SALES AND USE TAX REVENUE COMMERCIAL PAPER NOTES, SERIES A

RESOLUTION AUTHORIZING THE ISSUANCE OF METROPOLITAN TRANSIT AUTHORITY OF HARRIS COUNTY, TEXAS, SALES AND USE TAX REVENUE COMMERCIAL PAPER NOTES, SERIES A, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $400,000,000 FOR THE PURPOSE OF PROVIDING MONEY FOR CERTAIN AUTHORIZED PURPOSES; APPROVING AND AUTHORIZING CERTAIN AUTHORIZED OFFICERS AND EMPLOYEES TO ACT ON BEHALF OF THE AUTHORITY IN THE SELLING AND DELIVERY OF SUCH NOTES, WITHIN THE LIMITATIONS AND PROCEDURES SPECIFIED HEREFIN; MAKING CERTAIN COVENANTS AND AGREEMENTS IN CONNECTION THEREWITH; AND RESOLVING OTHER MATTERS INCIDENT AND RELATED TO THE ISSUANCE, SALE, DELIVERY AND SECURITY OF THE NOTES, INCLUDING THE APPROVAL OF AN ISSUING AND PAYING AGENCY AGREEMENT, A CREDIT AGREEMENT, AN OFFERING MEMORANDUM AND A COMMERCIAL PAPER DEALER AGREEMENT

Adopted October 27, 2005
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RESOLUTION AUTHORIZING THE ISSUANCE OF METROPOLITAN TRANSIT AUTHORITY OF HARRIS COUNTY, TEXAS, SALES AND USE TAX REVENUE COMMERCIAL PAPER NOTES, SERIES A, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $400,000,000 FOR THE PURPOSE OF PROVIDING MONEY FOR CERTAIN AUTHORIZED PURPOSES; APPROVING AND AUTHORIZING CERTAIN AUTHORIZED OFFICERS AND EMPLOYEES TO ACT ON BEHALF OF THE AUTHORITY IN THE SELLING AND DELIVERY OF SUCH NOTES, WITHIN THE LIMITATIONS AND PROCEDURES SPECIFIED HEREIN; MAKING CERTAIN COVENANTS AND AGREEMENTS IN CONNECTION THEREWITH; AND RESOLVING OTHER MATTERS INCIDENT AND RELATED TO THE ISSUANCE, SALE, DELIVERY AND SECURITY OF THE NOTES, INCLUDING THE APPROVAL OF AN ISSUING AND PAYING AGENCY AGREEMENT, A CREDIT AGREEMENT, AN OFFERING MEMORANDUM AND A COMMERCIAL PAPER DEALER AGREEMENT

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

WHEREAS, pursuant to Chapter 1371, the Authority is authorized to issue all or a portion of the aforesaid obligations as commercial paper notes;

WHEREAS, the Board desires to authorize the issuance of the Notes (hereinafter defined) pursuant to Chapter 1371 and Section 451.362;

WHEREAS, the Authority hereby finds that the Credit Agreement (hereinafter defined) constitutes a "credit agreement" within the meaning of Chapter 1371;

WHEREAS, the Authority intends to refinance the Notes and any Loan Notes under the Credit Agreement with refunding bonds issued under Chapter 1207, Texas Government Code, as amended, which are expected to be issued as fixed rate obligations (at then current market rates for similarly-rated tax-exempt debt), payable in substantially equal annual installments of debt service over a term of five years;
WHEREAS, the Authority hereby finds and determines that the issuance of the Notes and the execution and delivery of the Credit Agreement and the Loan Notes (hereinafter defined), subject to the terms, conditions and limitations hereinafter prescribed, should be approved and authorized at this time; and

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

ARTICLE I.
DEFINITIONS AND INTERPRETATIONS

Section 1.01. DEFINITIONS. Throughout this Resolution (except in the FORM OF NOTES--Exhibits A-1 and A-2), in addition to the terms defined in the recitals hereof, the following terms and expressions used herein shall have the meaning specified in this Section.


“Additional Obligations” means any bonds, notes or other obligations (including lease obligations) which the Authority reserves the right to issue or incur in Section 4.07 of this Resolution, which are secured by a senior lien on the Pledged Revenues that is on a parity with the lien thereon of the Notes and any Loan Notes associated therewith.

“Adjustable Rate Obligations” means any Senior Lien Obligations that initially bear interest at an adjustable or variable rate of interest, including Adjustable Rate Obligations which may be converted to a Senior Lien Obligation bearing a fixed rate of interest.

“Attorney General” means Attorney General of the State of Texas.

“Authority” means the Metropolitan Transit Authority of Harris County, Texas.

