RESOLUTION AUTHORIZING SHORT TERM BANK LOAN THROUGH ISSUANCE OF SALES AND USE TAX REVENUE BOND; AND CONTAINING OTHER MATTERS RELATING THERETO

WHEREAS, the Metropolitan Transit Authority of Harris County, Texas (the "Authority") was created pursuant to Chapter 141, Acts of the 63rd Legislature of the State of Texas, Regular Session, 1973 (Article 1118x, Vernon’s Texas Civil Statutes, as amended, now codified as Chapter 451, Transportation Code, as amended (the "Authority Act")), and was confirmed at a confirmation and tax election held on August 12, 1978, in accordance with the Authority Act;

WHEREAS, the principal municipality within the Authority has a population of 1.5 million or more;

WHEREAS, Section 451.362, Texas Transportation Code, as amended ("Section 451.362"), and Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), authorize the Authority to issue bonds with a maximum maturity of five years and to provide for the payment of principal of and interest on such obligation from revenues or taxes, including sales and use tax revenues, received on or after the date of the issuance of such bonds;

WHEREAS, the Board has determined that it is in the best interest of the Authority to adopt this Resolution and issue its sales and use tax revenue bond in an aggregate principal amount and in the manner herein provided, as permitted by the Act (as hereinafter defined); and

WHEREAS, the Purchaser (as hereinafter defined) has agreed to purchase such bond upon the terms and conditions hereof and of the Bond Purchase Agreement (as hereinafter defined);

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE METROPOLITAN TRANSIT AUTHORITY OF HARRIS COUNTY, TEXAS:

Section 1. Findings. The Board hereby finds, determines and certifies that:

(a) the facts and recitations contained in the preamble of this Resolution are true and correct; and

(b) the Bond is being issued pursuant to and in compliance with the Act and pursuant to this Resolution.

Section 2. Definitions. As used in this Resolution, the following terms shall have the meanings set forth below:

"Act" means, collectively, the Authority Act (including particularly Section 451.362) and Chapter 1371.
"Actual Principal Amount" means the aggregate principal amount of the Purchases actually made by the Purchaser under the Bond Purchase Agreement minus the aggregate amount of payments and prepayments of principal.

"Additional Bonds" means the bonds which the Authority has reserved the right to issue in Section 17 of this Resolution.

"Authority" means the Metropolitan Transit Authority of Harris County, Texas.

"Authorized Purpose" means any purpose under the Act for which the Authority may issue the Bond.

"Authorized Officer" means the Chief Financial Officer of the Authority or such person(s) designated in writing by the Chief Financial Officer to serve as an Authorized Officer hereunder.

"Board" means the Board of Directors of the Authority, which is the governing body of the Authority.

"Bond" means the Authority's Sales and Use Tax Revenue Bond, Series 2005, authorized and issued pursuant to this Resolution and any and all bonds issued in substitution therefor or replacement thereof.

"Bond Purchase Agreement" means the Bond Purchase Agreement of even date herewith between the Authority and the Purchaser (in substantially the form presented to the Board at the time of adoption of this Resolution).

"Bondholders" or "Holders" or "Owners" means the Purchaser, as the initial payee of the Bond, and its successors and assigns.

"Business Day" means any day which is not a Saturday, Sunday, legal holiday, or day on which lending institutions in the City of Houston, Texas, are required or are authorized by law or executive order to remain closed.

"Event of Default" means an Event of Default as described in Section 18 hereof.

"Financial Advisor" means First Southwest Company, or any successor financial advisor to the Authority.

"Issuance Date" means the date on which the Bond is delivered to the Purchaser.

"LIBOR" or "London Inter-Bank Offered Rate" means the average per annum interest rate at which U.S. dollar deposits would be offered for the applicable interest period by major banks in the London inter-bank market, as shown on Telerate Page 3750 (or such other page as may replace it) at 11:00 a.m. (London time) two London banking days before commencement of the interest period.

"Maximum Maturity Date" means June 29, 2006.
“Maximum Principal Amount” means Fifty Million and No/100 Dollars ($50,000,000) which is (a) the maximum authorized principal amount of the Bond authorized to be outstanding at any one time under this Resolution and (2) the maximum amount of Purchases that the Authority is authorized to obtain at any one time under the Bond Purchase Agreement.

“Purchase” means each of the amounts to be delivered, from time to time, to the Authority by the Purchaser with respect to the installment purchases of the Bond pursuant to the Bond Purchase Agreement.

“Purchaser” means JPMorgan Chase Bank, National Association, a national banking association duly organized and existing under the laws of the United States of America.

“Resolution” means this Resolution authorizing the issuance of the Bond.

