

A RESOLUTION establishing an interim financing program; approving and authorizing the issuance of obligations in an aggregate principal amount at any one time outstanding of not to exceed **\$250,000,000** to provide interim financing to pay Project Costs for Eligible Projects; authorizing such obligations to be issued, sold and delivered as flexible rate notes, and prescribing the terms, features, and characteristics of such notes; approving and authorizing certain authorized officers and employees to act on behalf of the Board of Regents of The University of Texas System in the selling and delivery of such notes, within the limitations and procedures specified herein; making certain covenants and agreements in connection therewith; resolving other matters incident and related to the issuance, sale, security, and delivery of such notes, including the approval **of a** Credit Agreement and an Official Statement, and certain changes, additions or amendments to the related Trust Agreement, Issuing and Paying Agent/Registrar Agreement, and Remarketing Agreement; and providing an effective date.

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**A RESOLUTION establishing an interim financing program; approving and authorizing the issuance of obligations in an aggregate principal amount at any one time outstanding of not to exceed \$250,000,000 to provide interim financing to pay Project Costs for Eligible Projects; authorizing such obligations to be issued, sold and delivered as flexible rate notes, and prescribing the terms, features, and characteristics of such notes; approving and authorizing certain authorized officers and employees to act on behalf of the Board of Regents of The University of Texas System in the selling and delivery of such notes, within the limitations and procedures specified herein; making certain covenants and agreements in connection therewith; resolving other matters incident and related to the issuance, sale, security, and delivery of such notes, including the approval of a Credit Agreement and an Official Statement, and certain changes, additions or amendments to the related Trust Agreement, Issuing and Paying Agent/Registrar Agreement, and Remarketing Agreement; and providing an effective date.**

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WHEREAS, the Board of Regents (the "Board") of The University of Texas System (the "System") hereby determines to issue obligations pursuant to the provisions of Section 18 of Article VII of the Constitution of the State of Texas, Chapter 1371, Texas Government Code, and Section 65.46, Texas Education Code; and

WHEREAS, an amendment to Section 18 of Article VII of the Texas Constitution, adopted by vote of the people of Texas on November 6, 1984 (the "1984 Constitutional Amendment") authorizes the Board to issue bonds and notes not to exceed a total amount of twenty percent (20%) of the cost value of investments and other assets of the Permanent University Fund (hereinafter defined) (exclusive of real estate) at the time of issuance thereof, and to pledge all or any part of its two-thirds interest in the Available University Fund (hereinafter defined) to secure the payment of the principal and interest of those bonds and notes, for the purpose of acquiring land either with or without permanent improvements, constructing and equipping buildings or other permanent improvements, major repair and rehabilitation of buildings and other permanent improvements, acquiring capital equipment and library books and library materials, and refunding bonds or notes issued under such section or prior law, at or for the System administration and certain component institutions of the System; and

WHEREAS, an amendment to Section 18 of Article VII of the Texas Constitution adopted by vote of the people of Texas on November 2, 1999 (the "1999 Constitutional Amendment"), redefined the Available University Fund to consist of "the distributions made to it from the total return on all investment assets of the [P]ermanent [U]niversity [F]und, including the net income attributable to the surface of [P]ermanent [U]niversity [F]und land" and provided that "the amount of any distributions . . . shall be determined by the [Board] in a manner intended to provide the [A]vailable [U]niversity [F]und with a stable and predictable stream of annual distributions and to maintain over time the purchasing power of [P]ermanent [U]niversity [F]und investments and annual distributions to the [A]vailable [U]niversity [F]und;" and

WHEREAS, a temporary provision adopted as part of the 1999 Constitutional Amendment provides **that:**

**[t]he** amendment of Section 18, Article VII, **of this** constitution adopted in 1999 does not impair any obligation created by the issuance of bonds or notes in accordance with that section before January **1,2000** and all outstanding bonds and notes validly issued under that section remain valid, enforceable, and binding and shall be paid in full, both principal and interest, in accordance with their terms and from the sources pledged to their payment; and

**WHEREAS,** the Board has previously issued its Board of Regents of The University of Texas System Permanent University Fund Refunding Bonds, Series 1991, Series **1992A** and Series 1996 and its Board of Regents of The University of Texas System Permanent University Fund Bonds, Series 1992B and Series 1997 pursuant to the 1984 Constitutional Amendment, being payable from and secured by a first lien on and pledge of the Interest of the System (hereinafter defined) in the Available University Fund; and

**WHEREAS,** the Board, by resolution, has previously established an interim financing program to pay Project Costs (hereinafter defined) for Eligible Projects (hereinafter defined) and authorized the issuance of Prior Notes (hereinafter defined) in an aggregate principal amount at any time outstanding of not to exceed **\$250,000,000**; and

**WHEREAS,** the Board, by this resolution, has determined to replace the interim financing program established by its prior resolutions and to authorize the issuance hereunder of its Board of Regents of The University of Texas System Permanent University Fund Flexible Rate Notes, Series A, in an amount at any one time outstanding of not to exceed **\$250,000,000** (the "Notes"), in order to provide interim financing of Project Costs of Eligible Projects and to refinance, renew, or refund Notes and Prior Notes, all as herein provided; and

**WHEREAS,** the Notes authorized 'hereby shall be secured in part by the Interest of the System in the Available University Fund, such lien and pledge thereof, however, being junior and subordinate to the lien and pledge thereof securing the payment of Fund Priority Obligations (hereinafter defined) outstanding on or after the date of issuance of the Notes; and

**WHEREAS,** the Board hereby **finds** that the purposes for which the Board may issue such Notes constitute "public works," as **contemplated** by Chapter 1371, Texas Government Code; and

**WHEREAS,** arrangements relating to the interim financing program have been settled and the Board hereby finds and determines that the issuance of such Notes, subject to the terms, conditions, and limitations hereinafter prescribed, should be approved and authorized at this time;  
**NOW, THEREFORE,**

**BE IT RESOLVED BY THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM:**

## ARTICLE I

### DEFINITIONS

Section 1.01. Definitions. Unless **the** context shall indicate a contrary meaning or intent, the terms below defined, for all purposes of this Resolution or any resolution amendatory or supplemental hereto, shall be construed, are used and are intended to have the following meanings, to-wit:

**"Acts"** shall mean, collectively, Chapter 1371, Texas Government Code, and Section 65.46, Texas Education Code.

**"Agreement"** or **"Credit Agreement"** shall mean the liquidity agreement approved and authorized to be entered into by Section 2.04, as from time to time amended or supplemented, or any other standby **purchase** agreement,, letter of credit, line of credit or similar liquidity agreement or Board resolution provided in lieu thereof in accordance with the provisions of Section 6.04.

**"Authorized Representative"** shall mean one or more of the following officers or employees of the System, to-wit: the Chancellor, any Executive Vice Chancellor, the Vice Chancellor and General Counsel, the Assistant Vice Chancellor for Finance and the Director of Finance, or such other officer or employee **of the** System authorized by the Board to act as an Authorized Representative.

**"Available University Fund"** shall mean the fund by that name specified in the Constitutional Provision, which fund consists of the distributions made to it from the total return on all investment assets of the Permanent University Fund, including the net income attributable to the surface of Permanent University Fund land, as determined by the Board pursuant to the Constitutional Provision.

**"Board of Regents"** or **"Board"** shall mean the Board of Regents of the System,

**"Bond Counsel"** shall mean **Vinson & Elkins L.L.P.** or any other attorney or firm of attorneys nationally recognized as experienced in the field **of bonds** of governmental issuers and appointed by the Board.

**"Bond Resolution"** shall mean, **collectively**, the resolutions authorizing any Fund Priority Obligations.

**"Business Day"** shall mean any day (a) when banks are open for business in Austin, Texas, (b) when banks are not authorized to be closed **in New York, New York** and (c) when banks are open for business in the city in which the Liquidity Provider is obligated to make **payments to** purchase Notes tendered for purchase pursuant to the Credit **Agreement**, initially Chicago Illinois.

**"Comptroller"** shall mean the Comptroller of Public Accounts **of the** State or any successor thereto.

**"Constitutional Amendment Bond Resolutions"** shall mean the resolutions authorizing the Series 1991 Bonds, the Series 1992A Bonds, the Series 1992B Bonds, the Series 1996 Bonds and the Series 1997 Bonds and any other resolution of the Board authorizing the issuance of bonds on a parity with the Series 1991 Bonds, the Series 1992A Bonds, the Series 3992B Bonds, the Series 1996 Bonds and the Series 1997 Bonds.

**"Constitutional Provision"** shall mean Section 18 of Article VII of the Constitution of the State, as amended and in effect on the date hereof, and any amendment thereto or any other amendment **to** the Constitution of the State relating to the Permanent University Fund hereafter approved by the voters of the State.

**"Dealer"** or **"Remarketing Agent"** shall have the meaning given said term in Section 5.04.

**"Defeasance Obligations"** shall mean (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the Board adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a Rating Agency not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the Board adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a Rating Agency not less than AAA or its equivalent.

**"DTC"** shall mean The Depository Trust Company, New York, New York, and its successors and assigns, or any other securities depository selected by an Authorized Representative pursuant to Section 2.16 of this Resolution.

**"DTC Participant"** shall mean the securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

**"Electronic Means"** shall mean telecopy, telegram, telegraph, telex, facsimile transmission, electronic mail or other similar electronic means of communication.

**"Eligible Project"** shall mean the acquisition of land, either with or without permanent improvements, the construction and equipping of buildings or other permanent improvements, major repair and rehabilitation of buildings and other permanent improvements, the acquisition of capital equipment and library books and library materials. The term **"Eligible Project"** shall not include the construction, equipping, repairing, or rehabilitating of buildings or other permanent improvements that are to be used for student housing, intercollegiate athletics, **or** auxiliary enterprises.

**"Fiscal Year"** shall mean the twelve-month operational period of the System commencing on September 1 of each year and ending on the following August 31.

**"Fitch"** shall mean Fitch IBCA or, if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such **other** nationally recognized securities rating agency as may be designated in writing by **the** Board.

"Flexible Rate" shall mean, when used with respect to any particular Notes, the interest rate determined for each Flexible Rate Period applicable thereto pursuant to Section 3.02.

**"Flexible Rate Period"** shall mean each period during which a Note bears interest at a Flexible Rate.

**"Fund Priority Obligations"** shall mean the Series 1991 Bonds, the Series 1992A Bonds, the Series 1992B Bonds, the Series 1996 Bonds, the Series 1997 Bonds, and any other obligations issued by the Board pursuant to the Constitutional Provision which are secured by and payable from a lien on and pledge of the Interest of the System in the Available University Fund prior in rank and dignity to the lien and pledge securing the payment of the Notes.

**"Holder"** or **"Noteholder"** shall mean the Registered Owner or any person, **firm**, association, or corporation who is in possession of any Note drawn, issued or endorsed to such person, firm, **association**, or corporation or to the order of such person, firm, association, or corporation.

**"Interest of the System"** and **"Interest"** in the Available University Fund shall mean the System's two-thirds interest in the Available University Fund as apportioned and provided in the Constitutional Provision.

**"Interest Payment Date"** shall mean (a) when used with respect to any particular Note (other than a Purchased Note), the last day of each Flexible Rate Period applicable thereto, and **(b)** when used with respect to any Purchased Note, the date on which interest is payable on such Purchased Note pursuant to the Credit Agreement.

**"Interest Period"** shall mean the period from and including any Interest Payment Date to and including the day immediately preceding the next following Interest Payment Date.

**"Issuing and Paying Agent," "Paying Agent/Registrar," "Paying Agent"** or **"Registrar"** shall mean the agent appointed pursuant to Section 2.02, or any successor to such agent.

**"Issuing and Paying Agent Agreement"** or **"Paying Agent/Registrar Agreement"** shall mean the agreement and first amendment thereto referred to in Section 5.03, as from time to time amended or supplemented.

**"Liquidity Provider"** shall mean, initially Bank One, NA, and, subsequently, any liquidity provider which becomes a party to a Credit Agreement, including, without limitation, the Board if the Board has adopted a resolution constituting a Credit Agreement pursuant to Section **6.04(b)**.

**"Maximum Interest Rate"** shall mean the lesser of (a) **fifteen** percent (15%) per annum and **(b)** the maximum net effective interest rate permitted by law to be paid on obligations issued or

incurred by the Board in the exercise of its borrowing powers (prescribed by Chapter 1204, Texas Government Code, or any successor provision).

**"Maximum Maturity Date"** shall mean May 15, 2030.

**"Moody's"** shall mean Moody's Investors Service, Inc. or, if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency as may be designated in writing by the Board.

**"1984 Constitutional Amendment"** shall mean the amendment to the Constitutional Provision approved by the voters on November 6, 1984.

**"1999 Constitutional Amendment"** shall mean the amendment to the Constitutional Provision approved by the voters on November 2, 1999.

**"Note"** or **"Flexible Rate Note"** shall mean the evidence of indebtedness authorized to be issued and at any time outstanding pursuant to this Resolution, in substantially the form described in Section 2.05.

