefit of the Registered Owners and beneficial owners of the Bonds, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Department undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Department’s financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The Department does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE DEPARTMENT BE LIABLE TO THE REGISTERED OWNER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE DEPARTMENT, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by the Department in observing or performing its obligations under this Section shall constitute a breach of or default under the Order for purposes of any other provision of this Order.

Nothing in this Section is intended to or shall act to disclaim, waive, or otherwise limit the duties of the Department under federal and state securities laws.

The provisions of this Section may be amended by the Department from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Department, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell the Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the Registered Owners of a majority in aggregate principal amount (or any greater amount required by any other provision of this Order that authorizes such an amendment) of the Outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the Department (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Registered Owners and beneficial owners of the Bonds. If the Department so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance

with this Section an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided. The Department may also amend or repeal the provisions of this Section if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the Department also may amend the provisions of this Section in its discretion in any other manner or circumstance, but in any case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds, giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. **Notices.** All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given on the earlier of (i) delivery or (ii) three (3) calendar days following deposit in the United States mail in certified or registered form with postage fully prepaid to the addresses shown in the first paragraph hereof. The Corporation and the Department, by notice given hereunder, may designate different addresses to which subsequent notices, certificates or other communications will be sent. A copy of all notices shall be sent to Trustee at the following address:

BOKF NA
Corporate Trust Services
1401 McKinney, Suite 1000
Houston, Texas 77010

Notwithstanding the foregoing, notices to the Trustee shall be effective only upon receipt.

Section 14.2. Certificates by the Corporation and the Department.

(a) The Department agrees that within 150 days of the close of each Fiscal Year, to execute, acknowledge and deliver to the Corporation and Trustee or any other party specified by the Corporation or Trustee a statement in writing certifying that this Lease is unmodified and in full force and effect (or if there have been modifications, that the same, as modified, is in full force and effect and stating the modifications) and the date to which the Rental Payments payable by the Department hereunder have been paid, and stating whether or not to the best knowledge of the signer of such certificate, the Corporation or Trustee is in default in performance of any covenant, agreement or condition contained in this Lease, and, if so, specifying each such default of which the signer may have knowledge.

(b) The Corporation agrees that within 150 days of the close of each Fiscal Year, to furnish to the Department or any other party specified by the Department, a certificate signed by the Corporation certifying (i) that the Lease is in full force and effect and unmodified (or if there have been modifications, that such document is in full force and effect as modified); (ii) that the Department is not in default under the terms of the Lease and that no event has occurred which through the passage of time will result in an Event of Default by the Department or if the Department is in default of this Lease, the nature of such Event of Default; and (iii) as to such other matters as may be reasonably requested by the Department.

Section 14.3. Binding Effect. This Lease shall inure to the benefit of and shall be binding upon the Corporation and the Department and their respective successors and assigns, as and to the extent that assignments are permitted by this Lease. References to the Corporation in connection with the rights, benefits and privileges granted to the Corporation hereunder are deemed to include Trustee. References to the Corporation in connection with obligations and responsibilities of the Corporation hereunder do not include the Trustee.

Section 14.4. Severability. In the event any provision of this Lease shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 14.5. Amendments, Changes and Modifications. This Lease may be amended or any of its terms modified only by written amendment authorized and executed by the Department and the Corporation and consented to by the Trustee and the Trustee in accordance with Section 10.1 of each of the Trust Indenture; provided that any amendment that has the effect of altering or adding a “major provision” to this Lease (as described in Section 271.004, Local Government Code, as amended) shall require publication of notice of the proposed amendment to the extent required by Section 271.004, Local Government Code, as amended.

Section 14.6. Further Assurances and Corrective Instruments. The Corporation and the Department agree that they will, if necessary, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Project hereby leased or intended so to be or for carrying out the expressed intention of this Lease.

Section 14.7. Execution in Counterparts. This Lease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 14.8. Applicable Law. This Lease shall be governed by and construed in accordance with the laws of the State.

Section 14.9. Corporation and Department Representatives. Whenever under the provisions of this Lease the approval of the Corporation or the Department is required, or the Corporation or the Department is required to take some action at the request of the other, such approval or request shall be given for the Corporation by a Corporation Representative and for the Department by a Department Representative, and any party hereto shall be authorized to rely upon any such approval or request.

Section 14.10. Captions. The captions or headings in this Lease are for convenience only and in no way define, limit or describe the scope or intent of any provisions, Articles or Sections of this Lease.

Section 14.11. Complete Agreement. This Lease supersedes and takes the place of any and all previous agreements entered into between the parties hereto with respect to the subject matter hereof.

Section 14.12. Third Party Beneficiary. The parties hereto expressly recognize that the Trustee is a third-party beneficiary to this Lease and may enforce any right, remedy or claim assigned, conferred, given or granted to the Trustee hereunder.

IN WITNESS WHEREOF, the Corporation has caused this Lease to be executed in its corporate name by its duly authorized officer, and the Department has caused this Lease to be executed in its name by its duly authorized officer, as of the date first above written.

LESSOR:

**HARRIS COUNTY DEPARTMENT OF EDUCATION
PUBLIC FACILITY CORPORATION**

By: _____
Name: Rich Vela
As Its: President, Board of Directors

LESSEE:

**COUNTY SCHOOL TRUSTEES OF HARRIS COUNTY,
STATE OF TEXAS (d/b/a HARRIS COUNTY
DEPARTMENT OF EDUCATION)**

By: _____
Name: Eric Dick
As Its: President, Board of Trustees

ATTEST:

By: _____
Name: James Colbert, Jr.
As Its: Secretary, Board of Directors

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

On this _____ day of _____, 2020, before me, a Notary Public in and for the State of Texas, personally appeared Rich Vela, President of the Board of Directors of HARRIS COUNTY DEPARTMENT OF EDUCATION PUBLIC FACILITY CORPORATION, known to me to be the person whose name is subscribed, in my presence, to the within Lease With An Option To Purchase, and acknowledged to me that he executed the same on behalf of such corporation.

(SEAL)

NOTARY PUBLIC IN AND FOR THE
STATE OF TEAS

My Commission Expires:

Notary Name Typed or Printed

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

On this _____ day of _____, 2020, before me, a Notary Public in and for the State of Texas, personally appeared Eric Rick, President of the Board of Trustees of HARRIS COUNTY DEPARTMENT OF EDUCATION, known to me to be the person whose name is subscribed, in my presence, to the within Lease With An Option To Purchase, and acknowledged to me that he executed the same on behalf of such corporation.

(SEAL)

NOTARY PUBLIC IN AND FOR THE
STATE OF TEAS

My Commission Expires:

Notary Name Typed or Printed

Exhibit "A"

to

Lease with an Option to Purchase

Description of the Land:

METES AND BOUNDS DESCRIPTION

Exhibit "A"

Description of Improvements

Description of the Improvements:

1. **Education Facility (7703 South Loop East, Houston, Texas 77012)**

Construction and equipment of a new building at the Department's ABS East Campus located at 7703 South Loop East, Houston, Texas 77012 to provide adaptive behavior services, the construction the construction and equipment of a new building at the Department's Highpoint Campus located at 8003 E. Sam Houston Parkway North, Houston, Texas 77049 to provide alternative educational services and the construction and equipment of a new building at the Department's Adult Ed Center located at 6515 Irvington and 629 King Street, Houston, Texas 77022 to provide adult education classes (consisting of general education and vocational classes).

Exhibit "B"

Schedule of Rental Payments

Rental Payment Date Rental Payment

Exhibit “C”

List of Permitted Encumbrances

The Lease, the Trust Indenture, the Bonds, and the Deed of Trust.

Inchoate mechanic’s and materialmen’s liens which arise by operation of law, but which have not been perfected by the required filing of record, for work done or materials delivered after the date of the recording of the Lease in connection with the Project (provided that no such liens will be permitted which will be superior to the liens of the Lease and the Deed of Trust).

Presently existing easements, restrictive covenants and other agreements which are recorded in the public records.

Presently existing public utility easements which are recorded in the public records.

REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER §
OF PUBLIC ACCOUNTS §
DEPARTMENT OF HARRIS § REGISTER NO. _____
 §

I HEREBY CERTIFY that this Lease with an Option to Purchase Relating to Educational and Support Facilities, dated as of November __, 2020, by and between Harris County Department of Education Public Facility Corporation, as the Corporation, and County School Trustees of Harris County, State of Texas (d/b/a Harris County Department of Education), as the Department, has been examined, certified as to validity and approved by the Attorney General of the State of Texas and has been duly registered by the Comptroller of Public Accounts of the State of Texas.

WITNESS my signature and seal of office as of the ____ day of _____, 2020.

Comptroller of Public Accounts
of the State of Texas

(SEAL)

**LEASEHOLD DEED OF TRUST, SECURITY AGREEMENT,
ASSIGNMENT OF RENTS AND LEASES,
AND FINANCING STATEMENT**

By

**HARRIS COUNTY DEPARTMENT OF EDUCATION
PUBLIC FACILITY CORPORATION**

To

Jeffrey L. Seasor, as Mortgage Trustee

For the Benefit of

**BOKF NA
Trustee**

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NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

**LEASEHOLD DEED OF TRUST, SECURITY AGREEMENT,
ASSIGNMENT OF RENTS AND LEASES,
AND FINANCING STATEMENT**

THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §

Preamble

This Deed of Trust, Security Agreement, Assignment of Rents and Leases, and Financing Statement (hereinafter called "Deed of Trust"), executed by the Harris County Department of Education Facility Corporation (hereinafter called "Issuer"), the mailing address of Issuer being set forth on the execution page hereof, to Jeffrey L. Seasor, 5956 Sherry Lane, Suite 1100, Dallas, Texas 75225 of Dallas County, Texas, as mortgage trustee, and also to any substitute or successor mortgage trustee as hereinafter provided (all of whom shall be included within the term "Mortgage Trustee" as used hereinafter); for the use and benefit of BOKF NA, trustee (the "Indenture Trustee") under that certain Trust Indenture (defined below) executed in connection with the Bonds (defined below), whose mailing address is 1401 McKinney, Suite 1000, Houston, Texas 77010, Attention: Corporate Trust Services, and any subsequent holder of the Secured Obligations hereinafter set forth (all of whom shall be included within the term "Beneficiary" as used hereinafter), as beneficiary, assignee, and secured party, as more fully hereinafter set forth.

WITNESSETH:

WHEREAS, the Issuer has adopted a resolution (the "Resolution") dated _____, 2020, authorizing the issuance of \$[_____] in aggregate principal amount of its lease revenue bonds designated "Harris County Department of Education Public Facility Corporation Lease Revenue Bonds, Series 2020" and any additional bonds issued in connection with the Project (collectively, the "Bonds"), for the purpose of providing funds for the construction, equipment and acquisition of educational and support facilities on real property (together with all improvements and additions thereto, the "Project"), which real property is more particularly described in **Exhibit A** attached hereto and made a part hereof;

WHEREAS, the Bonds will be payable from payments received by the Issuer pursuant to that certain Lease with Option to Purchase Relating to Educational and Support Facilities, dated as of even date herewith (the "HCDE Lease"), pursuant to which the Issuer has agreed to lease the Project to the Harris County Department of Education (the "Department") and the

Department has agreed to lease the Project from the Issuer, and the Issuer has agreed and pledged to the Indenture Trustee, and granted a first priority security interest in, all of its right, title and interest in the HCDE Lease and all revenues, payments, receipts and money to be received by the Issuer thereunder;

WHEREAS, the Issuer has issued \$7,000,000 of its Lease Revenue Refunding Bonds Series 2016 (the “Series 2016 Bonds”), pursuant to a Trust Indenture, dated as of October 1, 2016 (the “2016 Trust Indenture”), by and between the Indenture Trustee and the Issuer to fund the acquisition of certain real property and construction, equipment and acquisition of educational and support facilities on such real property (together with all improvements and additions thereto);

WHEREAS, the Issuer has issued \$9,685,000 of its Lease Revenue Refunding Bonds Series 2014 (the “Series 2014 Bonds”), pursuant to a Trust Indenture, dated as of February 1, 2014 (the “2014 Trust Indenture”), by and between the Indenture Trustee and the Issuer to refund a portion of its prior bonds, the proceeds of which were used to finance the costs of designing and construction various Department facilities;

WHEREAS, the Issuer has issued \$4,255,000 of its Lease Revenue Refunding Bonds Series 2014 (the “Series 2015 Bonds”), pursuant to a Trust Indenture, dated as of December 15 2014 (the “2015 Trust Indenture”), by and between the Indenture Trustee and the Issuer to refund a portion of its prior bonds, the proceeds of which were used to finance the costs of designing and construction various Department facilities;

WHEREAS, to secure its obligations under the Trust Indenture Relating To Harris County Department of Education Public Facility Corporation Lease Revenue Bonds, Series 2020, dated November 1, 2020, between the Issuer and the Indenture Trustee (the “Trust Indenture”), the Issuer has agreed to grant a [first lien] on the Mortgaged Properties (defined below) and to assign and pledge Issuer’s interest in the HCDE Lease and all revenues, profits, income, receipts, money, rights and benefits of and from the improvements for the use and benefit of the Indenture Trustee on behalf of the owners of the Bonds; and

WHEREAS, Issuer and Indenture Trustee (acting in its capacity as Indenture Trustee under (i) the Trust Indenture; (ii) the 2016 Trust Indenture, (iii) the 2015 Trust Indenture, and (iv) the 2014 Trust Indenture) have entered into that certain Parity Lien Agreement of even date herewith (the “Parity Lien Agreement”), pursuant to which the liens securing the payment and performance of the Bonds, the Series 2016 Bonds, the Series 2015 Bonds and the Series 2014 Bonds are deemed to be in parity with one another; and

NOW, THEREFORE, for valuable consideration, including the mutual covenants contained herein and in further consideration of the issuance and sale of the Bonds by the Issuer and the acquisition and construction of the Project for lease to the Department pursuant to the terms of the HCDE Lease, the receipt and sufficiency of which are hereby acknowledged, Issuer agrees as follows:

ARTICLE I
SECURED OBLIGATIONS

Section 1.1 Deed of Trust Secures Described Indebtedness. This Deed of Trust is executed and delivered by Issuer to secure the payment and performance of certain indebtedness, liabilities and obligations owing and to become owing to or in favor of Beneficiary, as follows:

(a) The indebtedness evidenced by the Bonds, being payable in the amounts, at the interest rate, and on the dates stipulated therein, maturing as provided therein, and containing provisions for the acceleration of maturity, at the option of the Indenture Trustee, and for the payment of attorneys' fees upon the occurrence of contingencies set forth therein;

(b) any and all amounts, liabilities, and obligations for which or for the performance of which Issuer may become indebted or obligated under the terms of the HCDE Lease, the Trust Indenture or this Deed of Trust, including, but not limited to, the fees and expenses of the Beneficiary;

(c) any sum or sums constituting other indebtedness (whether now existing or hereafter arising) of Issuer to Beneficiary related to the Project or the financing thereof, which indebtedness may be evidenced in various manners (including, but not limited to, indebtedness evidenced by promissory note, loan agreement, deed of trust, mortgage, security agreement, open account, overdraft, interest rate swaps, surety, guaranty, and letter of credit), whether joint or several, direct or indirect, absolute or contingent, due or to become due, primary or secondary, howsoever evidenced or acquired, it being contemplated that Issuer may hereafter become so indebted to Beneficiary; and

(d) any and all renewals, rearrangements, and extensions of the foregoing items of indebtedness and obligations; *provided, however*, that the enumeration of items of indebtedness set forth in paragraphs 1.1(a) and (c) above shall not include and there is expressly excepted therefrom any items of indebtedness owing or to become owing to the Beneficiary for which applicable law prohibits the taking of a lien upon real estate as security.

Section 1.2 Secured Obligations Defined. Each and every item of indebtedness described and included in Section 1.1 above is intended to be fully secured by the liens, assignments, and security interests created under and by virtue of this Deed of Trust; and all such items so secured (now or hereafter existing) are hereinafter collectively called "Secured Obligations."

ARTICLE II GRANT OF MORTGAGED PROPERTIES

Section 2.1 Grant, Sale and Conveyance. For the purposes and trusts hereinafter set forth, and for TEN AND NO/100 DOLLARS (\$10.00) and other valuable consideration paid to Issuer, the receipt and sufficiency of which are hereby acknowledged, Issuer has GRANTED, SOLD, and CONVEYED, and by these presents does GRANT, SELL, and CONVEY, unto the Indenture Trustee, all the following described property, to wit:

(a) The leasehold interest created by the Leases (as defined below) in all those certain tract(s) or parcel(s) of land (the "Land") being situated in Harris County, Texas, being more fully described as set forth on **Exhibit A** attached hereto and hereby referred to and incorporated herein for all purposes.

(b) All improvements now or hereafter attached to or placed, erected, constructed, or developed on the Land, and all of Issuer's right, title and interest in and to fixtures, materials, equipment, portable buildings, apparatus, furniture, furnishings, building materials, supplies, and other property, real and personal, now or hereafter installed or used thereon or upon the improvements thereon, including, but not limited to, all heating, lighting, refrigerating, plumbing, ventilating, incinerating, water heating, cooling and air-conditioning equipment, fixtures and appurtenances, all engines and machinery, elevators, pumps, motors, window screens, window shades, venetian blinds, awnings, floor coverings, and shrubbery and other chattels and personal property used or furnished in connection with the operation, use, and enjoyment of such real property and the improvements thereon but only to the extent acquired with the proceeds of the Bonds, and all renewals, replacements, and substitutions therefor and additions thereto, all of which said property and fixtures shall be deemed to be a part of and affixed to the above described Land (the "Improvements").

(c) All rents, revenues, profits, income, damages, awards, and proceeds from or attributable to all or any portion of the Land hereinabove described, the Improvements hereinabove described, and any other property, both real and personal, hereinabove described.

(d) All of Issuer's right, title and interest in and to all other articles of personal property, tangible or intangible (the "Personal Property") acquired with the proceeds of the Bonds now or hereafter attached to or used in or about the Improvements or that are necessary or useful for the complete and comfortable use and occupancy of the Improvements for the purposes for which they are to be attached, placed, erected, constructed or developed, and all renewals of or replacements or substitutions for any of the foregoing, whether or not the same are or shall be attached to the Land or Improvements.

(e) All of Issuer's right, title and interest in and to all building materials and equipment now or hereafter delivered to and intended to be installed in or on the Land or the Improvements.

(f) All contracts now or hereafter entered into by and between Issuer and the Original Contractor (as such term is defined by §53.001 of the TEX. PROP. CODE ANN. (as amended)) or between the Issuer and any other party, as well as all right, title and interest of Issuer under any subcontracts, provided for the construction (original, restorative or otherwise) of any improvements to or on any of the Land or the furnishing of any materials, supplies, equipment or labor in connection with such construction.

(g) All of Issuer's right, title and interest in and to all plans, specifications and drawings of the Improvements (including, but not limited to, plat plans, foundation plans, floor plans, elevations, framing plans, cross-section of walls, mechanical plans, electrical plans and architectural and engineering plans, and architectural engineering studies and analysis) heretofore or hereafter prepared by any architect or any engineer, relating to any of the Improvements.

(h) All of Issuer's right, title and interest in and to all agreements now or hereafter entered into and with any party, including any assigned obligations, relating to architectural, engineering, management, development or consulting services rendered or to be rendered

relating to planning, design, inspection or supervision of the construction management or development of any of the Improvements.

(i) Any completion bond, performance bond or labor and material payment bond or other bond relating to the Land or to any contract providing for construction of Improvements to the Land.

(j) All right, title and interest of Issuer in and to all streets, roads, public places, easements and rights-of-way, existing or proposed, public or private, adjacent to or used in connection with, belonging or pertaining to the Land.

(k) All of Issuer's right, title and interest in and to all permits, licenses, wastewater discharge capacities, franchises, certificates, and other rights and privileges obtained in connection with the Land, Improvements and the Personal Property.

(l) All proceeds arising from or by virtue of the sale, lease or other disposition of the Land, Improvements or the Personal Property.

(m) All proceeds (including premium refunds) of each policy of insurance relating to the Land, Improvements or the Personal Property.

(n) All proceeds from the taking of any of the Land, the Improvements, the Personal Property or any rights appurtenant thereto by right of eminent domain or by private or other purchase in lieu thereof, including change of grade of streets, curb cuts or other rights of access, for any public or quasi-public use under any law.

(o) All rights, hereditaments and appurtenances pertaining to the foregoing.

(p) Other interests of every kind and character that Issuer now has or at any time hereafter acquires in and to the Improvements and Personal Property described herein and all property that is used or useful in connection therewith, including rights of ingress and egress and all reversionary rights or interests of Issuer with respect to such property.

(q) All of the accounts, documents, chattel paper, instruments, and general intangibles arising in any manner from the Issuer's ownership and operation of the Project, but not limited to, all amounts due from tenants of the Project (any and all such property described in this paragraph being referred to herein as the "Revenues").

(r) Any and all tenant contracts, rental agreements, franchise agreements, management contracts and other contracts now or hereafter affecting the Land, Improvements or any part thereof.

TO HAVE AND TO HOLD the hereinabove described properties, together with the rights, privileges, and appurtenances thereto belonging (all of which properties, rights, privileges, and appurtenances are hereinafter collectively called the "Mortgaged Properties"), unto the said Mortgage Trustee and to his substitutes or successors forever, and Issuer does hereby bind itself, its successors, assigns, and legal representatives to warrant and forever defend all and singular the Mortgaged Properties unto the Mortgage Trustee, his successors and assigns, against every

person whomsoever lawfully claiming or to claim the same, or any part thereof, by, through, or under Issuer, but not otherwise, subject only to the specific matters, if any, set forth in **Exhibit B** attached hereto and made a part hereof (the “Permitted Encumbrances”).

Section 2.2 Issuer’s Representations and Covenants Regarding Title. Without in any way limiting the above conveyance and the warranty herein contained, Issuer represents itself to be the owner of all the Mortgaged Properties as hereinabove conveyed and, should any ambiguity exist in regard to the description of said properties, Issuer agrees that it will, upon request by the holder of the Secured Obligations, execute any further instruments, amendments, or supplements desired to more adequately describe the Mortgaged Properties which it has agreed to make subject to this Deed of Trust.

Section 2.3 Conveyance is as a Deed of Trust. This conveyance, however, is intended as a deed of trust and security agreement and is made upon the following trusts, terms, and conditions, to wit: In the event Issuer shall well and truly perform and pay the Secured Obligations (including payment of all principal and all interest and attorneys’ fees and other amounts, if any, owing or to become owing thereon) to the legal holder thereof when the same shall become due, then this Deed of Trust and all herein contained shall be null and void and shall be released at Issuer’s cost and expense, otherwise this Deed of Trust shall continue in full force and effect; [*provided, however, that the Issuer’s obligation (if any) to indemnify and hold harmless the Beneficiary pursuant to the provisions hereof shall survive any such payment or release.*]

ARTICLE III ASSIGNMENT OF RENTS

Section 3.1 Assignment. Issuer does hereby GRANT, TRANSFER, ASSIGN and SET OVER unto Beneficiary, its successors and assigns, the following:

(a) all rights, interests and estates of Issuer in, to and under, but none of its obligations, responsibilities, or liabilities related to, the existing leases, including the HCDE Lease, and those now or hereafter made, executed or delivered, whether written or verbal, covering all or any portion of the Mortgaged Properties, together with all renewals, extensions, modifications and replacements thereof (such lease agreements, renewals, extensions, modifications and replacements thereof being hereinafter collectively called the “Leases”); and

(b) all rights and interests of Issuer in and to all rents, rentals, security deposits, royalties, bonuses, issues, profits, revenue, income, and other sums of money or benefits that may now or hereafter be derived from the Mortgaged Properties, but none of its obligations, responsibilities, or liabilities related to, or arising from the use or enjoyment of any portion thereof, or from any Lease pertaining thereto, including but not limited to, liquidated damages arising from any default under a Lease, amounts that may be collected from any guarantor of a Lease, any proceeds payable under any insurance policy covering loss of rents, and any and all rights that the Issuer may have against any lessee, guarantor or sublessee under such Leases (hereinafter collectively called the “Rents”).

It is the intention of the parties hereto to establish an absolute transfer and assignment of all the rights, title, and interest of Issuer in and to, but none of its obligations, responsibilities or liabilities relating to the Leases and the Rents to Beneficiary and not just to create a security interest. Notwithstanding the foregoing, the assignment of rents contained herein shall be subject in all respects to the Texas Assignment of Rents Act, Chapter 64, Texas Property Code (“TARA”). Furthermore, the definition of “Rents” shall include all “Rents” as defined in TARA and the definition of “Leases” shall include all “Leases” as defined in TARA.

Section 3.2 Affirmative Covenants. Issuer shall, at the sole cost and expense of Issuer:

(a) duly and punctually observe, perform and discharge, all and singular the obligations, terms, covenants, conditions and warranties of the lessor under the Leases; and

(b) give prompt notice to Beneficiary of any failure on the part of Issuer to observe, perform and discharge the same or of any claim made by any lessee of any such failure by Issuer; and

(c) notify and direct, in writing, each and every present or future lessee or occupant of the Mortgaged Properties or of any part thereof that any security deposit or other deposits heretofore delivered to Issuer have been retained by Issuer or assigned and delivered to Beneficiary, as the case may be; and

(d) enforce, short of termination of the Leases, or secure in the name of Beneficiary, the performance of each and every obligation, term, covenant, condition and agreement in the Leases to be performed by any lessee or any guarantor; and

(e) at the request of Beneficiary, execute a written instrument evidencing that the rights, title, and interest of Issuer in and to, but none of its obligations, responsibilities or liabilities relating to such future Leases have been transferred and assigned to Beneficiary in accordance with the terms and conditions as herein contained; and

(f) make, execute and deliver to Beneficiary upon demand and at any time or times, any and all assignments and other documents and other instruments which Beneficiary may deem advisable to carry out the true purposes and intent of Section 3.1.

Section 3.3 Negative Covenants. Issuer shall not, except in compliance with the Trust Indenture and the Leases, except as noted below:

(a) cancel, terminate or consent to any surrender of any Leases; or

(b) commence any action or ejectment or any summary proceedings for dispossession of any lessee under any Leases or exercise any right of recapture provided in any Leases; or

(c) modify, extend, or in any way alter the term of any Leases except as permitted in the Trust Indenture; or

(d) waive or release any lessee or any guarantors from any obligations or conditions to be performed by any lessee or any guarantor under any Leases; or

(e) enter into any Leases (other than the HCDE Lease) for all or any part of the Mortgaged Properties; or

(f) consent to any modification of the express purposes for which the Mortgaged Properties or any portion thereof has been leased; or

(g) consent to any subletting of Mortgaged Properties or any part thereof, to any assignment of any Leases by any lessee thereunder, to any assignment or further subletting of any sublease except as currently permitted pursuant to the HCDE Lease; or

(h) receive or collect any Rents from any Lease for a period of more than one month in advance or two months in advance where one month's rental is attributable to the next ensuing month and one month's rental is attributable to the last month in the lease term, if any, and is collected as security under the provisions of a written lease or rental agreement, if any (whether in cash or by evidence of indebtedness); or

(i) except as provided in the Trust Indenture, pledge, transfer, mortgage or otherwise encumber or assign or permit an encumbrance upon future payments of Rents or any other interest of Issuer in the Leases; or

(j) waive, excuse, condone, discount, set off, compromise or in any manner release or discharge any lessee under any Leases of and from any obligations, covenants, conditions, and agreements to be kept, observed and performed by such lessee including the obligation to pay Rents thereunder in any manner and at any time and place specified therein.

Section 3.4 Appointment of Attorney-in-Fact. Issuer hereby constitutes and appoints Beneficiary the true and lawful attorney-in-fact, coupled with an interest, of Issuer, empowered and authorized in the name, place and stead of Issuer to demand, sue for, attach, levy, recover and receive the Rents, or any premium or penalty payable upon the exercise by any lessee under any Leases of a privilege of cancellation originally provided in any such Leases, and to give proper receipts, releases, and acquittances therefor and, after deducting expenses of collection, to apply the net proceeds as a credit upon any portion of the Secured Obligations selected by Beneficiary, notwithstanding the fact that such portion of the Secured Obligations may not then be due and payable or that such portion of the Secured Obligations is otherwise adequately secured; and Issuer does hereby authorize and direct any such lessee to deliver such payment to Beneficiary, in accordance with this assignment, and Issuer hereby ratifies and confirms all that its said attorney-in-fact shall do or cause to be done by virtue of the powers granted hereby. The foregoing appointment is irrevocable and continuing and such rights, powers and privileges shall be exclusive in Beneficiary, its successors and assigns, so long as any part of the Secured Obligations secured hereby remain unpaid and undischarged. A lessee need not inquire into the authority of Beneficiary to collect any Rents, and its obligations to pay Rents to Issuer shall be absolutely discharged to the extent of any payment to Beneficiary. Issuer hereby constitutes and appoints Beneficiary the true and lawful attorney-in-fact, coupled with an interest, of Issuer, empowered and authorized in the name and stead of Issuer to subject and subordinate at any time

any Leases or any part thereof to the lien and security interest of the Deed of Trust, or to request or require such subordination in any case where the Issuer otherwise would have the right, power or privilege so to do, and to cause some or all of the provisions of any Leases that are subordinate to the lien and security interest of the Deed of Trust to become superior to the Deed of Trust. The foregoing appointment is irrevocable and continuing and such rights, powers and privileges shall be exclusive in Beneficiary, its successors and assigns, so long as any Secured Obligations secured hereby remain unpaid and discharged, and Issuer hereby warrants that Issuer has not at any time prior to the date hereof exercised any such right, and Issuer hereby covenants not to exercise any such right, to subordinate any such Leases to the lien of the Deed of Trust or to any other mortgage, deed of trust or security agreement or to any ground lease.

Section 3.5 Default. If an “Event of Default” under the Secured Obligations or any of the documents evidencing or securing the Secured Obligations shall have occurred and be continuing, or if there occurs an Event of Default as defined in this Deed of Trust and such has not been cured, then Beneficiary may, at its option, without notice and without regard to the adequacy of security for the Secured Obligations hereby secured, either in person or by agent, with or without bringing any action or proceedings, or by a receiver to be appointed by court, enter upon, take possession of, manage and operate the Mortgaged Properties or any portion thereof; make, cancel, enforce or modify Leases to the same extent that Issuer could do; obtain and evict lessees, and fix or modify Rents, and do any acts which the Beneficiary deems proper to protect the security hereof; and either with or without taking possession of the Mortgaged Properties, in its own name sue for or otherwise collect and receive such Rents (including lessee’s security deposits and Rents that are past due and unpaid), and apply the same, less costs and expenses of operation and collection, including attorneys’ fees, upon any Secured Obligations secured hereby, in such order as the Beneficiary may determine subject to the provisions of the Trust Indenture. Upon demand by Beneficiary, Issuer shall deliver to Beneficiary all lessees’ security deposits which Issuer has in its possession or control. The entering upon and taking possession of the Mortgaged Properties or the collection of the Rents and security deposits and the application thereof as aforesaid, shall not cure or waive any default under the documents evidencing or securing the Secured Obligations, or waive, modify or affect notice of an Event of Default under this Deed of Trust or the documents evidencing or securing the Secured Obligations, or invalidate any act done pursuant to such notice. Beneficiary may exercise its rights under this paragraph as often as any such Event of Default may occur, and the exercise of such right shall not constitute a waiver of any of the other remedies of the Beneficiary under this Deed of Trust or other document evidencing or securing the Secured Obligation.

Section 3.6 No Obligation of Beneficiary. It is understood that Beneficiary’s acceptance of this assignment shall not operate to place responsibility for the control, care, management or repair of the Mortgaged Properties upon Beneficiary, nor for the carrying out of any of the terms and conditions of said Leases; nor shall it operate to make Beneficiary responsible or liable for any waste committed on the Mortgaged Properties by the lessees or any other parties, or for any dangerous or defective condition of the Mortgaged Properties, or for any negligence in the management, upkeep, repair or control of the Mortgaged Properties resulting in loss or injury or death to Issuer or any lessee, licensee, employee or stranger. Beneficiary shall not be liable for any loss sustained by Issuer resulting from Beneficiary’s failure to let the Mortgaged Properties after default or from any other act or omission of Beneficiary in dealing

with the Mortgaged Properties after default. Beneficiary shall not be obligated to perform or discharge, nor does Beneficiary hereby undertake to perform or discharge, any obligation, duty or liability under any of the Leases or under or by reason of this assignment and TO THE EXTENT IT LEGALLY MAY, ISSUER SHALL, AND DOES HEREBY AGREE, TO INDEMNIFY BENEFICIARY FOR, AND TO HOLD BENEFICIARY, ITS AGENTS, EMPLOYEES AND OFFICERS HARMLESS FROM, ANY AND ALL LIABILITY, LOSS OR DAMAGE WHICH MAY OR MIGHT BE INCURRED UNDER SAID LEASES OR UNDER OR BY REASON OF THIS ASSIGNMENT AND FROM ANY AND ALL CLAIMS AND DEMANDS WHATSOEVER WHICH MAY BE ASSERTED AGAINST BENEFICIARY BY REASON OF ANY ALLEGED ACTIONS OR UNDERTAKINGS ON ITS PART TO PERFORM OR DISCHARGE ANY OF THE TERMS, COVENANTS OR AGREEMENTS CONTAINED IN THE LEASES. SHOULD BENEFICIARY, ITS AGENTS, EMPLOYEES AND OFFICERS INCUR ANY SUCH LIABILITY UNDER THE LEASES OR UNDER OR BY REASON OF THIS ASSIGNMENT OR IN DEFENSE OF ANY SUCH CLAIMS OR DEMANDS, THE AMOUNT THEREOF, INCLUDING COSTS, EXPENSES AND REASONABLE ATTORNEYS' FEES, SHALL BE SECURED HEREBY AND ISSUER SHALL REIMBURSE BENEFICIARY THEREFOR IMMEDIATELY UPON DEMAND, AND UPON THE FAILURE OF ISSUER SO TO DO, BENEFICIARY MAY, AT ITS OPTION, UPON THE CONTINUATION OF SUCH CONDITION FOR SIXTY (60) DAYS AFTER WRITTEN NOTICE TO ISSUER, DECLARE ALL OF THE SECURED OBLIGATIONS SECURED HEREBY IMMEDIATELY DUE AND PAYABLE. SUCH INDEMNITY SHALL NOT APPLY WHERE IT IS PROVEN THAT BENEFICIARY OR ITS SUCCESSORS OR ASSIGNS WERE NEGLIGENT OR WHERE IT IS PROVEN THAT BENEFICIARY OR ITS SUCCESSORS OR ASSIGNS ENGAGED IN WILLFUL MISCONDUCT.

Section 3.7 No Waiver of Beneficiary's Rights. Nothing contained in this assignment and no act done or omitted by Beneficiary pursuant to the powers and rights granted to it hereunder shall be deemed to be a waiver by Beneficiary of its other rights and remedies under the HCDE Lease, the Trust Indenture, this Deed of Trust or other document evidencing or securing the Secured Obligations, and this assignment is made and accepted without prejudice to any of the other rights and remedies possessed by Beneficiary under the terms of the HCDE Lease, the Trust Indenture, this Deed of Trust and other documents evidencing or securing the Secured Obligations. The right of Beneficiary to collect the principal sum, interest and other indebtedness under the Bonds and to enforce any security therefor held by it may be exercised by Beneficiary either prior to, simultaneously with, or subsequent to any action taken by it hereunder.

Section 3.8 Warranties Concerning Leases and Rents. Issuer represents and warrants to Beneficiary that:

(a) Issuer has good title to the Leases and Rents hereby assigned and the authority to assign them, and no other person or entity has any right, title or interest therein, and no Rents have been or will be assigned, mortgaged or pledged; and

(b) all existing Leases, including, but not limited to, the HCDE Lease, are valid, unmodified and in full force and effect, and no default exists thereunder; and

(c) no Rents have been or will be, without Beneficiary's prior written consent, anticipated, waived, released, discounted, setoff or compromised; and

(d) except as indicated in the Leases, Issuer has not received any funds or deposits from any lessee for which credit has not already been made on account of accrued Rents; and

(e) no settlement for damages for termination of any of the Leases under the United States Bankruptcy Code or under any other federal, state, or local statute shall be made without the prior written consent of Beneficiary, and any check in payment of such damages shall be made payable to both Issuer and Beneficiary, and Issuer agrees to endorse any check for such payment to the order of Beneficiary, to be applied to the indebtedness as Beneficiary may elect.

Section 3.9 Termination of Assignment of Leases. Upon the payment or performance in full of the Secured Obligations, this assignment shall become void and of no effect, but the affidavit of any officer or loan correspondent of the Beneficiary stating that any part of the indebtedness remains unpaid shall be and constitute evidence of the validity, effectiveness and continuing force of this assignment, and any person may and is hereby authorized to rely thereon.

Section 3.10 Right to Enforce the Leases. In exercise of the rights and powers created under this Article III, Issuer specifically agrees that Beneficiary, Beneficiary's agent, or the Mortgage Trustee, as such party may see fit, may, subject to the terms of the Trust Indenture: use against Issuer or any other persons lawful or peaceable means to enforce the collection of any such rents, revenues, profits, and income, and to secure possession of the Mortgaged Properties, or any part thereof; settle or compromise on any terms the liability of any person or persons for any such rents, revenues, profits, or income; institute and prosecute to final conclusion actions of forcible entry and detainer, or actions of trespass to try title, or actions for damages, or any other appropriate actions, in the name of such person or in the name of Issuer; and settle, compromise, or abandon any such actions. In furtherance of the foregoing and not by way of limitation, Issuer binds itself to take whatever lawful or peaceful steps Beneficiary may ask them to take for such purposes, including the institution and prosecution of actions of the character above stated; *provided, however*, Issuer recognizes that neither the Mortgage Trustee, Beneficiary, or any person acting on behalf of Beneficiary shall ever be required to collect any such rents or income or be liable or chargeable for failure so to do.

Section 3.11 Beneficiary Not Mortgagee-in-Possession. Neither the foregoing assignment of Rents and Leases to the Beneficiary, nor the exercise by the Beneficiary of any of its rights or remedies hereunder shall be deemed to make the Beneficiary a "mortgagee-in-possession" or otherwise liable in any manner with respect to the Mortgaged Properties, unless Beneficiary, in person or by agent, assumes actual possession thereof. Nor shall appointment of a receiver for the Mortgaged Properties by any court at the request of the Beneficiary or by agreement with Issuer, or the entry into possession of the Mortgaged Properties by such receiver, be deemed to make the Beneficiary a "mortgagee-in-possession" or otherwise liable in any manner with respect to the Mortgaged Properties.

Section 3.12 Notice of Default Under the Leases. Issuer shall immediately give notice to the Beneficiary of any default under any of the Leases, together with a complete copy of any

notices delivered to or by the tenant as a result of such default. The Beneficiary shall have the right, but not the obligation, to cure any default of Issuer under any of the Leases, and all amounts disbursed in connection with said cure shall be deemed to be a part of the indebtedness secured hereby. The Leases shall provide that the Beneficiary shall have the right, but not the obligation, to cure any default of Issuer under such lease.

Section 3.13 Form of the Lease to be Used. Issuer must obtain the prior written consent of the Beneficiary to the form of lease or other agreement with respect to the occupancy of the Project proposed to be used by Issuer with any tenant, which approval shall not be unreasonably withheld unless same, in the sole opinion of the Beneficiary, might adversely affect the “tax-exempt” status of the Bonds or the interests of the holders of the Bonds.

ARTICLE IV SECURITY AGREEMENT

Section 4.1 Grant of Security Interest. Without limiting any of the other provisions of this Deed of Trust, Issuer, as Debtor (referred to in this Article 4 as “Debtor,” whether one or more), expressly GRANTS unto Beneficiary, as Secured Party (referred to in this Article 4 as “Secured Party,” whether one or more), a security interest in all the Mortgaged Properties (including both those now and those hereafter existing) to the full extent that the Mortgaged Properties may be subject to the Uniform Commercial Code—Secured Transactions (chapter 9, Business and Commerce Code of Texas, as amended) (hereinafter called the “Uniform Commercial Code”).

Section 4.2 Debtor Covenants. Debtor covenants and agrees with Secured Party as follows:

(a) In addition to any other remedies granted in this Deed of Trust to Secured Party or the Mortgage Trustee (including specifically, but not limited to, the right to proceed against all the Mortgaged Properties in accordance with the rights and remedies in respect of those Mortgaged Properties which are real property pursuant to section 9.501(d) of the Uniform Commercial Code), Secured Party may, should an Event of Default occur and be continuing, proceed under the Uniform Commercial Code as to all or any part of the personal property (tangible or intangible) and fixtures included in the Mortgaged Properties (such portion of the Mortgaged Properties being referred to in this Article 4 as the “Collateral”), and shall have and may exercise with respect to the Collateral all the rights, remedies, and powers of a secured party under the Uniform Commercial Code, including, without limitation, the right and power to sell, at one or more public or private sales, or otherwise dispose of, lease, or utilize the Collateral and any part or parts thereof in any manner authorized or permitted under the Uniform Commercial Code after default by a debtor, and to apply the proceeds thereof toward payment of any costs and expenses and attorneys’ fees and legal expenses thereby incurred by Secured Party, and toward payment of the Secured Obligations in such order or manner as Secured Party may elect.

(b) Among the rights of Secured Party upon occurrence of an Event of Default and while such is continuing and without limitation, Secured Party shall have the right, by any lawful means, to take possession of the Collateral or any part thereof and to enter, in any lawful manner, upon any premises where same may be situated for such purpose without being deemed guilty of

trespass and without liability for damages thereby occasioned, and to take any lawful action deemed necessary or appropriate or desirable by Secured Party, to repair, refurbish, or otherwise prepare the Collateral for sale, lease, or other use or disposition as herein authorized.

(c) To the extent permitted by law, Debtor expressly waives any notice of sale or other disposition of the Collateral and any other rights or remedies of a debtor or formalities prescribed by law relative to sale or disposition of the Collateral or exercise of any other right or remedy of Secured Party existing after default hereunder; and, to the extent any such notice is required and cannot be waived, Debtor agrees that, if such notice is mailed, postage prepaid, to Debtor at the address shown opposite Debtor's signature hereinbelow at least ten (10) days before the time of sale or disposition, such notice shall be deemed reasonable and shall fully satisfy any requirement for giving of said notice.

(d) Upon the occurrence of an Event of Default and while such is continuing, Secured Party is hereby granted the express right, at its option, to transfer to itself or to its nominee, the Collateral, or any part thereof, to notify any obligor or account debtor in the case of any Collateral to make payment directly to Secured Party, and to receive the money, income, proceeds or benefits attributable or accruing thereto and to hold the same as security for the Secured Obligations or to apply the same on the principal and interest or other amounts owing on any of the Secured Obligations, whether or not then due, in such order or manner as Secured Party may elect, subject to the Trust Indenture. With respect to the Collateral, Debtor, for itself, its successors and assigns, hereby expressly and specifically waives all rights to a marshaling of the assets of Debtor, including the Collateral, or to a sale in inverse order of alienation.

(e) All recitals in any instrument of assignment or any other instrument executed by Secured Party or by the Mortgage Trustee incident to sale, transfer, assignment, lease, or other disposition or utilization of the Collateral or any part thereof hereunder shall be full proof of the matters stated therein, no other proof shall be requisite to establish full legal propriety of the sale or other action or of any fact, condition or thing incident thereto, and all prerequisites of such sale or other action and of any fact, condition or thing incident thereto shall be presumed conclusively to have been performed or to have occurred.

(f) Secured Party may require Debtor to assemble the Collateral and make it available to Secured Party at a place to be designated by Secured Party that is reasonably convenient to both parties. Debtor shall be fully liable for all expenses of retaking, holding, preparing for sale, lease or other use or disposition, selling, leasing or otherwise using or disposing of the Collateral which are incurred or paid by Secured Party as authorized or permitted hereunder, including also all attorneys' fees, legal expenses, and costs, all of which expenses and costs shall constitute a part of the Secured Obligations.

