

CREDIT AGREEMENT

by and between

TEXAS PUBLIC FINANCE AUTHORITY

and

BARCLAYS BANK PLC

Dated as of November 1, 2011

**Texas Public Finance Authority
Tax-Exempt Commercial Paper Revenue Notes
Series 2003**

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Exhibit C - Form of Bank Note

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CREDIT AGREEMENT

THIS CREDIT AGREEMENT, dated as of November 1, 2011 (the “Agreement”), is entered into by and between the TEXAS PUBLIC FINANCE AUTHORITY (the “Authority”) and BARCLAYS BANK PLC (the “Bank”).

WITNESSETH

WHEREAS, the Authority, pursuant to the Resolution hereafter described and Chapters 1232 and 1371, Texas Government Code, as amended, has authorized the issuance of the Tax Exempt Commercial Paper Revenue Notes, Series 2003 (the “Notes”) for the purpose set forth in the Resolution;

WHEREAS, previously, the Texas Comptroller of Public Accounts (the “Comptroller”) has provided liquidity for the Notes;

WHEREAS, the Authority is terminating the liquidity agreement with the Comptroller;

WHEREAS, the Authority has requested and the Bank has agreed to provide liquidity for the Notes from time to time outstanding under the Resolution upon the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises and covenants herein contained, the parties hereto agree as follows:

ARTICLE I DEFINITIONS

Section 1.1 Definitions. In addition to the terms defined elsewhere in this Agreement or by reference to another document or agreement, the following terms used in this Agreement shall have the following respective meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

“Advance” means each Advance made by the Bank to the Authority pursuant to Section 3.2 of this Agreement for the payment of principal of and interest on the Notes in an aggregate principal amount not to exceed the Commitment.

“Act” means Chapter 1371, Texas Government Code, as amended.

“Authorizing Law” has the meaning set forth in the Resolution.

“Authorizing Regulations” has the meaning set forth in the Resolution.

“Authority” means the Texas Public Finance Authority.

“Authority Representative” has the meaning set forth in the Resolution.

“Bank” has the meaning set forth in the preamble hereof.

“Bank Agreement” means any credit agreement, letter of credit, reimbursement agreement, standby bond purchase agreement, liquidity agreement or other agreement or instrument (or any amendment, supplement or modification thereto) entered into by the Authority or the State on behalf of the Authority with any Person, directly or indirectly, or otherwise consented to by the Authority or the State, under which any Person or Persons undertakes to make loans, extend credit or liquidity to the Authority or the State on behalf of the Authority or to purchase securities pursuant to such agreement in connection with any bonds, notes or other such obligations.

“Bank Note” means the promissory note of the Authority delivered to the Bank to evidence Advances from time to time made by the Bank under the Commitment, in the form of Exhibit C attached hereto.

“Bank Rate” means, for each day of determination with respect to any Advance, the rate per annum equal to (i) the Base Rate from time to time in effect during the period from and including the date of such Advance to and including the 120th day after the date of such Advance; (ii) from and including the 121st day after the date of such Advance to and including the 180th day after the date of such Advance, the Base Rate from time to time in effect plus 1% (provided that component (iv) of the Base Rate shall not be subject to the 1% increase); and (iii) thereafter, the Base Rate from time to time in effect plus 2% (provided that component (iv) of the Base Rate shall not be subject to the 2% increase); provided that from and after the occurrence of an Event of Default, Bank Rate shall mean the Default Rate; provided further that the Bank Rate shall not be less than the interest rate on any Notes then outstanding; *provided, further*, that in no event shall the Bank Rate be in excess of the Highest Lawful Rate. Each determination of the Bank Rate by the Bank will be conclusive and binding on the Authority absent manifest error.

“Bankruptcy Code” means 11 U.S.C. Section 101, *et seq.*, as amended, and any successor statute thereto.

“Base Rate” means, for any day, the highest of (i) the Prime Rate in effect on such day plus 2.50%, (ii) the Federal Funds Rate in effect on such day plus 2.50%, (iii) 8.00% and (iv) one hundred and fifty percent (150%) of the yield on actively traded 30-year United States Treasury Bonds.

“Business Day” means any day other than (i) a Saturday, Sunday, or other day on which commercial banks located in the States of New York or Texas are authorized or required by law or executive order to close or (ii) a day on which the New York Stock Exchange is closed or (iii) a day on which the Authority is authorized or required by law or executive orders of the State governor to close.

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Commitment” means the maximum amount of the obligation of the Bank to make Advances from time to time to fund payment of the principal of and interest on Notes at maturity and includes the amount of any outstanding and unpaid Advances. The initial Commitment is

\$118,136,987 representing the outstanding principal amount of the Notes of \$110,000,000 plus \$8,136,987 in interest on the Notes (calculated as 270 days interest at 10% for a period of 365 days).

“Commitment Termination Date” has the meaning set forth in Section 3.1 hereof.

“Credit Agreement Resolution” means the resolution of the Authority dated November 3, 2011, approving this Agreement.

“Dealer” means each of the Authority’s commercial paper dealer or co-commercial paper dealers appointed pursuant to the Resolution.

“Dealer Agreement” means one or more Dealer Agreements, between the Authority and the Dealer (together with any amendments or replacements thereto or any successor agreement thereto), as further described under the Resolution.

“Debt” of any Person means at any date (without duplication) all of the following: (a) all obligations of, or issued by, such Person for borrowed money; (b) all obligations of, or issued by, such Person evidenced by bonds, debentures, notes or other similar instruments; (c) all obligations, or issued by, such Person to pay the deferred purchase price of property or services, except trade accounts payable under normal trade terms and which arise in the ordinary course of business; (d) all obligations of, or issued by, such Person as lessee under capitalized leases; (e) all Debt of, or issued by, other Persons guaranteed by, or secured by any of the revenues or assets of, such Person; (f) obligations under Bank Agreements related to principal or interest payments of obligations due to a bank; and (g) net payments of such Person under any Derivative Agreement.

“Default” means an Event of Default or any event or condition which, with the giving of notice or lapse of time or both, would become an Event of Default.

“Default Rate” means the Base Rate plus 4.00%.

“Derivative Agreement” means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross- currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc. or any International Foreign Exchange Master Agreement, including any such obligations or liabilities thereunder.

“Dodd-Frank Act” means the Dodd-Frank Wall Street Reform and Consumer Protection Act and all regulations, guidelines and directions in connection therewith, as the same may be amended from time to time.

“Effective Date” means November 28, 2011, the date on which this Agreement becomes effective.

“Event of Default” means each of the conditions or events described in Section 7.1, 7.2, and 7.3 hereof including any Notice Event of Default, Suspension Event or Special Event of Default.

“Environmental Laws” shall mean any and all federal, state and local statutes, laws, regulations, resolutions, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or other governmental restrictions relating to the environment or to emissions, discharges or releases of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or hazardous substances or wastes into the environment including, without limitation, ambient air, surface water, ground water or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or hazardous substances or wastes or the clean-up or other remediation thereof.

“Facility Fee” has the meaning set forth in the Fee Agreement.

“Federal Funds Rate” means, for any day, the rate of interest per annum at which overnight federal funds are offered to the Bank from time to time by banks in the interbank market, with any change in the Federal Funds Rate to become effective as of the date of any change in such Federal Funds Rate. Each determination of the Federal Funds Rate shall be conclusive and binding on the Authority absent manifest error.

“Fee Agreement” means the fee agreement between the Bank and the Authority dated as of November 1, 2011.

“Fitch” means Fitch, Inc., and its successors and assigns.

“GAAP” means generally accepted accounting principles set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the accounting profession), or in such other statements by such other entity as may be in general use by significant segments of the U.S. accounting profession, which are applicable to the circumstances as of the date of determination and consistently applied.

“Governmental Authority” means the United States or any state or political subdivision thereof or any foreign nation or political subdivision thereof, any entity, body or authority exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government in the United States (or any state, municipality or political subdivision thereof) or any foreign nation or political subdivision thereof, including, without limitation, any central bank or other governmental or quasi-governmental authority exercising control over banks or other

financial institutions, and any corporation or other entity or authority owned or controlled (through stock or capital ownership or otherwise) by any of the foregoing.

“Highest Lawful Rate” has the meaning set forth in Section 3.4.

“Indemnitee” means each of (a) the Bank, (b) any Participant (whether or not the Authority was given notice of the granting of the Participation in question to such Participant and whether or not the Indemnitee has an interest in any Note or this Agreement at the time any amount is payable to such Indemnitee hereunder), (c) any member at any time of any affiliated group (within the meaning of Section 1504 of the Code) of which any Indemnitee is a member, (d) any of the foregoing Persons’ respective officers, directors, shareholders, employees, consultants, servants, attorneys and agents, and (e) any successor or assign to any of such Persons.

“Issuing and Paying Agent” means U.S. Bank National Association when acting in such capacity, or any successor issuing and paying agent appointed pursuant to the Resolution.

“Issuing and Paying Agency Agreement” means the Issuing and Paying Agency Agreement between the Authority and the Issuing and Paying Agent as authorized pursuant to the Resolution (together with any amendment or supplements thereto or any successor agreement thereto).

“Investment Grade” means ratings of not less than “BBB-” (or its equivalent) by S&P, “BBB-” (or its equivalent) by Fitch and “Baa3” (or its equivalent) by Moody’s, respectively.

“Lease Payment” means a “Lease Payment” as defined in a Lease.

“Lease Supplement” means a “Lease Supplement” as defined in a Lease.

“Leases” has the meaning assigned in the Resolution.

“Lien” has the meaning set forth in the Resolution.

“Material Adverse Change” means, except as may be disclosed in the Offering Memorandum, a material adverse change in, or a material adverse effect upon, any of (a) the operations, business, properties or financial condition of the Authority or the State or (b) the legality, validity, binding effect or enforceability of this Agreement, the Note Authorization, the Resolution or the Credit Agreement Resolution.

“Maximum Interest Rate” means the lesser of (i) the maximum net effective interest rate allowable under Chapter 1204, Texas Government Code, as amended, which is currently 15% or (ii) such lesser annual rate as shall be from time to time authorized by the Authority, which is currently 10% but in no case less than 10%.

“Moody’s” means Moody’s Investors Service, Inc. and its successors and assigns.

“MSRB” means the Municipal Securities Rulemaking Board.

“No-Issuance Notice” means the written instruction, in the form attached hereto as Exhibit A, given by the Bank to the Authority and the Issuing and Paying Agent pursuant to Section 2.2 hereof.

“Note Authorization” means the Resolution, the Credit Agreement Resolution and any written direction to the Issuing and Paying Agent directing the issuance of Notes.

“Notes” means the Tax-Exempt Commercial Paper Revenue Notes, Series 2003 of the Authority.

“Notice Event of Default” means each of the conditions or events described in Section 7.1 hereof.

“Notice of Borrowing” means a request for an Advance, in the form attached hereto as Exhibit B, given by the Issuing and Paying Agent on behalf of the Authority to the Bank pursuant to Section 3.2(c) hereof.

“Offering Memorandum” means the Offering Memorandum for the Notes dated November 28, 2011.

“Parent” means, with respect to any Person (including the Bank), any other Person controlling such Person.

“Participant” has the meaning set forth in Section 8.2(b).

“Participation” has the meaning set forth in Section 8.2(b).

“Person” means a natural person, corporation (which shall be deemed to include a business trust), unincorporated organization, a government or any department or agency thereof, association, company, partnership, or any other entity.

“Pledged Revenues” has the meaning assigned in the Resolution.

“Pledged Security” has the meaning assigned in the Resolution.

“Project” has the meaning assigned in the Resolution.

“Project Costs” has the meaning assigned in the Resolution.

“Prime Rate” means a fluctuating rate of interest per annum equal to the rate of interest most recently announced by the Bank from time to time as its U.S. Dollar prime rate, such rate to change as and when such prime rate changes. It being understood that such rate shall not necessarily be the best or lowest rate of interest available to such Bank’s best or most preferred customers. Each determination of the Prime Rate shall be conclusive and binding on the Authority absent manifest error.

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

“Refunding Notes” means any Notes issued by the Authority the proceeds of which are used solely to pay the maturing principal of and interest on previously issued Notes.

“Resolution” means the Resolution of the Authority approving the Authority’s Tax-Exempt Commercial Paper Revenue Notes, Series 2003, adopted on November 19, 2002, as may be amended and supplemented from time to time.

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

“Special Event of Default” means each of the conditions or events described in Section 7.3 hereof.

“State” means the State of Texas.

“Stated Expiration Date” means (i) November 27, 2013 or (ii) as extended pursuant to Section 3.1(c) hereof.

“Suspension Event” has the meaning assigned to such term in Section 7.2 hereof.

“Termination Fee” has the meaning set forth in the Fee Agreement.

“Term Loan” means a term loan made from the Bank to the Authority in accordance with Section 3.5(d) hereof.

“Term Loan Maturity Date” means with respect to a Term Loan, the earlier of (a) the fifth (5th) anniversary of the making of the related Advance, (b) the date an alternate credit facility becomes effective for the Notes, (c) the date that all of the Notes are repaid in full, (d) the date the Commitment is permanently reduced to zero, (e) or any earlier date pursuant to the Lease or applicable tax law.

“Term Loan Start Date” has the meaning set forth in Section 3.5(d) hereof.

“Transaction Documents” means the Notes from time to time issued by the Authority, this Agreement, the Fee Agreement, the Note Authorization, the Credit Agreement Resolution, the Issuing and Paying Agency Agreement and the Dealer Agreement.