“Authorized Denomination” means, with respect to the Notes, $100,000 principal amount, and integral multiples of $1,000 thereafter.

“Authorized Purposes” means the purposes for which Notes may be issued, as described in Section 2.01(b), as the same may be modified or amended from time to time pursuant to Section 6.01(a)(vi), or as permitted by Section 451.362, Texas Transportation Code, as amended.

“Authorized Representative” means that person designated as the Authorized Representative in writing and delivered to the Issuing and Paying Agent, the Credit Provider and the Dealer pursuant to Section 3.05. The Authorized Representative shall be the Chief Financial Officer or such person(s) designated in writing by the Chief Financial Officer to serve in such capacity pursuant to Section 3.05.

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

“Commitment” means the maximum amount available to be drawn as Loans under the Credit Agreement for the payment of principal of and interest on the Notes, as such amount may be reduced and reinstated from time to time as provided in the Credit Agreement.

“Construction Account” means those certain funds and accounts established pursuant to and used in accordance with Section 3.02 of this Resolution.

“Credit Agreement” means that certain revolving credit agreement with respect to the Notes approved and authorized to be entered into between the Authority and the Credit Provider pursuant to Section 3.03, as such agreement from time to time may be amended or supplemented in accordance with the terms hereof, or any other credit agreement(s) between the Authority and Credit Provider provided in lieu thereof in accordance with the provisions of Section 3.03. The Credit Agreement may provide credit, liquidity, or both, and may be in any form and may bear any title so long as it constitutes a credit agreement within the meaning of Chapter 1371.

“Credit Provider” means any provider of credit pursuant to the Credit Agreement. The initial Credit Provider for the Notes shall be DEPFA BANK plc, acting through its New York Branch.

“DTC” means The Depository Trust Company, New York, New York or any successor securities depository.

“DTC Letter of Representations” means an agreement by and among the Authority, the Issuing and Paying Agent and DTC, regarding DTC’s services as securities depository for the Notes and DTC’s book-entry only system of transfer for the Notes.

“DTC Participant” means brokers and dealers, banks, trust companies, clearing operations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlements of securities transactions among DTC Participants.

“Dealer” means the Authority’s commercial paper dealer or co-commercial paper dealers appointed pursuant to Section 3.04.

“Dealer Agreement” means the agreement between the Authority and the Dealer, as the same shall from time to time be in effect, pursuant to the provisions of Section 3.04.

“Debt Service Requirements” means, as of any period of time for which such calculation applies, an amount equal to the sum of the following for any such period and with respect to all or any portion of the Senior Lien Obligations:

A. Current interest scheduled to be paid during such period on such Senior Lien Obligations; plus

B. That portion of the principal of, or compounded interest on, such Senior Lien Obligations scheduled to be payable during such period (either at maturity or by reason of scheduled mandatory redemptions, but after taking into account all prior optional and mandatory
redemptions of Senior Lien Obligations); provided, however, that the following rules shall apply to the computation of Debt Service Requirements on any series of Senior Lien Obligations that are Short Term Obligations or Adjustable Rate Obligations:

(i) For any series of Senior Lien Obligations issued as Short Term Obligations under this Resolution pursuant to a program designated by the Authority as a commercial paper or similar program, Debt Service Requirements shall be computed on the assumption that the principal amount shall be continuously refinanced under such program and remain outstanding until the first Fiscal Year for which interest on such Short Term Obligations has not been provided for, at which time (which shall not be beyond the term of such program) it shall be assumed that the outstanding principal amount thereof shall be refinanced with a series of Senior Lien Obligations to be amortized (a) over a remaining period not to exceed the then maximum period for which refunding bonds may be issued to refund such Short Term Obligations, such period to begin on the original "new money" issue date of such Short Term Obligations and (b) in such a manner that the Debt Service Requirements in any 12-month period are substantially equal to the Debt Service Requirements for any other 12-month period, and such Short Term Obligations shall be assumed to bear interest at a fixed interest rate estimated by the Authority’s financial advisor in a written certificate delivered to the Authority at the time of such calculation to be the interest rate such a series of Senior Lien Obligations would bear if issued on such terms on the date of such estimate; and

(ii) For any series of Senior Lien Obligations issued as Adjustable Rate Obligations, it shall be assumed that such Senior Lien Obligations will bear interest at a rate estimated by the Authority’s financial advisor in a written certificate delivered to the Authority at the time of such calculation to be the average rate of interest such Senior Lien Obligations would bear if issued as long-term bonds, in the same principal amount and with the same priority of lien, bearing interest at fixed rates based on the average life of the Adjustable Rate Obligations.

