

SAMPLE FINANCING AGREEMENT FOR GENERAL OBLIGATION COMMERCIAL PAPER

FINANCING AGREEMENT

between

TEXAS PUBLIC FINANCE AUTHORITY

and

Pertaining to

Texas Public Finance Authority
State of Texas Tax Exempt General Obligation Commercial Paper Notes
Series _____

Dated as of _____

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FINANCING AGREEMENT

THIS FINANCING AGREEMENT, dated as of _____, between the TEXAS PUBLIC FINANCE AUTHORITY (the "Authority") and the _____ (the "Qualified Agency");

WITNESSETH:

WHEREAS, the Authority is authorized by law to provide financing of certain facilities for agencies of the State of Texas through the issuance of commercial paper notes;

WHEREAS, one or more projects of the Qualified Agency have been authorized in appropriations by the Legislature of the State of Texas;

WHEREAS, the parties desire to provide for the financing by the Authority of certain facilities for the Qualified Agency;

NOW, THEREFORE, in consideration of the premises the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND OTHER PRELIMINARY MATTERS

SECTION 1.01. Definitions.

Except as otherwise provided in this Financing Agreement, the capitalized terms in this Financing Agreement shall have the meanings specified in this section unless the context requires otherwise.

Agency Act - (Citation of agency's enabling law) and other statutes of the State of Texas pursuant to which the Qualified Agency operates.

Appropriation Act - SB1, Acts, 79th Legislature, Regular Session, (2005) and any other act of the Legislature appropriating funds for the Project to the Qualified Agency.

Authority - the Texas Public Finance Authority or any successor thereto.

Authority Regulations - the regulations of the Authority in Part X, Title 34, Texas Administrative Code.

Authorized Agency Representative - the chief administrative officer of the Qualified Agency or any member of the staff of the Qualified Agency designated by the chief administrative officer or by the governing body of the Qualified Agency as an authorized representative.

Authorizing Law - collectively, TEX. CONST. art. III, 50-f and Chapter 1232. Texas Government Code, as amended.

Board - the board of directors of the Authority.

Bond Counsel - any law firm that is engaged by the Authority to render services to the Authority as bond counsel.

Business Day - any day that the Authority, the Qualified Agency, and the Comptroller are required by law to be open for business.

Closing - with respect to each sale of Notes, the concurrent delivery of such Notes to, or upon the order of, the initial purchaser(s) in exchange for payment therefor.

Closing Date - the date of a Closing.

Code - the Internal Revenue Code of 1986, as amended, together with all published regulations promulgated thereunder and revenue rulings with respect thereto by the United States Treasury Department or the Internal Revenue Service.

Comptroller - the Comptroller of Public Accounts of the State.

Costs of Issuance - the "costs of issuance," if any, as defined in the Authority Regulations, incurred in connection with the issuance of the Notes.

Disbursement Certificate - a certificate of the Authorized Agency Representative for the disbursement of funds from the Project Fund, in substantially the form of Exhibit D of this Financing Agreement.

Disclosure Documents - collectively, the Offering Memorandum and any amendments thereto.

Event of Taxability - any act or omission that could adversely affect the excludability of the interest on any Note from the gross income of the owner of the Note.

Executive Director - the Executive Director of the Authority, or any member of the staff of the Authority authorized by the Board to perform the duties of the Executive Director.

Facility Contract - any contract, entered into by the Qualified Agency for the design, engineering, acquisition, construction, equipping, repair, or renovation of any facilities financed for the Qualified Agency in whole or part with proceeds of any Notes issued by the Authority.

Financing Agreement - this Financing Agreement, and any amendments hereto.

Interest and Sinking Fund - the fund by that name created pursuant to the Resolution.

Legislature - the Legislature of the State.

Memorandum - the Memorandum of Understanding, dated as of _____, between the Authority and the Qualified Agency, and any amendments thereto.

Notes - any obligations issued by the Authority from time to time to finance or refinance the Project.

Offering Memorandum - the final official disclosure document authorized by the Authority to be used in connection with the sale of the Notes.

Plans and Specifications - the plans and specifications for the Project Component(s), as amended or supplemented.

Project - collectively, the Project Components, as set forth on Exhibit A of this Financing Agreement.

Project Completion Amount - the aggregate amount of the cost of all of the Project Components, as set forth in Exhibit A of this Financing Agreement.

