

LEASE AGREEMENT

1. PARTIES

This agreement is made and entered into effective the **1st** day of **July, 2001**, by and between Lena Pope Home, Inc., hereinafter called **LESSOR** and The State of Texas by and through and for the use and benefit of Texas Youth Commission, an agency of the State of Texas, hereinafter called **LESSEE**.

2. PROPERTY LEASED

LESSOR promises, in return for the consideration described herein to be paid by the LESSEE and the covenants set out herein to be kept by LESSEE, to hereby lease, unto the LESSEE, the following described property and premises, to-wit:

All that tract or parcel of land being approximately 25 acres, together with all improvements thereon and appurtenances thereto, to include but not limited to 15,820 square feet of usable residential space, 2 car garage with attached pump room and tool room, portable storage buildings, water well, 3 septic systems, located at 400 Haynes, Roanoke, TX 76262, known locally as McFadden Ranch, a facility of the LESSEE, together with all rights, benefits, privileges, in anywise appertaining.

3. MONTHLY RENTAL

(A) The LESSEE agrees to pay LESSOR not more than ONE HUNDRED SIXTY TWO THOUSAND AND NO/100 DOLLARS (\$162,000.00) per year during the term of this lease. Monthly payments of **THIRTEEN THOUSAND, FIVE HUNDRED AND NO/100 DOLLARS (\$13,500.00)** shall be due and payable by **LESSEE** in advance on the first day of the month for which said rentals are due.

(B) On each anniversary date of the lease, the total monthly rent of the resulting contract may be adjusted by changes in the Consumer Price Index reflecting percentage increases or decreases. The LESSOR must request by letter any increase in rent no earlier than sixty (60) days prior to the anniversary date and no later than thirty (30) days after the anniversary date.

(C) The CPI Escalation Clause (50%) as provided in Attachment "A" is made a part hereof.

4. TERM OF THE LEASE

The term of this lease shall be 120 months commencing on the **1st day of July, 2001** and ending on the **30th day of June, 2011**, unless sooner terminated as hereinafter provided.

(A) Extensions of this lease for additional terms will be made upon mutual agreement of LESSOR and LESSEE upon notification by LESSEE in writing of its intent to do so no later than 180 days prior to the termination date described in the preceding paragraph. Upon said notice of intention to exercise this option and by mutual agreement between LESSOR and LESSEE at that time, this lease may be renewed up to five (5) times for periods up to 120 months each under the same terms and conditions.

(B) This lease contract is made and entered into in accordance with the provisions of Title 3, Human Resources Code and is made contingent upon the continuation of federally funded programs, or upon the availability of state funds appropriated by the Legislature, to cover the full term and cost of this lease. In the event a curtailment of federally funded programs occurs, or in the event state appropriated funds are unavailable, LESSEE upon written notice to the LESSOR, may either terminate this lease or adjust it in accordance with provisions of the lease.

(C) If the LESSOR shall be unable to give possession of the demised premises on the date of commencement of the term hereof, payment hereunder shall not begin until the possession of the premises is given or the premises are available for full occupancy by the LESSEE.

5. LESSOR AGREES:

(A) to pay all taxes of whatever nature, levied and assessed and to be levied or assessed, on or against the leased property and improvements during the term of the lease.

(B) to keep the leased premises, property, and buildings in good repair during term of the lease, including, but not limited to roof leaks; ceiling, foundations and structural portions of the building, building exterior; plumbing, heating, air conditioning and ventilating equipment, fire protection equipment; and any equipment or other personal property provided by the LESSOR pursuant to these specifications.

(C) that hereafter and during the term of this lease, it will not rent, lease or otherwise furnish space in this or any adjacent buildings under its control to any

enterprise which, in the usual exercise of its business, could be expected to create noise or odors injurious or disruptive to LESSEE's normal governmental activity.

(D) that the LESSEE may bring on to the leased premises any and all equipment and make improvements reasonably necessary for the efficient exercise of LESSEE's governmental responsibilities. Any and all improvements which may have been made by the LESSEE as shall be agreed to and adopted by the parties hereto and shall become the property of LESSEE.

