

STANDBY LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

Dated as of November 1, 2011

By and Between

TEXAS PUBLIC FINANCE AUTHORITY

and

**SUMITOMO MITSUI BANKING CORPORATION,
acting through its New York Branch**

Relating to

**\$150,000,000
Texas Public Finance Authority
General Obligation Commercial Paper Notes
Series 2008**

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STANDBY LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

THIS STANDBY LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT, dated as of November 1, 2011, is entered into by and between TEXAS PUBLIC FINANCE AUTHORITY (the "Authority"), and **SUMITOMO MITSUI BANKING CORPORATION, acting through its New York Branch** (the "Bank").

WITNESSETH

WHEREAS, the Authority, pursuant to the Resolution hereafter described and Article III, Section 50-g, Texas Constitution and Chapter 1232 and 1371, Texas Government Code, as amended, has authorized the issuance of its State of Texas General Obligation Commercial Paper Notes, Series 2008 (the "Notes") for the purpose set forth in the Resolution;

WHEREAS, the Authority has requested and the Bank has agreed to provide liquidity for the Notes from time to time outstanding under the Resolution, and not as a guarantor for the Notes, 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:

DEFINITIONS

SECTION 1.1 *Certain Defined Terms.* As used in this Agreement and unless otherwise expressly indicated, or unless the context clearly requires otherwise:

(a) All the agreements or instruments herein defined shall mean such agreements or instruments as the same may from time to time be supplemented or amended or the terms thereof waived or modified to the extent permitted by, and in accordance with, the terms thereof and of this Agreement.

(b) Capitalized terms not otherwise defined herein have the respective meanings assigned to such terms in the Resolution.

(c) The following terms shall have the following meanings (such meanings to be equally applicable to both singular and plural forms of the terms defined):

"Act" means Chapter 1371, Texas Government Code, as amended.

"Advance" shall mean any advance made by the Bank pursuant to Section 2.1.

"Advance Due Date", in respect of any Advance, shall mean the Stated Expiration Date; *provided, however*, that if any such day so determined is not a Business Day, the Advance Due Date shall be the next preceding day that is a Business Day.

“Agreement” shall mean this Standby Letter of Credit and Reimbursement Agreement, as the same may be amended and supplemented from time to time. This Agreement, the Revolving Note and the Term Note each shall be deemed a “credit agreement” within the meaning of the Act.

“Alternate Facility” shall mean any substitute liquidity agreement that is provided in lieu of this Agreement pursuant to Section 2.6 of the Resolution.

“Amortization End Date” shall mean, at any time with respect to the amortization of any Term Loan, the earlier of (a) the third (3rd) anniversary of the conversion to the Term Loan, (b) the third (3rd) anniversary of the Stated Expiration Date; (c) Maximum Maturity Date, (d) the date an Alternate Facility becomes effective in accordance with the Resolution and (e) the date that all of the Notes are repaid in full and the lien in favor thereof under the Resolution is defeased in accordance with the Resolution.

“Authority” means the Texas Public Finance Authority.

“Authority Representative” shall have the meaning set forth in the Resolution.

“Available Amount” shall mean initially \$161,095,891 and, thereafter, such initial amount adjusted from time to time as follows: (a) downward in an amount equal to the amount of any Drawing; (b) upward in an amount equal to the amount of principal on any Drawing, or Term Loan, as applicable, that is repaid, including upon the sale of Notes pursuant to Section 2.5(b); (c) downward in an amount equal to any reduction thereof effected pursuant to Section 2.6; (d) downward in an amount equal to the principal amount of any Term Loan, effective upon the making of such Term Loan; and (e) downward to zero upon the expiration or termination of the Commitment in accordance with the terms hereof; provided, at no time shall the Available Amount exceed the Commitment.

“Bank” shall have the meaning assigned to such term in the introductory paragraph hereto, and includes any successor or assign permitted hereby.

“Bank Agreement” means any credit agreement, letter of credit, reimbursement agreement, 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, 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 Rate” means the following fluctuating interest rates per annum, each computed on the basis of the actual number of days elapsed and a 365-day year for the following periods, from and including the first day of the period to and excluding the last day of the period on which amounts bearing such rate(s) are due to be repaid in full hereunder:

<u>Period</u>	<u>Bank Rate</u>
Day 1 through Day 60	Base Rate

Day 61 through Day 180	Base Rate plus 1.00% per annum
Day 181 through the day the amount is due and payable	Term Out Rate

provided, however, that (a) commencing on the Stated Expiration Date, the Bank Rate shall be the Term Out Rate (if not already in Term Out Rate); (b) upon the occurrence and during the continuation of any Event of Default, the Bank Rate shall equal the Default Rate; and (c) the Bank Rate shall not exceed the Maximum Interest Rate and shall include such adjustments thereto as are specified in Section 2.4 hereof.

“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 higher of (a) the Bank's U.S. prime commercial lending rate in effect for such day (as such U.S. prime commercial lending rate is announced from time to time by the Bank at its principal New York office) plus 1.50% per annum, (b) the sum of 3.00% per annum plus the Federal Funds Rate for such day (it being understood that each change in such Base Rate is to be effective for purposes of this Agreement on the day on which such change is effective for the Bank's purposes), (c) the sum of 3.00% per annum plus the LIBOR Reference Rate, and (d) the sum of 3.00% per annum plus the SIFMA Rate. Each determination of the Base Rate by the Bank will be conclusive and binding on the Authority and the Bank, absent manifest error.

“Business Day” “Business Day” means any day other than (i) a Saturday, Sunday, or other day on which commercial banks located in the State of New York 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 order of the State governor to close.

“Commitment” shall mean initially \$161,095,891 and, thereafter, shall mean such amount as reduced from time to time pursuant to Section 2.6.

“Commitment Period” as of any date shall mean the period from such date to the Stated Expiration Date or any earlier date as of which the Commitment is terminated pursuant to Section 2.6 or Section 8.2.

“Constitutional Provisions” has the meaning set forth in the Resolution.

“Credit Agreement Resolution” means the resolution of the Authority dated November 3, 2011, authorizing the execution of 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; and (f) net payments of such person under any Derivatives 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% per annum.

“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.

“Drawing” shall have the meaning set forth in the Standby Letter of Credit.

“Effective Date” shall have the meaning set forth in Section 3.1.

“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.

“Event of Default” shall have the meaning set forth in Section 8.1 and 8.2(b) and shall include any Notice Event of Default, Suspension Event or Immediate Termination Event.

“Excess Interest Amount” shall have the meaning set forth in Section 2.4.

“Facility Fee” shall have the meaning set forth in the Fee Agreement.

“Federal Funds Rate” means for any day the rate per annum (rounded upward, if necessary, to the nearest 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; *provided* that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be the rate applicable to such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate quoted to the Bank on such day by three Federal funds brokers selected by the Bank. Each determination of the Federal Funds Rate by the Bank 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 Ratings, Inc.

“Formula Rate” shall mean the rate per annum at which any Advance, Term Loan or any other amount payable hereunder would bear interest pursuant to the terms hereof if such rate were determined without regard to the limitations herein with respect to the Maximum Interest Rate.

“GAAP” shall mean generally accepted accounting principles in the United States of America from time to time as set forth in (a) the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and (b) statements and pronouncements of the Government Accounting Standards Board, as modified by the opinions, statements and pronouncements of any similar accounting body of comparable standing having authority over accounting by governmental entities.

“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.

“Immediate Termination Event” shall have the meaning set forth in Section 8.1(a).

“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 assigns to any of such Persons.

“Investment Policy and Guidelines” means the investment guidelines of the Authority as in effect on the Effective Date hereof.

“Issuing and Paying Agent” means Deutsche Bank Trust Company Americas 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).

“Interest Component” has the meaning set forth in 2.1(a).

“Investment Grade” means at least “BBB-” (or its equivalent) by S&P, at “BBB-” (or its equivalent) by Fitch and at least “Baa3” (or its equivalent) by Moody's, respectively.

“Legal Requirement” shall mean any law (including any Environmental Law), statute, Resolution, decree, requirement, order, judgment, rule or regulation (or interpretation of any of the foregoing) of, and the terms of any license or permit issued by, any Governmental Authority.

“LIBOR Banking Day” means any Business Day on which commercial banks are open for international business (including dealings in dollar deposits) in London.

“LIBOR Reference Rate” means the “London Interbank Offered Rate” applicable to a one-month interest period on a principal amount approximately equal to the principal amount of the Advance or Term Loan, which means the average (rounded upward, if necessary, to the next 1/16 of 1%) of the rate per annum at which deposits in dollars are offered to the principal London office of the Bank in the London interbank market at approximately 11:00 a.m. (London time) on the relevant date of determination, which date shall be a LIBOR Banking Day, and if such date is not a LIBOR Banking Day, the next preceding LIBOR Banking Day.

“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 Resolution or the Credit Agreement Resolution.

“Maximum Interest Rate” shall mean the maximum non-usurious interest rate that may, under applicable federal law and applicable state law (including specifically Chapter 1204, Texas Government Code), be contracted for, charged or received under such laws.

“Maximum Maturity Date” shall have the meaning set forth in the Resolution.

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

“No-Issuance Notice” shall have the meaning set forth in Section 8.2(c).

“Note Counsel” means Fulbright & Jaworski, L.L.P., Dallas, Texas, as defined in the Offering Memorandum, and any other an attorney-at-law, or a firm of such attorneys, who are advising the Authority with respect to the Notes.

“Notes” shall have the meaning set forth in the Recitals hereto.

“Offering Memorandum” shall mean the offering memorandum, dated November 22, 2011, relating to the Notes, including any amendment or supplement to such offering memorandum.

“Other Taxes” shall have the meaning set forth in Section 2.12(b).

“Participant” means a bank which has purchased a participation from the Bank pursuant to a Participation Agreement.

“Participation Agreement” shall mean any agreement entered into among the Bank and one or more other banks purchasing participations and named therein, pursuant to which such other bank or banks shall purchase from the Bank a participation or participations in this Agreement, the Revolving Note and the Term Note.

“Principal Component” has the meaning set forth in 2.1(a).

“Patriot Act” shall have the meaning set forth in Section 9.20.

“Rating Agency” shall mean any one of Moody’s, Fitch or Standard & Poor’s.

