ARTICLE VI

Compensation

Section 6.1 Management Fees. The County agrees to pay Emerald compensation for the services provided hereunder at a fixed periodic fee as set forth on the attached Exhibit A (the "Management Fee"). The County agrees to instruct the Trustee to withdraw such Management Fee from the Operating Account within the Project Fund created pursuant to the Lease, at least monthly, from money to be deposited to such account pursuant to the Lease. The County shall pay such fee on the later of: (a) three (3) business days after the date upon which the County receives an invoice from Emerald for such fee, or (b) the business day on which there is sufficient money accumulated in the Operating Account during such month to make such payment. Emerald shall deliver a copy of its invoice to the Trustee. Any portion of the monthly compensation due and owing to Emerald that is not timely paid shall remain due and owing until it is paid in full. The County shall require that any funds that remain undistributed after the payment of Lease Payments, Management Fees, and County Fee shall first be applied to unpaid Management Fees due and owing to Emerald.

The Management Fee for Year 4 and all subsequent years of the Term of this Agreement shall be negotiated by the Parties after the full scope of services to be rendered have been determined for those years. If the Parties hereto are unable to agree upon the amount of such monthly fixed periodic fee for Year 4 or any subsequent year during the Term of this Agreement within ninety (90) days of the commencement of such year, then the Management Fee for said year of the Term shall be the monthly fixed periodic fee described on Exhibit A for the immediately preceding year of the Term, adjusted by latest published changes in the Consumer Price Index for the applicable geographic region, using 2003 as the base year for such adjustment.

Section 6.2 Source of Funds. Notwithstanding anything herein to the contrary, all amounts due and payable by the County to Emerald shall be a current obligation payable solely from Appropriated Project Revenues and other amounts on deposit in the appropriate account in the Project Fund created pursuant to the Lease. No other assets or monies of the County shall be used or pledged for the obligations of the County created by this Agreement. Anything to the contrary herein notwithstanding, any liability of any kind hereunder of the County or the Issuer, or any of their respective officers, employees, agents, or representatives is payable solely out of and only to the extent of Project Revenues. This Agreement is not intended to create, nor does it create, any liability on the part of the County or the Issuer, or any of their respective officers, employees, agents, or representatives, except to the extent such liabilities are paid and can be paid from Project Revenues.

Section 6.3 County Fee. The County shall be paid a per diem fee for each day an Inmate is housed at the Facility. The obligation for Emerald to pay said fee to the County shall begin after the Facility first exceeds an occupancy level of three hundred and ninety-five (395) Inmates for sixty (60) consecutive calendar days. After the Facility reaches that level of occupancy for said time period, Emerald shall be obligated to pay County the County Fee for each day thereafter that an Inmate is housed at the Facility, regardless of the occupancy level of the
Facility. Emerald shall pay such fees for a particular month within five (5) working days after Emerald has been paid for the housing of an Inmate. The County Fee shall be calculated as follows:

(a) If the governmental entity that assigns the Inmate to the Facility has paid $0.01 to $29.99 per day for the housing of said Inmate, then the County Fee shall be $1.00 per Inmate Day.

(b) If the governmental entity that assigns the Inmate to the Facility has paid $30.00 to $59.99 per day for the housing of said Inmate, then the County Fee shall be $2.00 per Inmate Day.

(c) If the governmental entity that assigns the Inmate to the Facility has paid $60.00 or more per day for the housing of said Inmate, then the County Fee shall be $3.00 per Inmate Day.

Section 6.4 Tax-Exempt Compliance. Notwithstanding the foregoing paragraphs of this Article VI, Emerald hereby agrees that under no circumstances shall Emerald be paid or be due compensation based, in whole or in part, on a share of net profits from the operations of the Facility. Further, the aggregate compensation in any calendar year shall not exceed the limits which may be established from time to time by the Internal Revenue Code of 1986, as amended or supplemented, and IRS regulations, rulings, and revenue procedures relating thereto, including, but not limited to, Rev. Proc. 97-13 and Treas. Reg. 1.141-3.