Project Completion Certificate - a certificate of an Authorized Agency Representative to the effect that the Project has been completed, in substantially the form of Exhibit F of this Financing Agreement.

Project Completion Date - the date that the Project is completed, as certified in the Project Completion Certificate.

Project Completion Schedule - the schedule projecting the rate of expenditure of proceeds of the Notes for the payment of Project Costs set forth in Exhibit B of this Financing Agreement.

Project Component - each respective item (or part of an item) in the Appropriation Act that has been approved to be financed with proceeds of the Notes, as described in Exhibit A of this Financing Agreement.

Project Costs - any costs associated with the Project that are authorized under the Authorizing Law and Authority Regulations and Chapter 1207, Texas Government Code to be paid with the proceeds of the Notes.

Project Financing Documents - collectively, all documents furnished by the Qualified Agency to the Authority in connection with the financing of the Project and issuance of the Notes, including (without limitation) the Memorandum, the Request for Financing, the Financing Agreement, each Disbursement Certificate, and the Project Completion Certificate.

Project Fund - the fund by that name created pursuant to the Resolution.

Qualified Agency - the "Qualified Agency" as defined in the preamble of this Financing Agreement or any successor thereto.

Request for Financing - the letter or other communication from the Qualified Agency to the Authority requesting financing for the Project, and any supplements thereto.

Resolution - the resolution of the Authority pursuant to which the Notes are authorized to be issued, and any amendments and supplements thereto.

State - the State of Texas.

Comptroller - the State Comptroller of the State of Texas, or any successor thereto.

SECTION 1.02. General Rules of Construction.

(a) A capitalized term used in this Financing Agreement that is not defined herein and that is defined in the Resolution shall have the meaning assigned to it in the Resolution.

(b) Whenever in this Financing Agreement the context requires:

- (1) a reference to the singular number includes the plural and vice versa; and
- (2) a word denoting gender includes the masculine, feminine, and neuter.

(c) The table of contents and the titles given to any article or section of this Financing Agreement are for convenience only and are not intended to modify the article or section.

SECTION 1.03. Preamble.

The statements and findings in the preamble of this Financing Agreement are hereby adopted and made a part of the Financing Agreement.

ARTICLE II

GENERAL REPRESENTATIONS AND WARRANTIES

SECTION 2.01. General Representations and Warranties of Authority.

The Authority represents and warrants as follows:

- (1) the Authority is a validly existing agency of the State of Texas authorized to operate under the Texas Public Finance Authority Act;
- (2) the Authority has full power and authority to execute and deliver this Financing Agreement, perform its obligations thereunder, and carry out the transactions contemplated hereby;
- (3) the Authority has duly authorized the execution and delivery of this Financing Agreement and the performance of its obligations thereunder;

(4) the execution and delivery of this Financing Agreement, the consummation of the transactions contemplated hereby, the performance of its obligations hereunder, and the compliance with the terms hereof by the Authority will not conflict with, or constitute a default under, any law (including administrative rule), judgment, decree, order, permit, license, agreement, mortgage, lease, or other instrument to which the Authority is subject or by which it is bound;

(5) the Authority has full power and authority to issue the Notes, to cause funds to be made available to finance the Project in accordance with the Resolution and this Financing Agreement and to perform its obligations under the Resolution.

SECTION 2.02. General Representations and Warranties of Qualified Agency.

The Qualified Agency represents and warrants, as follows:

(1) the Qualified Agency is a validly existing agency of the State authorized to operate under the Agency Act;

(2) the Qualified Agency has full power and authority to execute and deliver the Project Financing Documents, perform its obligations thereunder, and carry out the transactions contemplated thereby;

(3) the Qualified Agency has duly authorized the execution and delivery of the Project Financing Documents and the performance of its obligations thereunder;

(4) the execution and delivery of the Project Financing Documents, the consummation of the transactions contemplated thereby, the performance of its obligations thereunder, and the compliance with the terms thereof by the Qualified Agency will not conflict with, or constitute a default under, any law (including administrative rule), judgment, decree, order, permit, license, agreement, mortgage, lease, or other instrument to which the Qualified Agency is subject or by which the Qualified Agency or any of its property is bound;

(5) the Qualified Agency is not in violation of any law, which violation could adversely affect the consummation of the transactions contemplated by the Project Financing Documents; and

(6) this Financing Agreement is the legal, valid, and binding obligation of the Qualified Agency, in accordance with its terms.