“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.

“Request for Term Loan” shall have the meaning set forth in Section 2.2(b).

“Resolution” means the Resolution of the Authority approving the General Obligation Commercial Paper Notes, Series 2008, adopted on March 6, 2008, as may be amended and supplemented from time to time.

“Revolving Note” shall have the meaning set forth in Section 2.1(d).

“Sale Price” shall have the meaning set forth in Section 2.5(b).

“Semi-Annual Date” shall mean the first Business Day of each January and July.

“SIFMA Rate” shall mean a rate equal to the index of the weekly index rate resets of tax-exempt variable rate issues included in a database maintained by Municipal Market Data, a Thomson Financial Services Company, or its successors, which meet specific criteria established by The Securities Industry and Financial Markets Association, such index currently known as

The Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index or any successor to such index.

“Standard & Poor’s” means Standard & Poor’s Ratings Services, a division of The McGraw Hill Companies, Inc., and its successors and assigns.

“Standby Letter of Credit” or **“Letter of Credit”** means the standby letter of credit issued by the Bank for the account of the Authority in favor of the Issuing and Paying Agent supporting the Notes, in substantially the form of Appendix I attached hereto, as amended from time to time.

“Standby Letter of Credit Termination Date” shall mean the earlier of (i) the Stated Expiration Date, and (ii) the date on which the Standby Letter of Credit otherwise terminates in accordance with its terms or is terminated by the Authority.

“State” shall have the mean the State of Texas.

“Stated Expiration Date” shall mean, initially, November 21, 2013, as such date may be extended from time to time pursuant to Section 9.12.

“Suspension Event” shall have the meaning set forth in Section 8.2(b).

“Taxes” shall have the meaning set forth in Section 2.12.

“Termination Date” shall have the meaning set forth in Section 8.2(b).

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

“Term Loan” shall have the meaning set forth in Section 2.2(a).

“Term Loan Commencement Date” means the day which is five (5) days prior to the Stated Expiration Date or such earlier date as requested by Authority, or if such date is not a Business Day, the immediately preceding Business Day.

“Term Note” shall have the meaning set forth in Section 2.2(c).

“Term Out Rate” means a rate of interest per annum equal to the Base Rate plus 2.00% per annum.

“Transaction Documents” shall mean, at any time, each of the following as in effect or as outstanding, as the case may be, at such time: (a) the Notes, (b) the Resolution, (c) the Credit Agreement Resolution (d) the Dealer Agreement, (e) the Issuing and Paying Agency Agreement, (f) the Revolving Note, (g) the Term Note (h) this Agreement and (i) Fee Agreement.

SECTION 1.2 Accounting Terms and Determinations. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared, in accordance with GAAP as in effect from time to time, applied on

a basis consistent (except for changes approved by the Authority's independent public accountants) with the most recent audited financial statements of the Authority delivered to the Bank.

SECTION 1.3 ***Rules of Construction.*** When used in this Agreement:

- (a) the singular includes the plural and the plural includes the singular;
- (b) "or" is not exclusive;
- (c) a reference to a law shall include any amendment or modification to such law;
- (d) a reference to a person shall include its permitted successors and permitted assigns; and
- (e) a reference to an agreement, instrument or document shall include such agreement, instrument or document as the same may be amended, modified or supplemented from time to time in accordance with its terms and as permitted hereby.

ARTICLE II

LETTER OF CREDIT, ADVANCES AND LOANS

SECTION 2.1 ***Issuance of Letter of Credit and Advances.***

(a) *Issuance of Letter of Credit; Making of Advances; Use of Proceeds.* Subject to the terms and conditions of this Agreement, the Bank agrees to issue the Standby Letter of Credit in the initial Available Amount of \$161,095,891 which represents the original stated amount of the Notes of \$150,000,000, plus \$11,095,891 of interest (calculated on 270 days at a rate of 10% based on a year of 365 days), as such amount is adjusted from time to time hereunder. The Issuing and Paying Agent is authorized to make Drawings under the Standby Letter of Credit in the manner therein provided which shall be made solely for the purpose of providing funds to pay the principal of (the "Principal Component") and interest on (the "Interest Component") the Notes on the maturity date thereof to the extent that proceeds of other Notes or other funds of the Authority are not available therefor. The Authority hereby irrevocably approves reductions and reinstatements of the Available Amount with respect to the Standby Letter of Credit as provided in the Standby Letter of Credit. If the conditions precedent contained in Section 3.2 hereof are satisfied at the time of payment by the Bank of any Drawing, the Principal Component of each Drawing made under the Letter of Credit shall constitute an advance ("**Advance**") to the Authority; provided however, the Interest Component of each Drawing shall be due and payable on the date of such Drawing as set forth in Section 2.1(e) below. The aggregate principal amount of all Drawings made on the date of any such Drawing shall not exceed the Available Amount (calculated without giving effect to any Drawing made on such date) at 9:00 a.m. (New York City time) on such date.

(b) *Reborrowing.* Within the limits of this Section 2.1, the Authority may borrow, pay or prepay pursuant to Section 2.5 hereof and reborrow under this Section 2.1.

(c) *Method of Borrowing.* Upon receipt by the Bank of a Drawing from the Issuing and Paying Agent in the form of Annex A and Annex B attached to the Standby Letter of Credit, payment shall be made as provided under the Standby Letter of Credit.

(d) *Revolving Note.* All Advances shall be evidenced by one promissory note of the Authority, designated “Texas Public Finance Authority Revolving Bank Note, Series 2008” in substantially the form of Exhibit A hereto (the “**Revolving Note**”) to be issued on the Effective Date, payable to the Bank in a principal amount up to the amount of the Commitment on the Effective Date and otherwise duly completed. All Advances made by the Bank and all payments and prepayments made on account of principal thereof shall be recorded by the Bank on the schedule (or a continuation thereof) attached to the Revolving Note, it being understood, however, that failure by the Bank to make any such endorsement shall not affect the obligations of the Authority hereunder or under the Revolving Note in respect of unpaid principal of and interest on the Advances.

(e) *Scheduled Repayments of Drawings/Advances.* The Interest Component of each Drawing shall be due and payable by 3 p.m. New York, Time on the same day as the Drawing is honored. Each Advance (constituting the Principal Component of each Drawing) shall be repaid on the Advance Due Date applicable to such Advance; *provided*, that if the conditions to the making of the Term Loan set forth in Section 3.3 are satisfied on such Advance Due Date, such Advance shall convert to a Term Loan in accordance with Section 2.2.

(f) *Interest.* The Authority agrees to pay interest on the unpaid amount of each Advance, from the date such Advance is made until the Advance is paid in full, at the Bank Rate or the Default Rate, as applicable; *provided, however*, that at no time shall the interest rate payable on any Advance exceed the Maximum Interest Rate. Interest on each Advance shall be payable in arrears on the first Business Day of each month and on the Advance Due Date or as otherwise provided pursuant to Sections 2.6 and 8.2 hereof. In addition, any prepayment of any interest portion of an Advance, shall be payable pursuant to Section 2.5(a).

SECTION 2.2 *Term Loan.*

(a) *Making of Term Loan; Use of Proceeds.* Subject to the fulfillment of the conditions set forth in Section 3.3 and Section 2.2(b) below, the Bank agrees to convert the Advances to a loan (the “**Term Loan**”) in a principal amount equal to the aggregate principal amount of the Advances that are then due on the Term Loan Commencement Date.

(b) *Method of Borrowing.* Upon receipt, not more than ten (10) Business Days nor less than three (3) Business Days prior to the Term Loan Commencement Date, by the Bank of a written notice (the “**Request for Term Loan**”) signed by an Authority Representative requesting that the Bank convert the Advances to a Term Loan on the Term Loan Commencement Date, the Bank shall, not later than five (5) Business Days after the date of such receipt, subject to the terms and conditions of this Agreement, be deemed to have converted the Advances to a Term Loan on such proposed Term Loan Commencement Date to the Authority in the principal amount specified in such notice, which shall be equal to the

principal amount of the Advances maturing on such date. Prior to the Term Loan Commencement Date, but after the Authority has submitted the Request for Term Loan, the Authority may cancel its request.

(c) *Term Note.* The Term Loan shall be evidenced by one promissory note of the Authority, designated “Texas Public Finance Authority Term Bank Note, Series 2008”, in substantially the form of Exhibit B hereto (the “*Term Note*”) to be issued on the Effective Date, payable to the Bank in a principal amount equal to the Commitment then in effect and otherwise duly completed. The Term Loan made by the Bank and all payments and prepayments made on account of the principal of such Term Loan shall be recorded by the Bank on the schedule attached to the Term Note, it being understood, however, that failure by the Bank to make any such endorsement or any error therein shall not affect the obligations of the Authority hereunder or under the Term Note in respect of unpaid principal of and interest on the Term Loan.

(d) *Scheduled Repayment of Term Loan.* The principal of the Term Loan shall be repaid in installments during a period commencing on the Term Loan Commencement Date and terminating on the Amortization End Date (as in effect on such Term Loan Commencement Date). The principal installments for such Term Loan shall be due and payable on each Semi-Annual Date in such period and on the last day of such period, the first such installment due one hundred eight (180) days after the Term Loan Commencement Date, in an amount due on each such date derived by dividing the aggregate principal amount of such Term Loan by the total number of such payment dates; provided however, that any remaining portion of the Term Loan shall be due and payable on the Amortization End Date.

(e) *Interest.* The Authority shall pay interest on the unpaid principal amount of the Term Loan from the Term Loan Commencement Date until the principal amount thereof is paid in full at the Term Out Rate or the Default Rate, as applicable; *provided, however,* that at no time shall the interest rate payable on any Term Loan exceed the Maximum Interest Rate. Interest on each Term Loan shall be payable in arrears on the first Business Day of each month and on the Amortization End Date. In addition, in the case of any prepayment of any portion of the Term Loan, interest on the portion so prepaid shall be payable in arrears on the date of prepayment pursuant to Section 2.5(a) hereof.

SECTION 2.3 *Interest on Overdue Amounts.* If there shall have occurred and be continuing an Event of Default, any amount due hereunder (including, without limitation, fees, commissions, expenses, an Advance, a Term Loan or, to the extent permitted by law, installments of interest thereon) shall bear interest, payable on demand, from the date the same becomes due until such amount is paid in full at a fluctuating rate per annum equal to the Default Rate; *provided, however,* that at no time shall the Default Rate exceed the Maximum Interest Rate.