Section 6.5 Reimbursement of Pre-Opening Costs. The County shall require and instruct the Trustee to pay to Emerald from the Construction Fund the Pre-Opening Costs as required hereunder. The reimbursement of Pre-Opening Costs shall not be deemed to be the payment of fees for the operation, management, and maintenance of the Facility hereunder. The County shall require and instruct the Trustee that FF&E Expenses shall be paid to Emerald upon the presentation of an invoice reflecting the purchase or acquisition of vehicles, furniture, fixtures, equipment or similar items of personal property to be utilized in the operation, management, or maintenance of the Facility. The County shall require the Trustee to pay Emerald the Start-Up Costs pursuant to the schedule set forth on the attached Exhibit B, which is incorporated herein for all purposes.

Section 6.6 Documentation for Distributions by Trustee. Emerald shall, each month, promptly forward to the Trustee such documentation as may be reasonably required to facilitate the payment of Management Fees anticipated by Section 6.1 above. Such documentation shall include, but is not limited to, the monthly invoice prepared by Emerald and forwarded to each User Agency assigning Inmates to the Facility, the monthly calculation of the amount due and owing to Emerald, and such other matters as may be reasonably and prudently required by Trustee to document the payment of Management Fees hereunder. Emerald shall prepare and submit to County a monthly statement setting forth the calculation of any and all amounts due and owing by Emerald to County as the County Fee, pursuant to Section 6.3 above, and such other amounts as may be due and owing between County and Emerald pursuant to the terms of this Agreement. County shall, each month, promptly forward to Trustee such documentation as
may be reasonably required to facilitate the payment of Management Fees anticipated by
Section 6.1 above.

Section 6.7 Adjustment to Management Fees. The amounts described as Management
Fees to be paid to Emerald, set forth in Section 6.1 above, are subject to renegotiation and
adjustment at the option of the Parties. The amounts described in Section 6.1 above are based
upon the mutual assumption by the Parties that the U.S. Marshals Service will contract with
County for the housing of its Inmates at the Facility, at a commercially reasonable rate per
Inmate per day, with no more than a customary scope of services required. In the event that
those assumptions are incorrect, the provisions of this paragraph shall control an appropriate
change in the amount of the Management Fee to be paid to Emerald pursuant to Section 6.1
above, so as to fairly compensate Emerald for the services required to be provided to the Inmates
housed at the Facility. Emerald and County assume and, in entering into this Agreement, are
relying upon the fact that the Service Contract Act ("SCA"), 41 U.S.C.A. 351 et seq., requiring
the utilization of certain prevailing wage rates, is not applicable to this Agreement. If the SCA is
found to be applicable to this Agreement, then the Management Fee to be paid to Emerald
hereunder shall be adjusted by agreement of the Parties, so as to reflect the change in costs and
expenses (including, but not limited to, salaries, wages, benefits, costs, expenses, and overhead)
occasioned by the applicability of the SCA, to fairly compensate Emerald. If the SCA is found
to be applicable to this Agreement, and the Parties cannot agree upon the adjustment in
Management Fees to be paid to Emerald as described herein, then Emerald may elect to
terminate this Agreement upon one hundred twenty (120) days notice to County. Anything to
the contrary herein notwithstanding, the County may or may not elect to renegotiate the
compensation of Emerald for the fourth and each subsequent year of this Agreement at its sole
and unfettered discretion. There shall be no penalty to or against the County of any kind if the
County elects not to renegotiate such compensation. If the County elects not to renegotiate
Emerald’s compensation hereunder, then the provisions of Section 6.1 relating to the application
of the Consumer Price Index shall remain in full force and effect. There is no restriction on the
County in the exercise of its option to renegotiate or not renegotiate Emerald’s compensation in
the fourth and subsequent years of this Agreement. If County and Emerald do renegotiate such
compensation or any other terms of this Agreement, such renegotiated compensation or terms
shall comply with Rev. Proc. 97-13 and Treas. Reg. 1.141-3 so as to not affect the tax exemption
of the Bonds issued to finance the Facility.

ARTICLE VII

Employee Benefits

Section 7.1 Employee Health Benefit Plan. Emerald will maintain a health benefit plan
covering employees assigned to the Facility and, in compliance with Section 351.103(8) of the
Code, shall provide benefits at least comparable to the health care plan provided by the County
to its employees. These benefits will be provided by conventional insurance or through fully
funded self-insured programs.