“Sales and Use Tax Revenues” means revenues collected by the Authority on or after the date of issuance of the Bond from the tax levied by the Authority pursuant to the Authority Act, the orders of the Authority’s Board and an election held within the Authority on August 12, 1978. Under the authority of the Authority Act and pursuant to such election, the rate of the Sales and Use Tax is equal to 1% of the receipts from the sale at retail or on the sale price on the lease or rental price on the storage, use or other consumption of all taxable items within the boundaries of the Authority.

“Series 2005 Bond Account” means the account by that name established pursuant to Section 9 of this Resolution.

Section 3. Authorization. The Bond shall be designated as “Metropolitan Transit Authority of Harris County, Texas, Sales and Use Tax Revenue Bond, Series 2005,” shall be in registered form payable to the Purchaser, and shall be issued as one (1) Bond, in the maximum stated principal amount equal to the Maximum Principal Amount. Proceeds of the Purchases of the Bond shall be used for Authorized Purposes of the Authority and to pay the costs of issuance thereof, pursuant to and in compliance with the Act and the Constitution and laws of the State of Texas.

Section 4. Date; Number and Maturity. The Bond shall be dated the Issuance Date, shall be numbered R-1, and shall mature on the Maximum Maturity Date.

Section 5. Interest. The Actual Principal Amount of the Bond shall bear interest from the date of each Purchase (with respect to the amount of each such Purchase) at a rate equal to the sum of (a) 80% of 30-day LIBOR plus (b) 0.40%, payable at every thirty (30) days and at maturity or upon earlier prepayment, and calculated on the basis of a 360-day year of twelve 30-day months.

Section 6. Terms; Prepayment. The Bond shall be payable, shall have the characteristics, and shall be signed and sealed, all as provided in the Form of Bond attached to this Resolution as Exhibit A. Payment of the principal of the Bond shall be made on the Maximum Maturity Date or an earlier prepayment date by wire transfer of immediately available funds to the account identified in Exhibit B hereto.
The Bond may be prepaid, in whole or in part, prior to the Maximum Maturity Date, at the option of the Authority, at a price equal to the principal amount of the Bond being prepaid plus accrued interest to the date of prepayment by wire transfer of immediately available funds to the place of payment, as set forth above, on any interest payment date; provided that the Authority must give the Purchaser written notice of the proposed prepayment at least two (2) Business Days prior to such prepayment. Notice of such prepayment may be given by facsimile transmission.

Section 7. Forms. The form of the Bond shall be substantially as set forth in Exhibit A to this Resolution, with such additions, deletions and variations as may be necessary or desirable and permitted or required by this Resolution or the Bond Purchase Agreement.

Section 8. Source of Payment and Security for the Bond; Pledge. The Bond shall constitute a special obligation of the Authority and the Actual Principal Amount of and interest on the Bond shall be payable from and secured by a subordinate lien on the Authority’s Sales and Use Tax Revenues, which pledge and lien is expressly made subordinate and junior to the pledge of and lien on such Sales and Use Tax Revenues which the Authority has granted or may grant to secure any other obligation of the Authority; and such pledge and lien shall be valid, effective and perfected without any filing or recording thereof, other than inclusion of a complete copy of this Resolution among the public records of the Authority, all as provided in Chapters 1201 and 1208, Texas Government Code, as amended.

Section 9. Series 2005 Bond Account. There is hereby created a special account, to be known as the “Sales and Use Tax Revenue Bond, Series 2005 Account” (the “Series 2005 Bond Account”). The Authority hereby covenants and agrees to deposit into the Series 2005 Bond Account from Sales and Use Tax Revenues amounts sufficient to accumulate (together with investment earnings on the Series 2005 Bond Account) the amount required to pay the interest payable on the Bond every thirty (30) days and the Actual Principal Amount of the Bond and interest thereon on the Maximum Maturity Date. The Series 2005 Bond Account shall be established and maintained at a depository bank of the Authority, shall be kept separate and apart from all other accounts of the Authority, shall be held irrevocably in trust for the equal and ratable benefit of the Holders from time to time of the Bond, and shall be used only to pay the principal of and interest on the Bond. Prior to disbursement to pay the principal of and interest on the Bond, money in the Series 2005 Bond Account shall be secured and invested in such manner as may be directed by the Authority in accordance with Texas law. Any money remaining in the Series 2005 Bond Account after payment of the Actual Principal Amount of and interest on the Bond may be used by the Authority for any lawful purpose.

Section 10. Sales and Use Tax Levy. The orders levying the Authority’s Sales and Use Tax previously adopted by the Board of Directors are hereby approved, ratified and readopted in full, and this Resolution shall be cumulative of such orders.

Section 11. Sale; Bond Purchase Agreement. The sale and delivery of the Bond to the Purchaser pursuant to the terms and provisions set forth in the Bond Purchase Agreement, substantially in the form attached hereto as Exhibit D, is hereby authorized, approved and confirmed. The Chairman or Vice Chairman and the Secretary of the Board and all other appropriate officers of the Authority are hereby authorized and directed to execute and deliver
the Bond Purchase Agreement, and all officers, agents, and representatives of the Authority are authorized and directed to do any and all things necessary or convenient to carry out the provisions of this Resolution.