Debt Service Requirements shall be calculated with the assumption that no Senior Lien Obligations Outstanding at the time of calculation will cease to be Outstanding except by reason of the payment of scheduled principal maturities or scheduled mandatory redemptions, except as provided above for Short Term Obligations.

"Fiscal Year" means the fiscal year of the Authority, currently beginning on October 1 of any year and ending on September 30 of the next succeeding year, but which may be changed by the Board.

"Interest Rate" means the interest rate borne by any Note.

"Interest and Sinking Fund" means the fund established by the Authority pursuant to Section 4.03 of this Resolution.

"Issuing and Paying Agent" means, initially, Deutsche Bank Trust Company Americas when acting in such capacity, or any successor issuing and paying agent appointed pursuant to this Resolution.
“Issuing and Paying Agent Agreement” means the agreement between the Authority and the Issuing and Paying Agent, as the same may from time to time be in effect.

“Junior Lien Obligations” means any one or more of those series of bonds, notes or other obligations (including lease obligations) that is secured, with or without other security, by a lien on Pledged Revenues that is junior and subordinate to the lien thereon of the Senior Lien Obligations but is senior and superior to the lien thereon of the Subordinate Lien Obligations.

“Loan” means a loan made to the Authority pursuant to the Credit Agreement.

“Loan Notes” means any promissory note executed and delivered by the Authority to the order of the Credit Provider to evidence a Loan made by the Credit Provider to the Authority under the Credit Agreement.

“Master Notes” means those forms of Note(s) issued to and registered in the name of Cede & Co., as nominee of DTC or another securities depository pursuant to Section 2.06 which are intended to evidence the Authority’s aggregate obligations under the Notes.

“Maximum Annual Debt Service Requirements” means the maximum Debt Service Requirements (taking into account all mandatory redemption requirements) for the Senior Lien Obligations calculated to occur in any particular future Fiscal Year including the then current Fiscal Year.

“Maximum Maturity Date” means October 1, 2010, which is a date prior to the fifth anniversary of the date of the Attorney General’s approval of the Notes and the Resolution.

“Maximum Rate” means the lesser of (i) maximum “net effective interest rate” allowable under Chapter 1204, Texas Government Code, as amended, which currently is 15% or (ii) such lesser maximum rate as shall from time to time be authorized by Board, which initially shall be 10%.

“Note Payment Account” means the account so designated and established pursuant to Section 4.06 hereof, which shall contain such subaccounts as are provided in such section.

“Notes” means the Authority’s Sales and Use Tax Revenue Commercial Paper Notes, Series A, authorized by this Resolution, and, whenever such Notes are authorized to be issued in book-entry only form pursuant to Section 2.06, such term shall refer to the Authority’s obligations under the Notes, which obligations shall be evidenced by one or more Master Notes as herein provided.

“Outstanding” means, as of the date of determination, all Senior Lien Obligations theretofore delivered under this Resolution or other authorizing resolution, except:

(1) Senior Lien Obligations theretofore canceled and delivered to the Authority or delivered to the Issuing and Paying Agent for cancellation;

(2) Senior Lien Obligations upon transfer of or in exchange for and in lieu of which other Senior Lien Obligations have been delivered; and
(3) Senior Lien Obligations under which obligations of the Authority have been released, discharged or extinguished in accordance with the terms thereof.

“Person” means any individual, corporation, partnership, joint venture, unincorporated association, association, trust, joint stock company, unincorporated organization, government or government agency or other legal entity capable of carrying on a trade or business.

“Pledged Revenues” means seventy-five percent (75%) of the revenues collected and received by the Authority on or after the date of issuance of the Notes from its levy of the Sales and Use Tax, plus any investment income earned on any moneys in the Revenue Fund.

“Register” means the books of registration for the Notes maintained by the Issuing and Paying Agent.

“Registered Owner” or “Owner” means the Person or entity in whose name any Note is registered in the Register.

“Resolution” means this Resolution authorizing, among other things, the issuance and sale of the Notes, as it may from time to time be amended, supplemented or restated pursuant to its terms.

“Revenue Fund” means the fund confirmed by the Authority pursuant to Section 4.03 of this Resolution.

“Sales and Use Tax” means the tax levied by the Authority pursuant to the Authority Act, 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 resolutions, the rate of such tax is equal to 1% of the receipts from the sale at retail or on the sale price or the lease or rental price on the storage, use or other consumption of all taxable items within the boundaries of the Authority.

“Senior Lien Obligations” means the Notes, the Loan Notes and any one or more of those series of bonds, notes or other obligations (including lease obligations) that is secured by a lien on all or a portion of Pledged Revenues that is senior and superior to the lien thereon of the Junior Lien Obligations and the Subordinate Lien Obligations (provided that only the Notes and Loan Notes are secured by a lien on the funds described in Section 4.01(c) hereof).