SECTION 2.4 *Interest Rate Adjustment.* If the amount of interest payable in respect of any Advance or Term Loan for any interest payment period ending on any interest payment date calculated at the Formula Rate is less than the amount of interest that otherwise would be payable for such period had interest been calculated at the rate earned on the Notes, then interest on such Advance or Term Loan shall for such period accrue and be payable in an

amount calculated on the basis of the rate earned on the Notes. If the amount of interest payable in respect of any Advance or Term Loan for any interest payment period ending on any interest payment date calculated at the Formula Rate exceeds the amount of interest that would be payable for such period had interest been calculated at the Maximum Interest Rate, then interest on such Advance or Term Loan shall for such period accrue and be payable in an amount calculated on the basis of the Maximum Interest Rate. The difference between (a) the amount of interest which would have accrued and been payable on Advances or Term Loans for any interest payment periods at the Formula Rate (calculated without regard to the immediately preceding sentence) and (b) the amount of interest that did accrue and become payable as provided in the immediately preceding sentence is herein referred to as the “*Excess Interest Amount*”. If there is an Excess Interest Amount, then each Advance and Term Loan shall for the current and each subsequent interest period (or portion thereof) bear interest at the Maximum Interest Rate until such time as the excess of (a) the amount of interest accrued and payable thereon at such rate over (b) the amount of interest that would have accrued and been payable at the Formula Rate equals the Excess Interest Amount; *provided*, that 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 unpaid Excess Interest Amount.

SECTION 2.5 *Prepayments of Advances and Loans.*

(a) *Optional Prepayment.* On any Business Day upon not less than one Business Day’s notice, the Authority may prepay or cause to be prepaid, without penalty, any Advance or Term Loan either in whole or in part in a principal amount equal to \$500,000 and integral multiples of \$1,000 in excess thereof by paying to the Bank (i) the principal amount of the Advance or Term Loan, or portion thereof, being prepaid plus (ii) accrued and unpaid interest on such principal amount.

(b) *Mandatory Prepayment by Reason of Sales of Notes.* Simultaneously with the sale of any Notes while any Advances or Term Loans are outstanding, the Authority shall be obligated (i) to prepay Advances or Term Loans in a principal amount equal to the principal amount of Notes sold and (ii) to pay accrued and unpaid interest on the principal amount of such Advances or Term Loans being prepaid. In order to effectuate such prepayment, prior to or simultaneously with the sale of any Notes, (i) the Authority shall use its best efforts to cause the Dealer to deliver to the Bank a written notice to the effect that (A) it is selling on the Business Day of such notice a specified principal amount of Notes, (B) it is delivering to the Issuing and Paying Agent for the account of the Bank on such Business Day by wire transfer a specified amount of immediately available funds which is equal to the principal amount of such Notes plus accrued interest thereon, if any (the “*Sale Price*”) and which constitutes proceeds of such sale and (C) such specified principal amount of Notes is being delivered to or upon the order of the Dealer in accordance with the Issuing and Paying Agency Agreement, and (ii) the Authority shall use its best efforts to cause the Dealer to pay to the Issuing and Paying Agent for the account of the Bank, by wire transfer of immediately available funds, the proceeds of the sale of such Notes in an amount equal to the Sale Price which shall be applied first, to the prepayment of principal of Term Loans in an amount equal to the principal amount of Notes sold, second, to the extent sufficient therefore and not otherwise provided for by the Authority, to the payment of interest accrued on such principal

amount of Term Loans prepaid, third, to the extent sufficient therefore and not otherwise provided for by the Authority, to the payment of the principal of all outstanding Advances and fourth, to the extent sufficient therefore and not otherwise provided for by the Authority, to the payment of interest accrued on all outstanding Advances. Effective immediately upon the receipt by the Bank of the notice referred to in (i) above and notification of the Federal funds wire transfer reference numbers with respect to the Sale Price and any transfer of funds from the Authority, the Available Amount shall be reinstated by an amount equal to the principal amount of the Notes being sold; *provided, however*, that at any time the Bank may, by written notice to the Authority, require that such reinstatement shall occur only upon actual receipt of payments in respect of the Advances or Term Loans to be repaid. In the event that the proceeds of any sale of Notes are not received from the Dealer or are received in an amount less than the Sale Price thereof (net of any amount already provided by the Authority pursuant to this Section 2.5(b)), the Authority shall pay to the Bank, within three (3) Business Days of the Bank's demand therefor, an amount equal to the amount of such proceeds or such deficiency.

(c) *General Provisions.* Term Loans shall be prepaid in the order in which made. In the case of a partial prepayment of any Term Loan, the installments thereof shall be prepaid in the inverse order of their due dates unless otherwise specified by the Authority.

SECTION 2.6 *Termination or Reduction of Commitment/Available Amount.*

The Available Amount, the Commitment and the Standby Letter of Credit shall automatically terminate on the date on which an Alternate Facility has become effective subject to the provisions of Section 9.12(d) and payment of the Termination Fee, if any, pursuant to the Fee Agreement. The Authority shall cause the Issuing and Paying Agent to notify the Bank of such termination by delivering to the Bank a certificate in substantially the form of Annex C attached to the Standby Letter of Credit, except that, in the case of any termination as provided in Section 9.12(a), the delivery of such a certificate shall not be required. The Authority may from time to time reduce the amount of the Available Amount and the Commitment by causing the Issuing and Paying Agent to deliver to the Bank a certificate in substantially the form of Annex D attached to the Standby Letter of Credit; *provided* that the statements set forth in paragraph (4) of such certificate shall be true and correct. Reductions in the amount of the Available Amount and the Commitment shall be subject to payment of the Termination Fee, if any, pursuant to the Fee Agreement.

SECTION 2.7 *Increased Costs/Change in Laws.*

(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 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 Revolving Note, Term 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, the Revolving Note, or Term 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 2.7, (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 2.7 shall survive the termination of this Agreement, the Revolving Note, the Term Note and the other Transaction Documents. Notwithstanding anything contained in subsections (a) and (b) of this Section 2.7, 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 2.7 shall be available to the Bank and the holders of the Revolving Note and Term 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 2.7 is in excess of the amount payable under the provisions of this Agreement, the Bank or holder of the Revolving Note or Term Note, as the case may be, shall refund such excess amount to the Authority.

SECTION 2.8 *Reserved.*

SECTION 2.9 *Payments and Computations.* The Authority shall make or cause to be made each payment hereunder not later than 3:00 P.M. (New York City time) on the day when due, in lawful money of the United States of America, to the Bank, by wire transfer in immediately available funds through the Federal Reserve Wire System to [Citibank, N. A. New York, ABA No.: 021-000-089 F/O Sumitomo Mitsui Banking Corp, New York Branch, Account No.: 360-23-837, Attention: Trade Services Credit Dept.] or such other account as the Bank may specify in writing from time to time. Any payment received after such time shall be deemed to be received on the next succeeding Business Day for purposes of calculating any interest payable in respect thereof. All computations of interest hereunder on the Notes, the Revolving Note and the Term Note shall be made on the basis of a year of 365 days for the actual number of days elapsed (including the first day but excluding the last day).

SECTION 2.10 *Payment on Non-Business Days.* Whenever any payment to be made hereunder or under the Fee Agreement or under the Revolving Note or the Term Note shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day (and if so made, shall be deemed to have been made when due), and such extension of time shall in such case be included in the computation of the payment of interest due hereunder.

SECTION 2.11 *Book Entries.* The Bank shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Authority resulting from Advances and Term Loans and the amounts of principal payable and paid from time to time hereunder and the amounts of principal and interest payable to the Bank hereunder and under the Revolving Note and the Term Note. The failure to record any such amount shall not, however, limit or otherwise affect the obligations of the Authority hereunder to repay all amounts owed hereunder, together with all interest accrued thereon as provided herein.

SECTION 2.12 *Taxes.*

(a) To the extent permitted by law, any and all payments by the Authority hereunder or under the Fee Agreement or under the Revolving Note or the Term Note shall be made, in accordance with Section 2.9, free and clear of and without deduction for any and all taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding taxes imposed on the overall net income of the Bank or any Participant (and franchise taxes imposed in lieu of net income taxes) by the jurisdiction of the Bank's or Participant's applicable lending office or any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "*Taxes*"). If the Authority shall be required by law to withhold or deduct any Taxes from or in respect of any sum payable hereunder or under Fee Agreement, the Revolving Note or the Term Note, then, to the extent permitted by law, (i) the sum payable shall be increased as may be necessary so that after making all required withholdings or deductions (including those applicable to additional sums payable under this Section 2.12) the Bank or Participant receives an amount equal to the sum it would have received had no such withholdings or deductions been made, (ii) the Authority shall make such withholdings or deductions and (iii) the Authority shall pay the full amount withheld or deducted to the relevant taxation authority or other authority in accordance with applicable law. Notwithstanding anything to the contrary contained herein, the Authority shall not be required to pay any additional amount in respect of withholding of United States Federal income taxes pursuant to this Section to the extent such withholding is required because the Bank or Participant has failed to submit any form or certificate that it is entitled to submit under applicable law to qualify for an exemption from such withholding.

(b) In addition, to the extent permitted by law, the Authority agrees to pay any present or future stamp or documentary taxes, charges or similar levies that arise under the laws of the United States of America, the State of New York and the State of Texas from any payment made or received hereunder or received under the Fee Agreement, Revolving Note or the Term Note or from the execution or delivery or otherwise with respect to this Agreement, the Fee Agreement, the Revolving Note or the Term Note (hereinafter referred to as "*Other Taxes*").

(c) To the extent permitted by applicable law, payments by the Authority pursuant to this Section 2.12 shall be made within thirty (30) days from the date the Bank makes written demand therefor which demand shall be accompanied by a certificate describing in reasonable detail the basis thereof, which shall be correct absent manifest error.

(d) Within thirty (30) days after the date of any payment of Taxes by the Authority, the Authority shall furnish to the Bank, at its address referred to in Section 9.9 hereof, the original or a certified copy of a receipt evidencing payment thereof. To the extent provided by applicable law, the Authority shall compensate the Bank or Participant for all losses and expenses sustained by the Bank or Participant as a result of any failure by the Authority to so furnish such copy of such receipt.