Section 12. Purchases. The aggregate principal amount of Purchases shall not exceed the Maximum Principal Amount.

Section 13. Request for Purchase. Purchases shall be initiated by the Authority by delivering to the Purchaser (at the address provided in Section 21 of this Resolution for notices to the Purchaser) a written Request for Purchase, in an integral multiple of $1,000 signed by an Authorized Officer, in the form attached hereto as Exhibit C, which delivery may be made by facsimile transmission. Unless the Purchaser agrees to a shorter notice period, each Request for Purchase shall be delivered not later than two (2) Business Days prior to the date such Purchase is to be made from the Authority. No Request for Purchase shall be for less than $5,000,000, unless the Purchaser agrees to a lesser amount in writing (which agreement may be evidenced by facsimile transmission). The Authority may not deliver more than two (2) Requests for Purchase to the Purchaser in any calendar month.

It is expressly understood and agreed that the Purchaser shall be entitled to rely on representations and certifications in each Request for Purchase and shall have no obligation to make inquiry into any such representation or certification and that any inquiry undertaken by or on behalf of the Purchaser shall not affect the Purchaser’s ability to rely on such representations and certifications.

Section 14. Deposit of Purchases; Confirmation. On the date specified in each Request for Purchase, the Purchaser shall transfer the amount of the Purchase requested by such Request for Purchase, by wire transfer of immediately available funds, to the account of the Authority in accordance with wiring instructions provided in the Request for Purchase.

The Authority shall cause written confirmation of the receipt of such amount, which confirmation may be by facsimile transmission, to be given to the Authority by the bank or other financial institution receiving such amount for deposit in an account of the Authority. Upon receipt of such confirmation, the Authority shall provide written notice to the Purchaser confirming such receipt. Upon receipt of confirmation of each Purchase, the Purchaser shall make notation on the Schedule of Purchases attached to the Bond of the date of the Purchase and the amount of the Purchase.

Section 15. Proceeds. There is hereby created a special account of the Authority to be known as the “Sales and Use Tax Revenue Bond, Series 2005 Proceeds Account” (the “Bond Proceeds Account”). The proceeds from the sale of the Bond shall be deposited into such account, shall be secured and invested in the manner directed by the Authority in accordance with Texas law, and the earnings on the investment of such proceeds shall remain in such account. Money in the Bond Proceeds Account shall be used for Authorized Purposes of the Authority.
Section 16. Warranties, Representations and Covenants of the Authority.

(a) The Authority agrees, promises, and covenants that, on or before the Maximum Maturity Date, it will deposit into the Series 2005 Bond Account, from Sales and Use Tax Revenues, money sufficient to pay the Actual Principal Amount, plus all interest accrued thereon; and the Authority will, at the times and in the manner prescribed by this Resolution, deposit or cause to be deposited the amount or amounts of money specified herein into the accounts specified herein.

(b) The Authority represents and warrants that it is a duly incorporated and existing rapid transit authority under the laws of the State of Texas, authorized under the laws of the State of Texas to issue the Bond, that all actions prerequisite to the lawful issuance and delivery of the Bond have been duly and effectively taken, that this Resolution was duly adopted by the duly appointed Board at a meeting at which a quorum was present and of which notice was given as required by law; that the Bond and the Bond Purchase Agreement have been signed with the manual or facsimile signatures of the duly appointed Chairman or Vice Chairman and Secretary of the Board; that the Bond is and will be a valid and enforceable obligation of the Authority in accordance with its terms and the terms of this Resolution; and that upon delivery of the Bond, the Purchaser will have a first priority perfected security interest in the funds deposited in the Series 2005 Bond Account.

(c) The Authority certifies that the Bond is issued pursuant to and in compliance with the Act and pursuant to this Resolution.

(d) The Authority represents and certifies that all approvals, consents and orders of any governmental authority or agency having jurisdiction of any matter which would constitute a condition precedent to the performance by the Authority of its obligations under this Resolution, the Bond and the Bond Purchase Agreement will have been obtained prior to the Issuance Date.

(e) The Authority represents that there is no litigation pending or, to its knowledge, threatened, which would challenge the legality of the Authority, or the validity or enforceability of this Resolution, the Bond, the Bond Purchase Agreement, or the security therefor, or that would have any material and adverse impact on the ability of the Authority to pay the Actual Principal Amount of and interest on the Bond on the Maximum Maturity Date or perform its obligations under this Resolution when and as required.

(f) Prior to the Maximum Maturity Date, the Authority covenants to provide to the Bondholder (i) immediately upon the availability thereof, audited financial statements of the Authority as of each September 30, for the twelve-month period then ended, and (ii) immediately upon any Authorized Officer having knowledge thereof, notice of any Event of Default and of any occurrence that after notice or passage of time, or both, would become an Event of Default.

