

**INTERLOCAL COOPERATION AGREEMENT
JUVENILE POST-ADJUDICATION FACILITY**

This Agreement is entered into by and between the Williamson County Juvenile Services Department of Williamson County, Texas acting herein by and through its duly authorized representative, the County Judge of Williamson County, Texas (collectively, "Williamson County") and Pegasus Schools, Inc. acting herein by and through its duly authorized representative.

WITNESSETH

WHEREAS, Pegasus Schools, Inc. operates a Juvenile Post-Adjudication Center (herein referred to as the "Facility") located at 896 Robin Ranch Road, Lockhart, Texas; and

WHEREAS, in order to carry out and conduct its juvenile program in accordance with the Title III of the Texas Family Code, Juvenile Justice Code, Williamson County has a need for the use of the Facility to house and maintain children (herein referred to as "child" or "client") of juvenile age, for post-adjudication confinement; and,

WHEREAS, Pegasus Schools, Inc. desires to make the Facility available to Williamson County for such use and purpose, and Williamson County desires to contract for the use of the Facility; and

WHEREAS, the Facility is inspected and certified as suitable for the detention of children and is in compliance with applicable Texas Juvenile Probation Commission Standards and the Juvenile Justice and Delinquency Prevention Act.

WHEREAS, the parties to this Agreement are political subdivisions of the State of Texas which are authorized to enter into this Interlocal Cooperation Agreement for such residential services pursuant to Chapter 791 of the Texas Government Code.

NOW, THEREFORE, in consideration of the mutual agreements, promises and covenants contained herein, the parties agree as follows:

I. TERM

The term of this Agreement shall be from the effective date of September 1, 2008, through September 30, 2009. Upon the termination or expiration of this Agreement, Williamson County shall be discharged from any further obligations hereunder.

II. FACILITY GOALS

The Pegasus Schools, Inc. shall provide the following goals in serving clients at the Facility:

1. To identify specific goals and outputs for each long term resident, and document measurable outcomes related to program objectives as outlined in Title 1 of the Texas Administrative Code, Section 351.13, and any goals, outputs, and measurable goals based on the Texas Health and Human Services Commission Substitute Care Provider Outcome Standards. These goals and outputs will be incorporated into an Individualized Treatment Plan (ITP) for each child in the Residential Program at the Facility.
2. The ITP will address the nine domain areas of medical, safety and security, recreational, educational, mental/behavioral health, relationship, socialization, permanence, and parent/child relationship, as specified in the substitute care provider standards. The ITP

will be developed and signed by all required parties within thirty (30) calendar days after the placement of the child in the program. The ITP will be reviewed and updated every ninety (90) calendar days, or more frequently as circumstances or need require.

2. To enhance and/or develop the educational skills of the client;
3. To have the client successfully complete the program with a minimal number of incidents;
4. To have the client attend counseling including: individual counseling and group counseling as well as family therapy as geographically possible;
5. To improve the physical fitness of clients as measured by any combination of appropriate increase in strength, speed and stamina;
6. To advance or improve the academic skills of clients as documented by their local educational institute;
7. To increase the exhibition of positive social skills of clients who graduate from the program as measured by staff facilitators; and
8. To increase the understanding of personal and family issues of the clients thereby helping the client to avoid future violations of the law.

III. FACILITY OBLIGATIONS

Pegasus Schools, Inc. shall provide the following at the Facility in order to achieve the stated goals:

1. To provide program components, room, board, supervision, and care (24) twenty-four hours per day to those juveniles accepted by the Facility. At a minimum, program components will include educational programs within guidelines set by state and federal law, counseling programs, and process groups. Additional programs provided for long term residential will include, but are not limited to, anger management, life skills, individual counseling, group counseling, substance abuse prevention education, and AIDS awareness.
2. A written Individualized Program Plan ("IPP") shall be developed by the appropriate Facility staff in concert with the child;
3. Routine medical and dental services as determined in this written Agreement;
4. Structured and supervised physical training activities;
5. Therapeutic intervention within the milieu designed to improve the child's functioning;
7. Formalized behavior programs and therapeutic interventions implemented by professional and paraprofessional staff under the direct supervision of professional staff;
8. A staff-to-child ratio as governed by certification standards;

9. Conformance to all applicable standards set forth by the Texas Juvenile Probation Commission ("TJPC") for the operation of secure post-adjudication facilities;
10. Procedures ensuring the child is not released to any person or agency other than the Williamson County Juvenile Services Department;
11. The Facility will conform to all TJPC program monitoring standards; and
12. The Facility will provide periodic progress reports every six weeks, or more frequently, as the need arises, to the Williamson County Juvenile Services Department. These reports will be based on treatment, academic and behavior progress.