**"Note Date"** shall have the meaning **given** in Section 2.02.

**"Permanent University Fund," "Permanent Fund,"** and **"Fund,"** used interchangeably herein, shall mean the Permanent University Fund as (created, established, implemented, and administered pursuant to Article VII, Sections 10, 11, 1 la, 1 lb, 15, and 18 of the Constitution of the State, as currently or hereafter amended, and further implemented by the provisions of Chapter 66, Texas Education Code.

**"Permanent University Fund Obligations"** shall mean, collectively, all bonds or notes **of the** Board or the Board of Regents **of The Texas A&M University System** heretofore or hereafter issued and delivered pursuant to the provisions of the Constitutional Provision, payable from and secured by a lien on and pledge of the Available University Fund.

**"Prior Notes"** shall mean The Board of Regents of The University of Texas System Permanent University Fund Variable Rate Notes, Series A, authorized to be issued in the maximum aggregate **principal amount** of **\$250,000,000** at any one time outstanding, pursuant to a resolution adopted by the Board on April 14, 1994.

**"Project Costs"** shall mean all costs and expenses incurred in relation to Eligible Projects, including without limitation design, planning, engineering, and legal costs, acquisition costs of land, interests in land, right-of-way, and easements, construction costs, costs of machinery, equipment, and other capital assets incident and related to the operation, maintenance, and administration of an Eligible Project, and financing costs, including interest during construction and thereafter, underwriter's discount **and/or** fees, legal, financial, and other professional services, and reimbursement for such Project Costs **attributable** to Eligible Projects incurred prior to the issuance of any Notes.

**"Purchased Notes"** shall mean Notes purchased by or on behalf of the Liquidity Provider pursuant to the Credit Agreement until such Notes are resold by or on behalf of the Liquidity Provider as contemplated by the Credit Agreement.

**"Rating Agency"** shall mean each nationally recognized securities rating agency which at the time has a credit rating assigned to the Notes at the request of the Board.

**"Registered Owner"** shall mean the person or entity in whose name any Note is registered in the Registration Books.

**"Registration Books"** shall mean the books **or** records relating to the registration, payment and transfer or exchange of the Notes maintained by the Issuing and Paying Agent pursuant to Sections 2.02 and 2.08.

**"Regular Record Date"** shall mean, with respect to any Note, the close of business on the Business Day immediately preceding the Interest Payment Date of **such Note**.

**"Remarketing Agent"** shall mean, **initially** Goldman, Sachs & Co., and, subsequently, any remarketing agent which becomes a party to a Remarketing Agreement.

**"Remarketing Agreement"** shall mean the amended and restated remarketing agreement approved and authorized to be entered into by Section 5.04, as from time to time amended or supplemented, or any other remarketing agreement provided in lieu thereof.

**"Resolution"** shall mean this resolution and any amendment, modification, or supplement hereto as permitted hereby.

**"Series 1991 Bonds"** shall mean The Board of Regents of The University of Texas System Permanent University Fund Refunding Bonds, Series 1991, dated April 1, 1991, and issued in the aggregate principal amount of **\$254,230,000**.

**"Series 1992A Bonds"** shall **mean** The Board of Regents of The University of Texas System Permanent University Fund Refunding Bonds, Series **1992A**, dated May 15, 1992, and issued in the aggregate principal amount of **\$196,015,000**.

**"Series 1992B Bonds"** shall mean The Board of Regents **of The** University of Texas System Permanent University Fund Bonds, Series **1992B**, dated April 1, 1992, and issued in the aggregate principal amount of **\$80,000,000**.

**"Series 1996 Bonds"** shall mean The Board of Regents of The University of Texas System Permanent University Fund Refunding Bonds, Series 1996, dated February 1, 1996, and issued in the aggregate principal amount of **\$263,945,000**.

**"Series 1997 Bonds"** shall mean The Board of Regents of The University of Texas System Permanent University Fund Bonds, Series 1997, dated December 1, 1997, and issued in the aggregate principal amount of **\$130,000,000**.

**"Short Term Obligations"** shall mean bonds or other evidences of indebtedness hereafter issued and incurred by the Board (other than the Notes) payable from the same sources, or any portion of such sources, securing the payment of the Notes and equally and ratably secured by a parity lien on and pledge of such sources securing the Notes, or any portion thereof.

**"Special System Account"** shall mean The **State Comptroller - University of Texas Special System** Account established by the Comptroller pursuant to the Trust Agreement.

**"Standard & Poor's" or "S&P"** shall mean Standard & Poor's Ratings Group, a division of McGraw-Hill, or, if such entity ceases to perform securities rating services, such other nationally recognized securities rating agency as may be designated in writing by the Board.

**"State"** shall mean the State of Texas

**"System"** shall mean The University of Texas System.

**"Trust Agreement"** shall mean the amended and restated trust agreement approved and **authorized** to be entered into by Section 2.15, as from time to time amended or supplemented.

**Section 1.02. Recitals, Table of Contents, Titles and Headings.** The terms and phrases used in the recitals of **this** Resolution have been included for convenience of reference only and the meaning, construction and interpretation of such terms and phrases for purposes of this Resolution shall be determined solely by reference to Section 1 .01 of this Resolution. The table of contents, titles and headings of the articles and section 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 and shall never be considered or given any effect in construing this Resolution or any provision hereof or in ascertaining intent, if any question of intent should arise.

**Section 1.03. Interpretation.** Unless the context requires otherwise, words **of the** singular number used in this Resolution shall be **construed** to include correlative words **of the** feminine and neuter genders and vice versa. References in this Resolution to numbered Articles, Sections or portions thereof shall refer to the respective Articles and Sections **of the** Resolution, unless expressly **specified otherwise**. The terms **"hereof," "herein," "hereunder"** and **similar** terms shall refer to this Resolution as a whole and not to any particular provision of this Resolution. This Resolution and all the terms and provisions hereof shall be liberally construed to effectuate the provisions set forth herein and to sustain the validity of this Resolution.

## ARTICLE II

### AUTHORIZATION OF NOTES

**Section 2.01. General Authorization.** Pursuant to authority conferred by and in accordance with the provisions of the Constitution and laws of the State, particularly the Constitutional Provision and the **Acts, Notes** to be designated "Board of Regents **of The University of Texas** System

Permanent University Fund Flexible Rate Notes, Series A” are hereby authorized to be issued in an aggregate principal amount not to exceed **TWO HUNDRED FIFTY MILLION DOLLARS (\$250,000,000)** at any one time outstanding for the purpose of financing Project Costs of Eligible Projects and to refinance, renew, or refund Notes and Prior Notes, including interest thereon, all in accordance with and subject to the terms, conditions, and limitations contained herein. For purposes of this Section 2.01, any portion of outstanding Notes to be paid from money on deposit in the Series A Note Payment Fund or the Special System Account and from the available proceeds of Notes, Short Term Obligations, Fund Priority Obligations or other obligations **of the** Board issued pursuant to the Constitutional Provision on the day of **calculation** shall not be considered outstanding.

**Section 2.02. Terms Applicable to Notes - General.** Under and pursuant to authority granted hereby and subject to the limitations contained herein, Notes shall be issued and sold and delivered from time to time in such principal amounts as determined by an Authorized Representative, such Notes to be dated as of the date of initial authentication of such Notes (the “Note Date”), to be in denominations provided in the Form **of Notes** in Section 2.05, to be numbered in ascending consecutive numerical order in the order of their issuance and to mature and become due and payable on the date or dates selected by an Authorized Representative in accordance with this Resolution but not later than the Maximum Maturity Date.

Subject to applicable terms, limitations, and procedures contained herein and to the provisions of Articles III and IV, the Notes may be sold in such manner at public or private sale and at par or at such discount or premium (within **the** interest rate and yield restrictions provided herein) as an Authorized Representative shall approve at the time **of the** sale thereof; provided, however, that if any Notes are required to be sold through competitive bidding, such Notes shall be sold in accordance with the procedures set forth in Section 5.01.

The Notes shall bear interest at rates as determined pursuant to this Resolution. Interest on the Notes shall be payable at maturity and at such intervals prior to maturity, all as determined in accordance with the provisions of Articles III and IV and in the Form of Notes set forth in Section 2.05. All computations of interest shall be based on **365-day** years for the actual number of days elapsed. Principal of and interest on the Notes shall be payable on the dates and in the manner set forth in Section 2.05 and Articles III and IV. The Notes shall be subject to purchase on demand of the Holder thereof and redemption prior to maturity under the terms and conditions and at the redemption price as set forth in Section 2.05 and Articles III and IV or as otherwise determined by an Authorized Representative.

The Notes shall be issued in fully registered form, without coupons. The selection and appointment of Bankers Trust Company, New York, New York, to serve as Paying Agent/Registrar for the Notes is hereby confirmed and the Board covenants and agrees to keep and maintain the Registration Books at the corporate trust office of the Paying Agent/Registrar, all as provided herein and pursuant to such reasonable rules and regulations as the Paying **Agent/Registrar** may prescribe. The Board covenants to maintain and provide a Paying **Agent/Registrar** 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. Should a change in the Paying **Agent/Registrar** for the Notes occur, the Board agrees to promptly cause a written notice thereof to be (i) sent to each Registered

Owner of the Notes then **outstanding** by United States mail, first-class, postage prepaid and (ii) published in a financial newspaper or journal of general circulation in The City of New York, New York, once during each calendar week for at least two (2) calendar weeks, provided, however, the publication of such notice shall not be required if notice is given to each Holder. Such notice shall give the address of the successor Paying Agent/Registrar. A successor Paying **Agent/Registrar** may be appointed without the consent of the Holders. Should the Paying **Agent/Registrar** resign or be removed, such resignation or removal shall not be effective until a successor Paying Agent/Registrar has been appointed by the Board and such appointment has been accepted. A copy of the Registration Books and any change thereto shall be provided to the Board by the Paying **Agent/Registrar**, by means of telecommunications equipment or such other means as may be mutually agreeable thereto.

The Board and the Paying **Agent/Registrar** may treat the Registered Owner of any Note as the absolute owner thereof for the purpose of receiving payment thereof and for all other purposes, and the Board and the Paying **Agent/Registrar** shall not be affected by any notice or knowledge to the contrary.

**Section 2.03. Redemption of Notes.** To exercise its option to redeem Notes, the Authorized Representative shall deliver notice to the Paying Agent of its intention to redeem the Notes, which notice shall specify the principal amount **of the** Notes to be redeemed, and, if less than all of the Notes are to be called, the Notes or portions thereof to be redeemed, at least two (2) days prior to the proposed redemption date. The Paying Agent shall cause notice of any redemption of Notes to be mailed to each Registered Owner of Notes to be redeemed at the respective addresses appearing in the Registration Books. If such notice shall (i) be mailed at least one (1) day prior to the redemption date, (ii) **identify** the Notes to be redeemed (specifying the CUSIP numbers (as defined in Section 2.09, if any, assigned to the Notes), (iii) specify the redemption date and the redemption price, and (iv) state that (a) on the redemption date the Notes called for redemption will be payable at the designated corporate trust office **of the** Paying Agent, **(b)** from the redemption date interest will cease to accrue, and (c) no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Notes, and, if due provision for the payment of the redemption price is made, then the Notes which are to be redeemed thereby automatically shall be deemed to have been redeemed prior to their scheduled maturities, and they shall not bear interest after the redemption date, and they shall not be regarded as being outstanding except for the right of the Registered Owner thereof to receive the redemption price from the Paying Agent. No defect affecting the giving of notice of redemption of any Notes, whether in the notice of redemption or mailing thereof (including any failure to mail such notice) shall affect the validity of the redemption provisions for any other Notes.

Section 2.04. **Credit Agreement.** **The Agreement, substantially in** the form of the liquidity agreement presented to the Board on the date of this Resolution, is hereby approved, and shall be entered into with the Liquidity Provider. An Authorized Representative is hereby authorized to execute and deliver the Agreement and any other documents called for thereunder.

**Section 2.05. Form of Notes.** **The Notes** and the Registration Certificate or the Certificate of Authentication to appear on each of the Notes shall be substantially in the form set forth in this Section 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 Banks Association ("CUSIP" numbers)**) and such legends and endorsements thereon as may, consistently herewith, be approved by an Authorized Representative. In addition, whenever the beneficial ownership of the Notes is determined by a book-entry at DTC, the Issuing and Paying Agent may, without further approval from the Board or an Authorized Representative, place such letters, numbers, marks of identification, legends and endorsements on the Notes as are necessary to satisfy the requirements of DTC. Any portion of the text of any Notes may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Notes.

The Notes shall be printed, lithographed, or engraved or produced in any other similar manner, or typewritten, all as determined and approved by an Authorized Representative.