(g) Certain of the Collateral is or will become "fixtures" (as that term is defined in the Uniform Commercial Code) on the real estate hereinabove described, and this Deed of Trust upon being filed for record in the real estate records shall operate also as a financing statement upon such of the Collateral which is or may become fixtures. Debtors have an interest of record in the real estate.

(h) Any copy of this Deed of Trust which is signed by Debtor or any carbon, photographic, or other reproduction of this Deed of Trust may also serve as a financing statement under the Uniform Commercial Code by Debtors, whose addresses are set opposite their respective signatures hereinbelow, in favor of Secured Party, whose address is set out hereinabove.

(i) So long as any Secured Obligations remain outstanding, unless the prior written specific consent and approval of Secured Party shall have first been obtained, Debtor will not execute and there will not be filed in any public office any financing statement or statements affecting the Collateral other than financing statements in favor of Secured Party hereunder.

Section 4.3 Debtor's Warranties and Representations. Debtor warrants and represents to Secured Party that, except for the security interest granted hereby in the Collateral, Debtor is the owner and holder of the Collateral, free of any adverse claim, security interest or encumbrance (other than as disclosed in **Exhibit B** hereto), and Debtor agrees to defend the Collateral against all claims and demands of any person at any time claiming the same or any interest therein. Debtor further warrants and represents with respect to the Collateral that it has not heretofore signed any financing statement and that no financing statements signed by Debtor are now on file in any public office except those statements true and correct copies of which have been delivered to Secured Party.

ARTICLE V CERTAIN COVENANTS AND WARRANTIES OF ISSUER

Section 5.1 Covenants and Warranties of Issuer. As further assurances with regard to the Secured Obligations, Issuer, or the Department on behalf of the Issuer (to the extent of lawfully available Appropriated funds) as covenanted in the HCDE Lease, hereby covenants, warrants, and agrees in favor of Beneficiary, as follows:

(a) Issuer hereby agrees and binds itself to perform and pay the Secured Obligations and every installment of principal and interest thereof promptly as the same becomes due or payable, to the extent of rental payments received from the Department.

(b) The Department, on behalf of the Issuer, has covenanted and agreed to pay all taxes and assessments of every kind or character charged, levied, or assessed against the Mortgaged Properties or any part thereof, before any such taxes or assessments become delinquent; to pay all water, gas, sewer, electricity, and other utility rates and charges with regard to the Mortgaged Properties; to pay all maintenance fees or charges of any owners' association or like group assessed with respect to the Mortgaged Properties; to pay any ground rents or charges for any easement, license, or agreement existing for the benefit of the Mortgaged Properties; to pay any interest, costs or penalties with respect to the foregoing items; and, upon request of Beneficiary, to furnish to Beneficiary evidence of the timely payment of such items.

(c) The Department shall procure and maintain policies of liability, property and workers' compensation insurance with respect to the Mortgaged Properties in accordance with Article VII of the HCDE Lease.

(d) The Department, on behalf of the Issuer, has covenanted and agreed to keep and maintain the Improvements in a state of good repair and condition; to make all repairs, replacements, reconstructions and restorations necessary to keep the Improvements in such condition; and not to tear down or remove or permit to be torn down or removed any Improvements.

(e) Issuer covenants and agrees that, should it be discovered after the execution and delivery hereof, that there is a lien or encumbrance of any nature whatsoever upon the Mortgaged Properties or any part thereof, equal or superior in rank to the lien of this Deed of Trust, or in case of an error or defect herein, or the execution or acknowledgment hereof, Issuer shall correct such defects in such title, or remove said liens or encumbrances or homestead claim, or correct such error or defect in this Deed of Trust or its execution or any acknowledgment hereof.

(f) Issuer covenants and agrees that, after any sale under this Deed of Trust, it, or its successors or assigns, shall be mere tenants at sufferance of the purchaser of the property at said sale, and that such purchaser shall be entitled to immediate possession thereof, and that, if Issuer fails to vacate such property immediately, such purchaser may and shall have the right to go into any justice court having venue, or in any other court hereafter having jurisdiction of forcible detainer actions, and file an action in forcible detainer, which action shall lie against Issuer or its successors or assigns as tenants at sufferance.

(g) Except for Permitted Encumbrances and as provided in the Trust Indenture, Issuer covenants and agrees that Beneficiary shall treat any mortgage, pledge, hypothecation, or encumbrance of the Mortgaged Properties or any interest therein (herein collectively referred to as "Pledge"), whether or not such Pledge is expressly subordinate to the lien of this Deed of Trust, as an Event of Default and thereupon may invoke any remedies permitted by this Deed of Trust.

(h) Issuer will not permit removal of any item of personal property or fixtures constituting a portion of the Mortgaged Properties unless, simultaneously therewith, such item is replaced by a like item of equal or greater value and in good working condition with the lien and security interest of this Deed of Trust to attach to such replacement item free from any other lien, security interest, conditional sale, title retention, lease, or other encumbrance.

(i) Issuer will give Beneficiary prompt notice of any casualty loss, threat of condemnation, or taking affecting all or any portion of the Mortgaged Properties.

(j) In the event the Secured Obligations shall become due and payable by virtue of an Event of Default, Issuer agrees that any tender of payment of the Secured Obligations prior to a foreclosure sale shall, at the option of Beneficiary, be deemed a voluntary prepayment by Issuer requiring the payment of any prepayment penalty, or redemption premium required under the terms of the Secured Obligations to the full extent that such payment, when added to all other amounts then and theretofore paid and which constitute interest, would not exceed the maximum lawful interest permitted to be charged of Issuer.

ARTICLE VI
[Intentionally Deleted]

ARTICLE VII
DEFAULTS

Section 7.1 Event of Default. Should any of the following events or conditions occur, the same shall constitute an event of default under this Deed of Trust (herein called “Event of Default”):

(a) Issuer shall fail to perform or to fulfill in a timely manner any other of the Secured Obligations, including specifically, but not limited to, the covenants and obligations of Issuer contained in this Deed of Trust, subject to any applicable grace periods contained in this Deed of Trust or the documents evidencing and securing the Secured Obligations.

(b) Any warranty or representation of Issuer set forth in this Deed of Trust shall prove untrue in any material respect.

(c) Any Event of Default under the Trust Indenture or the HCDE Lease.

(d) An Event of Nonappropriation shall have occurred under the HCDE Lease.

Section 7.2 Remedies. Subject to any notice requirements set out in the Trust Indenture, upon the occurrence of an Event of Default, so long as such default remains uncured, Beneficiary shall have the option and right to take any one or more of the following actions: (i) without demand, presentment, notice of intent to accelerate, notice of acceleration, or other notice or demand, all of which are expressly waived by Issuer, declare the Secured Obligations immediately due and payable, (ii) proceed to enforce the lien of this Deed of Trust, and (iii) pursue any and all other remedies available to Beneficiary whether set forth herein or otherwise available at law or in equity.

Section 7.3 Remedies Cumulative. Each of the rights and remedies set forth in this Deed of Trust or available at law or in equity shall be cumulative and concurrent, may be pursued jointly or severally against Issuer or any of the Mortgaged Properties, and shall be nonexclusive. The election to pursue any such right or remedy shall not be deemed a waiver, then or thereafter, to pursue any other such right or remedy.

Section 7.4 No Waiver. The acceptance of payment of any portion of the Secured Obligations after its due date or after the giving of notice of an Event of Default and of election to accelerate the maturity of the Secured Obligations shall not waive any right of Beneficiary to require prompt payment when due of all other sums constituting Secured Obligations or to declare an Event of Default for failure to pay the entire unpaid balance of the Secured Obligations, or any right of Beneficiary to proceed with foreclosure sale pursuant to any such notice and acceleration for any unpaid balance of the Secured Obligations. Waiver of a right granted to Beneficiary as to one transaction or occurrence shall not be deemed a waiver of such right as to any subsequent transaction or occurrence.

**ARTICLE VIII
CERTAIN REMEDIES; POWER OF SALE**

Section 8.1 Beneficiary's Right to Advance. In the event that the Department or the Issuer fails or refuses to pay any taxes or assessments upon the Mortgaged Properties before the same become delinquent, fails to take out or procure or maintain such insurance as is required by the HCDE Lease or this Deed of Trust, or fails to perform any other covenant or to pay any other obligation of the Department or the Issuer set forth in the HCDE Lease or this Deed of Trust or set forth in any other agreement or instrument evidencing or securing the Secured Obligations, then in any such case Beneficiary, at its option and without any obligation to do so, may pay any such taxes or assessments (without being required to examine the legality or justice of same), take out or procure such insurance, or tender such performance or payment. All amounts advanced by Beneficiary as aforesaid shall be due and payable upon demand, shall become a part of the Secured Obligations, shall bear interest from the date such payments are advanced until the repayment thereof at the highest nonusurious rate of interest set forth in the instruments evidencing the Secured Obligations, and shall be fully secured by the liens, assignments, and security interest of this Deed of Trust. Any amounts so paid, as well as the time of payment thereof, shall be deemed fully established by the affidavit or certificate of the Indenture Trustee or Beneficiary. Issuer agrees that the payment of such taxes or assessments, the procuring and maintaining of such insurance, or the tendering of any such performance or payment by Beneficiary shall not prevent Beneficiary from declaring the Secured Obligations to be due and payable under the provisions hereof by reason of such Event of Default and pursuing any other remedies available to Beneficiary should Beneficiary so elect.

Section 8.2 Mortgage Trustee to Sell Upon Request of Beneficiary. Subject to any notice requirements set out in the Trust Indenture, upon the occurrence of an Event of Default and while such remains uncured, it shall thereupon be the duty of the Mortgage Trustee, or his successors, as hereinafter provided, at the request of holders of not less than a majority of the principal amount of the Bonds currently outstanding, to enforce this trust and to sell the Mortgaged Properties, as an entirety or in parcels, by one sale or by several sales, held at one time or at different times, all as the Mortgage Trustee acting may elect, each sale to be held at the location within the county courthouse designated for the holding of nonjudicial foreclosure sales by the Commissioners Court of any county in which a part of the real property to be sold is situated (or if no area has been so designated, then in an area within said courthouse described in the notice referred to in Section 8.3) and to be made on the first Tuesday of some month between the hours of 10 o'clock a.m. and 4 o'clock p.m. to the highest bidder for cash at public venue, after the Mortgage Trustee (or a person or persons selected by the Mortgage Trustee) and Beneficiary shall have given notices of the proposed sale in the manner hereinafter set forth, and to make due conveyance to the purchaser or purchasers, with general warranty of title (subject to Permitted Encumbrances) to such purchaser or purchasers binding upon Issuer, its successors and assigns. Such sale must begin at the time stated in the notice referred to in Section 8.3 or not later than three hours after that time. Issuer, for itself, its successors and assigns, hereby expressly and specifically waives all rights to a marshaling of the assets of Issuer, including the Mortgaged Properties, or to a sale in inverse order of alienation.

Section 8.3 Required Notices. The Mortgage Trustee (or a person or persons selected by the Mortgage Trustee) shall give notice of each such proposed sale by posting written notice

of the time, place, and terms of sale at the courthouse door, and by filing a copy of such written notice in the office of the county clerk, of the county in which the sale is to be made for at least twenty-one (21) consecutive days preceding the date of the sale. Where real properties to be sold are situated in more than one county, one notice shall be posted at the courthouse door, and a copy of such notice shall be filed with the county clerk, of each county in which a part of the real properties to be sold is situated, and such notices shall designate the county where such real properties will be sold, which may be any county in which a part of said real properties is situated. In addition to the foregoing notice or notices to be posted and filed by the Mortgage Trustee (or a person or persons selected by the Mortgage Trustee), Beneficiary shall, at least twenty-one (21) days preceding the date of sale, serve or cause to be served, written notice of the proposed sale by certified mail on each debtor obligated to pay such indebtedness according to the records of Beneficiary. The service of such notice shall be completed upon deposit of the notice, enclosed in a postpaid wrapper, properly addressed to each such debtor at the most recent address (which shall be within the United States of America) as shown by the records of Beneficiary, in a post office or official depository under the care and custody of the United States Postal Service. If the real property described in **Exhibit A** hereto is used as the residence of a debtor obligated to pay the Secured Obligations, then, notwithstanding any agreement to the contrary, Beneficiary shall serve such debtor with written notice by certified mail stating that such debtor is in default under this Deed of Trust, and such debtor must be given at least twenty days to cure the default before the entire Secured Obligations are due and notice of sale pursuant to this Section 8.3 is given. The affidavit of any person having knowledge of the facts to the effect that such service was completed shall be prima facie evidence of the fact of service. In this respect and to the full extent it may legally do so, Issuer also expressly covenants, stipulates, and agrees that: (i) the address of Issuer set out in Article XII hereof shall be deemed and considered conclusively to be and remain at all times the most recent address of all debtors obligated to pay such indebtedness as shown by the records of Beneficiary, provided such address may be changed to some other address within the United States of America from time to time only by express written notice of change thereof signed by all debtors obligated to pay such indebtedness and actually delivered to and received by Beneficiary and setting forth a new address which shall be within the United States of America and which shall be deemed and considered conclusively to be and remain at all times thereafter the most recent address of all debtors obligated to pay such indebtedness as shown by the records of Beneficiary until changed in the manner herein provided, (ii) the records of Beneficiary shall not be deemed to reflect any change in the name or identity of the debtors obligated to pay the indebtedness (to whom notice of a proposed sale shall be required to be mailed as provided for above) unless and until express written notice of such change signed by all debtors obligated to pay such indebtedness shall have been actually delivered to and received by Beneficiary, and (iii) no notice of such sale or sales other than the notices hereinabove provided shall be required to be given to Issuer or any other persons, and any other notice is expressly waived.

Section 8.4 Compliance with Texas Property Code Requirements. The provisions of Section 8.3 with respect to posting, serving, filing, and giving notices of sale are intended to comply with the provisions of section 51.002 of the Property Code of the State of Texas (in this Section 8.4 such section 51.002 being called the "Subject Statute"). In the event the requirement for any notice, or the posting, serving, filing, or giving thereof, under the Subject Statute shall be eliminated or the prescribed manner of posting, serving, filing, or giving same is modified by future amendment to the Subject Statute, the requirement for such particular notice shall be

stricken from, or the manner of posting, serving, filing, or giving any notice hereunder modified in, this Deed of Trust in conformity with such amendment. The manner herein prescribed for posting, serving, filing, or giving any notice, other than that to be posted and filed or caused to be posted and filed by the Mortgage Trustee, shall not be deemed exclusive, but such notice or notices may be posted, served, filed, or given in any other manner which may be permitted by applicable law. Further, in relation to this Deed of Trust and the exercise of any power of sale by the Mortgage Trustee hereunder, if the Subject Statute shall be amended or modified to require any other notice or the posting, filing, serving, or giving thereof or any statute hereafter enacted shall require any other notice or the posting, filing, serving, or giving thereof, the Mortgage Trustee or the person selected by him is hereby authorized and empowered by Issuer to give such notice or make such posting, filing, serving, or giving thereof; *provided, however*, Issuer waives such other notice or the posting, filing, serving, or giving thereof to the full extent Issuer may lawfully so do.

Section 8.5 Credit Bid, Right to Purchase by Beneficiary and Application of Proceeds. At any sale conducted under this Deed of Trust, credit upon all or any part of the Secured Obligations shall be deemed cash paid, and the holder of all or any part of the Secured Obligations may purchase at any such sale. With the proceeds arising from such sale or sales, the Mortgage Trustee shall apply the proceeds in the following order:

- (a) first, to payment of all expenses of advertising, sale and conveyance, including the reasonable fees and expenses of the Mortgage Trustee acting; and
- (b) next, on a parity basis, to the payment of all principal, interest and costs legally due and secured hereby, as provided in the Parity Lien Agreement, as applicable.

Section 8.6 Installment Foreclosure. Without limiting any of the powers or remedies provided elsewhere, Issuer agrees that, in the event the Secured Obligations are payable in installments or include, at any time, items of matured as well as unmatured indebtedness, the holder of the matured installments or items of indebtedness, as the case may be, shall have the right to have the Mortgaged Properties sold, subject to the part of the Secured Obligations which is unmatured at the time the Mortgage Trustee is requested to make such sale, at Mortgage Trustee's sale to satisfy the lien and security interest hereof securing the then matured portion of said indebtedness, and the Mortgage Trustee is expressly authorized and empowered to conduct such sale which is called in this Section 8.6 "Installment Foreclosure." Any Installment Foreclosure made under this Section 8.6 shall not affect the liens, assignments, and security interest of this Deed of Trust existing to secure that portion of the Secured Obligations to which the sale is to be made subject. No Installment Foreclosure shall exhaust the power of the Mortgage Trustee to conduct future Installment Foreclosures nor in anywise limit the powers of sale provided elsewhere in this Deed of Trust. The provisions elsewhere in this Deed of Trust relating to manner of conducting Mortgage Trustee's sales, including the posting, filing, and giving of notices thereof, shall also apply to any Installment Foreclosure, and the same presumptions shall be applicable to any Mortgage Trustee's deed or recital therein contained in connection with an Installment Foreclosure and to any other affidavit as hereinabove provided.

Section 8.7 Appointment of a Substitute Mortgage Trustee. In the case of the absence of the Mortgage Trustee from the state, or of his death, refusal, or failure to act, or in the event

not less than a majority of the holders of the principal balance of the Bonds then outstanding should elect at any time (with or without cause) to remove the Mortgage Trustee then acting, a successor or substitute may be named, constituted, and appointed by the Indenture Trustee, without further formality than an appointment and designation in writing, which appointment and designation shall be full evidence of the right and authority to make the same and of all facts therein recited; and this conveyance shall vest in the successor or substitute Mortgage Trustee the title, powers, and duties conferred on the Mortgage Trustee named herein, and the conveyance by the successor or substitute Mortgage Trustee to the purchaser at any sale made pursuant hereto shall be valid and effective as fully as hereinabove provided in the case of a conveyance by the Mortgage Trustee. Such right to appoint a successor or substitute Mortgage Trustee shall exist as often as and whenever the Mortgage Trustee, original, successor, or substitute, cannot or will not act or has been removed.

Section 8.8 Recitals Conclusive. Issuer specifically covenants and stipulates that: the recitals in the conveyance made to the purchaser, either by the Mortgage Trustee or any successor or substitute Mortgage Trustee, shall be full proof and evidence of the matters therein stated; no other proof shall be requisite of the request by the holder of the Secured Obligations or the Mortgage Trustee or on any successor or substitute Mortgage Trustee to enforce this trust, or of the due, timely, and proper posting, filing, and giving of all notices and making of the sale, or any particulars thereof, or of the inability, refusal, or failure of the Mortgage Trustee or any successor or substitute Mortgage Trustee to act, or of the removal of the Mortgage Trustee or any successor or substitute Mortgage Trustee, or of the appointment of a successor or substitute Mortgage Trustee, as herein provided, either as to the legality of his appointment or otherwise, or of the contingencies which brought about the failure or inability of the Mortgage Trustee or any successor or substitute Mortgage Trustee to act, or of his removal, as the case may be; all prerequisites of said sale shall be presumed to have been performed; and any sale made under the powers herein granted shall be a perpetual bar against Issuer, its successors and assigns.

Section 8.9 Right of Sale not Exhausted. The right of sale hereunder shall not be exhausted by one or any sale, but, so long as any of the Secured Obligations remain undischarged, the Mortgage Trustee or successor or substitute Mortgage Trustee may make other and successive sales until all the Mortgaged Properties shall be legally sold.

Section 8.10 Purchaser's Right to Disaffirm Junior Encumbrances. The purchaser at any foreclosure sale may disaffirm any easement granted or rental, lease or other contract made in violation of any provision of this Deed of Trust, and may take immediate possession of the Mortgaged Properties free from, and despite the terms of, such grant of easement or rental or lease contract.

Section 8.11 Appointment of Receivers.

(a) If an Event of Default occurs and is continuing, a receivership may be necessary to protect the Mortgaged Properties, whether before or after maturity of the Secured Obligations, or at the time of or after the institution of suit to collect the principal of, premium (if any), or interest on the Secured Obligations, or to enforce this Deed of Trust; accordingly, the Mortgage Trustee, at the direction of the holders of not less than a majority of the principal amount of the Bonds then outstanding, shall, as a matter of strict right and regardless of the value of the

Mortgaged Properties or of the solvency of any party bound for the payment of the Secured Obligations, have the right to the appointment on application and notice to the Issuer, by any court having jurisdiction, of a receiver to take charge of, manage, preserve, protect, and operate the Mortgaged Properties and any business or businesses located thereon, to collect the revenues, rents, issues, profits, products, and income thereof, to make all necessary and needed repairs, to complete the construction of any improvements which have been undertaken but not completed, to pay all taxes and assessments against the Mortgaged Properties and insurance premiums for insurance thereon, and after the payment of the expenses of the receivership, including reasonable attorneys' fees to the Mortgage Trustee's attorney, and after compensation for management of the Mortgaged Properties, to apply the net proceeds to pay the Secured Obligations or in such manner as the court shall direct. All such expenses shall be secured by the lien of this Deed of Trust until paid.

(b) The receiver or its agents shall be entitled to enter upon and take possession of any part and all of the Mortgaged Properties, together with any and all businesses conducted and all business assets used therewith or thereon, or any part or parts thereof, and to operate and conduct the business or businesses, or complete construction of improvements, to the same extent and in the same manner as the Issuer might lawfully do. The receiver, personally or through its agents or attorneys, may exclude the Issuer and its subsidiaries, agents, servants, and employees wholly from the Mortgaged Properties and may have, hold, use, operate, manage, and control the same and each and every part thereof, and in the name of the Issuer, its subsidiaries or agents, may exercise all of their rights and powers and use all of the then existing items of security and collateral, materials, current supplies, stores, and assets and, at the expense of Mortgaged Properties, may maintain, restore, complete construction, insure, and keep insured the properties, equipment, and apparatus provided or required for use in connection with such business or businesses, and may make all necessary and proper repairs, renewals, and replacements and all such useful alterations, additions, betterments, and improvements as the receiver may deem judicious.

(c) Such receivership shall, at the option of the Beneficiary, continue until full payment of the Secured Obligations, title to and interest in the Mortgaged Properties having passed by foreclosure sale under this Deed of Trust, or the Event of Default having been cured.

Section 8.12 Application of Proceeds. The Mortgage Trustee shall pay, distribute, and apply the proceeds of any disposition of the Mortgaged Properties to the Beneficiary for deposit and use as provided in Section 8.5 above. Any remaining proceeds after application of the proceeds pursuant to Section 8.5 shall be remitted to the Department, otherwise said disposition shall forever be a bar against the Issuer and the Department, their legal representatives, successors and assigns, and all other persons claiming under any of them. It is expressly agreed that the recitals in each conveyance to the purchaser shall be full evidence of the truth of the matters therein stated, and all lawful prerequisites to said disposition shall be conclusively presumed to have been performed.

Section 8.13 Remedies Not Exclusive. No lien, right, or remedy herein conferred upon or otherwise available to the Mortgage Trustee is intended to be or shall be construed to be exclusive of any other available lien, right, or remedy, but each and every such lien, right, or remedy shall be cumulative and shall be in addition to every other lien, right, or remedy given

hereunder or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right, power, or remedy accruing upon any default or Event of Default shall impair any such right, power, or remedy or shall be construed to be a waiver of any such default or Event of Default, or an acquiescence therein, but every such right, power, or remedy may be exercised from time to time and as often as may be deemed expedient. No waiver of any default or Event of Default hereunder shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon. The giving, taking, or enforcement of any other or additional security, collateral, or guaranty for the payment of the Secured Obligations shall not operate to prejudice, waive, or affect the security of this Deed of Trust or any rights, powers, or remedies hereunder, nor shall the Mortgage Trustee be required to first look to, enforce, or exhaust such other additional security, collateral, or guarantees.

Section 8.14 Abandonment of Sale; Termination of Proceedings.

(a) If foreclosure should be commenced by the Mortgage Trustee, the holders of not less than a majority of the principal of the Bonds then outstanding may at any time before the sale direct the Mortgage Trustee to abandon the sale, and may at any time or times thereafter direct the Mortgage Trustee to again commence foreclosure; or, irrespective of whether foreclosure is commenced by the Mortgage Trustee, the Beneficiary may at any time after an Event of Default as described in Article 7 of this Deed of Trust institute suit for collection of all or any part of the Secured Obligations for which funds have been appropriate or foreclosure of the lien of this Deed of Trust or both. If the Beneficiary should institute suit for collection of the Secured Obligations and foreclosure of this Deed of Trust, the Beneficiary may at any time before the entry of final judgment dismiss the same and require the Mortgage Trustee to sell the Mortgaged Properties in accordance with the provisions of this Deed of Trust.

(b) In case the Mortgage Trustee shall have proceeded to enforce any right under this Deed of Trust by the appointment of a receiver, by entry, or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Mortgage Trustee, then and in every such case the Issuer, the Mortgage Trustee, and the Beneficiary shall be restored to their former positions and rights hereunder, and all rights, remedies, and powers of the Mortgage Trustee shall continue unimpaired as if no such proceedings had taken place.

Section 8.15 Waivers. All rights of marshaling of assets or sale in inverse order of alienation in the event of foreclosure of any lien at any time securing the Secured Obligations or any part thereof (including, but not limited to, the lien hereby created) are hereby waived.

Section 8.16 Exculpation of Mortgage Trustee. The Mortgage Trustee shall have no duties and shall not be obligated to perform any acts other than those herein expressly set forth or intended. Without limitation, the Mortgage Trustee shall not be responsible for the execution, acknowledgment, or validity of this Deed of Trust, or of any instrument amendatory hereof or supplemental hereto or of the Trust Indenture or of the Secured Obligations or of any other indebtedness, or for the sufficiency of the security purported to be created hereby. The Mortgage Trustee shall not incur any personal liability hereunder except for its own negligence, willful neglect, willful misconduct or default, and the Mortgage Trustee shall have the right to rely on any instrument, document, or signature authorizing or supporting any action taken or proposed to

be taken by it hereunder, believed by it in good faith to be genuine. The Mortgage Trustee shall be entitled to reimbursement for all expenses incurred by it in the performance of its duties, and shall be entitled to reasonable compensation for such of its services as shall be rendered. To the extent not otherwise set out herein, the Mortgage Trustee shall be entitled to all of the rights, protections and immunities accorded the Indenture Trustee under the Indenture, including but not limited to those set out in Article VII of the Trust Indenture.

ARTICLE IX CONDEMNATION AND CASUALTY LOSS

Section 9.1 Condemnation. If the Mortgaged Properties, or any part thereof, shall be condemned or taken for public use under the power of eminent domain, Beneficiary shall have the right to demand all awards and damages for such taking of or injury to the Mortgaged Properties be paid to Beneficiary. To the extent such money is received by Beneficiary, Beneficiary shall apply the same, less the reasonable costs of collecting such sums as provided in the HCDE Lease.

Section 9.2 Casualty. Should the Mortgaged Properties be wholly or partially destroyed or damaged by fire, explosion, windstorm, or other insured casualty, Beneficiary shall have the right to collect, receive, and receipt for, in the name of Issuer or otherwise, any and all money that may become payable or collectible upon any policy of insurance by reason of such damage to or destruction of the Mortgaged Properties. To the extent such money is received by Beneficiary, Beneficiary shall apply the same or so much thereof as is necessary, less the reasonable expense of collecting such funds as provided in the HCDE Lease.

ARTICLE X AMENDMENTS OF AND SUPPLEMENTS TO THIS DEED OF TRUST AND OTHER DOCUMENTS

Section 10.1 Amendments and Supplements with Consent; Limitations. With prior written consent of the holders of not less than a majority of the principal of the Bonds then outstanding, (a) Beneficiary and Issuer may at any time and from time to time enter into a supplemental deed of trust for the purpose of adding provisions to, or changing or eliminating provisions of, this Deed of Trust, and (b) Issuer and Beneficiary may execute and deliver any written waiver or modification of the terms of this Deed of Trust; *provided, however*, that no such consent shall be necessary to empower or permit the parties to this Deed of Trust and the other agreements and instruments referred to in Section 10.2 hereof to execute the agreements and instruments and take the actions referred to therein for any of the purposes specified therein; and *provided, further*, that without the consent of each holder of any Bonds to be affected by such supplemental deed of trust, amendment, supplement, waiver or modification, no such instrument or act shall:

(a) modify any of the provisions of this Section 10.1 hereof, the definitions of the term “*Event of Default*” as such term is defined, directly or by cross-reference, herein (except to add additional events of default);

(b) reduce, amend or modify any indemnities (except to add additional indemnities) in favor of the holders of any Bonds;

(c) adversely affect the Project or the lien of this Deed of Trust thereon; or

(d) reduce any percentage in aggregate principal amount of the Bonds outstanding specified herein the holders of which are empowered under the provisions hereof to take any action hereunder or to permit or compel either Issuer or Beneficiary to take, suffer or omit any action; *provided, however*, that without the consent of each holder of any Bonds, no such supplemental deed of trust or waiver or modification of the terms hereof shall permit the creation of any Lien on the Project or any portion thereof, or deprive the holder of any Bonds then outstanding of the lien of this Deed of Trust on the Project. Any supplemental deed of trust or other agreement, instrument or action made, entered into or taken in a manner inconsistent with or contrary to the provisions of this Article 10 shall be void and of no effect.

Section 10.2 Amendments, Supplements and Consents Not Requiring Consent of Holders. Except as provided below, no written consent under Section 10.1 hereof shall be required to empower Beneficiary at any time or from time to time to enter into any supplemental deed of trust with Issuer:

(a) to add to the covenants and agreements of Issuer contained in this Deed of Trust additional covenants or agreements of Issuer or conditions or restrictions upon Issuer, or to surrender or eliminate any right, power or privilege granted to or conferred upon Issuer in this Deed of Trust;

(b) to cure any minor ambiguity, or formal defect or omission, contained herein or in any of the other said agreements or instruments (*provided, however*, that the interests of the holders of the Bonds shall not be adversely affected thereby);

(c) to correct or amplify the description of the Project (*provided, however*, that the interests of the holders of the Bonds shall not be adversely affected thereby) or to reflect any release of any property from the Project pursuant to the express terms hereof;

(d) to qualify this Deed of Trust under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, except that nothing in this clause (d) shall permit or authorize any provision permitted in Section 316(a)(2) of said act or any corresponding provisions of any similar federal statute; or

(e) to grant to Beneficiary additional property, rights, remedies, powers or privileges, in trust, for the purposes of this Deed of Trust.

Section 10.3 Consent to Substance Not Form. It shall not be necessary for any written consent of the holders of outstanding Bonds, as the case may be, or of Issuer given pursuant to Section 10.1 hereof to specify the particular form of the proposed documents to be executed and delivered pursuant to said Section 10.1, but it shall be sufficient if such consent shall be given in writing to the substance thereof.

Section 10.4 Documents Mailed to Holders. Beneficiary shall mail, by certified mail, postage prepaid, a photocopy or conformed copy of any agreement or instrument entered into pursuant to Section 10.1 or 10.2 hereof to each holder of any Bonds at its address shown in the Bond register.

Section 10.5 Arbitration. Issuer will not, without the prior written consent of Beneficiary and the holders of not less than a majority of the principal amount of the Bonds then outstanding, submit to arbitration any question, dispute or other matter arising under the Trust Indenture, the HCDE Lease, this Deed of Trust, or any document relating to the Bonds.

Section 10.6 Beneficiary Protected. If, in the opinion of the institution acting as Beneficiary hereunder any document required to be executed pursuant to the terms of Sections 10.1 and 10.2 hereof affects any right, duty, immunity or indemnity with respect to it under this Deed of Trust, Beneficiary may, in its discretion, decline to execute such document.

ARTICLE XI HAZARDOUS MATERIALS PROVISIONS

Section 11.1 Restrictions Regarding Hazardous Substances. The provisions of Article XIV of the HCDE Lease shall apply and govern with respect to the Mortgaged Property. As used herein, “*Hazardous Substances*” means any oil, flammable materials, explosives, asbestos, radioactive materials or wastes, medical waste, or other hazardous, toxic, contaminated or polluting materials, substances or wastes including, without limitation, any “hazardous” or “toxic” substances, wastes, or materials under any federal, state, or local law, ordinance or regulation relating to industrial hygiene, environmental protection, or the use, analysis, generation, manufacture, storage or transportation of such substances (collectively, “Hazardous Substance Law(s)”).

Section 11.2 Rights of the Mortgage Trustee. Notwithstanding any other provision of this Deed of Trust, and in addition to any rights conferred by or under the HCDE Lease and the Indenture, the Beneficiary shall have the power and the right, but not the duty, to:

(a) settle or compromise at any time any and all claims against the Mortgaged Property or the Beneficiary which may be asserted by any governmental body or private party for the alleged violation of any Hazardous Substance Law affecting the Mortgaged Property; *provided, however*, that the Mortgage Trustee may not settle or compromise any such claim until the expiration of a 60-day cure period beginning with the receipt of written notice by the Corporation from the Mortgage Trustee of the claim;

(b) disclaim any power (including, without limitation, the power to sell the Mortgaged Property) granted by this Deed of Trust or any statute or rule of law, the exercise of which power may, in the sole discretion of the Beneficiary, as advised by counsel, cause the Beneficiary to incur corporate or personal liability under any Hazardous Substance Law;

(c) enter into the Mortgaged Property to take such action as it deems necessary or advisable to clean up, remediate, encapsulate, remove, resolve or minimize the impact of, or otherwise deal with, any Hazardous Substance or breaches of Hazardous Substance Laws which

could result in an order, suit or other action, or which, in the sole judgment of the Beneficiary, could jeopardize its security interest under this Deed of Trust; and

(d) require the Issuer to periodically (but not more frequently than annually unless an enforcement action is then outstanding, in which case such limitation shall not apply) perform, at the Issuer's expense, a Phase I Environmental Assessment and, if deemed reasonably necessary by the Beneficiary, a Phase II Environmental Assessment. Such assessments shall be conducted by a consultant reasonably satisfactory to the Beneficiary. In the event the Issuer fails to have any such assessment performed within thirty (30) days of the Beneficiary's request, the Beneficiary shall be entitled to retain a consultant to perform such assessment, at the expense of the Issuer.

The Beneficiary shall not be liable or responsible to the Issuer, the Department or any other party for any decrease in value of the Mortgaged Property by reason of availing itself of the rights granted by this Section or by reason of the Beneficiary's compliance with any Hazardous Substance Law, specifically including any reporting requirement under any such law. Neither the acceptance by the Beneficiary of property or a failure by the Beneficiary to inspect property shall be deemed to create any inference that there is or may be liability under any Hazardous Substance Law with respect to such property.

ARTICLE XII MISCELLANEOUS

Section 12.1 Severability. In the event any item, term, or provision contained in this Deed of Trust is in conflict or may be held hereafter to be in conflict with any applicable laws, this Deed of Trust shall be affected only as to its application to such item, term, or provision and shall in all other respects remain in full force and effect.

Section 12.2 Captions and Titles. All article and section titles or captions contained in this Deed of Trust or in any schedule or exhibit hereto are for convenience only and shall not be deemed a part of this Deed of Trust and shall not affect the meaning or interpretation of this Deed of Trust.

Section 12.3 Usury Savings Clause. Issuer and Beneficiary specifically intend and agree to limit contractually the amount of interest payable under this Deed of Trust, the Secured Obligations, and all other instruments and agreements related hereto and thereto to the maximum amount of interest lawfully permitted to be charged under applicable law. Therefore, none of the terms of this Deed of Trust, the Secured Obligations, or any instrument pertaining to or relating to this Deed of Trust or the Secured Obligations shall ever be construed to create a contract to pay interest at a rate in excess of the maximum rate permitted to be charged under applicable law, and neither Issuer nor any other party liable or to become liable hereunder, under the Secured Obligations, or under any other instruments and agreements related hereto and thereto shall ever be liable for interest in excess of the amount determined at such maximum rate, and the provisions of this paragraph shall control over all other provisions of this Deed of Trust, the Secured Obligations, or of any other instrument pertaining to or relating to the transactions herein contemplated. If any amount of interest taken or received by Beneficiary shall be in excess of said maximum amount of interest which, under applicable law, could lawfully have

been collected by Beneficiary incident to such transactions, then such excess shall be deemed to have been the result of a mathematical error by all parties hereto and shall, at the election of Beneficiary, either be applied as credit against the then unpaid principal amount of the Secured Obligations or refunded promptly to the party paying such amount. All amounts paid or agreed to be paid in connection with such transactions which would under applicable law be deemed "interest" shall, to the extent permitted by such applicable law, be amortized, prorated, allocated, and spread throughout the stated term of the Secured Obligations. "Applicable law" as used in this paragraph means Chapter 1204 of the Texas Local Government Code, as amended, or if such statute is no longer in existence, the law in effect from time to time which lawfully permits the charging and collection of the highest permissible lawful, nonusurious rate of interest on the transactions herein contemplated, including laws of the State of Texas and of the United States of America; and "maximum rate" as used in this paragraph means, with respect to each portion of the Secured Obligations, the maximum lawful, nonusurious rate of interest (if any) which under applicable law Beneficiary is permitted to charge from time to time with respect to such portion of the Secured Obligations.

Section 12.4 Additional Security. Issuer agrees that no other security, now existing or hereafter taken, for the Secured Obligations shall be impaired or affected in any manner by the execution hereof; no security subsequently taken by any holder of the Secured Obligations shall impair or affect in any manner the security given by this Deed of Trust; all security for the payment of the Secured Obligations shall be taken, considered, and held as cumulative; and the taking of additional security shall at no time release or impair any security by endorsement or otherwise previously given. Issuer further agrees that any part of the security herein described may be released without in anywise altering, varying, or diminishing the force, effect, or lien of this Deed of Trust, or of any renewal or extension of said lien, and that this Deed of Trust shall continue as a first lien, assignment, and security interest on all the Mortgaged Properties not expressly released until all Secured Obligations are fully discharged and paid.

Section 12.5 Suit Not an Election of Remedies. The filing of a suit to foreclose any lien, assignment, or security interest under this Deed of Trust either on any matured portions of the Secured Obligations or for all Secured Obligations shall never be considered an election so as to preclude foreclosure under any power of sale herein contained after dismissal of the suit.

Section 12.6 Rules of Construction. The term "Issuer" as used herein shall include not only the party designated as Issuer that executes this Deed of Trust but also the respective legal representatives, successors and assigns of such party. Whenever the context requires, the gender of words used herein shall include the masculine, feminine, and neuter, and number of words used herein shall include the singular and the plural.

Section 12.7 Notices. Any notice required or permitted to be given hereunder by one party to another shall be in writing and shall be given, except where a particular method is otherwise specified in this Deed of Trust, using one or more of the following methods: (a) delivered in person to the address set forth below for the party to whom the notice is given; (b) placed in the United States mail with postage prepaid, certified or registered mail return receipt requested, properly addressed to such party at the address hereinafter specified; (c) transmitted by telegram or by telecopy (with the original to be sent the same day by nationally recognized overnight delivery service); or (d) deposited into the custody of a nationally recognized

overnight delivery service, such as Federal Express Corporation, addressed to such party at the address herein specified. Any notice given in the above manner shall be deemed effective (i) if given by mail, three days after its deposit into the custody of the U.S. postal service; or (ii) if employing any other method, upon receipt. The addresses for notices for Beneficiary and Issuer under this Deed of Trust and for all notices hereunder shall be:

If to Indenture Trustee/Beneficiary: BOKF NA dba Bank of Texas
1401 McKinney, Suite 1000
Houston, Texas 77010
Attention: Corporate Trust Services

If to Issuer: Harris County Department of Education Public Facility
Corporation
6300 Irvington
Houston, Texas 77002
Attention: President

If to the Department: Harris County Department of Education
6300 Irvington
Houston, Texas 77022
Attention: Superintendent

Notwithstanding the foregoing, notices to the Indenture Trustee/Beneficiary and the Mortgage Trustee shall be effective only upon receipt.

Section 12.8 Extension, Rearrangement or Renewal of Secured Obligations. It is expressly agreed that any of the Secured Obligations at any time secured hereby may be from time to time extended for any period, rearranged, or renewed, and that any part of the security herein described, or any other security for the Secured Obligations may be waived or released without in anywise altering, varying or diminishing the force, effect, or lien of this Deed of Trust as to unaffected property.

Section 12.9 Governing Law. THIS DEED OF TRUST SHALL BE GOVERNED IN ALL RESPECTS INCLUDING VALIDITY, INTERPRETATION AND EFFECT BY, AND SHALL BE ENFORCEABLE IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS AND OF THE UNITED STATES OF AMERICA.

Section 12.10 Amendments. No amendment or waiver of any provision of this Deed of Trust, nor consent to any departure by the Issuer therefrom, shall in any event be effective unless the same is in writing and signed by the Issuer, the Indenture Trustee, and the Mortgage Trustee and is accomplished in accordance with the Trust Indenture, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

Section 12.11 Assignment. This Deed of Trust shall be binding upon the Issuer and its successors and assigns and shall inure to the benefit of the Beneficiary and its respective

successors, transferees, and assigns, and no person other than the Beneficiary and its successors, transferees, and assigns shall under any circumstances be deemed to be a beneficiary of any provision of this Deed of Trust. Without limiting the generality of the foregoing, the Beneficiary may assign, grant a security interest in, or otherwise transfer this Deed of Trust to any other person or entity, and such other person or entity shall thereupon become vested with all the benefits in respect thereof granted to the Beneficiary herein or otherwise. Upon execution and delivery of the Trust Indenture to the Beneficiary, all appointments, designations, representations, warranties, covenants, assurances, remedies, title, interest, privileges, directions, permits, licenses, and rights of every kind whatsoever herein conferred upon the Beneficiary shall be deemed to be conferred also upon the Beneficiary, in its capacity as Mortgage Trustee under the Trust Indenture. The Issuer agrees that the assignments made of this Deed of Trust shall not subject the Beneficiary to or transfer or pass or in any way affect or modify any obligation of the Issuer under the HCDE Lease, the Bonds, or this Deed of Trust it being understood and agreed that all such obligations of the Issuer shall be and remain enforceable only against the Issuer.

Section 12.12 Capitalized Terms. Capitalized terms herein shall have the meanings assigned herein, or if no definition is contained herein, then the meanings assigned in the Resolution, Trust Indenture and Lease, unless context requires otherwise.

Section 12.13 No Drilling or Exploration. Without the prior written consent of Beneficiary, which consent may be withheld for any reason whatsoever at the sole and absolute discretion of the Beneficiary, there shall be no drilling or exploring for or extraction, removal, or production of minerals from the surface or subsurface of the Land. The term “minerals” as used herein shall include, without limiting the generality of such term, oil, gas, casinghead gas, coal, lignite, hydrocarbons, methane, carbon dioxide, helium, uranium and all other natural elements, compounds and substances, including sand and gravel.

[The remainder of this page intentionally left blank]

IN WITNESS WHEREOF, Issuer has executed this Deed of Trust this ____ day of _____, 2016.

ADDRESS OF ISSUER:

6300 Irvington
Houston, Texas 77022

HARRIS COUNTY DEPARTMENT OF EDUCATION
PUBLIC FACILITY CORPORATION

By: _____

Name: Rich Vela

As Its: President, Board of Directors

THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §

This instrument was acknowledged before me on the _____ day of _____, 2020, by Rich Vela, President of the Board of Directors of Harris County Department of Education Public Facility Corporation, a Texas non-profit corporation, on behalf of the Corporation.