IV. EXAMINATION OF PROGRAM AND RECORDS

Pegasus Schools, Inc. agrees that Williamson County may examine and evaluate its program of services provided under the terms of this Agreement and review the Facility records relating to County's clients. This examination, evaluation and review may include unscheduled site visitations, observation of programs in operation, interviews and the administration of questionnaires to the staff of the Facility and the child.

The Facility shall provide such descriptive information on children in the Facility as requested on forms provided by the Williamson County Juvenile Services Department and County.

Pegasus Schools, Inc. agrees to maintain and make the following available for inspection, audit or reproduction: any and all books, documents, papers, records and other evidence which are directly pertinent to the cost, expenses, and services to be performed under this Agreement for the purposes of making audits, examinations, excerpts, and transcriptions of this Agreement (herein referred to as "the Records"), by an authorized representative of Williamson County and/or the State of Texas.

Pegasus Schools, Inc. agrees that Williamson County shall have access during normal working hours to all necessary facilities and shall be provided adequate and appropriate work space in order to conduct audits in compliance with the provisions of this section. Williamson County shall give the Facility reasonable advance notice of intended audits.

Pegasus Schools, Inc. agrees to maintain the Records for three (3) years after final payment, or until the State approved audit has been made and all questions arising from the audit are resolved.

V. CERTIFICATE OF ELIGIBILITY TO RECEIVE STATE FUNDS

Under Section 231.006 of the Texas Family Code, Pegasus Schools, Inc. certifies that it is not ineligible to receive state grants or loans and acknowledges that this Agreement may be terminated and payment may be withheld if this certification is inaccurate.

Pegasus Schools, Inc. shall adhere to all applicable state and federal laws and regulations pertinent to the Facility's provision of services.

Pegasus Schools, Inc. shall account separately for the receipt and expenditure of any and all funds received under this Agreement.

VI. PRIVATE SERVICE PROVIDERS

In any contract with a private service provider to provide services to the clients under this Agreement, Pegasus Schools, Inc., will require, in accordance with Section 141.050(a) of the Texas Human Resources Code, such contract to include, (1) clearly defined contract goals, outputs, and measurable outcomes that relate directly to program objectives; (2) clearly defined sanctions or penalties for failure to comply with or perform contract terms or conditions; and (3) clearly specified accounting, reporting, and auditing requirements applicable to money received under the contract.

Pegasus Schools, Inc. will also use data relating to the performance of private service providers in prior contracts as a factor in selecting any providers to receive contracts to provide service to clients.

VII. COMPENSATION

Pegasus Schools, Inc. shall charge a per-diem cost determined by the Texas Juvenile Probation Commission Level of Care Rates. The current FY 2008 contract rate for services is as follows:

- | | | |
|--------------------------|---|-------------------|
| ☐ | Moderate Residential Treatment Program | \$87.99 per diem |
| ☐ | Secure Boot Camp Program | \$95.00 per diem |
| ☐ | Long Term Non Pregnant Residential | \$95.00 per diem |
| ☐ | Specialized Residential Treatment Program | \$126.49 per diem |
| ☐ | Vocational Training Program | \$126.49 per diem |
| ☐ | Intensive Residential Program | \$222.19 per diem |
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- ☐ Moderate
- i. Frequent or repetitive minor problems in one or more areas; may engage in non-violent antisocial acts, but is capable of meaningful interpersonal relationships, requires supervision in structured supportive setting with counseling available from professional or paraprofessional staff; or
 - ii. Substantial problems; child has physical, mental, or social needs and behaviors that may present a moderate risk of causing harm to self or others, poor or inappropriate social skills, frequent episodes of aggressive or other antisocial behavior with some preservation of meaningful social relationships, requires treatment program in a structured supportive setting with therapeutic counseling available by a professional staff.
- ☐ Specialized
- Severe problems; unable to function in multiple areas; sometimes willing to cooperate when prompted or instructed; but may lack motivation or ability to participate in personal care or social activities or is severely impaired in reality testing or in communications; may exhibit persistent or unpredictable aggression, be markedly withdrawn and isolated due to either mood or thought disturbance; or make suicidal attempts; presents moderate to severe risk of causing harm to self or others; requires 24-hour supervision by multiple staff in limited access setting.
- ☐ Intensive
- Very severe impairment(s), disability or needs; consistently unable or unwilling to cooperate in own care; may be severely aggressive or exhibit self destructive behavior or

grossly impaired in reality testing, communications, cognition, affect, or personal hygiene; may present severe or critical risk of causing serious harm to self or others; needs constant supervision (24-hour care) with maximum staffing, in a highly structured setting.