Section 7.2 Participation of the County. Emerald will confer with the Commissioners
Court of the County in determining the health benefit plan selected.
ARTICLE VIII

Equipment and Property

Section 8.1 Equipment. The County shall cause the Facility to be adequately equipped. The County shall consult with Emerald regarding the selection and acquisition of all furniture, fixtures, and equipment for the Facility.

Section 8.2 Lessor-Owned Property. The ownership of all non-expendable property, furniture, fixtures, and equipment acquired with proceeds from the Bonds shall remain with the Lessor and shall not be removed from the Facility without the Lessor’s prior written approval. Emerald shall have the use of all such equipment during the Term of this Agreement. All property, furniture, fixtures, and equipment utilized at the Facility that are not specifically tagged or indelibly identified as the property of Emerald shall be deemed to be the property of Lessor.

Section 8.3 Return of Equipment. At the conclusion or termination of the Term of this Agreement, all Lessor-owned movable property and equipment, including replacements, shall remain at the Facility in the condition in which such property and equipment were received, save and except for normal wear and tear, depreciation, and un-reimbursed casualty.

Section 8.4 Additional and Replacement Equipment. Emerald may, from time to time, during the Term of this Agreement, with the authorization and consent of the County and in accordance with the Operating Plan and the Lease, from Project Revenues, install machinery, equipment, and other property in the Facility, which may be attached or affixed to the property. All such machinery, equipment, and other personal property shall become the sole property of the County.

Section 8.5 Return of Other Property. Upon termination of this Agreement, all records, contracts, agreements, correspondence, manuals, accounts, and other written materials relating to or developed for the use of the Facility shall be returned to the County, except those items considered proprietary or which may be subject to confidentiality requirements imposed by law. However, the County will have access to said documents to the extent permitted by law, subject to an appropriate agreement protecting the confidentiality of said documents and materials.

Section 8.6 Pay Telephones; Vending Machines. Emerald may place and install within the Facility pay telephones, or other forms of communication which replace or enhance telephone communication, for which users are charged, for use by Inmates and visitors, and vending machines for the sale of beverages, snacks, and other items. All such equipment shall be owned or contracted for by Emerald and shall not be paid for from the proceeds of the Bonds or from Project Revenues. All revenues received by Emerald after the Service Commencement Date from the pay telephones shall be solely Emerald funds and shall not constitute Project Revenues.
ARTICLE IX

Termination and Events of Default

Section 9.1 Events of Default. The following shall be an Event of Default and cause for either party to this Agreement to terminate this Agreement.

(a) A material failure by either party to keep, observe, perform, meet, or comply with any covenant, agreement, term, or provision of this Agreement and such failure continues for period beyond the curative period provided within this Article IX after written notice thereof; or

(b) A material failure by either party to make any payment required in this Agreement and not in dispute within thirty (30) days from the date it is due; or

(c) A material failure by Emerald to meet or comply with any final and non-appealable Court Order, rules and regulations of TCJS, federal or state requirement of law (unless such failure is due to a defect or deficiency in the design or construction of the Facility or any related improvements), which continues for a period beyond the curative period hereinafter set forth after Emerald has received written notice thereof; or

(d) Emerald (i) admitting in writing its inability to pay its debts; (ii) making a general assignment for the benefit of creditors; (iii) suffering a decree or order appointing a receiver or trustee for it or substantially all of its property to be entered and, if entered without its consent, not to be stayed or discharged within sixty days; (iv) suffering proceedings under any law relating to bankruptcy, insolvency, or the reorganization or relief of debtors to be instituted by or against it and, if contested by it, not to be dismissed or stayed within sixty days; or (v) suffering any judgment, writ of attachment or execution, or any similar process to be issued or levied against a substantial part of its property which is not released, stayed, bonded, or vacated within sixty days after issue or levy; or

(e) The discovery by either party that any material statement, representation, or warranty in this Agreement is false, misleading, or erroneous in any material aspect; or

(f) The material failure by Emerald to comply with any applicable federal regulatory standard or other requirement of federal law relating to the operation of the Facility or the housing of Inmates assigned to the Facility pursuant to the Marshal Contract.

