

A RESOLUTION

APPROVING AND ACCEPTING THE OCTOBER 2018 WORKING COMMITTEE REPORTS, INCLUDING FINANCIAL AND INVESTMENT REPORTS, AND MAKING FINDINGS AND PROVISIONS RELATED TO THE FOREGOING SUBJECT

WHEREAS, certain committees of the Metropolitan Transit Authority of Harris County, Texas Board of Directors (the "Board of Directors") held meetings in October 2018; and

WHEREAS, each such committee has provided the Board of Directors with a monthly committee report for review; and

WHEREAS, the October 2018 Finance and Audit Committee Report includes the Compliance Report for the period ended September 30, 2018, the October 2018 Sales Tax Report, the September 2018 Investment Report, the September 2018 Debt Report, the September 2018 Monthly Performance Report and the Monthly Report of the Chief Financial Officer dated October 18, 2018; and


WHEREAS, the Board of Directors has reviewed such monthly committee reports, including the September 2018 Investment Report in the Finance and Audit Committee Report.

NOW, THEREFORE, BE IT RESOLVED THAT:

Section 1. The Board of Directors hereby approves and accepts the October 2018 Finance and Audit Committee, Administration Committee, Capital and Strategic Planning Committee, and Public Safety, Customer Service, and Operations Committee monthly reports, including the September 2018 Investment Report.

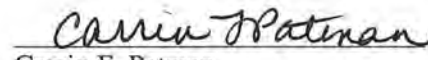
Section 2. This Resolution is effective immediately upon passage.

I hereby certify that the above resolution is accurate in describing the action herein of the Board of Directors on the date below.

  
Cydoni Fairfax  
Executive Vice President & General Counsel

PASSED this 25<sup>th</sup> day of October, 2018  
APPROVED this 25<sup>th</sup> day of October, 2018

ATTEST:

  
Recca Perry  
Assistant Secretary  
  
Carrin F. Patman  
Chair

A RESOLUTION

AUTHORIZING THE PRESIDENT & CEO TO NEGOTIATE AND EXECUTE A CONTRACT WITH MITCHELL CONTRACTING FOR BUS WASH BAY REHABILITATION SERVICES, AND MAKING FINDINGS AND PROVISIONS RELATED TO THE FOREGOING SUBJECT

WHEREAS, the Metropolitan Transit Authority of Harris County, Texas ("METRO") bus wash bay at the Northwest Bus Operating Facility is at the end of its useful life and requires rehabilitation; and

WHEREAS, METRO issued an Invitation for Bids for these rehabilitation services and Mitchell Contracting was the only responsive and responsible bidder of all those that submitted bids; and

WHEREAS, management recommends that METRO enter into a contract with Mitchell Contracting to rehabilitate the bus wash bay at the Northwest Bus Operating Facility, with a maximum contract amount of \$1,679,881.

NOW, THEREFORE, BE IT RESOLVED THAT:

Section 1. The METRO Board of Directors hereby authorizes the President & CEO to negotiate and execute a contract with Mitchell Contracting to rehabilitate the bus wash bay at the Northwest Bus Operating Facility, with a maximum contract amount of \$1,679,881.

Section 2. This Resolution is effective immediately upon passage.

I hereby certify that the above resolution is accurate in describing the action herein of the Board of Directors on the date below.



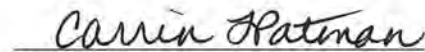
Cydonia Fairfax  
Executive Vice President & General Counsel

PASSED this 25<sup>th</sup> day of October, 2018  
APPROVED this 25<sup>th</sup> day of October, 2018

ATTEST:



Reca Pennington  
Assistant Secretary

  
Carrin F. Patman  
Chair



A RESOLUTION

AUTHORIZING THE PRESIDENT & CEO TO NEGOTIATE AND EXECUTE A CONTRACT WITH WAY ENGINEERING, LTD. FOR HVAC AND PLUMBING ON-CALL SERVICES, AND MAKING FINDINGS AND PROVISIONS RELATED TO THE FOREGOING SUBJECT

WHEREAS, the Metropolitan Transit Authority of Harris County, Texas ("METRO") requires HVAC and plumbing on-call services for its Administration Building to ensure that the HVAC and plumbing systems are maintained and repaired in accordance with original manufacturer specifications and code requirements, particularly repairs needed during an emergency or short notice; and

WHEREAS, METRO issued an Invitation for Bids for these services and Way Engineering, Ltd. was the lowest responsive and responsible bidder of all those that submitted bids; and

WHEREAS, management recommends that METRO enter into a three-year contract with Way Engineering, Ltd. for HVAC and plumbing on-call services, with a maximum contract amount of \$102,370.

NOW, THEREFORE, BE IT RESOLVED THAT:

Section 1. The METRO Board of Directors hereby authorizes the President & CEO to negotiate and execute a three-year contract with Way Engineering, Ltd. for HVAC and plumbing on-call services at its Administration Building, with a maximum contract amount of \$102,370.

Section 2. This Resolution is effective immediately upon passage.