Williamson County agrees to pay the Pegasus Schools, Inc. the monthly calculated per diem cost from current revenues. The Facility shall submit an invoice to the Williamson County Juvenile Services Department within ten (10) days after each billing period. Monthly invoices should be directed to:

Williamson County Juvenile Services Department
Attention: Business Office
1821 SE Inner Loop, Georgetown, Texas 78626

Williamson County agrees to submit payment to the Pegasus Schools, Inc., 896 Robin Ranch Road, Lockhart, Texas 78644 within thirty (30) days after receipt of the invoice.

Williamson County believes it has sufficient funds currently available and authorized for expenditure to finance the costs of this Agreement. The Pegasus Schools, Inc. understands and agrees that Williamson County's payment of amounts under this Agreement is contingent on Williamson County receiving appropriations or other expenditure authority sufficient to allow Williamson County, in the exercise of reasonable administrative discretion, to continue to make payments under this Agreement.

VIII. EMERGENCY TREATMENT OF CHILD

Williamson County and the Pegasus Schools, Inc. both agree, that if emergency examination, hospitalization and/or treatment outside the Facility is required for a child placed in the Facility by Williamson County, the administrator of the Facility is authorized to secure such emergency examination, hospitalization and/or treatment at the expense of Williamson County. Williamson County agrees to promptly pay for any and all medical care and associated costs directly to the provider of such care.

The Facility Administrator shall notify the Williamson County Juvenile Services Department of such an emergency within 24 (twenty-four) hours of its occurrence or as soon thereafter as practical, but in no event later than three (3) working days.

IX. PLACEMENT OF CHILDREN

Prior to transporting a child to the Facility, the Williamson County Juvenile Services Department and/or the Williamson County officials requiring and authorizing placement of the child shall secure from the Facility a written letter of acceptance regarding said child. Placement of a child from Williamson County may be denied if the following occur: (1) the child is found not to be suitable for placement in the Facility; or (2) space limitations do not permit such placement as may be determined in the sole judgment of the Pegasus Schools, Inc. Facility Administrator.

Children from Williamson County, who are adjudicated in accordance with the provisions of Title 3 of the Texas Family Code, Juvenile Justice Code, shall be admitted to the Facility only under authority of the Juvenile Court of Williamson County, or its designated official. A certified copy of the Adjudication and Disposition Order must be delivered to the Facility prior to or contemporaneous with the child's admission.

No child shall be admitted to or detained in the Facility under this Agreement in violation of any state or federal law, including but not limited to, the provisions of Family Code § 54.011 regarding the detention of status offenders.

The Facility agrees to accept any child qualified hereunder to be admitted, without regard to such child's religion, race, creed, color, sex, or national origin.

If a child is accepted by the Facility from Williamson County, and such child thereafter is found to be, in the sole judgment of the Pegasus Schools, Inc. Facility Administrator, mentally unfit, dangerous, or unmanageable and/or whose mental or physical condition could or might endanger other occupants, including but not limited to the staff or other residents of the Facility, the Facility Administrator shall, upon notification to the Williamson County Juvenile Court Judge or designated juvenile office, have said child immediately removed and transported from the Facility by a juvenile probation or detention officer of Williamson County. If Williamson County fails to remove such child within 24 hours of said notification, the Facility shall transport said child to the Williamson County Juvenile Court Judge or designated juvenile official and Williamson County, shall reimburse the Pegasus Schools, Inc. for such at the rate of \$25.00 per hour of time spent in transport, including but not limited to the return trip and actual time spent in Williamson County, plus mileage at the highest current rate allowed under Texas state law for reimbursement to state employees.

It is agreed by the parties hereto that each child placed in the Facility under the proper order of a court exercising juvenile jurisdiction in Williamson County, Texas, shall remain detained therein except that the staff of either the Facility or the Williamson County Juvenile Services Department may have the child participate in community activities.

It is expressly understood and agreed by the parties that the Juvenile Court of Caldwell County, Texas shall not exercise any direct authority over a child placed at the Facility pursuant to this Agreement.