ARTICLE II NOTES OPERATIONS

Section 2.1 Issuance of Notes. Pursuant to the Act, the Note Authorization, the Issuing and Paying Agency Agreement and the Dealer Agreement, the Authority has (i) authorized and directed the Issuing and Paying Agent to act as the Authority's agent in the issuance, authentication, delivery and payment of Notes and in effecting Advances hereunder, (ii) authorized and directed the Dealer to place Notes from time to time issued with the public, and (iii) provided security for the payment of principal of and interest on the Notes, the principal of and interest on the Bank Note and the obligations of the Authority to the Bank under this Agreement.

Section 2.2 No-Issuance Notice.

(a) Upon the occurrence or continuance of a Notice Event of Default, Suspension Event or a Special Event of Default, the Bank shall have the right to deliver to the Authority and the Issuing and Paying Agent a No-Issuance Notice, any such No-Issuance Notice to be in the form of Exhibit A attached hereto. Any No-Issuance Notice given by the Bank to the Authority and to the Issuing and Paying Agent in accordance with this Section shall specify the then existing Events of Default as being the reason or reasons to cease issuing, authenticating and delivering Notes (other than Notes permitted to be issued, authenticated and delivered as provided in subsection (b) of this Section). If the Bank shall, as permitted by this Section and as contemplated by the Note Authorization and the Issuing and Paying Agency Agreement, deliver a No-Issuance Notice to the Authority and the Issuing and Paying Agent on or before 8:30 a.m. New York City time on a Business Day, then the Authority shall not, and shall cause the Issuing and Paying Agent not to, issue, authenticate or deliver any Notes (other than Notes permitted to be issued, authenticated and delivered as provided in subsection (b) of this Section) from and after such Business Day until such time as all previously delivered No-Issuance Notices have been revoked by the Bank as provided in subsection (d) of this Section. The Authority shall not, under any circumstances, so long as any No-Issuance Notice remains in effect, request the Dealer to purchase or sell any Notes (other than Notes permitted to be issued, authenticated and delivered as provided in subsection (b) of this Section).

(b) Subsection (a) of this Section notwithstanding, the Authority and the Issuing and Paying Agent may issue, authenticate and deliver Notes (i) on the date of receipt of a No-Issuance Notice, (ii) pursuant to a written agreement between the Authority and the Dealer to which the Bank has previously consented in writing with respect to agreements for the sale of Notes concluded by the Dealer prior to the Dealer's receipt of notice from the Bank, the Issuing and Paying Agent or the Authority of a No-Issuance Notice, or (iii) which constitute Refunding Notes if the No-Issuance Notice permits the issuance of Refunding Notes. For purposes of this subsection, an agreement for the sale of Notes shall be deemed concluded when it has become a final agreement in accordance with the customary practice of commercial paper dealers or placement agents in New York City. Nothing in this Subsection (b) shall limit the right of the Bank to exercise any other remedies under this Agreement.

(c) Concurrently with the giving of any No-Issuance Notice to the Authority and the Issuing and Paying Agent, the Bank and, promptly upon receipt of such No-Issuance Notice, the

Authority shall give notice thereof to each Dealer and each Rating Agency then rating the Notes, but the failure of the Bank or the Authority to do so shall not impair the effectiveness of any such No-Issuance Notice.

(d) Any No-Issuance Notice may be revoked by the Bank at any time by written notice delivered to the Authority and the Issuing and Paying Agent and shall be revoked immediately by the Bank upon the full and complete remedy of all then existing Notice Events of Default, Special Events of Default and/or Suspension Events unless the Agreement has terminated pursuant to the terms hereof.

Section 2.3 Terms of Notes.

(a) The Authority agrees that each Note shall be substantially in the form set forth in the Resolution and be completed in accordance with this Agreement, the Issuing and Paying Agency Agreement and the Note Authorization.

(b) The Authority further agrees that the principal amount of and interest on any Notes proposed to be issued, when added to the aggregate principal amount of and interest on all other Notes outstanding (after taking into account any Notes paid or to be paid on such proposed issuance date) on such proposed issuance date and to the principal amount of all outstanding related Advances, shall not exceed the amount of the Commitment in effect on such proposed issuance date. Upon the written request of the Issuing and Paying Agent, the Bank agrees to confirm to the Issuing and Paying Agent the excess of the Commitment in effect on the date of such request over the amount of related Advances outstanding on such date (which amount shall be determined without regard to any payment of related Advances expected to be made on such date with respect to which the Bank has received notice but not the proceeds of such payment).

(c) As contemplated by Section 6 of the Issuing and Paying Agency Agreement, all Notes shall be issued, authenticated and delivered against payment therefor and otherwise in accordance with the terms of this Agreement, the Issuing and Paying Agency Agreement and the Note Authorization, and details of such issuance, if requested in writing by the Bank, shall be transmitted to the Bank as provided in the Issuing and Paying Agency Agreement.

ARTICLE III CONCERNING THE COMMITMENT

Section 3.1 The Commitment.

(a) The Authority hereby requests the Bank and the Bank hereby agrees, on the terms and conditions hereinafter set forth, to establish a revolving line of credit for the benefit of the Authority in an amount not to exceed the Commitment for the purpose of making Advances to fund the payment by the Authority of the principal of and interest on Notes at stated maturity in accordance with this Agreement, the Note Authorization and the Issuing and Paying Agency Agreement. All Advances made hereunder shall be made from the Bank's own funds.

(b) On and as of the Effective Date, the amount available for making Advances under the Commitment is \$118,136,987 (representing \$110,000,000 the outstanding principal amount of the Notes plus \$8,136,987 of interest calculated on 270 days at the Maximum Interest Rate

based on a year of 365 days). The Commitment is subject to permanent reduction as provided in Section 3.6 hereof. The Commitment, and the obligation of the Bank to make Advances thereunder, shall expire on the first to occur of (i) the Stated Expiration Date, (ii) the date that the amount of the Commitment is permanently reduced to \$-0- pursuant to Section 3.6 hereof, or (iii) the date the Commitment is terminated pursuant to Section 7.4 hereof (clauses (i), (ii) and (iii) are collectively, the “Commitment Termination Date”).

(c) On or after the date that is no more than 150 days prior to the Stated Expiration Date, the Authority may submit a written request to the Bank that the Stated Expiration Date be extended for a period that is mutually acceptable to the Bank and Authority. Any such written request may be accompanied by requests to increase or decrease the amount, or otherwise modify the terms and conditions, of the Commitment. The Bank agrees to consider any such request from the Authority and deliver the Bank’s response in writing to the Authority within 30 days from the date of receipt of such request. Failure by the Bank to respond within 30 days to any request described in this Section 3.1(c) shall be considered a rejection of such request. If the Bank, in its sole discretion, agrees to extend any such request, then the Bank and the Authority shall enter into an amendment of this Agreement and the Authority shall deliver a copy of any such amendment, executed by both of the parties thereto, to the Issuing and Paying Agent, the Dealer, and to the Rating Agencies then rating the Notes. Except as may be otherwise expressly provided in a particular amendment to this Agreement (at the sole discretion of the Bank) providing for an extension of the Stated Expiration Date or an increase in the total amount of the Commitment, as the case may be, the provision of the Commitment shall be on the same terms and conditions as those set forth in this Agreement. Any request for extension of the Stated Expiration Date made pursuant to this Section 3.1(c) may be in the form of Exhibit D attached hereto.

Section 3.2 The Advances.

(a) On the terms and subject to the conditions of this Agreement, the Bank shall make Advances under the Commitment to the Issuing and Paying Agent on behalf of the Authority from time to time in an aggregate principal amount at any one time outstanding not to exceed the amount of the Commitment less the principal amount of any Advances then outstanding. Within such limit, the Authority may, while the Commitment is in effect, borrow, prepay, repay, and reborrow Advances under the Commitment pursuant to this Section.

(b) The Advances made by the Bank under the Commitment for the payment of principal of and interest on Notes shall be evidenced by the Bank Note. The Bank Note shall be registered in the name of and payable to the Bank in the amount of the Commitment. The principal amount outstanding of the Bank Note at any time shall equal the amount of the then outstanding and unpaid Advances under the Commitment. The Bank Note shall bear interest during the same periods and at the same rates as are applicable to the Advances under the Commitment evidenced by the Bank Note, determined as provided herein in accordance with the provisions hereof. The principal of the Bank Note, and the interest thereon, shall be payable (and prepayable) at the same times and in the same amounts as are applicable to the related Advances evidenced by the Bank Note, determined as provided herein in accordance with the provisions hereof.

(c) In the event that the Issuing and Paying Agent on behalf of the Authority, determines that it is necessary to request an Advance in order to provide for the payment of the principal of and interest on Notes when due at stated maturity, the Issuing and Paying Agent on behalf of the Authority, shall do so by submitting to the Bank a written request to make such an Advance, such written request to be in the form of the Notice of Borrowing attached hereto as Exhibit B, by not later than 12:30 p.m. New York City time on the same Business Day on which the making of such Advance is requested. Any Notice of Borrowing shall (i) state the date for funding by the Bank of such Advance, which shall be a Business Day, and (ii) specify the aggregate principal amount of such Advance (which aggregate principal amount of such Advance (A) shall not exceed the aggregate principal amount of and interest on the Notes maturing on the date of such Advance and which has not been and will not be paid from the proceeds of the sale of Refunding Notes on such date or from other available funds of the Authority on such date, (B) shall not, after the making of such Advance, exceed the amount available under the Commitment, and (C) shall be in the minimum principal amount of \$100,000). Assuming compliance by the Issuing and Paying Agent on behalf of the Authority, with the procedures set forth in this subsection and the conditions set forth in Section 4.2 hereof (i.e., actual receipt by the Bank of a properly completed Notice of Borrowing and no Suspension Event or Special Event of Default has occurred and is continuing), then the Bank shall pay the Advance, in immediately available funds, to the Issuing and Paying Agent by not later than 2:30 p.m. New York City time on the date requested. In the event that the Bank determines not to pay a Notice of Borrowing either because such Notice of Borrowing was not properly completed or due to the existence of a Suspension Event or Special Event of Default, the Bank shall, to the extent practicable, on the date of receipt of such Notice of Borrowing and, in any event, not later than the Business Day following the date of receipt of such Notice of Borrowing, so notify the Issuing and Paying Agent, such notice to set forth the existing Suspension Event or Special Event of Default or the deficiencies in such Notice of Borrowing, as applicable; provided, however, that if the date of receipt of such Notice of Borrowing is the requested date of the Advance, such notice shall be sent on the date of receipt of the Notice of Borrowing.

(d) The date and amount of each Advance, and all payments made on account thereof, shall be recorded by the Bank on its books and records, which books and records shall, absent manifest error, be conclusive as to amounts payable by the Authority hereunder and under the Bank Note. The Bank may, but shall not be required to, complete the schedule attached to the Bank Note to reflect the making and status of Advances thereunder and under the Commitment.

Section 3.3 Payment of Interest on Advances. The Authority shall pay interest on the unpaid principal amount of each Advance at a rate per annum equal to the Bank Rate; provided that the unpaid amount of any Advance not paid when due as provided in Section 3.5 hereof shall bear interest from and after the date payment was due until paid in full at the Default Rate or if any Event of Default shall have occurred such interest shall also accrue at the Default Rate. Accrued interest on each Advance shall be payable (i) monthly in arrears on the first Business Day of each month, (ii) on the dates provided in Section 3.5 hereof for the payment of principal of such Advance, and (iii) after the occurrence of any such date provided in Section 3.5 hereof where the principal of such Advance remains outstanding, on demand; provided, however, that the Authority shall not be required to pay interest to the Bank for the portion of any Advance used to pay interest on the Notes, if, in accordance with Section 3.5(a) hereof, the Authority

repays such portion of any Advance used to pay interest prior to 4:30 p.m., New York City time, on the same day such Advance is made.

Section 3.4 Maximum Interest.

(a) Anything in this Agreement or the Bank Note to the contrary notwithstanding, the Authority shall never be required to pay interest on any Advance or the Bank Note at a rate in excess of the maximum nonusurious interest rate under applicable federal law and applicable state law (including specifically Chapter 1204, Texas Government Code, as amended) (such maximum non-usurious interest rate being the “Highest Lawful Rate”), and if the effective rate of interest which would otherwise be payable under this Agreement and the Bank Note would exceed the Highest Lawful Rate then (i) the amount of interest which would otherwise be immediately payable by the Authority on any Advance under this Agreement and the Bank Note shall be reduced to the amount allowed by applicable law. It is further agreed that, without limitation of the foregoing, all calculations of the rate of interest contracted for, charged or received by the Bank on any Advance under the Bank Note, or under this Agreement, are made for the purpose of determining whether such rate exceeds the Highest Lawful Rate applicable to the Bank, and shall be made, to the extent permitted by usury laws applicable to the Bank (now or hereafter enacted), by amortizing, prorating and spreading in equal parts during the period of the full stated term of the applicable Advances, evidenced by the Bank Note, all interest at any time contracted for, charged or received by the Bank in connection therewith. If at any time and from time to time (i) the amount of interest payable to the Bank on any date shall be computed at the Highest Lawful Rate pursuant to this Section 3.4 and (ii) in respect of any subsequent interest computation period the amount of interest otherwise payable to the Bank would be less than the amount of interest payable to the Bank computed at the Highest Lawful Rate, then to the extent permitted by law the amount of interest payable to the Bank in respect of such subsequent interest computation period shall continue to be computed at the Highest Lawful Rate until the total amount of interest payable to the Bank shall equal the total amount of interest which would have been payable to the Bank if the total amount of interest had been computed without giving effect to this Section 3.4 and shall continue to be payable until the Bank has been paid in full for all such amounts. In determining whether or not the interest paid or payable, under any specific contingency, exceeds the Highest Lawful Rate, the Authority and the Bank shall, to the maximum extent permitted under usury laws applicable to the Bank (now or hereafter enacted), (i) characterize any non-principal payment as an expense, fee or premium rather than as interest and (ii) exclude voluntary prepayments and effects thereof. Upon termination of this Agreement, in consideration for the limitation of the rate of interest otherwise payable hereunder, the Authority shall pay, to the extent permitted by law, the Bank a fee equal to the amount of all interest accrued hereunder that remains unpaid on the date of termination of this Agreement.