Notary Public in and for
the State of Texas

EXHIBIT A

[INSERT PROPERTY DESCRIPTION]

EXHIBIT B

[INSERT PERMITTED ENCUMBRANCES]

LEASE WITH AN OPTION TO PURCHASE

Relating To

EDUCATIONAL AND SUPPORT FACILITIES

By and Between

**COUNTY SCHOOL TRUSTEES OF HARRIS COUNTY, STATE OF TEXAS
(d/b/a HARRIS COUNTY DEPARTMENT OF EDUCATION),**

as the Department

and

**HARRIS COUNTY DEPARTMENT OF EDUCATION
PUBLIC FACILITY CORPORATION,**

as the Corporation

Dated as of November __, 2020

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**LEASE WITH AN OPTION TO PURCHASE
RELATING TO EDUCATIONAL AND SUPPORT FACILITIES**

THIS LEASE WITH AN OPTION TO PURCHASE RELATING TO EDUCATIONAL AND SUPPORT FACILITIES, dated as of November __, 2020, by and between **HARRIS COUNTY DEPARTMENT OF EDUCATION PUBLIC FACILITY CORPORATION**, a non-profit public corporation duly organized under the laws of the State of Texas (the “*Corporation*”), whose address is 6300 Irvington, Houston, Texas 77022, and **COUNTY SCHOOL TRUSTEES OF HARRIS COUNTY, STATE OF TEXAS (d/b/a HARRIS COUNTY DEPARTMENT OF EDUCATION)** (the “*Department*”), whose address is 6300 Irvington, Houston, Texas 77022.

W I T N E S S E T H:

WHEREAS, the Department is authorized to enter into contracts for the financing, design and construction of educational and support facilities;

WHEREAS, the Corporation has been organized pursuant to the Texas Public Facility Corporation Act, Chapter 303, Texas Local Government Code, as amended;

WHEREAS, the Corporation has agreed to construct the facilities on the property described in Exhibit A and to lease the Project (as defined herein) to the Department, and the Department agreed to pay lease payments to the Trustee (hereinafter defined) for the account of the Corporation;

WHEREAS, in order to construct the facilities described in the Project (i) the Department is willing to enter into this Lease With An Option To Purchase and (ii) the Corporation is willing to enter into a Trust Indenture, dated as of November 1, 2020 (the “*Trust Indenture*”) with BOKF NA, Houston, Texas, as Trustee (the “*Trustee*”) authorizing the issuance of \$[_____] **HARRIS COUNTY DEPARTMENT OF EDUCATION PUBLIC FACILITY CORPORATION LEASE REVENUE BONDS, SERIES 2020**”; and

NOW THEREFORE, in the joint and mutual exercise of their powers, and in consideration of the mutual covenants herein contained, the Department and the Corporation hereby agree to this Lease and the Corporation leases the Project (including [the Land and] the Improvements) to the Department upon the terms and conditions set forth in this Lease and the parties hereto agree as follows:

ARTICLE I.

DEFINITIONS AND EXHIBITS

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

“Appropriate, Appropriated or Appropriation” means the adoption by the Department of a budget or amendments to a budget for a Fiscal Year which includes the Rental Payments and other payments required, if any, to be made by the Department under this Lease during such Fiscal Year.

“Available Funds” means funds Appropriated by the Department for the payment of Rental Payments and other payments, if any, required to be made under this Lease during a Fiscal Year from (i)

payments received by the Department pursuant to all contracts between the Department and independent school districts in Harris County, Texas for services, (ii) any unintended surplus equalization tax funds of the Department at the end of each Fiscal Year after payment of all maintenance and operating expenses for that year, and (iii) any other lawfully available funds of the Department.

“Bonds” means, the \$[_____] Harris County Department of Education Public Facility Corporation Lease Revenue Bonds, Series 2020, issued pursuant to the Trust Indenture.

“Business Day” means any day other than a Saturday, Sunday or a day on which banking institutions in the city in which the Principal Office of the Trustee is located, or on which banking institutions located in the City of New York, New York are required or authorized by law to be closed, or a day other than a day on which the New York Stock Exchange is closed.

“Corporation” means Harris County Department of Education Public Facility Corporation, and its successors and permitted assigns.

“Corporation Representative” means the President, any Vice President, Secretary, Assistant Secretary or Treasurer of the Corporation or any other officer of the Corporation who is designated in writing or by resolution by the Board of Directors of the Corporation as a Corporation Representative for purposes of this Lease.

“Department” means the County School Trustees of Harris County, State of Texas (d/b/a Harris County Department of Education), a political subdivision of the State and its successors and assigns.

“Department Representative” means the Superintendent, Executive Director of Business Services, Executive Director of Facilities, or any representative or employee of the Department who is designated in writing by resolution of the Department as a Department Representative for purposes of this Lease.

“Deed of Trust” means the Leasehold Deed of Trust, Security Agreement, Assignment of Rents and Leases and Financing Statement, dated as of November __, 2020, by the Corporation to Jeffrey L. Seasor, for the use and benefit of the Trustee, granting a first lien and security interest in the leasehold interest granted herein, and any supplement thereto.

“Event of Default” means those events described in Section 12.1 of this Lease.

“Event of Nonappropriation” means any of the following events:

1. The failure of the Department to appropriate from Available Funds sufficient funds to pay the Rental Payments during the upcoming Fiscal Year (net of any funds then on deposit in the Payment Account or anticipated to be on deposit therein prior to the Payment Date during such Fiscal Year); or
2. The reduction of any Appropriation to an amount insufficient to permit the Department to pay the Rental Payments (net of any funds then on deposit or anticipated to be on deposit in the related Payment Subaccount) during such Fiscal Year in which event the Event of Nonappropriation shall be retroactive to the beginning of the Fiscal Year in which the reduction is made.

“Fiscal Year” means each twelve (12) month fiscal period of the Department commencing on September 1 and ending on August 31 of the following year, or such other annual accounting period as

the Department may hereafter adopt.

“Improvements” means the improvements (but not the Land), which are generally described in the attached Exhibit “A”, which have been acquired, constructed and installed on the Land.

“Land” means the real property described in the attached Exhibit “A” upon which the Improvements have been constructed or installed.

“Lease” means this Lease With An Option To Purchase and any duly authorized and executed amendment hereto.

“MSRB” means the Municipal Securities Rulemaking Board.

“Nationally Recognized Bond Counsel” means an attorney or firm of attorneys selected by the Corporation and reasonably acceptable to the Trustee, and listed among the Municipal Bond Attorneys in The Bond Buyer’s Municipal Marketplace, or any successor publication thereto.

“Net Proceeds” means any insurance proceeds or condemnation award paid with respect to the Project remaining after payment therefrom of all expenses incurred in the collection thereof.

“Payment Date or Rental Payment Date” means [February 1, 2021] and each August 1 and February 1 thereafter for so long as any Rental Payment is due and payable, as provided in Section 6.1 hereof and as set forth in Exhibit “B” attached hereto.

“Permitted Encumbrances” means as of any particular time, (i) this Lease; (ii) the Deed of Trust; (iii) the Trust Indenture; (iv) the Bonds; (v) any mechanic’s, laborer’s, materialman’s, supplier’s or vendor’s lien or right not filed or perfected in the manner prescribed by law or being contested in accordance with the terms of this Lease, and (vi) the easements, restrictions and other matters described in Exhibit “C” attached hereto.

“Project” means the Improvements comprising the Department’s educational and support facilities described on Exhibit “A” hereto.

“Purchase Option Price” means, collectively, the Purchase Option Price as defined in the Trust Indenture.

“Rental Payment” means a semi-annual payment due on [February 1, 2021] and each August 1 and February 1 thereafter and at such other times and in the amounts as required to pay principal and interest on the Bonds when due, from the Department to the Trustee (for the account of the Corporation), as provided in Section 6.1 hereof and in the amounts set forth in the attached Exhibit “B”.

“Rule” means SEC Rule 15c2-12, as amended from time to time.

“SEC” means the United States Securities and Exchange Commission.

“Survey” means a certified survey of the Land prepared in accordance with the provisions of Section 7.12 hereof.

“Taxes” means all property and excise taxes and governmental charges of any kind whatsoever which may at any time be assessed or levied against or with respect to the Land, the Project or any part thereof, or the ownership of the Project, and which become due during the Term of this Lease with respect thereto, and all special assessments and charges made by any governmental body for public

improvements that may be secured by a lien on the Land or the Project.

“**Term of this Lease or Lease Term**” means the period during which this Lease remains in effect as specified in Section 5.1 hereof.

“**Trust Indenture**” means the Trust Indenture Relating to \$[_____] Harris County Department of Education Public Facility Corporation Lease Revenue Bonds, Series 2020, dated as of the date hereof, by and between the Corporation and the Trustee, and any duly authorized and executed amendment thereto, between the Corporation and Trustee.

“**Trustee**” means BOKF NA pursuant to, or any successor thereto appointed in accordance with, the Trust Indenture. Any obligations owed under the Lease by the Corporation or the Department to the Trustee shall be owed to the Trustee in its capacity as assignee of the Corporation’s rights under the Lease.

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

Exhibit “A”: Description of the Land and the Improvements.

Exhibit “B”: Schedule of Rental Payments.

Exhibit “C”: List of Permitted Encumbrances.

ARTICLE II.

REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 2.1. Representations, Covenants and Warranties of the Department. The Department represents, covenants and warrants as follows:

(a) The Department is a duly formed and validly existing political subdivision of the State of Texas.

(b) State Laws authorize the Department to execute, perform and make payments under this Lease for the refinancing of the Project, to enter into this Lease and the transactions contemplated hereby, and to carry out the Department’s obligations under this Lease. This Lease is a legal, valid and binding obligation of the Department, enforceable in accordance with its terms.

(c) The representative of the Department executing this Lease has been duly authorized to execute and deliver this Lease under the terms and provisions of a resolution of the governing body of the Department or by other appropriate official action.

(d) The Department has complied and will comply with all open meetings laws, all public contract procurement laws and all other State and Federal laws applicable to the execution, delivery and performance of this Lease and to the acquisition of the Project by the Department.

(e) Except as provided or permitted under the terms of this Lease and the Deed of Trust, the Department will not transfer, lease, assign, mortgage or encumber the Project.

(f) The Department will use the Project during the Lease Term for essential purposes.

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

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

(i) The Department presently expects to have sufficient Available Funds to satisfy its obligations under this Lease; provided, however, that the Department has no obligation to Appropriate Available Funds in any Fiscal Year.

(j) The Department shall provide the Trustee with written instructions regarding investment of the Trust Fund created for the benefit of the Bonds.

(k) The Project complies with all relevant State standards and governmental requirements pertaining to the operation of public schools.

(l) The Department shall take all actions necessary to assure the exclusion of the interest paid with respect to the Bonds from the gross income of the owners of the Bonds.

(m) The Department shall not begin construction on the Project (including storage or drop off of material prior to construction and/or the clearing of the Project site for construction) prior to providing proof of adequate flood insurance coverage to the Trustee.

Section 2.2. Representations, Covenants and Warranties of the Corporation. The Corporation represents, covenants and warrants as follows:

(a) The Corporation is a non-profit public corporation duly organized, validly existing and in good standing under Chapter 303, Texas Local Government Code; is duly qualified to transact business and hold property in the State; has full and complete power to enter into this Lease and to enter into and carry out the transactions contemplated hereby, and to carry out its obligations under this Lease; is possessed of full power to own and hold real and personal property, and to lease the same; and has duly authorized the execution and delivery of this Lease. This Lease is a legal, valid and binding obligation of the Corporation, enforceable in accordance with its terms. The representative of the Corporation executing this Lease has been duly authorized to execute and deliver this Lease.

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

(c) Upon termination of this Lease pursuant to subsections 5.1(b), 5.1(d) or 5.1(e) hereof, the Corporation will deliver to the Department all documents which are or may be necessary to vest all of the Corporation's right, title and interest in and to the Project in the Department and will execute releases for all liens and encumbrances in favor of the Corporation created under this Lease with respect to the Project as provided in Article X hereof.

(d) The Corporation and its Board of Directors have duly authorized the execution of this Lease, the Deed of Trust and the Trust Indenture and the performance of the Corporation's obligations thereunder.

(e) The Corporation has complied and will comply with all open meetings laws, all public contract procurement laws and all other State and federal laws applicable to the execution, delivery and performance of this Lease and to the approval of construction of the Project and the payment of Project Costs.

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

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

(h) The Corporation shall take all actions necessary to assure the exclusion of the interest paid with respect to the Bonds from the gross income of the owners of the Bonds for federal income tax purposes.

(i) The Project complies with all relevant State standards and governmental requirements and is suitable for the Department's purposes.

(j) The Corporation shall not allow construction on the Project (including storage or drop off of material prior to construction and/or the clearing of the Project site for construction) prior to providing proof of adequate flood insurance coverage to the Trustee.

Section 2.3. Survival of Representations, Covenants and Warranties. The representations, covenants and warranties contained in this Lease shall survive the termination of this Lease.

Section 2.4. Financial Statements: Reporting Requirements. For so long as the Department is obligated to the Corporation hereunder, the Department shall submit to the Corporation and the Trustee the following:

(a) A copy of its audited financial statement prepared in accordance with generally accepted accounting principles for each Fiscal Year within one hundred and fifty (150) days of the close of the Fiscal Year; and

(b) An annual certificate of appropriation evidencing the Appropriation of sufficient funds to pay the following year's Rental Payments (net of any funds then on deposit or anticipated to be on deposit in the related Payment Subaccount) and any other amounts necessary to perform its obligations hereunder and a copy of the Department's annual budget for the current fiscal year within twenty (20) days of each Fiscal Year end.

ARTICLE III.

THE PROJECT

Section 3.1. Financing the Project.

The Corporation will enter into the Trust Indenture, cause the Bonds to be issued and enter into

such contracts as are necessary and appropriate to cause completion of the Project in accordance with the provisions of this Lease.

Section 3.2. Payment of Costs.

(a) The proceeds from the sale of the Bonds shall be deposited into the accounts established pursuant to, or as otherwise provided by, the Trust Indenture. The use and disbursement of all funds deposited with the Trustee shall be governed by the Trust Indenture.

(b) In the event any disbursement under this Section is to be made by the Trustee by wire transfer, the Corporation and the Department agree to enter into an agreement concerning wire transfer instructions in a form to be provided by the Trustee. Until such an agreement has been entered into, the Trustee shall not be required to make any payment hereunder by wire transfer.

Section 3.3. Compliance with Laws.

(a) The Department shall occupy, operate and maintain the Project for use as (i) an adult education center in North Houston, (ii) a high school in Northwest Houston, and (iii) a school dedicated to serving special needs students in grades K-12 in an academic and behavior setting located in Southwest Houston; provided, that in no event may the Project be used for a purpose which may adversely affect the treatment of the Bonds as obligations described in Section 103 of the Code, the interest on which is excludable from “gross income” for purposes of federal income taxation.

(b) The Department shall comply with all laws, statutes, ordinances, rules and regulations of applicable governmental authorities, now existing or enacted or promulgated in the future, which affect the Project and the use and occupancy thereof. The Department shall obtain all permits and licenses necessary for the operation, possession and use of the Project. The Department shall make, at the Department’s own cost and expense from Available Funds, any and all repairs, additions and alterations (whether the same constitute a capital improvement or expenditure) to the Project that are required by local, state or federal statutes, rules, ordinances or regulations or as may be ordered or required by any governmental authority, whether (i) in order to meet the special needs of the Department, or by reason of the occupancy of the Department, or otherwise and (ii) regardless of whether such laws, rules and regulations, and the cost of implementing them, are imposed upon the fee owner or the Corporation. In making any alterations, additions and improvements, the Department shall comply with the terms of Section 7.7 below.

(c) The Department may, after written notice to the Corporation, by appropriate proceedings conducted promptly in the Department’s name and at the Department’s expense, contest the validity or enforcement of any laws, statutes, rules, regulations or ordinances, and the Department may defer compliance with same during such contest, provided the Department diligently prosecutes such contest to a final determination by the authority having jurisdiction thereof and the delay in complying with such regulations and ordinances does not create a lien or encumbrance on the Project or subject the Corporation or the Project to any liability for damages, fines or penalties.

ARTICLE IV.

AGREEMENT TO LEASE

Section 4.1. Lease of Improvements. In consideration for the rents, covenants, agreements and conditions herein set forth, which the Department agrees to pay, keep and perform, the Corporation

does hereby let, demise and rent unto the Department, and the Department agrees to rent and lease from the Corporation, the Project.

Section 4.2. Possession and Enjoyment. Subject to compliance by the Department with the provisions of this Lease, the Corporation hereby covenants to provide the Department during the Term of this Lease with quiet use and enjoyment of the Project, and the Department shall during the Lease Term peaceably and quietly have and hold and enjoy the Project, without suit, trouble or hindrance from the Corporation. To the extent the Corporation may lawfully do so, the Corporation will, at the request of the Department and at the Department's cost, join in any legal action in which the Department asserts its right to such possession and enjoyment, if the interests of the Corporation therein are not opposed to those of the Department.

Section 4.3. Access to Project. The Department agrees that the Corporation, any Corporation Representative and the Trustee shall have the right at all reasonable times to enter upon and to examine and inspect the Project. The Department further agrees that the Corporation and any Corporation Representative and the Trustee shall have such rights of access to the Project as may be reasonably necessary, but shall have no obligation to cause the proper maintenance of the Project in the event of failure by the Department to perform its obligations hereunder, or to carry out the Department's obligations and exercise the Department's rights under Article XII hereof, or to determine whether the Department is in compliance with this Lease.

ARTICLE V.

TERM OF LEASE

Section 5.1. Term of Lease. This Lease shall be and remain in effect with respect to the Project for a Lease Term commencing on the date hereof and continuing until terminated upon the occurrence of the first of the following events:

- (a) termination of this Lease occurs as provided in and pursuant to Section 12.3 hereof;
- (b) the date on which the Department pays all amounts required to be paid to exercise the option to purchase pursuant to Article X hereof;
- (c) the effective date of termination of this Lease by the Corporation or Trustee pursuant to the exercise of rights to terminate this Lease upon the occurrence of an Event of Default as permitted pursuant to Article XII hereof;
- (d) the date on which the Department pays all amounts required to be paid by the Department hereunder;
- (e) the date on which the Department pays all amounts required to exercise the option to purchase set forth in subsection 8.1 hereof; or
- (f) November __, 20__.

ARTICLE VI.

RENTAL PAYMENTS

Section 6.1. Rental Payments.

(a) During the Term of this Lease, the Department shall pay to Trustee the Rental Payments with respect to the Project on the Rental Payment Dates in the amounts set forth in Exhibit "B" attached hereto from Available Funds. The Department shall be entitled to a credit against such Rental Payments at the times and in the amounts set forth in, and determined in accordance with, the Trust Indenture. The Rental Payments shall be payable to Trustee at its address specified in, the Trust Indenture, or to such other person or entity and at such other address as the Trustee may designate by written notice to the Department, in lawful money of the United States of America. All Rental Payments received by the Trustee shall be credited to the related Payment Subaccount established pursuant to the Payment Account established pursuant to the Trust Indenture. If any Bonds are to be redeemed prior to maturity on a Rental Payment Date, the Department's Rental Payment shall include an amount sufficient to pay the redemption price of Bonds to be redeemed on such date.

(b) The Department also agrees to pay from lawfully available Appropriated funds on such dates as they shall become due and owing all other amounts related to the operation and maintenance of the Project including, without limitation, the ordinary fees and expenses of the Trustee, the extraordinary fees and expenses of the Trustee, utility charges, to the extent applicable, ad valorem taxes and impositions (prior to their delinquency) imposed on the Project, the premiums of insurance policies relating to the Project, and other amounts incurred by the Corporation with respect to the Project; provided that the fees and expenses of the Trustee shall be paid solely from Available Funds. In the event the Trustee incurs expenses or renders services in any proceedings which result from an Event of Default under Section 12.1(d) of this Lease, or from any default which, with the passage of time, would become an Event of Default, the expenses so incurred and compensation for services so rendered are intended to constitute expenses of administration under the United States Bankruptcy Code or equivalent law.

Section 6.2. Current Expenses. The obligations of the Department under this Lease, including its obligation to pay the Rental Payments and other payments due with respect to the Project in any Fiscal Year for which this Lease is in effect, shall constitute a current expense of the Department for such Fiscal Year. Nothing in this Lease shall be construed (a) to cause the obligations of the Department hereunder to constitute an indebtedness of the Department within the meaning of State Laws or (b) to constitute a pledge by the Department of any taxes or other money other than Available Funds for the then current Fiscal Year.

Section 6.3. Rental Payments to be Unconditional. Subject to annual Appropriation thereof by the Department and except as provided in Sections 6.2 and 6.5 hereof, the obligation of the Department to make Rental Payments due with respect to the Project or any other transfers and payments required hereunder shall be absolute and unconditional. Notwithstanding any dispute between the Department and the Corporation or any other person, the Department shall make all Rental Payments and other transfers and payments required hereunder when due and shall not withhold any Rental Payment or other payment pending final resolution of such dispute nor shall the Department assert any right of set-off or counterclaim against its obligation to make such Rental Payments or other transfers and payments required under this Lease. However, nothing herein shall be construed to release the Corporation from the performance of its obligations hereunder. If the Corporation should fail to perform any obligation of the Corporation set out in this Lease, the Department may institute such legal action against the Corporation as the Department may deem necessary to compel the performance of such obligation or to recover damages therefor.

Section 6.4. Intent to Continue Rental Payments. Subject to the provisions of Section 2.1(i) hereof, the Department presently intends to continue this Lease for the entire Lease Term and to pay all Rental Payments or other transfers and payments required hereunder. The Department reasonably believes that funds in an amount sufficient to make all such Rental Payments or other payments will be available for such purposes.

Section 6.5. Nonappropriation of Funds. If an Event of Nonappropriation occurs with respect to any Fiscal Year during the Term of this Lease, this Lease shall terminate as provided in Section 12.3 hereof.

Section 6.6. Cost of Operations. The Department agrees to pay, but only from lawfully available Appropriated funds, all operating costs attendant to the Project including, but not limited to, maintenance expenses, insurance premiums and ad valorem taxes, if any, incurred in connection with the Project.

Section 6.7. Late Penalty. Subject to Section 1204.006, Texas Government Code, in the event that the Department fails to pay to the Trustee, from Available Funds, a Rental Payment when due, then the Department agrees to pay to the Trustee, in addition to such Rental Payment, to the extent permitted by law, a late penalty equal to the amount of the delinquent Rental Payment multiplied by the maximum per diem interest rate then allowed by law for the number of days for which such Rental Payment is delinquent and the Corporation shall deposit such late penalty to the credit of the Payment Account.

Section 6.8. Issuance of Additional Bonds or Other Obligations. The Department hereby covenants and agrees that, no additional bonds or other obligations shall be issued or incurred which are payable from Available Funds, except in accordance with Section 3.16 of the Trust Indenture.

ARTICLE VII.

MAINTENANCE; TAXES; INSURANCE; AND OTHER MATTERS

Section 7.1. Maintenance of Project by the Department. During the Term of this Lease, the Department shall, from lawfully available Appropriated funds, maintain, preserve and keep the Project in good repair, working order and condition and from time to time make or cause to be made all repairs and replacements necessary to keep the Project in such condition and in a condition suitable for the Project's intended use. The Corporation shall have no responsibility for such maintenance or for any such repairs or replacements. Subject to the provisions of Section 11.4 of this Lease, the Department shall have the right to contract with a third party to maintain, repair, replace, and improve the Project, as necessary to keep the Project in good repair, working order, and condition to the extent that such contract does not adversely affect the exclusion of interest on the Bonds for federal tax purposes; provided that the Corporation, the Department and the Trustee may rely on an opinion of Nationally Recognized Bond Counsel that the exclusion of interest on the Bonds for federal tax purposes will not be adversely affected by the agreements with such third party for maintenance, repair, replacements, and/or improvements; and provided further, that the Department shall not be relieved of its obligation to maintain, repair, replace, and improve the Project by designating a third party to perform such duties.

Section 7.2. Taxes and Other Charges. The Department shall pay Taxes (prior to delinquency) lawfully assessed or levied against or with respect to the Land or the Project or any part thereof or the Rental Payments, and which become due during the Term of this Lease with respect thereto, and all special assessments and charges lawfully made by any governmental body for public

improvements that may be secured by a lien on the Land or the Project; with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Department shall be obligated to pay only such installments as are required to be paid during the Term of this Lease as and when the same become due. The Department may, after notifying the Corporation and at the Department's expense and in the Corporation's name, in good faith contest any such taxes, assessments or other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom, provided that the Department delivers (a) an opinion of independent counsel to the effect that by nonpayment of any such items the interest of the Corporation in the Land or the Project will not be materially endangered or the Land or the Project or any part thereof will not be subject to loss or forfeiture, (b) evidence of the Department's compliance with any tender requirements of any laws governing protest of taxes, assessments or other charges and (c) to the Trustee an indemnity bond or cash deposit or other security acceptable to the Trustee, with a surety acceptable to Trustee, in the amount of the tax assessments or other charge being contested by the Department plus an additional sum sufficient to pay costs, interest, and penalties that may be imposed or incurred in connection with or during the contest. In no event may a contest be maintained or continued that might, if adversely determined, result in a sale of the Project pursuant to a court order foreclosing any statutorily provided lien to secure such tax or imposition .

Section 7.3. Liability Insurance. During the Term of this Lease, the Department shall, from lawfully available Appropriated funds, procure and maintain continuously in effect, or cause to be procured and maintained continuously in effect, with respect to the Project, insurance against liability for injuries to or death of any person or damage to or loss of property arising out of or in any way relating to the maintenance, use or operation of the Project or any part thereof. The insurance or coverage shall include coverage for premises/operations, independent contractors, environmental risks, products/completed operations, personal and advertising inquiry, contractual liability and explosion, collapse and underground property damage and be in the amount of \$5,000,000 combined single limit. The insurance required under this subparagraph may be provided through an “*umbrella*” or “*blanket*” policy which provides coverage as to the Project in the minimum coverage amount previously set forth in this Section. The Trustee and the Corporation shall be named as additional insureds in all policies of liability insurance relating to the Project.

Section 7.4. Property Insurance. The Department shall, from lawfully available Appropriated funds, maintain throughout the Term of the Lease all risk (or its equivalent) property and casualty insurance or coverage on the Project in an amount not less than the replacement cost of the Project, subject only to such exceptions and exclusions as are customarily contained in such policies. For purposes of this Section, the replacement cost of the Project shall be the cost of restoration, repair, modification or improvement of the Project following a property or casualty loss with respect thereto, without deduction for depreciation. The Department shall ensure that at all times the limits of coverage are sufficient to pay for the full replacement cost of the Project at the time of the loss. All policies shall be issued to the Department as the first named insured or term denoting a similar meaning, but shall name the Corporation and Trustee as loss payee as their interests may appear under a standard mortgagee's endorsement. If the Department shall act as its own contractor for alterations or improvements to the Project that cost more than \$100,000, it shall obtain builder's risk insurance for the full contemplated value of such alterations and improvements. The Net Proceeds of insurance required by this Section 7.4 shall be applied as provided in Section 8.1 hereof. The insurance required under this subparagraph may be provided through an “*umbrella*” or “*blanket*” policy.

Section 7.5. Requirements for Insurance Policies. All insurance required to be obtained pursuant to Sections 7.3 and 7.4 hereof shall be provided by a commercial insurer rated “A” by Best or in one of the two highest rating categories of Standard & Poor's Ratings Services and Moody's Investors

Service, Inc.; may be carried under a separate policy or a rider or endorsement; shall be taken out and maintained with responsible insurance companies organized under the laws of one of the states of the United States and qualified to do business in the State; shall contain a provision that the insurer shall not cancel or revise coverage thereunder without giving written notice to all parties at least thirty (30) calendar days before the cancellation or revision becomes effective and shall name the Department, the Corporation and the Trustee as insureds. Original policies (or an insurance certificate together with a photocopy of the original policy) evidencing any such insurance shall be deposited with the Corporation. Before the expiration of any such policy, the Department shall furnish to the Corporation evidence that the policy has been renewed or replaced by another policy conforming to the provisions of this Article VII, unless, in the opinion of an independent insurance consultant, such insurance is no longer obtainable at commercially reasonable rates, in which event the Department shall notify the Corporation and Trustee of this fact. The Department shall furnish the Trustee at closing and on each February 1, an Officer's Certificate stating that all required insurance is in full force and effect.

Section 7.6. Utility Charges. During the Term of this Lease, the Department shall pay from lawfully available Appropriated funds directly to vendors and suppliers all deposits, charges, fees and costs incurred for all utility equipment and services connected with the use and occupancy of the Project by the Department, including, but not limited to, water, sewer, refuse removal, electricity, gas and telephone. In addition, the Department shall pay the costs of any janitorial services and related supplies connected with the operation of the Project.

Section 7.7. Alterations to the Project by the Department. The Department shall, from and to the extent of lawfully available Appropriated funds in excess of the amounts required to be paid by the Department under this Lease and the funds required to be held by Trustee pursuant to the Trust Indenture, have the right to make alterations, additions, modifications and improvements to the Project. All such alterations, additions, modifications and improvements shall thereafter comprise part of the Project and be subject to the provisions of this Lease. All alterations, additions, modification and improvements must be performed in a good and workmanlike manner in compliance with all applicable laws and as permitted by Section 11.4 hereof. Such alterations, additions, modifications and improvements must not in any way damage the Project or cause it to be used for purposes other than those authorized under the provisions of applicable State and federal law. The Project, upon completion of any alterations, additions, modifications and improvements made pursuant to this Section 7.7, must be verified in writing by an Architect to be of a value not less than the value of the Project immediately prior to the making of such alterations, additions, modifications and improvements. Any property for which a substitution or replacement is made pursuant to this Section 7.7 may be disposed of by the Department in such manner and on such terms as determined by the Department. The Department will not permit any mechanic's or other lien to be established or remain against the Project for labor or materials furnished in connection with any alterations, additions, modifications, improvements, repairs, renewals or replacements made by the Department pursuant to this Section 7.7. If any such lien is established or filed and the Department shall first notify the Corporation of the Department's intention to do so, the Department may in good faith contest any lien filed or established against the Project and, in such event, may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom provided that the Department (a) delivers an opinion of Independent Counsel to the effect that, by nonpayment of any such item the interest of the Corporation in [the Land or] the Project will not be materially endangered or [the Land or] the Project or any part thereof will not be subject to loss or forfeiture; (b) evidence of the Department's compliance with any tender requirements of any laws governing protest of such liens and (c) to the Trustee an indemnity bond or cash deposit or other security acceptable to the Trustee, with a surety acceptable to Trustee, in the amount of the lien being contested by the Department plus an additional sum sufficient to pay costs, interest, and penalties that may be imposed or incurred in connection with or during the contest. The Corporation will cooperate fully with the

Department in any such contest, upon request of the Department, if the Department agrees to pay the Corporation's expenses.

Section 7.8. Workers' Compensation Insurance. During the Term of this Lease, to the extent required by State law, the Department shall, from lawfully available Appropriated funds, carry Workers' Compensation Insurance or self-insure, as required by State law, covering all employees on, in or about the Project and, upon request, shall furnish to the Corporation certificates evidencing any such coverage throughout the Term of this Lease.

Section 7.9. No Deduction or Offset; Advances.

(a) The Corporation and the Department intend and agree that all expenses, taxes, fees, insurance premiums, rebate payments, reserve deposits and costs associated with the Project and this Lease, shall be paid by the Department (from and to the extent of lawfully available Appropriated funds), without right of offset or deduction by the Department against the Corporation, the Trustee or any Bondholder.

(b) If the Department fails to perform any of its obligations, the Corporation may, but shall not be obligated to, take such action as may be necessary to cure such failure, including the advancement of money, and the Department shall be obligated to repay from Available Funds all such advances on demand, with interest at the maximum rate permitted by Chapter 1204, Texas Government Code.

Section 7.10. Liens. The Department shall not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Project or the Rental Payments, other than the respective rights of the Corporation and the Department under this Lease and the Permitted Encumbrances. Subject to the Department's rights set out in Section 7.7 hereof, the Department shall promptly take such action as may be necessary duly to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim if the same shall arise at any time during the Term of this Lease and reimburse the Corporation or the Trustee from Available Funds for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

Section 7.11. Restrictions on Use of Rental Payments. No portion of the Rental Payments held by Trustee pursuant to the Trust Indenture shall be expended pursuant to this Article VII.

Section 7.12. Survey.

(a) **Field Note Description.** The Department has provided the Survey to the Corporation. The Survey contained a certified metes and bounds description and complied with the following requirements: (i) the beginning point shall be established by a monument located at the beginning point, or by reference to a nearby monument; (ii) the sides of the Land shall be described by giving the distances and bearings of each; (iii) the distances, bearings, and angles shall be taken from a recent instrument survey, or recently recertified instrument survey, by a registered professional engineer or registered public surveyor; (iv) curved sides shall be described by data including: length of arc, central angle, radius of circle for the arc and cord distance, and bearing; (v) the description shall be a single perimeter description of the entire Land, and there shall also be a separate metes and bounds description of any constituent tracts out of the Land; (vi) the description shall include a reference to all streets, alleys, and other rights-of-way that abut the Land, and the width of all rights-of-way mentioned shall be given the first time these rights-of-way are referred to; (vii) for each boundary line abutting a street, road, alley or other means of access, the description must, in calling the boundary line, state that the boundary line and the right-of-way line are the same; (viii) if the Land has been recorded on a map or plat as part of an abstract or

subdivision, reference to such recording data shall be made; and (ix) the total acreage and square footage of the Land shall be certified.

(b) Certification. The certification for the property description was addressed to the Corporation and the Department, signed by the surveyor (a registered public surveyor or registered professional engineer), bearing a current date, registration number, and seal, and was in the following form or its substantial equivalent:

The undersigned hereby certifies to the Corporation and the Department that (a) this survey was made on the ground on [_____, 20__] as per the field notes shown hereon and correctly shows the boundary lines and dimensions and area of the land indicated hereon and each individual parcel thereof indicated herein; (b) all monuments shown hereon actually exist, and the location, size and type of such monuments are correctly shown; (c) this Survey correctly shows the size, location and type of all buildings, and other visible structures, other improvements and items on the subject Property; (d) this survey correctly shows the location and dimensions of all alleys, street, roads, rights-of-way, easements, building setback lines and other matters of record of which the undersigned has been advised affecting the subject property according to the legal description in such easements and other matters (with instrument, book, and page number indicated); (e) except as shown hereon, there are no (1) visible improvements, visible easements, rights-of-way, party walls, drainage ditches, streams, uses, discrepancies or conflicts, (2) visible intrusions or encroachments onto adjoining premises, streets, or alleys by any of said buildings, structures, or other improvements, (3) visible intrusions or encroachments on the subject Property by buildings, structures, or other improvements on adjoining premises, or (4) visible intrusions or encroachments on any easement, building setback line or other restricted area by any buildings, structures or other improvements on the subject property; (f) the distance from the nearest intersecting street or road is as shown hereon; (g) the subject property has direct and free access to a dedicated public streets or road as shown hereon, accepted for maintenance by the entity to which such street or road was dedicated; and (h) no part of the subject property lies in a Special Flood Hazard Area as indicated on Map Number C0830L, Panel Number 4820, dated June 8, 2007, as determined by or in accordance with criteria established by the Federal Insurance Administration or as determined by or in accordance with the criteria established by any city or other governmental authority having jurisdiction.

ARTICLE VIII.

DAMAGE, DESTRUCTION AND CONDEMNATION; USE OF NET PROCEEDS

Section 8.1. Damage, Destruction and Condemnation. If (a) the Project or any portion thereof is destroyed or is damaged by fire or other casualty or (b) title to or the temporary use of the Project or any part thereof, or the interest of the Department or the Corporation in the Project or any part thereof, shall be taken (or conveyed in lieu thereof) under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, the Department shall have the rights specified in this Section 8.1 with respect to the Net Proceeds of any insurance or condemnation award. If the Net Proceeds of the insurance are sufficient (in the judgment of the Department) to pay in full the cost of the restoration, repair, modification or improvement of the Project, they shall be paid over to the Department to be applied to the prompt repair, restoration, modification or improvement of the Project by the Department, in which event the Department shall be obligated to continue to pay from Available Funds the amounts required to be paid by the Department

pursuant to this Lease. If the Net Proceeds are insufficient (in the judgment of the Department) to pay in full the cost of any repair, restoration, modification or improvement of the Project, the Department may (x) from lawfully available Appropriated funds, pay the excess amounts necessary to fully restore the Project (in which event the Department shall be obligated to continue to pay from Available Funds the amounts required to be paid by the Department pursuant to this Lease) or (y) terminate this Lease (and all the Department's interest in the Project) on the next succeeding Payment Date by depositing with Trustee from lawfully available Appropriated funds on such Payment Date an amount equal to the Purchase Option Price applicable for that Payment Date together with all Rental Payments and other amounts then due or past due less the Net Proceeds and the funds held by Trustee on such date pursuant to the Trust Indenture; provided, however, that if the Department shall not appropriate funds to pay such Purchase Option Price, then this Lease shall terminate and the Department shall have no further obligations hereunder. After application of the Net Proceeds pursuant to the foregoing provisions of this Section 8.1, any remaining Net Proceeds shall be paid to the Department.

Section 8.2. Condemnation by the Department. Notwithstanding anything to the contrary contained in Section 8.1, or anywhere else in this Lease, if title to or the temporary use of the Project or any part thereof, or the interest of the Corporation or Trustee in the Project or any part thereof, shall be taken under the exercise of the power of eminent domain by the Department, the Corporation and the Department hereby expressly acknowledge and agree, to the extent permitted by law, and pursuant to the requirements of State law, that the damages payable to the Corporation or the Trustee, as the case may be, pursuant to such exercise of the power of eminent domain by the Department shall be an amount which will be sufficient on the date payment is made by the Department to the Corporation, Trustee or clerk of the court of a court of competent jurisdiction, together with amounts, if any, on deposit in the related Payment Subaccount and/or related Redemption Subaccount, to pay the redemption price of all Bonds then Outstanding on the next Payment Date upon which Bonds can be redeemed in accordance with Section 6.1 of the Trust Indenture, plus the ordinary fees and expenses included within the Purchase Option Price as provided in this Lease.

Section 8.3. Cooperation of the Department. The Department shall cooperate fully with the Corporation in filing any proof of loss with respect to any insurance policy covering the casualties described in Section 8.1 hereof and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Project or any part thereof and will, to the extent it may lawfully do so, permit the Corporation to litigate in any proceeding resulting therefrom in the name of and on behalf of the Department. In no event will the Department voluntarily settle, or consent to the settlement of, any proceeding arising out of any insurance claim or any prospective or pending condemnation proceeding with respect to the Project or any part thereof without the written consent of the Corporation and Trustee. The Department shall file and pursue any claims it has under any insurance policies described in this Lease, and shall not voluntarily settle, or consent to the settlement of, any proceeding arising out of any casualty insurance claim, without the Corporation's prior written consent.

ARTICLE IX.

LESSEE'S EQUIPMENT; WARRANTIES

Section 9.1. Installation of the Department's Equipment. The Department may at any time and from time to time, in its sole discretion and at its own expense, install items of personal property, movable machinery and equipment in or upon the Project, which items shall be identified by tags or other symbols affixed thereto as property of the Department not included in the Project. All such items so identified shall remain the sole property of the Department, in which the Corporation shall have no interest, and may be modified or removed by the Department at any time, provided that the Department shall repair and restore any and all damage to the Project resulting from the installation, modification or

removal of any such items. Nothing in this Lease shall prevent the Department from purchasing items to be installed pursuant to this Section 9.1 under a conditional sale or lease with option to purchase contract, or subject to a vendor's lien or security agreement as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest shall attach to any part of the Project; provided further however, that to the extent the Department's obligation under any such conditional sale or lease with option to purchase contract is payable solely from Available Funds or from the Department's general fund, the incurrence of such obligation shall be subject to the limitations of the Trust Indenture and this Lease.

Section 9.2. Design of Project. The design of the Project was previously reviewed and approved by the Department, and the Corporation shall have no responsibility in connection with the design of the Project or its suitability for the use intended by the Department, other than to insure construction of the Improvements in accordance with the Plans and Specifications.

Section 9.3. Operation and Maintenance of Project. Except as may be set forth in the Trust Indenture, the Corporation shall have no obligation to inspect, service, operate or maintain the Project or any portion thereof under any circumstances; such matters shall be performed by the Department.

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

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

ARTICLE X.

OPTION TO PURCHASE

Section 10.1. Purchase Rights. The Department shall be entitled to full title and all ownership interests in the Project, the Trustee's liens and security interests therein shall be terminated and the Department shall be deemed to have exercised its option to purchase:

(a) Upon payment in full of all Rental Payments as the same become due in accordance with Exhibit "B" hereto, plus One Dollar (\$1.00) and the payment in full of all other amounts due under this Agreement;

(b) Upon termination of this Lease, in accordance with the terms of redemption for the Bonds set out in Section 6.1(a) of the Trust Indenture;

(c) Upon damage, destruction or condemnation of the Project, in accordance with the terms of redemption for the Bonds set out in Section 6.1(b) of the Trust Indenture; or

(d) Upon payment of the Purchase Option Price hereunder on or any Rental Payment Date thereafter, in accordance with the terms of redemption for the Bonds set out in Section 6.1(c) of the Trust Indenture.

Section 10.2. Release of the Corporation's Interest. Upon exercise by the Department of its option to purchase and the Department's payment in full of all amounts due and owing hereunder, the Department shall have no further obligations under this Lease, and the Corporation and its assigns shall take all actions necessary to authorize, execute and deliver to the Department any and all documents necessary to vest in the Department all of the Corporation's right, title and interest in and to the Project, free and clear of all liens, leasehold interests and encumbrances, including, if necessary, a release of any and all liens or interests created under or pursuant to the provisions of this Lease, the Trust Indenture, and the Deed of Trust.

ARTICLE XI.

ASSIGNMENT, SUBORDINATION, SUBLEASING, MORTGAGING AND SELLING; TAX MATTERS

Section 11.1. Assignment by the Corporation.

(a) The Department acknowledges that the Corporation will assign its right, title and interest in this Lease to Trustee for the benefit of the Bondholders. No other assignment of this Lease by the Corporation is permitted without the prior written consent of the Department. The Department shall pay all Rental Payments and all other amounts required to be paid by this Lease to or at the direction of Trustee. The Corporation and the Department each represents, warrants, covenants and agrees that it will do, execute, acknowledge and deliver all and every further act, deed, conveyance, transfer and assurance necessary or proper for the perfection of any and all of the security interests in the Project provided for in the Trust Indenture, or the Deed of Trust, whether now owned or held or hereafter acquired, including, but not limited to, executing or causing to be executed such financing statements and continuation statements as shall be necessary under applicable law to perfect and maintain such security interests.

(b) Any rights of and obligations owed hereunder to the Trustee by the Department or the Corporation shall be owed to the Trustee in its capacity as assignee of the Corporation's rights hereunder.

Section 11.2. Assignment and Subleasing by the Department. During the Term of this Lease, this Lease and the Department's interest in the Project may not be assigned or subleased by the Department without the prior written consent of the Corporation; provided, however, the Department, subject to Section 11.4 hereof, shall be permitted to allow the Project to be used by governmental entities and community organizations for community meetings and like purposes, as determined by the Department in its sole discretion.

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

Section 11.4. Tax Covenants.

(a) The Department and the Corporation shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that the interest component of all payments hereunder shall be exempt from federal income taxation.