(g) The covenants and representations made or required by this Section are for the benefit of the Purchaser and each subsequent Bondholder, if any, and may be relied upon by such persons for all purposes.

Section 17. Additional Bonds. The Authority reserves the right to issue Additional Bonds which may be senior to, or on a parity with, and of equal dignity with the Bond and which
may be payable at such time or times and under such other terms, conditions and details as
determined by the Board.

Section 18. Defaults and Remedies. (a) Each of the following occurrences or events,
for the purposes of this Resolution, is hereby declared to be an “Event of Default”:

(i) the failure to make full payment of the Actual Principal Amount of each
Purchase of the Bond, plus all interest payable thereon on the Maximum Maturity Date; and

(ii) default in the performance or observance of any other covenant,
agreement or obligation of the Authority under this Resolution or the Bond Purchase Agreement
the failure of the Authority to perform which materially and adversely affects the rights of the
Purchaser or any subsequent Bondholder, if any, including, but not limited to, their prospect or
ability to be repaid in accordance with this Resolution, and the continuation thereof for a period
of sixty (60) days after written notice of such default is given by the Purchaser to the Chief
Financial Officer of the Authority.

(b) Upon the happening of an Event of Default, then and in every case the
Bondholders or their authorized representatives may proceed against the Authority for the
purpose of protecting and enforcing the rights of the Bondholders under this Resolution,
including but not limited to enforcing the pledge of, security interest in and lien and charge on
the Sales and Use Tax Revenues against all parties in possession of any Sales and Use Tax
Revenues at any time, by mandamus or other suit, action, or proceeding in equity or at law, in
any court of competent jurisdiction, for any relief permitted by law, including, but not limited to,
the specific performance of any covenant or agreement contained herein, or to enjoin any act or
thing that may be unlawful or in violation of any right of the Bondholders, or any combination of
such remedies.

Section 19. Legal Holidays. If any date fixed for payment of the Bond is not a
Business Day, then payment need not be made on such date but may be made on the next
succeeding day which is a Business Day with the same force and effect as if made on the date
fixed for payment.

Section 20. No Recourse Against Authority Officials. No recourse shall be had for the
payment of principal of or interest on the Bond or for any claim based thereon or pursuant to this
Resolution against any official of the Authority or against any person executing the Bond.

Section 21. Notices. Any notice, demand, request, or other instrument authorized or
required to be given under this Resolution shall be deemed to have been given only upon receipt.
Notices may be given by first class mail, postage prepaid, or by overnight delivery service, or by
facsimile transmission to the following addresses or such other address as may be designated by
a party:

AUTHORITY: Metropolitan Transit Authority of Harris County, Texas
1900 Main Street
Houston, Texas 77002
FAX: 713/758-9620
Attention: Chief Financial Officer
Section 22. Tax Matters. The Authority intends that the interest on the Bond shall be excludable from gross income of the Holder thereof for federal income tax purposes pursuant to Sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended (the "Code"), and all applicable temporary, proposed and final regulations (the "Regulations") and procedures promulgated thereunder and applicable to the Bond. For this purpose, the Authority covenants that it will monitor and control the receipt, investment, expenditure and use of all gross proceeds of the Bond (including all property the acquisition, construction or improvement of which is to be financed directly or indirectly with the proceeds of the Bond) and take or omit to take such other and further actions as may be required by Sections 103 and 141 through 150 of the Code and the Regulations to cause interest on the Bond to be and remain excludable from the gross income, as defined in Section 61 of the Code, of the Holder of the Bond for federal income tax purposes. Without limiting the generality of the foregoing, the Authority shall comply with each of the following covenants:

(a) The Authority will use all of the proceeds of the Bond to (i) provide funds for the purposes set forth in Section 3 of this Resolution and (ii) to pay the costs of issuing the Bond. The Authority will not use any portion of the proceeds of the Bond to pay the principal of or interest or redemption premium on any other obligation of the Authority or a related person.

(b) The Authority will not directly or indirectly take any action or omit to take any action which action or omission would cause the Bond to constitute a "private activity bond" within the meaning of Section 141(a) of the Code.

(c) Principal of and interest on the Bond will be paid solely from Sales and Use Tax Revenues collected by the Authority, investment earnings on such collections, and certain other lawfully available funds.

(d) Based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bond is delivered, the Authority reasonably expects that the proceeds of the Bond will not be used in a manner that would cause the Bond or any portion thereof to be an "arbitrage bond" within the meaning of Section 148 of the Code.