I hereby certify that the above resolution is accurate in describing the action herein of the Board of Directors on the date below,



Cydonii Fairfax  
Executive Vice President & General Counsel

PASSED this 25<sup>th</sup> day of October, 2018  
APPROVED this 25<sup>th</sup> day of October, 2018

ATTEST



Reca Perry  
Assistant Board Office



Carrin F. Patman  
Chair

A RESOLUTION

AUTHORIZING THE PRESIDENT & CEO TO NEGOTIATE AND EXECUTE A CONTRACT WITH FIRETRON LIFE SAFETY SOLUTIONS, INC. FOR INSPECTIONS, ALARM MONITORING, AND REPAIR SERVICES OF METRO LIFE SAFETY SYSTEMS, AND MAKING FINDINGS AND PROVISIONS RELATED TO THE FOREGOING SUBJECT

WHEREAS, the Metropolitan Transit Authority of Harris County, Texas' ("METRO") life safety systems installed at various facilities require inspections, alarm monitoring, and repair services to protect the health and safety of METRO employees and patrons; and

WHEREAS, METRO issued an Invitation for Bids for these services and FireTron Life Safety Solutions, Inc. was the lowest responsive and responsible bidder of all those that submitted bids; and

WHEREAS, management recommends that METRO enter into a three-year contract with FireTron Life Safety Solutions, Inc. to provide such services for its life safety systems, with a maximum contract amount of \$1,604,592.50, and two options to extend the term for an additional one (1) year period; and

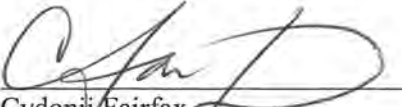
WHEREAS, the exercise of such options will be subject to Board approval.

NOW, THEREFORE, BE IT RESOLVED THAT:

Section 1. The METRO Board of Directors hereby authorizes the President & CEO to negotiate and execute a three-year contract with FireTron Life Safety Solutions, Inc. for inspections, alarm monitoring, and repair services for life safety systems at various METRO facilities, with a maximum contract amount of \$1,604,592.50, and two options to extend the term for an additional one (1) year period.

Section 2. This Resolution is effective immediately upon passage.


I hereby certify that the above resolution is accurate in describing the action herein of the Board of Directors on the date below.

  
Cydonii Fairfax  
Executive Vice President & General Counsel

PASSED this 25<sup>th</sup> day of October, 2018  
APPROVED this 25<sup>th</sup> day of October, 2018

ATTEST:



  
Carrin F. Patman  
Chair

A RESOLUTION

AUTHORIZING THE PRESIDENT & CEO TO NEGOTIATE AND EXECUTE A CONTRACT MODIFICATION WITH SARDO BUS & COACH UPHOLSTERY TO EXERCISE AN OPTION TO REBUILD PASSENGER SEATS ON 100 METRO BUSES, AND MAKING FINDINGS AND PROVISIONS RELATED TO THE FOREGOING SUBJECT

WHEREAS, pursuant to Resolution No. 2018-73, the Metropolitan Transit Authority of Harris County, Texas ("METRO") executed a contract with Sardo Bus & Coach Upholstery (the "Contractor") to rebuild passenger seating inserts and modesty panels on one hundred (100) Orion VII low-floor buses during fiscal year 2018, with options to rebuild passenger seats on additional buses; and

WHEREAS, METRO requires the rebuild of passenger seating inserts and modesty panels on an additional one hundred (100) buses during fiscal year 2019; and

WHEREAS, management recommends that METRO exercise the first option of the original contract with the Contractor to rebuild an additional one hundred (100) low-floor buses for fiscal year 2019, increasing the contract amount by \$319,122, and resulting in a new maximum aggregate contract amount of \$638,244.

NOW, THEREFORE, BE IT RESOLVED THAT:

Section 1. The METRO Board of Directors hereby authorizes the President & CEO to negotiate and execute a modification to METRO's existing contract with Sardo Bus & Coach Upholstery to exercise an option to rebuild passenger seats for one hundred (100) Orion VII low-floor buses during fiscal year 2019, increasing the contract amount by \$319,122, and resulting in a new maximum aggregate contract amount of \$638,244.

Section 2. This Resolution is effective immediately upon passage.

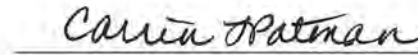
I hereby certify that the above resolution is accurate in describing the action herein of the Board of Directors on the date below.

  
Cydoni Fairfax  
Executive Vice President & General Counsel

PASSED this 25<sup>th</sup> day of October, 2018  
APPROVED this 25<sup>th</sup> day of October, 2018

ATTEST:



  
Carrin F. Patman  
Chair

A RESOLUTION

AUTHORIZING THE PRESIDENT & CEO TO NEGOTIATE AND EXECUTE A CONTRACT WITH B&C TRUCK ELECTRIC SERVICES, INC. FOR THE PURCHASE AND DELIVERY OF DELCO REMY PARTS FOR METRO'S TRANSIT VEHICLES, AND MAKING FINDINGS AND PROVISIONS RELATED TO THE FOREGOING SUBJECT

WHEREAS, the Metropolitan Transit Authority of Harris County, Texas ("METRO") requires Delco Remy part on an as-needed basis for its transit vehicles; and

WHEREAS, METRO issued an Invitation for Bids for these parts and B&C Truck Electric Services, Inc. was the lowest responsive and responsible bidder of all those that submitted bids; and

WHEREAS, management recommends that METRO enter into a two-year contract with B&C Truck Electric Services, Inc. for the purchase and delivery of Delco Remy parts on an as-needed basis, with a maximum contract amount of \$282,282.16.

NOW, THEREFORE, BE IT RESOLVED THAT:

Section 1. The METRO Board of Directors hereby authorizes the President & CEO to negotiate and execute a two-year contract with B&C Truck Electric Services, Inc. for the purchase and delivery of Delco Remy parts for its transit vehicles on an as-needed basis, with a maximum contract amount of \$282,282.16.