(e) Without prejudice to the survival of any other agreement of the Authority hereunder or under the Fee Agreement, the agreements and obligations contained in this Section 2.12 shall survive the payment in full of principal and interest payable to the Bank hereunder and under the Revolving Note and the Term Note.

ARTICLE III

CONDITIONS PRECEDENT

SECTION 3.1 *Conditions Precedent to Issuance of Letter of Credit.* The obligation of the Bank to issue the Standby Letter of Credit and this Agreement shall become effective on the date (the “*Effective Date*”) that each of the following conditions precedent have been fulfilled to the satisfaction of the Bank, and counsel to the Bank (such date being hereby designated as November 22, 2011):

(a) *Issuing and Paying Agency Agreement; Other Transaction Documents.*

(i) Each Transaction Document shall have been duly executed and delivered in form and substance satisfactory to the Bank and shall be in full force and effect; (ii) the Bank shall have received originals of this Agreement, the Fee Agreement, the Revolving Note and the Term Note executed by the Authority and copies of each other Transaction Document; (iii) all previously outstanding Notes shall have matured as of the Business Day prior to the Effective Date; and (iv) all amounts owed under or pursuant to the current liquidity agreement with the Texas Comptroller have been paid.

(b) *Opinions.* The Bank shall have received legal opinions of the counsel to the Authority and of Note Counsel to the Authority addressed to the Bank, dated the Effective Date and in form and substance reasonably satisfactory to the Bank. The Bank shall also have received the opinion of the Attorney General of Texas related to the proceedings authorizing these proceedings and a copy of the opinion of the Attorney General of Texas issued upon the original issuance of the Notes. The Bank and the Authority shall have received an opinion of Bank Counsel as to matters reasonably requested by the Bank and the Authority, addressed to the Bank and Authority (any waiver of this opinion will require the consent of both the Bank and Authority).

(c) *Defaults; Representations and Warranties.* On and as of the Effective Date hereof, (i) no Default and no material default under any of the Transaction Documents shall have occurred and be continuing or would occur upon the making of any Advance or Term Loan and (ii) the representations of the Authority set forth in Article VI and in each Transaction Document shall be true and correct in all material respects on and as of the Effective Date with the same force and effect as if made on and as of such date.

(d) *No Litigation.* No action, suit, investigation or proceeding shall be pending or, to the knowledge of the Authority, threatened (i) in connection with the Notes, the other Transaction Documents or this Agreement or any transactions contemplated thereby or hereby or (ii) against or affecting the Authority, the result of which could have a material adverse effect on the business, operations or condition (financial or otherwise) of the Authority or its ability to perform its obligations under the Notes or the other Transaction Documents or hereunder.

(e) *No Material Adverse Change.* The Bank shall have received the most recent audited financial statements of the Authority and, since the date of such financial statements, no Material Adverse Change shall have occurred in the status of the business, operations or condition (financial or otherwise) of the Authority or its ability to perform its obligations under the Notes, this Agreement, or the other Transaction Documents.

(f) *Certificate.* The Bank shall have received (i) certified copies of all proceedings taken by the Authority authorizing the execution, delivery and performance of this Agreement, the Credit Agreement Resolution, the Revolving Note and the Term Note and the transactions contemplated hereby and thereby and (ii) a certificate or certificates of one or more Authority Representatives dated the Effective Date certifying to the accuracy of the statements made in Section 3.1(c) and (d) and further certifying the name, incumbency and signature of each individual authorized to sign this Agreement, the agreements authorized by the Credit Agreement Resolution, the Revolving Note, the Term Note and the other documents or certificates to be delivered by the Authority pursuant hereto or thereto, on which the Bank may conclusively rely until a revised certificate is similarly delivered.

(g) *Payment of Fees.* All fees and expenses due and payable pursuant to the Fee Agreement shall have been paid.

(h) *Evidence of Ratings.* The Bank shall have received evidence that the Notes shall be rated “A-1” by Standard & Poor’s, “F-1” by Fitch and “P-1” by Moody’s.

(i) *Incumbency of Officers of the Issuing and Paying Agent.* The Bank shall have received incumbency certificates of the Issuing and Paying Agent in respect of the officers of the Issuing and Paying Agent who are authorized to take action on behalf of the Issuing and Paying Agent with respect to the Notes or under this Agreement or any Transaction Document to which the Issuing and Paying Agent is a party.

(j) *Financial Statements.* The Bank shall have received the audited financial statements of the Authority for Fiscal Year ended September 30, 2010 and unaudited financial statements for the most recently ended quarter for which financial statements are

available and a copy of the current Annual Budget of the Authority, if not previously provided.

(k) *Investment Policy and Guidelines.* The Bank shall have received a copy of the current Investment Policy and Guidelines and other permitted investments of the Authority, certified as of a recent date by an Authority Representative, which shall be satisfactory to the Bank.

(l) *CUSIP Number.* The Bank shall have received a CUSIP number assigned to the Revolving Note and Term Note.

(m) *Revolving Note and Term Note Rating.* The Bank shall have received a rating on the Revolving Note and the Term Note.

(n) *Other Matters.* The Bank shall have received such other statements, certificates, agreements, documents and information with respect to the Authority and matters contemplated by this Agreement as the Bank may request.

In addition, (A) the Bank shall have made a reasonable determination that, as of the Effective Date, no law, regulation, ruling or other action of the United States, the State of New York or the State of Texas or any political subdivision or authority therein or thereof shall be in effect or shall have occurred, the effect of which would be to prevent the Authority, the Issuing and Paying Agent, the Dealer or the Bank from fulfilling their respective obligations under this Agreement and the Transaction Documents and (B) no Material Adverse Change in the financial condition of the Authority or in the laws, rules, guidelines, or regulations (or their interpretation or administration) currently in effect and applicable to the parties hereto, the Authority and the transactions contemplated hereby, as reasonably determined by the Bank, shall have occurred. The execution and delivery of the Standby Letter of Credit and this Agreement by the Bank shall signify its having made such determination.

SECTION 3.2 *Conditions Precedent to Each Drawing or Advance.* The obligation of the Bank to honor a Drawing or to make an Advance on any date is subject to the conditions precedent that on the date of such Drawing or Advance (a) the Bank shall have timely received a properly completed Drawing and (b) no Immediate Termination Event or Suspension Event shall have occurred and be continuing. Unless the Authority shall have otherwise previously advised the Bank in writing, delivery to the Bank of a Drawing shall be deemed to constitute a representation and warranty by the Authority that, on the date of the Advance relating to such Drawing, no Immediate Termination Event or Suspension Event shall have occurred and be continuing.

SECTION 3.3 *Conditions Precedent to Term Loan.* The obligation of the Bank to make a Term Loan on the Term Loan Commencement Date is subject to the fulfillment of the following conditions precedent to the satisfaction of the Bank:

(a) *No Alternate Facility.* There shall not have been delivered to the Authority any Alternate Facility in replacement of this Agreement.

(b) *Notice of Loan.* The Bank shall have received from the Authority a written notice of loan requesting that the Bank make such Term Loan, which shall be dated and received by the Bank from the Authority as required by Section 2.2(b).

(c) *No Event of Default.* No Event of Default shall have occurred and be continuing and the making of the Term Loan shall not result in an Event of Default and the representations and warranties of the Authority herein shall be true and correct as if made on the Term Loan Commencement Date.

(d) *Receipt of Certificate.* The Bank shall have received on or before the Term Loan Commencement Date a certificate of an Authority Representative dated such Term Loan Commencement Date as to compliance with clauses (a) and (c) of this Section 3.3 to be substantially in the form of Exhibit E attached hereto.

ARTICLE IV

FEES

SECTION 4.1 *Fee Agreement.* The Authority hereby agrees to pay all fees and expenses of the Bank, including but not limited to the Facility Fee, as set forth in the Fee Agreement.

ARTICLE V

OBLIGATIONS ABSOLUTE

The obligations of the Authority to pay the Notes, the Term Loan, the Revolving Note and the Term Note and amounts payable hereunder and amounts under the Fee Agreement shall be unconditional and irrevocable, and shall survive the termination of this Agreement and the Fee Agreement and shall be paid strictly in accordance with the terms of this Agreement, the Fee Agreement and such instruments (as the case may be) under all circumstances, including, without limitation, the following circumstances:

(a) any lack of validity or enforceability of this Agreement, the Fee Agreement, the Notes or any of the Transaction Documents;

(b) any amendment or waiver of or any consent to departure from the terms of this Agreement, the Fee Agreement, the Notes or any of the Transaction Documents;

(c) the existence of any claim, set-off, defense or other right which the Authority or any other person may have at any time against the Issuing and Paying Agent, the Bank or any Participant or any other person or entity, whether in connection with this Agreement, the Fee Agreement, the Transaction Documents or the transactions contemplated hereby or thereby or any unrelated transaction;

(d) any demand, statement or any other document presented under this Agreement proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(e) any non-application or misapplication by the Issuing and Paying Agent, or otherwise of the proceeds of any Advance;

(f) payment by the Bank hereunder to the person entitled thereto against presentation of a Drawing which does not comply with the terms hereof;

(g) the surrender or impairment of security for the performance or observance of any of the terms of this Agreement, the Fee Agreement or any Transaction Document; and

(h) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES

In order to induce the Bank to issue the Standby Letter of Credit and to enter into and perform this Agreement, the Authority hereby represents and warrants to the Bank, which representations and warranties shall be deemed to be repeated on and as of the date of each Advance, as follows:

SECTION 6.1 *Due Existence.* The Authority is an agency of the State and a public authority and body politic and corporate of the State.

SECTION 6.2 *Authorization; No Conflict.* The execution and delivery of this Agreement, the execution and delivery of the Revolving Note and Term 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 Revolving Note, the Term Note and the other 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 Constitution of the State of Texas) or of any agreement binding upon the Authority. The obligations of the Authority hereunder and under the Notes, Revolving Note and Term Note constitute the general, full faith and credit obligations of the State, and rank, and will rank, at least pari passu with the State's other general obligation indebtedness payable out of the first money coming into the State treasury in each fiscal year not otherwise appropriated by the State constitution.