ARTICLE III

THE PROJECT

SECTION 3.01. Authorization for Project.

(a) The Qualified Agency represents that the Project has been authorized by the Legislature in the Appropriation Act or other act, and that all of the Project Costs to be paid with proceeds of the Notes will be incurred for the acquisition, construction, equipping, major repair, or renovation of facilities and will otherwise be lawful expenditures of the Qualified Agency.

(b) The Qualified Agency represents that the description of each Project Component set forth in Exhibit A to this Financing Agreement is accurate.

[(c) The Qualified Agency represents that it has submitted plans for the Project to the Legislative Budget Board and, if required by the Appropriation Act, such plans have been approved by the Legislative Budget Board.] (If applicable.)

SECTION 3.02. Plans and Specifications.

(a) The Qualified Agency shall cause the Plans and Specifications to be prepared and shall maintain the Plans and Specifications with its official records.

(b) The Authority and its authorized agents may inspect the Plans and Specifications at reasonable times.

SECTION 3.03. Project Completion Schedule.

(a) As of a Closing Date which relates to funding all or a portion of, among other things, the Project, the Qualified Agency reasonably expects that the Project Completion Amount will be expended within the time periods set forth in Exhibit B hereto. The Qualified Agency represents that it is not aware of any fact or circumstance that could cause the entire Project Completion Amount not to be expended as set forth in the Project Completion Schedule, as amended from time to time.

(b) Promptly upon becoming aware of any circumstances that will result in a deviation from Exhibit B hereto of \$(*10-20% of Project Amount, depending on size of Project*) or more, the Qualified Agency shall notify the Executive Director of the amount and nature of such deviation.

(c) Promptly upon becoming aware of any circumstances that will result in the expenditure for Project Costs in any "Expenditure Period" (as set forth in Exhibit B hereto) of an aggregate amount that is less than the amount set forth in Exhibit B hereto for such Expenditure Period, the Qualified Agency shall notify the Executive Director of (1) such aggregate expenditure amount, and (2) the reason(s) that such expenditure amount will be less than the amount set forth in Exhibit B hereto.

SECTION 3.04. Construction and Acquisition of Project.

(a) The Qualified Agency shall cause the acquisition, construction, equipping, repair, and/or renovation of the Project to be completed with due diligence substantially in accordance with the Plans and Specifications and in a good and workman-like manner.

(b) The Qualified Agency represents that at least 80 percent of the Project Completion Amount will be expended to pay Project Costs constituting expenditures for the construction, reconstruction, or rehabilitation of the Project.

(c) The Qualified Agency may shift its use of proceeds among Project Components to the extent permitted by law so long as such shift of use does not constitute an Event of Taxability. The Authority may obtain or require the Qualified Agency to obtain an opinion of Bond Counsel regarding taxability.

SECTION 3.05. Licenses and Permits.

The Qualified Agency represents that it has obtained all necessary licenses, permits, and other governmental approvals necessary to complete the Project, except for those (if any) described in Exhibit C to this Financing Agreement.

SECTION 3.06. Disbursements of Project Fund.

(a) The Qualified Agency may cause disbursements to be made from the related account of the Project Fund in accordance with contracts for the Project, this Financing Agreement, the Resolution, and the Funds Management Agreement.

(b) The Qualified Agency acknowledges that the Project Fund may be applied in accordance with the Resolution for purposes other than the payment of Project Costs.

(c) The Qualified Agency acknowledges and agrees that interest earned in funds contained in the related account of the Project Fund may, pursuant to the limitations and subject to the terms set out in the Funds Management Agreement, be used to pay interest payments, if any, on the Notes.

(d) To obtain a disbursement of funds from the related account of the Project Fund for the payment of Project Costs, the Qualified Agency shall submit to the Authority, not later than the Business Day immediately preceding the disbursement date, a properly completed Disbursement Certificate. Subject to Subsection (e) of this section, upon determining that the submitted Disbursement Certificate has been properly completed, the Executive Director shall cause the Comptroller to transfer funds in the Project Fund to the appropriate fund(s) of the Qualified Agency in the amount(s) set forth in the Disbursement Certificate. The Qualified Agency shall apply the funds so transferred to the payment of Project Costs.

(e) Disbursements from the related account of the Project Fund for the payment of Project Costs shall not exceed, in the aggregate, the Project Completion Amount without the prior approval of the Executive Director (which approval shall be based on availability of funds and legal authorization).