It is agreed by the parties hereto that nothing in this Agreement shall be construed to permit the Williamson County Juvenile Services Department, Williamson County; and their agents, officials or employees in any way to manage, control, direct or instruct the Pegasus Schools, Inc., its agents, officials or employees in any manner respecting any of their work, duties or functions pertaining to the maintenance and operation of the Facility.

Williamson County warrants that each child placed in the Facility has been legally committed under state and/or federal law.

X. INDEMNIFICATION

Pegasus Schools, Inc. and Williamson County agree and acknowledge that each entity is not an agent of the other entity and that each entity shall be responsible for its own acts or omissions or other tortious conduct and of those of its agents or employees in the course of performance of this Agreement, without waiving any sovereign or governmental immunity available to either County under Texas law and without waiving any available defenses under Texas law. This Agreement does not and shall not be construed to entitle either party or any of their respective employees, if applicable, to any benefit, privilege or other amenities of employment applicable to the other party. Nothing in this paragraph shall be construed to create or grant any rights, contractual or otherwise, in or to any third persons or entities.

XI. DEFAULT

If either party commits an Event of Default (a breach of any of the covenants, terms and/or conditions of this Agreement), the non-defaulting party shall deliver written notice of such Event of Default to the defaulting party. Such notice must specify the nature of the Event of Default and inform

the defaulting party that unless the Event of Default is cured within ten (10) days of receipt of the notice, additional steps may be taken to terminate this Agreement. If the defaulting party begins a good faith attempt to cure the Event of Default within ten (10) days, then and in that instance, the ten (10) day period may be extended by the non-defaulting party, so long as the defaulting party continues to prosecute a cure diligently to completion and continues to make a good faith attempt to cure the Event of Default. If, in the opinion of the non-defaulting party, the defaulting party does not cure the default within ten (10) days or otherwise fails to make any diligent attempt to correct the Event of Default, the defaulting party shall be deemed to be in default and the non-defaulting party may, in addition to seeking remedies available at law or in equity, terminate this Agreement.

XII. TERMINATION

Notwithstanding any other provision in this Agreement, either party may terminate this Agreement, without cause and for convenience, by notifying the other party in writing at the addresses specified herein for delivery of notices, by certified mail, return receipt requested or by personal delivery at said addresses of the terminating party's intention to terminate the Agreement thirty (30) calendar days after receipt of notice. At the end of the thirty (30) day period, this Agreement shall terminate and become null and void and be of no further force or effect.

After receipt of notice of termination, Williamson County shall remove all children placed in the Facility on or before the termination date. No child shall be accepted by the Facility after receipt of said termination notice.

XIII. NOTICES

Except as otherwise set forth herein, all notices, demands, or other writings may be delivered by either party hereto to the other by certified mail, return receipt requested or other reliable courier at the following addresses:

To: Pegasus Schools, Inc.

Pegasus Schools, Inc.
Attention: Tim Brown
Title: Assistant CEO
Street Address: 896 Robin Ranch Road
Lockhart, Texas 78644
City, State Zip Code

To: Williamson County

Williamson County
c/o: Judge Dan Gattis
701 South Main Street, Suite 101
Georgetown, Texas 78626

Williamson County Juvenile Services Department
Attn: Chief Juvenile Probation Officer
1821 SE Inner Loop
Georgetown, Texas 78626

The addresses to which any notice, demand, or other writing may be delivered to any party as above provided may be changed by written notice given by such party as above provided.

XIV. OFFICIALS NOT TO BENEFIT

The Pegasus Schools, Inc. agrees to insert this clause "OFFICIALS NOT TO BENEFIT" into all subcontracts entered into in the performance of the work assigned by this Agreement.

No official, member, or employee of Pegasus Schools, Inc. or Williamson County and no members of their governmental bodies, and no other public officials of the Pegasus Schools, Inc. or the Williamson County Juvenile Board who exercise any function or responsibilities in the review or approval of the undertaking or carrying out of this project, shall participate in any decision relating to this Agreement which affects his personal interest and shall not have any personal or pecuniary interest, direct or indirect, in this Agreement or the proceeds thereof.

No member of or Delegate to the Congress of the United States of America, no Resident Commissioner, or official of the State of Texas shall be allowed any share or part of this Agreement, or any benefit that may arise therefrom.

XV. VENUE

The law of the State of Texas shall govern this Agreement and any of its terms or provisions, as well as the rights and duties of the parties hereunder, and all venues of any dispute or matter arising under this Agreement shall lie in Caldwell County.