(e) At all times while the Bond is outstanding, the Authority will identify and properly account for all amounts constituting gross proceeds of the Bond in accordance with the Regulations. The Authority will monitor the yield on the investments of the proceeds of the Bond and, to the extent required by the Code and the Regulations, will restrict the yield on such investments to a yield which is not materially higher than the yield on the Bond. To the extent necessary to prevent the Bond from constituting an "arbitrage bond," the Authority will make such payments as are necessary to cause the yield on all yield restricted nonpurpose investments...
allocable to the Bond to be less than the yield that is materially higher than the yield on the Bond.

(f) The Authority will not take any action or knowingly omit to take any action which, if taken or omitted, would cause the Bond to be treated as a “federally guaranteed” obligation for purposes of Section 149(b) of the Code.

(g) The Authority represents that not more than fifty percent (50%) of the proceeds of the Bond will be invested in nonpurpose investments (as defined in Section 148(f)(6)(A) of the Code) having a substantially guaranteed yield for four years or more within the meaning of Section 149(g)(3)(A)(ii) of the Code, and the Authority reasonably expects that at least eighty-five (85%) of the spendable proceeds of the Bond will be used to carry out the governmental purpose of the Bond within the three-year period beginning on the date of issue of the Bond.

(h) The Authority will take all necessary steps to comply with the requirement that certain amounts earned by the Authority on the investment of the gross proceeds of the Bond, if any, be rebated to the federal government. Specifically, the Authority will (i) maintain records regarding the receipt, investment, and expenditure of the gross proceeds of the Bond as may be required to calculate such excess arbitrage profits separately from records of amounts on deposit in the funds and accounts of the Authority allocable to other obligations of the Authority or moneys which do not represent gross proceeds of any obligations of the Authority and retain such records for at least six years after the day on which the Bond is discharged, (ii) account for all gross proceeds under a reasonable, consistently applied method of accounting, not employed as an artifice or device to avoid in whole or in part the requirements of Section 148 of the Code, including any specified method of accounting required by applicable Regulations to be used for all or a portion of any gross proceeds, (iii) calculate, at such times as are required by applicable Regulations, the amount of excess arbitrage profits, if any, earned from the investment of the gross proceeds of the Bond and (iv) timely pay, as required by applicable Regulations, all amounts required to be rebated to the federal government. In addition, the Authority will exercise reasonable diligence to assure that no errors are made in the calculations required by the preceding sentence and, if such an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter, including payment to the federal government of any delinquent amounts owed to it, interest thereon and any penalty.

(i) The Authority will not directly or indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Bond that might result in a reduction in the amount required to be paid to the federal government because such arrangement results in a smaller profit or a larger loss than would have resulted if such arrangement had been at arm’s length and had the yield on the Bond not been relevant to either party.

(j) The Authority will timely file or cause to be filed with the Secretary of the Treasury of the United States the information required by Section 149(e) of the Code with respect to the Bond on such form and in such place as the Secretary may prescribe.
(k) The Authority will not issue or use the Bond as part of an "abusive arbitrage device" (as defined in Section 1.148-10(a) of the Regulations). Without limiting the foregoing, the Bond is not and will not be a part of a transaction or series of transactions that attempts to circumvent the provisions of Section 148 of the Code and the Regulations by (i) enabling the Authority to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage or (ii) increasing the burden on the market for tax-exempt obligations.

(l) Proper officers of the Authority charged with the responsibility for issuing the Bond are hereby directed to make, execute and deliver certifications as to facts, estimates or circumstances in existence as of the date of issuance of the Bond and stating whether there are facts, estimates or circumstances that would materially change the Authority's expectations. On or after the date of issuance of the Bond, the Authority will take such actions as are necessary and appropriate to assure the continuous accuracy of the representations contained in such certificates.

(m) The covenants and representations made or required by this Section are for the benefit of the Bondholder and any subsequent Bondholder, and may be relied upon by the Bondholder and any subsequent Bondholder and Bond Counsel to the Authority.

In complying with the foregoing covenants, the Authority may rely upon an unqualified opinion issued to the Authority by nationally recognized bond counsel that any action by the Authority or reliance upon any interpretation of the Code or Regulations contained in such opinion will not cause interest on the Bond to be includable in gross income for federal income tax purposes under existing law.

Notwithstanding any other provision of this Resolution, the Authority's representations and obligations under the covenants and provisions of this Section 23 shall survive the defeasance and discharge of the Bond for as long as such matters are relevant to the exclusion of interest on the Bond from the gross income of the owners for federal income tax purposes.

Section 23. Control. The Chief Financial Officer of the Authority, his designee and other appropriate officials of the Authority are hereby authorized to have control of the Bond and all necessary records and proceedings pertaining to the Bond pending its delivery.

Section 24. Severability. If any section, paragraph, clause or provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution.

Section 25. Open Meeting. It is hereby found, determined and declared that a sufficient written notice of the date, hour, place and subject of the meeting of the Board at which this Resolution was adopted was posted at a place convenient and readily accessible at all times to the general public at the regular meeting place of the Authority for the time required by law preceding this meeting, as required by the Open Meetings Law, Chapter 551, Texas Government Code, as amended, and that this meeting has been open to the public as required by law at all
times during which this Resolution and the subject matter thereof has been discussed, considered and formally acted upon. The Board further ratifies, approves and confirms such written notice and the contents and posting thereof.