Form of Notes

§ \_\_\_\_\_ Number \_\_\_\_\_

UNITED STATES OF AMERICA  
STATE OF TEXAS  
BOARD OF REGENTS OF  
THE UNIVERSITY OF TEXAS SYSTEM PERMANENT UNIVERSITY FUND  
FLEXIBLE RATE NOTE, SERIES A

MATURITY DATE:

Interest Rate'	Tender Date'	Note Date	Principal Amount
_____	_____	_____	_____

REGISTERED OWNER:

THE BOARD OF REGENTS (the "Board") OF THE UNIVERSITY OF TEXAS SYSTEM (the "System") being an agency of the State of Texas, FOR VALUE RECEIVED, hereby promises to pay, solely from the sources hereinafter identified and as hereinafter stated, to the order of the registered owner set forth above, or the assignee thereof, on the Maturity Date specified above the principal amount specified above and to pay interest, if any, on said principal amount from the above **specified Note** Date to said Maturity Date or earlier redemption date or the date of payment pursuant to a demand for payment at the rate **determined** as herein provided from the most recent Interest Payment Date (defined below) to which interest has been paid or duly provided for or from the Note Date if no interest has been paid, such payments of interest to be made on each Interest Payment

\_\_\_\_\_

'To be included on Notes during Flexible Rate Periods, unless the beneficial ownership of **such Notes** is then determined by a book-entry at DTC.

Date until the principal hereof has been paid, or provided for as aforesaid. Both principal of and interest on this note are payable in immediately available funds, upon presentation and surrender of this note at the designated corporate office of the Paying Agent/Registrar for the Notes (as hereinafter defined), initially Bankers Trust **Company, New York, New** York, to the registered owner hereof whose name appears on the registration and transfer books (the "Registration Books") kept by the Paying Agent/Registrar as of the close of business on the record date next preceding any interest payment date by check or by such other method requested by and at the risk and expense of the registered owner. The record date for any Interest Payment Date shall be the close of business on the Business Day immediately preceding the Interest Payment Date. Notwithstanding the foregoing, during any period in which ownership of the Notes is determined only by a book entry at a securities depository for the Notes, payments made to the securities depository, or its nominee, shall be made in accordance with arrangements between the Board and the securities depository.

THIS NOTE is one of an issue of flexible rate notes (the "Notes") which has been duly authorized and issued in accordance with the provisions of a resolution (the "Resolution") passed by the Board for the purpose of providing interim financing of Project Costs of Eligible Projects and to refinance, renew, or refund Notes issued pursuant to the provisions of the Resolution and certain prior notes issued pursuant to a separate resolution of the Board; all in accordance and in strict conformity with the provisions of Section 18 of Article VII of the Constitution of the State of Texas; Chapter 1371, Texas Government Code, and Section 65.46, Texas Education Code. **The Notes** will be issued in denominations of any multiple of \$1,000, with a minimum denomination of \$100,000. Capitalized terms used herein and not otherwise defined shall have the meaning given in the Resolution.

THIS NOTE, together with the other Notes, is payable (which includes the obligation to purchase upon tender as provided herein) from and equally secured by (i) the proceeds from (a) the sale of Fund Priority **Obligations**, Short Term Obligations, or other obligations of the Board under the Constitutional Provision issued for such purpose and (b) the sale **of Notes** issued pursuant to the Resolution for such purpose, (ii) the amounts held in the Series A Note Payment Fund and the Special System Account, and (iii) the Interest **of the** System in the Available University Fund, such lien on and pledge of the Interest of the System in the Available University Fund, however, being junior and subordinate to the lien and pledge thereof securing the payment of Fund Priority Obligations now outstanding and hereafter issued by the Board. The Board reserves the right in the Resolution to enter into interest rate swap, cap or floor agreements, currency swap agreements, or similar agreements in relation to the payment or exchange of payments *on* the Notes and to provide that the obligations of the Board under such agreement may be secured by a pledge of the Interest of the System in the Available University Fund which is on a parity with the pledge securing payment of the Notes,.

THIS NOTE, together with the other Notes, is payable solely from the sources hereinabove identified securing the payment thereof. The Notes do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any property of the Board, except with respect to the Interest of the System in the Available University Fund, and the holder hereof shall never have the right to demand payment of this obligation from any sources or properties of the Board except as identified above.

## INTEREST ON NOTES

The originally issued Notes shall bear interest at the applicable rate for the applicable Flexible Rate Period as determined by an Authorized Representative. At the end of the initial Flexible Rate Period, the Notes shall be subject to mandatory tender, without right of retention by the registered owner. Thereafter, the Notes will bear interest at Flexible Rates effective for Flexible Rate Periods (not exceeding 270 days) established in accordance with the Resolution, from time to time. The interest rate for each particular Note will remain in effect for the duration **of the** Flexible Rate Period. The Notes may have successive Flexible Rate Periods of any duration up to 270 days each and any Note may bear interest at a rate and for a period different **from** any other Note.

The rate of interest applicable to any Flexible Rate Period shall be determined in accordance with the applicable provisions of the **Resolution** and pursuant to the terms of the Remarketing Agreement **between** the Board and Goldman, Sachs & Co., or any successor thereto (the “Remarketing Agent”). All computations of interest shall be based on **365-day** years for the actual number of days elapsed.

Unless otherwise established by an Authorized Representative, each Flexible Rate and Flexible Rate Period shall be determined by the Remarketing Agent in connection with the sale of the Notes to which they relate by the offer and acceptance of purchase commitments for such Notes at a Flexible Rate or Rates and for such Flexible Rate Periods as it deems to be advisable in order to minimize the net interest cost on the Notes under prevailing market conditions.

While this note bears interest at a Flexible Rate, interest is payable on the last day of each Flexible Rate Period. Each such date is herein defined as an “Interest Payment Date.”

## MANDATORY TENDERS

This note shall be tendered for purchase at the principal amount thereof plus accrued interest to the Paying **Agent/Registrar** (i) on the effective date of a change from one Flexible Rate Period to another Flexible Rate Period, (ii) upon the expiration or termination of the Credit Agreement (as defined in the Resolution), and (iii) at the direction of the liquidity provider under the Credit Agreement as a result of the occurrence of an “event of default” thereunder; provided, however, that, except for a mandatory tender pursuant to clause (iii) above, the registered owner of this note may elect to retain this note (or his investment in this note) upon written notice to the Paying Agent/Registrar as provided in the Resolution.

Interest on any Note as to which a **registered** owner has not elected to continue to own after a mandatory tender date (as described above) and which is not tendered on the mandatory tender date, but for which there has been irrevocably deposited with the Paying Agent/Registrar an amount **sufficient** to pay the purchase price thereof, **shall** cease to accrue on the mandatory tender date, and the registered owner of such Note shall not be entitled to any payment other than the purchase price for such Note and such Note shall no longer be outstanding and entitled to the benefits of the Resolution, except for the payment of the purchase price of such Note from monies held by the Paying Agent/Registrar for such payment. On the mandatory tender date, the Paying Agent/Registrar shall authenticate and deliver substitute Notes in lieu of such untendered Notes.

Notwithstanding the foregoing, during **any** period in which ownership of the Notes is determined by a book-entry at a securities depository for the Notes, tenders of the Notes shall be made pursuant to such security depository's deliverorderprocedures orrepayment option procedures, as applicable, as in effect from time to time.

#### OPTIONAL REDEMPTION

This note is subject to redemption by the **Board** on any Interest Payment Date, in whole or in part, at a redemption price equal to the principal amount thereof plus interest accrued to the redemption date.

#### PURCHASED NOTES

Notwithstanding the other terms of this note, during any period in which this note has been purchased by the liquidity provider under the **Credit** Agreement, this note shall (i) bear interest at the rate (which interest shall be payable on the dates) specified in the Credit Agreement and (ii) be subject to redemption on the dates, in the amounts, at the redemption prices and in the manner set forth in the Credit Agreement.

IT **IS** HEREBY CERTIFIED AND RECITED that all acts, conditions, and things required by law and the Resolution to exist, to have happened, and to have been performed precedent to and in the issuance **of this** note, do exist, have happened, and have been performed in regular and due time, form, and manner as required by law and that the issuance **of this** note, together with all other Notes, is not in excess of the principal amount of Notes permitted to be issued under the Constitutional Provision or the Resolution.

THIS NOTE is and has all the qualities and incidents **of a** negotiable instrument under the laws of the State of Texas.

THIS NOTE shall not be entitled to any benefit under the Resolution or be valid or become obligatory for any purpose until this note shall have been authenticated by the Paying Agent/Registrar or registered by the Comptroller of Public Accounts of the State of Texas.

IN WITNESS WHEREOF, the Board has authorized and caused this note to be executed on its behalf by the manual or facsimile signatures of the Chairman of the Board and the Executive Secretary of the Board and its official seal **impressed** or a facsimile thereof to be printed hereon.

BOARD OF REGENTS OF THE UNIVERSITY  
OF THE TEXAS SYSTEM

\_\_\_\_\_  
Chairman

ATTEST:

\_\_\_\_\_  
Executive Secretary

(SEAL)

COMPTROLLER'S REGISTRATION CERTIFICATE  
[TO APPEAR ONLY ON INITIALLY ISSUED NOTES]

OFFICE OF THE COMPTROLLER  
OF PUBLIC ACCOUNTS

§  
§  
§  
§

REGISTER NO. \_\_\_\_\_

THE STATE OF TEXAS

I HEREBY CERTIFY THAT this note has been examined, certified as to validity, and approved by the Attorney General of the State of Texas, and that this Note has been registered by the Comptroller of Public Accounts of the State of Texas.

Witness my signature and seal this \_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
Comptroller of Public Accounts  
of the State of Texas

(SEAL)

PAYING AGENT/REGISTRAR'S  
CERTIFICATE OF AUTHENTICATION  
[TO APPEAR ONLY ON NOTES ISSUED IN EXCHANGE]

This note is one of the Notes delivered pursuant to the within mentioned Resolution.

BANKERS TRUST COMPANY,  
as Paying **Agent/Registrar**

Registered This Date:

\_\_\_\_\_

BY

\_\_\_\_\_

Countersignature

Section 2.06. Execution - Authentication. The Notes shall be executed on behalf of the Board by the Chairman of the Board under its seal reproduced or impressed thereon and attested by the Executive Secretary of the Board. The signature of said **officers** on the Notes may be manual or facsimile. Notes bearing the manual or facsimile signatures of individuals who are or were the proper officers of the Board on the date of passage of this Resolution shall be deemed to be duly executed on behalf of the Board, notwithstanding that such individuals or either of them shall cease to hold

such offices at the time **of the** initial sale and delivery **of Notes** authorized to be issued hereunder and with respect to Notes delivered in subsequent sales, exchanges and transfers, all as authorized and provided in Chapter 1201, Texas Government Code.

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** applicable form provided in Section 2.05, executed by the Paying Agent/Registrar by manual signature, and such certificate of authentication upon any Note shall be conclusive evidence, and the only evidence, that **such Note** has been duly certified or registered and delivered; except that on each initially **issued Note** there shall be manually endorsed a certificate of registration, substantially **in the** form provided in Section 2.05, executed by the Comptroller, or her duly authorized deputy, in lieu of the certificate of authentication required in the immediately preceding clause and such certificate of registration on any initially issued Note shall be conclusive evidence and the only competent evidence that such Note has been duly issued and delivered hereunder.

Section 2.07. Notes Mutilated. Lost. Destroyed. or Stolen. If any Note shall become mutilated, the Board, at the expense of the Holder of said Note, shall execute and the Paying Agent/Registrar 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** Paying Agent/Registrar 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 Board and the Paying **Agent/Registrar** and if such evidence be satisfactory to them and indemnity satisfactory to them shall be given, the Board, at the expense of the Holder, shall execute and the Paying Agent/Registrar shall authenticate and deliver a new Note of like tenor in lieu of and in substitution for the Note so lost, destroyed, or stolen. In the event any such Note shall have matured the Paying Agent/Registrar 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 Board** nor the Paying **Agent/Registrar 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 Board and the Paying Agent may charge the Holder of such Note with their reasonable fees and expenses for such service.

Section 2.08. Negotiability, Reistration and Exchangeability. The Notes issued hereunder shall be, and shall have all **of the qualities** and incidents of a negotiable instrument under the laws of the State, and each successive Holder, in accepting any of the obligations, shall be conclusively deemed to have agreed that such Notes shall be and have all of the qualities and incidents of a negotiable instrument under the laws of the State.

**Registration Books** relating to the registration, payment, and transfer or exchange **of the** Notes shall at all times be kept and maintained by the Board at the corporate trust **office** of the Registrar, and the Registrar shall obtain, record, and **maintain** in the Registration Books the name and, to the extent provided by or on behalf of such Registered Owner, the address of each Registered Owner of the Notes issued under and pursuant to the provisions of this Resolution. In addition, in accordance with the terms of the Issuing and Paying Agent Agreement, a copy of the records reflected in the Registration Books shall be maintained at the: System **office** in Austin, Texas. Any Note may, in accordance with its terms and the terms hereof, be transferred or exchanged for Notes of like tenor

and character and of other authorized denominations upon the Registration Books by the Holder thereof in person or by his duly authorized agent, upon surrender of such Note to the Registrar for cancellation, accompanied by a written instrument of transfer or request for exchange duly executed by the Holder thereof or by his duly authorized agent, in form satisfactory to the Registrar.