(f) Before a disbursement from the related account of the Project Fund may be made with respect to any Project Component in excess of the estimated cost of such component shown on Exhibit A of this Financing Agreement, the Qualified Agency shall give notice to the Executive Director identifying such Project Component and stating the amount of such excess.

(g) In the event that the Authority determines that the Qualified Agency has breached any material representation, warranty, or agreement in this Financing Agreement, the Authority, in its discretion, may suspend further disbursement of the related account of the Project Fund if, in the opinion of the Texas Attorney General (1) such suspension is lawful, and (2) such breach constitutes a breach of this Financing Agreement. Such suspension may commence not sooner than the 30th day after the date of delivery to an Authorized Agency Representative of notice of such suspension, and may continue until such breach is cured or is waived by the Executive Director. If such breach is not cured or waived within 90 days after the date such suspension commenced, the Authority may apply any remaining funds in the related account of the Project Fund allocated to the payment of Project Costs in the manner permitted by the Resolution and law.

(h) To the extent required by law, the Qualified Agency has submitted a master plan for construction of its facilities and shall periodically revise the master plan in accordance with such law.

SECTION 3.07. Status Reports.

Not later than the _____ day of each month, through the month following the month in which the Project Completion Date occurs, the Qualified Agency shall prepare and deliver to the Executive Director a status report, containing the information set forth in Exhibit E to this Financing Agreement, covering the preceding calendar month. At other times (whether before or after the Project Completion Date), the Qualified Agency shall provide the Executive Director, upon request, with any information available to the Qualified Agency regarding the expenditure of funds disbursed to the Qualified Agency from the related account of the Project Fund or the condition or use of the Project.

SECTION 3.08. Inspection of Project.

The Authority and its authorized agents, at reasonable times before and after completion of the Project, may enter on and inspect the Project and examine any records of the Qualified Agency relating to the Project.

SECTION 3.09. Completion of Project.

Upon the completion of the Project (or when no further proceeds of the Notes are to be expended for Project Costs), the Qualified Agency shall deliver to the Executive Director a properly completed Project Completion Certificate.

SECTION 3.10. Use of Project.

(a) The Qualified Agency may use the Project for any lawful purpose so long as such use does not constitute an Event of Taxability.

(b) The Qualified Agency shall not lease any part of the Project to, or permit any part of the Project to be operated or otherwise used by, an entity other than an agency or political subdivision of the State

without the prior approval of the Executive Director. No agreement, whether formal or informal, purporting to authorize any such use of a Project (or part thereof) shall be effective unless and until it has been approved by the Executive Director. The Authority shall direct the Executive Director to approve any proposed arrangement for use of the Project (or a part thereof) by a nongovernmental entity upon obtaining an opinion of Bond Counsel to the effect that such arrangement will not constitute an Event of Taxability.

SECTION 3.11. Authority Not Responsible for Project.

(a) The Authority has no responsibility for the acquisition, construction, equipping, repair, or renovation of the Project or for the operation or maintenance of the Project, provided that a contract with an entity other than an agency or political subdivision of the state to manage or operate the Project (or a part thereof) constitutes the “use” of the Project, within the meaning of, and is subject to, SECTION 3.10 hereof.

(b) If the Project Fund is insufficient for the payment of all of the Project Costs, the Authority is not responsible for the payment of any Project Costs that cannot be paid from the Project Fund.

SECTION 3.12. Necessity for Project.

The Qualified Agency represents to the Authority that, as of the Closing Date:

(1) the provision of the Project in accordance with the Project Completion Schedule is necessary in order for the Qualified Agency to effectively carry out its lawful duties and functions; and

(2) the Qualified Agency expects that it will use the Project for the purposes for which it is designed for the entire useful economic life of the Project.

ARTICLE IV

THE NOTES

SECTION 4.01. Issuance of the Notes.

The Authority shall use its best efforts to issue and sell the Notes from time to time in an amount that is sufficient for the Project Completion Amount to be made available in the Project Fund for the payment of the Project Costs.

SECTION 4.02. Cooperation by Qualified Agency.

The Qualified Agency shall take the action(s), enter into the agreement(s), provide the certification(s) contemplated by this Financing Agreement, and otherwise cooperate with the Authority and its agents, to effect the lawful issuance and administration of the Notes under this Financing Agreement.

SECTION 4.03. Maintaining Tax-Exempt Status of the Notes.