(b) The Department and the Corporation intend that the interest on the Bonds shall be excludable from gross income of the owners thereof for federal income tax purposes pursuant to Sections

103 and 141 through 150 of the Internal Revenue Code of 1986, as amended (the “Code”), and all applicable temporary, proposed and final regulations (the “Regulations”) and procedures promulgated thereunder and applicable to the Bonds. For this purpose, the Department covenants that it will or it will cause the Corporation to monitor and control the receipt, investment, expenditure, and use of all gross proceeds of the Bonds (including all property the acquisition, construction or improvement of which is to be financed directly or indirectly with the proceeds of the Bonds) and take or omit to take or it will cause the Corporation to take or omit to take such other and further actions as may be required by Sections 103 and 141 through 150 of the Code and the Regulations to cause interest on the Bonds to be and remain excludable from the gross income, as defined in Section 61 of the Code, of the owners of the Bonds for federal income tax purposes. Without limiting the generality of the foregoing, the Department shall or it will cause the Corporation to comply with each of the following covenants:

(i) The Department will use or it will cause the Corporation to use all of the proceeds of the Bonds to (1) provide funds to pay the Project Costs, and (2) pay the costs of issuing the Bonds. The Department will not use any portion of the proceeds of the Bonds to pay principal of, or interest or redemption premium on, any other obligation of the Department or a related person.

(ii) The Department and the Corporation will not directly or indirectly take any action, or omit to take any action, which action or omission would cause the Bonds to constitute “private activity bonds” within the meaning of Section 141(a) of the Code. Except to the extent that it will not cause any of the Bonds to become “private activity bonds” within the meaning of section 141 of the Code and the Regulations and rulings thereunder:

(1) the Corporation and/or the Department shall at all times prior to the last stated maturity of the Bonds, respectively, exclusively own, operate and possess all the property the acquisition, construction or improvement of which is to be financed directly or indirectly with gross proceeds (as defined in section 1.148-1(b) of the Regulations) of the Bonds, respectively, and not use or permit the use of such gross proceeds (including all contractual arrangements with terms different than those applicable to the general public) or any property acquired, constructed or improved with such gross proceeds in any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public;

(2) the Corporation and/or the Department shall at all times prior to the last stated maturity of the Bonds, respectively, not directly or indirectly impose or accept any charge or other payment by any person or entity who is treated as using gross proceeds of the Bonds, or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such gross proceeds, other than taxes of general application or interest earned on investments acquired with such gross proceeds pending application for their intended purposes; and

(3) the Corporation and the Department shall not use gross proceeds of the Bonds to make or finance loans to any person or entity other than a state or local government (for purposes of the foregoing covenant, gross proceeds are considered to be “loaned” to a person or entity if: (A) property acquired, constructed or improved with such gross proceeds is sold or leased to such person or entity in a transaction which creates a debt for federal income tax purposes; (B) capacity in or service from such property is committed to such person or entity under a take or pay, output or similar contract or arrangement; or (C) indirect benefits, or burdens and benefits of ownership, of such gross proceeds or any property acquired, constructed or improved with such gross proceeds are otherwise transferred in a transaction which is the economic equivalent of a loan).

(iii) Principal of and interest on the Bonds will be paid solely from the Rental Payments and other amounts, if any, collected from the Trust Estate by the Department or the Trustee, investment earnings on such collections, and as available, proceeds of the Bonds.

(iv) Based upon all facts and estimates now known or reasonably expected to be in existence on the respective dates the Bonds were or are delivered, the Department and the Corporation reasonably expect that the proceeds of the Bonds will not be used in a manner that would cause any of the Bonds, or any portion thereof to be an “arbitrage bond” within the meaning of Section 148 of the Code.

(v) At all times while the Bonds are outstanding, the Department will identify and properly account for or it will cause the Corporation to identify and properly account for all amounts constituting gross proceeds of such bonds in accordance with the Regulations. The Department will or it will cause the Corporation to monitor the yield on the investments of the proceeds of the Bonds and, to the extent required by the Code and the Regulations, will restrict the yield on such investments to a yield which is not materially higher than the yield on the Bonds. To the extent necessary to prevent the Bonds from constituting “arbitrage bonds,” the Department will or it will cause the Corporation to make such payments as are necessary to cause the yield on all yield restricted nonpurpose investments allocable to the Bonds, respectively, to be less than the yield that is materially higher than the yield on such bonds.

(vi) The Department and the Corporation will not take any action or knowingly omit to take any action, if taken or omitted, would cause any of the Bonds to be treated as “federally guaranteed” obligations for purposes of Section 149(b) of the Code.

(vii) The Department and the Corporation represent that not more than fifty percent (50%) of the proceeds of the Bonds will be invested in nonpurpose investments (as defined in Section 148(f)(6)(A) of the Code) having a substantially guaranteed yield for four years or more within the meaning of Section 149(g)(3)(A)(ii) of the Code, and the Department and the Corporation expected at the time the Bonds are issued that at least eight-five percent (85%) of the proceeds of the such bonds will be used to carry out the governmental purpose of such bonds within the three-year period beginning on the dates of issue of such Bonds.

(viii) The Department will take all necessary steps or it will cause the Corporation to comply with the requirement that certain amounts, if any, earned by the Department on the investment of the gross proceeds of the Bonds be rebated to the federal government. Specifically, the Department will or it will cause the Corporation to (1) maintain records regarding the receipt, investment, and expenditure of the gross proceeds of the Bonds as may be required to calculate such excess arbitrage profits separately from records of amounts on deposit in the funds and accounts of the Department allocable to other obligations of the Department or moneys which do not represent gross proceeds of any obligations of the Department and retain such records for at least six years after the day on which the last outstanding Bond is discharged, (2) account for all gross proceeds under a reasonable, consistently applied method of accounting, not employed as an artifice or device to avoid in whole or in part, the requirements of Section 148 of the Code, including any specified method of accounting required by applicable Regulations to be used for all or a portion of any gross proceeds, (3) calculate, at such times as are required by applicable Regulations, the amount of excess arbitrage profits, if any, earned from the investment of the gross proceeds of the Bonds, and (4) timely deposit with the Trustee all amounts required to be rebated to the federal government under applicable Regulations, along with an Internal Revenue Service Form 8038-T completed as of such computation date or such other form as may be required to be filed by the Regulations. In addition, the Department and the Corporation will

exercise reasonable diligence to assure that no errors are made in the calculations required by the preceding sentence and, if such an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter, including delivery to the Trustee for payment to the federal government of any delinquent amounts owed to it (the “correction amount”), interest thereon and any penalty, and providing any required written explanation of such error and a completed Internal Revenue Service Form 8038-T or such other form as may be required to be filed by the Regulations.

(ix) The Department and the Corporation will not directly or indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Bonds that might result in a reduction of the amount required to be paid to the federal government because such arrangement results in a smaller profit or a larger loss than would have resulted if such arrangement had been at arm’s length and had the yield on the Bonds not been relevant to either party.

(x) The Department and the Corporation will timely file or cause to be filed with the Secretary of the Treasury of the United States the information required by Section 149(e) of the Code with respect to the Bonds on such form and in such place as the Secretary may prescribe.

(xi) The Department and the Corporation will not issue or use the Bonds as part of an “abusive arbitrage device” (as defined in Section 1.148-10(a) of the Regulations). Without limiting the foregoing, none of the Bonds are, and none will be, part of a transaction or series of transactions that attempts to circumvent the provisions of Section 148 of the Code and the Regulations, by (1) enabling the Department or the Corporation to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage, or (2) increasing the burden on the market for tax-exempt obligations.

(xii) Proper officers of the Department and the Corporation charged with the responsibility for issuing the Bonds are hereby directed to make, execute and deliver certifications as to facts, estimates or circumstances in existence as of the date of issuance of such bonds and stating whether there are facts, estimates or circumstances that would materially change the Department’s and the Corporation’s expectations. On and after the date of issuance of the Bonds the Department and the Corporation will take such actions as are necessary and appropriate to assure the continuous accuracy of the representations contained in such certificates.

(xiii) The covenants and representations made or required by this section are for the benefit of the Bondholders and any subsequent Bondholders, and may be relied upon by the Bondholders and any subsequent Bondholders and bond counsel to the Department and the Corporation.

In complying with the foregoing covenants, the Department and the Corporation may rely upon an unqualified opinion issued to the Department or the Corporation by Nationally Recognized Bond Counsel that any action by the Department or the Corporation or reliance upon any interpretation of the Code or Regulations contained in such opinion will not cause interest on the Bonds to be includable in gross income for federal income tax purposes under existing law.

Notwithstanding any other provision of this Lease, the Department’s and the Corporations representations and obligations under the covenants and provisions of this Section 11.4 shall survive the defeasance and discharge of the Bonds for as long as such matters are relevant to the exclusion of interest on the Bonds from the gross income of the owners for federal income tax purposes.

Section 11.5. Reserved.

EVENTS OF DEFAULT; NONAPPROPRIATION; AND REMEDIES

Section 11.6. Events of Default Defined. The following shall be “*Events of Default*” under this Lease and the terms “*Events of Default*” and “*Default*” shall mean, whenever they are used in this Lease, any one or more of the following events:

(a) Failure by the Department to make a Rental Payment or to pay any other amount due hereunder from Available Funds at the time specified herein;

(b) Failure by the Department to observe and perform any covenant, condition or agreement on its part to be observed or performed by it hereunder, other than as referred to in subsection (a) of this Section 12.1, or the failure to pay the Purchase Option Price when required by Section 8.1 hereof, and such failure is not cured within thirty (30) calendar days after written notice thereof is provided to the Department by the Corporation or by the Trustee; provided that if such failure cannot be cured within such 30-day period, such failure will not be an Event of Default if the Department has commenced the cure of such failure within the 30-day period and diligently pursues the cure;

(c) Any material statement, representation or covenant made by the Department herein or in any writing ever delivered by the Department pursuant to this Lease or in connection herewith is determined to be false, misleading or erroneous in any material respect;

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

(e) Failure by the Department to deliver, no later than November __, 2020, a title insurance policy; provided that such documents do not reflect any additional easement, encroachment, encumbrance, defect or other interest in the properties described in the Deed of Trust.

Section 11.7. Remedies on Default. Whenever an Event of Default shall have happened and be continuing with respect to the Project, the Corporation shall have the right, to the extent permitted by law, at its option and without any further demand or notice, to take one or any combination of the following remedial steps:

(a) With or without terminating this Lease, declare all Rental Payments due or to become due during the then current Fiscal Year to be immediately due and payable by the Department to the extent Available Funds are Appropriated, whereupon such Rental Payments shall be, to the extent permitted by State law, immediately due and payable; or

(b) With or without terminating this Lease, re-enter and take possession of the Project and exclude the Department from using the Project; however, if this Lease has not been terminated, the Corporation shall return possession of the Project to the Department when the Event of Default is cured (including payment of all costs and expenses incurred by the Corporation, the Trustee or the owner resulting therefrom), and, further, the Department shall, during such period of repossession by the

Corporation without termination of this Lease, to the extent Available Funds have been Appropriated for such purposes, continue to be responsible for the Rental Payments due or to become due during the Term of this Lease; or

(c) Terminate this Lease upon giving thirty (30) days' prior written notice to the Department and the Trustee at the expiration of which period of time the Department shall immediately surrender possession and control of the Project to Trustee, but in no event prior to thirty (30) days after the date on which written notice has been given, and the Trustee shall have the right, thereafter, to sell, lease, sublease or otherwise dispose of the Project; provided, however, that any proceeds from the sale, transfer or other disposition of the Project, in excess of the amount necessary to pay the outstanding principal of, premium, if any, and interest, on the Bonds, shall be paid to the Department; or

(d) Take whatever action at law or in equity may appear necessary or desirable to collect the Rental Payments then due or to become due during the then current Fiscal Year or to enforce performance and observance of any other obligation, agreement or covenant of the Department under this Lease.

Section 11.8. Remedies on Event of Nonappropriation.

(a) Upon an Event of Nonappropriation, without further demand or notice, this Lease shall terminate at the end of the Fiscal Year for which sufficient funds have been Appropriated, and the Department shall immediately, upon the expiration of the said Fiscal Year, surrender possession and control of the Project to the Trustee. The Department shall provide the Corporation and the Trustee with written notice of such Event of Nonappropriation within five (5) Business Days following an action by the Department which constitutes a failure to appropriate funds sufficient to pay the Rental Payments due during the succeeding Fiscal Year.

(b) Upon termination of this Lease pursuant to Section 12.3(a), if the Department has not delivered possession and control of the Project to the Corporation or Trustee and conveyed or released its interest in the Project as therein required, the termination shall nevertheless be effective, but the Department shall be responsible, from and to the extent of Available Funds as provided in this Lease and the Trust Indenture, for the payment of damages in an amount equal to the amount of Rental Payments thereafter coming due which are attributable to the number of days (including the ten (10) calendar day period provided for in Section 12.4 hereof) during which the Department fails to take such actions. Any proceeds from the sale, transfer or other disposition of the Project, in excess of the amount necessary to pay the outstanding principal of, premium, if any, and interest on the Bonds, shall be paid to the Department.

Section 11.9. Return of Project. Upon the expiration or termination of this Lease prior to the payment of all Rental Payments in accordance with Section 6.1 hereof or prior to payment of the purchase price in accordance with Article X hereof, the Department shall deliver possession of the Project to the Corporation in the condition, repair, appearance and working order required in Section 7.1 hereof and shall, within ten (10) calendar days thereafter, release its interest in the Project granted by this Lease.

Section 11.10. Delay: Notice. No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle any party to exercise any remedy reserved to it in this Lease it shall not be necessary to give any notice, other than such notice as may be required in this Lease.

Section 11.11. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Corporation is intended to be exclusive, and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Lease or now or hereafter existing at law or in equity.

Section 11.12. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Lease should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 11.13. Exercise of Remedies with Trustee's Consent. The Corporation agrees that it shall not exercise any remedy hereunder without the Trustee's prior written consent.

ARTICLE XII.

TITLE

Section 12.1. Title. During the Term of this Lease, legal title to the Project and any and all repairs, replacements, substitutions and modifications to it shall be in the Corporation. Upon termination of this Lease under subsections 5.1(b), 5.1(d) or 5.1(e) hereof, legal title to the Project, full and unencumbered (with the exception of Permitted Encumbrances) shall immediately be conveyed by the Corporation to the Department, and the Corporation and Trustee shall execute and deliver to the Department such documents as the Department may reasonably request to evidence the conveyance of such title to the Department and the termination of the Corporation's and Trustee's interest in the Improvements [and the Land.]

ARTICLE XIII.

HAZARDOUS MATERIALS PROVISIONS

Section 13.1. Restrictions Regarding Hazardous Substances. Except to the extent such is accomplished in compliance with all applicable Hazardous Substance Laws (defined below), the Department, its agents, employees, contractors, affiliates, licensees or invitees shall not generate, manufacture, store, dispose of or otherwise use or hold on or under or about the various sites comprising the Project or transport to, from, or across such sites any Hazardous Substances (as defined below in this Section 14.1) without the prior written consent of the Corporation, which consent shall not be unreasonably withheld. For purposes of this Article XIV and to the extent permitted by law, any acts or omissions of the Department or others acting for or on behalf of the Department (whether or not they are negligent, intentional, willful or unlawful) shall be strictly attributable to the Department. The Department shall give the Corporation at least thirty (30) days' written notice of the Department's intention to generate, manufacture, store, use, dispose of or transport any Hazardous Substance. The Corporation shall have ten (10) days in which to approve or disapprove such actions in writing. The Corporation acknowledges and agrees that the Department will be operating educational and support facilities on the various sites comprising the Project, and that in the ordinary course of operating such facilities, the Department may have need to use and store above ground reasonable quantities of Hazardous Substances. The Corporation further acknowledges and agrees that nothing herein shall prohibit, and the consent of the Corporation is hereby expressly granted, and no further notice is required to the Corporation for, the use, disposal, storage, or possession on, under or about the various sites comprising the Project of such Hazardous Substances as are necessary for or incidental and related to the Department's performance of its obligations contained in this Lease related to the Department's operation of educational and support facilities on such sites and to the maintenance, repair and preservation of the Project. The Department agrees to provide the Corporation upon the Corporation's reasonable request, any and all information

concerning Hazardous Substances used or stored in connection with the operation of the Project, including without limitation, inventory records, manifests and material safety data sheets. If the Department receives notice from any local, state or federal governmental agency of any proposed action against the Department under or in violation of any Hazardous Substance Law pertaining to the Project, the Department shall promptly provide the Corporation with a copy of such notice. As used herein, “*Hazardous Substances*” means any oil, flammable materials, explosives, asbestos, radioactive materials or wastes, medical waste, or other hazardous, toxic, contaminated or polluting materials, substances or wastes including, without limitation, any “*hazardous*” or “*toxic*” substances, wastes, or materials under any federal, state, or local law, ordinance or regulation relating to industrial hygiene, environmental protection, or the use, analysis, generation, manufacture, storage or transportation of such substances (collectively, “*Hazardous Substances Law(s)*”).

Section 13.2. Compliance with Hazardous Substance Laws. The Department is in compliance with all Hazardous Substance Laws, and shall, at its own expense, continue to comply with all Hazardous Substance Laws including, without limitation, those controlling the discharge of materials or wastes into or through any sanitary sewer serving the Project. Except as discharged into the sanitary sewer in strict accordance and conformity with all applicable Hazardous Substance Laws, the Department, at its sole cost and expense, shall cause any and all Hazardous Substances removed from the Project to be removed and transported solely by duly licensed haulers to duly licensed facilities for final disposal of such materials and wastes. The Department shall, at its sole cost and expense, cause all contamination to be cleaned up, or all Hazardous Substances to be removed from the Project and transported for use, storage or disposal, in accordance and compliance with all Hazardous Substance Laws. The Department will provide prompt notice to Trustee of any violation or alleged violation by it of any Hazardous Substance Laws.

Section 13.3. Department’s Indemnification. The Department, to the extent permitted by law, and only from lawfully available Appropriated funds, hereby indemnifies the Corporation, the Trustee and the Trustee, their directors, officers, partners, shareholders, employees, contractors, agents, successors personal and legal representatives and assigns (collectively, the “*Indemnified Parties*”) and, to the extent permitted by law, agrees to defend (with counsel previously approved by the Corporation, the Trustee and Trustee in writing) and hold the Indemnified Parties harmless from and against any and all claims, damages, losses, costs, demands, suits, court or administrative proceedings, or expenses (including without limitation, attorneys’ fees), incurred by, arising out of, or based upon or resulting from (a) the failure by the Department to perform or observe any of its obligations or agreements under this Article XIV; (b) the presence, release, threatened release, use, analysis, generation, discharge, storage, disposal or transportation of any Hazardous Substance under, in or about, to or from the Project occurring or resulting from acts or omissions of the Department (and not directly resulting from any negligent or intentional acts of the Indemnified Parties seeking indemnity); and (c) the Department’s failure to comply with any Hazardous Substance Law. The Trustee shall be a third party beneficiary for purposes hereof.

Section 13.4. Remedial Action. Notwithstanding the foregoing, the Corporation or the Trustee may, at its sole option (but without any obligation to do so) and at the Department’s sole cost and expense from lawfully available funds, (a) undertake any remedial action to remove any Hazardous Substance from the project or clean-up any contamination resulting from the Department’s violation of any of the requirements of this Article and/or (b) participate in any proceeding under any Hazardous Substance Law against the Department or relating to the Project arising from the Department’s violation of any of the requirements of this Article.

Section 13.5. Discovery of Hazardous Substances. If the Department determines or has reasonable cause to believe that any Hazardous Substance is located on or beneath the Project, then upon

such discovery or suspicion of the presence of the Hazardous Substance the Department shall immediately give written notice of that condition to the Corporation.

ARTICLE XIV.

ADMINISTRATIVE PROVISIONS

Section 14.1. Continuing Disclosure Undertaking.

(a) The Department shall provide annually to the MSRB within six months after the end of each fiscal year, financial information and operating data with respect to the Department of the general type included in the final Official Statement under Tables numbered one through five, and in APPENDIX B. The Department shall update such information within six months after the end of each fiscal year. Any financial statements so to be provided shall be (1) prepared in accordance with the accounting principles prescribed by the Texas State Board of Education or such other accounting principles as the Department may be required to employ from time to time pursuant to State law or regulation and (2) audited, if the Department commissions an audit of such statements and the audit is completed within the period during which they must be provided. If audited financial statements are not so provided, then the Department shall provide unaudited financial statements for the applicable fiscal year by the required time and audited financial statements when and if audited financial statements become available.

If the Department changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the Department otherwise would be required to provide financial information and operating data pursuant to this Section.

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to documents (i) available to the public on the MSRB's internet web site or (ii) filed with the SEC.

(b) The Department shall notify the MSRB in an electronic format prescribed by the MSRB, in a timely manner (not in excess of ten (10) Business Days after the occurrence of the event), of any of the following events with respect to the Bonds:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) Modifications to rights of holders of the Bonds, if material;

- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the Notes, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the Department;
- (xiii) The consummation of a merger, consolidation, or acquisition involving the Department or the sale of all or substantially all of the assets of the Department, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) Incurrence of a debt obligation or derivative instrument entered into in connection with, or pledged a security or source of payment for, an existing or planned debt obligation of the Department, or a guarantee of any such debt obligation or derivative instrument, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the Department, any of which affect security holders, if material; and
- (xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the Department, any of which reflect financial difficulties.

As used in clause (12), above, the phrase “bankruptcy, insolvency, receivership or similar event” means the appointment of a receiver, fiscal agent or similar officer for the Department in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets of the Department, or if jurisdiction has been assumed by leaving the Board and official or officers of the Department in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Department.

The term “financial obligation” when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” does not include municipal securities for which a final official statement has been provided to the MSRB consistent with the Rule. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws.

The Department shall notify the MSRB in an electronic format prescribed by the MSRB, in a timely manner, of any failure by the Department to provide financial information or operating data in accordance with this Section by the time required by this Section.

All documents provided to the MSRB shall be accompanied by identifying information, as prescribed by the MSRB.

(c) The Department shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the Department remains an “obligated person” with respect to the Bonds within the meaning of the Rule, except that the Department in any event will give the notice required by this Section of any Bond calls and defeasance that cause the Department to be no longer such an “obligated person.”

The provisions of this Section are for the sole benefit of the Registered Owners and beneficial owners of the Bonds, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Department undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Department’s financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The Department does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE DEPARTMENT BE LIABLE TO THE REGISTERED OWNER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE DEPARTMENT, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by the Department in observing or performing its obligations under this Section shall constitute a breach of or default under the Order for purposes of any other provision of this Order.

Nothing in this Section is intended to or shall act to disclaim, waive, or otherwise limit the duties of the Department under federal and state securities laws.

The provisions of this Section may be amended by the Department from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Department, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell the Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the Registered Owners of a majority in aggregate principal amount (or any greater amount required by any other provision of this Order that authorizes such an amendment) of the Outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the Department (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Registered Owners and beneficial owners of the Bonds. If the Department so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance

with this Section an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided. The Department may also amend or repeal the provisions of this Section if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the Department also may amend the provisions of this Section in its discretion in any other manner or circumstance, but in any case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds, giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. **Notices.** All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given on the earlier of (i) delivery or (ii) three (3) calendar days following deposit in the United States mail in certified or registered form with postage fully prepaid to the addresses shown in the first paragraph hereof. The Corporation and the Department, by notice given hereunder, may designate different addresses to which subsequent notices, certificates or other communications will be sent. A copy of all notices shall be sent to Trustee at the following address:

BOKF NA
Corporate Trust Services
1401 McKinney, Suite 1000
Houston, Texas 77010

Notwithstanding the foregoing, notices to the Trustee shall be effective only upon receipt.

Section 14.2. Certificates by the Corporation and the Department.

(a) The Department agrees that within 150 days of the close of each Fiscal Year, to execute, acknowledge and deliver to the Corporation and Trustee or any other party specified by the Corporation or Trustee a statement in writing certifying that this Lease is unmodified and in full force and effect (or if there have been modifications, that the same, as modified, is in full force and effect and stating the modifications) and the date to which the Rental Payments payable by the Department hereunder have been paid, and stating whether or not to the best knowledge of the signer of such certificate, the Corporation or Trustee is in default in performance of any covenant, agreement or condition contained in this Lease, and, if so, specifying each such default of which the signer may have knowledge.

(b) The Corporation agrees that within 150 days of the close of each Fiscal Year, to furnish to the Department or any other party specified by the Department, a certificate signed by the Corporation certifying (i) that the Lease is in full force and effect and unmodified (or if there have been modifications, that such document is in full force and effect as modified); (ii) that the Department is not in default under the terms of the Lease and that no event has occurred which through the passage of time will result in an Event of Default by the Department or if the Department is in default of this Lease, the nature of such Event of Default; and (iii) as to such other matters as may be reasonably requested by the Department.

Section 14.3. Binding Effect. This Lease shall inure to the benefit of and shall be binding upon the Corporation and the Department and their respective successors and assigns, as and to the extent that assignments are permitted by this Lease. References to the Corporation in connection with the rights, benefits and privileges granted to the Corporation hereunder are deemed to include Trustee. References to the Corporation in connection with obligations and responsibilities of the Corporation hereunder do not include the Trustee.

Section 14.4. Severability. In the event any provision of this Lease shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 14.5. Amendments, Changes and Modifications. This Lease may be amended or any of its terms modified only by written amendment authorized and executed by the Department and the Corporation and consented to by the Trustee and the Trustee in accordance with Section 10.1 of each of the Trust Indenture; provided that any amendment that has the effect of altering or adding a “major provision” to this Lease (as described in Section 271.004, Local Government Code, as amended) shall require publication of notice of the proposed amendment to the extent required by Section 271.004, Local Government Code, as amended.

Section 14.6. Further Assurances and Corrective Instruments. The Corporation and the Department agree that they will, if necessary, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Project hereby leased or intended so to be or for carrying out the expressed intention of this Lease.

Section 14.7. Execution in Counterparts. This Lease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 14.8. Applicable Law. This Lease shall be governed by and construed in accordance with the laws of the State.

Section 14.9. Corporation and Department Representatives. Whenever under the provisions of this Lease the approval of the Corporation or the Department is required, or the Corporation or the Department is required to take some action at the request of the other, such approval or request shall be given for the Corporation by a Corporation Representative and for the Department by a Department Representative, and any party hereto shall be authorized to rely upon any such approval or request.

Section 14.10. Captions. The captions or headings in this Lease are for convenience only and in no way define, limit or describe the scope or intent of any provisions, Articles or Sections of this Lease.

Section 14.11. Complete Agreement. This Lease supersedes and takes the place of any and all previous agreements entered into between the parties hereto with respect to the subject matter hereof.

Section 14.12. Third Party Beneficiary. The parties hereto expressly recognize that the Trustee is a third-party beneficiary to this Lease and may enforce any right, remedy or claim assigned, conferred, given or granted to the Trustee hereunder.

IN WITNESS WHEREOF, the Corporation has caused this Lease to be executed in its corporate name by its duly authorized officer, and the Department has caused this Lease to be executed in its name by its duly authorized officer, as of the date first above written.

LESSOR:

**HARRIS COUNTY DEPARTMENT OF EDUCATION
PUBLIC FACILITY CORPORATION**

By: _____
Name: Rich Vela
As Its: President, Board of Directors

LESSEE:

**COUNTY SCHOOL TRUSTEES OF HARRIS COUNTY,
STATE OF TEXAS (d/b/a HARRIS COUNTY
DEPARTMENT OF EDUCATION)**

By: _____
Name: Eric Dick
As Its: President, Board of Trustees

ATTEST:

By: _____
Name: James Colbert, Jr.
As Its: Secretary, Board of Directors

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

On this _____ day of _____, 2020, before me, a Notary Public in and for the State of Texas, personally appeared Rich Vela, President of the Board of Directors of HARRIS COUNTY DEPARTMENT OF EDUCATION PUBLIC FACILITY CORPORATION, known to me to be the person whose name is subscribed, in my presence, to the within Lease With An Option To Purchase, and acknowledged to me that he executed the same on behalf of such corporation.

(SEAL)

NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS

My Commission Expires:

Notary Name Typed or Printed

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

On this _____ day of _____, 2020, before me, a Notary Public in and for the State of Texas, personally appeared Eric Rick, President of the Board of Trustees of HARRIS COUNTY DEPARTMENT OF EDUCATION, known to me to be the person whose name is subscribed, in my presence, to the within Lease With An Option To Purchase, and acknowledged to me that he executed the same on behalf of such corporation.

(SEAL)

NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS

My Commission Expires:

Notary Name Typed or Printed

Exhibit "A"

to

Lease with an Option to Purchase

Description of the Land:

METES AND BOUNDS DESCRIPTION

Exhibit "A"

Description of Improvements

Description of the Improvements:

1. **Education Facility (7703 South Loop East, Houston, Texas 77012, 8003 E. Sam Houston Parkway North, Houston, Texas 77049, 6515 Irvington and 629 King Street, Houston, Texas 77022)**

Construction and equipment of a new building at the Department's ABS East Campus located at 7703 South Loop East, Houston, Texas 77012 to provide adaptive behavior services, the construction the construction and equipment of a new building at the Department's Highpoint Campus located at 8003 E. Sam Houston Parkway North, Houston, Texas 77049 to provide alternative educational services and the construction and equipment of a new building at the Department's Adult Ed Center located at 6515 Irvington and 629 King Street, Houston, Texas 77022 to provide adult education classes (consisting of general education and vocational classes).

Exhibit "B"

Schedule of Rental Payments

Rental Payment Date Rental Payment

Exhibit “C”

List of Permitted Encumbrances

The Lease, the Trust Indenture, the Bonds, and the Deed of Trust.

Inchoate mechanic’s and materialmen’s liens which arise by operation of law, but which have not been perfected by the required filing of record, for work done or materials delivered after the date of the recording of the Lease in connection with the Project (provided that no such liens will be permitted which will be superior to the liens of the Lease and the Deed of Trust).

Presently existing easements, restrictive covenants and other agreements which are recorded in the public records.

Presently existing public utility easements which are recorded in the public records.

REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER §
OF PUBLIC ACCOUNTS §
DEPARTMENT OF HARRIS § REGISTER NO. _____
 §

I HEREBY CERTIFY that this Lease with an Option to Purchase Relating to Educational and Support Facilities, dated as of November __, 2020, by and between Harris County Department of Education Public Facility Corporation, as the Corporation, and County School Trustees of Harris County, State of Texas (d/b/a Harris County Department of Education), as the Department, has been examined, certified as to validity and approved by the Attorney General of the State of Texas and has been duly registered by the Comptroller of Public Accounts of the State of Texas.

WITNESS my signature and seal of office as of the ____ day of _____, 2020.

Comptroller of Public Accounts
of the State of Texas

(SEAL)

SECURITY AGREEMENT

This Security Agreement is made as of November __, 2020, by the HARRIS COUNTY DEPARTMENT OF EDUCATION PUBLIC FACILITY CORPORATION, a Texas non-profit corporation (together with its successors and assigns, the “*Corporation*”), to BOKF, NA, a national banking association, as trustee (together with its successors and assigns, the “*Trustee*”).

RECITALS

WHEREAS, the Corporation has adopted a resolution on October 15, 2020 (the “*Bond Resolution*”) authorizing the issuance of \$ _____ in aggregate principal amount of its lease revenue bonds designated “Harris County Department of Education Public Facility Corporation Lease Revenue Bonds, Series 2020” (the “*Bonds*”), for the purpose of providing funds for financing the acquisition, construction, rehabilitation, renovation, repair, equipping, furnishing, and placement and equipment of certain real property and school facilities on such real property (together with all improvements and additions thereto, the “*Project*”), such property being described in Exhibit A attached hereto and made a part hereof;

WHEREAS, the Bonds will be payable from payments received by the Corporation pursuant to that certain Lease with an Option to Purchase Relating to the Education and Support Facilities between the Corporation and the County School Trustees of Harris County, State of Texas d/b/a Harris County Department of Education (the “*Department*”) dated of even date herewith (the “*Lease*”), pursuant to which the Corporation has agreed to lease the Project to the Department, and the Department has agreed to lease the Project from the Corporation, and the Corporation has assigned and pledged to the Trustee, and granted a first priority security interest in, all of its right, title, and interest in the Lease and all revenues, payments, receipts, and money to be received by the Corporation thereunder, subject to the Parity Lien Agreement (as defined below);

WHEREAS, to secure its obligations under the Trust Indenture, dated November __, 20__, between the Corporation and the Trustee (the “*Trust Indenture*”), the Corporation will grant to the Trustee a first priority security interest in the machinery, equipment, furnishings, or other property owned by the Corporation at any time installed or located on the Project, and substitutions or replacements therefor, in any inventory of the Corporation now or hereafter located at the Project, and in the accounts, documents, chattel paper, instruments, and general intangibles arising in any manner from the Corporation’s ownership and operation of the Project on behalf of the owners of the Bonds; and

WHEREAS, the Issuer has issued \$9,685,000 of its Lease Revenue Refunding Bonds Series 2014 (the “*Series 2014 Bonds*”), pursuant to a Trust Indenture, dated as of February 1, 2014 (the “*2014 Trust Indenture*”), by and between the Trustee and the Issuer to refund a portion of its prior bonds, the proceeds of which were used to finance the costs of designing and construction various Department facilities;

WHEREAS, the Issuer has issued \$4,255,000 of its Lease Revenue Refunding Bonds Series 2015 (the “*Series 2015 Bonds*”), pursuant to a Trust Indenture, dated as of December 15, 2014 (the “*2015 Trust Indenture*”), by and between the Trustee and the Issuer to refund a portion

of its prior bonds, the proceeds of which were used to finance the costs of designing and construction various Department facilities;

WHEREAS, the Issuer has issued \$7,000,000 of its Lease Revenue Refunding Bonds Series 2016 (the “*Series 2016 Bonds*”), pursuant to a Trust Indenture, dated as of October 1, 2016 (the “*2016 Trust Indenture*”), by and between the Indenture Trustee and the Issuer to fund the acquisition of certain real property and construction, equipment and acquisition of educational and support facilities on such real property (together with all improvements and additions thereto);

WHEREAS, Issuer and Trustee (acting in its capacity as Trustee under (i) the Trust Indenture; (ii) the 2016 Trust Indenture, (iii) the 2015 Trust Indenture, and (iv) the 2014 Trust Indenture have entered into that certain Amended and Restated Parity Lien Agreement of even date herewith (the “*Parity Lien Agreement*”), pursuant to which the liens securing the payment and performance of the Bonds, the Series 2016 Bonds, the Series 2015 Bonds and the Series 2014 Bonds are deemed to be in parity with one another; and

WHEREAS, to further secure its obligations under the Trust Indenture, pursuant to this Security Agreement, the Corporation hereby grants to the Trustee a first priority security interest in the personal property portion of the Project, in any equipment, or inventory now or hereafter located at the Project, in any equipment, or inventory acquired by the Corporation with the proceeds of the Bonds or the proceeds of the bonds refunded by the Bonds, and in the accounts, documents, chattel paper, instruments, and general intangibles arising in any manner from the Corporation’s ownership and operation of the Project.

AGREEMENTS

NOW, THEREFORE, in consideration of the premises and of the mutual covenants contained herein and for other good and valuable consideration, the adequacy, receipt and sufficiency of which are hereby acknowledged, the Corporation and Trustee agree as follows:

SECTION 1. Defined Terms and Related Matters.

(a) Unless otherwise defined herein, the capitalized terms used herein which are defined in the Trust Indenture shall have the meanings specified therein.

(b) The words “hereof”, “herein” and “hereunder” and words of similar import when used in this Security Agreement shall refer to this Security Agreement as a whole and not to any particular provision of this Security Agreement.

(c) Unless otherwise defined herein or in the Trust Indenture, the terms defined in the Uniform Commercial Code as enacted in the State of Texas, as amended from time to time (the *UCC*), are used herein as therein defined.

(d) All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles.

SECTION 2. Grant of Security. The Corporation hereby collaterally assigns and pledges to the Trustee, and hereby grants to the Trustee, a security interest in and a lien on, all of the Corporation's right, title and interest in and to its property described in subsections (a) through (r) of this Section 2 (the "*Collateral*"), whether now owned or hereafter acquired by the Corporation:

(a) all machinery, equipment, or other property at any time installed or located on the real property described in Exhibit A hereto, and substitutions or replacements therefor, all machinery, equipment, or other property which under the terms of the Trust Indenture is to become the property of the Corporation or is to be subjected to the lien of this Security Agreement, and, without limiting the foregoing, all of the property of the Corporation at any time installed or located on the real property described in Exhibit A attached hereto together with all machinery, apparatus, equipment, fittings, fixtures, whether actually or constructively attached to said property, and including all trade, domestic, and ornamental fixtures and articles of personal property of every kind and nature whatsoever now or hereafter located in, upon, or under said property or any part thereof and used or usable in connection with any present or future operations of said property, including, without limiting the generality of the foregoing, all heating, air-conditioning, freezing, lighting, laundry, incinerating, and power equipment, gas and electric fixtures, engines, machinery, pipes, pumps, tanks, motors, conduits, switchboards, plumbing, lifting, cleaning, fire prevention, fire extinguishing, refrigerating, ventilating, and communications apparatus, safety equipment, boilers, ranges, furnaces, oil burners, or units thereof, appliances, air-cooling and air-conditioning apparatus, washers, dryers, water heaters, mirrors, mantels, vacuum cleaning systems, elevators, escalators, shades, awnings, screens, storm doors, and windows, stoves, wall beds, refrigerating plants, refrigerators, attached cabinets, partitions, ducts, and compressors, rugs and carpets and other floor coverings, draperies, furniture and furnishings, together with all building materials and equipment now or hereafter delivered to the property and intended to be installed therein, including but not limited to, lumber, plaster, cement, shingles, roofing, plumbing, fixtures, pipe, lath, wallboard, cabinets, nails, sinks, toilets, furnaces, heaters, brick, tile, water heaters, screens, window frames, glass, doors, flooring, paint, lighting fixtures and unattached refrigerating, and cooking, heating, and ventilating appliances and equipment, together with all additions and accessions thereto and replacements thereof (any and all such property described in this paragraph (a) being referred to herein as the "*Equipment*");

(b) all of the accounts, documents, chattel paper, instruments, and general intangibles arising in any manner from the Corporation's ownership and operation of the Project, including, but not limited to, all amounts due from tenants of the Project (any and all such property described in this paragraph (b) being referred to herein as the "*Revenues*");

(c) all of the inventory now or hereafter located at the Project in all of its forms, including, without limitation, all goods, materials, supplies, stores of food, drugs, and linens now or hereafter held for sale and use or consumption, whether by the Corporation or by another person pursuant to a service contract, at the Project, together with all documents, documents of title, dock warrants, dock receipts, warehouse receipts,

bills of lading, or orders for the delivery of all or any portion of the foregoing, all goods in which the Corporation has an interest in mass or a joint or other interest or right of any kind, all goods which are returned to or repossessed by the Corporation, and all accessions thereto and products thereof (any and all such property described in this paragraph (c) being referred to herein as the “*Inventory*”);

(d) any and all tenant contracts, rental agreements, franchise agreements, management contracts, construction contracts, and other contracts, licenses, and permits now or hereafter affecting the Project or any part thereof;

(e) all other articles of personal property, tangible or intangible (the “*Personal Property*”), now or hereafter attached to or used in or about the Improvements or that are necessary or useful for the complete and comfortable use and occupancy of the Improvements for the purposes for which they are to be attached, placed, erected, constructed or developed, or which Personal Property is or may be used in or related to the planning, development, financing or operation of the Improvements, and all renewals of or replacements or substitutions for any of the foregoing, whether or not the same are or shall be attached to the Land or Improvements;

(f) all building materials and equipment now or hereafter delivered to and intended to be installed in or on the Land or the Improvements;

(g) all contracts now or hereafter entered into by and between Corporation or the Department and the Original Contractor (as such term is defined by §53.001 of the TEX. PROP. CODE ANN., as amended) or between the Corporation and any other party, as well as all right, title and interest of Corporation or the Department under any subcontracts, provided for the construction (original, restorative or otherwise) of any improvements to or on any of the Land or the furnishing of any materials, supplies, equipment or labor in connection with such construction;

(h) all plans, specifications and drawings of the Improvements (including, but not limited to, plat plans, foundation plans, floor plans, elevations, framing plans, cross-section of walls, mechanical plans, electrical plans and architectural and engineering plans, and architectural engineering studies and analysis) heretofore or hereafter prepared by any architect or any engineer, relating to any of the Land;

(i) all agreements now or hereafter entered into and with any party, including any assigned obligations, relating to architectural, engineering, management, development or consulting services rendered or to be rendered relating to planning, design, inspection or supervision of the construction management or development of any of the Land;

(j) any completion bond, performance bond or labor and material payment bond or other bond relating to the Land or to any contract providing for construction of Improvements to the Land;

(k) Corporation’s rights (but not its obligations) under any contracts relating to the Land, the Improvements or the Personal Property;

(l) all permits, licenses, wastewater discharge capacities, franchises, certificates, and other rights and privileges obtained in connection with the Land, the Improvements and the Personal Property;

(m) all proceeds arising from or by virtue of the sale, lease or other disposition of the Land, the Improvements or the Personal Property;

(n) all proceeds (including premium refunds) of each policy of insurance relating to the Land, the Equipment, the Improvements or the Personal Property;

(o) all proceeds from the taking of any of the Land, the Equipment, the Improvements, the Personal Property or any rights appurtenant thereto by right of eminent domain or by private or other purchase in lieu thereof, including change of grade of streets, curb cuts or other rights of access, for any public or quasi-public use under any law;

(p) all right, title and interest of Corporation in and to all streets, roads, public places, easements and rights-of-way, existing or proposed, public or private, adjacent to or used in connection with, belonging or pertaining to the Land;

(q) all rights, hereditaments and appurtenances pertaining to the foregoing;
and

(r) other interests of every kind and character that Corporation now has or at any time hereafter acquires in and to the Land, the Equipment, the Improvements, and the Personal Property described herein and all property that is used or useful in connection therewith, including rights of ingress and egress and all reversionary rights or interests of Corporation with respect to such property.

The inclusion of proceeds in this Security Agreement does not authorize the Corporation to sell, dispose of or otherwise use the Collateral in any manner to the extent otherwise prohibited hereby or by the other documents executed in connection with the Bonds.

Notwithstanding the foregoing, any items of movable furniture, machinery, and equipment purchased by the Department with funds other than proceeds of the Bonds or the amounts deposited into the Project Account (as defined in the Trust Indenture) and which: (a) are installed by the Department in the Project; (b) are identified as property of the Department in writing to the Corporation; and (c) may be removed without damage to the Project, shall not be subject to the lien of this Security Agreement, except in the event that the Lease is terminated, the Department does not acquire the Project, and the Department does not remove such items before the Department surrenders possession of the Project.

SECTION 3. Security for Obligations. This Security Agreement secures the prompt and complete payment and performance of all indebtedness, obligations and covenants of every kind and character of the Corporation now or hereafter existing in favor of the Trustee, and any subsequent holder of the Obligations defined below (all of whom shall be included in the term “Beneficiary” as used hereafter) as follows:

(a) The indebtedness evidenced by the Bonds, being payable in the amounts, at the interest rate, and on the dates stipulated therein, maturing as provided therein, and containing provisions for the acceleration of maturity, at the option of the Trustee, and for the payment of attorneys' fees upon the occurrence of contingencies set forth therein;

(b) any and all amounts, liabilities, and obligations for which or for the performance of which the Corporation may become indebted or obligated under the terms of the Lease, the Trust Indenture or this Security Agreement, including, but not limited to, the fees and expenses of the Beneficiary;

(c) any sum or sums constituting other indebtedness (whether now existing or hereafter arising) of the Corporation to the Beneficiary related to the Project or the financing thereof, which indebtedness may be evidenced in various manners (including, but not limited to, indebtedness evidenced by promissory note, loan agreement, deed of trust, mortgage, security agreement, open account, overdraft, surety, guaranty, and letter of credit), whether joint or several, direct or indirect, absolute or contingent, due or to become due, primary or secondary, howsoever evidenced or acquired, it being contemplated that the Corporation may hereafter become so indebted to the Beneficiary; and

(d) any and all renewals, rearrangements, and extensions of the foregoing items of indebtedness and obligations; provided, however, that the enumeration of items of indebtedness set forth in paragraphs 3(c) and (d) above shall not include and there is expressly excepted therefrom any items of indebtedness owing or to become owing to the Beneficiary for which applicable law prohibits the taking of a lien upon real estate as security.