SECTION 6.3 *Valid and Binding Nature.* This Agreement, the Revolving Note and the Term Note and the other 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 6.4 *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 Revolving Note or the Term Note, to issue

the Notes, to enter into the other Transaction Documents or to perform any of its obligations under this Agreement, the Revolving Note, the Term Note or the Transaction Documents or that would, if adversely determined, materially and adversely affect the financial condition of the Authority or to the best of knowledge after due and proper inquiry, the financial condition of the State, that would affect the Authority's ability to perform its obligations hereunder or thereunder.

SECTION 6.5 *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 Revolving Note, the Term Note or the Transaction Documents.

SECTION 6.6 *Offering Memorandum.* The Offering Memorandum is 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 described in Appendix A to the Offering Memorandum there has been no Material Adverse Change in the financial condition of the Authority or to the best of our knowledge after due and proper inquiry, the financial condition of the State.

SECTION 6.7 *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 6.8 *Full Disclosure.* None of the representations or warranties made by the Authority in this Agreement 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 6.9 *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 in any material respect, (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 material 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 6.10 *Compliance with Law and Related Documents.* The Authority (a) is in compliance with all laws of the United States and 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 6.11 *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 6.12 *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 6.13 *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, 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 Revolving Note, the Term Note or the Authority's obligations hereunder or under any of the other Transaction Documents, or the Authority's ability to repay when due its obligations under this Agreement, the Notes and the other Transaction Documents.

SECTION 6.14 *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 6.15 *Interest.* None of the Resolution, the other Transaction Documents or the Notes (including the Revolving Note and the Term Note) provide for any payments that would violate any applicable law relating to permissible maximum rates of interest in the State.

SECTION 6.16 *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 6.17 *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 Notes and all obligations payable hereunder and under the Fee Agreement for the current fiscal biennium.

SECTION 6.18 *Commercial Paper Notes.* Each Note (including the Revolving Note and Term Note) has been duly and validly issued under the Resolution or the Credit Agreement Resolution, as applicable, and entitled to the benefits thereof.

SECTION 6.19 *Parity Obligation.* The Authority represents that the Notes, the Revolving Note and the Term Note and all obligations to the Bank hereunder are general obligations of the State and secured on parity with all other general obligation debt of the State.

SECTION 6.20 *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 thereat and any actual or potential liabilities to third parties, including employees, and any related costs and expenses). On the basis of such 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 VII

COVENANTS

As long as this Agreement is in effect, and until all amounts payable hereunder and under the Fee Agreement, the Revolving Note and the Term Note, are indefeasibly paid in full, the Authority will perform and observe the covenants set forth below:

SECTION 7.1 *Reporting Requirements.* (a) The Authority will deliver to the Bank: (i) promptly following the availability thereof, copies of each official statement or offering memorandum of the Authority related to 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>.

(b) Furnish or cause to be furnished to the Bank as soon as available and, in any event, not later than thirty (30) 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 Event of Default has occurred and is continuing or, if an Event of Default has occurred and is continuing, describing the nature thereof and the action the Authority proposes to take with respect thereto.

(c) 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 7.2 *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.

SECTION 7.3 *Reserved*

SECTION 7.4 *Payments.* The Notes, the Revolving Note and the Term Note are general obligations of the Authority payable from and secured by the funds pledged therefore pursuant to the Resolution and the Credit Agreement Resolution. The Authority agrees to make payments into the Note Payment Account at such times and in such amounts as are necessary to provide for the full payment of the principal of and the interest on the Notes, the Revolving Note and the Term Note when due.

SECTION 7.5 *Security and Pledge.* To provide security for the payment of the principal of and interest on the Notes, the Revolving Note and the Term Note and any other amounts due under this Agreement as the same shall become due and payable, the Authority has granted a lien on and pledge of (subject only to the provisions of the applicable Authority resolutions authorizing the following obligations and permitting the application of proceeds there from for purposes and on the terms and conditions set forth therein): (i) the proceeds from (A) the sale of the Refunding Notes and other Notes from time to time hereafter issued and to be used to pay outstanding principal amounts of the Notes, the Revolving Note or the Term Note and (B) the sale of general obligation bonds issued by the Authority from time to time hereafter for the purpose of paying the outstanding principal amounts of or interest on the Notes, the Revolving Note or the Term Note, (ii) borrowings under this Agreement, (iii) amounts held in the Note Payment Account or the Project Account (as defined in the Resolution) after use for authorized purposes (as defined in Section 2.01 of the Resolution) and (iv) the funds available pursuant to the Constitutional Provisions.

SECTION 7.6 *Punctual Payment.* The Authority will punctually pay or cause to be paid (i) the principal and interest due on the Notes and the Revolving Note and Term Note and (ii) the fees owed to the Bank under this Agreement and 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 and Fee Agreement.

SECTION 7.7 *Use of Proceeds.* Expend the proceeds of each Advance solely for the purposes permitted by this Agreement, the Resolution and the Letter of Credit.

SECTION 7.8 *Other Bank Facilities.* The Authority shall not enter into or become liable under any other Bank Agreement in connection with the Authority's general obligation debt unless the obligations to the Bank under this Agreement and the Revolving Note and the Term 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 7.9 *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 such notice.

SECTION 7.10 *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 7.11 *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 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 an 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 financial condition of the Authority or the Authority's ability to perform its obligations under this Agreement, the Revolving Note, the Term Note or other 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 7.12 *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 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. 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 paid by 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 7.13 *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 Revolving Note, the Term Note or other the Transaction Documents.

SECTION 7.14 *Amendments to Transaction Documents.* Not amend or modify any provision of, or give any consent or grant any waiver under, any of the Transaction Documents without first obtaining the Bank's written consent.

SECTION 7.15 *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 7.16 *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 7.17 *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 7.18 *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 Revolving Note, Term Note and the Transaction Documents.

SECTION 7.19 *Ratings.* The Authority shall maintain at least two ratings on the Notes from any combination of Moodys, S&P or Fitch.

SECTION 7.20 *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 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 Note contains a "most favored nations" or "most favored lender" clause. Notwithstanding anything herein to the contrary, this Section 7.20 shall not

apply to any agreements now in effect or hereinafter entered into with the Texas Comptroller of Public Accounts or its affiliates.

SECTION 7.21 *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 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 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 7.21 shall not apply to any agreements now in effect or hereinafter entered into with the Texas Comptroller of Public Accounts or its affiliates.

SECTION 7.22 *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 7.23 *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 7.24 *Compliance with Laws, Etc.* Comply with the requirements of all applicable laws of the United States and of the State, 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 7.25 *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 7.26 *Alternate Agreement.* The Authority agrees that any alternate credit agreement or liquidity agreement for the Notes entered into pursuant to Section 2.6 of the Resolution 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 at the applicable Bank Rate. 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 7.27 *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 7.28 *Remarketing.* The Authority will issue and sell the Notes as promptly as practicable after the making of an Advance evidenced by the Revolving 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).

ARTICLE VIII

EVENTS OF DEFAULT, REMEDIES

SECTION 8.1 *Events of Default.* Each of the following events shall constitute an “*Event of Default*” hereunder:

(a) *Immediate Termination Events.* The following Events of Default each shall constitute an “*Immediate Termination Event*” hereunder:

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

(ii) The Authority or the State (1) 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, (2) admits in writing its inability, or is generally unable, to pay its debts as such debts become due, (3) makes a general assignment for the benefit of creditors or declares a moratorium with respect to its general obligation debt, (4) commences a voluntary case under the Bankruptcy Code (as now or hereafter in effect), (5) 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 (6) 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

(iii) 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 (1) (x) the reorganization, dissolution, winding-up, liquidation, or composition or readjustment of debts of the Authority or the State or (y) 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, (2) 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

(iv) 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 State's general obligation Debt; or

(v) 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 be withdrawn, suspended or fall below "Baa3" by Moody's and "BBB-" by Fitch and S&P, unless such Rating Agency states in the case of a withdrawal or suspension that such withdrawal or suspension is for reasons that are not credit-related; or

(vi) Reserved;

(vii) (A) Any Transaction Document (other than the Dealer Agreement or the Fee Agreement) in its entirety or provision of a Transaction Documents (other than the Dealer Agreement or the Fee Agreement) relating to (x) the ability or the obligation of the Authority to pay, when due, the principal of or interest on the Notes, the Term Note, the Revolving Note, any Advance or any Term Loan or (y) the lien on or pledge of security for the Notes, the Revolving 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 (B) an Authority Representative repudiates or otherwise denies in writing that it has any further liability or obligation under or with respect to any provision of any Transaction Document (other than the Dealer Agreement) relating to (x) the ability or the obligation of the Authority to pay, when due, the principal of or interest on the Notes, the Term Note, the Revolving Note, any Advance or any Term Loan or (y) the lien on or pledge of the security for the Note, the Revolving Note, the Term Notes under the Resolution or Credit Agreement Resolution; or (C) 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 of a Transaction Document (other than the Dealer Agreement or the Fee Agreement) relating to (x) the ability or the obligation of the Authority to pay, when due, the principal of or interest on the Notes, the Term Note, the Revolving Note, any Advance or any Term Loan or (y) the lien on or pledge of the security for the Notes, the Revolving Note or the Term Note under the Resolution or Credit Agreement Resolution; or (D) any Governmental Authority with jurisdiction to rule on the validity or enforceability of the Act or the Constitutional Provisions or any Transaction Document (other than the Dealer Agreement or the Fee Agreement) shall find or rule in a final non appealable judgment, in a judicial or administrative proceeding, that any provision of the Act or the Constitutional Provisions, any Transaction Document (other than the Dealer Agreement or Fee Agreement), 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 Term Note, the Revolving Note, any Advance or any Term Loan or (y) the lien on or pledge of the of security for the Notes, the Term Note or the Revolving Note under the Resolution or the Credit Agreement Resolution, is not valid or not binding on, or enforceable against, the Authority; or

(viii) The Authority fails to pay when due and payable on the Note payment date, after giving effect to any applicable grace period, the principal of or interest on the Notes (other than the principal of or interest on the Notes for which a Drawing 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 or interest on any of its general obligation debt.