(a) Not to Cause Interest to Become Taxable. The Qualified Agency shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts in a manner which (or take or omit to take any other action which if taken or omitted, respectively), if made or omitted respectively, would cause interest on any Note to be includable in the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes. The Qualified Agency shall adopt and comply with the provisions of such amendments hereof and supplements hereto as may, in the opinion of nationally recognized bond counsel, be necessary to preserve or perfect such exclusion. Without limiting the generality of the foregoing, the Qualified Agency shall comply with each of the specific covenants in this Section 4.03 at all times prior to the last maturity date of the Notes, whether by stated maturity or earliest redemption, unless and until the Qualified Agency shall have received a written opinion of nationally recognized bond counsel to the effect that failure to comply with such covenant will not adversely affect the excludability of interest on any Note from the gross income of the owner thereof for federal income tax purposes, and thereafter such covenant shall no longer be binding upon the Qualified Agency to the extent described in such opinion, anything in any other part, provision or subsection of this Section 4.03 to the contrary notwithstanding.

(b) No Private Use or Payments. At all times prior to the last maturity date of the Notes, whether by stated maturity or earlier redemption, the Qualified Agency shall neither

(1) use nor permit the use of Gross Proceeds (or any property acquired, constructed, or improved with Gross Proceeds) in any trade or business carried on by any Person (or in any activity of any Person other than a natural person) other than a state or local government, nor

(2) directly or indirectly impose or accept any charge or other payment for use of Gross Proceeds (or use of any property acquired, constructed, or improved with Gross Proceeds) in any trade or business carried on by any Person (or in any activity of any Person other than a natural person) other than a state or local government,

unless either (i) such use is merely as a member (and, except possibly for the amount of use and any corresponding rate adjustment, is extended by the Qualified Agency on the same terms as to all other members) of the general public or (ii) such charge or payment consists of taxes of general application within the Qualified Agency or interest earned on temporary Investments acquired with Gross Proceeds pending application of such Gross Proceeds for their intended purposes. For purposes of this Paragraph (b), property is considered to be "used" by a Person if:

(A) Sale or Lease: it is sold or otherwise disposed of, or leased, to such Person;

(B) Management Contract: it is operated, managed, or otherwise physically employed, utilized, or consumed by such Person, excluding operation or management pursuant to an agreement which meets the conditions described in Internal Revenue Service Regulations 1.141-0 et.seq.

(C) Capacity, Output or Service Commitment: capacity in or output or service from such property is reserved or committed to such Person under a take-or-pay, output, incentive payment, or similar contract or arrangement;

(D) Preferential Service: such property is used to provide service to (or such service is committed to or reserved for) such Person on a basis or terms which (except possibly for the amount of use and any corresponding rate adjustment) are different from the basis or terms on which such service is provided (or committed or reserved) to members of the public generally;

(E) Developer: such Person is a developer and a significant amount of property acquired, constructed, or improved with proceeds from the sale of a series of bonds of which the Notes are a part serves only a limited area substantially all of which is owned by such Person, or a limited group of developers, unless such area is developed and sold to (and occupied by) members of the general public with reasonable speed; or

(F) Other Incidents of Ownership: substantial burdens and benefits of ownership of such property are otherwise effectively transferred to such Person.

but the temporary investment of Gross Proceeds or proceeds of bonds of any series of which the Notes are a part pending application for their intended purposes shall not constitute "use" of Gross Proceeds or such proceeds.

(c) No Private Loan. The Qualified Agency shall not use Gross Proceeds to make or finance loans to any Person other than a state or local government, excluding loans consisting of temporary investments of Gross Proceeds pending application of such Gross Proceeds for their intended purposes. For purposes of this Paragraph (c), Gross Proceeds are considered to be "loaned" to a Person if (i) property acquired, constructed, or improved with Gross Proceeds or with proceeds from the sale of bonds of the series

of which a Note is a part is sold or leased to such Person in a transaction which creates a debt for federal income tax purposes, (ii) capacity in or service from such property is committed to such Person under a take-or-pay, output, or similar contract or arrangement, or (iii) indirect benefits, or burdens and benefits of ownership, of Gross Proceeds or such property are otherwise transferred to such Person in a transaction which is the economic equivalent of a loan.

(d) Promptly upon request, the Qualified Agency shall provide the Executive Director with any information available to the Qualified Agency relating to the expenditure of the proceeds of the Notes by or on behalf of the Qualified Agency or the use of the Project that could have an adverse effect on the tax-exempt status of the Notes.