All such obligations, covenants and conditions being hereafter collectively referred to as the "*Obligations*".

SECTION 4. Corporation Remains Liable. Anything herein to the contrary notwithstanding, (a) the Corporation shall remain liable under the contracts and agreements included in the Collateral to the extent set forth therein to perform all of its duties and obligations thereunder to the same extent as if this Security Agreement had not been executed; (b) the exercise by the Trustee of any of the rights hereunder shall not release the Corporation from any of its duties or obligations under the contracts and agreements included in the Collateral; and (c) the Trustee shall not have any obligation or liability under the contracts and agreements included in the Collateral by reason of this Security Agreement, nor shall the Trustee be obligated to perform any of the obligations or duties of the Corporation thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

SECTION 5. Representations and Warranties. The Corporation hereby represents and warrants as follows:

(a) All of the Equipment (if any) is located at the location specified in Exhibit A. The principal place of business and chief executive office of the Corporation

is located at the address set forth below its name on the signature page of this Security Agreement.

(b) All records concerning the Corporation's receivables (if any) and all originals of all chattel paper (if any) which evidence receivables are and will remain located at the chief executive office listed in Section 5(a). The Corporation will notify the Trustee of any change of its name, its corporate structure or the address of its chief executive office or principal place of business listed in Section 5(a) at least 30 days prior to any such change.

(c) All of the Inventory (if any) is located at the location specified in Exhibit A attached hereto.

(d) With the exception of this Security Agreement, and the Parity Lien Agreement, the Corporation owns the Collateral free and clear of any lien or security interest. Other than the financing statement filed to evidence the lien of this Security Agreement and the Parity Lien Agreement, no effective financing statement or other instrument similar in effect covering all or any part of the Collateral is or will be on file in any recording office.

(e) With respect to all of the Collateral, upon the filing of appropriate financing statements in the Office of the Secretary of State of the State of Texas and the Office of the County Clerk of Harris County, Texas, this Security Agreement will create a valid first priority lien in the Collateral securing the payment of the Obligations. All action necessary or desirable to protect and perfect such security interest in each item of Collateral has been duly taken, and no further or subsequent filing, refiling, recording, rerecording, registration or reregistration is necessary in any jurisdiction, except as provided under applicable law with respect to the filing of continuation statements.

(f) The Corporation has full power and authority to execute and deliver this Security Agreement. No authorization, approval, or action by, and no notice to or filing with, any governmental authority or regulatory body (that has not been obtained or done) is required either (i) for the grant by the Corporation of the security interests granted hereby or for the execution, delivery, or performance of this Security Agreement by the Corporation or (ii) for the exercise by the Trustee of its rights and remedies hereunder. No action has been brought or threatened which in any manner is likely to interfere with the right of the Corporation to execute or deliver this Security Agreement or to perform any of the Corporation's obligations hereunder.

(g) This Security Agreement and all other documents and instruments executed in connection herewith when delivered will be the legal, valid and binding obligations of the Corporation, enforceable against the Corporation in accordance with their respective terms, except as enforcement may be (i) limited by laws affecting creditors' rights and (ii) subject to the general effect of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(h) The exercise by the Trustee of its rights and remedies hereunder will not contravene any law or governmental regulation or any contractual restrictions binding on or affecting the Corporation or any of its properties and will not result in or require the creation of any lien, security interest, or other charge or encumbrance upon or with respect to any of its properties, except such as is consented to in writing by the Trustee.

(i) The Corporation has the full and unencumbered right to collect the Revenues and the Corporation has not omitted to take any act and has not executed any instrument which might prevent or impair the Trustee from fully enforcing all of the terms and conditions of this Security Agreement.

(j) The Corporation's Federal Employer Identification Number will be provided to Trustee, and it has never utilized any other Federal Employer Identification Number. The Corporation will not change its Federal Employer Identification Number unless the Corporation notifies the Trustee of any change in writing at least 30 days prior to the date of such change and executes such additional mortgages, security agreements and financing statements as may be reasonably requested by the Trustee.

SECTION 6. Further Assurances.

(a) The Corporation agrees to file the initial financing statements and other security documents and authorizes the Trustee to file financing statements (including, without limitation, Form UCC-1, Form UCC-2 or Form UCC-3) and other security documents executed by the Corporation in such offices and locations as are necessary in the opinion of the Trustee to perfect the security interests granted herein. The Corporation further agrees that from time to time, at the expense of the Corporation, the Trustee will promptly give, execute, deliver, file and/or record all further instruments and documents, opinions of counsel or other papers, and take all further action that may be reasonably necessary or desirable, or that the Trustee may reasonably request, in order to protect any security interests renewed and extended or granted or purported to be granted hereby and to create, preserve, fix, validate and perfect any security interests granted hereby in any Collateral now or hereafter acquired by the Corporation or to enable the Trustee to exercise and enforce its rights and remedies hereunder with respect to any of the Collateral. Without limiting the generality of the foregoing, the Corporation will execute and file such financing or continuation statements, or amendments thereto, and such other instruments or notices, as may be necessary or desirable, or as the Trustee may reasonably request, in order to perfect and preserve the security interests granted or purported to be granted hereby.

(b) The Corporation authorizes the Trustee to file a carbon, photographic, facsimile or other reproduction of this Security Agreement as a financing statement or to file one or more financing or continuation statements, and amendments thereto, relative to all or any part of the Collateral without the signature of the Corporation, where permitted by law. Notwithstanding the foregoing, the Trustee shall not be responsible for the sufficiency of or the proper recording or indexing of any financing or continuation statements.

(c) The Corporation will furnish to the Trustee from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Trustee may reasonably request, all in reasonable detail.

(d) The Corporation shall notify the Trustee in writing promptly, in reasonable detail, of (i) any lien or claim made or asserted against any of the Collateral (other than Permitted Encumbrances); (ii) any material change in the composition of the Collateral; and (iii) the occurrence of any other event that could have a material adverse effect on the aggregate value of the Collateral or on the lien created hereunder.

SECTION 7. As to Equipment. The Corporation shall:

(a) keep the Equipment at the places therefor specified in Section 5(a);

(b) cause the Equipment to be maintained and preserved in the same condition, repair, and working order as when acquired, ordinary wear and tear excepted, and in accordance with any manufacturer's manual and shall forthwith, or in the case of any material loss or damage to any of the Equipment, as quickly as practicable after the occurrence thereof, make or cause to be made all repairs, replacements, and other improvements in connection therewith, and the Corporation shall promptly furnish to the Trustee a statement respecting any material loss or damage to any of the Equipment;

(c) operate the Equipment in accordance with prudent operating standards customarily observed by entities engaged in the same or a similar business and similarly situated; and

(d) pay promptly when due all property and other taxes or payments in lieu of taxes equal to the amount of assessed taxes by the affected entities, assessments, and governmental charges or levies imposed upon, and all claims (including claims for labor, materials, and supplies furnished) against, the Equipment, except to the extent the validity thereof is being contested in good faith by proper proceedings.

SECTION 8. As to Inventory. The Corporation shall (a) not sell, lease, exchange, or otherwise dispose of any of the Inventory, except for the sale thereof in the ordinary course of business for cash or on open account or on terms of payment ordinarily extended to its customers and except for the use or consumption thereof in the ordinary course of business; upon the sale, exchange, or other disposition of the Inventory, the security interest created herein, without break in continuity and without further formality or act, shall continue in and attach to any proceeds thereof, including, without limitation, cash or non-cash proceeds, accounts, contract rights, shipping documents, documents of title, bills of lading, warehouse receipts, dock warrants, and dock receipts and, in the event of any unauthorized sale or disposition, shall continue in the Inventory itself, and (b), to the extent the Corporation should warehouse any of the Inventory at any time, allow such warehousing to be conducted only by warehousemen who shall issue non-negotiable warehouse receipts in the Trustee's name to evidence any such warehousing of Inventory.

SECTION 9. Insurance. The Department, on behalf of Corporation, and as required by the Lease, shall at its own expense maintain insurance with respect to the Equipment and the Inventory in such amounts, against such risks, in such form and with such insurers as are customarily maintained by a prudent owner of property comparable to the Equipment and the Inventory.

SECTION 10. Change of Name, Identity or Structure. The Corporation will not change its name, identity or corporate structure in any manner which might make any financing or continuation statement filed hereunder seriously misleading within the meaning of Section 9-402 of the UCC (or any other then applicable provision of the UCC or any other provision of law in effect in any applicable jurisdiction) unless the Corporation shall have given the Trustee at least 30 days prior written notice thereof and shall have taken all action (or made arrangements to take such action substantially simultaneously with such change if it is impossible to take such action in advance) necessary or reasonably requested by the Trustee to amend such financing statement or continuation statement so that it is not seriously misleading.

SECTION 11. Right of Inspection. During all business hours upon reasonable notice and without unreasonable interference with the operation of the business of Corporation, and during any time that an Event of Default continues to exist, (i) the Trustee and its representatives shall have the right, but not the obligation, to enter into and upon any premises where any of the Collateral is located for the purposes of inspecting the same, observing its use or otherwise protecting its interests therein; and (ii) the Trustee shall have access to all the records of the Corporation and the Trustee or its representatives may examine the same, take extracts therefrom and make photocopies thereof, and the Corporation agrees to render to the Trustee, at the Corporation's cost and expense, such clerical and other assistance as may be reasonably requested with regard thereto.

SECTION 12. Transfers and Other Liens. The Corporation shall not (a) sell, assign (by operation of law or otherwise) or otherwise dispose of any of the Collateral, or (b) other than the lien relating to the Parity Lien Agreement, create or suffer to exist any lien upon or with respect to any of the Collateral to secure the indebtedness of any person or entity.

SECTION 13. Trustee Appointed Attorney-in-Fact. The Corporation hereby irrevocably appoints the Trustee as the Corporation's agent and attorney-in-fact, with full authority in the place and stead of such Corporation and in the name of the Corporation, the Trustee or otherwise from time to time in the Trustee's discretion, to take any action and to execute any instrument which the Trustee may deem necessary or advisable to accomplish the purposes of this Security Agreement, including, without limitation:

(a) to ask, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Collateral;

(b) to receive, endorse, and collect any drafts or other instruments, documents and chattel paper in connection with clause (a) above;

(c) to receive, open and dispose of all mail addressed to the Corporation and to notify the United States Post Office authorities to change the address for delivery of all mail addressed to the Corporation to such address as the Trustee may designate;

(d) to execute in connection with any sale of the Collateral pursuant to Section 16 hereof, any endorsements, assignments, bills of sale or other instruments of conveyance or transfer with respect to the Collateral;

(e) to file any claims or take any action or institute any proceedings which the Trustee may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of the Trustee, including, without limitation, the collection of royalties or other compensation due under any license, with respect to any of the Collateral;

(f) to endorse the Corporation's name on all applications, assignments, registrations, documents, papers and instruments necessary or desirable for the Trustee in the use of the Collateral;

(g) to bring suit in the Corporation's name but for the benefit of the Trustee to enforce any of the intellectual property rights or other rights and the Corporation shall fully cooperate in such suit; and

(h) to assign, pledge, convey or otherwise transfer title in or dispose of the Collateral to anyone.

SECTION 14. Trustee May Perform. If the Corporation fails to perform any agreement contained herein, the Trustee may itself, but shall not be obligated to, perform, or cause performance of, such agreement, and the expenses of the Trustee incurred in connection therewith shall be payable by the Corporation upon demand. The Corporation shall pay interest on the amount of any such expenses that are not paid when due at the lesser of 15% per annum or the highest rate permitted by law.

SECTION 15. Duties as to Collateral. The powers conferred on the Trustee hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon the Trustee to exercise any such powers. Except for the safe custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, the Trustee shall not have any duty as to any Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral.

SECTION 16. Remedies. If any Event of Default (as defined in the Trust Indenture) or an Event of Nonappropriation (as defined in the Lease) shall have occurred and be continuing:

(a) The Trustee may exercise in respect of the Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party upon default under the UCC (whether or not the UCC applies to the affected Collateral) and in addition thereto and cumulative thereof, the following rights: the right to sell, grant licenses under, lease or otherwise dispose of the Collateral and the right to take possession of the Collateral, and for that purpose, the Trustee may

enter upon any premises on which the Collateral may be situated and remove the same therefrom and/or may render the Collateral inoperable; the Trustee may require the Corporation to, and the Corporation hereby agrees that it will, at its expense and upon the request of the Trustee, forthwith assemble all or part of the Collateral and all documents relating to the Collateral as directed by the Trustee and make the Collateral available to the Trustee at a place to be designated by the Trustee; without notice except as specified below, sell the Collateral in one or more parcels at public or private sale, at any of the Trustee's office or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Trustee may reasonably deem commercially reasonable. The Corporation agrees that, to the extent notice of sale shall be required by law, at least 10 days notice to the Corporation of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Trustee shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Trustee may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

(b) All cash proceeds received by the Trustee in respect of any sale of, collection from, or other realization upon all or any part of the Collateral shall be applied in whole or in part by the Trustee against the Obligations as provided in the Trust Indenture. Any surplus of such cash or cash proceeds held by the Trustee and remaining after payment in full of all the Obligations shall be paid over to the Corporation or to whomsoever may be lawfully entitled to receive such surplus; provided that the Trustee shall have no obligation to invest or otherwise pay interest on any amounts held by it in connection with or pursuant to this Security Agreement.

(c) Each of the rights of the Trustee under this Security Agreement, the Trust Indenture, the Mortgage, the Lease, the Bonds, and each and every other document or instrument now or hereafter evidencing or securing the indebtedness hereby secured, is separate and distinct from and cumulative to all other rights herein and therein granted and all other rights which the Trustee may have in law or equity, and no such right shall be in exclusion of any other. No delay by the Trustee in exercising any right or remedy hereunder or otherwise afforded by law shall operate as a waiver thereof or preclude the exercise thereof upon the occurrence of an Event of Default. No failure by the Trustee to insist upon the strict performance by the Corporation of each and every agreement of the Corporation under the Trust Indenture, the Mortgage, the Lease, the Bonds, or this Security Agreement or said other documents and instruments shall constitute a waiver of any such agreement, and no waiver by the Trustee of any Event of Default shall constitute a waiver of or consent to any subsequent Event of Default. No withdrawal or abandonment by the Trustee of any exercise of the power of sale herein granted or of any of its rights under such power shall be construed as a waiver of any power or right of the Trustee hereunder. In case the Trustee shall proceed to enforce any right, power, or remedy hereunder and such proceeding is withdrawn, discontinued, or abandoned for any reason, or is determined adversely to the Trustee, then in every such case (i) the Corporation and the Trustee shall be restored to their former positions and rights, (ii) all rights, powers, and remedies of the Trustee shall continue as if no such proceedings had been taken, (iii) each and every default declared or occurring prior or subsequent to such

withdrawal, discontinuance, or abandonment shall and shall be deemed to be a continuing default, and (iv) neither this Security Agreement nor the Obligations shall be or shall be deemed to be reinstated or otherwise affected by such withdrawal, discontinuance, or abandonment, and the Corporation hereby expressly waives the benefit of any statute or rule of law now provided, or which may hereafter be provided, which would produce a result contrary to or in conflict with the above.

Notwithstanding the preceding, if an Event of Default occurs which is not the result of an act or omission by the Department, the Department may not be deprived of its rights with respect to the Collateral, including its right of possession and use of the Collateral and its right to exercise its option to purchase under the Lease.

SECTION 17. Amendments, Etc. No amendment or waiver of any provision of this Security Agreement nor consent to any departure by the Corporation herefrom shall in any event be effective unless the same shall be in writing and signed by the Trustee, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

SECTION 18. Addresses for Notices. Except as otherwise expressly provided herein, all notices and other communications provided for hereinafter shall be in writing (including telegraphic, telex, facsimile, or cable communication) and, if to the Corporation, mailed, telegraphed, transmitted, cabled or delivered to it, addressed to it at the address of the Corporation specified on the signature page hereof; if to the Trustee, mailed, telegraphed, transmitted, cabled or delivered to it, addressed to it at the address of the Trustee specified in the Trust Indenture; or as to each party at such other address as shall be designated by such party in a written notice to each other party complying as to delivery with the terms of this Section 18. All such notices and other communications shall, when mailed, telegraphed, telexed, transmitted or cabled, respectively, be effective three days after deposit in the mail, confirmed by telex answer back, transmitted by telecopier or delivered to the cable company, respectively.

SECTION 19. Security Interest Absolute. All rights of the Trustee, all obligations of the Corporation hereunder and the security interests hereunder shall, to the extent permitted by the applicable law, be absolute and unconditional, irrespective of:

(a) any lack of validity or enforceability of the Trust Indenture or any of the other Financing Documents or any other agreement or security document relating thereto or executed in connection with or pursuant to any Financing Document;

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations or any other amendment or waiver of or any consent to any departure from the Trust Indenture or any of the other Financing Documents, or any other agreement or instrument relating thereto or executed in connection with or pursuant to any Financing Document;

(c) any exchange, release or non-perfection of any other collateral, or any release or amendment or waiver of or consent to departure from any guaranty, for all or any of the Obligations; or

(d) any other circumstance (other than payment in full of the Obligations) which might otherwise constitute a defense available to, or a discharge of, the Corporation in respect of the Obligations or this Security Agreement.

SECTION 20. Continuing Security Interest. This Security Agreement shall create a continuing security interest in the Collateral and shall (a) remain in full force and effect until the indefeasible payment in full thereafter of the Obligations; (b) be binding upon the Corporation, its successors and assigns; and (c) inure to the benefit of the Trustee, its successors, transferees and assigns. Without limiting the generality of the foregoing clause (c), the Trustee may assign or otherwise transfer any of its respective rights under this Security Agreement to any other person, and such person shall thereupon become vested with all the benefits in respect thereof granted herein or otherwise to the Trustee, as the case may be.

SECTION 21. Waiver of Marshalling. All rights of marshalling of assets of the Corporation, including any such right with respect to the Collateral, are hereby waived by the Corporation.

SECTION 22. Limitation by Law. All rights, remedies and powers provided in this Security Agreement may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions of this Security Agreement are intended to be subject to all applicable mandatory provisions of law which may be controlling and to be limited to the extent necessary so that they will not render this Security Agreement invalid, unenforceable, in whole or in part, or not entitled to be recorded, registered or filed under the provisions of any applicable law.

SECTION 23. Termination of Security Agreement. Upon the indefeasible payment in full thereafter of the Obligations, this Security Agreement shall terminate and be of no further force and effect, and the Trustee shall, at the expense of and the request of the Corporation, execute and deliver to the Corporation such documents and instruments reasonably requested by the Corporation to evidence the release of the security interests created by this Security Agreement in any such Collateral which has not been sold or otherwise applied pursuant to the terms hereof; provided, however, notwithstanding the termination of, and the release of the security interests created by, this Security Agreement, the obligations of the Corporation and the rights of the Trustee under Sections 4 and 14 shall survive termination and release.

SECTION 24. Survival of Representations and Warranties. All representations and warranties contained in this Security Agreement or made in writing by or on behalf of the Corporation in connection herewith shall survive the execution and delivery and termination of this Security Agreement. Any investigation by the Trustee shall not diminish in any respect whatsoever its right to rely on such representations and warranties.

SECTION 25. Severability. Should any clause, sentence, paragraph, subsection or section of this Security Agreement be judicially declared to be invalid, unenforceable or void, such decision will not have the effect of invalidating or voiding the remainder of this Security Agreement, and the parties hereto agree that the part or parts of this Security Agreement so held to be invalid, unenforceable or void will be deemed to have been stricken herefrom by the parties

hereto, and the remainder will have the same force and effectiveness as if such stricken part or parts had never been included herein.

SECTION 26. Captions. The captions in this Security Agreement have been inserted for convenience only and shall be given no substantive meaning or significance whatever in construing the terms and provisions of this Security Agreement.

SECTION 27. No Waiver; Remedies. No failure on the part of the Trustee to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law and any rights and remedies possessed by the Trustee in the Trust Indenture, the other Financing Documents and any other agreement or instrument relating to the Obligations.

SECTION 28. Execution in Counterparts. This Security Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

SECTION 29. Governing Law and Submission to Jurisdiction. THIS SECURITY AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF TEXAS (WITHOUT REGARD TO ANY CONFLICTS OF LAW PRINCIPLES). THE PARTIES EXPRESSLY ACKNOWLEDGE THAT (I) THEY INTEND THAT THIS SECURITY AGREEMENT SHALL BE GOVERNED BY THE PROVISIONS (INCLUDING, WITHOUT LIMITATION, THE RIGHT OF THE PARTIES TO SELECT THE GOVERNING LAW) OF THE UNIFORM COMMERCIAL CODE AND NOT BY COMMON LAW AND (II) THE STATE OF TEXAS BEARS A REASONABLE RELATIONSHIP TO THIS TRANSACTION AND NO OTHER STATE HAS A MATERIALLY GREATER INTEREST IN THIS TRANSACTION THAN THE STATE OF TEXAS. THE CORPORATION HEREBY SUBMITS TO THE NONEXCLUSIVE JURISDICTION OF THE UNITED STATES DEPARTMENT COURT FOR THE SOUTHERN DEPARTMENT OF TEXAS AND OF ANY TEXAS STATE COURT SITTING IN TEXAS FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS SECURITY AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREUNDER TO THE EXTENT PERMITTED BY LAW. THE CORPORATION IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH PROCEEDING OR THAT ANY SUCH PROCEEDING IS BROUGHT IN AN INCONVENIENT FORUM.

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IN WITNESS WHEREOF, the Corporation and the Trustee have caused this Security Agreement to be duly executed and delivered by their officers thereunto duly authorized as of the date first above written.

HARRIS COUNTY DEPARTMENT OF
EDUCATION PUBLIC FACILITY
CORPORATION

By: _____

Name: Les Hooper

Title: President, Board of Directors

ADDRESS:

6300 Irvington Blvd.

Houston, Texas 77022-5618

Attention: President, Board of Directors

BOKF, NA, as Trustee

By: _____

Name: _____

Title: _____

ADDRESS:

1401 McKinney, Suite 1000

Houston, Texas 77010

EXHIBIT A

Legal Description of Project

METES AND BOUNDS DESCRIPTION

[INSERT PROPERTY DESCRIPTION]

EXHIBIT B

Permitted Encumbrances

[INSERT PERMITTED ENCUMBRANCES]

\$ _____

**HARRIS COUNTY DEPARTMENT OF EDUCATION PUBLIC FACILITIES
CORPORATION LEASE REVENUE BONDS, SERIES 2020**

PURCHASE AGREEMENT

October 15, 2020

Board of Trustees
Harris County Department of Education Public Facilities Corporation
6300 Irvington, Blvd.
Houston, Texas 77022

Ladies and Gentlemen:

The undersigned, J.P. Morgan Securities LLC, (the “*Representative*”), acting on its own behalf and on behalf of, Estrada Hinojosa & Co., Inc., RBC Capital Markets, LLC, and Hilltop Securities, Inc. (together, the “*Underwriters*”), offers to enter into the following agreement (this “*Agreement*”) with the Harris County Department of Education (the “*Issuer*”) which, upon the Issuer’s written acceptance of this offer, will be binding upon the Issuer and upon the Underwriters. This offer is made subject to the Issuer’s written acceptance hereof on or before 10:00 p.m., Houston, Texas time, on October 15, 2020, and, if not so accepted, will be subject to withdrawal by the Representative upon written notice delivered to the Issuer at any time prior to the acceptance hereof by the Issuer. Capitalized terms not otherwise defined in this Agreement shall have the same meanings set forth in the Resolution (as defined herein) or in the Official Statement (as defined herein).

1. ***Purchase and Sale of the Bonds.*** Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriters hereby agree to purchase from the Issuer, and the Issuer hereby agrees to sell and deliver to the Underwriters, all, but not less than all, of the Issuer’s Lease Revenue Bonds, Series 2020 (the “*Bonds*”).

The principal amount of the Bonds to be issued, the dated date thereof, the maturities, and the interest rates per annum are set forth in **Schedule I** hereto. The Bonds shall be as described in, and shall be issued and secured under and pursuant to the provisions of the Resolution adopted by the Board of Trustees of the Issuer on May 12, 2020 (the “*Resolution*”).

The purchase price for the Bonds shall be \$_____ (representing the par amount of the Bonds, plus a reoffering premium on the Bonds of \$_____ and less an underwriting discount of \$_____), and plus accrued interest.

The Bonds will be used to provide funds to (i) finance the leasing of land and the construction, improvement and equipment of buildings to be used by the Harris County Department of Education for its programs and offices, (ii) fund and any necessary reserve funds and (iii) pay costs incurred in connection with the issuance of the Bonds.

2. **Public Offering.** The Underwriters intend to make a bona fide initial public offering of all the Bonds at prices or yields not in excess of the initial offering prices or yields set forth in the Official Statement; provided, however, that expressly subject to Section 3 of this Agreement relating to the issue price of the Bonds, the Underwriters may change such initial offering prices or yields as they deem necessary in connection with the offering of the Bonds without any requirement of prior notice, and may offer and sell the Bonds to certain institutions (including dealers depositing the Bonds into investment trusts) at prices or yields lower than those stated in the Official Statement. The Underwriters also reserve the right to: (i) over-allot or effect transactions that stabilize or maintain the market price of the Bonds at levels above those that might otherwise prevail in the open market and (ii) discontinue such stabilizing, if commenced, at any time without prior notice. The provisions of this Section are qualified in all respects to those of Section 3 hereof. In the event of conflict between the provisions of such Section, the provisions of Section 3 shall control.

3. **Establishment of Issue Price.** The Representative agrees to assist the Issuer in establishing the issue price of the Bonds and shall execute and deliver to the Issuer at Closing (defined herein) an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Representative, the Issuer, and Orrick, Herrington & Sutcliffe LLP, Houston, Texas (“*Bond Counsel*”), to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds.

(a) Except as otherwise set forth in **Schedule I** attached hereto, the Issuer will treat the first price at which 10% of each maturity of the Bonds (the “10% Test”) is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% Test). At or promptly after the execution of this Purchase Contract, the Representative shall report to the Issuer the price or prices at which the Underwriters have sold to the public each maturity of Bonds.

(b) The Representative confirms that the Underwriters have offered the Bonds to the public on or before the date of this Purchase Contract at the offering price or prices (the “Initial Offering Price”), or at the corresponding yield or yields, set forth in **Schedule I** attached hereto, except as otherwise set forth therein. **Schedule I** sets forth, as of the date of this Agreement, the maturities, if any, of the Bonds for which the 10% Test has not been satisfied and for which the Issuer and the Representative, on behalf of the Underwriters, agree that the restrictions set forth in the next sentence shall apply, which will allow the Issuer to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “*Hold-the-Offering-Price Rule*”). So long as the Hold-the-Offering-Price Rule remains applicable to any maturity of the Bonds, the Underwriters will neither offer nor sell unsold Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the Underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The Representative shall promptly advise the Issuer or the Issuer's financial advisor when the Underwriters have sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

The Issuer acknowledges that, in making the representation set forth in this subsection, the Representative will rely on (i) the agreement of each Underwriter to comply with the Hold-the-Offering-Price Rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the Hold-the-Offering-Price Rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an Underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the Hold-the-Offering-Price Rule, as set forth in the retail distribution agreement and the related pricing wires. The Issuer further acknowledges that each Underwriter shall be solely liable for its failure to comply with its agreement regarding the Hold-the-Offering-Price Rule and that no Underwriter shall be liable for the failure of any other Underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement, to comply with its corresponding agreement regarding the Hold-the-Offering-Price Rule as applicable to the Bonds.

- (c) The Representative confirms that:
- (1) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the Representative is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the Representative that either the 10% Test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the Representative and as set forth in the related pricing wires, and
 - (2) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the Representative or the Underwriters that either the 10% Test has been satisfied as to the Bonds of that maturity or all Bonds of that

maturity have been sold to the public and (B) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the Representative or the Underwriters and as set forth in the related pricing wires.

(d) The Underwriters acknowledge that sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

- (1) “public” means any person other than an underwriter or a related party,
- (2) “underwriter” means (A) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public),
- (3) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (4) “sale date” means the date of execution of this Agreement by all parties.

4. ***The Official Statement.***

(a) The Issuer previously has delivered copies of the Preliminary Official Statement in a “designated electronic format” dated October 6, 2020 (the “*Preliminary Official Statement*”) to the Representative. The Issuer will prepare a final Official Statement relating to the Bonds, which will be (i) dated the date of this Agreement, (ii) complete within the meaning of Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (the “*Rule*”), and (iii) substantially in the form of the most recent version of the Preliminary Official Statement provided to the Representative before the execution hereof. Such final Official Statement, including the cover page thereto; all exhibits, appendices, maps, charts, pictures, diagrams, reports, and statements included or incorporated therein or attached thereto; and all amendments and supplements thereto that may be authorized for use with respect to the

Bonds, is herein referred to as the “*Official Statement*.” Until the Official Statement has been prepared and is available for distribution, the Issuer shall provide to the Representative sufficient quantities (which may be in electronic mail form) of the Preliminary Official Statement as the Representative deems reasonably necessary to satisfy the obligations of the Underwriters under the Rule with respect to distribution to each potential customer, upon request, of a copy of the Preliminary Official Statement.

(b) The Preliminary Official Statement has been prepared for use by the Underwriters in connection with the public offering, sale and distribution of the Bonds thereby. The Issuer hereby represents and warrants that the Preliminary Official Statement has been “deemed final” by the Issuer as of its date, except for the omission of such information which is dependent upon the final pricing of the Bonds for completion, all as permitted to be excluded by Section (b)(1) of the Rule.

(c) The Issuer hereby authorizes the Official Statement and the information therein contained to be used by the Underwriters in connection with the public offering and the sale of the Bonds. The Issuer consents to the use by the Underwriters prior to the date hereof of the Preliminary Official Statement in connection with the public offering of the Bonds. The Issuer shall provide, or cause to be provided, to the Underwriters as soon as practicable after the date of the Issuer’s acceptance of this Agreement (but in any event, not later than within seven (7) business days after the Issuer’s acceptance of this Agreement and in sufficient time to accompany any confirmation that requests payment from any customer) copies of the Official Statement which are complete as of the date of its delivery to the Representative in such reasonable quantity as the Representative shall request in order for the Underwriters to comply with Section (b)(4) of the Rule and the rules of the Municipal Securities Rulemaking Board (the “*MSRB*”).

(d) If, after the date of this Agreement to and including the date the Underwriters is no longer required to provide an Official Statement to potential customers who request the same pursuant to the Rule (the earlier of (i) ninety (90) days from the “end of the underwriting period” (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from the MSRB, but in no case less than twenty-five (25) days after the “end of the underwriting period” for the Bonds), the Issuer becomes aware of any fact or event which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or if it is necessary to amend or supplement the Official Statement to comply with law, the Issuer will notify the Representative (and for the purposes of this clause provide the Representative with such information as it may from time to time reasonably request), and if, in the reasonable opinion of the Representative, such fact or event requires preparation and publication of a supplement or amendment to the Official Statement, the Issuer will forthwith prepare and furnish, at the Issuer’s own expense (in a form and manner approved by the Representative), a reasonable number of copies of either amendments or supplements to the Official Statement so that the statements in the Official Statement as so amended and supplemented will not contain any untrue statement of a material

fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading or so that the Official Statement will comply with law; provided, however, that for all purposes of this Agreement and any certificate delivered by the Issuer in accordance herewith, the Issuer makes no representations with respect to the information in the Preliminary Official Statement or the Official Statement regarding The Depository Trust Company, New York, New York, (“DTC”) or its book-entry-only system. If such notification shall be subsequent to the Closing, the Issuer shall furnish such legal opinions, certificates, instruments and other documents as the Representative may deem reasonably necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement.

(e) To the best knowledge and belief of the Issuer, the Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Bonds.

5. ***Representations, Warranties, and Covenants of the Issuer.*** The Issuer hereby represents and warrants to and covenants with the Underwriters that:

(a) The Issuer entity duly created, organized and existing under the Constitution and the laws of the State of Texas (the “State”). The Issuer is authorized under the provisions of Chapter 303, Texas Local Government Code, as amended (the “Act”) and a trust indenture dated November 1, 2020 (the “Trust Indenture”) between the Issuer and BOKF, NA, Houston, Texas (i) to enter into, execute and deliver this Agreement, the Resolution, Trust Indenture the Continuing Disclosure Undertaking as defined in Section 8(j)(iii) hereof and all documents required hereunder and thereunder to be executed and delivered by the Issuer (this Agreement, the Resolution, and the Continuing Disclosure Undertaking are hereinafter referred to as the “Issuer Documents”), (ii) to sell, issue and deliver the Bonds to the Representative as provided herein, and (iii) to carry out and consummate the transactions described in the Issuer Documents and the Official Statement, and the Issuer has complied, and will at the Closing be in compliance in all respects, with the terms of the Act and the Issuer Documents as they pertain to such transactions;

(b) By all necessary official action of the Issuer prior to or concurrently with the acceptance hereof, the Issuer has duly authorized all necessary action to be taken by it for (i) the adoption of the Resolution and the issuance and sale of the Bonds, (ii) the approval, execution and delivery of, and the performance by the Issuer of the obligations on its part, contained in the Bonds and the Issuer Documents and (iii) the consummation by it of all other transactions described by the Official Statement, the Issuer Documents and any and all such other agreements and documents as may be required to be executed, delivered and/or received by the Issuer in order to carry out, give effect to, and consummate the transactions described herein and in the Official Statement;

(c) The Issuer Documents (assuming the due authorization and execution by the other parties thereto) constitute legal, valid and binding obligations of the Issuer enforceable in accordance with their respective terms, subject to sovereign immunity of

the State and political subdivisions thereof, bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights; the Bonds, when issued, delivered and paid for in accordance with the Resolution and this Agreement, will constitute legal, valid and binding obligations of the Issuer entitled to the benefits of the Resolution and enforceable in accordance with their terms, subject to sovereign immunity of the State and political subdivisions thereof, bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights; upon the issuance, authentication and delivery of the Bonds as aforesaid, the Resolution will provide, for the benefit of the owners from time to time, of the Bonds, the legally valid and binding pledge of and lien it purports to create (as set forth therein);

(d) To the best of its knowledge, the Issuer is not in material breach of or default under any applicable constitutional provision, law or administrative regulation of the State or the United States or any applicable judgment or decree that would have a material adverse effect upon the operations or financial condition of the Issuer; or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Issuer is a party or to which the Issuer is otherwise subject, and no event has occurred and is continuing which constitutes or with the passage of time or the giving of notice, or both, would constitute a material default or event of default in any material respect by the Issuer under any of the foregoing; and the execution and delivery of the Bonds, the Issuer Documents and the adoption of the Resolution and compliance with the provisions on the Issuer's part contained therein, will not conflict with or constitute a material breach of or default in any material respect under any constitutional provision, law or administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Issuer is a party or to which the Issuer is otherwise subject or under the terms of any such law, regulation or instrument, except as provided by the Bonds and the Resolution;

(e) Except for the approval of the Bonds by the Attorney General of the State and the registration thereof by the Comptroller of Public Accounts of the State, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the Issuer of its obligations under the Issuer Documents and the Bonds have been duly obtained or will be obtained prior to Closing, except for such approvals, consents, registrations and orders as may be required by the Attorney General of the State, the Comptroller of Public Accounts of the State or under the Blue Sky or securities laws of any jurisdiction in connection with the offering and sale of the Bonds;

(f) The Bonds and the Resolution conform to the descriptions thereof contained in the Official Statement under the caption "THE BONDS;" the proceeds of the sale of the Bonds will be applied generally as described in the Official Statement under the captions "THE BONDS – Description" and "THE BONDS – Sources and

Uses of Funds” and the Continuing Disclosure Undertaking conforms to the description thereof contained in the Official Statement under the caption “CONTINUING DISCLOSURE OF INFORMATION;”

(g) Except as otherwise provided in the Official Statement under the caption “CONTINUING DISCLOSURE OF INFORMATION – Compliance with Prior Undertakings,” during the last five years the Issuer has complied in all material respects with its previous Continuing Disclosure Undertakings, if any, made by it in accordance with the Rule;

(h) Except as disclosed in the Official Statement on the date thereof and on the date of Closing, there is no litigation, action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or, to the best knowledge of the Issuer, threatened against the Issuer, affecting the existence of the Issuer or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the collection of ad valorem taxes pledged to payment of the principal of and interest on the Bonds pursuant to the Resolution or in any way contesting or affecting the validity or enforceability of the Bonds, the Issuer Documents, or contesting the exclusion from gross income of interest on the Bonds for federal income tax purposes, or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto, or contesting the powers of the Issuer or any authority for the issuance of the Bonds, the adoption of the Resolution or the execution and delivery of the Issuer Documents, nor, to the best knowledge of the Issuer, is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Bonds or the Issuer Documents;

(i) As of the date thereof, the Preliminary Official Statement did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(j) At the time of the Issuer’s acceptance hereof and (unless the Official Statement is amended or supplemented pursuant to paragraph (d) of Section 4 of this Agreement) at all times subsequent thereto during the period up to and including the date of Closing, the Official Statement does not and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(k) If the Official Statement is supplemented or amended pursuant to paragraph (d) of Section 4 of this Agreement, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto during the period up to and including the twenty-fifth (25th) day following the “end of the underwriting period”, the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary

to make the statements therein, in light of the circumstances under which made, not misleading;

(l) The Issuer will apply, or cause to be applied, the proceeds from the sale of the Bonds as provided in and subject to all of the terms and provisions of the Resolution and will not take or omit to take any action which action or omission will adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds;

(m) The Issuer will furnish such information and execute such instruments and take such action in cooperation with the Representative as the Representative may reasonably request, at no expense to the Issuer, (A) to (y) qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions in the United States as the Representative may designate and (z) determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions and (B) to continue such qualifications in effect so long as required for the distribution of the Bonds (provided, however, that the Issuer will not be required to qualify as a foreign corporation or to file any general or special consents to service of process under the laws of any jurisdiction) and will advise the Representative immediately of receipt by the Issuer of any written notification with respect to the suspension of the qualification of the Bonds for sale in any jurisdiction or the threat of any proceeding for that purpose;

(n) The financial statements of, and other financial information regarding, the Issuer in the Official Statement fairly present the financial position, results of operations and condition of the Issuer as of the dates and for the periods therein set forth, and there has been no adverse change of a material nature in such financial position, results of operations or condition, financial or otherwise, of the Issuer since the dates of such statements and information;

(o) Except as disclosed in the Official Statement, the Issuer is not a party to any litigation or other proceeding pending or, to its knowledge, threatened which, if decided adversely to the Issuer, would have a materially adverse effect on the financial condition of the Issuer;

(p) Except as otherwise described in the Official Statement, prior to the Closing the Issuer will not offer or issue any bonds, notes or other obligations for borrowed money or incur any material liabilities, direct or contingent, payable from or secured by any of the ad valorem taxes, revenues or assets which will secure the Bonds, except as may be incurred in the ordinary course of business, without the prior written approval of the Representative which consent will not be unreasonably withheld;

(q) Any certificate, signed by any official of the Issuer authorized to do so in connection with the transactions contemplated by this Agreement, shall be deemed a representation and warranty by the Issuer to the Underwriters as to the statements made therein; and

(r) The Issuer covenants that, between the date hereof and the date of the Closing, it will take no action which will cause the representations and warranties made in this section to be untrue as of the date of the Closing.

6. ***Representations and Covenants of the Underwriters.***

(a) The Representative hereby agrees to file the Official Statement with the MSRB through its Electronic Municipal Market Access (“EMMA”) system. Unless otherwise notified in writing the Representative, the Issuer can assume that the end of the underwriting period for purposes of the Rule is the date of the Closing;

(b) Each Underwriter has provided the Issuer prior disclosures required pursuant to MSRB’s Rule G-17 which disclosures have been received by the Issuer; and

(c) Unless an Underwriter is exempt, submitted herewith or in advance to the Issuer is a completed and notarized Form 1295 for each Underwriter in connection with such Underwriter’s participation in the execution of this Agreement generated by the Texas Ethics Commission’s (the “TEC”) electronic filing application in accordance with the provisions of Section 2252.908 of the Texas Government Code and the rules promulgated by the TEC (collectively, the “Forms 1295”). The Issuer hereby confirms receipt of a Form 1295 from each Underwriter and agrees to acknowledge such forms with the TEC through its electronic filing application within 30 days of the respective date of the Issuer’s receipt of each Form 1295. The Underwriters and the Issuer understand and agree that, with the exception of information identifying the Issuer and the contract identification number, neither the Issuer nor its consultants are responsible for the information contained in the Forms 1295 and neither the Issuer nor its consultants have verified such information.

(d) The Underwriters hereby verify that the Underwriters and their respective parent companies, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, to the extent this Agreement is a contract for goods or services, will not boycott Israel during the term of this Agreement. The foregoing verification is made solely to comply with Section 2271.002, Texas Government Code, and to the extent such Section does not contravene applicable Federal law. As used in the foregoing verification, “boycott Israel” means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. The Underwriters understand “affiliate” to mean an entity that controls, is controlled by, or is under common control with the Underwriters and exists to make a profit.

(e) Each of the Underwriters represent that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer’s internet website:

<https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf>
<https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or
<https://comptroller.texas.gov/purchasing/docs/fto-list.pdf>.

The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, as amended, and to the extent such Section does not contravene applicable federal law and excludes each Underwriter and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. Each of the Underwriters understands “affiliate” to mean any entity that controls, is controlled by, or is under common control with the Underwriters and exists to make a profit.

7. ***Closing.***

(a) At 10:00 a.m. Houston, Texas, time, on November 17, 2020, or at such other time and date as shall have been mutually agreed upon by the Issuer and the Representative (the “*Closing*”), the Issuer will, subject to the terms and conditions hereof, deliver the Bonds to the Representative, duly executed and authenticated, together with the other documents hereinafter mentioned, and the Underwriters will, subject to the terms and conditions hereof, accept such delivery and pay the purchase price of the Bonds, as set forth in Section 1 of this Agreement, by wire transfer payable in immediately available funds to the Resolution of the Issuer as indicated by BOKF, NA, Texas (the “*Registrar*”). Payment for the Bonds as aforesaid shall be made at the offices of the Registrar or such other place as shall have been mutually agreed upon by the Issuer and the Representative.

(b) Delivery of the Bonds shall be made through DTC. The Bonds shall be delivered in definitive fully registered form, bearing CUSIP numbers without coupons, with one Bond for each maturity of the Bonds, registered in the name of Cede & Co., all as provided in the Resolution, and shall be made available at the offices of DTC (or, if the Bonds are to be held in safekeeping for DTC by the Registrar, at the office of the Registrar) to the Representative at least one business day before the Closing for purposes of inspection.