Section 2. This Resolution is effective immediately upon passage.

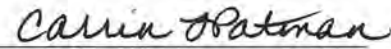


I hereby certify that the above resolution is accurate in describing the action herein of the Board of Directors on the date below.

  
\_\_\_\_\_  
Cydonii Fairfax  
Executive Vice President & General Counsel

PASSED this 25<sup>th</sup> day of October, 2018  
APPROVED this 25<sup>th</sup> day of October, 2018

ATTEST:

  
\_\_\_\_\_  
Carrin F. Patman  
Chair



A RESOLUTION

AUTHORIZING THE PRESIDENT & CEO TO NEGOTIATE AND EXECUTE A CONTRACT WITH GLOBE-CONNECT, LLC FOR THE PURCHASE AND DELIVERY OF MOTOR BEARINGS FOR METRO RAIL CARS, AND MAKING FINDINGS AND PROVISIONS RELATED TO THE FOREGOING SUBJECT

WHEREAS, the Metropolitan Transit Authority of Harris County, Texas ("METRO") requires one hundred sixty (160) motor bearings for the door systems on METRO's H1 rail cars; and

WHEREAS, METRO issued an Invitation for Bids for these parts and Globe-Connect, LLC was the lowest responsive and responsible bidder of all those that submitted bids; and

WHEREAS, management recommends that METRO enter into a one-year contract with Globe-Connect, LLC for the purchase and delivery of one hundred sixty (160) motor bearings, with a maximum contract amount of \$319,472.

NOW, THEREFORE, BE IT RESOLVED THAT:

Section 1. The METRO Board of Directors hereby authorizes the President & CEO to negotiate and execute a one-year contract with Globe-Connect, LLC for the purchase and delivery of one hundred sixty (160) motor bearings for the door systems of METRO's H1 rail cars, with a maximum contract amount of \$319,472.

Section 2. This Resolution is effective immediately upon passage.

I hereby certify that the above resolution is accurate in describing the action herein of the Board of Directors on the date below.



Cydonii Fairfax  
Executive Vice President & General Counsel

PASSED this 25<sup>th</sup> day of October, 2018  
APPROVED this 25<sup>th</sup> day of October, 2018



Carrin F. Patman  
Chair

A RESOLUTION

AUTHORIZING THE PRESIDENT & CEO TO NEGOTIATE AND EXECUTE A CONTRACT WITH CARLOS GUZMAN, INC. FOR THE REPAIR AND SAFETY RECERTIFICATION OF LIGHT RAIL VEHICLE 319, AND MAKING FINDINGS AND PROVISIONS RELATED TO THE FOREGOING SUBJECT

WHEREAS, the Metropolitan Transit Authority of Harris County, Texas ("METRO") Light Rail Vehicle 319 was involved in an accident and requires repair and recertification as safe for service; and

WHEREAS, METRO issued an Invitation for Bids for these services and Carlos Guzman, Inc. was the only bidder; and

WHEREAS, such bid was determined to be responsive, responsible and reasonably priced; and

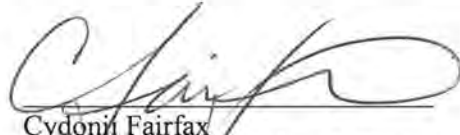
WHEREAS, management recommends that METRO enter into a contract with Carlos Guzman, Inc. for the repair and safety recertification of Light Rail Vehicle 319, with a maximum contract amount of \$535,971.

NOW, THEREFORE, BE IT RESOLVED THAT:

Section 1. The METRO Board of Directors hereby authorizes the President & CEO to negotiate and execute a contract with Carlos Guzman, Inc. for the repair and safety recertification of Light Rail Vehicle 319, with a maximum contract amount of \$535,971.

Section 2. This Resolution is effective immediately upon passage.


I hereby certify that the above resolution is accurate in describing the action herein of the Board of Directors on the date below.

  
Cydoni Fairfax  
Executive Vice President & General Counsel

PASSED this 25<sup>th</sup> day of October, 2018  
APPROVED this 25<sup>th</sup> day of October, 2018

ATTEST:



  
Carrin F. Patman  
Chair

A RESOLUTION

**AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF METROPOLITAN TRANSIT AUTHORITY OF HARRIS COUNTY, TEXAS SALES AND USE TAX CONTRACTUAL OBLIGATIONS, SERIES 2018 FOR THE PURPOSE OF PURCHASING OR OTHERWISE ACQUIRING PERSONAL PROPERTY AS FURTHER DESCRIBED HEREIN IN AN AMOUNT NOT TO EXCEED \$140,000,000 (WHICH INCLUDES COST OF ISSUANCE) AND THE EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT, PAYING AGENT/REGISTRAR AGREEMENT AND OTHER RELATED AGREEMENTS; AUTHORIZING THOMAS C. LAMBERT AND ARTHUR C. SMILEY, III AND, EXCEPT FOR PURPOSES OF EXECUTING AN OFFICER'S PRICING CERTIFICATE, THEIR DESIGNEES AS AUTHORIZED REPRESENTATIVES TO APPROVE THE AMOUNT, INTEREST RATES, PRICE AND TERMS THEREOF AND CERTAIN OTHER PROCEDURES AND PROVISIONS RELATED THERETO AND TO EXECUTED DOCUMENTS RELATING TO THE ISSUANCE, SUBJECT TO THE TERMS, LIMITATIONS AND CONDITIONS SET FORTH HEREIN; AND CONTAINING OTHER MATTERS RELATED THEREO**