(e) The Qualified Agency shall timely take such lawful action as requested by the Executive Director to avoid, remedy, or mitigate the effect of an Event of Taxability.

(f) Notwithstanding anything set forth in this Section 4.03, any use, directly or indirectly, including use resulting from any sales agreement, lease agreement, operating agreement or other agreement by an entity other than an agency or political subdivision of the State, shall require, in accordance with Section 3.10 of this Financing Agreement the prior written approval of the Executive Director, as contemplated by such Section 3.10 of this Financing Agreement.

SECTION 4.04. Arbitrage Rebate.

(a) The Qualified Agency shall timely take such lawful action as requested by the Executive Director to avoid or mitigate the obligation to make payments to the United States government under section 148(f) of the Code, unless an Authorized Agency Representative certifies to the Authority that the requested action is not practicable.

(b) If the Qualified Agency fails to cause Note proceeds to be expended within the time periods set forth in the Project Completion Schedule, the Executive Director may inquire as to the nature of such failure and the extent to which it is expected to continue.

(c) The Qualified Agency shall use its best efforts to expend all funds necessary to complete its Project within the two-year expenditure period set forth in section 148(f)(4)(C) of the Code as follows: (i) 10 percent of the funds within the 6-month period beginning on the date the Notes are issued; (ii) 45 percent of the funds within the 1-year period beginning on such date; (iii) 75 percent of such funds within the 18-month period beginning of such date; and (iv) 100 percent of such funds within the 2-year period beginning on such date. If a portion of the Project Completion Amount will remain unexpended as of the close of the two-year period beginning with the Closing Date (or such other period as specified by the Executive Director), the Qualified Agency, not later than the close of such period, shall notify the Executive Director of the amount of such unexpended funds and the purpose(s) for which such funds are being retained in the Project Fund after such period.

SECTION 4.05. Disclosure Documents.

(a) The Qualified Agency shall provide the Authority, promptly upon request, with available information relating to the Qualified Agency or the Project that the Executive Director determines appropriate for inclusion in the Disclosure Documents. The Qualified Agency authorizes the Authority to include any such information in the Disclosure Documents.

(b) The Qualified Agency shall provide the Authority with certification of an Authorized Agency Representative to the effect that the information contained in the Disclosure Documents provided by the Qualified Agency is accurate and does not omit any information necessary to make the information provided not misleading.

(c) The Qualified Agency authorizes the Authority and any offeree or purchaser of the Notes to rely on the information and certifications provided by the Qualified Agency under this section. The Notes will not be issued unless the information and certifications requested under this section have been provided by the Qualified Agency.

ARTICLE V

PARTICULAR AGREEMENTS

SECTION 5.01. Recordkeeping.

The Executive Director shall retain, as official records of the Authority, all Disbursement Certificates, the Project Completion Certificate, and all periodic Project status reports submitted by the Qualified Agency pursuant to this Financing Agreement.

SECTION 5.02. Indemnification of Qualified Agency.

The Qualified Agency represents that, subject to applicable law, it intends that each Facility Contract providing for payment of goods or services exceeding \$25,000 will require indemnification of the Qualified Agency. The Qualified Agency will be provided with insurance, a surety bond, or other form of financial assurance, from a financially sound provider, that assures performance under such Facility Contract with respect to such indemnification, unless the Qualified Agency determines that such financial assurance is not necessary or is required in a reduced amount.

SECTION 5.03. Availability of Other Funding.

As of the Closing Date, the Qualified Agency represents that no funds (other than funds derived from note proceeds) have been appropriated to the Qualified Agency for the biennium in which the Notes are issued for application to the payment of Project Costs that are to be paid with the proceeds of the Notes. It is understood and agreed, however, that the Qualified Agency may apply funds other than bond proceeds for payment of Project Costs in compliance with applicable law.

SECTION 5.04. Real Property.

The Qualified Agency represents that, subject to applicable law, it does not intend to acquire real property at a purchase price in excess of \$25,000 unless:

- (1) such property is suitable for the Qualified Agency's intended use and has no defect or condition (including, without limitation, pollution or hazardous waste defects) that would jeopardize such use; or
- (2) the Qualified Agency determines that, notwithstanding such nonsuitability, defect, or condition (as applicable), such acquisition is appropriate.

SECTION 5.05. Title Insurance.