(b) Chapter 346, Texas Finance Code, as amended (which regulates certain revolving credit loan accounts and revolving tri-party accounts) shall not apply to this Agreement or the Bank Note.

Section 3.5 Payment of Advances; Conversion to Term Loan.

(a) The Authority shall repay the portion any Advance used for payment of principal on the Notes (the “Principal Component”) on or before 3:00 p.m. New York City time on or

before the 181st day after the payment by the Bank of such Advance, subject to conversion of such Principal Component of an Advance to a Term Loan pursuant to Section 3.5(d) hereof; *provided, however*, the Authority shall repay the portion of any Advance used to pay interest on the Notes (the “Interest Component”) prior to 4:30 p.m., New York City time, on the same day such Advance is made.

(b) The Authority may prepay any Advance in whole or in part at any time without penalty; provided that (i) the Authority (or the Issuing and Paying Agent on behalf of the Authority) shall give the Bank not less than two (2) Business Days prior written notice of each prepayment of an Advance, (ii) any partial prepayment must be in a minimum amount of \$100,000, (iii) after giving effect to such prepayment, the principal amount of any Advance remaining outstanding shall be not less than \$100,000, and (iv) each prepayment must be accompanied by the payment of accrued interest on the principal amount of the Advance prepaid to the date of prepayment. Any prepayment of Advances pursuant to this subsection shall be applied in inverse order of maturity of all then outstanding Advances under the Commitment.

(c) Unless the Bank notifies the Authority and the Issuing and Paying Agent that the provisions of this subsection shall not apply to any particular issuance of Notes, if the Authority issues Notes on any date on which a related Advance is outstanding and the proceeds of such issuance exceed the amount (if any) necessary to pay the related Notes maturing on such date, then the Authority shall (or the Authority shall cause the Issuing and Paying Agent to) prepay any such related Advances then outstanding by paying to the Bank the aggregate principal amount of such related Advances to the extent of such excess, together with interest accrued thereon to but not including the date of prepayment. Any prepayment of Advances pursuant to this subsection shall be applied in inverse order of maturity of all then outstanding Advances under the Commitment.

(d) If on the 181st day after payment by the Bank of an Advance, no Event of Default has occurred and is continuing and all representations and warranties under this Agreement are true and correct and the Principal Component of any Advance remains outstanding, then upon the election of the Authority, any outstanding Principal Component of an Advance shall be converted into a Term Loan (the “Term Loan Start Date”). Each Term Loan will accrue interest at the Bank Rate, with interest payable monthly in arrears provided that the unpaid principal amount of any Term Loan not paid when due as provided in this Section 3.5 shall bear interest from and after the date payment was due until paid in full at the Default Rate. The principal of each Term Loan shall be due and payable in substantially equal semi-annual installments in such amounts to repay the Term Loan in full no later than five (5) years after the date of the related Advance. Such principal payments on the Term Loan shall be due and payable on the first Business Day of the month in which such payment is due, commencing on the Term Loan Start Date. Term Loans made by the Bank under the Commitment shall be evidenced by the Bank Note. Upon an Event of Default, each Term Loan shall accrue interest at the Default Rate.

(e) Notwithstanding anything herein to the contrary, the Authority shall only make payment due hereunder or under the Bank Note from lawfully available and specifically appropriated funds in its possession, and any payments due hereunder or under the Bank Note not paid by such funds shall be subject to appropriation by the State Legislature.

Section 3.6 Reduction and Termination of the Commitment. Subject to the Fee Agreement, and payment of the Termination Fee if required, the Authority may permanently reduce the Commitment in whole or in part upon at least 5 calendar days' prior written notice to the Bank (a copy of which the Authority shall provide to the Dealer and to the Rating Agencies), which written notice shall identify the Commitment and the Bank Note and specify the amount and the effective date of any such reduction; provided that (i) any partial reduction must be in the amount of \$1,000,000, or any integral multiple of \$100,000 in excess of such amount and (ii) the amount of the Commitment may not be reduced below an amount equal, as of the date of the proposed permanent reduction in the Commitment, to the sum of (A) the outstanding Advances plus (B) the outstanding principal amount of and interest on the Notes (calculated based on 270 days interest at the Maximum Interest Rate based on a year of 365 days). Upon any reduction in whole or termination of the Commitment pursuant hereto, all outstanding Advances, accrued interest, fees and other obligations of the Authority hereunder, under the Fee Agreement and under the Bank Note shall be promptly paid or repaid in full to the Bank.

Section 3.7 Fees. The Authority hereby agrees to pay to the Bank all fees, including but not limited to the Facility Fee and the Termination Fee, as set forth in the Fee Agreement. Further, the Authority hereby agrees to pay on behalf of the Bank the Bank's legal fees directly to the service providers pursuant to section 1.5 of the Fee Agreement. Notwithstanding anything herein to the contrary, the payment of the Facility Fee pursuant to this Agreement and the Fee Agreement is considered payment for goods or services and shall be governed by Subchapter B, Ch. 2251 of the Texas Government Code. Pursuant to such section, the Authority will not be required to make payment of the Facility Fee before the 31st day after receipt of a correct invoice and interest begins to accrue interest at the rate specified in such Government Code on the 31st day. (As of the Effective Date hereof, Section 2251.025 of the Texas Government Code provides the rate of interest that accrues on an overdue payment is the rate in effect on September 1 of the fiscal year in which the payment becomes overdue. The rate in effect on September 1 is equal to the sum of: (1) one percent; and (2) the prime rate as published in the Wall Street Journal on the first day of July of the preceding fiscal year that does not fall on a Saturday or Sunday.)

Section 3.8 Payments. Except as otherwise provided herein, all payments by the Authority to the Bank under this Agreement and the Bank Note shall be made in United States dollars and immediately available funds by federal funds transfer to an account of the Bank designated by the Bank, so that the same is received not later than 4:00 p.m. New York City time on the due date thereof. Any payment hereunder or under the Bank Note received after such time on such due date shall be deemed received on the next succeeding Business Day and, unless such payment is made in satisfaction of this Agreement and the Fee Agreement, interest shall accrue at the Default Rate to such succeeding Business Day, as herein provided. Each payment hereunder or under the Bank Note shall be made without condition or qualification and without reduction by reason of set-off, counterclaim or otherwise, and free and clear of and without deduction or withholding for or by reason of any present or future taxes, duties, levies, imposts, deductions, or charges of any nature whatsoever.

Section 3.9 Extension of Payments. If any payment under this Agreement or under the Bank Note shall become due on a day which is not a Business Day then the due date thereof shall be extended to the next following day which is a Business Day, and such extension shall be taken into account in computing the amount of any interest or fees then due and payable hereunder or under the Bank Note.

Section 3.10 Computation of Interest and Fees. All fees payable under this Agreement and the Fee Agreement shall be computed on the basis of a year of 360 days and the actual number of days elapsed. Except as otherwise provided herein, all interest payable under this Agreement or under the Bank Note shall be computed on the basis of the actual number of days elapsed, 365 or 366 days, as the case may be. Except as otherwise provided herein, any amount payable by the Authority to the Bank hereunder or under the Bank Note that is not paid when due shall bear interest at the Default Rate, payable in full on demand.

Section 3.11 Change in Law. (a) If any change in applicable law, treaty, regulation, guideline or directive (including, without limitation, Regulation D promulgated by the Board of Governors of the Federal Reserve System as now and from time to time hereafter in effect) or any new law, treaty, regulation, guideline or directive, or any interpretation of any of the foregoing by any Governmental Authority charged with the administration or interpretation thereof or any central bank or other fiscal, monetary or other authority having jurisdiction over the Bank or any Participant (as defined in Section 8.2(b)) or the transactions contemplated by this Agreement (whether or not having the force of law), or compliance therewith by the Bank or any Participant, shall (i) subject the Bank or any Participant to any tax, duty, charge, stamp tax, fee, deduction, or withholding with respect to the Commitment, the Advances, the Bank Note or this Agreement (other than any tax measured by or based upon the overall net income of the Bank or any Participant imposed by any jurisdiction having control over the Bank's or any Participant's lending branch), (ii) impose, modify or deem applicable any reserve, special deposit or similar requirement against any assets held by, deposits with or for the account of, or loans, advances or commitments by or any other acquisition of funds or disbursements by an office of the Bank nor any Participant, or (iii) change the basis of taxation of payments due the Bank or any Participant under this Agreement or the Bank Note and the result of any of the foregoing is to increase the cost to or impose an additional cost on the Bank or any Participant of making any payment or maintaining any Advance or the Commitment, to reduce the amount of any payment (whether of principal, interest, or otherwise) receivable by the Bank or any Participant, or to require the Bank or any Participant to make any payment on or calculated by reference to the gross amount of any sum received by it, in each case by an amount which the Bank or any Participant in its sole reasonable judgment deems material, then (1) the Bank or such Participant shall promptly notify the Authority in writing of the happening of such event, (2) the Bank or such Participant shall promptly deliver to the Authority a certificate stating the change which has occurred or the reserve requirements, tax or other costs or conditions which have been imposed on the Bank or such Participant or the request, direction, or requirement with which the Bank or such Participant has complied, together with the date thereof, the amount of such increased costs, reduction of payment and the way in which such amount has been calculated, and (3) the Authority shall pay to the Bank or such Participant, from time to time as specified by the Bank or such Participant, such amount or amounts as will compensate the Bank or such Participant for such additional cost, reduction or payment effective as of the date of the happening of the event; provided however, the Authority shall never be subject to additional costs due to a Participant

that are more than the Authority would have been obligated to pay had the Bank not entered into such participation agreement.

(b) If after the date hereof the Bank shall have determined that the adoption or implementation, subsequent to the date hereof, of any applicable law, rule, regulation or treaty, or any policy, guideline or directive regarding capital adequacy or any similar requirement, or any change therein, or any change in the interpretation or administration thereof by any Governmental Authority charged with the administration or implementation thereof, any central bank or other fiscal, monetary or other authority having jurisdiction over the Bank or any Participant, or compliance by the Bank (or its Parent) with any request or directive or guidance regarding capital adequacy (in each case, whether or not having the force of law) of or from any such Governmental Authority, central bank or comparable authority (including a request or requirement that affects the manner in which the Bank allocates capital resources to its commitments) has or would have the effect of reducing the rate of return on the capital of the Bank (or its Parent) as a consequence of the Bank's obligations hereunder to a level below that which the Bank (or its Parent) could have achieved but for such adoption, change or compliance (taking into consideration the Bank's (or its Parent's) policies with respect to capital adequacy), or that affects the amount of capital to be maintained by the Bank (or its Parent) with regard to its obligations hereunder, then the Authority shall pay to the Bank such additional amount or amounts as will compensate the Bank (or its Parent) for such reduction in return or for the cost of such increased amount of capital to be maintained. All payments pursuant to this Subsection shall bear interest thereon if not paid within ten days of such notice until payment in full at the Default Rate. A statement of the Bank claiming compensation under this subsection and setting forth the additional amount or amounts to be paid to it hereunder shall be prepared in good faith and in reasonable detail and submitted by the Bank to the Authority, together with such demand, and shall be conclusive (absent manifest error). In determining such amount, the Bank may use reasonable averaging and attribution methods and may make reasonable estimates, assumptions, allocations and the like as the Bank determines in good faith to be appropriate. The Authority agrees that a written statement as to amounts due to the Bank or any Participant under this Section submitted by the Bank or such Participant to the Authority in accordance with this Section shall be conclusive as to the amount thereof, absent manifest error.

(c) Notwithstanding the foregoing, for purposes of this Section 3.11, (i) all requests, rules, guidelines or directives in connection with the Dodd Frank Act shall be deemed to be a change of applicable law, rule or regulation regardless of the date enacted, adopted or issued, and (ii) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Regulations and Supervisory Practices (or any successor or similar authority) or any Governmental Authority with proper jurisdiction over the Bank in regard to the foregoing shall be deemed a change of applicable law, rule or regulation regardless of the date enacted, adopted or issued.

(d) The obligations of the Authority under this Section 3.11 shall survive the termination of this Agreement, the Bank Note and the Transaction Documents. Notwithstanding anything contained in subsections (a) and (b) of this Section 3.11, the Bank shall use commercially reasonable efforts to timely notify the Authority of any liability for any increased cost, additional cost, reduction in payment or reduction in return incurred by or imposed on the Bank.

(e) The protections of this Section 3.11 shall be available to the Bank and the holders of the Bank Note regardless of any possible contention of invalidity or inapplicability of the law, regulation or condition which has been imposed; provided, however, that if it shall be later determined that any amount so paid by the Authority pursuant to this Section 3.11 is in excess of the amount payable under the provisions of this Agreement, the Bank or holder of the Bank Note, as the case may be, shall refund such excess amount to the Authority.

Section 3.12 Margin Regulations. No portion of the proceeds of any Advances under this Agreement and the Bank Note shall be used by the Authority (or the Issuing and Paying Agent or any other Person on behalf of the Authority) for the purpose of “purchasing” or “carrying” any margin stock or used in any manner which might cause the borrowing or the application of such proceeds to violate Regulation G, Regulation U, Regulation T, or Regulation X of the Board of Governors of the Federal Reserve System or any other regulation of the Board or to violate the Securities Exchange Act of 1934, as amended, in each case as in effect on the date or dates of such Advances and such use of proceeds.