(b) ***Notice Events of Default.*** The following are “***Notice Events of Default***” not resulting in immediate termination or suspension of the Commitment:

(i) After receipt of a correct 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

(ii) A breach or failure of performance by the Authority of any covenant contained in Sections 7.5, 7.6, 7.7, 7.8, 7.11, 7.14, 7.16, 7.17, or 7.19 hereof; or

(iii) 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 8.1(b)) and any such breach or failure (if capable of remedy) continues for a period of 10 days after notice thereof from the Bank to the Authority; or

(iv) 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 after written notice thereof from the Bank to the Authority; or

(v) Any provision of this Agreement or the Revolving Note or Term Note 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, the Revolving Note or the Term Note, in each case other than as described in Section 8.1(a) hereof; or

(vi) Entry or filing of any judgment, order, writ or warrant of attachment in an amount in excess of \$10,000,000 against the Authority or against any of its property and failure of the Authority to vacate, bond, stay or contest in good faith such judgment, writ, warrant of attachment or other process for a period of 30 days or a failure to pay or satisfy such judgment within 30 days or as otherwise require by such judgment, writ or warrant of attachment; or

(vii) (i) The Authority or the State fails to pay the principal of or interest on any debt of the Authority or the State in excess of \$5,000,000 in the aggregate 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 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 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 8.1(b); or

(viii) 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

(ix) The Authority fails to pay when due and payable, after giving effect to any applicable grace period, the principal or interest on the Notes (other than the principal on the Notes for which an Advance has been requested) or the principal and interest on any of its Debt consisting of the obligation of another Person guaranteed by the Authority; or

(x) 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

(xi) 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; or

(xii) The principal of or interest on any general obligation Debt of the State or the Authority 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 general obligation Debt of the Authority or the State 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 general obligation Debt of the Authority or the State prior to the stated maturity thereof, in each case for a reason other than as described in another paragraph of this Section 8.1(b).

SECTION 8.2 *Remedies.*

(a) Upon the occurrence and continuance of an Immediate Termination Event, the Commitment and the Available Amount 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 interest on any unpaid amounts due under this Agreement shall bear interest at the Default Rate until paid in full.

(b) Upon the occurrence of the event described in 8.1(a)(ii)(6) or 8.1(a)(iii)(2) prior to the expiration of the period of 60 consecutive days described in such sections (each a “*Suspension Event*”), the Commitment and the Available Amount shall be immediately suspended without notice or demand, and thereafter, the Bank shall be under no obligation to honor a Drawing under the Letter of Credit or make an Advance under this Agreement until the Commitment and the Available Amount are reinstated. Promptly upon the occurrence of any such Suspension Event, the Bank shall notify the Authority and the Issuing and Paying Agent and the Dealer of such suspension and the effective date of such suspension in writing by facsimile, promptly confirmed by regular mail; *provided*, that the Bank shall incur no liability of any kind by reason of its failure to give such notice and such failure shall in no way affect the suspension of the Commitment or the Available Amount or its obligation to honor a Drawing or make Advances pursuant to this Agreement. Upon the occurrence of a Suspension Event, the Commitment shall be immediately and automatically suspended and remain suspended until the case, proceeding or other action referred to therein is either dismissed, discharged, unstayed or bonded within sixty (60) days described from the commencement of such case, proceeding or action, or the date on which the Bank’s obligations hereunder have terminated or expired in accordance with the terms hereof occurs, whichever is first. In the event that said Suspension Event shall have been dismissed, discharged, stayed or bonded within the sixty (60) day period described therein and prior to the termination of the Commitment and the Available Amount hereunder, then the Commitment, the Available Amount and the obligation of the Bank to honor a Drawing or make Advances shall be reinstated and the terms of this Agreement shall continue in full force and effect as if there had been no such suspension (unless the Commitment or the Available Amount shall otherwise have been terminated, suspended or expired as provided in this Agreement). In the event that said Suspension Event shall not have been dismissed, discharged, stayed or bonded within said sixty (60) day period upon the termination of the Commitment and the Available Amount, then the Commitment, the Available Amount and the obligation of the Bank to make Drawings and Advances shall terminate on the date the Commitment and the Available Amount are terminated without notice or demand and, thereafter, the Bank shall be under no obligation to make such Drawings or Advances hereunder.

(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 as provided in Section 8.2(d) hereof, or (ii) by written notice delivered to the Authority and the Issuing and Paying Agent terminate the Commitment and the Available Amount 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 Drawings and Advances to fund then outstanding Notes), *provided*, that interest on any unpaid amounts due under this Agreement shall bear interest at the Default Rate until paid in full.

(d) *Timing of No-Issuance Notice.* A No-Issuance Notice that is received by the Authority at or before 3:00 p.m. (New York City time) shall be effective when received. A No-Issuance Notice that is received by Authority after 3:00 p.m. (New York City time) shall not be effective until the opening of business on the next succeeding Business Day.

(e) *Copies of Notices.* Concurrently with the occurrence of an Immediate Termination Event or a Suspension Event or a No-Issuance Notice, the Authority shall give notice to the Issuing and Paying Agent and the Dealer.

In addition, concurrently with giving such notice to the Authority and the Issuing and Paying Agent pursuant to clause (c), the Bank shall provide a copy thereof to the Dealer at their respective addresses referred to in Section 9.9; *provided, however*, that the Bank shall not incur any liability as a result of its failure to provide a copy of such a notice in accordance with this sentence.

SECTION 8.3 *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 and continuance 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 IX

MISCELLANEOUS

SECTION 9.1 *Payments to the Bank.* All payments to the Bank hereunder and under the Fee Agreement shall be made without setoff or counterclaim in accordance with Section 2.9.

SECTION 9.2 *Liability of the Bank.* (a) The Authority assumes all risks of the acts or omissions of the Issuing and Paying Agent and the Dealer with respect to the proceeds of any Drawing or Advance. Neither the Bank nor any of its officers, directors, employees or agents shall be liable or responsible for (i) the use which may be made of the proceeds of any Drawing, Advance or Term Loan or of any acts or omissions of the Issuing and Paying Agent, the Dealer or any transferee in connection therewith, (ii) the validity, sufficiency or genuineness of documents, or of any endorsements thereon (other than the validity as against the Bank of any agreement to which it is a party), even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged, (iii) the lack of validity or enforceability of the Notes, the Resolution, the Issuing and Paying Agency Agreement, the other Transaction Documents or any other agreement or instrument relating thereto (other than the validity or enforceability as against the Bank of any agreement to which the Bank is a party), or (iv) any other circumstances whatsoever in making or failing to make payment under this Agreement; *provided*, that the Authority shall have a claim against the Bank, and the Bank shall be liable to the Authority, to the extent of any direct, as opposed to consequential, damages suffered by the

Authority which the Authority proves were caused by the Bank's willful misconduct or negligence in determining whether documents presented under the Standby Letter of Credit complied with the terms of the Standby Letter of Credit (it being understood that in making such payment the Bank's exclusive reliance on the documents presented to the Bank in accordance with the terms of the Standby Letter of Credit as to any and all matters set forth therein, whether or not any statement or any document presented pursuant to the Standby Letter of Credit proves to be forged, fraudulent, invalid or insufficient in any respect or any statement therein proves to be untrue or inaccurate in any respect whatsoever, shall not be deemed willful misconduct or gross negligence of the Bank). In furtherance and not in limitation of the foregoing, the Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information (other than actual knowledge to the contrary) to the contrary.

SECTION 9.3 *Indemnification.* The Authority, to the extent permitted by law, hereby agrees to indemnify and hold the Bank harmless from and against any and all claims, damages, losses, liabilities, costs or expenses which the Bank may incur or which may be claimed against the Bank by any person:

(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 STATEMENT (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 9.4 *Costs and Expenses.* 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 an 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 an Event of Default, all reasonable costs and expenses (including reasonable 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 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 9.5 *Participants.* The Bank shall have the right to grant participations from time to time (to be evidenced by one or more Participation Agreements or certificates of participation) in this Agreement, the Revolving Note and the Term Note to one or more other banking institutions; *provided* that the grant of any such participation shall not terminate or otherwise affect any obligation of the Bank hereunder; provided further, that prior to the effectiveness of any participation, the Bank 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, 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, the Revolving Note and the Term Note. In connection with each participation, the Bank may disclose to any proposed participant any information that the Authority or Dealer delivers or discloses pursuant to this Agreement. The Bank shall give prompt written notice to the Authority of any banking institution that is granted a participation pursuant to this Section.

SECTION 9.6 *Successors and Assigns.*

(a) This Agreement shall be binding upon and inure to the benefit of the Authority and the Bank and their respective successors and assigns, except that neither the Authority nor, except as permitted in Section 9.5, the Bank shall have the right to assign its rights hereunder or any interest herein without the prior written consent of the other and (ii) written notice from Standard & Poor's, if the Notes are rated by Standard & Poor's, and Moody's, if the Notes are rated by Moody's, and Fitch if the Notes are rated by Fitch that such assignment will not result in a suspension, lowering or withdrawal of the rating on the Notes.

(b) The Bank may assign and pledge all or any portion of the obligations owing to it to any 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 Operation 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 obligations of the Authority hereunder in respect of such assigned obligation to the extent of such payment. No such assignment shall release the Bank from its obligations hereunder.

SECTION 9.7 *Modification or Waiver of This Agreement.* This Agreement is intended by the parties hereto as a final expression of their agreement with respect to the subject matter hereof, and is intended as a complete and exclusive statement of the terms and conditions of that agreement. No modification or waiver of any provision of this Agreement (including this Section 9.7) shall be effective unless the same shall be in writing and signed by the Bank and the Authority. Any modification or waiver referred to in this Section 9.7 shall be effective only in the specific instance and for the specific purpose for which given. No notice to or demand on the Authority in any case shall entitle the Authority to any other or further notice or demand in the same, similar or other circumstances.

SECTION 9.8 *No Waiver of Rights by the Bank; Cumulative Rights.* No course of dealing or failure or delay on the part of the Bank in exercising any right, power or privilege hereunder shall preclude any other or further exercise or the exercise of any right, power or privilege. The rights of the Bank under this Agreement, the Revolving Note, the Term Note, the Resolution and the other Transaction Documents are cumulative and not exclusive of any rights or remedies which the Bank would otherwise have.