The Qualified Agency represents that, subject to applicable law, it does not intend to acquire any real property at a purchase price in excess of \$25,000 unless:

- (1) the Qualified Agency's title to such property is insured by title insurance in an amount not less than the purchase price paid by the Qualified Agency, subject to standard printed exceptions, with only those changes thereto normally required by a prudent purchaser; or
- (2) the Qualified Agency determines that the acquisition of such real property without such title insurance is appropriate.

SECTION 5.06. Project Design.

The Qualified Agency represents that the Project has been (or will be) designed to satisfy all of the purposes that the Qualified Agency intends the Project to serve, and that the Qualified Agency has used (or will use) all reasonable efforts to design the Project so that the Project will be provided, and can be operated, at such reasonable cost as is consistent with applicable legal requirements and the sound business judgment of the Qualified Agency.

ARTICLE VI

MISCELLANEOUS PROVISIONS

SECTION 6.01. Term of Agreement.

This Financing Agreement shall take effect upon its delivery by the parties hereto and shall remain in effect until the Notes have been fully paid or until no more periodic status reports are required from the Qualified Agency under this Financing Agreement, whichever is the later to occur.

SECTION 6.02. Amendment.

The Authority and the Qualified Agency, by mutual agreement, may amend this Financing Agreement if, before the amendment takes effect:

- (1) the Qualified Agency obtains an opinion of its legal counsel to the effect that such amendment is permitted under the Agency Act and other law governing the Qualified Agency; and
- (2) either of the following requirements is satisfied:
 - (A) the Authority obtains an opinion of Bond Counsel to the effect that such amendment will not constitute an Event of Taxability, violate the Authorizing Law or the Resolution, or adversely affect the rights of the owners of the Notes thereunder, or
 - (B) the owners of at least a majority in aggregate principal amount of the outstanding Notes affected by such amendment consent thereto.

SECTION 6.03. Notices and Other Communications.

(a) Notices, certificates, approvals, and other communications under this Financing Agreement shall be in writing and delivered by United States mail, postage paid, by telex, telegram, or other electronic transmission, or by express or personal delivery, addressed as follows:

- (1) if to the Qualified Agency:

Attention: _____
(Title of position of person designated by agency as the Authorized Representative)

- (2) if to the Authority:

Texas Public Finance Authority
300 West 15th Street
Suite 411
Austin, Texas 78701

Attention: Executive Director

- (3) if to the Comptroller of Public Accounts

Comptroller of Public Accounts - Treasury Operations
P.O. Box 12608
Capitol Station
Austin, Texas 78711

Attention: Director, Cash Management Division

(b) Any such party may designate any additional or different address to which communications under this Financing Agreement shall be delivered by giving at least five days' advance notice thereof to the affected party.

(c) Any communication delivered by mail in compliance with this section is deemed to have been delivered as of the date of deposit in the mail.

(d) A provision of this Financing Agreement that provides for a different method of giving notice or otherwise conflicts with this section supersedes this section to the extent of the conflict.

SECTION 6.04. Exclusive Benefit.

This Financing Agreement shall inure to the exclusive benefit of and be binding on the Authority, the Qualified Agency, and their respective successors.

SECTION 6.05. Severability.

If any part of this Financing Agreement is ruled unenforceable by a court of competent jurisdiction, this Financing Agreement shall remain operable to the fullest extent possible under the application of such ruling.

SECTION 6.06. Conflict with Memorandum.

In the event of a conflict between this Financing Agreement and the Memorandum, this Financing Agreement shall supersede the Memorandum to the extent of the conflict.

SECTION 6.07. Counterparts.

This Financing Agreement may be executed in multiple counterparts, each of which shall be an original and all of which shall constitute one and the same document.

SECTION 6.08. Governing Law.

This Financing Agreement shall be governed by and construed in accordance with the law of the State of Texas.

IN WITNESS WHEREOF, the parties have caused this Financing Agreement to be executed by their respective duly authorized officers as of the date first above written.