“Short Term Obligations” shall mean each series of bonds, notes and other obligations issued pursuant to a commercial paper or other similar financing program, the payment of principal of which is scheduled to be payable within one year from the date of issuance and is contemplated to be refinanced through the issuance of Additional Obligations.

“Subordinate Lien Obligations” means any one or more of any series of bonds, notes or other obligations (including lease obligations) secured, with or without other security, by a lien on Pledged Revenues that is junior and subordinate to the lien thereon of the Senior Lien Obligations and the Junior Lien Obligations.
Section 1.02. RULES OF CONSTRUCTION. (a) For all purposes of this Resolution, unless the context requires otherwise, all references to designated Articles, Sections and other subdivisions are to the articles, sections and other subdivisions of this Resolution.

(b) Except where the context otherwise requires, terms defined in this Resolution to impart the singular number shall be considered to include the plural number and vice versa.

(c) Except where the context otherwise requires, "includes," "included," and "including" shall be deemed to be followed by "without limitation" whether or not they are in fact followed by such word or words of like import.

Section 1.03. INTERPRETATIONS. The table of contents, titles and headings of the articles and sections of this Resolution have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof.

ARTICLE II.
AUTHORIZATION OF NOTES

Section 2.01. GENERAL AUTHORIZATION. (a) Pursuant to authority conferred by and in accordance with the provisions of the Act and all other applicable law and the Authority Act, the Notes shall be and are hereby authorized to be issued in an aggregate principal amount not to exceed FOUR HUNDRED MILLION DOLLARS ($400,000,000) at any one time outstanding for the purpose of (1) paying costs incurred for Authorized Purposes associated with the projects described in Section 2.01(b) hereof, and (2) refinancing, renewing or refunding the principal amount of and interest on Notes or Loan Notes issued pursuant to the provisions hereof and any other obligations under the Credit Agreement, in accordance with and subject to the terms, conditions and limitations contained herein and in the Credit Agreement. The Loan Notes shall be and are authorized to be issued in an aggregate principal amount not to exceed FOUR HUNDRED TWENTY-NINE MILLION FIVE HUNDRED EIGHTY-NINE THOUSAND FORTY-TWO DOLLARS ($429,589,042) for the purpose of evidencing the Authority's obligation to repay Loans, if any, made by the Credit Provider to the Authority under the Credit Agreement; provided, however, that the aggregate principal amount of Notes and Loans at any time evidenced by Outstanding Notes and the Loan Notes shall never exceed $429,589,042. Upon the defeasance of Notes with funds other than those generated by the issuance of other Notes or Loan Notes, the principal amount of such defeased Notes shall become available for the issuance of Notes to pay costs incurred for Authorized Purposes. For purposes of this Section 2.01, any portion of Outstanding Notes or the Loan Notes to be paid from money on deposit with the Issuing and Paying Agent and from the available proceeds of Notes or other obligations of the Authority issued on the day of calculation, including Loans, shall not be considered Outstanding. Subject to any limitations contained herein, in the Act and all other applicable law, the authority to issue Notes from time to time under the provisions of this Resolution shall exist until the Maximum Maturity Date.

(b) The Authorized Purposes for which Notes may be issued pursuant to Chapter 1371, in conjunction with Section 451.362, include payment of the costs of a building, terminal, garage, shop or other structure, rolling stock, equipment or other facility for mass public
transportation and a vehicle parking area or facility necessary or convenient for the beneficial use and access of persons and vehicles to a station, terminal, yard, car, or bus or for the protection or environmental enhancement of facilities for mass public transportation and the acquisition, construction, repair, equipping, improvement or extension of the Authority’s transit system and payment of costs of issuance of the Notes and the Loan Notes.

(c) On each date that the Notes are initially issued (i.e., other than to refinance, renew or refund Notes or Loan Notes), the Authorized Representative shall designate the Authorized Purposes for which such Notes are issued (whether for the purposes described in subsection (b) or (c) hereof) and the Maximum Maturity Date.