ARTICLE IV CONDITIONS PRECEDENT

Section 4.1 Conditions Precedent to Commitment. The obligation of the Bank to establish the Commitment and execute and deliver this Agreement is subject to the satisfaction of each of the following conditions precedent on or before the Effective Date, all in form and substance satisfactory to the Bank:

(a) Approvals. The Bank shall have received copies of all action taken by the Authority approving the execution and delivery by the Authority of this Agreement, the Bank Note and the Transaction Documents, in each case certified by an authorized official of the Authority as complete and correct as of the date hereof.

(b) Incumbency of Authority Officials. The Bank shall have received an incumbency certificate of the Authority in respect of each of the officials who is authorized to (i) sign this Agreement, the Bank Note and the Transaction Documents on behalf of the Authority and (ii) take actions for the Authority under this Agreement, the Bank Note and the Transaction Documents.

(c) Opinion of Bond Counsel. The Bank shall have received a written opinion of Fulbright & Jaworski L.L.P. addressed to the Bank, dated the Effective Date in the form and substance reasonably satisfactory to the Bank.

(d) Opinion of Authority Attorney. The Bank shall have received a written opinion of counsel to the Authority in the form approved by the Bank.

(e) Attorney General Opinion. The Bank shall have received the approving opinion of the Attorney General of Texas with respect to the procedures relating to this Agreement.

(f) Issuing and Paying Agency and Dealer Agreements. The Bank shall have received copies of each of the Issuing and Paying Agency Agreement and the Dealer Agreement, duly executed by the parties thereto, which agreements shall be in full force and effect.

(g) Notes. The Bank shall have received a photocopy of the form of the applicable Notes.

(h) Bank Note. The Bank shall have received the executed Bank Note.

(i) No Default, Etc. (i) No Notice Event of Default, Suspension Event or Special Event of Default shall have occurred and be continuing as of the date hereof or will result from the execution and delivery by the Authority of this Agreement and the Issuing and Paying Agency Agreement and the Dealer Agreement, and the establishment of the Commitment, (ii) the representations and warranties and covenants made by the Authority in Articles V and VI hereof shall be true and correct in all material respects on and as of the Effective Date, as if made on and as of such date, and (iii) the Bank shall have received a certificate, given and made as of the Effective Date, from the Authority to the foregoing effect.

(j) Ratings. The Bank shall have received written confirmation that the Notes have at least been rated P-1 by Moody's, A-1+ by S&P and F-1+ by Fitch.

(k) Resolution. The Bank shall have received a certified copy of the Credit Agreement Resolution approving this Agreement.

(l) Other Documents. The Bank shall have received such other documents, certificates, and opinions as the Bank or its counsel shall have reasonably requested as necessary to give effect to this Agreement.

(m) Fees and Expenses. All fees and expenses required to be paid by the Authority pursuant to the Fee Agreement shall be paid in accordance with the terms of such Agreement.

(n) CUSIP Number. The Bank shall have received a CUSIP number assigned to the Bank Note.

(o) Bank Note Rating. The Bank shall have received a long-term rating on the Bank Note of at least Investment Grade from at least one Rating Agency.

(p) Bank Counsel Opinion. Andrews Kurth LLP, counsel to the Bank, shall have delivered an opinion addressed to the Bank and the Authority as to matters reasonably requested by the Bank and the Authority (any waiver of such opinion shall require both the consent of the Bank and the Authority).

(q) Executed Agreements. The Bank shall have received an executed copy of this Agreement and the Fee Agreement.

Section 4.2 Conditions Precedent to Making Advances. The obligation of the Bank to make an Advance under the Commitment is subject to the following conditions precedent on or before the time on which the Advance is to be made:

(a) Notice of Borrowing. As provided in Section 3.2 hereof, the Bank shall have received, by not later than 12:30 p.m. New York City time on the Business Day on which the making of such Advance is requested, a properly completed Notice of Borrowing.

(b) No Special Event of Default or Suspension Event. No Special Event of Default or Suspension Event shall have occurred and then be continuing.

Each purchase hereunder shall be deemed to be a representation and warranty by the Authority on the date of such purchase that the conditions specified in this Section 4.2 have been complied with.

ARTICLE V REPRESENTATIONS AND WARRANTIES

To induce the Bank to enter into this Agreement, extend the Commitment and make Advances, the Authority represents and warrants to the Bank on the Effective Date that:

Section 5.1 Due Existence. The Authority is an agency of the State and a public authority and body politic and corporate of the State.

Section 5.2 Authorization; No Conflict. The execution and delivery of this Agreement, the execution and delivery of the Bank Note, the authorization and issuance of the Notes, the execution and delivery of the other Transaction Documents, the borrowings represented by the Advances hereunder and the performance by the Authority of its obligations under this Agreement, the Bank Note and the Transaction Documents, are within the Authority's powers, have been duly authorized by all necessary governmental action, have received all necessary approval (if any shall be required), and do not and will not contravene or conflict with any provision of law, including the Authorizing Law, the Authorizing Procedures and the Constitution of the State or of any agreement binding upon the Authority.

Section 5.3 Valid and Binding Nature. This Agreement, the Bank Note, and the Transaction Documents are, and the Notes when issued will be, legal, valid, and binding obligations of the Authority enforceable against the Authority in accordance with their respective terms under applicable law.

Section 5.4 Litigation and Contingent Liabilities. There is no action, suit, proceeding, inquiry or investigation at law or in equity pending or threatened nor is there any basis for any such action which would question or seek to limit the right, power, or authority of the Authority to enter into this Agreement to issue the Bank Note, to issue the Notes, to enter into the other Transaction Documents or to perform any of its obligations under this Agreement, the Bank Note or the Transaction Documents or that would, if adversely determined, materially and adversely affect the financial condition of the Authority or the State that would affect the Authority's ability to perform its obligations hereunder or thereunder.

Section 5.5 Governmental Approvals. No approval, permit, consent or authorization of, or registration or filing with, any governmental or public agency, authority or Person not already obtained or made is required on the part of the Authority in connection with the execution and delivery by the Authority or the performance of any of its obligations under this Agreement, the Bank Note or the Transaction Documents.

Section 5.6 Offering Memorandum. The Offering Memorandum delivered by the Authority to the MSRB, a copy of which has been delivered to the Bank, was as of its date, and

is (and will be) on and as of the date hereof (and the Effective Date), true, complete and correct in all material respects and does not contain an untrue statement of material fact or omit to state a fact necessary to make the statements therein not misleading in any material respect; provided, however, that for all purposes of this Agreement, the Authority makes no representations with respect to any information regarding the Bank provided by the Bank in the Offering Memorandum. Since August 31, 2010, except as set forth in Appendix A dated November 2011, to the Offering Memorandum, there has been no Material Adverse Change in the financial condition of the Authority or, to the best of knowledge of the Authority, after due and proper inquiry, the financial condition of the State.

Section 5.7 No Default. The Authority is not in default in the performance, observation or fulfillment of any of the obligations, covenants or conditions contained herein or in any other resolution, agreement or instrument to which it is a party which would have a material adverse effect on the ability of the Authority to perform its obligations hereunder or which would affect the enforceability hereof.

Section 5.8 Full Disclosure. None of the representations or warranties made by the Authority in this Agreement or the Bank Note as of the date such representations and warranties are made or deemed made, and none of the statements contained in each exhibit or any certificate furnished by or on behalf of the Authority contains any untrue statement of a material fact or omits any material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they are made, not misleading in any material respect.

Section 5.9 Compliance of Agreement and Transaction Documents; No Defaults or Events of Default. The execution, delivery and performance by the Authority of this Agreement and each of the other Transaction Documents to which it is a party in accordance with their respective terms did not, do not and will not (a) contravene any applicable law of the United States or of the State in effect on the date hereof, (b) require any consent or approval of any creditor of the Authority or (c) conflict with, result in a breach of or constitute a default under, or accelerate the performance required by, any contract, indenture or agreement to which the Authority is a party or by which it or any of its properties or revenues may be bound. No Default or Event of Default has occurred and is continuing hereunder and no “potential event of default,” “event of default” or “default” has occurred and is continuing under, and as such terms are defined in, any of the other Transaction Documents.

Section 5.10 Compliance with Law and Related Documents. The Authority (a) is in compliance with all laws of the United States and of the State (including the Constitution of the State) material to the performance of its obligations under the Notes and the Transaction Documents and with all provisions of each Transaction Document to which it is a party and (b) has received no notice nor has any knowledge that a material default, after an applicable notice and grace period, by the Authority exists under any material contracts, agreements or other instruments to which it is a party or by which it or any of its properties or revenues is bound.

Section 5.11 Accuracy and Completeness of Other Information. Any written information, reports and other papers and data prepared by the Authority or the State and

furnished to the Bank by the Authority pursuant to this Agreement were, at the time the same were so furnished, complete and correct in all material respects to the extent necessary to give the Bank a true and accurate knowledge of the subject matter thereof.

Section 5.12 Representations and Warranties Contained in the Transaction Documents. The Authority is in compliance with all representations and warranties set forth in the Transaction Documents, which are hereby made to, and for the benefit of, the Bank and incorporated herein by this reference, as if set forth herein in full (together with the related definitions and ancillary provisions).

Section 5.13 Pending Legislation and Decisions. There is no amendment or, to the knowledge of the Authority, proposed amendment to the Constitution of the State or any administrative interpretation of the Constitution of the State or any State law (including the Authorizing Law and Authorizing Regulations), or any judicial decision interpreting any of the foregoing, the effect of which could reasonably be expected to have a material adverse effect on the Notes, the security for the Notes and the Bank Note or the Authority's obligations hereunder or under the Fee Agreement or under any of the other Transaction Documents, or the Authority's ability to repay when due its obligations under this Agreement, the Notes, the Bank Note or other Transaction Documents.

Section 5.14 Federal Reserve Board Regulations. The Authority has not used any part of the proceeds of the Notes for the purpose of purchasing or carrying any "Margin Stock," and the Authority does not own and has no intention of acquiring any such "Margin Stock."

Section 5.15 Interest. None of the Resolution, the other Transaction Documents (including the Fee Agreement) or the Notes (including the Bank Note) provide for any payments that would violate any applicable law relating to permissible maximum rates of interest in the State.

Section 5.16 Tax-Exempt Status. The Authority has not taken any action or omitted to take any action, and knows of no action taken or omitted to be taken by any other person or entity, which action, if taken or omitted, would cause interest on the Notes to be subject to federal income taxes.

Section 5.17 Fiscal Biennium. The Authority represents that the State Legislature has appropriated lawfully available funds in an amount necessary to pay in full all amounts reasonably anticipated to come due with respect to the Leases, the Lease Supplements or the Lease Payments and the Notes and Bank Note and all obligations payable hereunder and under the Fee Agreement for the current fiscal biennium.

Section 5.18 Commercial Paper Notes. Each Note (including the Bank Note) has been duly and validly issued under the Resolution or the Credit Agreement Resolution, as applicable, and entitled to the benefits thereof.

Section 5.19 Parity Obligation. The Authority represents that the Notes, the Bank Note and all obligations to the Bank are secured on parity with all obligations payable from the Lease Payments.

Section 5.20 Pledged Security. The Resolution and this Agreement each creates and shall be and constitute a continuing, irrevocable Lien and claim upon, pledge of, and grant of a security interest in, the Pledged Security, to secure the full payment when due of the principal of and interest on the Notes and the Bank Note, on a parity therewith, the Advances and other amounts owed to the Bank under this Agreement. All action necessary to perfect such Lien has been duly and validly taken and such Lien is enforceable against and has priority over the claims of any other creditors of the Authority.

Section 5.21 Event of Nonappropriation. The Authority represents that no “Event of Nonappropriation” under the Resolution has occurred.

Section 5.22 Environmental Matters. In the ordinary course of its business, the State conducts an ongoing review of Environmental Laws on the business, operations and the condition of its property, in the course of which it identifies and evaluates associated liabilities and costs (including, without limitation, any capital or operating expenditures required for clean-up or closure of properties presently or previously owned or operated, any capital or operating expenditures required to achieve or maintain compliance with environmental protection standards imposed by law or as a condition of any license, permit or contract, any related constraints on operating activities, including any periodic or permanent shutdown of any facility or reduction in the level of or change in the nature of operations conducted there at and any actual or potential liabilities to third parties, including employees, and any related costs and expenses). On the basis of its knowledge of its review, the Authority does not believe that Environmental Laws are likely to have a material adverse effect on the ability of the Authority to make any payments in respect of the Notes, the Fee Agreement, the Revolving Note, the Term Note or any of its obligations hereunder.

ARTICLE VI COVENANTS

From the Effective Date and so long as the Bank is obligated to make Advances hereunder and under the Bank Note and until the payment in full of all of the obligations of the Authority under this Agreement and the Bank Note, the Authority shall unless the Bank otherwise consents in writing:

Section 6.1 Reporting RequirementsThe Authority will deliver to the Bank: (i) promptly following the availability thereof, copies of each official statement of the Authority related to any obligation of the Authority on parity with the Notes; (ii) copies of its unaudited Annual Financial Report within 91 days after the end of its Fiscal Year, (iii) the Consolidated Annual Financial Report for the State within 182 days after the end of its Fiscal Year, and (iv) from time to time upon the request of the Bank, such other information concerning the Notes and the finances and affairs of the Authority as the Bank may reasonably request from documents normally created and maintained by the Authority in its regular course of business and related to the Notes; provided, should the Bank reasonably request additional information from the Authority which is not prepared in its regular course of business but is necessary for credit approval, an extension or amendment to the Agreement, an audit or regulatory action against the Bank or such an event that makes the information necessary to the Bank's administration of the Agreement, upon ten (10) Business Days notice or as otherwise agreed to

by the parties, the Authority shall deliver to the Bank such requested information. Posting at the following websites shall be acceptable to meet such reporting requirements: for (i), <http://emma.msrb.org> and for (ii) and (iii), if by the above referenced deadlines, Consolidated Annual Financial Report for the State posted at: <http://www.window.state.tx.us/finances/pubs/cafr/>; the Comptroller's Appendix A posted at: <http://www.window.state.tx.us/treasops/bondapp.html>. The Authority shall provide to the Bank notice via electronic mail when such filings have been posted to such websites.