Section 9.2 Force Majeure. The failure to perform any of the terms and conditions of the Agreement resulting from force majeure shall not be considered a breach or an Event of Default. As used herein, the term "force majeure" shall mean natural and other disasters, including, but
not limited to, floods, earthquakes, wars, epidemics, landslides, lightning, storms, explosions, and any other act of God, not within the control of the party.

Section 9.3 Curative Period. If any Event of Default or material breach of this Agreement by either party remains uncured for a period of thirty (30) days after written notice thereof, such breach shall be deemed an Event of Default. However, if such breach or Event of Default specified in the written notice cannot be corrected within such thirty (30) day period and a substantial effort in good faith has been undertaken to cure said breach or Event of Default by the offending party, said breach or Event of Default shall not be deemed to be an Event of Default if it is cured within ninety (90) days after such written notice. There shall be an exception to such allowance for a curative period for an act of dishonesty in dealing with the moneys of the County by Emerald, in which event the County may terminate this Agreement immediately and seek all remedies available to it by law or in equity against Emerald.

Section 9.4 Remedy. Upon the occurrence of an Event of Default, either party shall have the right to pursue any remedy it may have at law or in equity, including, but not limited to: (a) reducing its claim to judgment, (b) taking action to cure in the Event of Default, in which case the County may offset against any payments owed to Emerald all reasonable costs incurred by the County in connection with its efforts to cure such Event of Default, and/or (c) termination of this Agreement and removal of Emerald as the manager of the Facility and the offsetting against any payment owed to Emerald by the County of any reasonable amounts expended by the County to cure the Event of Default. In addition to any other remedy available, the County shall be permitted to recover, in a judgment, as an offset, or otherwise, all costs, expenses, and damages that may be proximately caused by any Event of Default of Emerald.

Section 9.5 Interference. In the event this Agreement terminates by its terms or upon an Event of Default by Emerald, Emerald agrees not to interfere with the County, or its assigns, in obtaining another contractor to perform the services provided for in this Agreement.

Section 9.6 Termination Due to Third Party Action. In the event that any Court Order is issued enjoining the use of all or a portion of the Facility for the incarceration of Inmates, this Agreement shall terminate, without penalty to either party, effective as of the date that such injunction becomes effective. In such event, Emerald shall be entitled to compensation for each day up to the termination date.

Section 9.7 Termination for Lack of Occupancy. Notwithstanding any other provisions of this Agreement, Emerald shall have the right to terminate this Agreement after the Service Commencement Date, upon one hundred and eighty (180) days prior written notice to County, after the Facility has had an average monthly occupancy rate of forty-five percent (45%) or less for three (3) consecutive calendar months. Said one hundred and eighty (180) days notice provided pursuant to this Section 9.7 must set forth in reasonable detail the facts establishing the lack of occupancy required hereunder, and shall specifically state the effective date of said termination.

Section 9.8 Specific Remedy Upon Bankruptcy. In addition to any other remedy available to County hereunder, pursuant to Section 351.103(6) of the Code, upon the occurrence
of an Event of Default described in Section 9.1(d) above, then the following plan for the assumption and purchase of operations by the County shall be available to County:

(a) County shall provide Emerald with the Notice of Default required by Section 9.2 above,

(b) In the event that said condition of default is not cured within thirty (30) days after such notice, County shall have the right to terminate this Agreement upon an additional thirty (30) days written notice, and thereafter assume operation of the Facility, either directly or through a contracted operator;

(c) Any funds due and owing to Emerald hereunder as of the effective date of such termination shall be offset by the out-of-pocket expenses incurred by County in assuming operation of the Facility, or in contracting with a replacement contractor for operation of the Facility.

Section 9.9 Event of Nonappropriation.

(a) The County shall provide Emerald with written notice within seventy-two (72) hours of any action by the Commissioners Court of the County during any Fiscal Year which would constitute a failure to appropriate available funds in an amount which is sufficient to pay the fees provided in Article VI herein, and any other payments, if any, required to be made by the County to Emerald in accordance with this Agreement.