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

WHEREAS, the Public Property Finance Act, Sec. 271.001 et seq., Texas Local Government Code, authorizes the Board of Directors (the "Board") of the Authority to execute, perform and make payments under contracts with any persons for the use, purchase or other acquisition of any personal property, as defined therein, or the financing thereof, on terms considered by the Board to be appropriate;

WHEREAS, the Board has previously issued its Sales and Use Tax Contractual Obligations, Series 2009B (the "Series 2009B Contractual Obligations") in the amount of \$40,580,000 to finance transit related costs and the purchase and acquisition of personal property;

WHEREAS, the Board has previously issued its Sales and Use Tax Contractual Obligations, Series 2009D (the "Series 2009D Contractual Obligations" and together with the Series 2009B Contractual Obligations, the "Series 2009 Contractual Obligations") in the amount of \$30,195,000 to finance the purchase or acquisition of buses and its Sales and Use Tax Contractual Obligations, Series 2010A (the "Series 2010 Contractual Obligations") in the amount of \$37,625,000 to finance the purchase or acquisition of buses;

WHEREAS, the Board has previously issued its Sales and Use Tax Contractual Obligations, Series 2011B (the "Series 2011 Contractual Obligations") in the amount of \$49,405,000 to finance the purchase and acquisition of buses;

WHEREAS, the Board has previously issued its Sales and Use Tax Contractual Obligations, Series 2014A (the "Series 2014 Contractual Obligations") in the amount of \$130,605,000 to finance the purchase and acquisition of personal property, including, but not limited to, clean diesel and compressed natural gas transit and commuter buses;

WHEREAS, the Board has previously issued its Sales and Use Tax Refunding Contractual Obligations, Series 2016B (the "Series 2016B Contractual Obligations") in the amount of \$25,635,000 to finance the refunding of a portion of the Series 2009B Contractual Obligations;

WHEREAS, the Board has previously issued its Sales and Use Tax Contractual Obligations, Series 2016D (the "Series 2016D Contractual Obligations" and together with the Series 2016B Contractual Obligations, the "Series 2016 Contractual Obligations") in the amount of \$44,445,000 to finance the purchase and acquisition of personal property, including, but not limited to, clean diesel and compressed natural gas transit and commuter buses;

WHEREAS, the Board has previously issued its Sales and Use Tax and Refunding Contractual Obligations, Series 2017B (the "Series 2017B" Contractual Obligations") in the amount of \$100,950,000 to finance the purchase, acquisition and/or reimbursement of the acquisition of personal property, including, but not limited to, clean diesel and compressed natural gas and commuter buses and to finance the refunding of a portion of the Series 2009B Contractual Obligations, the Series 2009D Contractual Obligations, the Series 2010 Contractual Obligations, the Series 2011 Contractual Obligations and the Series 2014 Contractual Obligations;

WHEREAS, the Board has previously issued its Sales and Use Tax Refunding Contractual Obligations, Series 2017C (the "Series 2017C Contractual Obligations," and together with the Series 2017B Contractual Obligations, the "Series 2017 Contractual Obligations") in the amount of \$25,200,000 to finance the refunding of a portion of the Series 2014 Contractual Obligations;

WHEREAS, the Board now desires to purchase or otherwise acquire personal property, including, but not limited to, light rail vehicles, bus rapid transit articulated buses, clean diesel and compressed natural gas transit and commuter buses and small equipment purchases including farebox equipment, considered by the Board to be necessary, useful or appropriate to one or more purposes of the Authority;

WHEREAS, the Board now deems it necessary, useful and appropriate to adopt this Resolution and authorize the issuance of the Contractual Obligations herein defined, as permitted by the Act; and

WHEREAS, pursuant to Chapter 1371, Texas Government Code, as amended, the Board desires to delegate the authority to effect the sale of and approve the final terms of the Contractual Obligations to the Authorized Representatives of the Authority referred to herein;

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

1. Definitions. Throughout this Resolution the following terms and expressions as used herein shall have the meanings set forth below:



“Acts” means, together, Chapters 1201 and 1371, Texas Government Code, as amended, and the Public Property Finance Act, Chapter 271, Subchapter A, Texas Local Government Code, as amended.

“Acquisition Fund” means that certain fund established pursuant to and used in accordance with Section 27 of this Resolution.

“Additional Obligations” means any bonds, notes or other debt obligations which the Authority reserves the right to issue or incur, as provided in Section 33 of this Resolution, which are secured by a senior lien on Pledged Revenues.

“Adjustable Rate Obligations” means any Senior Lien Obligations that initially bear interest at an adjustable or variable rate of interest, including Adjustable Rate Obligations which may be, but have not yet been, converted to Senior Lien Obligations bearing a fixed rate of interest.

“Attorney General” means the Attorney General of Texas.

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

“Authority Act” has the meaning provided in the recitals hereto.

“Authorized Representative” means the Chief Executive Officer or, in the event of his or her inaccessibility or incapacity, the Chief Financial Officer of the Authority and, except for purposes of executing an Officer’s Pricing Certificate, their designees. The execution of a document by any such officer as an Authorized Representative shall conclusively evidence the inaccessibility or incapacity of any other such officer with superior authority.

“BABs” means any Series 2009 Bonds which the Authority has designated as a “Build America Bond” pursuant to Section 54AA of the Code.