(b) Furnish or cause to be furnished to the Bank as soon as available and, in any event, not later than ninety-one (91) days after the end of each Fiscal Year, a certificate of an officer of the Authority certifying that, as of the end of such Fiscal Year, and to the best of knowledge of such officer after due and proper inquiry, no Notice Event of Default, Suspension Event or Special Event of Default has occurred and is continuing or, if a Notice Event of Default, Suspension Event or Special Event of Default has occurred and is continuing, describing the nature thereof and the action the Authority proposes to take with respect thereto. Furnish or cause to be furnished to the Bank, but only upon the written request of the Bank, a statement of the amount of Notes outstanding and the interest rates on such Notes.

Section 6.2 Accounting Records. The Authority shall maintain adequate books, accounts and records in accordance with GAAP, and, to the extent permitted by law, and upon three (3) Business Days prior written notice, permit employees or agents of the Bank at any reasonable time to examine or audit the books, accounts and records of the Authority and to make copies as provided under Texas Government Code Chapter 552 and discuss with the Authority's officers and accountant its business, assets, liabilities, financial condition, results of operations, and business prospects to the extent permitted by law.

Section 6.3 Reserved.

Section 6.4 Security and Pledge. To provide security for the payment of the principal of and interest on the Notes, the Bank Note and any other amounts due under this Agreement as the same shall become due and payable:

(i) The Authority hereby pledges to the Bank, and grants to the Bank a security interest in, the Pledged Security.

(ii) The pledge and security interest granted the Bank in the Pledged Security shall be on parity with the pledge and security interest granted by the Authority to Note Owners (as defined in the Resolution) in the Pledged Security pursuant to the Resolution to secure payment of amounts due under the Notes.

(iii) The Authority shall take such steps as the Bank shall reasonably request to perfect and secure such pledge and security interest. Chapter 1208, Texas Government Code, as amended, applies to the issuance of the Notes and the pledge of and security interest in the Pledged Security granted by the Authority herein, and such pledge and security interest is therefore valid, effective and perfected. If Texas law is amended at any time while the Notes are outstanding and unpaid such pledge of security interest in the Pledged Security is to be subject to filing requirements of Chapter 9, Texas Business and Commerce Code, as amended, then in

order to preserve the Bank's perfection of the security interest in the Pledged Security, the Authority agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business and Commerce Code, as amended, and enable a filing to perfect the security interest in the Pledged Security to occur.

(iv) As part of the Pledged Security and at the time, or prior to, the financing or refinancing of Projects with the proceeds of the Notes, the Authority will assign to the Bank and Note Owners equally and ratable as security for the obligations of the Authority to the Bank under this Agreement and the Notes, Lease Supplements for the Projects, which Lease Supplements shall have unpaid Rent Payments (as defined in the Resolution) coming due sufficient to pay when due the principal of, and interest on, the portions of the Notes that were used to provide funds for the financing or refinancing of such Projects.

Section 6.5 Punctual Payment. The Authority will punctually pay or cause to be paid (i) the principal and interest due on the Notes and the Bank Note and (ii) subject to clause, 3.7, the fees owed to the Bank under this Agreement and the Fee Agreement, in strict conformity with the terms hereof, and it will faithfully observe and perform all of the conditions, covenants and requirements of this Agreement.

Section 6.6 Use of Proceeds. Expend the proceeds of each Advance solely for the purposes permitted by this Agreement and as stated in the Notice of Borrowing with respect thereto.

Section 6.7 Other Bank Facilities. The Authority shall not enter into or become liable under any other Bank Agreements in connection with the Lease unless the obligations to the Bank under this Agreement and the Bank Note are at least pari passu with the obligations under the other bank facility, both in right of payment and with respect to any lien on or pledge.

Section 6.8 Notices to Rating Agencies. The Authority will notify the Rating Agencies in a timely manner of any matter with respect to which the Authority has separately agreed with any of the Rating Agencies to provide such notice, and the Authority shall promptly provide the Bank with a copy of any such notice related to the Notes.

Section 6.9 Performance of Transaction Documents. Perform all of its obligations under each of the Transaction Documents and cause the other parties to the Transaction Documents to perform their obligations thereunder.

Section 6.10 Notice of Certain Events. Promptly, and in any event (i) within five (5) Business Days of the Authority becoming aware thereof, notify the Bank in writing of the occurrence of any Notice Event of Default, and within one (1) Business of the Authority becoming aware thereof, notify the Bank in writing of the occurrence of a Suspension Event or Special Event of Default, or any event which in the reasonable opinion of the Authority, after due and proper inquiry with the passing of time or the giving of notice or both would become a Notice Event of Default, Suspension Event or Special Event of Default, describing the nature thereof and the action the Authority proposes to take with respect thereto and (ii) within ten (10) Business Days of the Authority becoming aware thereof, notify the Bank in writing of the

occurrence of (A) any litigation or administrative proceedings against the Authority of which the Authority has received actual notice and in which there is a reasonable possibility of an adverse determination and which may have a Material Adverse Effect on the Authority or the Authority's ability to perform its obligations under this Agreement, the Bank Note or the Transaction Documents or (B) any event that would constitute an event described under Section (b)(5)(i)(C) of 15c2-12 of the Securities Exchange Act of 1934.

Section 6.11 Maintenance of Issuing and Paying Agent and Dealer. Maintain in place an Issuing and Paying Agent under the Issuing and Paying Agency Agreement and a Dealer or Dealers for the Notes, and obtain the prior written consent of the Bank (which consent shall not be unreasonably withheld) to any change in the Persons acting as Issuing and Paying Agent or Dealer. Each replacement Dealer or Issuing and Paying Agency shall have a minimum capital of \$500,000,000 and be subject to the consent of the Bank. The Dealer shall at all times be acceptable to the Bank. The Bank hereby deems the Dealer as of the Effective Date to be acceptable. The Resolution and/or Dealer Agreement shall provide that (a) the Dealer may not resign except upon 30 days prior written notice to the Bank and the Authority, (b) the Dealer shall use its best efforts to place the Notes and (c) the Dealer shall place the Notes at rates up to and including the maximum rate permitted under the Resolution without regard to the interest rate to be paid to the Bank. If at any time the Dealer shall fail to perform its duties or shall fail to place the Notes for a period of 30 successive days, the Authority shall, at the direction of the Bank, and following proper notice to the Dealer and in accordance with the timing requirements set forth in the Dealer Agreement, appoint a successor Dealer acceptable to the Bank.

Section 6.12 No Conflicting Agreements. Not enter into any agreement containing any provision which would be violated or breached by the performance of its obligations hereunder, under the Bank Note or under the Transaction Documents.

Section 6.13 Amendments to Transaction Documents. Not amend or modify any provision of, or give any consent or grant any waiver under, any Transaction Document without first obtaining the Bank's written consent.

Section 6.14 Total Outstanding. Not permit the aggregate maturity value of all Notes and Advances outstanding at any time to exceed the Commitment at such time.

Section 6.15 Tax Exemption. Not take any action, or omit to take any action, under present or future laws, rules, regulations, or official interpretations thereof which, if omitted or taken, would cause interest on the Notes to be includable in the gross income of the owners thereof for federal tax purposes.

Section 6.16 Reference to Bank in Offering Memorandum. Other than as expressly consented to in writing by the Bank, not refer to the Bank in any offering or reoffering document with respect to the Notes or make any changes in reference to the Bank in any revision of such Offering Memorandum or any such offering or reoffering document without the Bank's prior written consent thereto, which consent shall not be unreasonably withheld.

Section 6.17 Further Assurance. Execute and deliver to the Bank all such documents and instruments as may be necessary or reasonably required by the Bank to enable the Bank to

exercise and enforce its rights under this Agreement, the Bank Note and the Transaction Documents.

Section 6.18 Ratings. The Authority shall maintain at least two ratings on the Notes from any combination of Moodys, S&P or Fitch.

Section 6.19 Most Favored Nations Clause. If the Authority shall ever allow a provider of a loan, credit or liquidity for any of the Authority's obligations on parity with the Notes to have the benefit of any type of "most favored nations" or "most favored lender" provision then the Bank shall immediately have the benefit of such provision and such provision shall be considered incorporated into this Agreement for the benefit of the Bank; *provided however*, that prior to the effectiveness of any such provision, the Bank or the Authority shall obtain written confirmation from the Rating Agencies then rating the Notes that such provision is not the basis for such rating agency to reduce, withdraw, suspend or place on negative credit watch the ratings on the Notes. The Authority hereby confirms that no current loan, credit or liquidity facility for its obligations on parity with the Notes contains a "most favored nations" or "most favored lender" clause. Notwithstanding anything herein to the contrary, this Section 6.20 shall not apply to any agreements now in effect or hereinafter entered into with the Texas Comptroller of Public Accounts or its affiliates.

Section 6.20 Acceleration Remedy. The Authority hereby covenants that if it ever provides to a lender, credit or liquidity provider for obligations on parity with the Notes (other than as provided herein) the remedy of acceleration, then such acceleration remedy shall immediately be incorporated herein by reference to this Agreement; *provided however*, that prior to the effectiveness of any such provision, the Bank or the Authority shall obtain written confirmation from the Rating Agencies then rating the Notes that such provision is not the basis for such rating agency to reduce, withdraw, suspend or place on negative credit watch the ratings on the Notes. Notwithstanding anything herein to the contrary, this Section 6.21 shall not apply to any agreements now in effect or hereinafter entered into with the Texas Comptroller of Public Accounts or its affiliates.

Section 6.21 Notices. Provide to the Bank (a) when sent or received by the Authority, a copy of any notice required to be sent by or to the Authority under any Transaction Document other than this Agreement and (b) when sent to any holder of any Note, a copy of any notice sent to any holder of any Note pursuant to any of the Transaction Documents.

Section 6.22 Inspection of Books. To the extent permitted by law, and upon three (3) Business Days' prior written notice, permit representatives of the Bank, from time to time during normal business hours, as often as may be reasonably requested, to (a) inspect its books and records and make copies from such books and records which relate to its performance under this Agreement and (b) discuss with its officers and accountants its business, assets, liabilities, financial condition, results of operations and business prospects.

Section 6.23 Compliance with Laws, Etc. Comply with the requirements of all applicable laws of the United States and of the State, including the Authorizing Law and Authorizing Resolution, the noncompliance with which would, singly or in the aggregate, have a

materially adverse effect on the ability of the Authority to perform its obligations pursuant to this Agreement or the other Transaction Documents to which it is a party.

Section 6.24 Covenants Contained in the Transaction Documents. Comply with all covenants set forth in the Transaction Documents, which are hereby made to, and for the benefit of, the Bank and incorporated herein by this reference as if set forth herein in full (together with the related definitions and ancillary provisions).

Section 6.25 Alternate Agreement. The Authority agrees that any replacement credit agreement will require, as a condition to the effectiveness of the alternate agreement, that the alternate agreement will provide funds to the extent necessary, in addition to other funds available on the effective date hereof, for the payment of all obligations due to the Bank hereunder or under the Transaction Documents. The Authority shall not permit an alternate credit agreement to become effective with respect to less than all of the Notes without the prior written consent of the Bank.

Section 6.26 Federal Reserve Board Regulations. The Authority shall not permit the proceeds received hereunder to be used to purchase "Margin Stock" in violation of "Regulation U," as amended, promulgated by the Board of Governors of the Federal Reserve System.

Section 6.27 Remarketing. The Authority will issue and sell the Notes as promptly as practicable after the making of an Advance evidenced by a Bank Note and use the proceeds of sale solely for the repayment of the Advance or Term Loan (and such proceeds of sale shall be deemed to be proceeds of Notes for all the purposes of the Resolution and the Transaction Documents).

Section 6.28 Lease Payment Appropriation. As a condition precedent to the issuance of each Note each Lessee or the Authority shall (a) have received from the legislature of the State a general or specific revenue appropriation for all Lease Payments required to be made during the then current budget period of the State (presently, a biennial period) relating to the Project being financed or refinanced with the proceeds of the Notes or (b) have received from the legislature of the State a general revenue appropriation for its operating budget sufficient and properly usable to pay all Lease Payments required to be made during the then current budget period of the State relating to the Project being financed or refinanced with the proceeds of the Notes.

Section 6.29 Additional Lien. The Authority shall not incur, create, or permit to exist any Lien on the Pledged Security other than the Liens created pursuant to the Resolution securing the full payment when due of the principal of and interest on the Notes, and on a parity therewith, the Advances and other amounts owed to the Bank under this Agreement.

Section 6.30 Subrogation. The Bank shall be subrogated to the rights of the Note Owners (as defined in the Resolution) whose Notes have been paid with funds from an Advance for all purposes other than the terms of payment, which terms shall be as set forth in this Agreement and the Fee Agreement.