Section 26. Repealer. All orders, resolutions and motions, or parts thereof inconsistent with the provisions of this Resolution are hereby repealed to the extent of such inconsistency.

[The remainder of this page intentionally left blank.]
Section 27. Effective Date. This Resolution shall be in full force and effect immediately upon its adoption.

PASSED AND APPROVED this June 16, 2005.

Chairman, Board of Directors

ATTEST:

Secretary, Board of Directors

(SEAL)

Exhibit A – Form of Bond
Exhibit B – Wire Instructions
Exhibit C – Form of Request for Purchase
Exhibit D – Bond Purchase Agreement
EXHIBIT A

[FORM OF BOND]

BOND NO. R-1

UNITED STATES OF AMERICA
STATE OF TEXAS
COUNTY OF HARRIS

METROPOLITAN TRANSIT AUTHORITY OF HARRIS COUNTY, TEXAS
SALES AND USE TAX REVENUE BOND
SERIES 2005

ISSUANCE DATE: July 1, 2005
MAXIMUM PRINCIPAL AMOUNT: $50,000,000
MAXIMUM MATURITY DATE: June 29, 2006

METROPOLITAN TRANSIT AUTHORITY OF HARRIS COUNTY, TEXAS (the “Authority”) hereby acknowledges itself indebted to and promises to pay from Sales and Use Tax Revenues of the Authority to JPMorgan Chase Bank, National Association, (the “Payee”) on the Maximum Maturity Date set out above, an amount equal to the Actual Principal Amount of this Bond (which term is defined in the resolution of the Authority’s Board of Directors authorizing the issuance of this Bond (the “Resolution”) as the aggregate principal amount of Purchases actually made with respect to this Bond, minus the aggregate principal amount of prepayments, under a Bond Purchase Agreement dated June 16, 2005, between the Authority and the Payee, which Purchases are to be made at the discretion and request of the Authority) and to pay every thirty (30) days and at maturity or upon earlier prepayment, from the same source, interest on each Purchase from the date on which such Purchase is made at the per annum rate calculated in the manner set out in the Resolution, computed on the basis of a 360-day year comprised of twelve 30-day months. Payments of principal of and interest on this Bond shall be payable in any coin or currency which, on the date of payment of such principal and interest, is legal tender for the payment of debts due the United States of America, without exchange or collection charges, by wire transfer of immediately available funds, upon presentation and surrender of this Bond to the Chief Financial Officer of the Authority at the business office of the Authority in Houston, Texas.

THIS BOND is dated the Issuance Date and is issued in an aggregate stated principal amount not to exceed the Maximum Principal Amount shown above for Authorized Purposes of the Authority, pursuant to and in compliance with Chapter 1371 Texas Government Code, as amended, and Section 451.362, Texas Transportation Code, as amended, and pursuant to the Resolution, under and in strict conformity with the Constitution and laws of the State of Texas. Capitalized terms used herein and not otherwise defined shall have the meaning assigned in the Resolution.
THE ACTUAL PRINCIPAL AMOUNT of this Bond shall never exceed the Maximum Principal Amount, whether or not such Actual Principal Amount corresponds to the aggregate of the outstanding principal amounts shown on the Schedule of Purchases attached hereto.

THIS BOND MAY BE PREPAID prior to maturity, in whole or in part, on any interest payment date, at a price equal to the outstanding principal amount being prepaid plus accrued interest thereon to the date of payment, by wire transfer of immediately available funds to the place of payment, in accordance with the terms and conditions of the Resolution.

THIS BOND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS AND APPLICABLE FEDERAL LAW.

BY ACCEPTANCE HEREOF the Payee accepts and agrees to all of the terms and conditions of the Resolution, which terms and conditions are incorporated herein by reference for all purposes. The Authority may treat the Payee as the absolute owner of this Bond for all purposes, and the Authority shall not be bound by any notice to the contrary.

THIS BOND IS A SPECIAL OBLIGATION OF THE AUTHORITY payable solely from and secured by a subordinate lien on the Authority’s Sales and Use Tax Revenues, which pledge has been made subordinate and junior to the pledge of and lien on such Sales and Use Tax Revenues which the Authority may grant to secure any other obligation of the Authority.