Section 2.02. TERMS APPLICABLE TO NOTES. (a) The Notes are hereby designated as “Metropolitan Transit Authority of Harris County, Texas, Sales and Use Tax Revenue Commercial Paper Notes, Series A” and shall be dated as of their date of issuance. Under and pursuant to the authority granted hereby and subject to the limitations contained herein, the Notes are authorized to be issued, sold and delivered from time to time in such principal amounts (in Authorized Denominations) and bearing interest at such Interest Rates (not to exceed the Maximum Rate) payable at maturity of each Note as determined by an Authorized Representative, numbered in ascending consecutive numerical order in the order of their issuance and to mature and become due and payable on such date as an Authorized Representative shall determine at the date of sale; provided, however, that no Note shall (i) mature after the Maximum Maturity Date, (ii) have a term in excess of 270 days, (iii) have a term beyond the third Business Day prior to the scheduled expiration date or substitution date for the Credit Agreement relating to such Note or (iv) be issued at any time that a “non issuance notice” has been issued by the Credit Provider pursuant to the Credit Agreement which provides that such Note would not be entitled to the security provided by the Credit Agreement, and further provided, however, that no Loan Note shall mature after the Maximum Maturity Date. Notwithstanding the foregoing, the Loan Notes shall bear interest and be payable in accordance with the terms of the Credit Agreement and the Loan Notes.

(b) The Notes shall be issued in registered form, without interest coupons. The principal of and interest on the Notes shall be payable in lawful money of the United States of America, without exchange or collection charges to the Owners or holders thereof, upon presentation and surrender of the Notes at the principal corporate trust office of the Issuing and Paying Agent.

Section 2.03. FORMS OF NOTES. The Notes and the Certificate of Authentication to appear on each of the Notes and any Master Notes shall be substantially in the form set forth in Exhibits A-1 and A-2, respectively, to this Resolution with such appropriate insertions, omissions, substitutions and other variations as are permitted or required by this Resolution and may have such letters, numbers or other marks of identification, including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association (“CUSIP Numbers”), such legends and endorsements thereon and such opinions of bond counsel as may, consistent herewith, be approved by an Authorized Representative. Any portion of the text of any Note or Master Note may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Note or Master Note. The Notes and Master Notes shall be printed, lithographed, engraved or produced in any other similar
manner, or typewritten, all as determined and approved by the Authorized Representative. The Loan Notes shall be in the form prescribed by the Credit Agreement.

Section 2.04. EXECUTION; AUTHENTICATION. (a) The Notes and Loan Notes shall be executed for and on behalf of the Authority by the President and Chief Executive Officer of the Authority, under the Authority's seal reproduced or impressed thereon and attested by the Secretary of the Board. The signature of said officers on the Notes and Loan Notes may be manual or facsimile. Notes and Loan Notes bearing the manual or facsimile signatures of individuals who are or were the proper officers on the date of passage of this Resolution shall be deemed to be duly executed on behalf of the Authority, notwithstanding that such individuals or any of them shall cease to hold such offices at the time of the initial sale and delivery of any Notes and Loan Notes authorized to be issued hereunder and with respect to Notes and Loan Notes delivered in subsequent sales, exchanges and transfers, all as authorized and provided in Chapter 1201, Texas Government Code, as amended.

(b) No Note shall be entitled to any right or benefit under this Resolution, or be valid or obligatory for any purpose, unless there appears on such Note a certificate of authentication substantially in the form provided in Exhibit A-1, executed by the Issuing and Paying Agent by manual signature, and such certificate upon any Note shall be conclusive evidence, and the only evidence, that such Note has been duly certified or registered and delivered.

Section 2.05. ISSUING AND PAYING AGENT. (a) The selection and appointment of Deutsche Bank Trust Company Americas to serve as the initial Issuing and Paying Agent for the Notes is hereby authorized, approved and confirmed. The Issuing and Paying Agency Agreement, substantially in the form attached hereto as Exhibit B, is hereby approved and shall be entered into with the Issuing and Paying Agent. The President and Chief Executive Officer of the Authority is hereby authorized to execute and deliver the Issuing and Paying Agency Agreement and any other documents called for thereunder and the Secretary of the Board is authorized to attest thereto and impress the Authority's seal thereon.

(b) The Authority covenants to maintain and provide an Issuing and Paying Agent at all times while the Notes are Outstanding, which shall be a national or state banking association or corporation organized and doing business under the laws of the United States of America or of any state and authorized under such laws to exercise trust powers. If a change in the Issuing and Paying Agent for the Notes occurs, the Authority agrees to promptly cause a written notice thereof to be given to the Credit Provider, Dealer, DTC (if the Notes are then issued in book-entry form) and any rating agency then maintaining a rating on the Notes. Such notice shall give the address of the successor Issuing and Paying Agent. A successor Issuing and Paying Agent may be appointed without the consent of the Owners.

(c) The Issuing and Paying Agent, upon reasonable request from the Authorized Representative, will provide to the Authority a list of all Outstanding Notes setting forth the principal amount, the issue date, the Note number, the maturity date and the rate and amount of interest for each Outstanding Note.

(d) Amounts held by the Issuing and Paying Agent which represent principal of and interest on the Notes remaining unclaimed after the expiration of three years from the date such
amounts have become due and payable shall be reported and disposed of by the Issuing and Paying Agent in accordance with the provisions of Texas law, including, to the extent applicable, Title 6 of the Texas Property Code, as amended.