**ARTICLE VII
EVENTS OF DEFAULT**

Section 7.1 Notice Events of Default Not Resulting in Immediate Termination or Suspension. Each of the following shall constitute Notice Events of Default not resulting in immediate termination or suspension under this Agreement:

(a) After receipt of a correct written invoice therefor, the Authority fails to pay any fees, expenses or other amounts (other than an Advance) payable hereunder or under the Fee Agreement within thirty (30) days after receipt thereof by the Authority provided that the Bank shall have sent written notice thereof to the Authority; or

(b) A breach or failure of performance by the Authority of any covenant contained in Sections 6.5, 6.6, 6.7, 6.8, 6.11, 6.14, , 6.15, 6.16, 6.17, 6.19, 6.25, 6.26, 6.28, 6.29, 6.30 hereof; or

(c) A breach or failure of performance by the Authority of any covenant, condition, or agreement on its part to be observed or performed contained herein (other than a breach or failure covered by another paragraph in this Section 7.1) and any such breach or failure (if capable of remedy) continues for a period of 30 days; or

(d) Any of the Authority's representations or warranties made or incorporated herein by reference or in any statement or certificate at any time given pursuant hereto or in connection herewith proves at any time to have been false or misleading in any material respect when made and any such false or misleading statement or certificate (if capable of remedy) continues for a period of 10 days; or

(e) (i) Any provision of this Agreement, the Bank Note, the Resolution or the Credit Agreement Resolution shall cease to be valid and binding or the Authority shall contest any such provision, or the Authority or any agent or trustee on behalf of any of them, shall deny that it has any further liability under any provision of this Agreement or the Bank Note, in each case other than as described in Sections 7.2(a),7.2(b) or 7.3(e) hereof; or (ii) any provision of the Issuing and Paying Agent Agreement or Dealer Agreement is invalid and such invalidity would have a material adverse effect on the Authority's ability to pay the Notes or with respect to the Dealer Agreement would have a Material Adverse Effect on the placement of the Notes or the Authority contests or disclaim any provision of thereof or its liability under such documents.

(f) (i) The principal of or interest on any Debt (including a Derivative Agreement) of the Authority or the State in excess of \$5,000,000 in the aggregate has not been paid when due or the maturity of any such debt has been accelerated or such obligation is otherwise required to be prepaid prior to the stated maturity thereof or (ii) any event shall occur permitting the holder or holders of any debt (including a Derivative Agreement) of the Authority or the State in excess of \$5,000,000 in the aggregate to accelerate such debt or require repayment thereof prior to stated maturity thereof, but not including as such an event the exercise by the Authority or the State of an option to prepay any debt prior to the stated maturity thereof, in each case for a reason other than as described in another paragraph of this Section 7.1; or

(g) The rating (without regard to credit enhancement) assigned to any of the long-term general obligation Debt of the State or the Authority by Moody's, Fitch and S&P shall fall below "A2" by Moody's and "A" by Fitch and S&P; or the rating (without regard to credit enhancement) assigned to any of the long term Debt of the Authority or the State secured by the State's Legislative appropriation is withdrawn (for reasons other than defeasance or redemption of the obligations), suspended, or for a period of 120 days shall fall below "A3" by Moody's or "A" by Fitch or S&P;

(h) The Authority fails to pay when due and payable after giving effect to any grace period the principal and interest on any of its Debt consisting of the obligation of another Person guaranteed by the Authority; or

(i) A ruling, assessment, notice of deficiency or technical advice by the Internal Revenue Service shall be rendered to the effect that interest on the Notes is includable in the gross income of the holder(s) or owner(s) of such Notes and either (i) the Authority, after it has been notified by the Internal Revenue Service, shall not challenge such ruling, assessment, notice or advice in a court of law during the period within which such challenge is permitted or (ii) the Authority shall challenge such ruling, assessment, notice or advice and a court of law shall make a determination, not subject to appeal or review by another court of law, that such ruling, assessment, notice or advice is correctly rendered; or

(j) A financial control board such as the Comptroller of Public Accounts of the State, or its equivalent, is imposed upon the Authority by a governmental entity.

(k) an "event of default" as defined in the Transaction Documents shall occur and be continuing or the Authority shall default in the due performance or observance of any material term, covenant or agreement contained in any of the Transaction Documents and the same shall not have been cured within any applicable cure period; or

(l) a "default" or "event of default" under any Bank Agreement; or

(m) the Highest Lawful Rate shall be reduced to below 15% per annum; or

(n) any legislation is enacted or amended which action or event has, in the reasonable judgment of the Bank, a material adverse effect on the ability of the Authority to pay the principal of and interest on the Notes or the obligations of the Authority to the Bank under this Agreement or the Fee Agreement; or

(o) The principal of or interest on any Debt of the State or the Authority senior to or on parity with the Notes or the maturity of any such Debt has been accelerated or such obligation is otherwise required to be prepaid prior to the stated maturity thereof or (ii) any event shall occur permitting the holder or holders of any Debt of the Authority or the State on parity with or senior to the Notes to accelerate such Debt or require repayment thereof prior to stated maturity thereof, but not including as such an event the exercise by the Authority or the State of an option to prepay any such Debt of the Authority or the State prior to the stated maturity thereof.

Section 7.2 Events of Default Resulting in Suspension.

The following Events of Default shall each constitute a “Suspension Event” under this Agreement:

(a) Any provision of this Agreement, the Bank Note, any Note, the Issuing and Paying Agency Agreement, the Resolution or Credit Agreement Resolution relating to (x) the ability or the obligation of the Authority to pay, when due, the principal of or interest on the Notes, the Bank Note, any Advance or any Term Loan or (y) the lien on or pledge of security for the Notes, the Bank Note or Term Loan under the Resolution or the Credit Agreement Resolution, shall at any time shall be declared to be null and void, invalid or unenforceable as the result of a judgment by any federal or state court; or

(b) any Governmental Authority with jurisdiction to rule on the validity or enforceability of the Act, the Authorizing Law, this Agreement, the Note, the Bank Note, the Issuing and Paying Agency Agreement, the Resolution or the Credit Agreement Resolution shall find or rule, that any provision of the Act or the Authorizing Law, this Agreement, the Revolving Note, the Bank Note, any Note, the Issuing and Paying Agency Agreement, the Resolution or the Credit Agreement Resolution, as the case may be, relating to (x) the ability or the obligation of the Authority to pay, when due, the principal of or interest on the Notes, the Bank Note, any Advance or any Term Loan or (y) the lien on or pledge of the of security for the Notes or the Bank Note under the Resolution or the Credit Agreement Resolution, is not valid or not binding on, or enforceable against, the Authority.

Section 7.3 Special Events of Default Resulting In Immediate Termination. Each of the following Events of Default shall each constitute a “Special Event of Default” under this Agreement and result in immediate termination of the Commitment:

(a) The Authority fails to pay the principal amount of any Advance, Term Loan or Bank Note on the scheduled due date or the interest on any Advance, Term Loan, or Bank Note within five (5) Business Days of the scheduled due date; or

(b) The Authority or the State (i) applies for or consents to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or of a substantial part of its property or assets, (ii) admits in writing its inability, or is generally unable, to pay its debts as such debts become due, (iii) makes a general assignment for the benefit of creditors or declares a moratorium with respect to its general obligation debt, (iv) commences a voluntary case under the Bankruptcy Code (as now or hereafter in effect), (v) files a petition seeking to take advantage of any other laws relating to bankruptcy, insolvency, reorganization, liquidation, winding-up, or composition or adjustment of debts, or (vi) acquiesces in writing to, or fails to controvert in a timely and appropriate manner, any petition filed against it in an involuntary case filed under the Bankruptcy Code (as now or hereafter in effect) seeking liquidation or reorganization with respect to a substantial part of its assets, and such case or proceeding is not stayed or dismissed within 60 days of the filing of such petition; or

(c) Without the application or consent of the Authority or the State, a case or other proceeding is commenced in any court of competent jurisdiction seeking (i) the reorganization,

dissolution, winding-up, liquidation, or composition or readjustment of debts of the Authority or the State or the appointment of a trustee, receiver, custodian, liquidator or the like of the Authority, the State or any substantial part of the assets of either thereof, and such case or proceeding continues undismissed, or an order, judgment or decree approving or ordering any of the foregoing is entered and continues unstayed and in effect, for a period of 60 consecutive days, (ii) or an order for relief in respect of the Authority or the State is entered in an involuntary case under the Bankruptcy Code (as now or hereafter in effect); or

(d) The State of Texas or any other Governmental Authority having jurisdiction over the State imposes a debt moratorium, debt restructuring or comparable restriction on repayment when due and payable of the principal of or interest on the debt of the State senior to or parity with the Notes; or

(e) (i) Any provision of this Agreement, the Bank Note, any Note, the Issuing and Paying Agency Agreement, the Resolution or Credit Agreement Resolution relating to (1) the ability or the obligation of the Authority to pay, when due, the principal of or interest on the Notes, the Bank Note, any Advance or any Term Loan or (2) the lien on or pledge of security for the Notes, the Bank Note or the Term Note under the Resolution or the Credit Agreement Resolution, shall at any time, and for any reason, cease to be valid and binding on the Authority, or shall be declared to be null and void, invalid or unenforceable as the result of a final nonappealable judgment by any federal or state court or as a result of any legislative or administrative action by any Governmental Authority having jurisdiction over the Authority; or (ii) an Authorized Representative of the Authority repudiates or otherwise denies in writing that it has any further liability or obligation under or with respect to any provision of this Agreement, the Bank Note, any Note, the Issuing and Paying Agency Agreement, the Resolution or the Credit Agreement Resolution relating to (1) the ability or the obligation of the Authority to pay, when due, the principal of or interest on the Notes, the Term Loan, the Bank Note, any Advance or any Term Loan or (2) the lien on or pledge of the of security for the Notes or the Bank Note, under the Resolution or Credit Agreement Resolution; or (iii) the State or the Authority shall have taken or permitted to be taken any official action, or has duly enacted any statute, which would adversely affect the enforceability of any provision this Agreement, the Bank Note, any Note, the Issuing and Paying Agency Agreement, the Resolution or the Credit Agreement Resolution relating to (1) the ability or the obligation of the Authority to pay, when due, the principal of or interest on the Notes, the Bank Note, any Advance or any Term Loan or (2) the lien on or pledge of the of security for the Notes or the Bank Note under the Resolution; or (iv) any Governmental Authority with jurisdiction to rule on the validity or enforceability of the Act, the Authorizing Law, this Agreement, the Note, the Bank Note, the Issuing and Paying Agency Agreement, the Resolution or the Credit Agreement Resolution shall find or rule in a nonappealable judgment, in a judicial or administrative proceeding, that any provision of the Act or the Authorizing Law, this Agreement, the Bank Note, any Note, the Issuing and Paying Agency Agreement, the Resolution or the Credit Agreement Resolution, as the case may be, relating to (1) the ability or the obligation of the Authority to pay, when due, the principal of or interest on the Notes, the Bank Note, any Advance or any Term Loan or (2) the lien on or pledge of the of security for the Notes or the Bank Note under the Resolution or the Credit Agreement Resolution, is not valid or not binding on, or enforceable against, the Authority; or

(f) The long term rating (without regard to credit enhancement) assigned to any Debt of the Authority or the State senior to or on parity with the Notes by Moody's, Fitch and S&P shall be withdrawn or suspended for credit related reasons or fall below "Baa3" by Moody's and "BBB-" by Fitch and S&P; or

(g) The Authority fails to pay when due and payable on each Note payment date, after giving effect to any applicable grace period, the principal or interest on the Notes (other than principal or interest on the Notes for which an Advance has been requested) or the Authority or the State fails to pay when due and payable, after giving effect to any applicable grace period the principal (including sinking fund payments) of and interest on any of its debt senior to or parity with the Notes; or

(h) The State Legislature fails to appropriate funds to make the Lease Payments when due and payable; or

(i) Any Lease Payment is not paid when due after giving effect to any applicable grace period.

Section 7.4 Remedies (a) Upon the occurrence and continuance of a Special Event of Default, the Commitment shall automatically, without notice or other action by the Bank or any other Person, reduce to zero, in which case, the obligations of the Bank hereunder shall immediately terminate and expire; provided, that upon a Special Event of Default under Section 7.3(h) all obligations hereunder due to the Bank shall be immediately due and payable without notice or presentation; provided further; to the extent permitted by applicable law, all obligations due to the Bank hereunder and under the Fee Agreement and the Bank Note shall bear interest at the Default Rate until such amounts are paid to the Bank in full.

(b) In the event of a Suspension Event described in 7.2(a) or 7.2(b) above shall have occurred, the obligation of the Bank to make Advances hereunder shall be immediately and automatically be suspended from upon the occurrence of such Suspension Event; provided however; if such provisions described in such sections are upheld in their entirety then the Bank's obligations under this Agreement shall be automatically reinstated and the terms of this Agreement will continue in full force and effect as if there had been no such suspension (unless this Agreement shall have otherwise expired or been terminated in accordance with its terms or the judgments referred to in Section 7.2(a) or 7.2(b) shall have become a final "non-appealable judgment" as described in Section 7.3(e)(i) or 7.3(e)(iv) and the Commitment shall have terminated pursuant to 7.4(a)) If the Suspension Event which gave rise to the suspension of the Commitment has not been cured or does not cease to exist prior to the Commitment Termination Date, the obligations of the Bank hereunder shall be terminated on the Commitment Termination Date. To the extent permitted by applicable law, upon the occurrence and continuance of Suspension Event all obligations due to the Bank hereunder and under the Fee Agreement and the Bank Note shall bear interest at the Default Rate until such amounts are paid to the Bank in full.