(E) to service HVAC filters and equipment on a monthly basis.

(F) to replace all carpet that has not been replaced within the past two years from date of this agreement and shall replace all carpet with comparable quality of carpet every 40 months throughout the term of the lease if needed and determined by LESSEE.

(G) to cause the space to be occupied by the LESSEE pursuant to the terms of this lease to comply with all applicable federal, state, or local laws, statutes, ordinances, codes, rules, and regulations relating to the public health, safety and welfare.

(H) to certify the building is free of materials containing friable asbestos or asbestos containing materials (ACM), or that the building will be free of materials containing friable asbestos or ACM upon lease commencement.

(I) to meet or exceed the requirements for accessibility for the handicapped for those privately owned buildings and facilities leased by state agencies under the provisions of Article 9102 V.A.T.S. The Texas Department of Licensing and Regulation (RT.D.L.R.) is required to inspect the lease space during the first year of the lease. LESSOR will be responsible for payment of all fees required by T.D.L.R. for performing its functions under Article 9102.

(J) to comply with all applicable provisions of the Americans with Disabilities Act of 1990, Public Law 101-336, 42 United States Code 12101 et seq.

6. LESSEE AGREES:

(A) to pay all utility bills necessary for the proper operation of the duties performed by the LESSEE.

(B) to provide janitorial services for the space occupied.

(C) to abide by any and all reasonable rules promulgated by LESSOR for the proper operation of the subject demised property and surrounds; provided only that all rules promulgated subsequent to commencement of this lease be submitted

to LESSEE in writing for consideration and comment at least thirty (30) days prior to implementation.

(D) to keep the leased premises, property and buildings in good repair and condition during the continuance of the term of this lease to include: repair and patch walls, ceiling and floor surfaces; replacement of broken window glass; repair of window shades, blinds and or drapes, fasteners and sash cord or chains; woodwork, locks, floor surface and coverings; lighting fixtures and replacement of all defective or burned out light bulbs, fluorescent tubes, ballasts and starters.

(E) to repair or replace any part of the leased premises destroyed or damaged by or as a result of students or employees of the LESSEE or any other employees, agents, representatives, or authorized guests or invitees of LESSEE, normal wear and tear excepted.

(F) to not make or allow to be made any alterations or physical additions to the premises without first obtaining the written consent of LESSOR, which consent shall not be unreasonably withheld, and upon termination of this lease, by lapse of time or otherwise, all such alterations, physical additions or improvements furnished and installed by LESSEE that are permanently attached to the premises shall, at LESSEE's option, become property of LESSOR and in consideration for the alteration or improvement, LESSOR accepts full responsibility for the alteration or improvement that becomes the property of the LESSOR.

(G) to permit LESSOR, or its agents or representative, the right of entry into and upon any part of the premises at all reasonable hours to inspect same, provided that LESSOR notifies LESSEE of LESSOR's intent to enter the premises at least twenty four hours prior to entry, except in cases of emergency.

7. GENERAL TERMS AND CONDITIONS

(A) It is further understood and agreed any additions or improvements to the property not specifically provided herein will be at the discretion of LESSEE and at its expense.

(B) It is further understood and agreed that if the LESSOR does not maintain the portion of the premises herein agreed in good repair and condition during the continuance of the term of this lease, reasonable wear and tear excepted, the LESSEE shall notify the LESSOR in writing in reference thereto by registered mail. If, within thirty (30) days after such notice has been mailed to the LESSOR, said LESSOR fails to take steps to remedy the grievances specified, the LESSEE may take such actions in accordance with the provisions shown below.

(C) LESSOR further covenants that it has good and sufficient title to the said premises, and has full power and authority to execute this lease and to place

LESSEE in possession of the premises in full satisfaction of and compliance with the terms and conditions herein. LESSOR also agrees that it will not attempt to impose upon LESSEE any requirements of other legal instruments related to these premises not referred to herein or made a part hereof. LESSOR warrants and defends unto LESSEE against the claims of all persons to the leasehold interests of the LESSEE. Any person or entity executing this lease as agent for the LESSOR shall attach to this lease sufficient evidence or authority to act in the capacity shown.