Section 2.06. THE DEPOSITORY TRUST COMPANY. (a) The Authority has determined to issue the Notes initially in book-entry form and hereby appoints The Depository Trust Company, New York, New York ("DTC") to serve as the initial securities depository for the Notes and to maintain a book-entry only system of recording the ownership and transfer of ownership of beneficial interests in the Notes in accordance with this Section 2.06. So long as DTC acts as the securities depository for the Notes, the Authority’s obligations with respect to the Notes shall be evidenced by one or more Master Notes (in lieu of individual certificates representing each of the individual Notes) registered in the name of Cede & Co., as nominee of DTC, as Registered Owner of the Master Notes and held in the custody of DTC.

(b) Notwithstanding any provision of this Resolution to the contrary, unless the Authority shall otherwise direct, one or more Master Notes (evidencing all of the Authority’s obligations under the Notes) shall be issued in lieu of individual Notes, which Master Notes shall be registered in the name of Cede & Co., as nominee of DTC, as the Registered Owner of the Master Notes, and held in the custody of DTC. Beneficial owners of Notes will not receive physical delivery of Notes except as provided hereinafter as long as DTC shall continue to serve as securities depository for the Notes as provided herein, all transfers and beneficial ownership interests in the Notes will be made by book-entry only, and no investor or other party purchasing, selling or otherwise transferring beneficial ownership interests in the Notes is to receive, hold or deliver any Notes; provided, that, if DTC fails or refuses to act as securities depository for the Notes, the Authority shall take the actions necessary to provide for the issuance of certificates to the Registered Owners of such Notes.

With respect to Master Notes registered in the name of Cede & Co., as nominee of DTC, the Authority and the Issuing and Paying Agent shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom a DTC Participant holds an interest in the Notes. Without limiting the immediately preceding sentence, the Authority and the Issuing and Paying Agent shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Notes, (ii) the delivery to any DTC Participant or any other person, other than a Registered Owner, as shown in the Register, of any notice with respect to the Notes, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than a Registered Owner, as shown in the Register, of any amount with respect to the principal of, premium, if any, or interest on the Notes.

(c) In the event that (i) DTC determines not to continue to act as securities depository for the Notes (which determination shall become effective not less than ninety (90) days after written notice to such effect is given to the Authority and the Issuing and Paying Agent); (ii) the Authority or the Issuing and Paying Agent determines (which determination is conclusive as to DTC, any DTC Participant and the beneficial owners of the Notes) that DTC is incapable of discharging its responsibilities described herein and in the DTC Letter of Representations; or (iii) the Authority or the Issuing and Paying Agent determines (which determination is conclusive as to DTC, any DTC participant and the beneficial owners of the Notes) that it is in
the best interests of the beneficial owners of the Notes not to continue DTC’s book-entry only system of transfer for the Notes, then the Authority shall use its best efforts to appoint a successor securities depository, qualified to act as such under Section 17A of the Securities Exchange Act of 1934, as amended. In the event of such an appointment, the Authority shall notify (a) DTC of the appointment of such successor securities depository and transfer one or more separate Notes to such successor securities depository or (b) DTC Participants of the availability through DTC of Notes and transfer one or more separate Notes to DTC Participants having Notes credited to their DTC accounts. In such event, the Master Notes and Notes shall no longer be restricted to being registered in the Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Registered Owners transferring or exchanging Notes shall designate, in accordance with the provisions of this Resolution.

In the event that the Authority fails to appoint a successor securities depository for the Notes, the Authority shall execute and cause to be authenticated and delivered replacement Notes, in certificated form, to the beneficial owners of the Notes.

(d) Notwithstanding any other provision of this Resolution to the contrary, as long as any Master Notes or the Notes are registered in the name of Cede & Co., as nominee of DTC, (i) all payments with respect to the principal of and interest on the Notes and all notices with respect to such Notes shall be made and given, respectively, in accordance with DTC’s Letter of Representations; (ii) the requirements of this Resolution of holding, delivering or transferring Notes shall be deemed modified to require the appropriate person or entity to meet the requirements of DTC, and (iii) delivery of the Master Notes and the Notes will be in accordance with arrangements among the Authority, the Issuing and Paying Agent and DTC.

(e) If at any time DTC ceases to hold the Master Notes or the Notes in book-entry only form, all references herein to DTC shall be of no further force or effect.

(f) The DTC Letter of Representations shall be substantially in the form attached hereto as Exhibit C, the terms and provisions of which are hereby approved and the President and Chief Executive Officer of the Authority is hereby authorized to execute and deliver the DTC Letter of Representations on behalf of the Authority in multiple counterparts.