(b) Upon the occurrence of an Event of Nonappropriation, without further demand or notice, this Agreement shall terminate at the end of the Fiscal Year for which sufficient appropriations have been made, however, an Event of Nonappropriation shall not constitute an Event of Default under Article IX herein.

(c) Upon termination of this Agreement pursuant to an Event of Nonappropriation, if Emerald has not delivered possession and control of the Facility to the County or released its interest in the Facility as therein required, the termination shall nevertheless be effective, but the County shall be responsible, from and to the extent of lawfully available funds, for the payment of the amount of fees due under Article VI which have accrued prior to the Event of Nonappropriation.

ARTICLE X

Insurance and Indemnification

Section 10.1 Insurance.

(a) Prior to the Service Commencement Date, Emerald shall obtain and maintain on behalf of Emerald, the County, and the Corporation liability (minimum limit of $5,000,000 aggregate, with at least $1,000,000 per occurrence), comprehensive
property hazard (minimum limits as provided in the Lease), riot, rental interruption (in the amount required in Section 7.5 of the Lease), medical, employee workers compensation or lawful alternative, and any other normal and reasonable insurance programs will be maintained with insurance companies having an A. M. Best rating of not less than A- and at levels determined to be normal and reasonable by industry standards throughout the Term of this Agreement. Emerald shall have the Trustee, the County (including the County Commissioners and the County Judge), the Sheriff, and the Corporation named as additional insureds and seek to have such policy (ies) contain a provision of thirty (30) days notice prior to cancellation being given to the Corporation, the County, and the Trustee, except for ten (10) days prior notice of cancellation for non-payment of premiums.

(b) If not already covered by the insurance policies required to be maintained as set forth above, Emerald shall obtain and maintain a policy of insurance providing:

(1) Coverage to protect the County against all claims, including claims based on violations of civil rights, arising from the services performed by Emerald under this Agreement; and

(2) Coverage to protect the County from actions by a third party against Emerald, its officers, guards, employees, and agents as a result of this Agreement.

(c) County deems the plan of insurance coverage set forth herein to be an adequate plan of insurance pursuant to Section 351.103(9) of the Code.

Section 10.2 Indemnification.

(a) The County shall remain solely responsible for all litigation, losses, and costs that are related to or resulting from claims or litigation pending against the County at the time this Agreement becomes effective or arising thereafter from occurrences prior to the effective date of this Agreement. Nothing contained in this paragraph shall in any way abrogate, modify, or mitigate any obligation of Emerald under this Agreement to comply with Court Orders/Decrees or other requirements imposed on Emerald by the terms of this Agreement.

(b) Notwithstanding the provisions of any insurance policy obtained under this Agreement, and in compliance with Section 351.103(4) of the Code, Emerald shall assume, defend, indemnify, and hold harmless the County from any claim, demand, suit, liability, judgment, and expense (including attorneys' fees and other costs of litigation) arising out of or relating to injury, disease, or death of persons or damage to or loss of property resulting from or in connection with the performance of this Agreement by Emerald, its agents, employees, and subcontractors, or anyone for whom Emerald may be responsible. The obligations, indemnities, and liabilities assumed by Emerald under this paragraph
shall not extend to any liability caused by the negligence of the County or its employees. Emerald’s liability shall not be limited by any provisions or limits of insurance set forth in this Agreement. The County shall reasonably notify Emerald of any claim for which it may be liable under this paragraph.

(c) Neither the County nor Emerald shall waive, release, or otherwise forfeit any possible defense the County or Emerald may have without the consent of the other party relative to claims arising from or made in connection with the operation of the Facility by Emerald. The County and Emerald shall preserve all such available defenses and cooperate with each other to make such defenses available for each other’s benefit to the maximum extent allowed by law.

(d) Emerald shall defend, indemnify, and hold harmless the County against any liability, including costs and expenses, for infringement of any patent, trademark, or copyright arising out of the performance of this Agreement or use by the County of materials furnished or work performed under this Agreement. The County shall reasonably notify Emerald of any claims for which it may be liable under this paragraph.