Upon surrender for transfer of any Note at the designated corporate trust **office of the** Registrar, the Registrar shall register and deliver, in the name of the designated transferee or transferees, one or more new Notes, executed on behalf of and furnished by the Board, of like tenor and character and of authorized denominations, and having the same maturity, bearing interest at the same rate, and of a like aggregate principal amount as the Note or Notes surrendered for transfer.,

Furthermore, Notes may be exchanged for other Notes of like tenor and character and of authorized denominations and having the same maturity, bearing the same rate of interest, and **of like** aggregate principal amount as the Notes surrendered for exchange, upon surrender of the Notes to be exchanged at the designated corporate trust office of the Registrar. Whenever any Notes are so surrendered for exchange, the Registrar shall register and deliver new Notes of like tenor and character as the Notes exchanged, executed on behalf of, and furnished by, the Board to the Holder thereof requesting the exchange.

The Board and the Registrar may charge the Holder a sum sufficient to reimburse them for any expenses incurred in making any exchange or transfer after the first such exchange or transfer. The Registrar or the Board may also require payment from the Holder 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.

Except as required by the Credit Agreement, the Board and the Paying Agent/Registrar shall not be required to transfer or exchange any Note selected, called, or being called for redemption in whole or in part unless said Note has been tendered for purchase and remarketed for a period which ends no later than the redemption date.

New Notes delivered upon any transfer or exchange shall be valid special obligations of the Board, evidencing 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 Board reserves the right to change the above registration and transferability provisions of the Notes at any time on or prior to the delivery thereof in order to comply with applicable laws and regulations of the United States of America in effect at the time of issuance thereof. In addition, to the extent that the provisions of this Section **conflict** with or are inconsistent with the provisions of Section 2.05 or Articles III and IV, such other provisions shall control.

**Section 2.09. Series A Note Payment Fund.** There is hereby established with the Issuing and Paying Agent a separate and special fund designated as the "Board of Regents of The University of Texas System, Series A Note Payment **Fund**" (the "Series A Note Payment Fund"). The proceeds from the sale of Fund Priority Obligations issued for the 'purpose of refunding and retiring Notes shall be deposited to the credit of the Series A Note Payment Fund and used for such purpose. In addition, all *amounts* required to be deposited by the Board pursuant to Section 2.10 shall be

deposited to the Series A Note Payment Fund and shall be used to pay principal of and interest on Notes as the same come due and mature or are required to be purchased as provided herein. In the event no Notes are outstanding, any amounts remaining in the Series A Note Payment Fund not then necessary for the purposes thereof shall be transferred to the Interest and Sinking Fund (as defined in Section 2.11).

Additionally all draws under the Credit Agreement shall be deposited into the Series A Note Payment Fund and used to pay the purchase price of Notes pursuant to Articles III and IV.

Pending the expenditure of moneys in the Series A Note Payment Fund for authorized purposes, moneys deposited therein may be invested at the direction of an Authorized Representative in the manner prescribed by law and in accordance with the written policies adopted by the Board, except that moneys in the Series A Note Payment Fund representing amounts for the purchase of tendered Notes may be invested only in direct obligation of, or obligations the principal of and interest on which are guaranteed by, the United States of America; provided that all such investments shall be made in such manner that the money required to be paid from the Series A Note Payment Fund will be available at the proper time or times. Any income received from investments in the Series A Note Payment Fund shall be retained in the Series A Note Payment Fund.

Section 2.10. **Pledge of Revenues: Payments.**

(a) The Notes are special obligations of the Board payable from and secured solely by the **funds** pledged **therefor** pursuant to this Resolution. The Board agrees to make payments into the Series A Note Payment Fund at such times and in such amounts as are necessary to provide for the **full** payment of the principal of and the interest on and purchase price of the Notes as the same come due and mature or are required to be purchased. Payments from the Series A Note Payment Fund shall be made from the first moneys deposited to the account of the Series A Note Payment Fund. Unless paid from the proceeds from the sale of Fund Priority Obligations, Short Term Obligations, Notes, or other obligations of the Board issued pursuant to the Constitutional Provision, such payments are to be made from the amounts required to be deposited in the Series **A Note** Payment Fund.

(b) To provide security for the payment of the principal of and interest on the Notes as the same shall come due and mature or as the same are required to be purchased, there is hereby pledged, subject only to the provisions of this Resolution permitting the application thereof for purposes and on the terms and conditions set forth herein, (i) the proceeds from (A) the sale of the Fund Priority Obligations or Short Term Obligations or other obligations of the Board under the Constitutional Provision issued for such purpose and (B) the sale of Notes issued pursuant to this Resolution for such purpose, (ii) the amounts held in the Series A Note Payment Fund and the Special System Account, provided, however, that amounts in the Series A Note Payment Fund attributable to and derived from remarketing of Notes tendered for purchase and from draws under and pursuant to the Credit Agreement **are** pledged solely to, and shall be used solely to pay, the purchase price of tendered Notes, and (iii) the Interest of the System in the Available University Fund, such pledge of Interest of the System in the Available University Fund, however, being subordinate to the pledge thereof securing the payment of Fund Priority Obligations as described below, and it is hereby resolved and declared that the principal of and interest on the Notes shall be and are hereby equally

and ratably secured by and payable from a lien on and pledge of the sources hereinabove identified in clauses (i), (ii), and (iii) subject and subordinate only to the exceptions noted therein.

(c) To the extent permitted by applicable law, the Board reserves the right to enter into interest rate swap, cap or floor agreements, currency swap agreements or similar agreements in relation to the payment or exchange of payments on the Notes and to pledge the Interest of the System in the Available University Fund to secure the Board's obligations thereunder, which pledge may be on a parity with the pledge securing payment of the Notes.

**Section 2.11. Application of Prior Covenants.** The covenants and agreements (to the extent the same are not inconsistent herewith) contained in the Constitutional Amendment Bond Resolutions are hereby incorporated herein and shall be deemed to be for the benefit and protection of the Notes and the Holders thereof in like manner as applicable to the Fund Priority Obligations,

In **accordance** with the provisions of the Constitutional Amendment Bond Resolutions, the Notes represent obligations which are subordinate to the Fund Priority Obligations. There heretofore has been established in the Treasury of the State of Texas a fund known as "Board of Regents of The University of Texas System Permanent University Fund Bonds Interest and Sinking Fund" (hereinafter called the "Interest and Sinking Fund"). The Fund Priority Obligations are payable from moneys required to be transferred to the Interest and Sinking Fund. After provision has been made for the payment of the principal of and interest on the Fund Priority Obligations, based upon the projection of monies to be deposited into the Interest and Sinking Fund from the Interest of the System in the Available University Fund **which** demonstrates that the deposits to the Series A Note Payment Fund will not impair the obligation of the Board to pay the principal of and interest on the Fund **Priority Obligations** as the same mature and come due, the balance **of the** Interest **of the** System in the Available University Fund shall be made available to the Board to deposit into the Series A Note Payment Fund such amounts as are necessary to pay the interest on and/or the principal of the Notes as the same come due and mature or are required to be purchased to the extent not paid from the proceeds of Notes, Short Term Obligations, Fund Priority Obligations, or other obligations of the Board issued pursuant to the Constitutional Provision. After provision has been made for the payment of the interest and any principal of the Notes, the balance of the Interest of the System in the Available University Fund each year shall be made available to the Board in the manner provided by law and by regulations of the Board to be used by the Board as it may lawfully direct.

There has heretofore been established in the Treasury **of the** State of Texas the Special System Account. If there is on deposit in the Special System Account from the Interest **of the** System in the Available University Fund, **monies sufficient to** pay the interest on and/or principal of the Notes as the same come due and mature or are required to be purchased, an Authorized Representative or such other designated officer or employee shall transfer from the Special System Account to the Paying Agent/Registrar for deposit in the Series A Note Payment Fund moneys sufficient to pay such amounts, and thereafter shall coordinate with the Comptroller and take such actions as shall be necessary to restore the Special System Account to an amount equal to the amount such **official** estimates will be necessary from the Interest **of the** System in the Available University Fund, to pay said interest on and/or principal of the Notes, including the purchase price thereof.

**Section 2.12. Series A Note Construction Fund.** The Board hereby reaffirms that there is established a separate account **designated as** the “Board of Regents of The University of Texas System Series A Note Construction Fund” (the “Series A Note Construction Fund”). The Series A Note Construction Fund is and shall be maintained by the Board in an official depository of the System. Moneys on deposit or to be deposited in the Series A Note Construction Fund shall remain therein until from time to time expended for the Project Costs, and shall not be used for any other purposes whatsoever, except as otherwise provided below. Pending the expenditure of moneys in the Series **A Note** Construction Fund, moneys deposited therein or credited thereto may be invested at the direction of an Authorized Representative in the manner prescribed by law and in accordance with the written policies adopted by the Board. Any income received **from** investments in the Series **A Note** Construction Fund shall be retained in the Series A Note Construction Fund.

Any amounts remaining in the Series A **Note** Construction Fund and not necessary for the payment of Project Costs shall be paid into the Series A Note Payment Fund and used either for the payment of interest during construction and thereafter on the Notes, payment of such maturities or purchases of the Notes coming due at such times as may be selected by the Authorized Representative. In the event no Notes are outstanding, any amounts in the Series A Note Construction Fund not anticipated to be needed to pay Project Costs shall be transferred to the Interest **and** Sinking Fund.

**Section 2.13. Cancellation.** All Notes which at maturity are surrendered to the Paying Agent/Registrar for the collection **of the** principal and interest thereof or are surrendered for transfer or exchange pursuant to the provisions hereof shall, upon payment or issuance of new Notes, be canceled by the Paying Agent/Registrar. The Paying Agent/Registrar shall destroy and cancel Notes and shall furnish the Board with a certificate of destruction.

**Section 2.14. Fiscal and Other Agents.** In furtherance **of the purposes of this** Resolution, the Board 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.

**Section 2.15. Trust Agreement.** The Trust Agreement, substantially in the form **of the** amended and restated trust agreement presented to the Board on the date **of this** Resolution, is hereby approved, and shall be entered into with the Comptroller. An Authorized Representative is hereby authorized to execute and deliver the Trust Agreement and any other documents called for thereunder.

**Section 2.16. Book-Entry System.** (a) The Board has determined to issue the Notes initially in book-entry form and has determined to appoint 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.

(b) Notwithstanding any provision of this Resolution to the contrary, unless the Board shall otherwise direct, a Master Note (evidencing all **of the** Board’s obligations under the Notes) shall be issued in lieu of individual Notes, which Master Note shall be registered in the name **of Cede & Co.**,

as nominee of DTC, as the Holder of the Master Note, and held in the custody of DTC. Beneficial owners of the Notes will not receive physical delivery of Note certificates except as provided hereinafter. For so 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 Note certificate; provided, however, that, if DTC fails or refuses to act as securities depository for the Notes, the Board shall take the actions necessary to provide for the issuance of physical certificates to the Holders of such Notes.

With respect to a Master Note registered in the name of Cede & Co., as nominee of DTC, the Board and the Paying Agent/Registrar 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 Board and the Paying Agent/Registrar 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 of the Notes, as shown in the Registration Books, of any notice with respect to the Notes, including any notice of redemption; and (iii) the payment to any DTC Participant or any other person, other than a registered owner of the Notes, as shown in the Registration Books, of any amount with respect to the principal of and 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 90 days after written notice to such effect is given to the Board and the Paying Agent/Registrar); (ii) the Board or the Paying Agent/Registrar 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 Board or the Paying Agent/Registrar 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 Board 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 Board 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 Registration Books 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 Board fails to appoint a successor securities depository for the Notes, the Board 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 the Master Note 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 the manner provided in the DTC Letter of Representations; (ii) the requirements of this Resolution of holding, registering, delivering, exchanging, or transferring the Notes shall be deemed modified to require the appropriate person or entity to meet the requirements of DTC as to holding, registering, delivering, exchanging or transferring the book entry to produce the same effect; and (iii) delivery of the Master Notes and the Notes will be in accordance with arrangements among the Board, the Paying Agent/Registrar, and DTC.

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

(f) The terms and provisions of the DTC Letter of Representations and the Master Note are hereby approved.

### ARTICLE III

#### INTEREST RATES ON NOTES

Section 3.01. Initial Interest Rates: Subsequent Rates. Each of the Notes originally issued hereunder shall bear interest at an initial rate for an initial Flexible Rate Period (established by an Authorized Representative) determined through competitive bid or otherwise in accordance with the requirements of Section 5.01; provided that in no event shall the initial rate exceed the Maximum Interest Rate. At the end of said **initial** Flexible Rate Period, the Notes shall be subject to mandatory tender, without right of retention by the Registered Owner. Thereafter, the Notes shall bear interest at the Flexible Rates determined from time to time in accordance with the provisions of Section 3.02.