8. ***Closing Conditions.*** The Representative has entered into this Agreement in reliance upon the representations, warranties and agreements of the Issuer contained herein, and in reliance upon the representations, warranties and agreements to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Issuer of its obligations hereunder, both as of the date hereof and as of the date of the Closing. Accordingly, the Underwriters’ obligations under this Agreement to purchase, to accept delivery of and to pay for the Bonds shall be conditioned upon the performance by the Issuer of its obligations to be performed hereunder and under such documents and instruments to be delivered at or prior to the Closing, and shall also be subject to the following additional conditions, including the delivery by the Issuer of such documents as are enumerated herein, in form and substance reasonably satisfactory to the Representative:

(a) The representations and warranties of the Issuer contained herein shall be true, complete and correct in all material respects on the date hereof and on and as of the date of the Closing, as if made on the date of the Closing;

(b) The Issuer shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing;

(c) At the time of the Closing, (i) the Issuer Documents and the Bonds shall be in full force and effect in the form heretofore approved by the Representative and shall not have been amended, modified or supplemented, and the Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to by the Representative; (ii) the net proceeds of the sale of the Bonds shall be deposited and applied as described in the Official Statement and in the Resolution; and (iii) all actions of the Issuer required to be taken by the Issuer shall be performed in order for Bond Counsel and counsel to the Underwriters to deliver their respective opinions referred to hereafter;

(d) At the time of the Closing, all official action of the Issuer relating to the Bonds and the Issuer Documents shall be in full force and effect and shall not have been amended, modified or supplemented;

(e) At or prior to the Closing, the Resolution shall have been duly executed and delivered by the Issuer and the Issuer shall have duly executed and delivered and the Registrar shall have duly authenticated the definitive Bonds;

(f) At the time of the Closing, there shall not have occurred any change or any development involving a prospective change in the condition, financial or otherwise, or in the revenues or operations of the Issuer, from that set forth in the Official Statement that in the reasonable judgment of the Representative is material and adverse and that makes it, in the reasonable judgment of the Representative, impracticable to market the Bonds on the terms and in the manner described in the Official Statement;

(g) The Issuer shall not have failed to pay principal or interest when due on any of its outstanding obligations for borrowed money;

(h) All steps to be taken and all instruments and other documents to be executed, and all other legal matters in connection with the transactions described in this Agreement shall be reasonably satisfactory in legal form and effect to the Representative; and

(i) At or prior to the Closing, the Representative shall have received one copy of each of the following documents:

(i) The Official Statement, and each supplement or amendment thereto, if any, as may have been agreed to by the Representative;

(ii) The Resolution, certified as having been duly adopted and in full force and effect, with such supplements or amendments as may have been agreed to by the Representative;

(iii) The Trust Indenture, certified as having been duly adopted and in full force and effect, with such supplements or amendments as may have been agreed to by the Representative;

(iv) The undertaking of the Issuer set forth in the Resolution, which satisfies the requirements of Section (b)(5) of the Rule (the “*Continuing Disclosure Undertaking*”);

(v) The opinion of Bond Counsel, with respect to the Bonds, in substantially the form attached to the Official Statement;

(vi) A supplemental opinion of Bond Counsel addressed to the Issuer and the Underwriters substantially to the effect that:

(1) the Resolution has been duly adopted and is in full force and effect;

(2) the Bonds are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended (the “*1933 Act*”), and the Trust Indenture Act of 1939, as amended (the “*Trust Indenture Act*”), and it is not necessary, in connection with the offering and sale of the Bonds, to register the Bonds under the 1933 Act or to qualify the Resolution under the Trust Indenture Act; and

(3) Bond Counsel has reviewed the statements and information contained in the Official Statement under the captions and sub-captions “THE BONDS,” (except for the information under the sub-captions “Sources and Uses of Funds,” as to which no opinion is expressed), - “Transfer, Exchange and Registration,” and “CONTINUING DISCLOSURE OF INFORMATION” (except for the information under the sub-caption “Compliance With Prior Undertakings,” as to which no opinion is expressed), excluding any material that may be treated as included under such captions by cross-reference or reference to other documents or sources, and Bond Counsel is of the opinion that the statements and information contained therein fairly and accurately reflect the provisions of the Resolution; further, Bond Counsel has reviewed the statements and information contained in the Official Statement under the captions and sub-captions “OTHER INFORMATION - Legal Matters” (except for the last two sentences of the second paragraph thereof), “- Registration and Qualification of Notes for Sale,” “TAX MATTERS,” “STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS,” “CURRENT PUBLIC SCHOOL FINANCE SYSTEM” (except for the information under “Possible Effects of Wealth Transfer Provisions on the Issuer’s Financial Condition,” as to which no opinion is expressed),

“TAX RATE LIMITATIONS” (except for the last sentence of the fourth paragraph thereof), and “INVESTMENTS,” excluding any material that may be treated as included under such captions by cross-reference or reference to other documents or sources, and Bond Counsel is of the opinion that the statements and information contained therein are correct as to matters of law.

(vii) An opinion dated as of the date of the Closing and addressed to the Underwriters, of counsel for the Underwriters, to the effect that:

(1) the Bonds are exempted securities under the 1933 Act and the Trust Indenture Act and it is not necessary, in connection with the offering and sale of the Bonds, to register the Bonds under the 1933 Act and the Resolution need not be qualified under the Trust Indenture Act; and

(2) based upon their participation in the preparation of the Official Statement as counsel for the Underwriters and their participation at conferences at which the Official Statement was discussed, but without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement, such counsel has no reason to believe that the Official Statement contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (except for any financial, forecast, technical and statistical statements and data included in the Official Statement, the information regarding DTC and its book-entry-only system, as to which no view need be expressed);

(viii) A certificate, dated as of the date of the Closing, of an appropriate official of the Issuer to the effect that (i) the representations and warranties of the Issuer contained herein are true and correct in all material respects on and as of the date of the Closing as if made on the date of the Closing; (ii) except as described in the Official Statement, no litigation, proceeding or tax challenge against the Issuer is pending or, to the best of his or her knowledge, threatened in any court or administrative body nor is there a basis for litigation which would (a) contest the right of the trustees, officers or officials of the Issuer to hold and exercise their respective positions, (b) contest the due organization and valid existence of the Issuer, (c) contest the validity, due authorization and execution of the Bonds or the Issuer Documents or (d) attempt to limit, enjoin or otherwise restrict or prevent the Issuer from functioning and collecting ad valorem taxes, including payments on the Bonds, pursuant to the Resolution, and other income or the levy or collection of the ad valorem taxes pledged or to be pledged to pay the principal of and interest on the Bonds, or the pledge thereof; (iii) all official action of the Issuer relating to the Official Statement, the Bonds and the Issuer Documents have been duly taken by the Issuer, are in full force and effect and have not been modified, amended, supplemented or repealed; (iv) to the best of

his or her knowledge, no event affecting the Issuer has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein, in light of the circumstances under which made, not misleading in any material respect as of the time of the Closing, and the information relating to the Issuer contained in the Official Statement is correct in all material respects and, as of the date of the Official Statement did not, and as of the date of the Closing does not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading; and (v) there has not been any material adverse change in the financial condition of the Issuer since August 31, 2019, the latest date as of which audited financial information is available;

(ix) A certificate, dated as of the date of the Closing, of an appropriate official of the Issuer in form and substance satisfactory to Bond Counsel and counsel to the Underwriters setting forth the facts, estimates and circumstances in existence on the date of the Closing, which establish that it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the “Code”), and any applicable regulations (whether final, temporary or proposed), issued pursuant to the Code;

(x) The approving opinion of the Attorney General of the State and the registration certificate of the Comptroller of Public Accounts of the State in respect of the Bonds;

(xi) Any other certificates and opinions required by the Resolution for the issuance thereunder of the Bonds;

(xii) Evidence satisfactory to the Representative that the Bonds shall have the rating of “Aa1” from Moody’s Investors Service, Inc.; and

(xiii) Such additional legal opinions, certificates, instruments and other documents as Bond Counsel, the Representative or counsel to the Underwriters may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the date of the Closing, of the Issuer’s representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the Issuer on or prior to the date of the Closing of all the respective agreements then to be performed and conditions then to be satisfied by the Issuer.

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance reasonably satisfactory to the Representative.

If the Issuer shall be unable to satisfy the conditions to the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds contained in this Agreement, or if the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Agreement, this Agreement shall terminate and neither the Underwriters nor the Issuer shall be under any further obligation hereunder, except that the respective obligations of the Issuer and the Underwriters set forth in Sections 4 and 10 hereof shall continue in full force and effect.

9. ***Conditions to Obligations of the Issuer.*** The obligations of the Issuer hereunder to deliver the Bonds shall be subject to receipt on or before the date of the Closing of the purchase price set forth in Section 1 hereof, the opinion of Bond Counsel described in Section 8(j)(iv) hereof, and the opinion of the Attorney General of the State described in Section 8(j)(ix) hereof.

10. ***Termination.*** The Underwriters shall have the right to cancel its obligations to purchase the Bonds if, between the date of this Agreement and the Closing, the market price or marketability of the Bonds shall be materially adversely affected, in the reasonable judgment of the Underwriters and evidenced by a written notice to the Issuer terminating the obligation of the Underwriters to accept delivery of and pay for the Bonds, by the occurrence of any of the following:

(a) legislation shall be enacted by or introduced in the Congress of the United States or recommended to the Congress for passage by the President of the United States, or the Treasury Department of the United States or the Internal Revenue Service or any member of the Congress or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, a decision by a court of the United States or of the State or the United States Tax Court shall be rendered, or an order, ruling, regulation (final, temporary or proposed), press release, statement or other form of notice by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made or proposed, the effect of any or all of which would be to impose, directly or indirectly, federal income taxation upon interest received on obligations of the general character of the Bonds or the interest on the Bonds as described in the Official Statement, or other action or events shall have transpired which may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences of any of the transactions described herein;

(b) legislation introduced in or enacted (or resolution passed) by the Congress or an order, decree or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary, or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds, including any or all underlying arrangements, are not exempt from registration under or other requirements of the 1933 Act, or that the Resolution is not exempt from qualification under or other requirements of the Trust Indenture Act, or that the issuance, offering or sale of obligations of the general character of the Bonds, including any or all underlying arrangements, as

described herein or by the Official Statement or otherwise, is or would be in violation of the federal securities laws as amended and then in effect;

(c) a general suspension of trading in securities on the New York Stock Exchange or the NYSE MKT LLC, the establishment of minimum prices on either such exchange, the establishment of material restrictions (not in force as of the date hereof) upon trading securities generally by any governmental authority or any national securities exchange, a general banking moratorium declared by federal, State of New York, or State officials authorized to do so;

(d) the New York Stock Exchange or other national securities exchange or any governmental authority shall impose, as to the Bonds or as to obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriters, and such imposition materially adversely affects the Underwriters' ability to market the Bonds;

(e) any amendment to the federal or state Constitution or action by any federal or state court, legislative body, regulatory body or other authority materially adversely affecting the tax status of the Issuer, its property, income, securities (or interest thereon), or the validity or enforceability of the levy of taxes to pay principal of and interest on the Bonds;

(f) any state blue sky or securities commission or other governmental agency or body in any state in which more than 15% of the Bonds have been offered and sold shall have withheld registration, exemption or clearance of the offering of the Bonds as described herein, or issued a stop order or similar ruling relating thereto;

(g) any event occurring, or information becoming known which, in the reasonable judgment of the Representative, makes untrue in any material respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and the Issuer declines to amend or supplement the Official Statement pursuant to paragraph (d) of Section 4 of this Agreement;

(h) there shall have occurred since the date of this Agreement any materially adverse change in the affairs or financial condition of the Issuer, except for changes which the Official Statement discloses are expected to occur;

(i) there shall have occurred any (i) new material outbreak of hostilities involving the United States (including, without limitation, an act of terrorism) or escalation of any such hostility that existed prior to the date hereof, (ii) new material national or international calamity or crisis, or escalation of such event that existed prior to the date hereof, or (iii) material adverse change in the financial, political or economic conditions affecting the United States;

(j) any fact or event shall exist or have existed that, in the Representative's reasonable judgment, materially adversely affects the Representative's ability to market the Bonds and requires or has required an amendment of or supplement to the Official Statement;

(k) there shall have occurred or any notice shall have been given of any intended review for possible downgrade, downgrading, suspension, withdrawal or negative change in credit watch status by any national rating service to (1) any of the Issuer's outstanding obligations secured in a like manner as the Bonds (including any rating to be accorded the Bonds); and

(l) the purchase of and payment for the Bonds by the Underwriters, or the resale of the Bonds by the Underwriters, on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission; provided, however, that such prohibition shall occur subsequent to the date hereof and shall not be due to the malfeasance, misfeasance or nonfeasance of the Underwriters.

With respect to the condition described in subparagraph (1) above, the Underwriters are not aware of any current, pending or proposed law or government inquiry or investigation as of the date of execution of this Agreement which would permit the Underwriters to invoke their termination rights hereunder.

11. *Expenses.*

(a) The Underwriters shall be under no obligation to pay, and the Issuer shall pay, any expenses incident to the performance of the Issuer's obligations hereunder, including, but not limited to (i) the cost of preparation and printing of the Bonds, (ii) the fees and disbursements of Bond Counsel and the Issuer's Municipal Advisor; (iii) the fees and disbursements of any other engineers, accountants, and other experts, consultants or advisers retained by the Issuer; (iv) the fees for bond ratings; (v) the costs of preparing, printing and mailing the Preliminary Official Statement and the Official Statement; (vi) the fees and expenses of the Registrar; (vii) advertising expenses (except any advertising expenses of the Underwriters as set forth below); (viii) the out-of-pocket, miscellaneous and closing expenses, including the cost of travel, of the officers and trustees of the Issuer; (ix) the Attorney General's review fee; (x) fees and expenses of the Issuer's independent certified public accountants; and (xi) any other expenses mutually agreed to by the Issuer and the Underwriters to be reasonably considered expenses of the Issuer which are incident to the transactions described herein.

(b) The Underwriters shall pay (i) the cost of preparation and printing of this Agreement, the Blue Sky Survey and Legal Investment Memorandum, if any; (ii) all advertising expenses in connection with the public offering of the Bonds; and (iii) all other expenses incurred by it in connection with the public offering of the Bonds, including the fees and disbursements of counsel retained by the Underwriters and fees incurred in connection with the assignment of CUSIP numbers.

The Issuer acknowledges that the Underwriters will pay from the Underwriters' expense allocation of the underwriting discount, the applicable per bond assessment charged by the Municipal Advisory Council of Texas, a non-profit corporation whose purpose is to collect, maintain, and distribute information relating to issuing entities of municipal securities. The Representative has a representative on the Board of Directors of the Municipal Advisory Council of Texas.

12. **Notices.** Any notice or other communication to be given to the Issuer under this Agreement may be given by delivering the same in writing to Harris County Department of Education, 6300 Irvington Blvd., Houston, Texas 77022, Attention: Assistant Superintendent for Business/Chief Financial Officer; and any notice or other communication to be given to the Representative under this Agreement may be given by delivering the same in writing to JP Morgan Securities LLC, 712 Main St., Floor 5 North, Houston, Texas 77002, Attention: Curtis Flowers.

13. **Parties in Interest.** This Agreement as heretofore specified shall constitute the entire agreement between the Issuer and the Underwriters and is made solely for the benefit of the Issuer and the Underwriters (including successors or assigns of the Underwriters) and no other person shall acquire or have any right hereunder or by virtue hereof. This Agreement may not be assigned by the Issuer. All of the Issuer's representations, warranties and agreements contained in this Agreement shall remain operative and in full force and effect, regardless of (i) any investigations made by or on behalf of the Underwriters; (ii) delivery of and payment for the Bonds pursuant to this Agreement; and (iii) any termination of this Agreement.

14. **Effectiveness.** This Agreement shall become effective upon the acceptance hereof by the Issuer and shall be valid and enforceable at the time of such acceptance.

15. **Choice of Law.** This Agreement shall be governed by and construed in accordance with the laws of the State.

16. **Severability.** If any provision of this Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provision or provisions of any constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatever.

17. **Business Day.** For purposes of this Agreement, "business day" means any day on which the New York Stock Exchange is open for trading.

18. **Section Headings.** Section headings have been inserted in this Agreement as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this Agreement and will not be used in the interpretation of any provisions of this Agreement.

19. **Counterparts.** This Agreement may be executed in several counterparts each of which shall be regarded as an original (with the same effect as if the signatures thereto and

hereto were upon the same document) and all of which shall constitute one and the same document.

20. ***No Personal Liability.*** None of the members of the Board of Trustees, nor any officer, agent or employee of the Issuer, shall be charged personally by the Underwriters with any liability, or be held liable to the Underwriters under any term of provision of this Agreement, or because of execution or attempted execution, or because of any breach or attempted or alleged breach, of this Agreement.

21. ***Status of the Underwriters.*** The Issuer acknowledges and agrees that (i) the purchase and sale of the Bonds pursuant to this Agreement is an arm's-length commercial transaction between the Issuer and the Underwriters, (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of this transaction, the Underwriters is and has been acting solely as a principal and is not acting as the agent or fiduciary of the Issuer, (iii) the Underwriters have not assumed an advisory or fiduciary responsibility in favor of the Issuer with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (regardless of whether the Underwriters have provided other services or is currently providing other services to the Issuer on other matters) and the Underwriters have no obligation to the Issuer with respect to the offering contemplated hereby except the obligations expressly set forth in this Agreement, and (iv) the Issuer has consulted its own legal, financial and other advisors to the extent it has deemed appropriate. The Issuer recognizes that the Underwriters expect to profit from the acquisition and potential distribution of the Bonds.

[*Execution Page Follows*]

If you agree with the foregoing, please sign the enclosed counterpart of this Agreement and return it to the Representative. This Agreement shall become a binding agreement between the Issuer and the Underwriters when at least the counterpart of this letter shall have been signed by or on behalf of each of the parties hereto.

JPMORGAN SECURITIES LLC., as
Representative and for each Underwriter

By: _____
Name: _____
Title: _____

Accepted at _____ .m., this _____, 2020:

HARRIS COUNTY DEPARTMENT OF EDUCATION PUBLIC FACILITIES
CORPORATION

By: _____
Authorized Representative

Schedule I

Harris County Department of Education Maintenance Tax Notes, Series 2020

Dated Date: November 1, 2020

**SALE PRICES OF THE GENERAL RULE MATURITIES AND
INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES**

I. INITIAL OFFERING PRICES

<u>Maturity Date (February 15)</u>	<u>Principal</u>	<u>Interest Rate (%)</u>	<u>Initial Yield (%)^(c)</u>
2027			
2028			
2029			
2030			
2031 ^{(a)(b)}			
2032 ^{(a)(b)}			
2033 ^{(a)(b)}			
2034 ^{(a)(b)}			
2035 ^{(a)(b)}			
2036 ^{(a)(b)}			
2037 ^(a)			
2038 ^{(a)(b)}			
2039 ^{(a)(b)}			
2040 ^{(a)(b)}			

\$ _____ Term Bond

\$ _____, _____% Term Bond due February 15, 20 __, Price _____% ^{(a)(b)(c)}

II. MATURITIES FOR WHICH THE 10% TEST WAS SATISFIED ON THE SALE DATE

All

III. MATURITIES SUBJECT TO THE HOLD-THE-OFFERING-PRICE RULE

None

- (a) The Bonds maturing on and after February 15, 20 __, are subject to redemption prior to maturity at the option of the Issuer, in whole or in part, on February 15, 20 __, or any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption.
- (b) Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on February 15, 20 __, the first optional call date for the Bonds, at a redemption price of par, plus accrued interest to the redemption date.
- (c) The initial yields are established by and are the sole responsibility of the Underwriters, and may be subsequently changed at the discretion of the Underwriters.
- (d) Term Bonds. The Term Bonds are subject to mandatory sinking fund redemption on the dates and in the amounts set forth below:

\$4 _____ Term Bond Maturing February 15, 20 __					
Mandatory Redemption Dates (2/15)		Principal Amounts			
20 __ (maturity)					

EXHIBIT A

\$ _____

**HARRIS COUNTY DEPARTMENT OF EDUCATION MAINTENANCE TAX NOTES,
SERIES 2020**

CERTIFICATE REGARDING ISSUE PRICE

The undersigned hereby certifies with respect to the sale of the [NAME OF BOND ISSUE] (the “Bonds”), as follows:

1. The undersigned is a duly authorized representative of [NAME OF UNDERWRITER] which acted as the lead underwriter (the “Representative”) of the underwriting group that purchased the Bonds from the [ISSUER], pursuant to that Bond Purchase Agreement, dated [SALE DATE], and entered into by the [ISSUER] and the Representative on behalf of the underwriting group. In this capacity, I am familiar with the facts stated herein and am duly authorized to execute and deliver this certificate on behalf of the Underwriters.

2. The Underwriters have made a bona fide offering to the public of all the Bonds of each maturity at the respective initial offering prices (the “Initial Offering Prices”) set forth in the pricing wire attached hereto as Schedule I. The Initial Offering Prices are the first prices at which at least 10% of the Bonds of each maturity was sold to the public, [except for the Bonds maturing in the years _____ (the “Undersold Maturities”)].

3. As of the date hereof, other than the undersold maturities, the first price or yield at which at least 10% of each Maturity of the Bonds was sold by the Underwriters to the Public was the respective [Initial Offering Price or if actual sales at other than the initial offering price] set forth on Schedule I hereto. Attached hereto as Schedule I is also a copy of the final pricing wire for each Undersold Maturity or an equivalent communication. With respect to the Undersold Maturities, as agreed to in writing by the Representative in the Bond Purchase Agreement between the Issuer and the Representative, dated _____ [and based on information provided to the Representative by each of the Underwriters and all members of any selling group or retail distribution group], the Underwriters have not offered or sold any of the Undersold Maturities to any person at a price higher than or a yield lower than the respective Initial Offering Price for a period of time starting on the Sale Date and ending on the earlier of (a) the date on which 10% of the respective Undersold Maturity was sold at one or more prices no higher than or yields no lower than the Initial Offering Price by the Underwriter[s] or (b) the close of the fifth business day following the Sale Date.

4. The insurance premium (the “Insurance Premium”) The present value of the interest savings expected to be realized as a result of the insurance premium (the “Insurance Premium”) paid to insure the Bonds exceeds the present value of the Insurance Premium discounted at a rate equal to the yield on the Bonds which results assuming recovery of the Insurance Premium. Also, the Insurance Premium does not exceed a reasonable arms-length charge for the transfer of credit risk.

5. The sum of the Initial Offering Prices is \$_____, [plus pre-issuance accrued interest in the amount of \$_____. OR The Bonds were issued without pre-issuance accrued interest,]

6. For purposes of this Certificate, the following definitions apply.

“Maturity” means bonds with the same credit and payment terms. Bonds with different maturity dates, or bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

“Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to an Underwriter.

“Related Party” means any entity if an Underwriter and such entity are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profit interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

“Underwriter” means (i) any person that agrees pursuant to a written contract with the issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The [ISSUER] may rely on the statements made herein in connection with making certain representations set forth in the Federal Tax Certificate to which this Certificate is attached and in its efforts to comply with the conditions imposed by the Internal Revenue Code of 1986, as amended, regarding the exclusion from gross income interest on the Bonds. Further, Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Bond Counsel, may also rely on this Certificate of Underwriters for purposes of its opinion that interest on the Bonds is excludable from gross income for federal income tax purposes and the preparation of the Internal Revenue Service Form 8038-G.

JPMORGAN SECURITIES LLC

By: _____

Name: _____

Title: _____

Dated: _____, 2020

SCHEDULE I

Schedule A

SCHEDULE B
PRICING WIRE OR EQUIVALENT COMMUNICATION

(Attached)

Schedule B

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 5, 2020

Rating: Moody's Investors Service: "___"
(See "OTHER INFORMATION-Rating" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Department, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

\$27,730,000*
HARRIS COUNTY DEPARTMENT OF EDUCATION PUBLIC FACILITIES CORPORATION
(Harris County, Texas)
LEASE REVENUE BONDS, SERIES 2020

Dated Date: November 1, 2020

Due: as shown on the inside cover page hereof

The Harris County Department of Education Public Facilities Corporation Lease Revenue Bonds, Series 2020 (the "Bonds") will be issued as fully registered bonds in denominations of \$5,000 or integral multiples thereof, registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"), acting as securities depository for the Bonds until DTC resigns or is discharged. No physical delivery of the Bonds will be made to the beneficial owners thereof. So long as Cede & Co. is the registered owner of the Bonds, as nominee for DTC, the Bonds shall be payable to Cede & Co., which will, in turn, remit such amounts to DTC participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS-Book-Entry-Only System."

Interest on the Bonds will accrue from the Dated Date above and will be paid semiannually each February 15 and August 15 until maturity or prior redemption, commencing February 15, 2021. Principal of and interest on the Bonds will be payable to Cede & Co., as registered owner of the Bonds. The Bonds are being issued pursuant to a resolution adopted by the Board of Directors of the Harris County Department of Education Public Facility Corporation (the "Corporation") under the authority of and in full conformity with the laws of the State of Texas, particularly the provisions of the Public Facility Corporation Act, Chapter 303, Texas Local Government Code, as amended (the "Act") and a trust indenture dated as of November 1, 2020 (the "Trust Indenture"), between the Corporation and BOKF, NA, Houston, Texas, as trustee (the "Trustee"). The Bonds are being issued to finance the acquisition, construction, renovation, improvement, repair and equipment of land and buildings to be used for administration and expansion of Harris County Department of Education (the "Department") programs and offices, fund any necessary reserve funds and pay the costs of issuing the Bonds.

The principal of and interest on the Bonds are payable from lease payments to be made by the Department (the "2020 Rental Payments") to the Corporation pursuant to a Lease With an Option to Purchase Relating to Educational and Support Facilities, dated as of November 1, 2020 (the "Lease"), as authorized by Section 271.004, Texas Local Government Code, as amended. The 2020 Rental Payments are due at such times and in such amounts as will be sufficient to pay the principal of and interest on the Bonds, as and when the same become due. The Corporation will grant a leasehold mortgage lien on and first deed of trust title to the Project (as defined herein) to the Trustee on behalf of the owners of the related Bonds pursuant to a Deed of Trust, Security Agreement, Assignment of Rents and Leases and Financing Statement.

The obligation of the Department to make the 2020 Rental Payments is a current expense of the Department, payable solely from funds annually appropriated by the Department for such use from (i) any lawfully available funds received by the Department from normal operations of the Department, (ii) any unintended surplus equalization tax funds of the Department at the end of each fiscal year after payment of all maintenance and operating expenses for that year and (iii) any other lawfully available funds of the Department. The Lease may be terminated annually by the Department without any penalty. There can be no assurance that the Department will annually renew the Lease. If the Lease is terminated, the Department will have no further obligation to make the 2020 Rental Payments regardless of whether any of the Bonds remain outstanding. The Bonds shall rank on a basis of parity with certain outstanding obligations of the Corporation. The Corporation has previously issued its Lease Revenue Refunding Bonds, Series 2014, Lease Revenue Refunding Bonds, Series 2015 and Lease Revenue Bonds, Series 2016. The aggregate amount currently outstanding is \$9,250,000.

The Lease and the obligations of the Department thereunder do not constitute a pledge, a liability, or a charge upon the funds of the Department and do not constitute a debt or general, special or moral obligation of the State of Texas, the Corporation, Harris County, Texas, the Department, the Districts (as defined herein) or any other political subdivision of the State of Texas. Neither the faith and credit nor the taxing power of the State of Texas, Harris County, Texas, the Department, the Districts or any other political subdivision of the State of Texas has been pledged to the payment of the principal of or interest on the Bonds.

The Bonds maturing on February 15, ___ are subject to optional redemption in whole or in part on February 15, ___ or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS—Optional Redemption" herein.

SEE MATURITY SCHEDULE ON THE INSIDE COVER PAGE

The Bonds are offered for delivery when, as and if issued and received by the underwriters named below (the "Underwriters") and will be subject to the approving opinion of the Attorney General of Texas and the approval of certain legal matters by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Bond Counsel (see "APPENDIX D – FORM OF BOND COUNSEL'S OPINION" attached hereto). The Bonds are expected to be available for delivery in Houston, Texas, on or about November 17, 2020. Certain legal matters will be passed upon for the Underwriters by their counsel, Holland & Knight LLP, Houston, Texas.

Estrada Hinojosa

**J.P. Morgan
Hilltop Securities**

RBC Capital Markets, Inc.

* Preliminary, subject to change.

MATURITY SCHEDULE

**HARRIS COUNTY DEPARTMENT OF EDUCATION PUBLIC FACILITIES CORPORATION
(Harris County, Texas)
\$27,730,000* LEASE REVENUE BONDS, SERIES 2020**

Maturity	Principal Amount*	Interest Rate	Initial		Maturity	Principal Amount*	Interest Rate	Initial	
			Reoffering Yield^(b)	CUSIP No^(c)				Reoffering Yield^(b)	CUSIP No^(c)
2/15/2024	\$ 655,000	%	%		2/15/2035 ^(a)	\$ 1,140,000	%	%	
2/15/2025	675,000				2/15/2036 ^(a)	1,190,000			
2/15/2026	715,000				2/15/2037 ^(a)	1,240,000			
2/15/2027	830,000				2/15/2038 ^(a)	1,285,000			
2/15/2028	860,000				2/15/2039 ^(a)	1,340,000			
2/15/2029	900,000				2/15/2040 ^(a)	1,395,000			
2/15/2030 ^(a)	935,000				2/15/2041 ^(a)	1,925,000			
2/15/2031 ^(a)	975,000				2/15/2042 ^(a)	2,000,000			
2/15/2032 ^(a)	1,010,000				2/15/2043 ^(a)	2,085,000			
2/15/2033 ^(a)	1,050,000				2/15/2044 ^(a)	2,170,000			
2/15/2034 ^(a)	1,095,000				2/15/2045 ^(a)	2,260,000			

(Interest to accrue from the Delivery Date)

* Preliminary, subject to change.

^(a) The Bonds maturing on or after February 15, __, are subject to optional redemption in whole or in part on February 15, 20__ or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest from the most recent interest payment date to the date of redemption.

^(b) The initial yields at which Bonds are priced are established by and are the sole responsibility of the Underwriters.

^(c) CUSIP numbers have been assigned to this issue by the CUSIP Global Services managed by Standard and Poor's Financial Services LLC on behalf of the American Bankers Association and are included solely for the convenience of the purchasers of the Bonds. None of the Department, the Financial Advisor, or the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

CORPORATION AND DEPARTMENT OFFICIALS, STAFF AND CONSULTANTS

Board of Directors

President	Rich Vela
Vice President	Don Summers
Second Vice President	Richard Cantu
Secretary/Treasurer	Jesus Amezcua
Member	James Colbert, Jr.
Member	Danny Norris
Member	Joe Carreon

Harris County Department of Education

Board of Trustees

President	Eric Dick
Vice President	Danyahel (Danny) Norris
Secretary	James Colbert, Jr.
Member	Richard Cantu
Member	Andrea Duhon
Member	Amy Flores Hinojosa
Member	Don Summers
Member	Mike Wolfe

Appointed Officials

County School Superintendent	James Colbert, Jr.
Assist. Superintendent – Business Services	Jesus Amezcua
Executive Director – Facilities Support	Richard Vela

Consultants and Advisors

Certified Public Accountant	Whitley Penn LLP
Orrick, Herrington & Sutcliffe LLP	Bond Counsel
Financial Advisor	USCA Municipal Advisors, LLC

USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission and in effect on the date hereof, this document may be treated as an Official Statement of the Corporation with respect to the Bonds that has been "deemed final" by the Corporation as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.

The information set forth herein has been obtained from the Corporation and the Department and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor or the Underwriters. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Corporation and the Department or other matters described herein. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Corporation's and the Department's undertaking to provide certain information on a continuing basis.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The agreements of the Corporation and the Department and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the purchasers of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

- The Department**..... The Harris County Department of Education (the “Department”) operates as an independent school district under the laws of the State of Texas (the “State”). The Department is located in Harris County, Texas. See “THE DEPARTMENT” herein.
- The Corporation** The Corporation is a not-for-profit public corporation and instrumentality of the Department, formed on behalf of the Department pursuant to the Public Facility Corporation Act, Chapter 303 (the “Act”) and a resolution of the Board of Trustees of the Department. The Corporation was formed for the purpose of acquiring, constructing, and financing educational and support facilities for the Department. See “THE CORPORATION” herein.
- The Bonds** The Bonds are being issued in the principal amounts and mature on the dates set forth on the inside cover page hereof. The Bonds bear interest from the date of delivery, at the rates per annum set forth on the inside cover hereof, which interest is payable each August 15 and February 15, commencing February 15, 2021, until maturity or prior redemption. See “THE BONDS—Description” herein.
- Authority for Issuance** .. The Bonds are being issued pursuant to a resolution adopted by the Board of Directors of the Corporation under the authority of and in full conformity with the laws of the State of Texas, particularly the provisions of the Act and a trust indenture dated as of November 1, 2020 (the “Trust Indenture”), between the Corporation and BOKF, NA., Houston, Texas, as trustee (the “Trustee”).
- Use of Proceeds**..... Proceeds from the sale of the Bonds will be used for: (i) the acquisition of land and the construction, improvement and equipment of buildings to be used for the Project (as defined herein) and (ii) paying the costs of issuing the Bonds. See “THE BONDS—Sources and Uses of Funds” herein.
- Security for Bonds** The principal of and interest on the Bonds are payable solely from the 2020 Rental Payments (defined herein) to be made by the Department and from certain funds realized from the lease, sale, transfer or other disposition of the related Project. The obligation of the Department to pay the 2020 Rental Payments is limited to those funds which are received by the Department pursuant to Interlocal Contracts with the Districts (defined herein), each of which is subject to annual appropriation by each respective District, and are specifically budgeted by the Department for the 2020 Rental Payments. See “REMEDIES” and “RISK FACTORS” herein.
- Redemption** The Bonds maturing on or after February 15, __ are subject to optional redemption, in whole or in part, on February 15, 20__ or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest from the most recent interest payment date to the date of redemption. See “THE BONDS—Optional Redemption” herein. Additionally, if the principal amounts designated in the serial maturity schedule on the inside cover page hereof are combined to create one or more term notes (“Term Bonds”), each such Term Bond shall be subject to mandatory sinking fund redemption. See “THE BONDS - Mandatory Sinking Fund Redemption.”
- Tax Exemption**..... In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under “TAX MATTERS” herein, including the alternative minimum tax on corporations.
- Rating** Moody’s Investors Service (“Moody’s”) has assigned its municipal bond rating of “__” to the Bonds. See “OTHER INFORMATION-Rating” herein.
- Book-Entry-Only System**..... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. The Bonds will be issued in principal denominations of \$5,000 or any integral multiple thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “THE BONDS-Book-Entry-Only System” herein.

*Preliminary, subject to change.

**HARRIS COUNTY DEPARTMENT OF EDUCATION PUBLIC FACILITIES CORPORATION
(Harris County, Texas)**

**\$27,730,000*
LEASE REVENUE BONDS, SERIES 2020**

INTRODUCTION

This Official Statement, including the Appendices hereto, provides certain information regarding the issuance of the Harris County Department of Education Public Facilities Corporation Lease Revenue Bonds, Series 2020 (the “Bonds”). Except as otherwise indicated herein, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the resolution (the “Resolution”) to be adopted by the Board of Directors (the “Board of Directors”) of the Harris County Department of Education Public Facilities Corporation (the “Corporation”) authorizing the issuance of the Bonds.

There follows in this Official Statement descriptions of the Bonds and certain information regarding the County School Trustees of Harris County, State of Texas (d/b/a Harris County Department of Education) (the “Department”) and the Corporation. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the Financial Advisor, USCA Municipal Advisors, LLC, Houston, Texas, by electronic mail or upon payment of reasonable handling, mailing, and delivery charges.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. Copies of the final Official Statement pertaining to the Bonds will be deposited with the Municipal Securities Rulemaking Board at www.emma.msrb.org. See “CONTINUING DISCLOSURE OF INFORMATION” herein for a description of the Corporation’s and the Department’s undertaking to provide certain information on a continuing basis.

PLAN OF FINANCING

The Corporation is a public not-for-profit corporation, the creation of which was sponsored by the Department pursuant to the Public Facility Corporation Act, Chapter 303, Texas Local Government Code, as amended (the “Act”). The Act authorizes the creation and utilization by governmental sponsors of public facility corporations to issue bonds to provide for the acquisition, construction, rehabilitation, renovation, repair, equipping, furnishing, and placing in service of public facilities of its governmental sponsor and further authorizes the governmental sponsor to incur obligations (such as a lease purchase contract) in favor of the corporation to serve as security for the bonds to be issued by the corporation.

The Project

Proceeds from the sale of the Bonds will be issued in connection with certain Department facilities projects, including, without limitation, future Department capital improvement projects, such as a new Academic and Behavior School East Campus, a new Adult Education Center, a new Highpoint East Campus, and Irvington Administration Building Renovations (collectively, the “Project”).

Authority for Issuance

The Bonds are issued pursuant to authority conferred by the Constitution and laws of the State of Texas, including particularly the Act and the Public Property Finance Act, Chapter 271, Subchapter A, Texas Local Government Code (the “Public Property Finance Act”).

Security and Source of Payment

The Bonds secured by a Trust Indenture, dated as of November 1, 2020 (the “Trust Indenture”), between the Corporation and BOKF, NA, Houston, Texas, as trustee (the “Trustee”). The Bonds are being issued to finance the Project pursuant to the Act and the Public Property Finance Act. The Corporation and the Department will enter into a Lease With an Option to Purchase Relating to Educational and Support Facilities, dated as of November 1, 2020 (the “Lease”), pursuant to the terms of which the Department will pay to the Corporation such rental payments (the “2020 Rental Payments”) at such times and in such amounts as will be sufficient to pay the principal of and interest on the Bonds, as and when the same become due. Section 271.004 of the Public Property Finance Act authorizes the Department to acquire real property and improvements thereto through a lease purchase contract, provided that the Department publishes a notice of intent to enter into such contract at least 60 days prior to authorizing its execution. The Department published the required notice for the Project on _____, 2020.

*Preliminary, subject to change.

To secure its obligations under the Trust Indenture, the Corporation will grant leasehold mortgage liens on and first deeds of trust title to the land, buildings and fixtures comprising the Project, and will assign and pledge the Corporation's interest in the leases, rents, profits, income, damages, awards and proceeds from or attributable to the Project and personal property acquired by the Corporation with the proceeds of the Bonds for the use and benefit of the Trustee, on behalf of the registered owners of the Bonds pursuant to a Leasehold Deed of Trust, Security Agreement, Assignment of Rents and Leases and Financing Statement, dated as of November 1, 2020 (the "Mortgage"). The Trust Indenture, the Lease and the Mortgage are collectively referred to herein as the "Financing Documents."

The Project will be subject to foreclosure in the event the Department fails to make payments under the Lease. The approval of the Lease is intended to provide for the issuance by the Corporation of bonds (the "Bonds") in an amount sufficient to provide for (i) the construction, improvement and equipment and a building to be used for the Project, (ii) funding any necessary reserve fund, and (iii) payment of the cost of issuance of the Bonds. Title to the Project will be retained by the Corporation until the Department has made all of the payments due under the Lease. The obligation of the Department to make the 2020 Rental Payments is a current expense of the Department, payable solely from funds annually appropriated by the Department for such use from (i) any lawfully available funds received by the Department from normal operations of the Department, (ii) any unintended surplus equalization tax funds of the Department at the end of each fiscal year after payment of all maintenance and operating expenses for that year and (iii) any other lawfully available funds of the Department. The Lease may be terminated annually by the Department without any penalty. There can be no assurance that the Department will annually renew the Lease. If the Lease is terminated, the Department will have no further obligation to make the 2020 Rental Payments regardless of whether any of the related Bonds remain outstanding. See Appendix C-Pro Forma herein.

The Bonds shall rank on a basis of parity with certain outstanding obligations of the Corporation. The Corporation has previously issued its Lease Revenue Refunding Bonds, Series 2014, Lease Revenue Refunding Bonds, Series 2015 and Lease Revenue Bonds, Series 2016 (collectively, the "Outstanding Parity Bonds"). The aggregate amount outstanding is \$9,250,000.

THE OBLIGATION OF THE DEPARTMENT TO MAKE RENTAL PAYMENTS IS A CURRENT EXPENSE OF THE DEPARTMENT, PAYABLE SOLELY FROM FUNDS ANNUALLY APPROPRIATED BY THE DEPARTMENT FOR SUCH USE FROM (1) ANY LAWFULLY AVAILABLE FUNDS RECEIVED BY THE DEPARTMENT PURSUANT TO ANY INTERLOCAL CONTRACT WITH EACH DISTRICT, (2) ANY UNINTENDED SURPLUS EQUALIZATION TAX FUNDS OF THE DEPARTMENT AT THE END OF EACH FISCAL YEAR AFTER PAYMENT OF ALL MAINTENANCE AND OPERATING EXPENSES FOR THAT YEAR AND (3) ANY OTHER LAWFULLY AVAILABLE FUNDS OF THE DEPARTMENT. THE DEPARTMENT IS NOT OBLIGATED TO MAKE ANY ANNUAL APPROPRIATION OF RENTAL PAYMENTS NOR ARE THE DISTRICTS OBLIGATED TO ANNUALLY APPROPRIATE FUNDS FOR THEIR RESPECTIVE INTERLOCAL CONTRACTS. SEE "RISK FACTORS - REMEDIES."

THE LEASE AND THE OBLIGATIONS OF THE DEPARTMENT THEREUNDER DO NOT CONSTITUTE A PLEDGE, A LIABILITY OR A CHARGE UPON THE FUNDS OF THE DEPARTMENT AND DO NOT CONSTITUTE A DEBT OR GENERAL OBLIGATION OF THE STATE OF TEXAS, HARRIS COUNTY, TEXAS, THE CORPORATION, THE DEPARTMENT OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF TEXAS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, HARRIS COUNTY, TEXAS, THE DEPARTMENT, THE DISTRICTS OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF TEXAS HAS BEEN PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS.

THE OBLIGATION OF THE CORPORATION WITH RESPECT TO THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS IS A SPECIAL, LIMITED AND NON-RECOURSE OBLIGATION PAYABLE SOLELY FROM THE RENTAL PAYMENTS PAYABLE BY THE DEPARTMENT PURSUANT TO THE RELATED LEASE. THE BONDS DO NOT CONSTITUTE AN OBLIGATION, EITHER SPECIAL, GENERAL OR MORAL, OF THE DEPARTMENT, THE STATE, HARRIS COUNTY, TEXAS, THE DISTRICTS OR ANY OTHER POLITICAL SUBDIVISION THEREOF. THE CORPORATION HAS NO TAXING POWER.

RISK FACTORS

THE PURCHASE OF THE BONDS IS SUBJECT TO CERTAIN RISKS. EACH PROSPECTIVE INVESTOR IN THE BONDS SHOULD READ THIS OFFICIAL STATEMENT IN ITS ENTIRETY INCLUDING ITS APPENDICES. PARTICULAR ATTENTION SHOULD BE GIVEN TO THE FACTORS DESCRIBED HEREIN WHICH, AMONG OTHERS, COULD AFFECT THE PAYMENT OF DEBT SERVICE ON THE BONDS, AND WHICH COULD ALSO AFFECT THE MARKETABILITY OF THE BONDS TO AN EXTENT THAT CANNOT BE DETERMINED.

Non-Appropriation

The principal of and interest on the Bonds are payable solely from the related the 2020 Rental Payments to be made by the Department and from certain funds realized from the lease, sale, transfer or other disposition of the related Project. See "REMEDIES" herein. The obligation of the Department to pay the 2020 Rental Payments is limited to those funds which are revenues received by the Department from its operations.

There can be no assurance that the Department will annually appropriate funds to pay the 2020 Rental Payments. Accordingly, the likelihood

that there will be sufficient funds to pay the principal of and interest on the Bonds is dependent upon certain factors which are beyond the control of the registered owners of the Bonds, including (a) the continuing need of the Department for all or any portion of the Project, (b) the ability of the Department to obtain funds to make the 2020 Rental Payments, (c) the demographic conditions within the service area of the Department, and (d) the continuing need by the Districts of the Department's services.