(e) Notwithstanding any provision of this Agreement, Emerald shall have no obligation to insure, defend, indemnify, or hold harmless the County from any claim, demand, suit, liability, judgment, or expense (including attorneys’ fees and other costs of litigation) arising out of or relating to any County policy, County orders, internal County management procedures, County financial procedures, Court Orders, County administrative rules, and governmental requirements of law which govern Emerald relative to the custody and supervision of Inmates and are hereinafter referred to as “Imposed Requirements.” The County, to the extent permitted by law, shall defend, indemnify, and save harmless Emerald from any claims, demands, suit, liability judgment, or expenses (including attorneys’ fees and other costs of litigation) arising out of or relating to such Imposed Requirements. This paragraph shall not obligate the County to defend, indemnify, or save harmless Emerald: (i) from any negligence of Emerald described above, or (ii) from County’s conduct in performing this Agreement apart from that described above.

(f) Any obligation to defend under this Agreement allows the party providing the defense to select counsel to represent the party to be defended. However, the party to be defended shall approve the selection of counsel, and such approval shall not be unreasonably withheld. Additionally, the party providing the defense shall not settle or otherwise resolve any claim, demand, lawsuit, liability, judgment, or other issue without the consent of the party being defended, and such consent shall not be unreasonably withheld.
ARTICLE XI

Additional Covenants of Emerald

Section 11.1 Maintenance of Corporate Existence and Business. Emerald shall at all times maintain its existence as a limited liability corporation and authority to transact business and good standing in the State of Louisiana. Emerald shall maintain all licenses, permits, and franchises necessary in the State of Texas for its businesses where the failure to so maintain might have a material adverse effect on Emerald's ability to perform its obligations under this Agreement.

Section 11.2 Transition. Upon the termination of the Agreement, Emerald agrees to work with the County under the supervision of the County or its designee for a period of sixty (60) days to ensure an orderly and efficient transition from management by Emerald to management by the County, or another entity selected by the County, of the Facility. During this transition period, Emerald will transfer all inmate and maintenance records to the County or its designee.

Section 11.3 Non-Discrimination. Emerald shall at all times perform its duties and obligations under this Agreement in compliance with all laws with respect to discrimination in hiring, promotion, or pay of employees. No individual will be subjected to discrimination on the grounds of race, color, religion, or national origin. Upon request, Emerald shall provide evidence of such nondiscrimination, and shall post in a conspicuous place, available to employees and job applicants, notice of such nondiscrimination. Subject to rights of privacy, confidentiality, and other limitations imposed by law, Emerald shall provide the County with copies of its affirmative action plan and all employment discrimination reports required to be filed by it with the Equal Employment Opportunity Commission or any other federal, state, or local government agency.

Section 11.4 Taxes, Liens, Assessments, and Utilities. Emerald shall:

(a) pay, or make provision for payment of, as the same shall respectively become due, all lawful taxes and assessments levied or assessed by the federal, state, or local government on any machinery, equipment, or other property owned by Emerald installed at the Facility;

(b) not create or cause to be created any lien or charge upon the Facility or any part thereof;

(c) pay or cause to be discharged or make adequate provision to satisfy the discharge, within sixty (60) days after the same shall come into force, any lien or charge upon the Facility, or any part thereof, created or caused to be created by Emerald; and

(d) pay all utility charges, including service charges, incurred or imposed with respect to the Facility.
Section 11.5 Statutory Compliance. County and Emerald represent that they have made reasonable efforts to satisfy themselves that this Agreement is in compliance with all the applicable requirements of Section 351.103 of the Code.

Section 11.6 Annual Emerald Scholarship Fund.

(a) Commencing on the first anniversary of the Service Commencement Date, and on each such anniversary date thereafter, during the Term of this Agreement or any extension hereof, Emerald shall make available to the County the sum of Twelve Thousand Dollars and no/100 ($12,000.00) to be utilized solely for the payment of scholarships pursuant to the terms of this Section 11.6. Said funds shall be limited to post-secondary education scholarships for students seeking a career in law enforcement.

(b) The County shall award said scholarships at such times and upon such terms as it shall deem appropriate.

Section 11.7 One-Time School Impact Payment. Within ten (10) days following the Closing Date, Emerald shall pay to the Sierra Blanca Independent School District, a one-time impact payment of Fifty Thousand and no/100 Dollars ($50,000.00). No further payments shall be due and owing by Emerald to the Sierra Blanca Independent School District during the Term of this Agreement.