Section 3.02. Flexible Rates. A **Flexible Rate** for each Flexible Rate Period shall be determined as follows:

(i) the Flexible Rate Period for **each Note** shall be of such duration, not exceeding 270 days, as may be offered by the Remarketing Agent and specified by the purchaser pursuant to Section 4.01 hereof and any Note may bear interest at a Flexible Rate for a Flexible Rate Period different from any other Note; provided that each such Flexible Rate Period shall (A) commence on a Business Day, and (B) end on a Business Day; and

(ii) the Flexible Rate for each, Flexible Rate Period shall be effective from and including the commencement date of such period through but not including the last day thereof. Each such Flexible Rate shall be determined by the Remarketing Agent in connection with the sale **of the Note or Notes** to which it relates pursuant to Section 4.01 hereof. Flexible Rates shall be determined for Notes prior to the commencement of each Flexible Rate Period with respect to such Note by the Remarketing Agent in connection with the remarketing of Notes, by the offer and acceptance of purchase commitments for such Notes at a rate or rates

it deems to be advisable in order to minimize the net interest cost on the Notes under prevailing market conditions; provided that in no event shall the Flexible Rate for any Flexible Rate Period exceed the Maximum Interest Rate. The Remarketing Agent shall notify an Authorized Representative of the Flexible Rate Period and the Flexible Rate for **each Note** by providing telephonic notice of such period and rate to an Authorized Representative. **If the Flexible Rate Period** is approved by an Authorized Representative (and it will be deemed to be approved if it is not rejected by an Authorized Representative within thirty (30) minutes after such telephonic notice), it shall become effective on the first day of the next Flexible Rate Period. If the period is rejected by the Authorized Representative, the next succeeding Flexible Rate Period shall be a Flexible Rate Period of one day's duration. Longer Flexible Rate Periods may be established pursuant to Section **4.01(b)** hereof.

Section 3.03. Notices to Registered Owners. In the event that the Remarketing Agent has not provided the Registrar with complete registration information, including the name and address of any Registered Owner of a Note, any **notice** which the Paying Agent is required to give to such Registered Owner with respect to such Note shall be sent by the Paying Agent to the Remarketing Agent and it shall be the sole responsibility **of the** Remarketing Agent to furnish such notice to the Registered Owner. Where the Registrar has not been provided with complete registration information, including name and address of any Registered Owner, the Registrar and Paying Agent shall have no responsibility nor incur any liability in **connection** with the giving of such notice.

Section 3.04. Interest on Notes Purchased by Liquidity Provider. Anything to the contrary contained herein notwithstanding, Purchased Notes shall

- (i) be outstanding for all purposes of the Resolution;
- (ii) bear interest at the rate of interest specified in the Credit Agreement; and
- (iii) be subject to redemption on the dates, in the amounts, at the redemption prices and in the manner set forth in the Credit Agreement.

## ARTICLE IV

### TENDER AND PURCHASE OF NOTES

#### Section 4.01. Tenders.

(a) Purchase Dates. **Each Note** shall be subject to mandatory tender for purchase, on the last day of each Flexible Rate Period applicable to such Note at a purchase price equal to one hundred percent (100%) of the principal amount **thereof**, plus interest accrued during such Flexible Rate Period, subject, however, to the right of the Registered Owner to elect to retain his investment in the Note (unless, prior to such mandatory tender date, the Paying Agent shall have caused notice of tender of such Note to be mailed to the Registered Owner thereof in accordance with Section 2.03 of this Resolution) by irrevocable telephonic or written notice delivered to the Remarketing Agent not later than 3:00 p.m., New York City time, on the Business Day before the expiration of the then current term of such Flexible Rate for that Note; provided, however, that, as provided in Section

3.01, the Registered Owner shall not have the right of retention at the end of the initial Flexible Rate Period. In the event a Registered Owner of a **Note** bearing interest at a Flexible Rate desires to retain his investment, the Registered Owner must present his Note to the Paying Agent in exchange for payment of principal and accrued interest in immediately available funds and the Paying Agent **will** authenticate and deliver to the Remarketing Agent for redelivery to such Registered Owner a substitute Note for the term of the succeeding Flexible Rate Period in replacement of the old Note. Each such Flexible Rate Period and mandatory tender date for a **Note** shall be established on the date of purchase of such Note as hereinafter provided. The Registered Owner of any Note tendered for purchase as provided in this Section **4.01(a)** shall provide the Paying Agent with payment **instructions** for the purchase price of its Note upon tender thereof to the Paying Agent.

(b) Remarketing of Tendered Notes. Not later than 3:00 p.m., New York City time, on the Business Day immediately preceding each purchase date the Remarketing Agent shall offer for sale and use its best efforts to find purchasers for all Notes bearing interest at Flexible Rates required to be purchased on the ensuing purchase date. Subject to the provisions of Section 3.02, in remarketing the Notes, the Remarketing Agent shall offer and accept purchase commitments for the Notes for such Flexible Rate Periods and at such Flexible Rates as it deems to be advisable in order to minimize the net interest cost on the Notes under prevailing market conditions; provided, however, that the foregoing shall not prohibit the Remarketing Agent from accepting purchase commitments for longer Flexible Rate Periods (and at higher Flexible Rates) than are otherwise available at the time of any remarketing if the Remarketing Agent determines that, under prevailing market conditions, a lower net interest cost on the Notes can be achieved over the longer Flexible Rate Period. Notwithstanding the foregoing, no Flexible Rate Period may be established which exceeds 270 days. The terms of any sale by the Remarketing Agent shall provide for the authorization of the payment of the purchase price by the Remarketing Agent to the Paying Agent in immediately available funds in exchange for Notes registered in the name of the new Registered Owner delivered to the Remarketing Agent at or before **2:15** p.m., New York City time, on the purchase date. Such payment by the Remarketing Agent pursuant to authorization shall be made no later than **2:45** p.m., New York City time, on such date, unless the Remarketing Agent shall notify the Paying Agent that the Notes are to be reauthenticated in accordance with instructions from the Remarketing Agent.

(c) Purchase of Tendered Notes.

(i) Notice. At or before 12:00 noon, New York City time, on the date fixed for purchase of tendered Notes, the Remarketing Agent shall give notice by telephone or Electronic Means to the Authorized Representative and the Paying Agent of the principal amount of tendered Notes which were remarketed. At or before **12:30** p.m., New York City time on the date fixed for purchase, the Remarketing Agent shall give notice to the Paying Agent by telephone (promptly confirmed in writing) of the names, and taxpayer identification numbers of the purchasers, the denominations **of Notes** to be delivered to each purchaser, and, if available, payment instructions for regularly scheduled interest payments. Not later than 1:00 p.m., New York City time, on the date fixed for purchase, the Paying Agent shall give notice by Electronic Means to an Authorized Representative and the Liquidity Provider specifying the principal amount of tendered Notes as to which the Remarketing Agent has advised the Paying Agent that it has found a purchaser and has committed to deliver the remarketing proceeds **from** such tendered Notes on the dates and by the times required for

payment **of the** purchase price of such tendered Notes by the Remarketing Agent to the Paying Agent, which notice shall also constitute, or be accompanied by, a draw on the Credit Agreement to pay the principal amount plus the accrued and unpaid interest to the purchase date of such tendered Notes as to which the Remarketing Agent has not found a purchaser or committed to deliver the remarketing proceeds. **If the** Paying Agent has not received the notice from the Remarketing Agent described in the preceding sentence by **1:00** p.m., New York City time, on the date fixed for purchase, the Paying Agent shall assume that no tendered Notes have been remarketed and shall draw on the Credit Agreement the amount necessary to pay the principal of plus the accrued and unpaid interest to the purchase date of such tendered Notes.

(ii) Sources of Payment. (A) The Remarketing Agent shall cause to be paid to the Paying Agent for deposit in the Series A Note Payment Fund on the date fixed for purchase of tendered Notes, all amounts representing proceeds of the remarketing of such Notes, such payments to be made in the manner and at the time specified in Section 4.01 **(b)** above. **If such** amounts, plus all other amounts received by the Paying Agent for the purchase of tendered Notes, are not sufficient to pay the principal amount plus the accrued and unpaid interest thereon to the purchase date (if any), the Paying Agent shall immediately notify the Authorized Representative and the Liquidity Provider **of any** deficiency. Further, if **sufficient** amounts for payment of the unpaid purchase price of tendered Notes shall not have been deposited in the Series A Note Payment Account by **2:45** p.m., New York City time, on the date set for purchase of tendered Notes, the Paying Agent shall immediately notify the Authorized Representative of any deficiency; whereupon the Board shall, to the extent permitted by applicable law, purchase such Notes as investments for the Permanent University Fund by delivering to the Paying Agent from the Permanent University Fund immediately available funds in an amount at least equal to such deficiency prior to 3:00 p.m., New York City time, on the date set for purchase of tendered Notes. **(B)** All monies received by the Paying Agent as remarketing proceeds, draws on the Credit Agreement and additional amounts, if any, received from the Board shall be deposited by the Paying Agent in the Series **A Note** Payment Account to be used solely for the payment of the purchase price of tendered Notes and shall not be commingled with other funds held by the Paying Agent. (C) **If any** such monies exceed the amounts required to pay the purchase price of tendered Notes, such excess shall be paid to the Liquidity Provider to the extent necessary to satisfy any amounts owed to it under the Credit Agreement and then to the Board.

(iii) Payments by the Paying Agent. At or before 3:00 p.m., New York City time, on the date set for purchase of tendered Notes and upon receipt by the Paying Agent of one hundred percent (100%) of the aggregate purchase price of the tendered Notes, the Paying Agent shall pay the purchase price of such Notes to the Holders thereof at its designated corporate trust office or by bank wire transfer. Such payments shall be made in immediately available funds. The Paying Agent shall apply in order (A) moneys paid to it by the Remarketing Agent as proceeds of the remarketing of such Notes by the Remarketing Agent, **(B)** moneys drawn on the Credit Agreement, and (C) moneys made available by the Board. If **sufficient funds** are not available for the purchase of all tendered Notes, no purchase shall be consummated.

(iv) Registration and Delivery of Tendered or Purchased Notes. On the date of purchase, the Paying Agent shall register and deliver (or hold) all Notes purchased on any purchase date as follows: (A) Notes purchased or remarketed by the Remarketing Agent shall be registered and made available to the Remarketing Agent by **2:15** p.m., New York City time, in accordance with the instructions of the Remarketing Agent; **(B)** Notes purchased with amounts drawn under the Credit Agreement, if any, shall be registered for transfer to the Liquidity Provider and, upon such registration of transfer, the Paying Agent shall hold such purchased Notes for the account of the Liquidity Provider in accordance with the terms of the Credit Agreement; provided that if such purchased Notes are held in the book-entry system described in Section 2.16, the Paying Agent shall cause such purchased Notes to be transferred to the Liquidity Provider's DTC account; and (C) Notes purchased with amounts provided by the Board from the Permanent University Fund shall be registered in the name of the Permanent University Fund and shall be held by the Paying Agent on behalf of the Permanent University Fund and shall not be released unless the Paying Agent shall have received written instructions from an Authorized Representative.

(v) Sale of Notes Registered to Liquidity Provider or Permanent University Fund. In the event that any Notes are registered to the Liquidity Provider or the Permanent University Fund pursuant to Section 4.01(c)(iv) above, the Remarketing Agent shall offer for sale and use its best efforts to sell such Notes registered to the Liquidity Provider and, to the extent requested by an **Authorized Representative, such Notes registered** to the Permanent University Fund at a price equal to the principal amount thereof plus any accrued interest.

(vi) Delivery of Notes: Effect of Failure to Surrender Notes. All Notes to be purchased on any date shall be required to be delivered to the designated corporate trust office of the Paying Agent at or before 3:00 p.m., New York City time, on the purchase date. If the Registered Owner of any Note (or portion thereof) that is subject to purchase pursuant to this Section fails to deliver **such Note** to the Paying Agent for purchase on the purchase date, and if the Paying Agent is in receipt of the purchase price therefor, such Note (or portion thereof) shall nevertheless be deemed purchased on the day fixed for purchase thereof and ownership of such Note (or portion thereof) shall be transferred to the purchaser thereof as provided in Section 4.01(c)(iv) above. Any Registered Owner who fails to deliver **such Note** for purchase shall have no further rights thereunder except the right to receive the purchase price thereof upon presentation and surrender of said Note to the Paying Agent. The Paying Agent shall, as to any tendered Notes which have not been delivered to it, (i) promptly notify the Remarketing Agent of such nondelivery and (ii) place a stop transfer against an appropriate amount of Notes registered in the name of such Registered Owner(s) on the Registration Books. The Paying Agent shall place such stop(s) commencing with the lowest serial number Note registered in the name of such Registered Owner(s) until stop transfers have been placed against an appropriate amount of Notes until the appropriate tendered Notes are delivered to the Paying Agent. Upon such delivery, the Paying Agent shall make any necessary adjustments to the Registration Books.

(vii) Tendered Notes to be Held in Trust. The Paying Agent shall hold all Notes delivered to it hereunder in trust solely for the benefit of the respective Registered Owner(s) which have so delivered **such Notes** until money representing the entire purchase price of such

Notes shall have been delivered to **or** for the account of or to the order of such Registered Owner(s) and thereafter, in the case of Notes registered to the Liquidity Provider or the Permanent University Fund pursuant to Section **4.01(c)(iv)** above, for the benefit of the Liquidity Provider or the Permanent University Fund, as Registered Owner of **such Notes**, until disposed of pursuant to instructions from the Liquidity Provider or an Authorized Representative, as appropriate. It is recognized and agreed by the Paying Agent that while the Paying Agent holds Notes registered to the Liquidity Provider or the Permanent University Fund pursuant to Section **4.01(c)(iv)** above, **such Notes** are held by the Paying Agent in trust as the agent and for the benefit of the Liquidity Provider or the Permanent University Fund, as Registered Owner of such Notes.