Section 2.07. NOTES MUTILATED, LOST, DESTROYED OR STOLEN. In the event that the Authority determines not to issue the Notes in book-entry form as provided in Section 2.06, with respect to any Note that shall become mutilated, the Authority, at the expense of the Registered Owner of said Note, shall execute and the Issuing and Paying Agent shall authenticate and deliver a new Note of like tenor and number in exchange and substitution for the Note so mutilated, but only upon surrender to the Issuing and Paying Agent of the Note so mutilated. If any Note shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Authority and the Issuing and Paying Agent and if such evidence shall be satisfactory to them and indemnity satisfactory to them shall be given, the Authority, at the expense of the Registered Owner, shall execute and cause the Issuing and Paying Agent to authenticate and deliver a new Note of like tenor (but with a number not contemporaneously outstanding) in lieu of and in substitution for the Note so lost, destroyed or stolen. In the event any such Note shall have matured, the Issuing and Paying Agent, instead of issuing a duplicate
Note, may pay the same without surrender thereof after making such requirement as it deems fit for its protection, including a lost instrument bond. Neither the Authority nor the Issuing and Paying Agent shall be required to treat both the original Note and any duplicate Note as being Outstanding for the purpose of determining the principal amount of Notes which may be issued hereunder, but both the original and the duplicate Note shall be treated as one and the same. The Authority and the Issuing and Paying Agent may charge the Registered Owner of such Note their reasonable fees and expenses for such service.

Section 2.08. NEGOTIABILITY, REGISTRATION AND EXCHANGEABILITY. The Notes issued hereunder are negotiable instruments under the laws of the State of Texas and investment securities under the terms of Chapter 8, Business and Commerce Code, Texas Codes Annotated, as amended, and each successive Registered Owner (or bearer for Notes registered to bearer), in accepting any of the Notes, shall be conclusively deemed to have agreed that such Notes shall be and have all of the qualities and incidents of negotiable instruments and investment securities under such laws.

The Issuing and Paying Agent shall keep the Register at its principal corporate trust office in which, subject to such reasonable regulations as it may prescribe, the Issuing and Paying Agent shall provide for the registration and transfer of the Notes in accordance with the terms of this Resolution.

Notes may be exchanged by the Registered Owners for other Notes of like tenor and character and of Authorized Denominations and having the same issue date, maturity and Interest Rate and of like aggregate principal amount as the Notes surrendered for exchange, upon surrender of the Notes to be exchanged at the principal corporate trust office of the Issuing and Paying Agent. Whenever any Notes are so surrendered for exchange, the Issuing and Paying Agent shall deliver new Notes of like tenor and character as the Notes exchanged, registered to the original Registered Owner, to any successor Registered Owner, executed on behalf of, and furnished by, the Authority, to the Registered Owner thereof requesting the exchange.

The Authority and the Issuing and Paying Agent may charge the Registered Owner a sum sufficient to reimburse them for any expenses incurred in making any exchange. The Issuing and Paying Agent or the Authority may also require payment of a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto. Such charges and expenses shall be paid before any such new Note shall be delivered.

New Notes delivered upon any exchange shall evidence the same debt as the Notes surrendered, shall be secured by this Resolution and shall be entitled to all of the security and benefits hereof to the same extent as the Notes surrendered.

The Authority reserves the right to change the exchange provisions at any time on or prior to the delivery thereof in order to comply with applicable laws and regulations of the State of Texas or of the United States of America in effect at the time of issuance thereof. The Issuing and Paying Agent shall be promptly notified of any change in the exchange provisions of the Notes.
Section 2.09. CANCELLATION. All Notes which at maturity are surrendered to the Issuing and Paying Agent for the collection of the principal amount thereof and payment of interest thereon at the Interest Rate or are surrendered for exchange pursuant to the provisions hereof shall, upon payment or issuance of new Notes, be canceled by the Issuing and Paying Agent and forthwith transmitted to the Authority, and the Authority thereafter shall have the custody of all thereof.

Section 2.10. FISCAL AND OTHER AGENTS. In furtherance of the purposes of this Resolution, the Authority may from time to time appoint and provide for the payment of such additional fiscal, paying or other agents or trustees as it may deem necessary or appropriate in connection with the Notes. Notice of any such appointment shall be provided promptly to the Credit Provider.

ARTICLE III.
ISSUANCE AND SALE OF NOTES; CREDIT AGREEMENT; AND DEALER

Section 3.01. ISSUANCE AND SALE OF NOTES. (a) Subject to applicable terms, limitations and procedures contained herein, the Notes may be sold in such manner, at public or private sale, and bearing interest at such Interest Rates as the Authorized Representative shall approve at the time of sale thereof.