Section 11.8 Comprehensive Standards for Conditions of Confinement. County and Emerald acknowledge and stipulate that the requirements set forth in this Agreement, describing in detail the standards which Emerald must meet in the housing, care, treatment, security, and supervision of Inmates, all of which must be conducted in full compliance with the minimum standards promulgated by the TCJS, constitute comprehensive standards for conditions of confinement, in compliance with the requirements of Section 351.103 (10) of the Code.

ARTICLE XII

Certain Prohibitions

Notwithstanding any other section of this Agreement, nothing contained herein shall be interpreted to grant to Emerald the authority to, and Emerald shall not have any authority to:

(a) calculate Inmate release and parole eligibility dates;
(b) award good conduct time to Inmates;
(c) approve Inmates for work, medical, or temporary furloughs, or for pre-parole transfers, or
(d) classify Inmates or place Inmates in less restrictive custody than the custody ordered by the applicable incarcerating entity, provided, however this section shall not prevent Emerald from making recommendations with respect to any of the above, it being understood that no action may be taken by Emerald with respect to the above without prior written instructions by the applicable incarcerating entity.

ARTICLE XIII

Miscellaneous

Section 13.1 Headings. The headings contained herein are for convenience only and are not intended to define or limit the scope or intent of any provision of this Agreement.

Section 13.2 Governing Law. The validity of this Agreement, the construction of its terms, and the interpretation of the rights and duties of the Parties hereto shall be governed by the laws of the State of Texas.

Section 13.3 Notices. All notices called for or contemplated hereunder shall be in writing and shall be valid when actually received by the party to whom such notice is given if sent via a private courier, such as Federal Express or Airborne, or by telecopy, or by means other than the United States Mail, postage pre-paid, and sent by Certified Mail, Return Receipt Requested, and addressed to the party as herein specified below:

(a) Notices to County shall be delivered or sent as follows:

County Judge
P. O. Box 68
Sierra Blanca, Texas 79851

with a copy to:

Sheriff
Hudspeth County
P. O. Box 39
Sierra Blanca, Texas 79851

(b) Notices to Emerald shall be delivered or sent as follows:

Mr. Clay Lee, CEO
Emerald Correctional Management, L.L.C.
400 Travis Street
Suite 402
Shreveport, Louisiana 71101
With a copy to:

Emerald Correctional Management, L.L.C.
1608 B St. Mary Street
Scott, Louisiana 70583
Attn: Glenn Hebert, COO

(c) Copies of all notices given to the County or to Emerald shall be sent to the Trustee by the same means as the notice sent to the primary addressee.

Section 13.4 Successors. This Agreement shall be binding upon and inure to the benefit of the respective Parties and their permitted assigns and successors in interest. However, Emerald may not assign its obligations or duties hereunder without the prior written consent of the County.

Section 13.5 Attorneys’ Fees. If it shall become necessary for either party hereto to engage attorneys to institute legal action for the purpose of enforcing its rights hereunder, the party prevailing in such litigation shall be entitled to receive all costs of any appeals from the losing party.

Section 13.6 Severability. Should any term or provision hereof be deemed invalid, void, or unenforceable, either in its entirety or in a particular application, the remainder of this Agreement shall nonetheless remain in full force and effect and, if the subject term or provision is deemed to be invalid, void, or unenforceable only with respect to a particular application, such term or provision shall remain in full force and effect with respect to all other applications.

If, however, any court of competent jurisdiction should render a final judgment that the authority granted to Emerald from the County exceeds the bounds of permissible delegation under applicable law, the Parties agree that this Agreement shall be deemed amended, modified, and reformed to the extent necessary to reduce the scope of authority so delegated and to limit that authority to that permissible under applicable law, as evidenced by written legal opinion of special counsel to the County.

If any court or governmental body or entity should determine that the discretion and authority granted to Emerald from the County exceeds the bounds of permissible delegation, the Parties do not intend for this Agreement to be declared or adjudged invalid, void, or unenforceable in its entirety; rather, the Parties request that any court or other entity examining such issue employ great latitude in reforming this Agreement so as to make this Agreement, as reformed, valid and enforceable.