**Section 4.02. Mandator-v Tender.**

(a) **Upon Expiration of Credit Agreement.** (i) The Notes shall be subject to mandatory purchase upon the expiration or termination of the Credit Agreement, subject to the right of the Registered Owner to retain his Note, which purchase shall occur:

(A) on the last Business Day prior to the termination or expiration of the Credit Agreement, provided that no such tender and purchase shall be required if the Credit Agreement is renewed prior to the date of notice to Registered Owner pursuant to Section **4.02(a)(ii)** below; or

(B) on the last Business Day prior to the substitution of a new Credit Agreement, for such Notes, provided that no such tender and purchase shall be required if prior to the date of notice to the Registered Owner pursuant to Section **4.02(a)(ii)** below, the Remarketing Agent and the Paying Agent shall have received written confirmation from Standard & Poor's, Moody's and **Fitch** to the effect that the rating or ratings, if any, assigned by such Rating Agency to the Notes will not be lowered, withdrawn or suspended as a result of the expiration or substitution.

(ii) Not later than thirty (30) days prior to the purchase date, the Paying Agent shall mail a written notice of the purchase to the Holders of all Notes subject to purchase, which notice shall specify (A) the purchase date, (B) the event requiring the purchase pursuant to Section 4.02(a)(i) above, and (C) state whether any ratings assigned by Standard & Poor's, Moody's or Fitch have been lowered, withdrawn or suspended as a result **of the** expiration or substitution of the Credit Agreement.

(iii) The Holders of any Notes may elect to retain their Notes notwithstanding a mandatory tender pursuant to this Section by delivering to the Paying Agent at its designated corporate trust office not later than 5:00 p.m., New York City time, on a Business Day which is not fewer than fifteen (15) days prior to the mandatory tender date a written notice of such election. Such written notice shall:

(A) state that the person delivering the same is a Registered Owner (specifying the numbers and denominations of the Notes of such Registered Owner);

(B) state that the Registered Owner is aware of the fact that after the Credit Agreement termination or expiration date, the Credit Agreement will no longer be in effect;

(C) state that the Registered Owner is aware of the status of any ratings which had been assigned to the Notes by Standard & Poor's, Moody's or Fitch prior to the expiration or substitution of the Credit Agreement;

(D) direct the Paying Agent not to purchase the Notes of such Holders; and

(E) be irrevocable and binding upon the Holder delivering such notice and all subsequent Holders of the Notes to be retained, including Notes issued in exchange **therefor** or upon transfer thereof.

(iv) At or before 4:00 p.m., New York City time, on the Business Day immediately following the last day on which notices of election to retain Notes may be delivered to the Paying Agent pursuant to this Section, the Paying Agent shall notify an Authorized Representative and the Liquidity Provider by telephone or Electronic Means of the principal amount of Notes to be tendered for purchase on the mandatory tender date. At or before **12:30 p.m.**, New York City time, on the mandatory tender date, the Paying Agent shall draw on the Credit Agreement an amount equal to the principal amount plus the accrued and unpaid interest to the mandatory tender date on all Notes required to be tendered for purchase on such date, such amount to be delivered in immediately available funds and deposited upon receipt in the Series A Note Payment Account. If sufficient amounts for payment of the unpaid purchase price of all such Notes shall not have been deposited in the Series A Note Payment Account by **2:45 p.m.**, New York City time, on the mandatory tender date, the Paying Agent shall immediately notify the Authorized Representative of any deficiency, whereupon the Board shall, to the extent permitted by applicable law, purchase **such Notes** as investments for the Permanent University Fund by delivering to the Paying Agent from the Permanent University Fund prior to 3:00 p.m., New York City time, on the mandatory tender date immediately available funds in an amount at least equal to such deficiency, such amount to be deposited upon receipt in the Series A Note Payment Account. All monies so received by the Paying Agent and deposited in the Series **A Note** Payment Account shall be applied to pay the purchase price of Notes tendered for purchase on the mandatory tender date in the manner provided for in Section **4.01(c)**. The Paying Agent shall register and deliver (or hold) Notes purchased on the mandatory tender date in accordance with Section **4.01(c)(iv)**. The Remarketing Agent shall, to the extent requested by the Liquidity Provider or an Authorized Representative, as appropriate, offer for sale and use its best efforts to sell such Notes registered to the Liquidity Provider or the Permanent University Fund. The provisions of Sections **4.01(c)(vi)** and (vii) shall apply to Notes tendered for purchase on the mandatory tender date.

**(b) Upon "Event of Default" Under Credit Agreement.** Upon the written direction of the Liquidity Provider to the Paying Agent of the occurrence of an "event of default" under the Credit Agreement and its election to cause a mandatory purchase of the Notes, the Paying Agent will send a written notice to the Holders of the Notes (the form of which shall be provided by the Liquidity

Provider), the Board, and the Liquidity Provider, by United States mail, first-class postage prepaid, that (i) the purchase of all of the Notes will occur on the Business Day specified by the Liquidity Provider that is not more than five (5) Business Days after the date of receipt by the Paying Agent of the written direction sent by the Liquidity Provider (the "Liquidity Purchase Date") and (ii) the Holders of the Notes shall have no right to retain their Notes after such date. On the Liquidity Purchase Date, all Notes shall be tendered by the Holders thereof to the Paying Agent for purchase at a purchase price equal to the principal amount thereof plus accrued interest, if any. At or before **12:30** p.m., New York City time, on the Liquidity Purchase Date, the Paying Agent shall draw on the Credit Agreement an amount equal to the principal amount plus the accrued and unpaid interest to the Liquidity Purchase Date on all outstanding Notes, such amount to be delivered in immediately available funds pursuant to the Credit Agreement and deposited upon receipt in the Series A Note Payment Account. If **sufficient** amounts for payment of the unpaid purchase price of all outstanding Notes shall not have been deposited in the Series **A Note** Payment Account by **2:45** p.m., New York City time, on the Liquidity Purchase Date, the Paying Agent shall immediately notify the Authorized Representative of any deficiency, whereupon the Board shall, to the extent permitted by applicable law, deliver to the Paying Agent from the Permanent University Fund prior to 3:00 p.m., New York City time, on the Liquidity Purchase Date immediately available funds in an amount at least equal to such deficiency, such amount to be deposited upon receipt in the Series A Note Payment Account. All monies so received by the Paying Agent and deposited in the Series A Note Payment Account shall be applied to pay the purchase price of outstanding Notes in the **manner** provided for in Section **4.01(c)**. The Paying Agent shall register and deliver (or hold) Notes purchased on the Liquidity Purchase Date in accordance with Section **4.01(c)(iv)**. The Remarketing Agent shall, to the extent requested by the Liquidity Provider or an Authorized Representative, as appropriate, offer for sale and use its best efforts to sell such Notes registered to the Liquidity Provider or the Permanent University Fund. The provisions of Sections **4.01(c)(vi)** and (vii) shall apply to Notes tendered for purchase on the Liquidity Purchase Date.

**Section 4.03. Inadequate Funds for Tenders.** If the funds available for purchases of Notes pursuant to this Article IV are inadequate for the purchase of all Notes tendered on any purchase date, the Paying Agent shall, after any applicable grace period: (i) return all tendered Notes to the Holders thereof; (ii) return all moneys received for the purchase of such Notes to the persons providing such moneys; and (iii) notify an Authorized Representative **of the** return of **such Notes** and moneys and the failure to make payment for tendered Notes.

**Section 4.04. Mandator Tender at End of Initial Flexible Rate Period.** Notwithstanding any provision **of this** Resolution to the contrary, **the Notes** initially issued hereunder shall be subject to mandatory tender, without right of retention by the Registered Owner at the end of the initial Flexible Rate Period.

## ARTICLE V

### ISSUE AND SALE OF NOTES

#### Section 5.01. Issuance and Sale of Notes.

(a) Except as provided in Section **5.01(b)**, all Notes issued to provide funds **to pay Project Costs** shall be sold through competitive bidding as required by the Constitutional Provision. In connection with sales of Notes to provide funds to pay Project Costs (specifically excluding Notes described in Section **5.01(b)**), an Authorized Representative shall prepare a Notice to Bidders and Bidding Instructions with respect thereto.

(b) All Notes sold to refund Notes and Prior Notes are hereby deemed to be “refunding bonds” **within** the meaning of the Constitutional Provision and therefore may be sold in the manner determined by **an Authorized** Representative to be most economically advantageous to the Board.

(c) The Notes shall be completed and delivered by the Issuing and Paying Agent in accordance with telephonic, computer or written instructions of any Authorized Representative and in the manner specified in the Issuing and Paying Agent Agreement and below. To the extent such instructions are not written, they shall be confirmed in writing **within** 24 hours. Said instructions shall specify such **principal** amounts, dates of issue, maturities, rates of discount or interest, and other terms and conditions which are hereby authorized and permitted to be fixed by any Authorized Representative at the time of sale of the Notes. Such instructions shall include the purchase price of the Notes, and a request that the Issuing and Paying Agent deliver them to the named purchaser or purchasers thereof upon receipt of payment in accordance with the custom then prevailing in the New York financial market in regard to obligations such as the Notes. Such instructions shall also specify the amounts of the proceeds of such issue of Notes which are to be deposited to the Series A Note Payment Fund and to be transferred to the Series A Note Construction Fund; provided, however, that to the extent proceeds **of Notes** are to be used to refund or refinance Prior Notes, such instructions shall so specify. Such instructions shall also contain provisions representing that all action on the part of the Board necessary for the valid issuance of the Notes then to be issued has been taken, that all provisions of State and federal law necessary for the valid issuance of **such Notes** with provision for original issue discount and interest exemption from federal income taxation have been complied with, and that such Notes in the hands of the Holders thereof will be valid and enforceable special obligations of the Board according to their terms, subject to the exercise of judicial discretion in accordance with general principles of equity and bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights heretofore or hereafter **enacted** to the extent constitutionally applicable and that, based upon the advice of Bond Counsel, the earned original issue discount on the Notes or stated interest on the Notes, as the case may be, is excludable from gross income for purposes of federal income taxation. Such instructions shall also certify that:

(i) **if the Notes** are being issued to pay Project Costs, (A) the bidding requirements set forth in this Resolution have been satisfied and (B) attached to such instructions is (1) a No-Arbitrage Certificate (as described in Section **6.06**), (2) a written opinion of Bond Counsel **to** the effect that such issuance will not adversely affect the exclusion from gross income of

interest on the Notes for federal income tax purposes (subject to the inclusion of any exceptions or qualifications contained in the opinion of Bond Counsel delivered upon initial issuance of any Notes hereunder), (3) a written opinion of the general counsel of the System that the Notes are being issued to pay Project Costs for Eligible Projects and (4) a written certificate signed by an Authorized Representative listing the Eligible Projects expected to be financed, in whole or in part, by the Notes and certifying that each of such Eligible Projects has been approved by the Higher Education Coordinating Board (or is otherwise exempt from the requirement of such approval); provided, however, that at some future date, the Board may substitute other Eligible Projects (the "Substituted Projects") to be financed, in whole or in part, by the Notes for the Eligible Projects listed on such certificate so long as each of such Substituted Projects has been approved by the Higher Education Coordinating Board (or is otherwise exempt from the requirement of such approval);

(ii) no Event of Default under Section 7.01 has occurred and is continuing as of the date of such Certificate;

(iii) the **Board** is in compliance with the covenants set forth in Section 2.11 and Article VI as of the date of such instructions;

(iv) that the aggregate principal amount **of Fund Priority Obligations, Notes** (including the principal amount of the Notes to be sold pursuant to such instructions), Short Term Obligations and other obligations of the Board issued under the Constitutional Provision does not exceed a total amount of twenty percent (20%) of the cost value of investments and other assets of the Permanent University Fund (exclusive of real estate) as of the time of the sale of the Notes; and

(v) that, based upon the projected monies to be deposited into the Interest and Sinking Fund from the Interest of the System in the Available University Fund, the payment of the interest on and/or principal of any Note from monies on deposit in the Interest and Sinking Fund by the Board will not impair the obligation of the Board to pay the principal of and/or interest on any Fund Priority Obligation as the same matures and comes due.

Section 5.02. Proceeds of Sale of Notes.

(a) Except as provided in Section **5.02(b)** below, the proceeds of the sale of any Notes pursuant to this Article (net of all expenses and costs of sale and issuance) shall be deposited into Series **A Note** Payment Fund, and shall be applied for any or all **of the** following purposes as directed by an Authorized Representative:

(i) proceeds to be used for the payment and redemption or purchase of outstanding Notes at or before maturity shall be expended therefor; and

(ii) proceeds not to be retained in the Series A Note Payment Fund as provided in Section **5.02(i)** above shall be transferred to the Series **A Note** Construction Fund and used and applied in accordance with the provisions of Section 2.12.