“Board” means the Board of Directors of the Authority.

“Bond Insurance Policy” means the financial guaranty insurance policy or policies, if any, issued by the Bond Insurer that guarantees the scheduled payment of principal of and interest on the Contractual Obligations when due, as provided in the Officer’s Pricing Certificate.

“Bond Insurer” means the provider of a Bond Insurance Policy, if any, as provided in the Officer’s Pricing Certificate.

“Bond Purchase Agreement” means the purchase agreement between the Authority and the Underwriters relating to the Contractual Obligations, substantially in the form attached hereto as Exhibit C.

“Bullet Obligation” means all Senior Lien Obligations of a Series maturing in any single year in a principal amount that totals at least 15% of the initial aggregate principal amount of the entire series of such Senior Lien Obligations.

“Business Day” means any day other than a Saturday, a Sunday, or another day on which commercial banks generally located in the State of New York or the State of Texas are authorized or required by law or executive order to close.

“Code” means the Internal Revenue Code of 1986, as amended to the date of delivery of the Contractual Obligations.

“Comptroller” means the Comptroller of Public Accounts of the State of Texas.

“Contractual Obligations” means the Authority’s Sales and Use Tax Contractual Obligations, Series 2018 issued and to be issued as Senior Lien Obligations pursuant to this Resolution.

“CP Notes” means the Sales and Use Tax Commercial Paper Notes, Series A of the Authority currently authorized to be issued in the maximum aggregate principal amount of \$165,000,000.

“Credit Agreement” means a credit agreement, as such term is defined in Chapter 1371, Texas Government Code, as amended, including but not limited to a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitment to purchase obligations, purchase or sale agreement, interest rate swap, cap, floor, collar, or similar agreement, or other commitment or agreement authorized by the Board in anticipation of, related to, or in connection with the authorization, issuance, sale, resale, security, exchange, payment, purchase, remarketing, or redemption of some or all of the Authority’s obligations (as such term is defined in Chapter 1371) or interest on obligations, or both, or as otherwise authorized by such chapter.

“Credit Provider” means a party to a Credit Agreement other than the Authority.

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

- (a) Interest: Current interest scheduled to be paid during such period on or under such Senior Lien Obligations; plus
- (b) Principal: That portion of the principal of, or compounded interest on, such Senior Lien Obligations payable during such period (either at maturity or by reason of scheduled mandatory redemptions or upon demand, but after taking into account all prior optional and mandatory redemptions of Senior Lien Obligations); provided, however, that, in making such calculation, the following rules shall apply:
  - (1) Refinancing Assumption: For any series of Senior Lien Obligations issued as Short Term Obligations, Demand Obligations, or Bullet Obligations, Debt Service Requirements may be computed on the assumption that the principal amount shall be refinanced at maturity (or an earlier date on which principal thereof is payable on demand) by fixed rate Senior Lien Obligations bearing interest at (a) if the



interest on such obligations is excludable from gross income of the owners thereof for federal income tax purposes, a Revenue Bond Index published by the Bond Buyer or any successor publication or (b) if the interest on such obligations is not excludable from gross income of the owners thereof for federal income tax purposes, the yield on the Treasury Constant Maturity Series as reported in Federal Reserve Statistical Release H. 15, Selected Interest Rates of the Board of Governors of the Federal Reserve System, or any successor publication, as certified by the Authority's financial advisor, in both cases (a) and (b) within 30 days prior to the date of such calculation (or the gross fixed or capped rate payable by the Authority under an interest rate swap or cap agreement that substantially hedges the rate of interest on such Senior Lien Obligations) and maturing in substantially equal annual payments of principal and interest over a term of 25 years (or such longer period as a nationally recognized financial advisor or investment banker certifies is then reasonably attainable) or less; and

- (2) Interest Rate Assumption: For any series of Senior Lien Obligations issued as Adjustable Rate Obligations that are not Short Term Obligations, Demand Obligations, or Bullet Obligations, Debt Service Requirements may be computed on the assumption that such Senior Lien Obligations will bear interest at (a) to the extent the rate of interest thereon is effectively hedged by an interest rate swap or cap agreement, the gross fixed or capped rate payable by the Authority under such agreement, and (b) otherwise the greater of (i) the average rate on such Senior Lien Obligations over a 12-month period ending within two months of the date of such calculation and (ii) a rate estimated by the Authority's financial advisor in a written certificate delivered to the Authority at the time of such calculation to be the average rate of interest such Senior Lien Obligations would bear if issued as long-term bonds, in the same principal amount and with the same priority of lien, bearing interest at fixed rates based on the average life of the Adjustable Rate Obligations; and
- (3) Effect of Federal Subsidies: For any series of Senior Lien Obligations for which the Authority is entitled to receive payments from the federal or state government in such period on account of, and substantially contemporaneously with, interest paid on such Senior Lien Obligations, the amount to be received in such period may be deducted from such interest in computing Debt Service Requirements.

Debt Service Requirements shall be calculated with the assumption that no Senior Lien Obligations Outstanding at the time of calculation will cease to be Outstanding except by reason

of the payment of scheduled principal maturities or scheduled mandatory redemptions, except as provided above.

“Demand Obligation” means any Senior Lien Obligation the principal of which is payable by the Authority on demand of the owner or holder thereof.

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

“DTC Participant” means 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.

“Equipment” has the meaning specified in Section 2.