IT IS HEREBY CERTIFIED, RECITED AND COVENANTED that this Bond has been duly and validly authorized, issued and delivered; that all acts, conditions and things required or proper to be performed, exist and be done precedent to or in the issuance and delivery of this Bond have been performed, existed and have been done in accordance with law; that this Bond does not exceed any Constitutional or statutory limitation; that due provision has been made for the payment of the interest on and principal of this Bond, as such interest comes due and such principal matures, by an irrevocable pledge of the Sales and Use Tax Revenues described in the Resolution; and that this Bond is a valid and binding obligation of the Authority, enforceable against the Authority in accordance with its terms.
IN WITNESS WHEREOF, this Bond has been executed by the manual or facsimile signatures of the Chairman or Vice Chairman of said Board and attested by the Secretary of said Board, and the official seal of the Authority has been duly affixed by being impressed, or placed in facsimile, on this Bond.

Chairman, Board of Directors
Metropolitan Transit Authority of Harris County, Texas

ATTEST:

Secretary, Board of Directors
Metropolitan Transit Authority of Harris County, Texas

(SEAL)

* * *

(Reverse Side of Bond)

SCHEDULE OF PURCHASES

<table>
<thead>
<tr>
<th>Date of Purchase</th>
<th>Principal Amount of Purchase</th>
<th>Payments and Prepayments</th>
<th>Maturity Date</th>
</tr>
</thead>
</table>
EXHIBIT B

Purchaser: JPMorgan Chase Bank, National Association

Maximum Principal Amount of Bond: $50,000,000

Wire Instructions: 

____________________________________________________________________

____________________________________________________________________

____________________________________________________________________

____________________________________________________________________
EXHIBIT C

REQUEST FOR PURCHASE

BOND PURCHASER: ______________________________ (as nominee for the Purchaser)

DATE OF NOTICE: ______________________________, 200_

BORROWER/ISSUER: Metropolitan Transit Authority of Harris County, Texas

PERTAINING TO: $50,000,000 Sales and Use Tax Revenue Bond, Series 2005, Bond Purchase Agreement dated June 16, 2005 (the “Agreement”)

This Request for Purchase is delivered pursuant to Section 13 of that certain Resolution adopted by the Board of Directors of the Authority on June 16, 2005, authorizing issuance of its Sales and Use Tax Revenue Bond, Series 2005, in the maximum principal amount of $50,000,000 (the “Bond”) and the Agreement between the Authority and the Purchaser relating to the purchase of the Bond. All capitalized terms used and not otherwise defined herein shall have the same meaning as those set forth in this Resolution.

The Authority hereby requests a Purchase (the “Requested Purchase”) as follows:

1. The aggregate principal amount of the Requested Purchase is $________.

2. The date on which the Requested Purchase is to be made is __________, 20__, being a date that is not earlier than the third (3rd) Business Day after the date hereof.

3. The aggregate amount of all outstanding Purchases and the Requested Purchase is $________, which amount is equal to or less than the Maximum Principal Amount of the Bond.

4. The interest rate for this Purchase is _____%.

5. The Requested Purchase is to be deposited, in immediately available funds by wire transfer, in Account No. [insert account number] maintained by the Authority with [insert bank or financial institution], Houston, Texas, ABA Routing [insert routing number], Attention: [insert account contact].

6. By execution hereof the undersigned certifies that (a) he/she is an Authorized Officer as defined in the Resolution, (b) the Resolution has not been amended,
rescinded, supplemented or otherwise modified since the date thereof and (c) that no resolution conflicting with the terms of the Resolution has been adopted by the Board since such date.

7. On and as of the date hereof the undersigned hereby certifies that (a) each and every one of the representations and warranties of the Authority contained in the Resolution, including those regarding arbitrage, is true, correct, and accurate in all respects, and each such representation and warranty is hereby affirmatively made and restated on and as of the date of this Request for Purchase and (b) the Authority is not in default under any provision of the Resolution or the Bond.

METROPOLITAN TRANSIT AUTHORITY OF HARRIS COUNTY, TEXAS

By: ________________________________

Title: ________________________________

C-2
EXHIBIT D

$50,000,000
SALES AND USE TAX REVENUE BOND
SERIES 2005

BOND PURCHASE AGREEMENT

July 1, 2005

Board of Directors
Metropolitan Transit Authority of Harris County, Texas
Houston, Texas

Ladies and Gentlemen:

The undersigned (the "Purchaser"), hereby offers and agrees to purchase a Sales and Use Tax Revenue Bond, Series 2005 (the "Bond") from the Metropolitan Transit Authority of Harris County, Texas (the "Authority"), in installments and as needed, in an aggregate sum not exceeding $50,000,000, for Authorized Purposes (as defined in the Resolution) of the Authority.

If your Board of Directors accepts this offer where indicated below, the Purchaser will make installment purchases of the Bond (the "Purchases") from the Authority from time to time on the date that is not later than the second (2nd) Business Day after receipt from the Authority of a request for Purchase ("Request for Purchase"), properly executed by an Authorized Officer, as defined in the resolution (the "Resolution") of the Board of Directors authorizing the issuance of the Bond, in the form and content attached to such Resolution as Exhibit C, and upon satisfaction of the other conditions stated herein.