(b) To the extent that the Notes are being issued to refund or **refinance** Prior Notes, the proceeds of the sale of such Notes (net of all expenses and costs of sale and issuance) shall, to the extent required, be paid to the paying agent for such Prior Notes in an amount sufficient to accomplish the discharge and final payment of such Prior Notes. The Board hereby directs that the initial Notes issued hereunder shall be issued in an amount sufficient at least to refund or refinance all Prior Notes outstanding on the date of issuance of such initial Notes. The Authorized Representative, acting for and on behalf of the Board, shall sign and otherwise execute and deliver such notices, instructions, certificates, instruments, and other documents as may be necessary or convenient to accomplish the refunding or refinancing of the Prior Notes as set forth above and in accordance with their terms. It is hereby found and determined that the refunding or refinancing of the Prior Notes is advisable and necessary in order to restructure the interim financing program established by this Resolution.

Section 5.03. **Issuing and Paying Agent Agreement.** The Issuing and Paying Agent Agreement by and between the Board and Bankers Trust Company, New York, New York, effective August 23, 1994, was heretofore executed and delivered by the Board. The First Amendment to Issuing and Paying Agent Agreement (the "First Amendment"), substantially in the form **of the first** amendment presented to the Board on the date of this Resolution, is hereby approved, and shall be entered into with the Paying Agent. An Authorized Representative is hereby authorized and directed to execute and deliver the First Amendment and any other documents called for thereunder.

Section 5.04. **Remarketing Agreement: Remarketing Agent.** The Remarketing Agreement, substantially in the form of the amended and restated remarketing agreement presented to the Board on the date of this Resolution, is hereby approved, and shall be entered into with the Remarketing Agent. An Authorized Representative is hereby authorized to execute and deliver the Remarketing Agreement and any other documents called for thereunder. At all times where there are outstanding Notes, the Board covenants to maintain a Remarketing Agent. Should the Remarketing Agent resign or be removed, such resignation or removal shall not be effective until a successor Remarketing Agent has been appointed by the Board and such appointment has been accepted.

## ARTICLE VI

### COVENANTS OF THE BOARD

Section 6.01. **Limitation on Issuance.** Unless this Resolution is amended and modified by the Board in accordance with the provisions of Section 8.01 hereof, the Board covenants that there will not be issued and outstanding at any time more than **\$250,000,000** in principal amount of Notes. In compliance with applicable laws, the Board, however, does reserve the right to issue additional notes in excess of said amount by resolution duly adopted by the Board and approved by the Attorney General of the State of Texas. For purposes of this Section 6.01 any portion of outstanding Notes to be paid on the day of calculation from moneys on deposit in the Series **A Note** Payment Fund and the proceeds **of Notes**, Short Term Obligations, Fund Priority Obligations or other obligations of the Board issued pursuant to the Constitutional Provision shall not be considered outstanding.

Additionally, the Board covenants and agrees that the total principal amount of all Notes (other than Purchased Notes) outstanding at any one time and the total amount of interest accrued or to accrue thereon in the succeeding 275 days following such date of calculation shall not exceed the sum total of the "Available Commitment" (as defined in the Agreement).

Section 6.02. **General Covenant.** The Board covenants and agrees that while the currently outstanding Permanent University Fund Obligations are outstanding, the Board will maintain and invest and keep invested the Permanent University Fund in accordance with the standards established by Section 1 lb of Article VII of the State Constitution.

Section 6.03. **Payment of Fund Priority Obligations and Notes.** The Board hereby covenants and reaffirms to ~~the~~ holders ~~or~~ owners of any Fund Priority Obligations that the payment from time to time of the interest on and/or principal of the Notes shall not impair the ability or the obligation of the Board to pay the principal of and/or interest on any Fund Priority Obligations, and that the Board further covenants (i) that it shall establish appropriate procedures with the Comptroller with respect to deposits into the Series A Note Payment Fund and the Special System Account, and (ii) that such procedures shall not impair the ability of the Board to pay the principal of and/or interest on the Fund Priority Obligations.

Section 6.04. **Maintenance of Available Credit Agreement Requirement.**

(a) The Board agrees and covenants that at all times while there are outstanding Notes it will maintain one or more Credit Agreements in amounts such that, assuming that all then outstanding Notes were to be tendered for purchase, the amount available to be drawn under the Credit Agreements would be **sufficient** at that time to pay the purchase price **therefor** at an amount equal to the principal of all such Notes, and interest thereon for 275 days computed at the rate of fifteen percent (15%) per annum. No Notes shall be issued which if, after giving effect to the issuance thereof and, if applicable, the immediate application of the proceeds thereof to retire other Notes covered by the Credit Agreement, the aggregate principal amount of all Notes and interest thereon covered by the Credit Agreement would exceed the amount of the liquidity commitment under the Credit Agreements. The availability for draws under the Credit Agreements may be subject to reasonable conditions precedent, including but not limited to, bankruptcy of the Board. In furtherance of the foregoing covenant, the Board agrees that it will not issue any Notes or make any borrowings which will result in a violation of such covenant, will not amend the Credit Agreement in a manner which will cause a violation of such covenant and, if and to the extent necessary to maintain compliance with such covenant, and will arrange for new Credit Agreements prior to, or contemporaneously with, the expiration of the Credit Agreement.

(b) A Credit Agreement may be in the form of a standby purchase agreement, letter of credit, line of credit or similar liquidity agreement. In addition, at the option of the Board, a Credit Agreement may be in the form of a resolution of the Board covenanting to use lawfully available funds to purchase Notes tendered for purchase and reciting that such resolution constitutes a "Credit Agreement" for purposes of this Resolution.

(c) (i) An alternate Credit Agreement may be provided in substitution for such Credit Agreement then in effect or to **confirm** such Credit Agreement then **in** effect, or an extension or amendment thereof, only upon receipt of (A) a written notice from each of Standard & Poor's, Moody's and Fitch, to the extent such **firms** are then rating the Notes, stating that as of the effective date of such alternate Credit Agreement, its ratings on the Notes will not be lowered, withdrawn or suspended from the then current short-term rating as a result of the action proposed to be taken, and (B) opinions of legal counsel acceptable to Standard & Poor's, Moody's, Fitch and such Paying Agent, to the extent such firms are then rating the Notes, stating that (i) such Credit Agreement, extension, or amendment was issued in accordance with the conditions of this Section, (ii) such Credit Agreement, as extended or amended, constitutes a legal, valid, and binding obligation of such Liquidity Provider and is enforceable in accordance with its terms (except to the extent that the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, or other laws for the relief of debtors other than the Board and by general principles of equity which permit the exercise of judicial discretion), (iii) the substitution of such alternate Credit Agreement or such Credit Agreement then in effect or the acceptance of such extension or amendment, as the case may be, will not adversely affect the status for the purposes of federal income taxation of interest on any Notes, and (iv) no registration of such Notes under the Securities Act of 1933, as amended, or qualification of this Resolution under the Trust Indenture Act of 1939, as amended, will be required in connection with the issuance and delivery of such alternate Credit Agreement or the remarketing of such Notes with the benefits thereof; provided that an alternate Credit Agreement may be provided in substitution for such Credit Agreement then in effect only upon approval of the Attorney General of the State of Texas.

(ii) If the short-term rating of the Notes shall at any time be less than A-1 by any of Standard & Poor's, Moody's or Fitch, to the extent such **firm** is then rating the Notes, or the equivalent of such short-term ratings, the Board shall, if permitted under the terms of the Credit Agreement, proceed with substitution or termination, as the case may be, **of such** Credit Agreement in accordance with its terms and the terms of this Resolution.

(iii) The release of a Liquidity Provider from all or some of its obligations under a Credit Agreement and the substitution **of one** or more new Liquidity Provider(s) that assume(s) the released obligations **of such** Liquidity Provider shall constitute the provision of an alternate Credit Agreement for all purposes of this Resolution, including, without limitation, Section **4.02(a)(ii)**.

(d) The Agreement presently satisfies the covenant contained in Section **6.04(a)** above with respect to the issuance of up to **\$250,000,000** in aggregate principal amount at any one time outstanding of Notes.

**Section 6.05. Available Funds.** To the extent Notes cannot be issued to renew or refund outstanding Notes, the Board in good faith shall endeavor to sell a sufficient principal amount of Fund Priority Obligations, Short Term Obligations, or other obligations of the Board under the Constitutional Provision in order to have funds available, together with other moneys available therefor, to pay the Notes and the interest thereon, or any renewals thereof, as the same shall become due, and other amounts due under the Agreement.

Section 6.06. Federal Income Tax Exclusion.

(a) General. The Board intends that the interest on the Notes shall be excludable from gross income 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 the applicable Income Tax Regulations (the “Regulations”). The Board covenants and agrees not to take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause the interest on the Notes to be includable in gross income, as defined in section 61 of the Code, for federal income tax purposes. In particular, the Board covenants and agrees to comply **with each** requirement **of this** Section 6.06; provided, however, that the Board shall not be required to **comply** with any particular requirement of this Section 6.06 if the Board has received an opinion of Bond Counsel (“Counsel’s Opinion”) that such noncompliance will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Notes or **if the** Board has received a Counsel’s Opinion to the effect that compliance with some other requirement set forth in this Section 6.06 will satisfy the applicable requirements of the Code and the Regulations, in which case compliance with such other requirement specified in such Counsel’s Opinion shall constitute compliance with the corresponding requirement specified in this Section 6.06.

(b) No Private Use or Payment and No Private Loan Financing. The Board shall certify, through an authorized officer, employee or agent that based upon all facts and estimates known or reasonably expected to be in existence on the date the Notes are delivered, that the proceeds of the Notes will not be used, in a manner that would cause the Notes to be “private activity bonds” within the meaning of section 141 of the Code and the Regulations promulgated thereunder. Moreover, the Board covenants and agrees that it will make such use **of the** proceeds of **the Notes** including interest or other investment income derived from Note proceeds, regulate the use of property financed, directly or indirectly, with such proceeds, and take such other and further action as may be required so that **the Notes** will not be “private activity bonds” within the meaning of section 141 **of the** Code and the Regulations promulgated thereunder.

(c) No Federal Guarantee. The Board covenants and agrees that it has not and will not **take** any action, and has not knowingly omitted and will not knowingly omit to take any action within its control, that, if taken or omitted, respectively, would cause the Notes to be “federally guaranteed” within the meaning of section 149(b) of the Code and the applicable Regulations thereunder, except as permitted by section 149(b)(3) of the Code and such Regulations.

(d) Notes are not Hedge Bonds. The Board covenants and agrees that it has not and will not take any action, and has not knowingly omitted and will not knowingly omit to take any action within its control, that, if taken or omitted, respectively, would cause the Notes to be “hedge bonds” within the meaning of section 149(g) of the Code and the applicable Regulations thereunder.

(e) No-Arbitrage. The Board shall certify, through an authorized officer, employee or agent that based upon all facts and estimates known or reasonably expected to be in existence on the date the Notes are delivered, the Board will reasonably expect that the proceeds of the Notes will not be used in a manner that would cause the Notes to be “arbitrage bonds” within the meaning of section **148(a) of the** Code and the applicable Regulations promulgated thereunder. Moreover, the Board covenants and agrees that it will make such use of the proceeds of the Notes including interest or

other investment income derived **from Note** proceeds, regulate investments of proceeds **of the** Notes, and take such other and further action as may be required so that the Notes will not be “arbitrage bonds” within the meaning of section 148(a) **of the** Code **and the** applicable Regulations promulgated thereunder.

(f) **Arbitrage Rebate.** If the Board does not qualify for an exception to the requirements of Section 148(f) of the Code relating to the required rebate to the United States, the Board **will take** all necessary steps to comply with the requirement that certain amounts earned by the Board on the investment of the “gross proceeds” of the Notes (within the meaning of section **148(f)(6)(B)** of the Code), be rebated to the federal government. Specifically, the Board will (i) maintain records regarding the investment of the gross proceeds of the Notes as may be required to calculate the amount earned on the investment of the gross proceeds of the Notes separately **from** records of amounts on deposit in the funds and accounts of the Board allocable to other bond issues of the Board or moneys which do not represent gross proceeds of any bonds of the Board, (ii) calculate at such times as are required by applicable Regulations, the amount earned **from** the investment of **the** gross proceeds of the Notes which is required to be rebated to the federal government, and (iii) pay, not less often than every **fifth** anniversary date of the delivery of the Notes or on such other dates as may be permitted under applicable Regulations, all amounts required to be rebated to the federal government. Further, the **Board** will not 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 Notes 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 the arrangement had been at arm’s length and had the yield on the issue not been relevant to either party.

(g) **Information Reporting.** The Board covenants and agrees to file or cause to be filed with the Secretary of the Treasury, not later than the 15th day of the second calendar month **after** the close **of the** calendar quarter in which **the Notes** are issued, an information statement concerning **the Notes**, all under and in accordance with section 149(e) of the Code and the applicable Regulations promulgated thereunder.

(h) **Continuing Obligation.** Notwithstanding any other provision of this Resolution, the Board’s obligations under the covenants and provisions of this Section 6.06 shall survive the defeasance and discharge of the Notes.

**Section 6.07. Supplemental Resolutions.** Other than as permitted in Section 6.10 with respect to the issuance of additional obligations of the Board secured by the Interest of the System in the Available University Fund, the Board will not adopt any supplemental resolutions, pursuant to this Resolution or otherwise, without, to the extent required by the Agreement, the consent **of the** Liquidity Provider or which would materially adversely affect the ability of the Board to make payments on the Notes when due.