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

“Interest and Sinking Fund” means the fund confirmed by the Authority pursuant to Section 26 of this Resolution.

“Interest Payment Date,” means May 1, 2019, and each November 1 and May 1 thereafter until maturity or prior redemption, unless otherwise provided in the Officer’s Pricing Certificate.

“Junior Lien Obligations” means any one or more of those series of bonds, notes or other debt obligations (including capital lease obligations and obligations to make deferred payments for goods and services in furtherance of METRO Solutions Phase 2, which deferred payments have been assigned to a third party and used to make payments to owners of public securities) or Credit Agreements that are secured, with or without other security, by a lien on Pledged Revenues that is junior and subordinate to the lien thereon securing the Senior Lien Obligations but is senior and superior to the lien thereon securing the Subordinate Lien Obligations.

“Maximum Annual Debt Service Requirements” for any Senior Lien Obligations means the maximum Debt Service Requirements for such Senior Lien Obligations calculated to occur in any future Fiscal Year or the then current Fiscal Year.

“Officer’s Pricing Certificate” means a certificate to be signed by the Authorized Representative and containing the information regarding the Contractual Obligations specified in Sections 3, 4 and 5 hereof substantially in the form of Exhibit A hereto, with such appropriate variations, omissions and insertions as are permitted hereby.

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

- (a) Cancelled Obligations: Senior Lien Obligations theretofore canceled and delivered to the Authority or delivered to the Paying Agent/Registrar for cancellation;
- (b) Transferred and Exchanged Obligations: Senior Lien Obligations upon transfer of or in exchange for and in lieu of which other Senior Lien Obligations have been delivered; and
- (c) Defeased Obligations: Senior Lien Obligations which have been released, discharged or extinguished in accordance with the terms thereof, or due to the deposit of cash or investments with the paying agent therefor or an escrow agent, the obligation of the Authority to pay the same is payable solely from and to the extent of such cash and investments and income therefrom.

“Owner” or “Registered Owner” means any person who shall be the registered owner of any outstanding Contractual Obligation.

“Paying Agent/Registrar” means the entity identified as such in the Paying Agent/Registrar Agreement.

“Paying Agent/Registrar Agreement” means the paying agent/registrar agreement relating to the Contractual Obligations entered into in accordance with Section 9, hereof substantially in the form of Exhibit B hereto, as amended from time to time.

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

“Pledged Revenues” means seventy-five percent (75%) of the revenues collected and received by the Trustee or the Authority from its levy of the Sales and Use Tax, plus any investment income earned on any moneys in the Revenue Fund, the Interest and Sinking Fund and any reserve fund for Senior Lien Obligations that are Reserve Fund Participants, which are hereby pledged as security for payment of the Contractual Obligations and any other Senior Lien Obligations and all other funds or revenues, if any, including additional Sales and Use Tax revenues, which the Authority pledges hereafter as security for payment of the Senior Lien Obligations.

“Record Date” for interest due on the Contractual Obligations on any Interest Payment Date means the fifteenth day of the month next preceding such Interest Payment Date whether or not such day is a Business Day.

“Register” means the books of registration kept by the Paying Agent/Registrar in which are maintained the names and addresses of, and the principal amounts of the Contractual Obligations of each maturity registered to, each Owner.

“Reserve Fund” means the shared reserve fund for the Reserve Fund Participants confirmed by the Authority pursuant to Section 24 of this Resolution.

“Reserve Fund Participant” means the Series 2009 Contractual Obligations, the Series 2010 Contractual Obligations, the Series 2011 Contractual Obligations and Additional Obligations which the Authority designates at or before the time of issue as Reserve Fund Participants to share the Reserve Fund. All such issues designated as a Reserve Fund Participant shall be entitled to a parity claim on the funds deposited in the shared Reserve Fund as and to the extent provided in Section 28 of this Resolution. None of the Series 2009 Bonds, the Series 2011 Bonds, the Series 2015 Bonds, the Series 2016 Bonds, the Series 2017 Bonds, the Series 2014 Contractual Obligations, the Series 2015 Contractual Obligations, the Series 2016 Contractual Obligations, the Series 2017 Contractual Obligations or the Contractual Obligations are Reserve Fund Participants.

“Reserve Fund Requirement” means an amount equal to 50% of the Maximum Annual Debt Service Requirements on the Reserve Fund Participants. The reserve fund requirement, if any, for the Contractual Obligations or any Additional Obligations which are not Reserve Fund Participants shall be provided in the order or resolution authorizing their issuance.

“Reserve Fund Surety Policy” shall mean any reserve fund surety policy or bond, letter of credit or other instrument, however denominated, provided by a qualifying financial institution as described in the following sentence, pursuant to which the Trustee or Paying Agent/Registrar may draw on such Reserve Fund Surety Policy to enable the Reserve Fund to make a required transfer to the Interest and Sinking Fund. Reserve Fund Surety Policies may only be acquired from a financial institution with a long term credit rating in one of the two highest generic rating categories from at least two nationally recognized rating services and having a credit rating or claims paying ability such that the purchase of such surety policy will not cause any rating agency then rating any Senior Lien Obligations to withdraw or lower its rating.

“Resolution” as used herein and in the Contractual Obligations means this resolution authorizing the Contractual Obligations.

“Revenue Fund” means the fund confirmed by the Authority pursuant to Section 24 of this Resolution.

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

“Senior Credit Agreement” means any Credit Agreement to the extent the obligations of the Authority thereunder are Senior Lien Obligations.