Section 13.7 Defense Immunity. By entering into this Agreement, neither the County nor Emerald waives any immunity or defense that may be available to it by operation of law, including any limitation on the amount of damages that may be awarded.

Section 13.8 Waivers. No waiver of any breach of any of the terms or conditions of this Agreement shall be held to be a waiver of any other or subsequent breach, nor shall any waiver
be valid or binding unless the same shall be in writing and signed by the party alleged to have granted the waiver.

Section 13.9 Counterparts. This Agreement may be executed in multiple counterparts, each of which shall constitute but one Agreement.

Section 13.10 Amendment. This Agreement may be amended only with the written consent of the County and Emerald.

Section 13.11 Entire Agreement. This Agreement is the entire agreement between the Parties and any amendment hereto must be in writing and signed by both Parties thereto to become into full force and effect.

Section 13.12 Execution Authority. By his or her signature below, each signatory individual certifies that he or she is the properly authorized agent or officer of the applicable party hereto and has the requisite authority necessary to execute this Agreement on behalf of such party, and each party hereby certifies to the other that any resolutions necessary to create such authority have been duly passed and are now in full force and effect.

Section 13.13 Approval of Sheriff. The Sheriff has executed this Agreement in the space provided herein solely to evidence his written approval of this Agreement as required by Section 351.102 of the Code.

Section 13.14 Monitoring by Sheriff and County. In compliance with Section 351.103(2) of the Code, the Sheriff shall regularly monitor Emerald's operation of the Facility. The Sheriff or his written designated representative shall conduct a thorough on-site inspection of the Facility at such times throughout the Term of this Agreement as the Sheriff shall deem reasonable.

(The balance of this page was intentionally left blank)
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

FOR THE COUNTY

Hudspeth County, Texas

Date: ____________________________

County Judge

Sheriff Hudspeth County, Texas

Sheriff, Hudspeth County, Texas

ATTEST:

County Clerk

FOR EMERALD:

Emerald Correctional Management, L.L.C

Clay Lee

Clay Lee, Managing Partner

ATTEST:

Secretary
EXHIBIT A
TO
OPERATIONS AGREEMENT

"Compensation To Be Paid to Emerald"

<table>
<thead>
<tr>
<th>YEAR 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>For each 28-day month the Monthly Management Fee shall be:</td>
</tr>
<tr>
<td>For each 29-day month the Monthly Management Fee shall be:</td>
</tr>
<tr>
<td>For each 30-day month the Monthly Management Fee shall be:</td>
</tr>
<tr>
<td>For each 31-day month the Monthly Management Fee shall be:</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>YEAR 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>For each 28-day month the Monthly Management Fee shall be:</td>
</tr>
<tr>
<td>For each 29-day month the Monthly Management Fee shall be:</td>
</tr>
<tr>
<td>For each 30-day month the Monthly Management Fee shall be:</td>
</tr>
<tr>
<td>For each 31-day month the Monthly Management Fee shall be:</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>YEAR 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>For each 28-day month the Monthly Management Fee shall be:</td>
</tr>
<tr>
<td>For each 29-day month the Monthly Management Fee shall be:</td>
</tr>
<tr>
<td>For each 30-day month the Monthly Management Fee shall be:</td>
</tr>
<tr>
<td>For each 31-day month the Monthly Management Fee shall be:</td>
</tr>
</tbody>
</table>
EXHIBIT B
TO
OPERATIONS AGREEMENT

"Schedule for Payment of Start-Up Costs"

<table>
<thead>
<tr>
<th>Disbursement Number</th>
<th>Disbursement Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>180 days after Closing</td>
<td>$150,000.00</td>
</tr>
<tr>
<td>2</td>
<td>240 days after Closing</td>
<td>$185,000.00</td>
</tr>
<tr>
<td>3</td>
<td>300 days after Closing</td>
<td>$145,000.00</td>
</tr>
<tr>
<td>4</td>
<td>360 days after Closing</td>
<td>$120,000.00</td>
</tr>
</tbody>
</table>

**TOTAL AMOUNT TO BE DISBURSED**  $600,000.00