XVI. INTERPRETATION OF CONTRACT

This Agreement represents the entire and integrated agreement between the parties hereto and supersedes all prior negotiations, representations, or agreements, either oral or written. Said previous contracts shall terminate, become null and void, and be of no further force or effect on the effective date of this Agreement.

The parties to this Agreement will work together in good faith to resolve any controversy, dispute or claim between them which arises out of or relates to this Agreement, whether stated in tort, contract, statute, claim for benefits, bad faith, professional liability or otherwise ("Claim"). If the parties are unable to resolve the Claim within thirty (30) calendar days following the date in which one party sent written notice of the Claim to the other party, and if a party wishes to pursue the Claim, such Claim shall be addressed through non-binding mediation under the Commercial Mediation Rules of the American Arbitration Association ("AAA"). A single mediator engaged in the practice of law, who is knowledgeable about subject matter of this Agreement, will conduct the mediation under the then current rules of the AAA. All costs involved in the mediation shall be borne equally between the parties, except that each party shall bear its own attorney fees. Nothing herein is intended to prevent either party from seeking any other remedy available at law including seeking redress in a court of competent jurisdiction. This provision shall survive the termination of this Agreement.

This Agreement may be amended only by written instrument signed by each party to this Agreement. NO OFFICIAL, EMPLOYEE, AGENT, OR REPRESENTATIVE OF EITHER PARTY HAS ANY AUTHORITY, EITHER EXPRESS OR IMPLIED, TO AMEND THIS AGREEMENT, EXCEPT PURSUANT TO SUCH EXPRESS AUTHORITY AS MAY BE GRANTED BY THE PARTY'S DULY AUTHORIZED REPRESENTATIVE.

If the party obligated to perform is prevented from performance by an act of war, order of legal authority, act of God, or other unavoidable cause not attributable to the fault or negligence of said party, the other party shall grant such party relief from the performance of this Agreement. The burden of proof for the need of such relief such rest upon the party obligated to perform. To obtain release based on force majeure, the party obligated to perform shall file a written request with the other party.

To the extent, if any, that any provision in this Agreement is in conflict with Texas Government Code 552.001 et seq., as amended (the "Public Information Act"), the same shall be of no force or effect. Furthermore, it is expressly understood and agreed that both parties, their officers and employees may request advise, decisions and opinions of the Attorney General of the State of Texas in regard to the application of the Public Information Act to any items or data furnished to either party as to whether or not the same are available to the public. It is further understood that both parties' officers and employees shall have the right to rely on the advise, decisions and opinions of the Attorney General, and that both parties' officers and employees shall have no liability or obligation to any party hereto for the disclosure to the public, or to any person or persons, of any items or data furnished to either party by another party hereto, in reliance of any advice, decision or opinion of the Attorney General of the State of Texas.

In the event that any provision of this Agreement shall be held illegal or unenforceable, such provision shall be severed and shall be null and void, but the balance of the agreement shall continue in full force and effect.

Nothing in this Agreement shall be deemed to waive, modify or amend any legal defense available at law or in equity to either party, their past or present officers, employees, or agents or employees, nor to create any legal rights or claim on behalf of any third party. Neither party waives, modifies or alters to any extent whatsoever the availability of the defense of governmental immunity under the laws of the State of Texas and of the United States.

This Agreement is made by and between the parties hereto; it being declared the intention of the parties hereto that the above and foregoing Agreement is an agreement providing for the care of juveniles who have been adjudicated in accordance with the provisions of the Juvenile Justice Code, Title 3, and payment for such care by Williamson County for such juveniles placed in the Facility by the Judge of Williamson County exercising juvenile jurisdiction.

The undersigned duly authorized representative of the parties hereto are the properly authorized officials and have the necessary authority to execute this Agreement on behalf of the parties hereto, and each party hereby certifies to the other that any necessary resolutions extending said authority have been duly passed and are now in full force and effect.

EXECUTED in duplicate originals this _____ day of _____, 20____.

PEGUSUS SCHOOLS, INC.

Timothy Brown
Authorized Representative

Date: 9-27-08

Timothy Brown
Authorized Representative Asst. C.E.O.

Date: 9-27-08

WILLIAMSON COUNTY, TEXAS

[Signature]
Williamson County Judge Dan Gattis

Date: 10-29-08
As Authorized by Williamson County
Commissioners Court