UPON THE DEPARTMENT'S FAILURE TO INCLUDE IN ITS ADOPTED BUDGET FOR THE NEXT FISCAL YEAR THE APPROPRIATION OF AN AMOUNT (NET OF ANY FUNDS THEN ON DEPOSIT IN THE RELATED PAYMENT ACCOUNT OR ANTICIPATED TO BE ON DEPOSIT THEREIN PRIOR TO THE BOND PAYMENT DATE DURING SUCH FISCAL YEAR) SUFFICIENT, OR REDUCTION OF ANY APPROPRIATION TO AN AMOUNT INSUFFICIENT, TO PAY THE RENTAL PAYMENTS FOR A LEASE DURING SUCH FISCAL YEAR (AN "EVENT OF NON-APPROPRIATION"), SUCH LEASE WILL TERMINATE WITHOUT FURTHER DEMAND OR NOTICE AT THE END OF THE THEN CURRENT FISCAL YEAR FOR WHICH SUFFICIENT RENTAL PAYMENTS HAVE BEEN MADE. SEE "REMEDIES" BELOW. THE DEPARTMENT HAS NO OBLIGATION TO ADOPT OR MAINTAIN A BUDGET TO AVOID A TERMINATION OF A LEASE OR TO MAKE RENTAL PAYMENTS SUBSEQUENT TO THE TERMINATION OF A LEASE UPON THE OCCURRENCE OF AN EVENT OF NON-APPROPRIATION. IF THE DEPARTMENT FAILS TO APPROPRIATE SUFFICIENT FUNDS TO MAKE RENTAL PAYMENTS, IT IS PROBABLE THAT THERE WILL NOT BE SUFFICIENT FUNDS TO PAY THE RELATED SERIES OF BONDS WHEN DUE.

Remedies

Remedies provided in the Financing Documents may be unenforceable as a result of the application of principles of equity or of state and federal laws relating to bankruptcy, other forms of debtor relief, and creditors' rights generally. The enforcement of certain remedies may be subject to applicable principles of public policy which may require that the Department be given sufficient time to vacate the Project before the foreclosure remedy may be enforced.

Rental Payments of the Department

The obligation of the Department to make the 2020 Rental Payments will be satisfied from the funds of the Department which are annually appropriated for such use. The primary source of these appropriated funds will be derived from revenues from operations of the Department. Further, the Department may enter into other obligations which may constitute additional charges against the funds from which the 2020 Rental Payments, may be appropriated. To the extent additional obligations are incurred by the Department, the funds available to appropriate for the 2020 Rental Payments may be decreased.

No-Recourse Obligation

The purchase of a Bond offered hereby is without recourse to the Corporation, the Department, the Trustee, the Districts or the Underwriter, and the Bondholders must assume the entire risk that the Department will meet its obligations under the Lease and that the Department will continue to appropriate funds sufficient to pay the 2020 Rental Payments as such payments become due. The only obligation of the Corporation is to provide the Department continued quiet enjoyment of the Project, so long as the Department is not in default under the Lease. The Department's ability to perform its obligations under the Lease and the willingness to appropriate money for the Lease could be affected by the financial condition of the Department.

THE BONDS

Description

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by the Resolution which may be obtained upon request to the Corporation.

The Bonds are dated November 1, 2020 (the "Dated Date"). The Bonds mature on February 15 in each of the years and in the amounts shown on the inside cover page hereof. Interest on the Bonds will accrue from the date of delivery to the Underwriters (the "Delivery Date") and will be payable each August 15 and February 15, commencing February 15, 2021, until maturity or earlier redemption. Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 of principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and accrued interest on the Bonds be payable by the Paying Agent/Registrar, initially BOKF, NA, Houston, Texas (the "Paying Agent/Registrar") to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS-Book-Entry-Only System" herein.

Use of Proceeds

Proceeds from the sale of the Bonds will be used to: (i) acquisition of land and the construction and equipment of buildings to be used for the Project and (ii) paying the costs of issuing the Bonds. See “THE BONDS—Sources and Uses of Funds” herein.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC, while the Bonds are registered in its nominee name. The information in this section concerning DTC and the book-entry-only system has been provided by DTC for use in disclosure documents such as this Official Statement. The Corporation, the Department, the Financial Advisor and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The Corporation cannot and does not give any assurance that (1) DTC will distribute payment of debt service on the Bonds, or redemption or other notices to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of “AA+.” The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmations from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee, do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation or the Paying Agent/Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest payments on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation or the Paying Agent/Registrar. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and reimbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Corporation or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered. Discontinuance by the Corporation of use of the system of book-entry transfers through DTC may require compliance with DTC operational arrangements.

The Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Discontinuance of the system of book-entry-only transfers by the Corporation may require the consent of Participants under DTC's operational arrangements. In that event, Bond certificates will be printed and delivered.

Use of Certain Terms in Other Sections of this Official Statement.

In reading this Official Statement it should be understood that while the Bonds are in the book-entry-only system, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry-only system, and (ii) except as described above, notices that are to be given to registered owners under the Resolution will be given only to DTC.

Trustee

The initial Paying Agent/Registrar is BOKF, NA., Houston, Texas. In the Trust Indenture, the Corporation retains the right to replace the Trustee. The Corporation covenants to maintain and provide a Trustee for the Trust Indenture at all times while any Bonds are outstanding and any successor Trustee shall be a commercial bank or trust company organized under the laws of the United States or any state and duly qualified and legally authorized to serve as and perform the duties and services of Trustee. Upon any change in the Trustee for the Bonds, the Corporation agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Trustee.

Transfer, Exchange and Registration

In the event the book-entry-only system should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar at its designated payment office and such transfer or exchange shall be without expenses or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bond or Bonds being transferred or exchanged, at the designated payment office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 of principal for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See "THE BONDS-Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Redemption

Optional Redemption. The Bonds maturing on or after February 15, ___ are subject to optional redemption in whole or in part on February 15, ___ or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest from the most recent interest payment date to the date of redemption. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Mandatory Sinking Fund Redemption. In addition to the foregoing optional redemption provision, if principal amounts designated in the serial maturity schedule on the inside cover page hereof are combined by the Underwriters to create Term Bonds, each such Term Bond shall be subject to mandatory sinking fund redemption commencing on February 15 of the first year which has been combined to form such Term Bond and continuing on February 15 in each year thereafter until the stated maturity date of that Term Bond, and the amount required to be redeemed in any year shall be equal to the principal amount for such year set forth in the serial maturity schedule on the inside cover page hereof.

The particular Term Bonds to be mandatorily redeemed shall be selected by lot or other customary random selection method. The principal amount of the Term Bonds to be mandatorily redeemed on such Mandatory Redemption date shall be reduced by the principal amount of such Term Bond which, by the 45th day prior to such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the Corporation to the Paying Agent/Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

Redemption at the Option of the Trustee Upon Termination of Lease. Upon termination of the Lease, the Bonds shall be subject to redemption at the option of the Trustee, in whole, but not in part, on any Bond Payment Date at a redemption price equal to the principal of and accrued interest on the Bonds to the date set for redemption. If a policy of municipal bond insurance is then in effect for the Bonds, this redemption can occur only upon the Bond Insurer's written direction to the Trustee and the Bond Insurer's written agreement that the bond insurance policy will cover the redemption price of the Bonds redeemed.

Notice of Redemption

Not less than 30 days prior to a redemption date for the Bonds, the Paying Agent/Registrar shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Resolution have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption is conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the Corporation will not redeem such Bonds, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that such Bonds have not been redeemed.

Defeasance

The Resolution provides that the Bonds may be defeased in any manner now or hereafter permitted by law. Under current Texas law, such discharge may be accomplished either: (i) by depositing with the Paying Agent/Registrar or other lawfully authorized entity a sum of money equal to the principal and all interest to accrue on the Bonds to maturity, and/or (ii) by depositing with the Paying Agent/Registrar or other lawfully authorized entity amounts sufficient, together with the investments earnings thereon, to provide for the payment of such Bonds; provided that such deposits may be invested and reinvested only in (a) direct non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America; (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the Department adopts or approves the proceedings authorizing the issuance of refunding obligations, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the Department adopts or approves the proceedings authorizing the issuance of refunding obligations to refund the Bonds, as applicable, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; or (iii) any combination of (i) and (ii) above. The foregoing obligations may be in book-entry form and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment of the Bonds. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above

to be made with amounts deposited to defease the Bonds. Because the Resolution does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used to defease the Bonds or those for any other securities used to defease the Bonds will be maintained at any particular rating category.

Record Date for Interest Payment

The record date (“Record Date”) for the interest payable on the Bonds on any interest payment date means the close of business on the last business day of the month preceding such interest payment date. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a “Special Record Date”) will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Department. Notice of the Special Record Date and of the scheduled payment date of the past due interest (“Special Payment Date,” which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each holder of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day preceding the date of mailing of such notice.

Estimated Debt Service Requirement on the Bonds and Outstanding Parity Bonds

FYE	Outstanding	The Bonds			Total
	Debt Service	Principal*	Interest*	Total*	Debt Service*
2021	\$ 2,467,613	\$ -	\$ 970,550	\$ 970,550	\$ 3,438,163
2022	2,463,032	-	1,109,200	1,109,200	3,572,232
2023	2,457,479	-	1,109,200	1,109,200	3,566,679
2024	750,912	655,000	1,096,100	1,751,100	2,502,012
2025	758,648	675,000	1,069,500	1,744,500	2,503,148
2026	746,216	715,000	1,041,700	1,756,700	2,502,916
2027	-	830,000	1,010,800	1,840,800	1,840,800
2028	-	860,000	977,000	1,837,000	1,837,000
2029	-	900,000	941,800	1,841,800	1,841,800
2030	-	935,000	905,100	1,840,100	1,840,100
2031	-	975,000	866,900	1,841,900	1,841,900
2032	-	1,010,000	827,200	1,837,200	1,837,200
2033	-	1,050,000	786,000	1,836,000	1,836,000
2034	-	1,095,000	743,100	1,838,100	1,838,100
2035	-	1,140,000	698,400	1,838,400	1,838,400
2036	-	1,190,000	651,800	1,841,800	1,841,800
2037	-	1,240,000	603,200	1,843,200	1,843,200
2038	-	1,285,000	552,700	1,837,700	1,837,700
2039	-	1,340,000	500,200	1,840,200	1,840,200
2040	-	1,395,000	445,500	1,840,500	1,840,500
2041	-	1,925,000	379,100	2,304,100	2,304,100
2042	-	2,000,000	300,600	2,300,600	2,300,600
2043	-	2,085,000	218,900	2,303,900	2,303,900
2044	-	2,170,000	133,800	2,303,800	2,303,800
2045	-	2,260,000	45,200	2,305,200	2,305,200
	<u>\$ 9,643,900</u>	<u>\$ 27,730,000</u>	<u>\$ 17,983,550</u>	<u>\$45,713,550</u>	<u>\$ 55,357,450</u>

* Preliminary, subject to change. Interest is shown for illustration purposes only.

Sources and Uses of Funds

Proceeds from the sale of the Bonds will be applied in the amounts shown below.

<u>Sources of Funds</u>	
Par Amount of Bonds	\$
[Net] Original Issue Premium/Discount	
Total	\$
<u>Uses of Funds</u>	
Deposit to Project Fund	\$
Costs of Issuance	
Underwriters' Discount	
Deposit to Debt Service Fund (Additional Proceeds)	
Total	\$

SECURITY FOR THE BONDS

Trust Estate

The Bonds are issued under the Trust Indenture and are secured by a Trust Estate related to the Project and the Lease. The Trust Estate includes (i) all right, title and interest of the Corporation with respect to the Lease and any other instrument or document relating to the Project or the financing thereof, (ii) all right, title and interest of the Corporation in and to all the 2020 Rental Payments under the Lease, as well as all other income, charges and funds realized from the lease, sale, transfer or other disposition of the Project, (iii) a first security lien on the Project and (iv) all funds and investments in all accounts established under the Trust Indenture other than the Rebate Account in which the Bondholders shall have no interest.

Rental Payments

The Department is required to pay to the Trustee, for the account of the Corporation, the 2020 Rental Payments under the Lease from Available Funds (defined below) prior to the interest and principal payment date for so long as the Lease is in effect. The amount of the Rental Payment required under the Lease is equal to an amount of money which, when added to the amount then on deposit in the related Payment Account, will equal the amount of principal and/or interest to become due on the related series of Bonds on such next payment date. **THE OBLIGATIONS OF THE DEPARTMENT UNDER THE LEASE, INCLUDING ITS OBLIGATION TO PAY THE RENTAL PAYMENTS, CONSTITUTE A CURRENT EXPENSE OF THE DEPARTMENT IN EACH FISCAL YEAR SUBJECT TO ANNUAL APPROPRIATION, AND DO NOT CONSTITUTE AN INDEBTEDNESS OF THE DEPARTMENT WITHIN THE MEANING OF THE LAWS OF THE STATE. NOTHING IN THE LEASE IS TO CONSTITUTE A PLEDGE BY THE DEPARTMENT OF ANY TAXES OR OTHER MONEY, OTHER THAN AVAILABLE FUNDS FOR THE CURRENT FISCAL YEAR, TO THE PAYMENT OF RENTAL PAYMENTS DUE THEREUNDER. SEE " RISK FACTORS - Non-Appropriation."** The term "Available Funds" is defined in the Trust Indenture as funds appropriated by the Department from (i) payments received by the Department pursuant to normal operations, (ii) any unintended surplus equalization tax funds of the Department at the end of each Fiscal Year after payment of all maintenance and operating expenses for that year and (iii) any other lawfully available funds of the Department.

Mortgages

The Bonds are issued under the Trust Indenture and are secured by the Mortgage related to the Project financed by the Bonds and the Lease. Pursuant to such Mortgage, the Corporation conveys to the Trustee its interest in the Project and all rents, income and profits therefrom.

REMEDIES AVAILABLE UPON A FAILURES OF THE DEPARTMENT TO APPROPRIATE OR PAY RENTAL PAYMENTS UNDER THE LEASE ARE LIMITED TO TERMINATION OF THE DEPARTMENT'S LEASEHOLD INTERESTS, THE RIGHT TO TAKE POSSESSION AND CONTROL OF THE PROJECT, AND THE RIGHT TO SELL OR LEASE THE PROJECT, UPON FORECLOSURE UNDER THE MORTGAGE. SEE APPENDIX A – SELECTED PROVISIONS OF THE FINANCING DOCUMENTS.

The enforcement by the Trustee of the remedies provided in the Financing Documents is subject to the application of principles of equity and State and federal laws relating to bankruptcy, moratorium, reorganization, and creditors' rights generally, and such remedies may require the expenditure of money and considerable time to enforce.

Additional Obligations

The Corporation has covenanted and agreed that no other bonds or other obligations will be issued that are secured by a lien on the respective Trust Estate. The Corporation, however, has reserved the right to issue additional bonds or obligations payable from and secured by lease

payments paid from Available Funds received by the Corporation (“Additional Obligations”); provided, however that no such Additional Obligations may be issued unless and until all of the following conditions have been met:

No Event of Default under the Trust Indenture or under the Lease is in existence at the time of issuance of the Additional Obligations:

(a) The issuance of the Additional Obligations is permitted by the laws of the State effective at the time of the authorization of such Additional Obligations; and

(b) For each of the three Fiscal Years prior to the year in which the resolution authorizing the issuance of Additional Obligations is adopted, the sum of (i) payments received by the Department pursuant to any of its interlocal agreements with any school district and (ii) any unintended surplus equalization tax funds of the Department at the end of such Fiscal Year after payment of all maintenance and operating expenses for that year is not less than 1.5 times the maximum annual principal and interest requirements of the Bonds and all Additional Obligations at the time outstanding, after giving effect to the issuance of the proposed Additional Obligations.

The Corporation

The Corporation is a not-for-profit public corporation and instrumentality of the Department, formed on behalf of the Department pursuant to the Act and a resolution of the Board of Trustees of the Department. The Corporation was formed for the purpose of acquiring, constructing, and financing educational and support facilities for the Department. The Corporation currently has no assets other than its interest in the Project and its rights under the Lease, which will be assigned to the Trustee for the benefit of the registered owners of the Bonds upon the initial delivery of the Bonds.

Pursuant to the Articles of Incorporation and the Bylaws of the Corporation, the Corporation is governed by a seven-member Board of Directors, appointed by the Department’s Board of Trustees. Each director serves as a member of the Board of Directors of the Corporation for the term to which the director is appointed and/or until his or her successor is qualified as a member of the Board of Directors of the Corporation; *provided, however*, that any director may be removed from office, at any time, for cause or at will, by the Board of Trustees of the Department. The Directors serve without compensation.

THE OBLIGATION OF THE CORPORATION WITH RESPECT TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS IS A SPECIAL, LIMITED, AND NON-RECOURSE OBLIGATION PAYABLE SOLELY FROM THE RENTAL PAYMENTS PAYABLE BY THE DEPARTMENT PURSUANT TO THE LEASE. THE CORPORATION HAS NO AUTHORITY TO LEVY TAXES. THE BONDS DO NOT CONSTITUTE AN OBLIGATION, EITHER SPECIAL, GENERAL, OR MORAL, OF THE DEPARTMENT, THE STATE, HARRIS COUNTY, TEXAS, THE DISTRICTS OR ANY OTHER POLITICAL SUBDIVISIONS THEREOF.

The Department

The Department is a political subdivision of the State of Texas created pursuant to the laws of the State of Texas, particularly Chapters 17 and 18 and Sec. 11.301, Texas Education Code, and an election held within Harris County. The Department serves educators and students in the 25 school districts located in Harris County (collectively, the “Districts”). Some services include adult and continuing education, academic support services, two alternative schools, purchasing cooperative, records management services, special education services, psychological services for teachers and students, staff development workshops and printing services for certain school districts. The Harris County Board of School Trustees is the governing body of the Department and consists of seven members, who serve six-year terms without salary. The Department is under the administrative supervision of the Superintendent of Schools, who is employed by the Board of Trustees of the Department.

Department Funding

The Department receives its funding from various sources, including a Harris County-wide ad valorem equalization tax, fees charged to customers, state contributions to the retirement plans of Department employees, grants and awards, and other miscellaneous sources. The following table reflects revenues from the various sources for the years stated.

For Fiscal Year Ended August 31st

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
REVENUES					
Local and Intermediate Sources	\$ 45,328,028	\$ 43,633,488	\$ 42,034,954	\$ 40,518,883	\$ 43,916,837
State Program Revenues	3,289,156	3,290,314	3,031,412	3,059,624	2,944,472
Federal Program Revenues	1,817,722	1,535,290	1,373,612	1,281,029	1,524,977
Other Revenues	-	-	-	-	-
Total Revenues	<u>\$ 50,434,906</u>	<u>\$ 48,459,092</u>	<u>\$ 46,439,978</u>	<u>\$ 44,859,536</u>	<u>\$ 48,386,286</u>

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Litigation Relating to the Texas Public School Finance System

On seven occasions in the last thirty years, the Texas Supreme Court (the “Court”) has issued decisions assessing the constitutionality of the Texas public school finance system (the “Finance System”). The litigation has primarily focused on whether the Finance System, as amended by the Texas Legislature (the “Legislature”) from time to time (i) met the requirements of article VII, section 1 of the Texas Constitution, which requires the Legislature to “establish and make suitable provision for the support and maintenance of an efficient system of public free schools,” or (ii) imposed a statewide ad valorem tax in violation of article VIII, section 1-e of the Texas Constitution because the statutory limit on property taxes levied by school districts for maintenance and operation purposes had allegedly denied school districts meaningful discretion in setting their tax rates. In response to the Court’s previous decisions, the Legislature enacted multiple laws that made substantive changes in the way the Finance System is funded in efforts to address the prior decisions declaring the Finance System unconstitutional.

On May 13, 2016, the Court issued its opinion in the most recent school finance litigation, *Morath v. The Texas Taxpayer & Student Fairness Coal.*, 490 S.W.3d 826 (Tex. 2016) (“*Morath*”). The plaintiffs and intervenors in the case had alleged that the Finance System, as modified by the Legislature in part in response to prior decisions of the Court, violated article VII, section 1 and article VIII, section 1-e of the Texas Constitution. In its opinion, the Court held that “[d]espite the imperfections of the current school funding regime, it meets minimum constitutional requirements.” The Court also noted that:

Lawmakers decide if laws pass, and judges decide if those laws pass muster. But our lenient standard of review in this policy-laden area counsels modesty. The judicial role is not to second-guess whether our system is optimal, but whether it is constitutional. Our Byzantine school funding “system” is undeniably imperfect, with immense room for improvement. But it satisfies minimum constitutional requirements.

Possible Effects of Changes in Law on Department Bonds

The Court’s decision in *Morath* upheld the constitutionality of the Finance System but noted that the Financing System was “undeniably imperfect”. While not compelled by the *Morath* decision to reform the Finance System, the Legislature could enact future changes to the Finance System. Any such changes could benefit or be a detriment to the Department. If the Legislature enacts future changes to, or fails adequately to fund the Finance System, or if changes in circumstances otherwise provide grounds for a challenge, the Finance System could be challenged again in the future. In its 1995 opinion in *Edgewood Independent School District v. Meno*, 917 S.W.2d 717 (Tex. 1995), the Court stated that any future determination of unconstitutionality “would not, however, affect the district’s authority to levy the taxes necessary to retire previously issued bonds, but would instead require the Legislature to cure the system’s unconstitutionality in a way that is consistent with the Contract Clauses of the U.S. and Texas Constitutions” (collectively, the “Contract Clauses”), which prohibit the enactment of laws that impair prior obligations of contracts.

Although, as a matter of law, the Bonds, upon issuance and delivery, will be entitled to the protections afforded previously existing contractual obligations under the Contract Clauses, the Department can make no representations or predictions concerning the effect of future legislation, or any litigation that may be associated with such legislation, on the Department’s financial condition, revenues or operations. While the enactment of future legislation to address school funding in Texas could adversely affect the financial condition, revenues or operations of the Department, the Department does not anticipate that the security for payment of the Bonds, specifically, the Department’s obligation to levy an unlimited debt service tax and any Permanent School Fund guarantee of the Bonds would be adversely affected by any such legislation. See “CURRENT PUBLIC SCHOOL FINANCE SYSTEM”.

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

During the 2019 Legislative Session, the State Legislature made numerous changes to the current public school finance system, the levy and collection of ad valorem taxes, and the calculation of defined tax rates, including particularly those contained in House Bill 3 (“HB 3”) and Senate Bill 2 (“SB 2”). In some instances, the provisions of HB 3 and SB 2 will require further interpretation in connection with their implementation in order to resolve ambiguities contained in the bills. The Department is still in the process of (a) analyzing the provisions of HB 3 and SB 2, and (b) monitoring the on-going guidance provided by TEA. The information contained herein under the captions “CURRENT PUBLIC SCHOOL FINANCE SYSTEM” and “TAX RATE LIMITATIONS” is subject to change, and only reflects the Department’s understanding of HB 3 and SB 2 based on information available to the Department as of the date of this Official Statement. Prospective investors are encouraged to review HB 3, SB 2, and the Property Tax Code (as defined herein) for definitive requirements for the levy and collection of ad valorem taxes, the calculation of the defined tax rates, and the administration of the current public school finance system.

Overview

The following language constitutes only a summary of the public school finance system as it is currently structured. For a more complete description of school finance and fiscal management in the State, reference is made to Chapters 43 through 49 of the Texas Education Code, as amended.

Local funding is derived from collections of ad valorem taxes levied on property located within each school district's boundaries. School districts are authorized to levy two types of property taxes: a maintenance and operations ("M&O") tax to pay current expenses and an interest and sinking fund ("I&S") tax to pay debt service on bonds. School districts may not increase their M&O tax rate for the purpose of creating a surplus to pay debt service on bonds. Prior to 2006, school districts were authorized to levy their M&O tax at a voter-approved rate, generally up to \$1.50 per \$100 of taxable value in the school district. Since 2006, the State Legislature has enacted various legislation that has compressed the voter-approved M&O tax rate, as described below. Current law also requires school districts to demonstrate their ability to pay debt service on outstanding bonded indebtedness through the levy of an I&S tax at a rate not to exceed \$0.50 per \$100 of taxable value at the time bonds are issued. Once bonds are issued, however, school districts generally may levy an I&S tax sufficient to pay debt service on such bonds unlimited as to rate or amount. See "TAX RATE LIMITATIONS – I&S Tax Rate Limitations" herein. Because property values vary widely among school districts, the amount of local funding generated by school districts with the same I&S tax rate and M&O tax rate is also subject to wide variation; however, the public school finance funding formulas are designed to generally equalize local funding generated by a school district's M&O tax rate.

Prior to the 2019 Legislative Session, a school district's maximum M&O tax rate for a given tax year was determined by multiplying that school district's 2005 M&O tax rate levy by an amount equal a compression percentage set by legislative appropriation or, in the absence of legislative appropriation, by the Commissioner of Education (the "Commissioner"). This compression percentage was historically set at 66.67%, effectively setting the maximum compressed M&O tax rate for most school districts at \$1.00 per \$100 of taxable value, since most school districts in the State had a voted maximum M&O tax rate of \$1.50 per \$100 of taxable value. School districts were permitted, however, to generate additional local funds by raising their M&O tax rate up to \$0.04 above the compressed tax rate or, with voter-approval at a valid election in the school district, up to \$0.17 above the compressed tax rate (for most school districts, this equated to an M&O tax rate between \$1.04 and \$1.17 per \$100 of taxable value). School districts received additional State funds in proportion to such taxing effort.

Local Funding for School Districts

During the 2019 Legislative Session, the 86th State Legislature made several significant changes to the funding methodology for school districts (the "2019 Legislation"). The 2019 Legislation orders a school district's M&O tax rate into two distinct parts: the "Tier One Tax Rate", which is the local M&O tax rate required for a school district to any part of the basic level of State funding (referred to herein as "Tier One") under the Foundation School Program, as further described below, and the Enrichment Tax Rate, being an additional amount of local M&O funding in excess of its Tier One Tax Rate. The 2019 Legislation amended formulas for the State Compression Percentage and Maximum Compressed Tax Rate (each as described below) to compress M&O tax rates in response to year-over-year increases in property values across the State and within a school district, respectively. The discussion in this subcaption "Local Funding For School Districts" is generally intended to describe funding provisions applicable to all school districts; however, there are distinctions in the funding formulas for school districts that generate local M&O tax revenues in excess of the school districts' funding entitlements, as further discussed under the subcaption "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Revenue Level In Excess of Entitlement" herein.

State Compression Percentage. The "State Compression Percentage" for the State fiscal year ending in 2020 (the 2019-2020 school year) is a statutorily-defined percentage of the rate of \$1.00 per \$100 at which a school district must levy its Tier One Tax Rate to receive the full amount of the Tier One funding to which a school district is entitled. For the State fiscal year ending in 2020, the State Compression Percentage is set at 93% per \$100 of taxable value. Beginning in the State fiscal year ending in 2021, the State Compression Percentage is the lesser of three alternative calculations: (1) 93% or a lower percentage set by appropriation for a school year; (2) a percentage determined by formula if the estimated total taxable property value of the State (as submitted annually to the State Legislature by the State Comptroller) have increased by at least 2.5% over the prior year; and (3) the prior year State Compression Percentage. For any year, the maximum State Compression Percentage is 93%.

Maximum Compressed Tax Rate. Pursuant to the 2019 Legislation, beginning with the State fiscal year ending in 2021 (the 2020-2021 school year) the Maximum Compressed Tax Rate (the "MCR") is the tax rate per \$100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of three alternative calculations: (1) the school district's prior year MCR; (2) a percentage determined by formula if the school district experienced a year-over-year increase in property value of at least 2.5%; or (3) the product of State Compression Percentage for the current year multiplied by \$1.00. However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district's MCR is calculated to be less than 90% of any other school district's MCR for the current year, then the school district's MCR is instead equal to the school district's prior year MCR, until TEA determines that the difference between the school district's MCR and any other school district's MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase.

Tier One Tax Rate. For the 2019-2020 school year, the Tier One Tax Rate is the State Compression Percentage multiplied by (i) \$1.00, or (ii) for a school district that levied an M&O tax rate for the 2018-2019 school year that was less than \$1.00 per \$100 of taxable value, the total number of cents levied by the school district for the 2018-2019 school year for M&O purposes; effectively setting the Tier One Tax Rate for the State fiscal year ending in 2020 for most school districts at \$0.93. Beginning in the 2020-2021 school year, a school district's Tier One Tax Rate is defined as a school district's M&O tax rate levied that does not exceed the school district's MCR.

Enrichment Tax Rate. The Enrichment Tax Rate is the number of cents a school district levies for M&O in excess of the Tier One Tax Rate, up to an additional \$0.17. The Enrichment Tax Rate is divided into two components: (i) "Golden Pennies" which are the first \$0.08 of tax

effort in excess of a school district's Tier One Tax Rate; and "Copper Pennies" which are the next \$0.09 in excess of a school district's Tier One Tax Rate plus Golden Pennies.

School districts may levy an Enrichment Tax Rate at a level of their choice, subject to the limitations described under "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate"; however to levy any of the Enrichment Tax Rate in a given year, a school district must levy a Tier One Tax Rate equal to \$0.93 for the 2019-2020 school year, or equal to the school district's MCR for the 2020-2021 and subsequent years. Additionally, a school district's levy of Copper Pennies is subject compression if the guaranteed yield (i.e., the guaranteed level of local tax revenue and State aid generated) of Copper Pennies is increased from one year to the next (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts – *Tier Two*").

State Funding for School Districts

State funding for school districts is provided through the Foundation School Program, which guarantees certain levels of funding for school districts in the state. School districts are entitled to a legislatively appropriated guaranteed yield on their Tier One Tax Rate and Enrichment Tax Rate. When a school district's respective M&O tax rates generate tax revenues at a level below the respective entitlement, the school district is entitled to receive Tier One funding or Tier Two funding, respectively, from the State in an amount equal to the difference between the school district's entitlements and the actual M&O revenues generated by the school district's Tier One Tax Rate and Enrichment Tax Rate, respectively.

The first level of funding, Tier One, is the basic level of funding guaranteed to all school districts based on a school district's Tier One Tax Rate. Tier One funding may then be "enriched" with additional funds known as "Tier Two" of the Foundation School Program. Tier Two provides a guaranteed entitlement for each cent of a school district's Enrichment Tax Rate, allowing a school district increase or decrease its Enrichment Tax Rate to supplement Tier One funding at a level of the school district's own choice. While Tier One funding may be used for the payment of debt service (except for school districts subject to the recapture provisions of Chapter 49 of the Texas Education Code, as discussed herein), and in some instances is required to be used for that purpose (see "TAX RATE LIMITATIONS – I&S Tax Rate Limitations"), Tier Two funding may not be used for the payment of debt service or capital outlay.

The current public school finance system also provides an Existing Debt Allotment ("EDA") to subsidize debt service on eligible outstanding school district bonds, an Instructional Facilities Allotment ("IFA") to subsidize debt service on newly issued bonds, and a New Instructional Facilities Allotment ("NIFA") to subsidize operational expenses associated with the opening of a new instructional facility. IFA primarily addresses the debt service needs of property-poor school districts. For the 2020-2021 State fiscal biennium, the State Legislature appropriated funds in the amount of \$1,323,444,300 for the EDA, IFA, and NIFA.

Tier One and Tier Two allotments represent the State's share of the cost of M&O expenses of school districts, with local M&O taxes representing the school district's local share. EDA and IFA allotments supplement a school district's local I&S taxes levied for debt service on eligible bonds issued to construct, acquire and improve facilities, provided that a school district qualifies for such funding and that the State Legislature makes sufficient appropriations to fund the allotments for a State fiscal biennium. Tier One and Tier Two allotments and existing EDA and IFA allotments are generally required to be funded each year by the State Legislature.

Tier One. Tier One funding is the basic level of funding guaranteed to a school district consisting of a State-appropriated baseline level of funding (the "Basic Allotment") for each student in "Average Daily Attendance" (being generally calculated as the sum of student attendance for each State-mandated day of instruction divided by the number of State-mandated days of instruction, defined herein as "ADA"). The Basic Allotment is revised downward if a school district's Tier One Tax Rate is less than the State-determined threshold. This Basic Allotment is supplemented by additional State funds, allotted based upon the unique school district characteristics and demographics of students in ADA, to make up most of a school district's Tier One entitlement under the Foundation School Program.

For the 2019-2020 State fiscal year, the Basic Allotment for school districts with a Tier One Tax Rate equal to \$0.93, is \$6,160 for each student in ADA and is revised downward for school districts with a Tier One Tax Rate lower than \$0.93. For the State fiscal year ending in 2021 and subsequent State fiscal years, the Basic Allotment for a school district with a Tier One Tax Rate equal to the school district's MCR, is \$6,160 (or a greater amount as may be provided by appropriation) for each student in ADA and is revised downward for a school district with a Tier One Tax Rate lower than the school district's MCR. The Basic Allotment is then supplemented for all school districts by various weights to account for differences among school districts and their student populations. Such additional allotments include, but are not limited to, increased funds for students in ADA who: (i) attend a qualified special education program, (ii) are diagnosed with dyslexia or a related disorder, (iii) are economically disadvantaged, or (iv) have limited English language proficiency. Additional allotments to mitigate differences among school districts include, but are not limited to: (i) a transportation allotment for mileage associated with transporting students who reside two miles or more from their home campus, (ii) a fast growth allotment (for school districts in the top 25% of enrollment growth relative to other school districts), and (iii) a college, career and military readiness allotment to further Texas' goal of increasing the number of students who attain a post-secondary education or workforce credential, and (iv) a teacher incentive allotment to increase teacher compensation retention in disadvantaged or rural school districts. A school district's total Tier One funding, divided by \$6,160, is a school district's measure of students in "Weighted Average Daily Attendance" ("WADA"), which serves to calculate Tier Two funding.

Tier Two. Tier Two supplements Tier One funding and provides two levels of enrichment with different guaranteed yields (i.e., Golden Pennies and Copper Pennies) depending on the school district's Enrichment Tax Rate. Golden Pennies generate a guaranteed yield equal to

the greater of (i) the local revenue per student in WADA per cent of tax effort available to a school district at the ninety-sixth (96th) percentile of wealth per student in WADA, or (ii) the Basic Allotment (or a greater amount as may be provided by appropriation) multiplied by 0.016. For the 2020-2021 State fiscal biennium, school districts are guaranteed a yield of \$98.56 per WADA for each Golden Penny levied. Copper Pennies generate a guaranteed yield per WADA equal to the school district's Basic Allotment (or a greater amount as may be provided by appropriation) multiplied by 0.008. For the 2020-2021 State fiscal biennium, school districts are guaranteed a yield of \$49.28 per WADA for each Copper Penny levied. For any school year in which the guaranteed yield of Copper Pennies per student in WADA exceeds the guaranteed yield of Copper Pennies per student in WADA for the preceding school year, a school district is required to reduce its Copper Pennies levied so as to generate no more revenue per student in WADA than was available to the school district for the preceding year. Accordingly, the increase in the guaranteed yield from \$31.95 per cent per student in WADA for the 2018-2019 school year to \$49.28 per cent per student in WADA for the 2019-2020 school year requires school districts to compress their levy of Copper Pennies by a factor of 0.64834. As such, school districts that levied an Enrichment Tax Rate of \$0.17 in school year 2018-2019 must reduce their Enrichment Tax Rate to approximately \$0.138 per \$100 taxable value for the 2019-2020 school year.

Existing Debt Allotment, Instruction Facilities Allotment, and New Instructional Facilities Allotment. The Foundation School Program also includes facilities funding components consisting of the IFA and the EDA, subject to legislative appropriation each State fiscal biennium. To the extent funded for a biennium, these programs assist school districts in funding facilities by, generally, equalizing a school district's I&S tax effort. The IFA guarantees each awarded school district a specified amount per student (the "IFA Yield") in State and local funds for each cent of I&S tax levied to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate or improve instructional facilities. The IFA Yield has been \$35 since this program first began in 1997. New awards of IFA are only available if appropriated funds are allocated for such purpose by the State Legislature. To receive an IFA award, in years where new IFA awards are available, a school district must apply to the Commissioner in accordance with rules adopted by the TEA before issuing the bonds to be paid with IFA State assistance. The total amount of debt service assistance over a biennium for which a school district may be awarded is limited to the lesser of (1) the actual debt service payments made by the school district in the biennium in which the bonds are issued; or (2) the greater of (a) \$100,000 or (b) \$250 multiplied by the number of students in ADA. The IFA is also available for lease-purchase agreements and refunding bonds meeting certain prescribed conditions. Once a school district receives an IFA award for bonds, it is entitled to continue receiving State assistance for such bonds without reapplying to the Commissioner. The guaranteed level of State and local funds per student per cent of local tax effort applicable to the bonds may not be reduced below the level provided for the year in which the bonds were issued. For the 2020-2021 State fiscal biennium, the State Legislature did not appropriate any funds for new IFA awards; however, awards previously granted in years the State Legislature did appropriate funds for new IFA awards will continue to be funded.

State financial assistance is provided for certain existing eligible debt issued by school districts through the EDA program. The EDA guaranteed yield (the "EDA Yield") is the lesser of (i) \$40 per student in ADA or a greater amount for any year provided by appropriation; or (ii) the amount that would result in a total additional EDA of \$60 million more than the EDA to which school districts would have been entitled to if the EDA Yield were \$35. The portion of a school district's local debt service rate that qualifies for EDA assistance is limited to the first \$0.29 of its I&S tax rate (or a greater amount for any year provided by appropriation by the State Legislature). In general, a school district's bonds are eligible for EDA assistance if (i) the school district made payments on the bonds during the final fiscal year of the preceding State fiscal biennium, or (ii) the school district levied taxes to pay the principal of and interest on the bonds for that fiscal year. Each biennium, access to EDA funding is determined by the debt service taxes collected in the final year of the preceding biennium. A school district may not receive EDA funding for the principal and interest on a series of otherwise eligible bonds for which the school district receives IFA funding.

Since future-year IFA awards were not funded by the State Legislature for the 2020-21 State fiscal biennium and debt service assistance on school district bonds that are not yet eligible for EDA is not available, debt service payments during the 2020-21 State fiscal biennium on new bonds issued by school districts in the 2020-21 State fiscal biennium to construct, acquire and improve facilities must be funded solely from local I&S taxes.

A school district may also qualify for a NIFA allotment, which provides assistance to school districts for operational expenses associated with opening new instructional facilities. The 86th State Legislature appropriated funds in the amount of \$100,000,000 for each fiscal year of the 2020-2021 State fiscal biennium for NIFA allotments.

Tax Rate and Funding Equity. The Commissioner may adjust a school district's funding entitlement if the funding formulas used to determine the school district's entitlement result in an unanticipated loss or gain for a school district. Any such adjustment requires preliminary approval from the Legislative Budget Board and the office of the Governor, and such adjustments may only be made through the 2020-2021 school year.

Additionally, the Commissioner may proportionally reduce the amount of funding a school district receives under the Foundation School Program and the ADA calculation if the school district operates on a calendar that provides less than the State-mandated minimum instruction time in a school year. The Commissioner may also adjust a school district's ADA as it relates to State funding where disaster, flood, extreme weather or other calamity has a significant effect on a school district's attendance.

Furthermore, "property-wealthy" school districts that received additional State funds under the public school finance system prior to the enactment of the 2019 Legislation are entitled to an equalized wealth transition grant on an annual basis through the 2023-2024 school year in an amount equal to the amount of additional revenue such school district would have received under former Texas Education Code Sections

41.002(e) through (g), as those sections existed on January 1, 2019. This grant is phased out through the 2023-2024 school year as follows: (1) 20% reduction for the 2020-2021 school year, (2) 40% reduction for the 2021-2022 school year, (3) 60% reduction for the 2022-2023 school year, and (4) 80% reduction for the 2023-2024 school year.

Local Revenue Level in Excess of Entitlement

A school district that has sufficient property wealth per student in ADA to generate local revenues on the school district's Tier One Tax Rate and Copper Pennies in excess of the school district's respective funding entitlements (a "Chapter 49 school district"), is subject to the local revenue reduction provisions contained in Chapter 49 of Texas Education Code, as amended ("Chapter 49"). Additionally, in years in which the amount of State funds appropriated specifically excludes the amount necessary to provide the guaranteed yield for Golden Pennies, local revenues generated on a school district's Golden Pennies in excess of the school district's respective funding entitlement are subject to the local revenue reduction provisions of Chapter 49. To reduce local revenue, Chapter 49 school districts are generally subject to a process known as "recapture", which requires a Chapter 49 school district to exercise certain options to remit local M&O tax revenues collected in excess of the Chapter 49 school district's funding entitlements to the State (for redistribution to other school districts) or otherwise expending the respective M&O tax revenues for the benefit of students in school districts that are not Chapter 49 school districts, as described in the subcaption "*Options for Local Revenue Levels in Excess of Entitlement*". Chapter 49 school districts receive their allocable share of funds distributed from the constitutionally-prescribed Available School Fund, but are generally not eligible to receive State aid under the Foundation School Program, although they may continue to receive State funds for certain competitive grants and certain programs that remain outside the Foundation School Program.

Whereas prior to the 2019 Legislation, the recapture process had been based on the proportion of a school district's assessed property value per student in WADA, recapture is now measured by the "local revenue level" (being the M&O tax revenues generated in a school district) in excess of the entitlements appropriated by the State Legislature each fiscal biennium. Therefore, school districts are now guaranteed that recapture will not reduce revenue below their statutory entitlement. The changes to the wealth transfer provisions are expected to reduce the cumulative amount of recapture payments paid by school districts by approximately \$3.6 billion during the 2020-2021 State fiscal biennium.

Options for Local Revenue Levels in Excess of Entitlement. Under Chapter 49, a school district has six options to reduce local revenues to a level that does not exceed the school district's respective entitlements: (1) a school district may consolidate by agreement with one or more school districts to form a consolidated school district; all property and debt of the consolidating school districts vest in the consolidated school district; (2) a school district may detach property from its territory for annexation by a property-poor school district; (3) a school district may purchase attendance credits from the State; (4) a school district may contract to educate nonresident students from a property-poor school district by sending money directly to one or more property-poor school districts; (5) a school district may execute an agreement to provide students of one or more other school districts with career and technology education through a program designated as an area program for career and technology education; or (6) a school district may consolidate by agreement with one or more school districts to form a consolidated taxing school district solely to levy and distribute either M&O taxes or both M&O taxes and I&S taxes. A Chapter 49 school district may also exercise any combination of these remedies. Options (3), (4) and (6) require prior approval by the Chapter 49 school district's voters.

Furthermore, a school district may not adopt a tax rate until its effective local revenue level is at or below the level that would produce its guaranteed entitlement under the Foundation School Program. If a school district fails to exercise a permitted option, the Commissioner must reduce the school district's local revenue level to the level that would produce the school district's guaranteed entitlement, by detaching certain types of property from the school district and annexing the property to a property-poor school district or, if necessary, consolidate the school district with a property-poor school district. Provisions governing detachment and annexation of taxable property by the Commissioner do not provide for assumption of any of the transferring school district's existing debt.

TAX RATE LIMITATIONS OF THE DEPARTMENT

The Department is authorized by law (and pursuant to an election held in Harris County) to levy an annual tax upon all taxable property within its boundaries, within the limits prescribed by law, for the equalization of educational opportunities in Harris County and the payment of all administration expenses. The Department has levied such tax and ordered such tax to be assessed and collected on all taxable property in Harris County.

Under Article VII, Section 3 of the Texas Constitution, the Department may levy an ad valorem tax only of such tax has been approved by voters within the boundaries of the Department at an election. The Department's ad valorem tax was authorized pursuant to Chapter 182, Acts of the 44th Legislature (1935), and Article 2790e, Vernon's Texas Civil Statutes (codified as Chapter 18, Texas Education Code), and an election held within Harris County on April 3, 1937. Such tax is limited to \$.01 per \$100 of assessed valuation.

Department Application of Tax Code

The Department has granted an exception of \$5,000 or 20% of the market value of residence homesteads, whichever is greater. Additionally, the Department has granted an additional exception of \$160,000 to the market value of the resident homestead of persons disabled or over 65 years of age or older. Ad valorem taxes are not levied by the Department against the exempt value of residence homesteads for the payment of debt. The Department does not tax nonbusiness personal property. The Department does not permit split payments and discounts are not allowed. The Department does not tax freeport property.