Section 1. Initial Purchase. Subject to the conditions to Purchases described below, the first Purchase will be made from you upon receipt by the Purchaser of the following:

(a) A certified copy of the Resolution in the form and substance attached hereto as Exhibit A, finally adopted, in full force and effect and without amendments to the date of such Purchase;

(b) This Bond Purchase Agreement, fully executed by the manual signature of the Chairman or Vice Chairman of the Board of Directors, and attested by its Secretary;

(c) The original Bond (as defined in, and in the form and substance set forth in, the Resolution) fully executed by the manual or facsimile signature of the Chairman or Vice Chairman of the Board of Directors and attested by the manual or facsimile signature of its Secretary;

D-1
(d) An executed approving opinion, in form and substance attached hereto as Exhibit B, of Andrews Kurth LLP, Houston, Texas ("Bond Counsel");

(e) Such additional certificates and documents as may be required by Bond Counsel to enable it to render the opinion required above, including one or more opinions of counsel to the Purchaser, in form and substance acceptable to Bond Counsel; and

(f) A Request for Purchase executed by an Authorized Officer, completed in all respects, and specifying the amount of the first Purchase.

Section 2. Additional Purchases. Subject to the conditions to Purchases described below, after the first Purchase, the Purchaser will make additional Purchases from the Authority upon receipt of:

(a) A properly completed and executed Request for Purchase;

(b) An executed approving opinion of Bond Counsel, in form and substance attached hereto as Exhibit B, and one or more opinions of counsel to the Purchaser, in form and substance to Bond Counsel; and

(c) Such additional certificates and documents as may be required by Bond Counsel, if any, in order to assure the continued tax-exempt status of the Bond.

Section 3. Conditions to Purchases.

(a) The obligation of the Purchaser to make each Purchase under Sections 1 and 2 hereof shall be subject to the condition that there has been no material adverse change in the financial affairs of the Authority since the date of this Bond Purchase Agreement.

(b) The obligation of the Purchaser to make the Purchases is expressly conditioned upon (i) the truth and accuracy of the Authority’s representations and warranties contained in the Resolution and reconfirmed in each Request for Purchase, (ii) the performance by the Authority of all of its covenants and obligations in the Resolution and (iii) the Authority not being in default under the Resolution.

Section 4. Miscellaneous.

(a) The terms of the Bond, including the sources of payment, security, maturity, and interest rate provisions, shall be as set forth in the Resolution.

(b) The fees and expenses of Bond Counsel and the Financial Advisor (as defined in the Resolution) shall be paid by the Authority; and

(c) This Bond Purchase Agreement must be accepted not later than 11:59 p.m. on the date hereof and if not so accepted may be withdrawn.

D-2

HOU:2430248.5
(d) THIS BOND PURCHASE AGREEMENT SHALL BE CONSTRUED AND
ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS AND
APPLICABLE FEDERAL LAW.

(e) Notice is hereby given, and the parties hereto agree, that this Agreement has been
executed on behalf of the Purchaser, by officers of the Purchaser, and that all persons dealing
with the Purchaser must look solely to the Purchaser’s property for the enforcement of any
claims against the Purchaser as none of the officers, agents, or shareholders of the Purchaser
assume any personal liability for obligations entered into on behalf of the Purchaser.

The Purchaser represents that (1) the Bond will be purchased in installments pursuant to
the Resolution and the terms hereof, (2) the investment in the Bond and the Purchases will be for
the Purchaser’s own account and for investment purposes only and not with a view to
distribution or resale, (3) the Purchases will be made in private transactions, (4) such Purchaser
is a sophisticated investor, having such knowledge and experience in financial and business
matters that it is capable of evaluating the merits and risks of its investment in the Bond it is
purchasing, (5) the Purchaser has reviewed such information concerning the Authority and its
financial affairs as it has deemed necessary and each has satisfied itself as to the financial
condition of the Authority, and (6) the receipt of an official statement or other disclosure
document is not required by the Purchaser.

This Bond Purchase Agreement may be executed in several counterparts each of which
shall be regarded as an original (with the same effect as if the signatures thereto and hereto were
upon the same document) and all of which shall constitute one and the same document.

[The remainder of this page intentionally left blank.]
It is the Purchaser’s pleasure to extend this offer to the Authority, and if your Board of Directors finds its terms acceptable, please adopt the Resolution at an appropriate public meeting of the Board after posting the notice required by law, and execute a copy of this Agreement where indicated below and return the same to us at the appropriate address.

Respectfully yours,

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION

By: ________________________________
As Its: ________________________________

Accepted this 16th day of June, 2005.

BOARD OF DIRECTORS
METROPOLITAN TRANSIT AUTHORITY
OF HARRIS COUNTY, TEXAS

By: ________________________________
   Chairman, Board of Directors

ATTEST:

By: ________________________________
   Secretary, Board of Directors

(SEAL)