(D) LESSOR warrants that the operation of the LESSEE on the demised premises is not in violation of any city ordinance or statute or any restriction imposed against the demised premises and that said LESSOR will indemnify said LESSEE for any direct or indirect loss sustained by LESSEE as a result of the existence of such restriction, ordinance or statute.

(E) Any signs necessary to indicate LESSEE's name, location and governmental purpose shall be prepared and installed in accord with LESSOR's applicable rules and regulations and in keeping with building decor. Any special requirements of LESSEE contrary to the above must be agreed to in writing by LESSOR.

(F) On termination of this lease, by lapse of time or otherwise, LESSEE may, within a reasonable time thereafter, at its option and expense, remove from said premises any and all improvements, equipment, appliances or other property placed or owned by it thereon; and shall deliver up said premises and property to LESSOR in as good order and condition as they now are, or may be put by the LESSOR; provided, however, that reasonable use, ordinary wear and tear, depreciation, damages, or destruction by fire or the elements or unavoidable casualty and repairs, and replacements, for which the LESSOR is obligated, are excepted.

(G) If during the term of this lease, said premises, or any portion thereof, shall be condemned for any public purpose, either party hereto shall have the option of terminating and canceling this lease upon thirty (30) days notice to the other party of its election so to do.

(H) It is mutually agreed between the LESSOR and the LESSEE that if said building and premises shall, during the term of this lease or extensions thereof, be slightly damaged by fire or any other cause or causes, the same shall be promptly repaired by the LESSOR. During the time of such repair, if the space cannot be fully utilized by LESSEE, lease payments due hereunder shall be either reduced or withheld in accord with the degree of non-use. But, if said building and premises be so damaged as to render said premises unfit for occupancy, then, and from the date of such damage, this lease shall cease and be void; and rent and other obligations hereunder shall be due and payable only to the date of such damage. If the LESSOR has available under his control space which will meet LESSEE's needs and offers same to LESSEE, the LESSEE may at its option, occupy that space under the same terms and conditions of this lease

(I) LESSEE reserves the right to assign any agency of State government to occupy all or any part of the space described herein, but covenants and agrees that it will not assign or sublet all or any part of the leased premises to any private parties (persons or corporations) except to maintain the responsibilities presently maintained by LESSEE.

(J) In the event LESSEE shall be in default in the payment of rentals or other charges hereunder or shall otherwise breach its covenants or obligations hereunder, and shall be and remain in default for a period of thirty (30) days after written notice from LESSOR to it of such default, LESSOR shall have the right and privilege of terminating this lease and declaring the same at an end, and of entering upon and taking possession of said premises, and shall have the remedies now or hereafter provided by law for recovery of rent, repossession of the premises and damages occasioned by such default.

(K) In the event LESSOR shall breach or be in default in performance of any of the covenants or obligations imposed upon LESSOR by this lease, and shall remain in default for a period of thirty (30) days after written notice from LESSEE to it of such default, LESSEE shall have the right and privilege of terminating this lease and declaring the same at an end, and shall have the remedies now or hereafter provided by law for recovery of damages occasioned by such default. In lieu of a formal declaration of default and resulting termination as provided above, and in special cases urged by the occupying state agency, the LESSEE may withhold payments or rent from LESSOR, until such time as the violations have been corrected. If violations of this lease create an emergency situation and threaten the occupying agency's ability to use the premises, the LESSEE may correct all or any part of the violations and deduct the cost from rentals due the LESSOR. Such extraordinary remedies will only be undertaken in the best interest of the state when a move following termination would be highly disruptive to the occupying agency and detrimental to its statutory functions.

(L) The failure of the LESSEE or LESSOR to insist in any one or more instances on a strict performance of any of the covenants of this lease shall not be construed as a waiver or relinquishment of such covenants in future instances, but the same shall continue and remain in full force and effect.

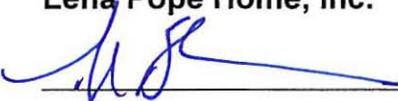
(M) The relationship between LESSOR and LESSEE is solely one of landlord/tenant. LESSEE's operations on the premises are independent of LESSOR's operations, and LESSOR has no interest, rights, management, responsibility, control or liability concerning LESSEE's operations beyond those set forth in this lease.