TEXAS PUBLIC FINANCE AUTHORITY

By: _____
Executive Director

By: _____
Executive Director

EXHIBIT A
TO THE
FINANCING AGREEMENT

PROJECT DESCRIPTION
(PREPARED BY TPFA OR BOND COUNSEL FROM INFORMATION INCLUDED IN AGENCY'S
REQUEST FOR FINANCING AS MAY BE MODIFIED OR SUPPLEMENTED)

PROJECT COMPONENTS

ESTIMATED COST

ESTIMATED USEFUL LIFE*

EXHIBIT B
TO THE
FINANCING AGREEMENT

PROJECT COMPLETION SCHEDULE

(PREPARED BY TPFA OR BOND COUNSEL FROM THE EXPENDITURE SCHEDULE INCLUDED IN AGENCY'S REQUEST FOR FINANCING; GENERALLY, THE EXPENDITURE PERIODS ARE CONSECUTIVE SIX-MONTH PERIODS TO A 24 MONTH TOTAL TO FOLLOW THE CONSTRUCTION PROJECT SPENDING REQUIREMENTS FOR EXEMPTION FROM ARBITRAGE REBATE.)

EXPENDITURE
PERIOD

PROJECTED
PROJECT
EXPENDITURES
EACH PERIOD

EXHIBIT C
to the
Financing Agreement

Governmental Project Approvals

As of the Closing Date, the following licenses, permits, and other governmental approvals necessary to complete the Project have not been obtained [*describe each such approval (e.g., utility easement), stating for each (1) the identity of the Project facility (or facilities) for which such approval is required, (2) the primary requirements necessary to obtain such approval, and (3) the date that such approval is expected to be obtained*]:

EXHIBIT D
to the
Financing Agreement

Form of Disbursement Certificate

DISBURSEMENT CERTIFICATE

The undersigned hereby certifies, on behalf of the _____ (the "Qualified Agency"), as follows:

(a) The capitalized terms in this Certificate that are not herein defined shall have the meanings defined in the Financing Agreement, dated as of _____, between the Qualified Agency and the Texas Public Finance Authority.

(b) The Qualified Agency (Agency No. _____) requests a disbursement from the Project Fund to pay Project Costs in the aggregate amount of \$_____. The aggregate of all disbursements (including this disbursement) from the Project Fund requested by the Qualified Agency to date is \$_____.

(c) Except as previously disclosed in writing to the Executive Director, the Qualified Agency is not in breach of any representation, warranty, or agreement in the Financing Agreement.

(d) The Qualified Agency reasonably expects to submit payment vouchers, in the aggregate amount of the disbursements requested by this Certificate, for the payment of the Project Costs for which disbursement is requested, within _____ days after the date of submission of this Certificate to the Authority.

(e) For each item of Project Costs for which a disbursement of funds is requested, state the following information [*attach separate sheet if necessary*]:

Item	Amount of Disbursement	Fund No.	Approp. No.	Program Cost Account	Project Identification	Appropriation Year
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IN WITNESS WHEREOF, the undersigned executes this Certificate on the date shown below.

By: _____
Authorized Agency Representative

Date: _____

EXHIBIT E
to the
Financing Agreement

Monthly Status Report Information

The monthly status report prepared by the Qualified Agency pursuant to this Financing Agreement shall contain the following information with respect to the Project:

- (1) identity of the Project Components (name, ID no., etc.) and the original date on which such Project Components were first financed hereunder;
- (2) fund number(s);
- (3) the budget amount for the Project Components (including adjustments, if any);
- (4) description of work category;
- (5) amount expended for reporting month;
- (6) total amount expended to date;
- (7) amount encumbered;
- (8) available balance;
- (9) percent work complete;
- (10) percent funds expended; and
- (11) narrative identifying any problems (including, without limitation, delays and cost overruns) and indicating whether such problems will substantially alter work schedule or costs.

EXHIBIT F
to the
Financing Agreement

Form of Project Completion Certificate

PROJECT COMPLETION CERTIFICATE

The undersigned hereby certifies, on behalf of the _____ (the "Qualified Agency"), as follows:

(a) The capitalized terms in this Certificate that are not herein defined shall have the meanings defined in the Financing Agreement, dated as of _____, between the Qualified Agency and the Texas Public Finance Authority.

(b) The Project was completed on (or no further proceeds of the Notes are to be expended for Project Costs as of) _____ *[insert date]*.

(c) Except for \$_____ (the "Retainage"), all Project costs that have been incurred have been paid, and no further disbursements from the Project Fund for the payment of Project Costs will be necessary.

(d) The Retainage is sufficient to pay all claims (1) for the payment of any Project Costs that are not presently due, and (2) for the payment of any Project Costs the liability for which is being contested or disputed by the Qualified Agency.

IN WITNESS WHEREOF, the undersigned executes this Certificate on the date shown below.

By: _____
Authorized Agency Representative

Date: _____