(c) Upon the occurrence and continuance of any Event of Default, the Bank may take one or more of the following actions: (i) give a No-Issuance Notice to the Authority and the Issuing and Paying Agent, or (ii) by written notice delivered to the Authority and the Issuing and

Paying Agent terminate the Commitment in whole (except for the obligation of the Bank, existing as of the time of the written notice to terminate the Commitment in whole, to make Advances to fund then outstanding Notes), provided, that interest on any unpaid amounts due under this Agreement, the Bank Note and the Fee Agreement shall bear interest at the Default Rate until such amounts are paid to the Bank in full.

Section 7.5 No Remedy Exclusive. The rights and remedies of the Bank under this Agreement shall be cumulative and not exclusive of any rights or remedies which it would otherwise have, and no failure or delay by the Bank in exercising any right shall operate as a waiver of it, nor shall any single or partial exercise of any power or right preclude its other or further exercise or the exercise of any other power or right. Upon the occurrence of any Event of Default, the Bank may pursue any other remedy available to it at law or in equity or otherwise and all obligations hereunder shall bear interest at the Default Rate to the extent permitted by applicable law.

ARTICLE VIII GENERAL

Section 8.1 Notices. All notices and other communications provided for hereunder shall be in writing (including required copies) and sent by receipted hand delivery (including Federal Express or other receipted courier service), telex, telecopy, facsimile transmission, electronic mail or regular mail, as follows:

- (a) if to the Authority: Texas Public Finance Authority
300 W. 15th St., Suite 411
Austin, TX 78701
Attention: Executive Director
Telephone: (512) 463-5544
Telecopy: (512) 463-5501

- (b) if to the Bank: Jay Saakvitne
Managing Director Barclays Capital Inc.
745 Seventh Avenue, 19th Floor
New York, NY 10019
212 528 1053 (phone)
917 265 1353 (fax)

If to the Bank for
Drawings under the
Letter of Credit, to: Barclays Bank PLC
200 Park Avenue
New York, New York 10166
Attention: Letter of Credit Department
Telephone: (201) 499-2081 or (201) 499-6388
Facsimile: (212) 412-501

(c) If to the Issuing and
Paying Agent

U.S. Bank National Association
100 Wall Street 16th Floor
New York, NY 10005
Telephone: (212) 361-2892
Facsimile: (212) 514-6841

(c) if to the Dealers:

Goldman, Sachs & Co.
200 West St. 33rd Floor
New York, NY 10282
Telephone: (212) 902-9315
Facsimile: (212) 256-2349

or, as to each Person named above, at such other address as shall be designated by such Person in a written notice to the parties hereto. All such notices and communications shall, when delivered or telexed, telecopied, sent by facsimile transmission, e-mailed or mailed, be effective when deposited with the courier, telexed, telecopied, sent by facsimile transmission, e-mailed or mailed respectively, addressed as aforesaid, except that Requests for Advances submitted to the Bank shall not be effective until received by the Bank.

Section 8.2 Survival of Covenants; Successors and Assigns.

(a) All covenants, agreements, representations, and warranties made herein and in the certificates delivered pursuant hereto shall survive the making of any Advance hereunder and shall continue in full force and effect so long as the Commitment is in effect and until all obligations of the Authority hereunder and under the Bank Note shall have been paid in full. Whenever in this Agreement any of the parties hereto is referred to, such reference shall, subject to the last sentence of this Section, be deemed to include the successors and assigns of such party, and all covenants, promises and agreements by or on behalf of the Authority which are contained in this Agreement and the Bank Note shall inure to the benefit of the successors and assigns of the Bank. The Authority may not transfer its rights or obligations under this Agreement or the Bank Note without the prior written consent of the Bank. The Bank may transfer some or all of its rights and obligations under this Agreement with the prior written consent of the Authority (which consent shall not be withheld unreasonably), provided that (i) prior to the effectiveness of such transfer, the Bank or the Authority shall obtain written confirmation from the Rating Agencies then rating the Notes that the transfer shall not cause the lowering, withdrawal, suspension or placement on negative credit watch of any ratings then existing on the Notes and (ii) the Bank shall be responsible for all direct costs resulting from the transfer. Except as described in Section 8.2(b) hereof, this Agreement and the Bank Note are made solely for the benefit of the Authority and the Bank, and no other person or entity (including, without limitation, the Issuing and Paying Agent, the Dealer or any holder of Notes) shall have any right, benefit or interest under or because of the existence of this Agreement and the Bank Note.

(b) Notwithstanding the foregoing, the Bank shall be permitted to grant to one or more financial institutions (each a “Participant”) a participation or participations in all or any part of the Bank’s rights and benefits under this Agreement and the Bank Note on a participating basis but not as a party to this Agreement or the Bank Note (a “Participation”), without the consent of the Authority; provided that the Bank agrees to give the Authority written notice of the grant of any Participation immediately upon the effectiveness thereof; provided further, that prior to the effectiveness of any Participation, the Bank or the Authority shall obtain written confirmation from the Rating Agencies then rating the Notes that such Participation is not the basis for such rating agency to reduce, withdraw, suspend or place on negative credit watch the ratings on the Notes. In the event of any such grant by the Bank of a Participation to a Participant, whether or not upon notice to the Authority, the Bank shall remain responsible for the performance of its obligations hereunder, and the Authority shall continue to deal solely and directly with the Bank in connection with the Bank’s rights and obligations under this Agreement and the Bank Note. The Authority agrees that each Participant shall, to the extent of its Participation, be entitled to the benefits of this Agreement and the Bank Note as if such Participant were the Bank; provided that no Participant shall have the right to declare, or to take actions in response to a Notice Event of Default, Suspension Event or a Special Event of Default under Sections 7.1, 7.2 or 7.3 hereof.

Section 8.3 Unconditional Obligations. The obligations of the Authority under this Agreement (except Section 8.4 hereof which shall be enforceable only to the extent permitted by law) and the Bank Note shall be absolute, unconditional, irrevocable and payable strictly in accordance with the terms of this Agreement and the Bank Note, under all circumstances whatsoever, including, without limitation, the following:

- (a) any lack of validity or enforceability of this Agreement, the Bank Note or, to the extent permitted by law, the Notes or any other Transaction Document;
- (b) any amendment or waiver of or any consent to departure from the terms of all or any of the Transaction Documents to which the Bank has not consented in writing;
- (c) the existence of any claim, counterclaim, set-off, recoupment, defense, or other right which any Person may have at any time against the Bank, the Authority, the Issuing and Paying Agent, the Dealer, or any other Person, whether in connection with this Agreement, the Bank Note, the Transaction Documents, or any other transaction;
- (d) any statement or any other document presented pursuant hereto proves to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever;
- (e) payment by the Bank of an Advance hereunder against presentation of a Notice of Borrowing which does not comply with the terms of this Agreement; provided that such payment shall not have constituted gross negligence of the Bank; and
- (f) any other circumstance or happening whatsoever whether or not similar to any of the foregoing.

Section 8.4 **LIABILITY OF BANK; INDEMNIFICATION.**

(a) TO THE EXTENT PERMITTED BY THE LAWS OF THE STATE, THE AUTHORITY ASSUMES ALL RISKS OF THE ACTS OR OMISSIONS OF THE ISSUING AND PAYING AGENT WITH RESPECT TO THE USE OF THE COMMITMENT AND THE ADVANCES MADE PURSUANT THERETO; PROVIDED THAT THIS ASSUMPTION WITH RESPECT TO THE BANK IS NOT INTENDED TO AND SHALL NOT PRECLUDE THE AUTHORITY FROM PURSUING SUCH RIGHTS AND REMEDIES AS IT MAY HAVE AGAINST THE ISSUING AND PAYING AGENT UNDER ANY OTHER AGREEMENTS. NEITHER THE BANK NOR ITS OFFICERS OR DIRECTORS SHALL BE LIABLE OR RESPONSIBLE FOR (i) THE USE OF THE PROCEEDS OF THE ADVANCES OR THE NOTES OR THE TRANSACTIONS CONTEMPLATED HEREBY AND BY THE TRANSACTION DOCUMENTS OR FOR ANY ACTS OR OMISSIONS OF THE ISSUING AND PAYING AGENT OR THE DEALER, (ii) THE VALIDITY, SUFFICIENCY, OR GENUINENESS OF ANY DOCUMENTS, EVEN IF SUCH DOCUMENTS SHALL, IN FACT, PROVE TO BE IN ANY OR ALL RESPECTS INVALID, FRAUDULENT, FORGED OR INSUFFICIENT, (iii) PAYMENTS BY THE BANK AGAINST PRESENTATION OF DOCUMENTS WHICH DO NOT COMPLY WITH THE TERMS OF THIS AGREEMENT, OR (iv) ANY OTHER CIRCUMSTANCES WHATSOEVER IN MAKING OR FAILING TO MAKE PAYMENT HEREUNDER; PROVIDED THAT THE AUTHORITY SHALL HAVE A CLAIM AGAINST THE BANK TO THE EXTENT OF ANY DIRECT, AS OPPOSED TO CONSEQUENTIAL, DAMAGES, BUT ONLY TO THE EXTENT CAUSED BY THE WILLFUL FAILURE OR NEGLIGENCE OF THE BANK (AS DETERMINED BY A COURT OF COMPETENT JURISDICTION) IN FAILING TO MAKE AN ADVANCE REQUIRED TO BE MADE BY THE BANK HEREUNDER AFTER STRICT COMPLIANCE BY THE AUTHORITY WITH ALL CONDITIONS PRECEDENT TO SUCH ADVANCE, UNLESS THE MAKING OF SUCH ADVANCE WAS NOT OTHERWISE PERMITTED BY LAW.

(b) TO THE EXTENT PERMITTED BY THE LAWS OF THE STATE, THE AUTHORITY HEREBY INDEMNIFIES AND HOLDS HARMLESS EACH INDEMNITEE FROM AND AGAINST ANY AND ALL CLAIMS, DAMAGES, LOSSES, CONSEQUENTIAL DAMAGES, LIABILITIES, REASONABLE COSTS OR EXPENSES (INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEY'S FEES AND EXPENSES) WHATSOEVER WHICH SUCH INDEMNITEE MAY INCUR (OR WHICH MAY BE CLAIMED AGAINST SUCH INDEMNITEE BY ANY PERSON WHATSOEVER) BY REASON OF OR IN CONNECTION WITH (i) ANY UNTRUE STATEMENT OR ALLEGED UNTRUE STATEMENT OF ANY MATERIAL FACT CONTAINED OR INCORPORATED BY REFERENCES IN THIS AGREEMENT, THE TRANSACTION DOCUMENTS, THE OFFERING MEMORANDUM (OTHER THAN IN CONNECTION WITH THE DESCRIPTION OF THE BANK PROVIDED BY THE BANK EXPRESSLY FOR USE THEREIN), OR IN ANY SUPPLEMENT THERETO OR AMENDMENT THEREOF, OR THE OMISSION OR ALLEGED OMISSION TO STATE THEREIN A MATERIAL FACT NECESSARY TO MAKE SUCH STATEMENTS, IN LIGHT OF THE CIRCUMSTANCES IN WHICH THEY ARE OR WERE MADE NOT MISLEADING; (ii) THE OFFERING, PLACEMENT OR RESALE OF THE NOTES; (iii) THE VALIDITY, SUFFICIENCY OR GENUINENESS OF THE OFFERING MEMORANDUM (OTHER THAN IN CONNECTION WITH THE

DESCRIPTION OF THE BANK PROVIDED BY THE BANK EXPRESSLY FOR USE THEREIN); OR (iv) THE EXECUTION AND DELIVERY OF THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY OR PAYMENT OR FAILURE TO PAY UNDER THE COMMITMENT; PROVIDED THAT THE AUTHORITY SHALL NOT BE REQUIRED TO INDEMNIFY THE BANK OR ANY PARTICIPANT FOR ANY LOSSES, CLAIMS, DAMAGES, LIABILITIES, COSTS OR EXPENSES (OTHER THAN THOSE DESCRIBED IN CLAUSE (i)) TO THE EXTENT, BUT ONLY TO THE EXTENT, CAUSED BY THE WILLFUL MISCONDUCT OR NEGLIGENCE OF THE BANK OR SUCH PARTICIPANT (AS DETERMINED BY A COURT OF COMPETENT JURISDICTION), AND FURTHER PROVIDED, THAT THE AUTHORITY SHALL NOT BE REQUIRED TO INDEMNIFY THE BANK UNDER CLAUSE (ii) ABOVE FOR ANY CLAIMS, DAMAGES, LOSSES, LIABILITIES, COSTS OR EXPENSES INCURRED BY REASON OF ANY UNTRUE STATEMENT OR ALLEGED UNTRUE STATEMENT CONCERNING THE BANK IN THE INFORMATION THE BANK SPECIFICALLY PROVIDED FOR INCLUSION IN THE OFFERING MEMORANDUM, OR BY REASON OF ANY MATERIAL OMISSION FROM SUCH INFORMATION CONCERNING THE BANK THAT THE BANK SPECIFICALLY PROVIDED FOR INCLUSION IN THE OFFERING MEMORANDUM AS LONG AS THE INCLUSION OF SUCH INFORMATION IN THE OFFERING MEMORANDUM WAS CONSENTED TO BY THE BANK.