SECTION 9.9 *Notices.* All notices and communications hereunder shall be given by hand delivery, with a receipt being obtained therefor, by United States certified or registered mail, or by fax or by other telecommunication device capable of creating written record of such notice and its receipt. To the extent that any telecommunication notice is permitted hereunder, the parties hereto shall provide appropriate facsimile numbers. Except as provided in Sections 2.1(c) and 8.2(d), notices and communications hereunder shall be effective when received and, except for Requests for Advance which shall be sent to the address set forth in the form thereof and information regarding payments which shall be sent in accordance with Section 2.9, shall be sent to the following addresses (or to such other addresses of which any party hereto shall notify the other parties in accordance herewith):

If to the Bank:	Sumitomo Mitsui Banking Corporation, New York Branch 277 Park Avenue New York, New York 10172 Attention: Public and Infrastructure Finance Group, Department Head Facsimile: (212) 224-5188 Telephone: (212) 224-4000
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With a copy to: Sumitomo Mitsui Banking Corporation, New York Branch
277 Park Avenue
New York, New York 10172
Attention: Trade Credit Services Dept.
Facsimile: (212) 224-4566
Telephone: (212) 224-4000

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

If to the Issuing and
Paying Agent: Deutsche Bank
60 Wall Street, 27th Floor
New York, NY 1005
Attention: Angel E. Milanés, Jr.
Telephone: (212) 250-2622
Facsimile: (212) 797-8619

Attention: Wendy Encalada
Telephone: (212) 250-7848
Facsimile: (212) 797-8618

If to the Dealer: Goldman Sachs & Co.
200 West St., 33rd Floor
New York, NY 10282
Terry Thornton
Telephone: (713) 279-3545
Facsimile: (212) 256-2349

SECTION 9.10 *Counterparts.* This Agreement may be executed in two (2) or more counterparts, each of which shall constitute an original but all of which, when taken together, shall constitute but one document, and shall become effective when copies hereof which, when taken together, bear the signatures of each of the parties hereto.

SECTION 9.11 *Certificates, Etc.* In connection with the execution and delivery of this Agreement, the parties hereto may rely on any certificates delivered by or on behalf of each other respective party hereto as representations and warranties as to the matters therein certified.

SECTION 9.12 *Term of Agreement.*

(a) The term of this Agreement shall be until the later of (x) the termination of the Commitment or the Stated Expiration Date and (y) the payment in full of the principal

of and interest on all amounts due hereunder and under the Fee Agreement, the Revolving Note and the Term Note.

(b) Upon the written request of the Authority to the Bank made not earlier than 150 days prior to the Stated Expiration Date or later than 60 days prior to the Stated Expiration Date, the Bank shall within thirty (30) days of such request notify the Authority whether or not it will extend the scheduled Stated Expiration Date for the time period requested. If the Bank notifies the Authority that the scheduled Stated Expiration Date shall be so extended, the Bank shall, within thirty (30) days of its notification to the Authority, deliver to the Authority, the Issuing and Paying Agent and the Dealer a written acknowledgement of such extension. If the Bank fails to notify the Authority of its decision within such thirty (30) day period, the Bank shall be deemed to have rejected such request. Any such determination by the Bank shall be in its sole and absolute discretion. Any such request by the Authority for an extension of the Stated Expiration Date shall be substantially in the form of Exhibit C hereto (or in such other form to which the Bank may consent in writing) and, unless the Bank shall otherwise consent, shall include (i) a statement of the outstanding principal amount of the Notes, (ii) a reasonably detailed description of any and all Defaults or Events of Default that shall have occurred and be continuing and that no Immediate Termination Event or Suspension Event is continuing, (iii) confirmation that all representations and warranties of the Authority contained herein and in the Transaction Documents are true and correct as though made on the date of such request and that no Default or Event of Default has occurred or is continuing on the date of such request, and (iv) any other pertinent information requested by the Bank.

(c) The Authority may terminate this Agreement at any time upon thirty (30) days written notice to the Bank subject to payment of the Termination Fee.

(d) Prior to any substitution of an Alternate Facility for this Agreement, the Authority will pay or cause to be paid all amounts owing to the Bank hereunder and under the Fee Agreement (including the Termination Fee, if any) and under the Revolving Note and the Term Note.

SECTION 9.13 Severability. In case any one or more of the provisions contained in this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby. The parties shall negotiate in good faith to replace any invalid, illegal or unenforceable provision with a valid provision, which, to the extent possible, will preserve the economic effect of the invalid, illegal or unenforceable provisions.

SECTION 9.14 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, the Revolving Note and the Term 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, the Revolving Note and the Term Notes 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 9.15 *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 REVOLVING NOTE, THE TERM NOTE ANY OF THE OTHER TRANSACTION DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. THE BANK AND THE AUTHORITY HEREBY AGREE TO BINDING ARBITRATION RELATING TO THIS AGREEMENT, THE REVOLVING NOTE, THE TERM NOTE ANY OF THE OTHER TRANSACTION DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

SECTION 9.16 *Governing Law.*

THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS; *PROVIDED*, THAT THE BANK'S OBLIGATIONS HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 9.17 *Consents.* Except as otherwise provided in Section 9.12, the Bank agrees to respond within thirty (30) days of its receipt of a written request from the Authority to amend or waive any provision of this Agreement in the manner specifically set forth in such request. If the Bank fails to respond within such thirty (30) day period, the Bank shall be deemed to have rejected such request. Any such determination by the Bank shall be in its sole and absolute discretion.

SECTION 9.18 *Source of Funds.* The Bank agrees that all funds provided by the Bank under the Standby Letter of Credit or hereunder will be paid from funds of the Bank and not directly or indirectly from funds or collateral on deposit with or for the account of, or pledged with or for the account of, the Bank by the Authority.

SECTION 9.19 *Survival.* The obligations of the Authority under Sections 2.3, 2.4, 2.7 and 2.12, Article IV and Sections 9.3 and 9.4 hereof shall survive the execution and delivery of this Agreement, the Fee Agreement, the Notes and the Transaction Documents, as well as the payment of the Notes and the termination of the Available Amount.

SECTION 9.20 *Headings.* Section headings in this Agreement are included herein for convenience of reference only and shall not have any effect for purposes of interpretation or construction of the terms of this Agreement.

SECTION 9.21 *Beneficiaries.* This Agreement is made solely for the benefit of the Authority, the Issuing and Paying Agent, the Bank, their successors and assigns, and no other Person (including, without limitation, any owner of a Commercial Paper Note) shall have any right, benefit or interest under or because of the existence of this Agreement.


SECTION 9.22 *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 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.

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.

Remainder of page intentionally left blank; signature page follows.

IN WITNESS WHEREOF, the parties hereto have caused this Standby Letter of Credit and Reimbursement Agreement to be duly executed and delivered by their respective officers thereunto authorized as of the date first above written.

TEXAS PUBLIC FINANCE AUTHORITY

By: 
Name:
Title:

SUMITOMO MITSUI BANKING
CORPORATION, acting through its New
York Branch

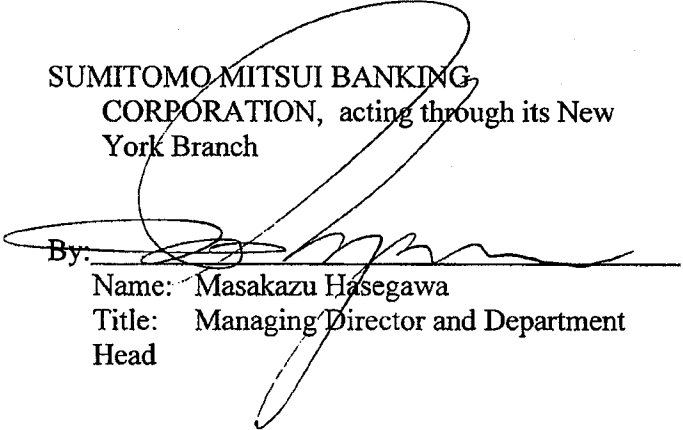
By: _____
Name:
Title:

IN WITNESS WHEREOF, the parties hereto have caused this Standby Letter of Credit and Reimbursement Agreement to be duly executed and delivered by their respective officers thereunto authorized as of the date first above written.

TEXAS PUBLIC FINANCE AUTHORITY

By: _____
Name:
Title:

SUMITOMO MITSUI BANKING
CORPORATION, acting through its New
York Branch

By:  _____
Name: Masakazu Hasegawa
Title: Managing Director and Department
Head

FORM OF REVOLVING NOTE

**TEXAS PUBLIC FINANCE AUTHORITY
REVOLVING BANK NOTE, SERIES 2008**

November 22, 2011

For value received, TEXAS PUBLIC FINANCE AUTHORITY (the “*Authority*”) promises to pay to the order of SUMITOMO MITSUI BANKING CORPORATION, ACTING THROUGH ITS NEW YORK BRANCH (the “*Bank*”), at its office at 277 Park Avenue, New York, New York 10172, the aggregate unpaid principal amount of all Drawings or Advances made by the Bank from time to time pursuant to the Credit Agreement referred to below on the dates and in the amounts provided for in the Credit Agreement.

The Authority promises to pay interest on the unpaid principal amount of such Advances on the dates and at the rates provided for in the Standby Letter of Credit and Reimbursement Agreement dated as of November 1, 2011 (the “*Credit Agreement*”) by and between the Authority and the Bank. All payments of principal and interest shall be made in lawful money of the United States of America in immediately available funds. All capitalized terms used herein and not otherwise defined herein shall have the meanings specified in the Credit Agreement.

This note is the Revolving Note referred to in the Credit Agreement and is entitled to the benefits thereof and of the Transaction Documents referred to therein. As provided in the Credit Agreement, this Revolving Note is subject to prepayment, in whole or in part. In case an Event of Default (as defined in the Credit Agreement) shall occur and be continuing, the principal of and accrued interest on this Revolving Note may be declared due and payable in the manner and with the effect provided in the Credit Agreement.

The Bank agrees, by acceptance of this Revolving Note, that before disposing of this Revolving Note it will make a notation on the schedule attached hereto of all Advances evidenced hereby and all principal payments and prepayments made hereunder and of the date to which interest hereon has been paid; *provided, however*, that the failure to make any such notation shall not limit or otherwise affect the obligation of the Authority hereunder with respect to payments of principal of and interest on this Revolving Note.