“Senior Lien Obligations” means the Series 2009 Bonds, the Series 2011 Bonds, the Series 2015 Bonds, the Series 2016 Bonds, the Series 2017 Bonds, the Series 2009 Contractual Obligations, the Series 2010 Contractual Obligations, the Series 2011 Contractual Obligations, the Series 2014 Contractual Obligations, the Series 2015 Contractual Obligations, the Series 2016



Contractual Obligations, the Series 2017 Contractual Obligations, the Contractual Obligations, the CP Notes, any Additional Obligations, and any Senior Credit Agreements.

“Series 2009 Bonds” means the Authority’s Sales and Use Tax Bonds, Series 2009A and the Authority’s Sales and Use Tax Bonds, Taxable Series 2009C (Direct-Subsidy Build America Bonds), each previously issued as Senior Lien Obligations.

“Series 2009 Contractual Obligations” means, collectively, the Authority’s Sales and Use Tax Contractual Obligations, Series 2009B and Sales and Use Tax Contractual Obligations, Series 2009D, each previously issued as Senior Lien Obligations.

“Series 2010 Contractual Obligations” means the Authority’s Sales and Use Tax Contractual Obligations, Series 2010A, previously issued as Senior Lien Obligations.

“Series 2011 Bonds” means the Authority’s Sales and Use Tax Bonds, Series 2011A, previously issued as Senior Lien Obligations.

“Series 2011 Contractual Obligations” means the Authority’s Sales and Use Tax Contractual Obligations, Series 2011B, previously issued as Senior Lien Obligations.

“Series 2014 Contractual Obligations” means the Authority’s Sales and Use Tax Contractual Obligations, Series 2014A, previously issued as Senior Lien Obligations.

“Series 2015 Bonds” means the Authority’s Sales and Use Tax Bonds, Series 2015A, previously issued as Senior Lien Obligations.

“Series 2015 Contractual Obligations” means the Authority’s Sales and Use Tax Contractual Obligations, Series 2015B, previously issued as Senior Lien Obligations.

“Series 2016 Bonds” means, collectively, the Authority’s Sales and Use Tax Refunding Bonds, Series 2016A and Sales and Use Tax Bonds, Series 2016C, each previously issued as Senior Lien Obligations.

“Series 2016 Contractual Obligations” means, collectively, the Authority’s Sales and Use Tax Refunding Contractual Obligations, 2016B and the Authority’s Sales and Use Tax Contractual Obligations, Series 2016D, each previously issued as Senior Lien Obligations.

“Series 2017 Bonds” means, the Authority’s Sales and Use Tax Refunding Bonds, Series 2017A previously issued as Senior Lien Obligations.

“Series 2017 Contractual Obligations” means, collectively, the Authority’s Sales and Use Tax and Refunding Contractual Obligations, Series 2017B and the Authority’s Sales and Use Tax Refunding Contractual Obligations, Series 2017C, each previously issued as Senior Lien Obligations.

“Short Term Obligations” means each series of bonds, notes and other debt obligations issued pursuant to a commercial paper or other similar financing program, the payment of principal

of which is scheduled to be payable within one year from the date of issuance and is contemplated at the time of issuance to be refinanced through the issuance of Additional Obligations.

“Subordinate Lien Obligations” means any one or more of any series of bonds, notes or other obligations (including lease obligations and obligations to make deferred payments for goods and services in furtherance of METRO Solutions Phase 2 and which have been assigned to a third party and used by such third party to make payments to owners of public securities) or Credit Agreements secured, with or without other security, by a lien on Pledged Revenues that is junior and subordinate to the lien thereon of the Senior Lien Obligations and the Junior Lien Obligations.

“Trustee” means Wells Fargo Bank, N.A., as the trustee under this Resolution, or such other named trustee as may be further designated in the Officers Pricing Certificate any successor to or replacement of such trustee appointed to serve in such capacity in accordance with this Resolution.

“Underwriters” means J.P. Morgan Securities LLC, Estrada & Hinojosa & Company, Inc., Stern Brothers and Hutchinson, Shockey, Erley & Co., as may be further in the Bond Purchase Agreement.

All terms defined herein and all pronouns used in this Resolution shall be deemed to apply equally to singular and plural and to all genders. The titles and headings of the sections are 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 and provisions hereof. This Resolution and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to sustain the validity of the Contractual Obligations and the validity of the levy of Sales and Use Tax to pay the principal of and interest on the Contractual Obligations. Unless the context indicates otherwise, all references herein to Sections and Exhibits are to the designated Sections of and Exhibits to this Resolution.

2. Authorization. The Contractual Obligations shall be issued in one series in fully registered form, without coupons, (i) in the aggregate principal amount approved by the Authorized Representative, as set forth in the Officer’s Pricing Certificate, but not to exceed \$140,000,000 (which includes costs of issuance) for the authorized purposes of acquiring, and/or reimbursing the acquisition of, personal property including, but not limited to, light rail vehicles, bus rapid transit articulated buses, clean diesel and compressed natural gas transit and commuter buses and small equipment purchases including farebox equipment (the “Equipment”), and (ii) paying the costs of issuance of the Contractual Obligations and the premium for any Bond Insurance Policy, if any. The Contractual Obligations shall be issued under and in strict conformity with the Constitution and laws of the State of Texas, particularly the Authority Act, and the Acts.