(b) The Notes shall be sold at par and delivered by the Issuing and Paying Agent in accordance with telephonic, computer or written instructions of an Authorized Representative and in the manner specified below and in the Issuing and Paying Agency Agreement. If such instructions are given by telephone, they shall be confirmed by facsimile transmission, electronically or in writing. Such instructions shall specify such principal amounts, Interest Rates, dates of issue, maturities and other terms and conditions that are hereby authorized and permitted to be fixed by an Authorized Representative at the time of sale of the Notes.

Section 3.02. NOTE CONSTRUCTION ACCOUNT; USE OF NOTE PROCEEDS. The Authority hereby establishes the Construction Account, which account shall be maintained at an official Authority depository and shall be kept separate and apart from all other funds and accounts of the Authority. Proceeds of each sale of Notes (other than Notes issued to refund or refinance other Notes or Loans) shall be used for Authorized Purposes, including costs of issuance, and shall be deposited into the appropriate fund or account of the Construction Account.

Section 3.03. CREDIT PROVIDERS AND CREDIT AGREEMENTS. (a) The Credit Agreement, providing for a 364-day letter of credit in a Commitment amount of $214,794,521 (representing $200,000,000 of principal and $14,794,521 in interest), substantially in the form attached hereto as Exhibit D is hereby approved. The President and Chief Executive Officer of the Authority is hereby authorized to negotiate, finalize, execute and deliver the Credit Agreement and any other documents called for thereunder and the Secretary of the Board is hereby authorized and directed to attest thereto and to place the Authority’s seal thereon. The Board has determined that the Credit Agreement constitutes a “credit agreement” within the meaning of Chapter 1371.
(b) Subject to Section 5.02 hereof, the Authority reserves the right to substitute one or more Credit Agreements (including a line of credit, standby purchase agreement or letter of credit) for an existing Credit Agreement, with one or more Credit Providers, so long as:

(i) such substitution (or any assignment of all or any part of any Credit Agreement) either (A) does not cause any rating agency then rating the Notes to withdraw, lower or suspend its short-term rating assigned to any Notes then Outstanding, as evidenced by written notice to the Authority or (B) takes effect on the Business Day on which all then Outstanding Notes are scheduled to mature;

(ii) the substitute Credit Agreement shall have a term of at least 270 days or until at least three Business Days after the last maturing Note then Outstanding;

(iii) the substitute Credit Agreement shall not cause the Authority to violate its covenants in Section 5.02; and

(iv) the substitute Credit Agreement shall be approved by the Attorney General of Texas, to the extent required by law.

(c) So long as any Notes remain Outstanding, the Authority covenants to maintain a Credit Agreement in full force and effect, pursuant to the terms of Section 5.02 hereof.

(d) The Authorized Representative is hereby authorized and directed to execute and deliver from time to time requests for or agreements relating to the extension of the term or final maturity of any Credit Agreement from time to time in effect and to take such other action as shall be necessary to obtain extensions of the term of any such Credit Agreement up until the Maximum Maturity Date or until such time as a substitute Credit Agreement is authorized hereunder.

Section 3.04. COMMERCIAL PAPER DEALERS; COMMERCIAL PAPER DEALER AGREEMENT. So long as any Notes remain Outstanding, the Authority shall maintain in full force and effect an agreement pursuant to which it shall have appointed a Dealer for the Notes. The Dealer Agreement among the Authority, J.P. Morgan Securities, Inc., Loop Capital Markets, LLC and Ramirez & Co., Inc., as the Dealer, pertaining to the sale, from time to time, of Notes or the purchase of Notes from the Authority, all for the fees as set forth in said Dealer Agreement, substantially in the form attached hereto as Exhibit E, is hereby approved and shall be entered into with the Dealer. The President and Chief Executive Officer of the Authority is hereby authorized to execute and deliver the Dealer Agreement and any documents called for thereunder and the Secretary of the Board is authorized to attest thereto and impress the Authority’s seal thereon. The Authority expressly reserves the right, without prior notification to or consent from the Owners or any Outstanding Notes to enter into any supplemental agreements with the Dealer or with any successor Dealer selected by the Authority.

Section 3.05. AUTHORIZED REPRESENTATIVE. (a) So long as any Notes remain Outstanding, the Authority shall have at all times appointed an Authorized Representative for carrying out and discharging the purposes, duties and obligations set forth in the Resolution, the Issuing and Paying Agency Agreement, the Credit Agreement and the Dealer Agreement and for the purposes set out in Section 3.05(b). The person from time to time holding the office of Chief