Notwithstanding any other provision hereof or of the Credit Agreement to the contrary, the obligations of the Authority hereunder are general obligations of the Authority. This Revolving Note constitutes a valid and binding obligation of the Authority issued under the Resolution and is secured by, and payable as described in the Resolution.

To provide security for the payment of the principal of and interest on the Notes, the Revolving Note and the Term Note and any other amounts due under this Agreement as the same shall become due and payable, the Authority has granted a lien on and pledge of (subject only to the provisions of the applicable Authority resolutions authorizing the following obligations and

permitting the application proceeds there from for purposes and on the terms and conditions set forth therein): (i) the proceeds from (A) the sale of the Refunding Notes and other Notes from time to time hereafter issued and to be used to pay outstanding principal amounts of the Notes, the Revolving Note or the Term Note and (B) the sale of general obligation bonds issued by the Authority from time to time hereafter for the purpose of paying the outstanding principal amounts of or interest on the Notes, the Revolving Note or the Term Note, (ii) borrowings under this Agreement, (iii) amounts held in the Note Payment Account or the Project Account (as defined in the Resolution) after use for authorized purposes (as defined in Section 2.01 of the Resolution) and (iv) the funds available pursuant to the Constitutional Provisions.

The parties hereto, including the undersigned maker and all guarantors, endorsers and pledgers that may exist at any time with respect hereto, hereby waive presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance and enforcement of this Revolving Note and assent to the extensions of the time of payment or forbearance or other indulgence without notice.

THIS REVOLVING NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS; *PROVIDED, THAT*, THE BANK'S OBLIGATIONS HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the Texas Public Finance Authority has caused this Revolving Note to be signed in its corporate name as an instrument under seal by its duly authorized officer on the date and in the year first above written.

TEXAS PUBLIC FINANCE AUTHORITY

By: _____

Name:

Title:

TRANSACTIONS

ON

REVOLVING NOTE

<u>Date</u>	Principal Amount of <u>Advance</u>	Amount of <u>Principal Paid</u>	Date to Which <u>Interest Paid</u>	Notation <u>Made By</u>
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FORM OF TERM NOTE

TEXAS PUBLIC FINANCE AUTHORITY
TERM BANK NOTE, SERIES 2008

November 22, 2011

For value received, TEXAS PUBLIC FINANCE AUTHORITY (the “*Authority*”) promises to pay to the order of SUMITOMO MITSUI BANKING CORPORATION, ACTING THROUGH ITS NEW YORK BRANCH (the “*Bank*”), at its office at 277 Park Avenue, New York, New York 10172, the aggregate unpaid principal amount of all Term Loans made by the Bank from time to time pursuant to the Credit Agreement referred to below on the dates and in the amounts provided for in the Credit Agreement.

The Authority promises to pay interest on the unpaid principal amount of the Term Loans on the dates and at the rates provided for in the Standby Letter of Credit and Reimbursement Agreement dated as of November 1, 2011 (the “*Credit Agreement*”) by and between the Authority and the Bank. All payments of principal and interest shall be made in lawful money of the United States of America in immediately available funds. All capitalized terms used herein and not otherwise defined herein shall have the meanings specified in the Credit Agreement.

This note is the Term Note referred to in the Credit Agreement and is entitled to the benefits thereof and of the Transaction Documents referred to therein. As provided in the Credit Agreement, this Term Note is subject to prepayment, in whole or in part. In case an Event of Default (as defined in the Credit Agreement) shall occur and be continuing, the principal of and accrued interest on this Term Note may be declared due and payable in the manner and with the effect provided in the Credit Agreement.

The Bank, agrees, by acceptance of this Term Note, that before disposing of this Term Note it will make a notation on the schedule attached hereto of all Term Loans evidenced hereby and all principal payments and prepayments made hereunder and of the date to which interest hereon has been paid; *provided, however*, that the failure to make any such notation shall not limit or otherwise affect the obligation of the Authority hereunder with respect to payments of principal of and interest on this Term Note.

Notwithstanding any other provision hereof or of the Credit Agreement to the contrary, the obligations of the Authority hereunder are general obligations of the Authority. This Term Note constitutes a valid and binding obligation of the Authority issued under the Resolution and is secured by, and payable as described in the Resolution.

To provide security for the payment of the principal of and interest on the Notes, the Revolving Note and the Term Note and any other amounts due under this Agreement as the same shall become due and payable, the Authority has granted a lien on and pledge of (subject only to the provisions of the applicable Authority resolutions authorizing the following obligations and

permitting the application of proceeds there from for purposes and on the terms and conditions set forth therein): (i) the proceeds from (A) the sale of the Refunding Notes and other Notes from time to time hereafter issued and to be used to pay outstanding principal amounts of the Notes, the Revolving Note or the Term Note and (B) the sale of general obligation bonds issued by the Authority from time to time hereafter for the purpose of paying the outstanding principal amounts of or interest on the Notes, the Revolving Note or the Term Note, (ii) borrowings under this Agreement, (iii) amounts held in the Note Payment Account or the Project Account (as defined in the Resolution) after use for authorized purposes (as defined in Section 2.01 of the Resolution) and (iv) the funds available pursuant to the Constitutional Provisions.

The parties hereto, including the undersigned maker and all guarantors, endorsers and pledgers that may exist at any time with respect hereto, hereby waive presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance and enforcement of this Term Note and assent to the extensions of the time of payment or forbearance or other indulgence without notice.

THIS TERM NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS; *PROVIDED, THAT*, THE BANK'S OBLIGATIONS HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the Texas Public Finance Authority has caused this Term Note to be signed in its corporate name as an instrument under seal by its duly authorized officer on the date and in the year first above written.

TEXAS PUBLIC FINANCE AUTHORITY

By: _____
Name:
Title:

TRANSACTIONS

ON

TERM NOTE

<u>Date</u>	<u>Amount of Term Loan Made</u>	<u>Amount of Principal Paid</u>	<u>Date to Which Interest Paid</u>	<u>Notation Made By</u>
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[FORM OF REQUEST FOR EXTENSION]
Request for Extension

[Date]

Sumitomo Mitsui Banking Corporation, New York Branch
277 Park Avenue
New York, New York 10172
Attention: Manager, TECM Credit

Ladies and Gentlemen:

Reference is made to the Standby Letter of Credit and Reimbursement Agreement dated as of November 1, 2011 (the "**Credit Agreement**") by and between the, Texas Public Finance Authority (the "**Authority**") and Sumitomo Mitsui Banking Corporation, acting through its New York Branch (the "**Bank**").

The Authority hereby requests, pursuant to Section 9.12(b) of the Credit Agreement, that the Stated Expiration Date be extended to _____, _____. Pursuant to such Section 9.12(b), we have enclosed with this request the following information:

1. The outstanding principal amount of the Notes, together with the aggregate principal amount of all Advances and Term Loans Outstanding as of the date hereof, is equal to \$_____;
2. A reasonably detailed description of any and all Defaults and Events of Default that have occurred and are continuing;
3. Confirmation that all representations and warranties of the Authority contained in the Credit Agreement and the Transaction Documents are true and correct as though made on the date hereof and that no Default or Event of Default has occurred and is continuing on the date hereof; and
4. Any other pertinent information previously requested by the Bank.

The Bank is required to notify the Authority of its decision with respect to this request within thirty (30) days of the date of receipt hereof. If the Bank fails to notify the Authority of its decision within such thirty (30) day period, the Bank shall be deemed to have rejected such request. The terms capitalized herein but not otherwise defined herein shall have the meanings assigned to them in the Credit Agreement.

Very truly yours,

TEXAS PUBLIC FINANCE AUTHORITY

By: _____
Name:
Title:

FORM OF NO-ISSUANCE NOTICE

TEXAS PUBLIC FINANCE AUTHORITY
Attention: [_____]

_____, AS PAYING AGENT

Re: Standby Letter of Credit and Reimbursement Agreement,
dated as of November __, 2011

Ladies and Gentlemen:

Pursuant to Section 8.2(c) of the Standby Letter of Credit and Reimbursement Agreement dated as of November 1, 2011 (the "**Credit Agreement**") by and between the Texas Public Finance Authority (the "**Authority**"), and Sumitomo Mitsui Banking Corporation, acting through its New York Branch (the "**Bank**"), the Bank hereby notifies you that:

(a) an Event of Default of the type set forth in clause ____ of Section ____ of the Credit Agreement has occurred and is continuing;

(b) the Commitment is hereby reduced to principal amount of Notes currently Outstanding;

(c) on the maturity date of each such Note, after any Drawing or Advance required to pay such Note, the Commitment shall be reduced further by an amount equal to the principal amount of such Note; and

(d) upon the last maturity date of all such Notes, after any Advance required to pay Notes maturing on such date, the Commitment shall be terminated.

The terms capitalized herein but not otherwise defined herein shall have the meanings assigned to them in the Credit Agreement.

Very truly yours,

SUMITOMO MITSUI BANKING
CORPORATION, acting through its New York
Branch

By: _____
Name:
Title:

**TEXAS PUBLIC FINANCE AUTHORITY
CERTIFICATE REGARDING CONDITIONS PRECEDENT TO A TERM LOAN**

The Texas Public Finance (the “*Authority*”) hereby provides this Certificate, dated as of the [_____, 20__], the Term Loan Commencement Date, to the Bank (as defined below), in connection with its request for a Term Loan as required by Section 3.3(d) of the Standby Letter of Credit and Reimbursement Agreement, dated as of November 1, 2011 (the “*Credit Agreement*”) by and between the Authority and Sumitomo Mitsui Banking Corporation, acting through its New York Branch (the “*Bank*”). All capitalized terms utilized herein and not defined herein shall have the meaning set forth in the Credit Agreement.

In order to induce the Bank to make a Term Loan under the Credit Agreement, the Authority represents and warrants, as of the date hereof as follows:

1. The undersigned is an Authority Representative.
2. The Authority is in compliance with Sections 3.3(a) and (c) of the Credit Agreement.

IN WITNESS WHEREOF, the undersigned has executed this Certificate Regarding Conditions Precedent to a Term Loan as of the date first above written.

TEXAS PUBLIC FINANCE AUTHORITY

By: _____
Name:
Title:

APPENDIX I
STANDBY LETTER OF CREDIT