**Section 6.08. Opinions of Attorney General and Bond Counsel.** The Board shall not issue any Notes hereunder unless such Notes have been approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas in accordance with applicable law. The Board shall cause the legal opinion of Bond Counsel as to the

validity of the Notes and as to the exemption of interest on the Notes from federal income taxation to be **furnished** to any Holder without cost.

**Section 6.09. Compliance With Bond Resolution and Other Documents.** The Board will comply with the terms and provisions of the Bond Resolution, and any other resolution or contract to which the Board is a party, the non-compliance with which would materially adversely affect the ability of the Board to make payments on the Notes when due.

**Section 6.10. Reservation of Right to Issue Obligations of Superior Lien. Obligations of Inferior Lien and Short Term Obligations.** The Board hereby expressly reserves the right to hereafter issue obligations payable **from** and secured by a lien on and pledge of the Interest of the System in the Available University Fund prior in right and claim to the lien on and pledge of the Interest of the System in the Available University Fund covering the payment of the Notes. Furthermore, the **Board** expressly reserves the right to hereafter issue additional Notes or Short Term Obligations when and as the Board shall determine and authorize without any limitation as to principal amount or otherwise, which additional Notes or Short Term Obligations may be equally and ratably payable from and secured by a lien on and pledge of the Interest of the System in the Available University Fund of equal rank and dignity with the lien and pledge securing the payment of the Notes and may or may not be secured by the Agreement. **The** Board also retains the right to issue obligations or other evidences of indebtedness or to incur contractual obligations secured by a lien on and pledge of the Interest of the System in the Available University Fund junior and subordinate to the lien and pledge securing the Notes. Notwithstanding any of the above to the contrary, the Board covenants that (i) the lien created by this Resolution will not be impaired in any manner as a result of **any** action or non-action on the **part of the** Board or officers **of the** System, (ii) the Board will, subject to the provisions hereof, continuously preserve the Fund and each and every part thereof, and (iii) the Board will not issue any obligations or other evidences of indebtedness or incur any contractual obligations payable from or secured by a lien on and pledge of the Interest of the System in the Available University Fund unless it has obtained the prior written consent of the Liquidity Provider to the extent such consent is required by the applicable Credit Agreement.

**Section 6.11. No Amendments to Transaction Documents Without Consent of Liquidity Provider.** The Board will not amend or modify any provision of, or give any consent to or waiver under, this Resolution, any Credit Agreement, the Issuing and Paying Agent Agreement or the Remarketing Agreement unless it has obtained the prior written consent of the Liquidity Provider to the extent such consent **is** required by the applicable Credit Agreement.

## ARTICLE VII

### EVENTS OF DEFAULT AND REMEDIES OF NOTEHOLDERS

**Section 7.01. Events of Default.** Any one or more **of the** following events shall constitute an “Event of Default” hereunder, to-wit:

(i) if default shall be made in the due and punctual payment of any **installment** of principal of any Note when and as the same shall become due and payable, whether at **stated** maturity as therein expressed, by declaration or otherwise;

(ii) if the Board shall fail to **make** due and punctual payment of any installment of interest on any Note when and as such interest installment shall become due and payable and such failure shall continue for **five** (5) Business Days;

(iii) if an “Event of Default” under the Agreement occurs;

(iv) if default shall be made by the Board in the performance or observance of any other **of the** covenants, agreements or conditions on **its** part **in** this Resolution or in the Notes contained, and such default shall continue for a period of sixty (60) days **after** written notice thereof to the Board by the Holders **of not** less than ten percent (10%) in principal amounts of the Notes then outstanding; or

(v) if default shall be made in the due and punctual payment **of a Note** upon tender for payment pursuant to the demand payment provisions thereof.

Section 7.02. Suits at Law or in Equity and Mandamus. In case one or more Events of Default shall occur, then and in every such case the Holder of any Note at the time outstanding shall be entitled to proceed to protect and enforce such Holder’s rights by such appropriate judicial proceeding as such Holder shall deem most effectual to protect and enforce any such right, either by suit in equity or by action at law, whether for the specific performance of any covenant or agreement contained in this Resolution, or in aid **of the** exercise of any power granted in this Resolution, or to enforce any other legal or equitable right vested in the Holders by this Resolution or the Notes or by law. The provisions of this Resolution shall be a contract with each and every Holder and the duties of the Board shall be enforceable by any Holder by mandamus or other appropriate suit, action or proceeding in any **court** of competent jurisdiction.

**Section 7.03. Remedies Not Exclusive.** No remedy herein conferred upon or reserved to the Holders is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised at any time **or** from time to time, and as often as may be necessary, by any Holder.

## ARTICLE VIII

### MISCELLANEOUS

**Section 8.01. Amendments or Modifications Without Consent of Holders.** This Resolution and the rights and obligations of the Board and of the Holders may be modified or amended at any time by a supplemental resolution, without notice to or the consent of any Holders, but only to the extent permitted by law, and, subject to the rights of the Holders, only for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Board in the Resolution contained, other covenants and agreements thereafter to be observed, or to surrender any right or power herein reserved to or conferred upon the Board;

(ii) to cure any ambiguity, or to cure or correct any defective provision contained in the Resolution, upon receipt by the Board of an approving opinion of Bond Counsel, that the same is needed for such purpose, and will more clearly express the intent of the Resolution;

(iii) to supplement the security for the Notes, “replace or provide additional Credit Agreements, or change the form of the Notes or make such other changes in the provisions hereof as the Board may deem necessary or desirable and which shall not materially adversely affect the interests of the Noteholders; or

(iv) to make any changes or amendments requested by Standard & Poor’s, Moody’s, or Fitch as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the Board, materially adversely affect the interests of the Holders;

provided, however, nothing herein contained shall permit or be construed to permit the amendment of the terms and conditions of this Resolution or in the Notes so as to:

- (1) Make any change in the stated maturity of any of the outstanding Notes;
- (2) Reduce the rate of interest borne by any of the outstanding Notes;
- (3) Reduce the amount **of the** principal payable on any of the outstanding Notes;
- (4) Modify the terms of payment of principal of or interest on the outstanding Notes, or impose any conditions with respect to such payment;
- (5) Affect the rights of the Holders of less than all of the outstanding Notes;  
and
- (6) Reduce or restrict the pledge made herein (Section 2.10) for payment of the Notes;

and provided, further, that, except as provided in Section 8.02 hereof, no change, **modification** or amendment shall be made in the Resolution or become valid and effective without the approval of such change, modification or amendment by the Attorney General of the State of Texas if, in the opinion of Bond Counsel, such approval is required by the Constitutional Provision and the Acts and, to the extent required by the Agreement, without the consent of the Liquidity Provider.

Section 8.02. Additional Actions. The Chairman of the Board, the Executive Secretary of the Board, the Authorized Representatives and the other officers of the Board are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to consummate the issuance, sale, and delivery of the Notes and otherwise to effectuate the purposes **of this** Resolution, the Agreement, the Remarketing Agreement, the Trust Agreement, and the Issuing and Paying Agent Agreement.

Section 8.03. Resolution to Constitute a Contract: Equal Security. In consideration of the acceptance of the Notes, the issuance of which is authorized hereunder, by those who shall hold the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the Board and the Holders from time to time of the Notes and the pledge made in this Resolution by the Board and the covenants and agreements set forth in this Resolution to be performed by the Board shall be for the equal and proportionate benefit, security, and protection of all Holders, without preference, priority, or distinction as to security or otherwise of any of the Notes authorized hereunder over any of the others by reason of time of issuance, sale or maturity thereof or otherwise for any cause whatsoever, except as expressly provided in or permitted by this Resolution. The Liquidity Provider is a third-party beneficiary of this Resolution.

**Section 8.04. Severability of Invalid Provisions.** If any one or more of the covenants, agreements or provisions herein contained shall be held contrary to any express provisions of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements or provisions and shall in no way affect the validity of any of the other provisions hereof or of the Notes issued hereunder.

**Section 8.05. Payment and Performance on Business Days.** Except as provided to the contrary in the Form of Notes or in Article III and IV, whenever under the terms of this Resolution or the Notes, the performance date of any provision hereof or thereof, including the payment of principal of or interest on the Notes, shall occur on a day other than a Business Day, then the performance thereof, including the payment of principal of and interest on the Notes, need not be made on such day but may be performed or paid, as the case may be, on the next succeeding Business Day with the same force and effect as if made on the date of performance or payment.

**Section 8.06. Defeasance.** If, when all or any portion of the Notes shall have become due and payable in accordance with their terms or otherwise as provided in this

Resolution, the entire principal and interest so due and payable upon said Notes shall be paid, or if at or prior to the date said Notes have become due and payable, (i) sufficient moneys or Defeasance Obligations the principal of and interest on which will provide sufficient moneys for such payment upon maturity, to the date upon which the Notes have been called for redemption or to a mandatory tender date (after taking into account any demand payment provisions), shall be held by the Issuing and Paying Agent, (ii) provision shall also be made for paying all other sums payable hereunder by the Board with respect to said Notes, and (iii) written notice **shall have** been received from each of Standard & Poor's, Moody's and Fitch, to the extent such firms are then rating the Notes, stating that its rating on the Notes will not be lowered, withdrawn or suspended as a result of the action proposed to be taken, the rights, title and interest of the Holders of the Notes in the Interest **of the** System in the Available University Fund shall thereupon cease, terminate and become discharged and said Notes shall no longer be deemed outstanding for purposes of this Resolution and all the provisions of this Resolution, including all covenants, agreements, liens and pledges made herein, shall be deemed duly discharged, satisfied and released.

**Section 8.07. Limitation of Benefits With Respect to the Resolution.** With the exception of the rights or benefits herein expressly conferred, nothing expressed or contained herein or implied from the provisions of this Resolution or the Notes is intended or should be construed to confer upon or give to any person other than the Board, the Holders, the Paying Agent/Registrar and the parties to the Remarketing Agreement and the Agreement, any legal or equitable right, remedy or claim under or by reason of or in respect to this Resolution or any covenant, condition, stipulation, promise, agreement, or provision herein contained. This Resolution and all of the covenants, conditions, stipulations, promises, agreements, and provisions hereof are intended to be and shall be for and inure to the sole and exclusive benefit of the Board, the Noteholders, the Issuing and Paying Agent/Registrar and the parties to the Remarketing Agreement and the Agreement as herein and therein provided.

**Section 8.08. Approval of Attorney General and Registration by the Comptroller.** No Notes herein authorized to be issued shall be sold or delivered by an Authorized Representative until the Attorney General of the State shall have approved this Resolution, the Agreement, and other agreements and proceedings as may be required in connection therewith and the Comptroller has registered the record of proceedings relating to the issuance of the Notes, all as is required by the Constitutional Provision and the Acts.

**Section 8.09. Approval of Official Statement.** An Authorized Representative is hereby authorized to approve the form of Official Statement, to be used by the Dealer in the offering of the Notes, and the use thereof by the Dealer in connection therewith.

**Section 8.10. Notices.**

(a) **To Liquidity Provider.** The Board shall provide or cause to be provided to the Liquidity Provider copies of such notices given or received under this Resolution as required by the Credit Agreement.

(b) To Rating Agencies. The Board shall provide notice of the following to Standard & Poor's, Moody's and Fitch, to the extent such firm is then a Rating Agency:

- (i) any proposed change to the Resolution or a Credit Agreement;
- (ii) any change of Paying Agent or Remarketing Agent;
- (iii) any extension, termination, substitution or expiration of a Credit Agreement; and
- (iv) any tender or redemption of all outstanding Notes.

Such notice shall be given by United States mail at the addresses set forth below unless written notice designating a different address is given to the Board:

If to Fitch: Fitch IBCA, Inc.  
One State Street Plaza  
28th Floor  
New York, New York 10004  
Attention: Structured Finance Group

If to Moody's: Moody's Investors Service, Inc.  
99 Church Street  
New York, New York 10007  
Attention: Public Finance Department  
Rating Desk/VRDO

If to Standard & Poor's: Standards & Poor's Ratings Group  
55 Water Street  
New York, New York 10041  
Attention: Structured Finance Group

**Section 8.11. References to Liquidity Provider.** Any provision of this Resolution regarding the consent of, or notice to, or mandating the direction of action by, a Liquidity Provider shall, except as expressly provided, be deemed ineffective if (i) the Credit Agreement executed by such Liquidity Provider thereby is no longer in effect and no amount is due and owing under such Credit Agreement or (ii) such Liquidity Provider has failed to honor a proper draw under such Credit Agreement; provided, that, for as long as any Note is registered to the **Liquidity** Provider as a result of a draw on the Credit Agreement, such Liquidity Provider shall be afforded all the rights and privileges granted hereunder to owners of Notes.

**Section 8.12. Repeal of Resolution Authorizing Prior Notes.** Following the issuance of the initial Notes hereunder, the Board covenants and agrees that it will not issue **any** additional Prior Notes. Upon the discharge and final payment in full of all Prior Notes pursuant to Section 5.02(b), the Board hereby repeals in full the resolution pursuant to which the Prior Notes were issued.

[Execution page follows]

PASSED AND ADOPTED, this thellth day of May, 2000.

ATTEST:

Executive Secretary

(Seal)

\_\_\_\_\_  
Chairman