Section 8.5 Expenses and Taxes. The Authority will promptly pay to the extent permitted by applicable law (i) the reasonable costs and expenses of the Bank in connection with the negotiation, preparation, execution, and delivery of this Agreement and any other documents which may be delivered in connection with this Agreement, plus the reasonable fees and disbursements of counsel to the Bank as set forth in the Fee Agreement, (ii) the reasonable fees and disbursements of counsel to the Bank with respect to advising the Bank as to the rights and responsibilities under this Agreement after the occurrence of a Notice Event of Default, Suspension Event or Special Event of Default, and (iii) all reasonable costs and expenses, if any, in connection with the enforcement of this Agreement and any other documents which may be delivered in connection herewith or therewith, including in each case the reasonable fees and disbursements of counsel to the Bank. In addition and to the extent permitted by applicable law, the Authority shall pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing, and recording of this Agreement and the security contemplated by the Transaction Documents and any related documents and agrees to save the Bank harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees. In addition and to the extent permitted by applicable law, the Authority agrees to pay, after the occurrence of a Notice Event of Default, Suspension Event or Special Event of Default, all costs and expenses (including attorneys' fees and costs of settlement) incurred by the Bank in enforcing any obligations or in collecting any payments due from the Authority hereunder by reason of such Notice Event of Default, Suspension Event or Special Event of Default or in connection with any refinancing or restructuring of the credit arrangements provided under this Agreement in the nature of a "workout" or of any insolvency or bankruptcy proceedings.

Section 8.6 No Waiver; Conflict. Neither any failure nor any delay on the part of the Bank in exercising any right, power or privilege hereunder, nor any course of dealing with

respect to any of the same, shall operate as a waiver thereof, preclude any other or further exercise thereof nor shall a single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power, or privilege. The remedies herein provided are cumulative, and not exclusive of any remedies provided by law. To the extent of any conflict between this Agreement and the Transaction Documents, this Agreement shall control as between the Authority and the Bank.

Section 8.7 Modification, Amendment, Waiver, Etc. No modification, amendment or waiver of any provision of this Agreement or the Bank Note shall be effective unless the same shall be in writing and signed by the party against whom such amendment, modification or waiver is to be enforced.

Section 8.8 Dealing with the Authority, the Issuing and Paying Agent, and/or the Dealer. The Bank and its affiliates may accept deposits from, extend credit to and generally engage in any kind of banking, trust or other business with the Authority, the Issuing and Paying Agent, and/or the Dealer regardless of the capacity of the Bank hereunder.

Section 8.9 Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction, and all other remaining provisions hereof will be construed to render them enforceable to the fullest extent permitted by law.

Section 8.10 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall constitute an original, but when taken together shall constitute but one agreement and any of the parties hereto may execute this Agreement by signing any such counterpart.

Section 8.11 Table of Contents; Headings. The table of contents and the Section and subsection headings used herein have been inserted for convenience of reference only and do not constitute matters to be considered in interpreting this Agreement.

Section 8.12 **WAIVER OF IMMUNITY.** **To the extent permitted by the laws of the State in effect on the Effective Date, the Authority hereby waives any claim of immunity, on the grounds of sovereignty or otherwise, for itself or any of its property, assets or revenues wherever located with respect to its obligations, liabilities or any other matter under or arising out of or in connection with this Agreement, the Notes and the Bank Note. As of the Effective Date, the Bank acknowledges that, pursuant to Section 1371.059(c) of the Texas Government Code, as amended, the Authority does not have the authority to waive sovereign immunity; provided however, the provisions of this Agreement shall be a contract with each and every holder of the Notes and Bank Note and the duties of the Authority shall be enforceable by any holder by mandamus or other appropriate suit, action, or proceeding in any court of competent jurisdiction.**

Section 8.13 **WAIVER OF JURY TRIAL.** **TO THE EXTENT PERMITTED BY LAW, BOTH THE AUTHORITY AND THE BANK HEREBY IRREVOCABLY WAIVE**

ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE BANK NOTE, ANY OF THE TRANSACTION DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. TO THE EXTENT PERMITTED BY LAW, BOTH THE BANK AND THE AUTHORITY HEREBY AGREE TO BINDING ARBITRATION RELATING TO THIS AGREEMENT, THE BANK NOTE, ANY OF THE TRANSACTION DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

Section 8.14 **ENTIRE AGREEMENT.** THIS AGREEMENT TOGETHER WITH THE BANK NOTE AND THE FEE AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES HERETO AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES HERETO.

THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES HERETO.

Section 8.15 Governing Law.

THIS AGREEMENT AND THE OBLIGATIONS OF THE AUTHORITY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT REGARD TO ANY OTHERWISE APPLICABLE PRINCIPLES OF CONFLICTS OF LAWS; PROVIDED THAT, NOTWITHSTANDING THE FOREGOING THE OBLIGATIONS OF THE BANK HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO ANY OTHERWISE APPLICABLE PRINCIPLES OF CONFLICTS OF LAWS (OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW).

Section 8.16 Patriot Act. The Bank hereby notifies the Authority that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107 56 (signed into law October 26, 2001)) (the "Patriot Act"), it is required to obtain, verify and record information that identifies the Authority, which information includes the name and address of the Authority and other information that will allow the Bank to identify the Authority in accordance with the Patriot Act, and the Authority hereby agrees to take any action necessary to enable the Bank to comply with the requirements of the Patriot Act.


The Authority shall use its best efforts to ensure that (i) no person who controls the Authority is or shall be listed on the Specially Designated Nationals and Blocked Person List or other similar lists maintained by the Office of Foreign Assets Control, the Department of the Treasury or included in any Executive Orders, that prohibits or limits the Bank from making any advance or extension of credit to the Authority or from otherwise conducting business with the Authority, and (ii) the Note proceeds shall not be used to violate any of the foreign asset control regulations of the Office of Foreign Assets Control or any enabling statute or Executive Order relating thereto. Further, the Authority shall comply with all applicable Bank Secrecy Act laws and regulations, as amended. The Authority agrees to provide documentary and other evidence

of Authority's identity as may be requested by the Bank at any time to enable the Bank to verify the Authority's identity or to comply with any applicable law or regulation, including, without limitation, Section 326 of the Patriot Act.

Section 8.17 Assignment to Federal Reserve Bank. The Bank may at any time assign or pledge a security interest in all or any portion of its rights under this Agreement and the Fee Agreement to secure obligations of the Bank, including any pledge or assignment to secure obligations to a Federal Reserve Bank or the United States Treasury as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any Operating Circular issued by such Federal Reserve Bank, provided that any payment in respect of such assigned obligations made by the Authority to the Bank in accordance with the terms of this Agreement shall satisfy the Authority's obligations hereunder in respect of such assigned obligation to the extent of such payment. No such assignment shall release the Bank from its obligations hereunder.

IN WITNESS WHEREOF, the Authority and the Bank have duly executed this Agreement as of the date first above written.

TEXAS PUBLIC FINANCE AUTHORITY

By: 
Susan K. Durso
Authority Representative

IN WITNESS WHEREOF, the Authority and the Bank have duly executed this Agreement as of the date first above written.

BARCLAYS BANK PLC

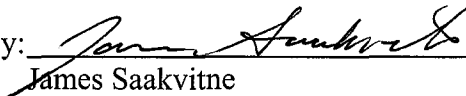
By: 
James Saakvitne
Authorized Signatory for an on behalf of Barclays Bank PLC

EXHIBIT A

FORM OF NO-ISSUANCE NOTICE

[Dated Date]

Texas Public Finance Authority
Attention: Executive Director

[_____]
as Issuing and Paying Agent

Re: Texas Public Finance Authority
Tax-Exempt Commercial Paper Revenue Notes, Series 2003

Dear _____:

Pursuant to Section 2.2 of that certain Credit Agreement, dated as of November 1, 2011 (the "Agreement"), between the Texas Public Finance Authority and Barclays Bank PLC, the undersigned hereby notifies you that (i) a "Notice Event of Default" under Section 7.1 [**or a "Suspension Event" under 7.2 or "Special Event of Default" under Section 7.3**] of the Agreement has occurred and is now continuing and (ii) upon receipt of this notice, no new Notes (as defined in the Agreement) [other than as permitted under Section 2.2 of the Agreement] shall be issued or authenticated. This No-Issuance Notice shall remain in effect unless you have received written notification from us that this No-Issuance Notice has been rescinded.

Very truly yours,

BARCLAYS BANK PLC

By: _____
Name: _____
Title: _____

cc: [Dealer]
[Rating Agencies]

EXHIBIT B

FORM OF REQUEST FOR ADVANCE/NOTICE OF BORROWING

[Dated Date]

Barclays Bank PLC
200 Park Avenue
New York, New York 10166
Attention: Letter of Credit Department
Telephone: (201) 499-2081 or (201) 499-6388
Facsimile: (212) 412-501

Re: Texas Public Finance Authority
Tax-Exempt Commercial Paper Revenue Notes, Series 2003 - Notice of
Borrowing

Dear _____:

Pursuant to Section 3.2 of that certain Credit Agreement, dated as of November 1, 2011 (the "Agreement"), between the Texas Public Finance Authority (the "Authority") and you (the "Bank"), the Issuing and Paying Agent on behalf of the Authority hereby gives the Bank notice that the Issuing and Paying Agent on behalf of the Authority requests an Advance be made by the Bank as follows (capitalized terms used in this Notice of Borrowing shall have the respective meanings assigned to such terms under the Agreement):

1. The amount of the Advance hereby requested is \$_____.
2. The Advance hereby requested is to be made, and will not exceed the amount presently available, under the Commitment.
3. Payment of the Advance hereby requested is to be made by not later than 2:30 p.m. New York City time on _____, _____. Such date is a "Business Day" within the meaning of the Agreement. All of the proceeds received from the Advance shall be used to pay \$_____ aggregate principal amount of and \$_____ interest (calculated on the basis of 270 days of interest at the Maximum Interest Rate for a year of 365 days) on the Tax-Exempt Commercial Paper Revenue Notes, Series 2003 maturing on such date. The Advance hereby requested is necessary due to the inability or failure of the Dealer to secure purchasers for Notes on the aforesaid date.
4. On the date of making of the Advance hereby requested, no Suspension Event under 7.2 or Special Event of Default under Section 7.3 of the Agreement has occurred and is continuing.
5. Payment of the Advance hereby requested shall be made in immediately available funds to [Beneficiary/Customer Account Name] to account No. _____ at _____, ABA# _____.

Very truly yours,

ISSUING AND PAYING AGENT

By: _____
Name: _____
Title: _____

EXHIBIT C

FORM OF BANK NOTE

TEXAS PUBLIC FINANCE AUTHORITY TAX-EXEMPT COMMERCIAL PAPER REVENUE NOTES, SERIES 2003 (the "Notes")

THE TEXAS PUBLIC FINANCE AUTHORITY, by its Authority Representative, acknowledges itself indebted and for value received promises to pay to Barclays Bank PLC (the "Bank") in lawful money of the United States of America, the lesser of (i) \$118,136,987 (which represents the principal amount of the Notes of \$110,000,000 plus \$8,136,987 in interest on the Notes calculated as 270 days interest at 10% for a period of 365 days), as such amount may be permanently reduced pursuant to Section 3.6 of that certain Credit Agreement, dated as of November 1, 2011 (the "Agreement"), between the Texas Public Finance Authority (the "Authority") and the Bank and (ii) the unpaid principal balance of each Advance and Term Loan under the Commitment made by the Bank to the Authority under the Agreement, in accordance with Section 3.5 of the Agreement, subject to prepayment and acceleration as provided in Section 3.5 of the Agreement. The Authority promises to pay interest on the unpaid principal amount of each such Advance or Term Loan on the dates and at the rate or rates provided for in the Agreement. Within the limits of and to the extent permitted by the Agreement, the Authority may borrow, repay and reborrow under the Agreement with respect to Advances under the Commitment. All such payments of principal and interest shall be made in immediately available funds at the office of the Bank specified in Section 3.8 of the Agreement and shall be computed in accordance with and subject to the terms and conditions of the Agreement. Capitalized terms used herein and not defined shall have the meanings ascribed to such terms in the Agreement.

This Note is being issued pursuant to the Agreement to provide a revolving liquidity line of credit to the Authority to fund the payment, at stated maturity, of the principal of and interest on the Tax-Exempt Commercial Paper Revenue Notes, Series 2003.

Provision has been made for the payment of principal of and interest on this Bank Note sufficient to provide for the payment of the interest hereon and principal hereof, as such interest comes due and as such principal matures, and such security interests have been irrevocably pledged for such payment. It is hereby certified that every requirement of law relating to the issue hereof has been duly complied with and that this Bank Note is within every applicable debt or other limit.

The Authority has pledged as the sole security and sole source of payment for the Notes and the Bank Note all of its right, title and interest in the Pledged Security.

IN WITNESS WHEREOF, the TEXAS PUBLIC FINANCE AUTHORITY has caused this Bank Note to be signed in its name by its Authority Representative, such signature to be attested by the Authority official indicated below, and be sealed with the seal of the Authority, and this Bank Note to be dated the 28th day of November, 2011.

TEXAS PUBLIC FINANCE AUTHORITY

(SEAL)

By: _____
Name: _____
Title: _____

ATTEST

By: _____
Name: _____
Title: _____

EXHIBIT D

FORM OF STATED EXPIRATION DATE EXTENSION REQUEST

[Dated Date]

Jay Saakvitne
Managing Director Barclays Capital Inc.
745 Seventh Avenue, 19th Floor
New York, NY 10019
212 528 1053 (phone)
917 265 1353 (fax)

Re: Texas Public Finance Authority
Tax-Exempt Commercial Paper Revenue Notes, Series 2003
Stated Expiration Date Extension Request

Dear _____:

Pursuant to Section 3.1(c) of that certain Agreement, dated as of November 1, 2011 (the "Agreement"), between the Texas Public Finance Authority (the "Authority") and you (the "Bank"), the Authority requests that the Stated Expiration Date (as defined in the Agreement) be extended to_____.

Very truly yours,

TEXAS PUBLIC FINANCE AUTHORITY

By: _____
Title: _____