Ad Valorem Tax Rates for the Department

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Maintenance	\$ 0.0050	\$ 0.0050	\$ 0.0052	\$ 0.0052	\$ 0.0052
Debt Service	-	-	-	-	-
Total	\$ 0.0050	\$ 0.0050	\$ 0.0052	\$ 0.0052	\$ 0.0052

Tax Collections for the Department

The following table shows the Department’s ad valorem equalization tax collections for the tax years 2015 through 2019, which correspond to the Department’s fiscal years ending August 31, 2016 through August 31, 2020. The Department currently does not levy a debt service tax. Current collections and total collections are calculated through October 31 of the following year.

Fiscal Year End	Tax Year	Taxable Assessed Valuation	Tax Rate	Tax Levy	Percent Collected	
					Current	Total ^(a)
2017	2016	\$ 416,884,796,000	\$ 0.0052	\$ 21,678,009	100.00%	104.12%
2018	2017	434,078,173,795	0.0052	22,230,714	98.68%	100.09%
2019	2018	412,526,038,722	0.0052	23,187,623	98.18%	98.18%
2020	2019	445,338,264,373	0.0050	24,275,519	98.27%	98.27%
2021	2020	511,016,112,006	0.0050	25,550,806	In process	

^(a) Excludes penalties and interest.

Assessed Valuation by Category

	<u>Tax Year</u> <u>2020</u>	<u>Tax Year</u> <u>2019</u>	<u>Tax Year</u> <u>2018</u>	<u>Tax Year</u> <u>2017</u>	<u>Tax Year</u> <u>2016</u>
Real Property	\$ 462,477,350,903	\$ 417,024,803,262	\$ 410,172,067,737	\$ 396,597,245,423	\$ 378,210,085,414
Personal Property	120,998,675,998	153,522,505,609	72,699,168,532	112,663,606,935	110,335,968,864
Gross Value	\$ 583,476,026,901	\$ 570,547,308,871	\$ 482,871,236,269	\$ 509,260,852,358	\$ 488,546,054,278
Less Adjustments ^(b)	133,070,628,385	125,209,044,498	70,345,197,547	110,181,699,270	108,166,600,008
Net Taxable Value	\$ 450,405,398,516	\$ 445,338,264,373	\$ 412,526,038,722	\$ 399,079,153,088	\$ 380,379,454,270

^(a) Source: Harris County Appraisal District. Values may differ from those shown elsewhere in the documents due to subsequent additions, deletions, and adjustments to the taxrolls.

^(b) Includes frozen values, exemptions and productivity loss.

Fund Balances

The Department has covenanted to pay the 2020 Rental Payments, subject to annual appropriation, from unintended surplus equalization tax funds, in addition available revenues from operations. Below is a history of the general fund balances at the end of each of the preceding five fiscal years. Fund balances that are a result from surplus equalization tax money was “unintended” by the Department there can be no assurance that these fund balances in future years will be consistent with the prior years’ fund balances.

	2019	2018	2017	2016	2015
Beginning Balance	\$ 29,412,165	\$ 28,122,487	\$ 30,920,238	\$ 27,903,232	\$ 26,601,199
Adjustments to Fund Balance	-	-	-	-	-
Total Revenue	50,434,906	48,459,092	46,439,978	44,859,536	48,386,286
Total Expenses	47,209,425	44,202,139	43,146,294	41,137,796	43,380,849
Net Other Resources (Uses)	(23,286)	(2,967,275)	(6,091,435)	(704,734)	(3,703,404)
Ending Balance	\$ 32,614,360	\$ 29,412,165	\$ 28,122,487	\$ 30,920,238	\$ 27,903,232

AD VALOREM TAX PROCEDURES

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors are encouraged to review Title I of the Texas Tax Code, as amended (the “Property Tax Code”), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Valuation of Taxable Property

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the “Appraisal Review Board”) responsible for appraising property for all taxing units within the county. The appraisal of property within the Department is the responsibility of the Harris County Appraisal District (the “Appraisal District”). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner’s principal residence (“homestead” or “homesteads”) to be based solely on the property’s value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the Department, in establishing their tax rolls and tax rates. See “AD VALOREM TAX PROCEDURES – Department and Taxpayer Remedies.”

State Mandated Homestead Exemptions

State law grants, with respect to each school district in the State, (1) a \$25,000 exemption of the market value of all homesteads, (2) a \$10,000 exemption of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled, and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

Local Option Homestead Exemptions

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the market value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The governing body of a school district may not repeal or reduce the amount of the local option homestead exemption described in (1), above, that was in place for the 2014 tax year (fiscal year

2015) for a period ending December 31, 2019. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

State Mandated Freeze on School District Taxes

Except for increases attributable to certain improvements, a school district is prohibited from increasing the total ad valorem tax on the homestead of persons sixty-five (65) years of age or older or of disabled persons above the amount of tax imposed in the year such homestead qualified for such exemption. This freeze is transferable to a different homestead if a qualifying taxpayer moves, and, under certain circumstances, is also transferable to the surviving spouse of persons sixty-five (65) years of age or older, but not the disabled.

Personal Property

Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the “production of income” is taxed based on the property’s market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

Freeport and Goods-In-Transit Exemptions

Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication (“Freeport Property”) are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days (“Goods-in-Transit”), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer’s motor vehicle, boat, or heavy equipment inventory.

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

Other Exempt Property

Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

Tax Increment Reinvestment Zones

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones (“TIRZ”) within its boundaries. At the time of the creation of the TIRZ, a “base value” for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the “tax increment”. During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

Until September 1, 1999, school districts were able to reduce the value of taxable property reported to the State to reflect any taxable value lost due to TIRZ participation by the school district. The ability of the school district to deduct the taxable value of the tax increment that it contributed prevented the school district from being negatively affected in terms of state school funding. However, due to a change in law, local M&O tax rate revenue contributed to a TIRZ created on or after May 31, 1999 will count toward a school district’s Tier One entitlement (reducing Tier One State funds for eligible school districts) and will not be considered in calculating any school district’s Tier Two entitlement. See “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts”.

Tax Limitation Agreements

The Texas Economic Development Act (Chapter 313, Texas Tax Code, as amended), allows school districts to grant limitations on appraised property values to certain corporations and limited liability companies to encourage economic development within the school district.

Generally, during the last eight (8) years of the ten-year term of a tax limitation agreement, a school district may only levy and collect M&O taxes on the agreed-to limited appraised property value. For the purposes of calculating its Tier One and Tier Two entitlements, the portion of a school district's property that is not fully taxable is excluded from the school district's taxable property values. Therefore, a school district will not be subject to a reduction in Tier One or Tier Two State funds as a result of lost M&O tax revenues due to entering into a tax limitation agreement. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts".

For a discussion of how the various exemptions described above are applied by the Department, see "AD VALOREM TAX PROCEDURES – Department Application of Tax Code" herein.

Department and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the Department, may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the Department may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Beginning in the 2020 tax year, owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$50 million for the 2020 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the Department and provides for taxpayer referenda that could result in the repeal of certain tax increases. See "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate". The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The Department is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the Department. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the Department may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

Department's Rights in the Event of Tax Delinquencies

Taxes levied by the Department are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the Department, having power to tax the property. The Department's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the Department is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the Department may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the Department must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

TAX MATTERS

Tax Exemption

In the opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel to the Department (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix D hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Department has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, the Obama Administration’s budget proposals in recent years have proposed legislation that would limit the exclusion from gross income of interest on the Bonds to some extent for high-income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel’s judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service (“IRS”) or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Department or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Department has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Department or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Department and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Department legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the Department or the Beneficial Owners to incur significant expense.

CONTINUING DISCLOSURE OF INFORMATION

In the Resolution, the Corporation and the Department have made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The Corporation and the Department are required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Corporation and the Department will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB"). Information will be available free of charge via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein for a description of the TEA's continuing disclosure undertaking to provide certain updated financial information and operating data annually with respect to the Permanent School Fund and the State, as the case may be, and to provide timely notice of certain specified events related to the guarantee, to the MSRB.

Annual Reports

The Corporation and the Department will provide updated financial information and operating data to the MSRB annually via EMMA. The information to be updated includes all quantitative financial information and operating data of the general type included in this Official Statement and in APPENDIX B. The Corporation and the Department will update and provide this information within six months after the end of each fiscal year.

The Corporation and the Department may provide updated information in full text or may incorporate by reference other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements if the Department commissions an audit and the audit is completed by the required time. If audited financial statements are not available by the required time, the Corporation and the Department will provide such financial statements on an unaudited basis within the required time and audited financial statements when they become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the Corporation and the Department may be required to employ from time to time pursuant to State law or regulation.

The Corporation's and the Department's current fiscal year-end is the last day of August. Accordingly, the Department must provide updated information by the last day of February in each year, unless the Department changes its fiscal year. If the Department changes its fiscal year, it will notify the MSRB of the change.

Event Notices

The Corporation and the Department shall notify the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the Department; (13) the consummation of a merger, consolidation, or acquisition involving the Corporation and the Department or the sale of all or substantially all of the assets of the Corporation and the Department, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of trustee, if material; (15) incurrence of a financial obligation of the Corporation and the Department, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Corporation and the Department, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Department, any of which reflect financial difficulties. The Corporation and the Department shall notify the MSRB in an electronic format prescribed by the MSRB, in a timely manner, of any failure by the Corporation and the Department to provide the financial information or operating data described under "-Annual Reports" in accordance with the Rule. All documents provided to the MSRB pursuant to this section shall be accompanied by identifying information as prescribed by the MSRB.

For these purposes, any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Corporation and the Department in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Corporation and the Department, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Corporation and the Department. As used in this section, the term “financial obligation” means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of a debt obligation or any such derivative instrument; provided that “financial obligation” shall not include municipal securities as to which a final official statement (as defined in 15c2-12 Rule) has been provided to the MSRB consistent with the Rule. The Corporation and the Department intends the words used in the above clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

Limitations and Amendments

The Corporation and the Department have agreed to update information and to provide notices of material events only as described above. The Corporation and the Department has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that has been provided except as described above. The Corporation and the Department makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The Corporation and the Department disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the Corporation and the Department to comply with its agreement. Nothing in this paragraph is intended or shall act to disclaim, waive or limit the Corporation’s and the Department’s duties under federal or state securities laws.

The Corporation and the Department may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Corporation and the Department, if, but only if, (1) the agreement, as so amended, would have permitted underwriters to purchase or sell Bonds in the initial primary offering in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent or (b) any qualified person unaffiliated with the Corporation and the Department (such as nationally recognized bond counsel) determine that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. If the Corporation and the Department amends its agreement, it has agreed to include with the financial information and operating data next provided, in accordance with its agreement described above under “Annual Reports,” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and operating data so provided.

Compliance with Prior Undertakings

During the past five years, neither the Corporation nor the Department were not subject to a continuing disclosure obligation under the Rule.

OTHER INFORMATION

Rating

Moody’s Investor’s Service, Inc. (“Moody’s”) has assigned its municipal rating of “___” to the Bonds. The rating reflects only the view of Moody’s and the Corporation makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody’s if in the judgment of the company circumstances so warrant. Any such downward revision or withdrawal by such rating may have an adverse effect on the market price of the Bonds.

No Litigation Certificate

The Department will furnish to the Underwriters a certificate, dated as of the date of delivery of the Bonds, executed by an authorized officer of the Department, to the effect that, except as disclosed in this Official Statement, no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

Registration and Qualification of Bonds for Sale

No registration statement relating to the Bonds has been filed with the SEC under the federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any other jurisdiction. The Corporation and the Department assume no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration and qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdictions.

The Bonds as Legal Investments in Texas

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201, as amended), the Bonds (1) are negotiable instruments, (2) are investment securities to which Chapter 8 of the Texas Business and Commerce Code applies, and (3) are legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. The Bonds are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, requires the Bonds to be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. (See "--Rating" above). In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for State banks, savings banks, trust companies with at least \$1 million of capital and savings and loan associations.

The Corporation and the Department have made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The Corporation and the Department have made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

Legal Matters

The delivery of the Bonds is subject to the approving opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the Corporation payable from the 2020 Rental Payments to be made by the Department to the Corporation pursuant to the Lease, and the approving legal opinion of Bond Counsel to the Corporation and the Department ("Bond Counsel"), in substantially the form attached hereto as Appendix D. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction. Certain matters will be passed upon for the Underwriters by their counsel, Holland & Knight LLP, Houston, Texas. The fee of Holland & Knight LLP is contingent on the sale and delivery of the Bonds.

Financial Advisor

USCA Municipal Advisors, LLC ("USCA" or the "Financial Advisor"), a subsidiary of U.S. Capital Advisors, LLC, is employed as Financial Advisor to the Corporation and the Department in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. USCA, in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

USCA has reviewed the information in this Official Statement in accordance with its responsibilities to the Corporation and the Department and, as applicable, to investors under federal securities laws as applied to the facts and circumstances of this transaction, but USCA does not guarantee the accuracy or completeness of such information.

Underwriting

The Bonds are being purchased by the Underwriter, pursuant to a bond purchase agreement with the Department and the Corporation (the "Purchase Agreement") at a price of \$ _____, which reflects the par amount of the Bonds less an underwriting discount (including underwriting expenses) of \$ _____ and plus a net premium of \$ _____. The Underwriter's obligation to purchase the Bonds is subject to certain conditions precedent, and it will be obligated to purchase all of the Bonds if any are purchased. The Corporation can give no assurance that any trading market will be developed for the Bonds after their sale by the Corporation to the Underwriter. The Corporation

has no control over the price at which the Bonds are subsequently sold and the initial yields at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Underwriter. No assurance can be given that any trading market will be developed for the Bonds after their initial sale by the Corporation.

MISCELLANEOUS

Forward-Looking Statements

The statements contained in this Official Statement, and in any other information provided by the Department, that are not purely historical, are forward-looking statements, including statements regarding the Corporation's and the Department's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on such forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Corporation's and the Department on the date hereof, and the Corporation's and the Department assumes no obligation to update any such forward-looking statements. It is important to note that the Corporation's and the Department's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Corporation or the Department. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

Risks Related to Coronavirus

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic, which disaster declaration he has subsequently extended. In addition, certain local officials, including the County Judge of Cass County, also declared a local state of disaster. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has issued a series of executive orders relating to COVID-19 preparedness and mitigation. These include executive orders which have, among other things, imposed limitations on social gatherings and closed school districts during the end of the 2019-20 school year. The Districts began remote instruction for the 2020-21 school year on August 17, 2020, under protocols outlined in guidance from the TEA. The Districts began offering limited in-person instruction, or allow students to continue remote instruction, on September 8, 2020, unless otherwise restricted by State or local government rules, orders or ordinances, including any subsequently adopted TEA guidance. In public statements, the Commissioner of the TEA has indicated that the State will continue to evaluate the need for further extensions of school closures. Many of the federal, state and local actions and policies under the aforementioned disaster declarations are focused on limiting instances where the public can congregate or interact with each other, which affects the operation of schools. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

For the 2019-2020 school year, COVID-19 related school closings and/or absenteeism did not impact ADA calculations and school funding so long as a school district committed to support students instructionally while they were at home. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM."

The TEA recently advised districts that for the 2020-2021 school year district funding will return to being based on ADA calculations requiring attendance to be taken. However, the TEA is crafting an approach for determining ADA that provides districts with several options for determining daily attendance. These include, remote synchronous instruction, remote asynchronous instruction, on campus instruction, and the Texas Virtual Schools Network. To stabilize funding expectations, districts will be provided an ADA grace period for the first two six weeks of Foundation School Program reporting. Specifically, if ADA counts during those two six weeks are more than 1% less than the first two six weeks of the 2019-2020 school year, the first two six weeks will be excluded from 2020-21 ADA calculations, subject to some restrictions. In addition to this grace period, districts will also have an attendance grace period for remote asynchronous instruction plan approval, which continues through the end of the third six weeks. Additional information regarding the plans for the 2020-2021 school year

may be obtained from the TEA. Following the initial grace period, the return to funding based on ADA calculations requiring attendance to be taken during the Pandemic may have a negative impact on revenues available to the Districts for operations and maintenance if students do not take part in the instruction options made available by the Districts.

The full extent of the ongoing impact of COVID-19 on the Districts' longer-term operational and financial performance will depend on future developments, many of which are outside of its control, including the effectiveness of the mitigation strategies discussed above, the duration and spread of COVID-19, and future governmental actions, all of which are highly uncertain and cannot be predicted. The Districts continue to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of the Pandemic upon the Districts. While the potential impact of the Pandemic on Districts cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the Districts' operations and financial condition.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values within the District. The financial and operating data contained herein are the latest available but are for the dates and the periods stated herein, which are for periods prior to the economic impact of the Pandemic and efforts to slow it. It is unclear at this time what effect, if any, COVID-19 and resulting economic disruption may have on future assessed values or the collection of taxes, either because of delinquencies or collection and valuation relief resulting from the declared emergency. See "AD VALOREM PROPERTY TAXATION."

Additionally, state funding of the Districts' operations and maintenance in future fiscal years could be adversely impacted by the negative effects on economic growth and financial markets resulting from the Pandemic as well as ongoing disruptions in the global oil markets. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM."

Authorization

The delivery of this Official Statement has been approved by the Board of Directors of the Corporation.

HARRIS COUNTY DEPARTMENT OF EDUCATION
PUBLIC FACILITIES CORPORATION

/s/ _____
President

ATTEST:

/s/ _____
Secretary

APPENDIX A
SELECTED PROVISION OF FINANCING DOCUMENTS

APPENDIX B

**EXCERPTS FROM THE DISTRICT'S
AUDITED FINANCIAL REPORT
FOR YEAR ENDED
AUGUST 31, 2019**

APPENDIX C

PROFORMA

APPENDIX D
FORM OF BOND COUNSEL'S OPINION

USCA MUNICIPAL ADVISORS, LLC

Department

Financial Advisor to the

CERTIFICATE OF SECRETARY

THE STATE OF TEXAS §
COUNTY OF HARRIS §
HARRIS COUNTY DEPARTMENT OF §
EDUCATION PUBLIC FACILITY §
CORPORATION §

The undersigned President and Secretary of the Board of Directors (the "*Board*") of the Harris County Department of Education Public Facility Corporation (the "*Issuer*") hereby certify as follows:

1. The Board convened in special meeting on October 15, 2020 at the regular designated meeting place, and the roll was called of the duly constituted officers and members, to wit:

Rich Vela	President
Don Sumners	Vice President
Richard Cantu	Second Vice-President
Jesus Amezcua	Secretary/Treasurer
James Colbert, Jr.	Director
Danny Norris	Director
Joe Carreon	Director

and all of such persons were present, except for _____, thus constituting a quorum. Whereupon, among other business, the following was transacted at such meeting: written

AN ORDER AUTHORIZING THE ISSUANCE OF HARRIS COUNTY DEPARTMENT OF EDUCATION PUBLIC FACILITIES CORPORATION LEASE REVENUE BONDS, SERIES 2020, AND AWARDING THE SALE THEREOF; APPROVING THE TRUST INDENTURE SECURING THE LEASE REVENUE REFUNDING BONDS, SERIES 2020; AUTHORIZING THE EXECUTION AND DELIVERY OF A LEASE WITH AN OPTION TO PURCHASE RELATING TO EDUCATIONAL AND SUPPORT FACILITIES; AUTHORIZING THE EXECUTION AND DELIVERY OF A GROUND LEASE AND APPROVING OTHER MATTERS INCIDENT AND RELATING THERETO

(the "*Order*") was duly introduced for the consideration of the Board and read in full. It was then duly moved and seconded that the Order be adopted; and, after due discussion, such motion, carrying with it the adoption of the Order, prevailed and carried by the following vote:

AYES: ____

NAYS: ____

2. That a true, full and correct copy of the Order adopted at the meeting described in the above and foregoing paragraph is attached to and follows this certificate; that the Order has been duly recorded in the Board's minutes of such meeting; that the above and foregoing paragraph is a true, full and correct excerpt from the Board's minutes of such meeting pertaining to the adoption of the Order; that the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of the Board as indicated therein; that each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the date, hour, place and subject of the aforesaid meeting, and that the Order would be introduced and considered for adoption at such meeting, and each of such officers and members consented, in advance, to the holding of such meeting for such purpose; that such meeting was open to the public as required by law; and that public notice of the date, hour, place and subject of such meeting was given as required by the Open Meetings Law, Chapter 551, Texas Government Code.

SIGNED this October 15, 2020.

Secretary

President

AN ORDER AUTHORIZING THE ISSUANCE OF HARRIS COUNTY DEPARTMENT OF EDUCATION PUBLIC FACILITIES CORPORATION LEASE REVENUE BONDS, SERIES 2020, AND AWARDING THE SALE THEREOF; APPROVING THE TRUST INDENTURE SECURING THE LEASE REVENUE REFUNDING BONDS, SERIES 2020; AUTHORIZING THE EXECUTION AND DELIVERY OF A LEASE WITH AN OPTION TO PURCHASE RELATING TO EDUCATIONAL AND SUPPORT FACILITIES; AUTHORIZING THE EXECUTION AND DELIVERY OF A GROUND LEASE AND APPROVING OTHER MATTERS INCIDENT AND RELATING THERETO

WHEREAS, the Harris County Department of Education Public Facility Corporation (the “Corporation” or the “Board”) has been created and organized pursuant to and in accordance with the provisions of the Public Facility Corporation Act, Chapter 303, Texas Local Government Code, as amended (“Chapter 30”), for the purpose of acting on behalf of the County School Trustees of Harris County, State of Texas (d/b/a the Harris County Department of Education) (the “Board of Trustees” or the “Department”) for the purpose of financing, refinancing, or otherwise assisting in the acquisition, construction, rehabilitation, renovation, repair, equipping, furnishing and placement in service of public facilities of the Department; and

WHEREAS, at its special meeting on October 15, 2020, Board of Trustees expects to a) to lease the Project (as defined below) property to the Corporation; and (b) issue or incur bonds, including refunding bonds, to finance, refinance or provide one or more public facilities and;

WHEREAS, the Board intends to authorize the issuance of not to exceed \$_____ in aggregate principal amount of its lease revenue bonds designated "Harris County Department of Education Public Facility Corporation Lease Revenue Bonds, Series 2020" (the “Bonds”), for the purpose of providing funds for the financing of the Project, funding a reserve fund, if necessary, and paying the costs of issuing the Bonds, all pursuant to and with the terms and conditions provided the Trust Indenture; and

WHEREAS, the proceeds of the Bonds will be used by the Corporation for the construction and equipment of a new building at the Department’s ABS East Campus located at 7703 South Loop East, Houston, Texas 77012 to provide adaptive behavior services, the construction the construction and equipment of a new building at the Department’s Highpoint Campus located at 8003 E. Sam Houston Parkway North, Houston, Texas 77049 to provide alternative educational services and the construction and equipment of a new building at the Department’s Adult Ed Center located at 6515 Irvington and 629 King Street, Houston, Texas 77022 to provide adult education classes (consisting of general education and vocational classes) (the “Project”). The total cost of the Project will not exceed \$54,000,000, of which will be paid with the Bonds and maintenance tax notes for qualifying equipment of the Department as well as other lawfully available revenues of the Department; and

WHEREAS, to accomplish the financing as contemplated (a) the Department and Corporation will enter into a Ground lease dated as of November __, 2020 (the “Ground Lease”), the Corporation and the Department will enter into a Lease With An Option To Purchase Relating to Educational and Support Facilities dated as of November __, 2020 (the “Lease”), pursuant to the terms of which the Department will pay to the Corporation such Rental Payments, as defined in the Lease (the “Rental Payments”), at such times and in such amounts as will be required to pay the principal of, premium, if any, and interest on the Bonds, as and when the same become due;

WHEREAS, to secure its obligations under this Trust Indenture, the Corporation will grant a leasehold deed of trust title to the Project to the Trustee, on behalf of the owners of the Bonds, pursuant to a Leasehold Deed of Trust, Security Agreement, Assignment of Rents and Leases, and Financing Statement dated as of November __, 2020 relating to the Bonds ("*Deed of Trust*"), and the Corporation will grant to the Trustee a first priority security interest in the machinery, equipment, furnishings, or other property owned by the Corporation at any time installed or located on the Project, and substitutions or replacements therefor, in any inventory of the Corporation now or hereafter located at the Project, and in the accounts, documents, chattel paper, instruments, and general intangibles arising in any manner from the Corporation's ownership and operation of the Project (as defined herein), pursuant to a Security Agreement dated as of even date herewith (the "*Security Agreement*"); and

WHEREAS, to secure its obligations under the Trust Indenture, the Corporation intends to grant a leasehold mortgage lien on and first deed of trust title to the real property portion of the Project and assign and pledge the Corporation's interest in the leases, rents, issues, profits, revenues, income, receipts, money, rights, and benefits of and from the Project for the use and benefit of the Trustee, on behalf of the owners of the Bonds, all pursuant to Deed of Trust; and the Corporation will grant to the Trustee a first priority security interest in the machinery, equipment, furnishings, or other property owned by the Corporation and financed with the proceeds of the Bonds at any time installed or located on the land, and substitutions or replacements therefor, in any inventory of the Corporation now or hereafter located at the Project, and in the accounts, documents, chattel paper, instruments, and general intangibles arising in any manner from the Corporation's ownership and operation of the Project pursuant the Security Agreement; and

WHEREAS, it is the intention of the Board that the Bonds will be payable from Rental Payments received by the Corporation pursuant to the Lease pursuant to which the Corporation will agree to lease the Project to the Department and the Department will agree to lease the Project from the Corporation; and

WHEREAS, the Bonds are special, limited obligations of the Corporation payable from the "Trust Estate" (as defined in the Trust Indenture) which includes the payment of the Rental Payments (hereinafter defined) by the Department to the Corporation and the obligations of the Corporation shall never constitute a general obligation indebtedness of the Corporation, the Department, or any other political subdivision of the State of Texas, with the meaning of any constitutional provisions or statutory limitations; and

WHEREAS, the Trust Indenture, the Ground Lease, the Lease with an Option to Purchase, the Security Agreement, the Deed of Trust (the "*Transaction Documents*") and other matters incident and related thereto have been presented to the Corporation at this meeting; and

WHEREAS, the Board now desires to approve the Transaction Documents and the issuance of the Bonds and acknowledge and consent to the execution and delivery by the Corporation of such documents, and all other certificates and instruments as are necessary or appropriate to consummate the transactions contemplated thereby; and

WHEREAS, the Board has reviewed the foregoing and determined that the action herein authorized is in furtherance of the corporate purposes of the Corporation and that the terms and conditions of the Bonds and the above described instruments, including without limitation the date, interest rates, maturity, redemption terms, and sales price of the Bonds and the manner of disbursing the proceeds thereof are advisable; and

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE HARRIS COUNTY DEPARTMENT OF EDUCATION PUBLIC FACILITY CORPORATION THAT:

Section 1. The preambles to this Order are incorporated by reference and are hereby adopted as though set forth in full at this place.

Section 2. The Board authorizes and approves the sale of the Bonds to J.P. Morgan Securities, as representative of the underwriters (the "*Underwriters*"), at the price of \$_____, in accordance with the terms and conditions of that certain Bond Purchase Agreement, dated as of October 15, 2020 (the "*Bond Purchase Agreement*") between the Corporation and the Underwriters, which the President of the Board is hereby authorized to execute and deliver on behalf of the Corporation in substantially the form presented at this meeting and when executed and delivered, such agreement shall become the valid and binding obligation of the Corporation in accordance with its terms.

Section 3. The Board authorizes and approves the lease of the Project Land from the Department pursuant to the Ground Lease for the Project.

Section 4. The President and the Vice President of the Board, or either of them, and the Secretary and the Assistant Secretary of the Board, or any of them, be, and such officers hereby are, authorized and directed to execute and deliver the Transaction Documents and other matters incident and related thereto and any and all certificates, documents, assignments, contracts, releases, financing statements, letters of instruction, and other instruments described therein upon the conditions therein described, all upon the terms herein approved, and the President (and, in the event of the absence or disability of such officer, the Vice President) and the Secretary (and, in the event of the absence or disability of such officer, the Assistant Secretary appointed by the President or the Vice President for such purpose) be, and such officers hereby are, authorized to negotiate and approve such changes in the terms of each such instrument (prior to the execution and delivery thereof) as such officers shall deem necessary or appropriate, and approval of the terms of each such instrument by such officers shall be conclusively evidenced by their execution and delivery thereof.

Section 5. The Bonds, in an aggregate principal amount not to exceed \$_____ in substantially the form and substance set forth in the Trust Indenture, at the per annum rates of interest described in the Trust Indenture, are hereby approved. The President of the Board and the Vice President of the Board, or any of them, and the Secretary of the Board and the Assistant Secretary of the Board, or any of them, are hereby authorized and directed, for and on behalf of the Corporation, to execute the Bonds or have their facsimile signatures placed upon the Bonds, and such officers are hereby authorized and directed to deliver the Bonds. Submission of a transcript of proceedings concerning the Bonds, the Ground Lease, the Lease, registration of the Bonds, and authentication of the Bonds, all upon the terms and conditions and in the manner described in the Trust Indenture, and the Lease as the same may be modified as authorized by this Order, and the delivery of the Bonds pursuant to the Bond Purchase Agreement for the purchase price provided therein is hereby authorized.

Section 6. The President of the Board, Vice President of the Board, the Secretary of the Board, or any duly authorized officer of the Corporation is hereby authorized to approve such changes to the documents authorized by this Order as shall be deemed necessary or appropriate and not contrary to the general tenor thereof and the execution and delivery of such documents by the President of the Board the Secretary of the Board, or any duly authorized officer of the Corporation will constitute the approval by the Corporation of any such changes. All action authorized herein to be taken by the President of the Board and/or Secretary of the Board may be taken by any one or two duly authorized officers of the Corporation.

Section 7. BOKF, NA, Houston, Texas, acting as trustee, is hereby appointed as the Trustee under the Trust Indenture, thereby serving as Bond Registrar and Paying Agent under the terms of the Trust Indenture.

Section 8. The President of the Board and the Vice President of the Board, or any of them, and the Secretary of the Board and the Assistant Secretary of the Board, or any of them, are hereby authorized to execute and deliver to the Trustee the written request of the Corporation for the authentication and delivery of the Bonds by the Trustee in accordance with the Trust Indenture.

Section 9. All action (not inconsistent with provisions of this Order) heretofore taken by the Board and the officers of the Corporation directed toward the refinancing of the Project, and the issuance of the Bonds shall be and the same hereby is ratified, approved, and confirmed. The officers of the Board, or any of them, are authorized to take any and all action necessary to carry out and consummate the transactions described in or contemplated by the instruments approved hereby or otherwise to give effect to the actions authorized hereby and the intent hereof.

Section 10. After the Bonds described herein are issued, this Order shall be and remain irrevocable with respect to the Bonds until such Bonds and interest thereon shall have been fully paid or provisions for payment shall have been made pursuant to the Trust Indenture securing the Bonds.

Section 11. The Board hereby appoints Orrick, Herrington & Sutcliffe LLP to act as Bond Counsel for the Bonds.

Section 12. No stipulation, obligation, or agreement herein contained or contained in the Transaction Documents and other matters incident and related thereto, or any other instrument related to the issuance of the Bonds shall be deemed to be a stipulation, obligation, or agreement of any officer, director, agent or employee of the Corporation in his or her individual capacity, and no such officer, director, agent or employee shall be personally liable on the Bonds or be subject to personal liability or accountability by reason of the issuance thereof.

Section 13. All orders or Orders, or parts thereof, which are in conflict or inconsistent with any provision of this Order are hereby repealed to the extent of such conflict, and the provisions of this Order shall be and remain controlling as to the matters resolved herein.

Section 14. This Order shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

Section 15. If any section, paragraph, clause, or provisions of this Order shall be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause, or provision shall not affect any of the remaining provisions of this Order. In case any obligation of the Corporation authorized or established by this Order or the Bonds held to be in violation of law as applied to any person or in any circumstance, such obligation shall be deemed to be the obligation of the Corporation to the fullest extent permitted by law.

Section 16. It is officially found, determined, and declared that the meeting at which this Order is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Order, was given, all as required by Chapter 551, as amended, Texas Government Code.

Section 17. The use of the Preliminary Official Statement dated October 6, 2020 in the offering and sale of the Bonds is hereby ratified, confirmed and approved in all respects, and the Board hereby finds that the information and data contained in said Preliminary Official Statement pertaining to the Corporation and its financial affairs is true and correct in all material respects and no material facts have been omitted therefrom which are necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The final Official Statement, which reflects the terms of sale (together with such changes approved by an authorized officer of the Corporation), shall

be and is hereby in all respects approved and the Underwriters are hereby authorized to use and distribute said final Official Statement in the offering, sale and delivery of the Notes to the public.

Section 18. This Order shall be in force and effect from and after the date of its adoption, and it is so resolved.

[signature page follows]

PASSED AND APPROVED, this the 15th day of October, 2020.

Secretary

President

CERTIFICATE FOR ORDER

THE STATE OF TEXAS §
COUNTY OF HARRIS §
HARRIS COUNTY DEPARTMENT OF EDUCATION §

The undersigned President and Vice President of the Board of County School Trustees of Harris County, State of Texas (d/b/a the Harris County Department of Education) (the "Board" or the "Department") hereby certify as follows:

1. The Board convened in special meeting on October 15, 2020 at the regular designated meeting place, and the roll was called of the duly constituted officers and members, to wit:

Eric Dick	President
Danyahel Norris	Vice-President
Amy Hinojosa	Position 1, Precinct 2
Andrea Duhon	Position 4, Precinct 3
Richard Cantu	Position 3, At Large
Don Sumners	Position 7, At Large
Mike Wolfe	Position 5, At Large

and all of such persons were present, except _____, thus constituting a quorum. Whereupon, among other business, the following was transacted at such meeting: written

AN ORDER AUTHORIZING THE ISSUANCE OF HARRIS COUNTY DEPARTMENT OF EDUCATION PUBLIC FACILITIES CORPORATION LEASE REVENUE BONDS, SERIES 2020, AND AWARDING THE SALE THEREOF; APPROVING THE TRUST INDENTURE SECURING THE LEASE REVENUE REFUNDING BONDS, SERIES 2020; AUTHORIZING THE EXECUTION AND DELIVERY OF A LEASE WITH AN OPTION TO PURCHASE RELATING TO EDUCATIONAL AND SUPPORT FACILITIES; AUTHORIZING THE EXECUTION AND DELIVERY OF A GROUND LEASE AND APPROVING OTHER MATTERS INCIDENT AND RELATING THERETO

(the "Order") was duly introduced for the consideration of the Board and read in full. It was then duly moved and seconded that the Order be adopted; and, after due discussion, such motion, carrying with it the adoption of the Order, prevailed and carried by the following vote:

AYES: ___ NAYS: ___ ABSTAIN: ___

2. That a true, full and correct copy of the Order adopted at the meeting described in the above and foregoing paragraph is attached to and follows this certificate; that the Order has been duly recorded in the Board's minutes of such meeting; that the above and foregoing

paragraph is a true, full and correct excerpt from the Board's minutes of such meeting pertaining to the adoption of the Order; that the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of the Board as indicated therein; that each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the date, hour, place and subject of the aforesaid meeting, and that the Order would be introduced and considered for adoption at such meeting, and each of such officers and members consented, in advance, to the holding of such meeting for such purpose; that such meeting was open to the public as required by law; and that public notice of the date, hour, place and subject of such meeting was given as required by the Open Meetings Law, Chapter 551, Texas Government Code.

SIGNED this October 15, 2020.

Secretary

President

AN ORDER AUTHORIZING THE ISSUANCE OF HARRIS COUNTY DEPARTMENT OF EDUCATION PUBLIC FACILITIES CORPORATION LEASE REVENUE BONDS, SERIES 2020, AND AWARDING THE SALE THEREOF; APPROVING THE TRUST INDENTURE SECURING THE LEASE REVENUE REFUNDING BONDS, SERIES 2020; AUTHORIZING THE EXECUTION AND DELIVERY OF A LEASE WITH AN OPTION TO PURCHASE RELATING TO EDUCATIONAL AND SUPPORT FACILITIES; AUTHORIZING THE EXECUTION AND DELIVERY OF A GROUND LEASE AND APPROVING OTHER MATTERS INCIDENT AND RELATING THERETO

WHEREAS, the County School Trustees of Harris County, State of Texas (d/b/a the Harris County Department of Education) (the “Board” or the “Department”) is authorized to enter into contracts for the use, purchase or other acquisition of real property or improvements to real property pursuant to Subchapter A of Chapter 271, Texas Local Government Code, as amended; and

WHEREAS, the Board has found and determined that it is in the best interest of the Department to proceed with the construction and equipment of a new building at the Department’s ABS East Campus located at 7703 South Loop East, Houston, Texas 77012 to provide adaptive behavior services, the construction the construction and equipment of a new building at the Department’s Highpoint Campus located at 8003 E. Sam Houston Parkway North, Houston, Texas 77049 to provide alternative educational services and the construction and equipment of a new building at the Department’s Adult Ed Center located at 6515 Irvington and 629 King Street, Houston, Texas 77022 to provide adult education classes (consisting of general education and vocational classes) (the “Project”); and

WHEREAS, pursuant to the notice of intention published in the Houston Chronicle, a newspaper of general circulation within the Department, on _____, 2020, The total cost of the Project will not exceed \$54,000,000, of which approximately \$35,000,000 will be paid with the Bonds and approximately \$19,000,000 will be paid with maintenance tax notes for qualifying equipment of the Department as well as other lawfully available revenues of the Department; and

WHEREAS, the Department has approved the Project; and

WHEREAS, The Project is necessary in order to carry out the purposes of the Department. The Project is necessary to meet its obligation under contracts to provide facilities for students for independent school districts in Harris County; and

WHEREAS, the Corporation has been created and organized pursuant to and in accordance with the provisions of the Public Facility Corporation Act, Chapter 303, Texas Local Government Code, as amended (“Chapter 303”), for the purpose of acting on behalf of the Department for the purpose of financing, refinancing, or otherwise assisting in the acquisition, construction, rehabilitation, renovation, repair, equipping, furnishing and placement in service of public facilities of the Department; and

WHEREAS, in order to finance the Project, the Department has found and determined that it is in the best interest of the Department to lease the Project property to the Corporation (as defined below); and

WHEREAS, the proceeds of the Bonds will be used by the Corporation for the Project. The total cost of the Project will not exceed \$54,000,000, of which will be paid with the Bonds and maintenance tax notes for qualifying equipment of the Department as well as other lawfully available revenues of the Department; and

WHEREAS, in order to provide funds necessary for the financing the Project the Board desires to approve, but not limited to: (i) the lease to the Project property to the Corporation pursuant to Ground

Lease (the “*Ground Lease*”); (ii) the form of Lease with Option to Purchase Relating to Educational and Support Facilities (the “*Lease*”) with the Corporation with respect to the Project; (iii) a Trust Indenture (the “*Trust Indenture*”), dated as of November 1, 2020, between BOKF, N.A., Houston, Texas, as trustee (the “*Trustee*”) and the Corporation pertaining to the Corporation’s \$_____ Lease Revenue Bonds, Series 2020 (the “*Bonds*”); (iv) a Bond Purchase Agreement, dated as of October 15, 2020 between the Corporation and J.P. Morgan Securities, as representative of the underwriters (the “*Bond Purchase Agreement*”); (v) Leasehold Deed of Trust, Security Agreement, Assignment of Rents and Leases and Financing Statement, dated as of November 1, 2020 (the “*Deed of Trust*”) by the Corporation for the benefit of the Trustee; and (vi) the Security Agreement, dated as of November 1, 2020 (the “*Security Agreement*”), between the Corporation and the Trustee (collectively, the “*Transaction Documents*”)

WHEREAS, the Transaction Documents have been presented to the Board at this meeting; and

WHEREAS, the Board now desires to approve the Transaction Documents, the issuance of the Bonds by the Corporation and acknowledge and consent to the execution and delivery by the Corporation of such documents, and all other certificates and instruments as are necessary or appropriate to consummate the transactions contemplated thereby; and

WHEREAS, the Board finds and determines that the Project is necessary in order to carry out the purposes of the Department; and

WHEREAS, the meeting at which this Order is considered is open to the public as required by law and the public notice of the time, place and purpose of said meeting was given as required by Texas Government Code, Chapter 551, as amended.

NOW THEREFORE, BE IT ORDERED BY THE BOARD OF TRUSTEES OF THE HARRIS COUNTY DEPARTMENT OF EDUCATION:

SECTION 1. APPROVAL OF DEPARTMENT DOCUMENTS. The Board hereby approves the financing of the Project in accordance with the authority conferred by and in conformity with the Constitution and laws of the State of Texas, and the execution, delivery and performance of the Transaction Documents in substantially the forms presented to the Board at this meeting, with such changes thereto as may be required by the Trustee, the Attorney General of Texas or any of the attorneys rendering an opinion as to the validity and enforceability of the Bonds or the Lease or as to the tax exemption of interest on the Bonds. The President or any Vice President of the Board are hereby authorized to execute and deliver Transaction Documents, and such certificates regarding the Department and the acquisition of the Projects as may be required by any of the attorneys rendering an opinion as to the validity and enforceability of the Bonds, Transaction Documents, or on the tax exemption of interest on the Bonds. The Transaction Documents shall constitute binding obligations of the Department in accordance with their terms and conditions.

SECTION 2. APPROVAL OF CORPORATION DOCUMENTS. The Department hereby acknowledges and approves the execution and implementation by the Department and the Corporation of the Transaction Documents, in substantially the forms presented to the Board at this meeting, and the issuance by the Corporation of the Bonds pursuant to the Trust Indenture, with such changes thereto as may be required by the Trustee, the Attorney General of Texas or any of the attorneys rendering an opinion as to the validity and enforceability of the Bonds, the documents executed by the Corporation in connection therewith or as to the tax exemption of interest on the Bonds.

SECTION 3. FURTHER PROCEEDINGS. Incident to the execution and delivery of the Transaction Documents and the Bonds, the proper officers, representatives, agents and employees of the Department and the Corporation are hereby authorized, empowered and directed to do all such acts and things and to execute such documents on behalf of the Department and the Corporation and to do any and

all things as may be necessary or desirable to carry out and comply with the provisions thereof and are further authorized to take any and all further action to execute and deliver any other documents as may be necessary in order to successfully complete and operate the Project.

SECTION 4. REPEALER. All orders or resolutions or parts thereof, which are in conflict or inconsistent with any provision of this Order are hereby repealed to the extent of such conflict, and the provisions of this Order shall be and remain controlling as to the matters contained herein.

SECTION 5. SEVERABILITY. If any provisions of this Order or the application thereof to any circumstance shall be held to be invalid, the remainder of this Order and the application thereof to other circumstances shall nevertheless be valid and the Board hereby declares that this Order would have been enacted without such invalid provision.

SECTION 6. EXCESS FUNDS. Upon re-leasing or sale of the Project by the Corporation due to default or non-appropriation under the Lease, funds (to the extent of the contribution by the Department) in excess of amounts necessary to pay the Bonds will revert to the Department.

SECTION 6. OFFICIAL STATEMENT. The use of the Preliminary Official Statement dated October 6, 2020 in the offering and sale of the Bonds is hereby ratified, confirmed and approved in all respects, and the Board hereby finds that the information and data contained in said Preliminary Official Statement pertaining to the Department and its financial affairs is true and correct in all material respects and no material facts have been omitted therefrom which are necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The final Official Statement, which reflects the terms of sale (together with such changes approved by an authorized officer of the Department), shall be and is hereby in all respects approved and the underwriters are hereby authorized to use and distribute said final Official Statement in the offering, sale and delivery of the Notes to the public.

[signature page follows]

SIGNED this October 15, 2020.

Secretary

President