(N) This agreement and each and all of its covenants, obligations and conditions hereof shall inure to the benefit of and be binding upon the heirs, personal representatives, successors and assigns of LESSOR, and the successor in office of LESSEE.

(O) All disputes or claims that arise concerning this lease agreement will be made pursuant to Chapter 2260, Texas Government Code as amended.

(P) LESSOR shall maintain insurance coverage for the benefit of LESSEE to cover LESSEE's losses that arise from fire, flood, structural design or defect or other natural or man-made causes except those described in Paragraph 6(E), above. LESSOR shall provide proof of such coverage on the request of LESSEE and shall give LESSEE reasonable notice of any change if such coverage is modified or terminated.

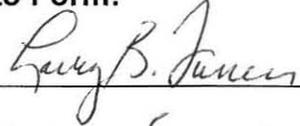
LESSOR
Lena Pope Home, Inc.

By 

5/15/01
Date

Title Executive Director
Lena Pope Home, Inc.
Address 3131 Sanguinet
Ft. Worth, TX 76107

Approved as to Form:

Attest 

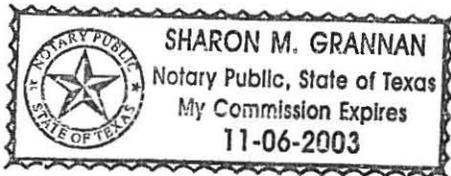
5-21-01
Date

Title DIRECTOR OF FINANCE

STATE OF
COUNTY OF

BEFORE ME, the undersigned authority, on this day personally appeared Sed Bless the Executive Director of Lena Pope Home, Inc., and acknowledged to me that he executed the same for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 15th day of May, 2001.



Sharon M. Grannan
Notary Public in and for
State of Texas

SHARON M. GRANNAN
Printed Name of Notary
My commission expires 11-6-03

LESSEE

**State of Texas acting by and through
Texas Youth Commission, an
Agency of the State of Texas**

By Paul Reeves
Paul Reeves
Director Business Services
4900 North Lamar
Austin, Texas 78765

6/7/01
Date
Telephone (512) 424-6261
FAX No. (512) 424-6337

Approved as to Form:

By Emily Helm
Emily Helm
TYC Attorney

6/7/01
Date

ATTACHMENT A

CPI ESCALATION CLAUSE (50%)

1. On each annual anniversary date of the lease, the total monthly rent of the resulting contract may be adjusted by changes in the Consumer Price Index reflecting percentage increases or decreases. The Lessor must request by letter to the Lessee any increase in rent no earlier than sixty days prior to the anniversary date no later than thirty (30) days after the anniversary date.
2. The Formula for determining the amount of escalation allowable in any given contract year shall be:

Base Factor X Percent Escalation Allowable = Amount of Escalation Allowed:

The new monthly rental would be the monthly rental in effect for the previous year of the contract increased by the "Amount of Escalation Allowed."

3. Percent Escalation Allowable will be based on a percent change in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W, U.S. City Average) published by the United States Department of Labor, Bureau of Labor Statistics, Washington, D.C. 20212. Percent changes shall be rounded to the nearest one tenth of one percent.

For Illustrative Purposes Only:

January, 1985 = 312.6

January, 1986 = 324.3 represents 3.7% increase

4. Base Factor: Fifty percent (50%) of the monthly cost on Bid will be the base factor used to calculate the escalation.

Example:

If the total cost per month for the subject space is \$2,000.00, the base factor would be \$1,000.00 (50% of \$2,000.00 = \$1,000.00). Base factor being \$1,000.00 and the escalation allowable is 3.7%, then the amount of escalation allowed is \$37.00 (\$1,000.00 x 3.7% = \$37.00) and the new monthly rental for the new year of the contract would be \$2,037.00.

5. The first escalation date would be *July 1, 2002*, based upon the percent change in the CPI from *April 2001* and *April 2002*. Each succeeding year, the same procedure as outlined above will be used.