3. Designation and Date. The Contractual Obligations shall be designated as the “Metropolitan Transit Authority of Harris County, Texas Sales and Use Tax Contractual Obligations, Series 2018” and shall be dated December 1, 2018, unless otherwise provided in the Officer’s Pricing Certificate.

4. Initial Contractual Obligations; Numbers, Interest Rates, Interest Payment Dates and Denominations. The Contractual Obligations shall mature on November 1 in each of the years

and in the aggregate principal amounts, and shall bear interest from the initial date of delivery at the per annum rates, approved by the Authorized Representative, as set out in the Officer's Pricing Certificate. Interest on the Contractual Obligations shall be payable on each Interest Payment Date. Contractual Obligations delivered upon transfer of or in exchange for other Contractual Obligations shall be in authorized denominations, Contractual Obligations shall be numbered (with appropriate prefix) in order of their authentication by the Paying Agent/Registrar, and shall mature on the same date and bear interest at the same rate as the Contractual Obligation or Contractual Obligations in lieu of which they are delivered. The Contractual Obligations shall be issuable in the denomination of \$5,000 of principal amount and integral multiples thereof.

5. Selling and Delivering Contractual Obligations. As authorized by Chapter 1371, Texas Government Code, as amended, the Authorized Representative is authorized hereby to act on behalf of the Authority in selling and delivering the Contractual Obligations and carrying out the other procedures specified in this Resolution including, without limitation, the authority to exclude or limit the use of proceeds to finance and/or refinance personal property, including the acquisition of light rail vehicles, bus rapid transit articulated buses, clean diesel and compressed natural gas transit and commuter buses and small equipment purchases including farebox equipment, as required by law, and determining the date on and price at which the Contractual Obligations will be sold, the issuance date and dated date, the years in which the Contractual Obligations will mature, the aggregate principal amount of the Contractual Obligations, the principal amount of Contractual Obligations to mature in each year of maturity, the rate of interest to be borne by the Contractual Obligations of each such maturity, any optional and mandatory sinking fund redemption provisions, the purchase of a Bond Insurance Policy, if any, for all or any portion of the Contractual Obligations, and all other matters not expressly provided in this Resolution relating to the issuance, sale and delivery of the Contractual Obligations, all of which shall be specified in the Officer's Pricing Certificate, provided that:

- (a) Maximum Interest Rate: the net effective interest rate on the Contractual Obligations shall not exceed the maximum rate allowed by Chapter 1204, Texas Government Code, as amended;
- (b) Aggregate Principal: the sum of the principal amount of the Contractual Obligations, which may not exceed the aggregate maximum principal amount authorized in Section 2 hereof, plus any net premium from the sale of the Contractual Obligations, must be sufficient to provide amounts necessary to fund the cost of the Equipment and fund the estimated costs of issuance of the Contractual Obligations, including underwriters' discount, and any Bond Insurance Policy premium; and
- (c) Rating Floor: the Contractual Obligations shall have been rated prior to delivery by a nationally recognized rating agency for municipal securities in one of the four highest categories for long-term obligations.

Any finding by the Authorized Representative relating to the sale and delivery of the Contractual Obligations shall have the same force and effect as a finding or determination made by the Board.

The authority conferred by this Section shall expire at 5:00 p.m. on October 25, 2019.



6. Execution of Contractual Obligations; Seal. The Contractual Obligations shall be signed by the President and Chief Executive Officer or the Chief Financial Officer or an Authorized Representative of the Authority and attested to by the Secretary or Assistant Secretary of the Board, by their manual, lithographed or facsimile signatures, and the official seal of the Authority shall be impressed or placed in facsimile thereon. Such facsimile signatures on the Contractual Obligations shall have the same effect as if each of the Contractual Obligations had been signed manually and in person by each of such officers, and such facsimile seal on the Contractual Obligations shall have the same effect as if the official seal of the Authority had been manually impressed upon each of the Contractual Obligations. If any officer of the Authority whose manual or facsimile signature shall be on the Contractual Obligations shall cease to be such officer before the authentication of such Contractual Obligations or before the delivery of such Contractual Obligations, such manual or facsimile signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in such office.

7. Approval by Attorney General; Registration by Comptroller. The Contractual Obligations to be initially issued shall be delivered to the Attorney General for approval and shall be registered by the Comptroller. The Authorized Representative is authorized hereby to have control and custody of the Contractual Obligations and all necessary records and proceedings pertaining thereto pending their delivery, and the Authorized Representative and other officers and employees of the Authority are hereby authorized and directed to make such certifications and to execute such instruments as may be necessary to accomplish the delivery of the Contractual Obligations and to assure the investigation, examination and approval thereof by the Attorney General and the registration of the initial Contractual Obligations by the Comptroller. Upon registration of the Contractual Obligations, the Comptroller (or the Comptroller's bond clerk, or an assistant bond clerk lawfully designated in writing to act for the Comptroller) shall manually execute the registration certificate of the Comptroller substantially in the form provided in Section 20 of this Resolution, and such certificate shall be affixed or attached to the Contractual Obligations to be initially issued, and the seal of the Comptroller shall be impressed, or placed in facsimile, thereon. The Contractual Obligations shall initially be registered in the name of Cede & Co., as nominee of DTC.

8. Authentication Required. No Contractual Obligation shall be entitled to the benefits of this Resolution or shall be valid or obligatory for any purpose unless there appears on such Contractual Obligation either a certificate of registration by the Comptroller of Public Accounts of the State of Texas or a certificate of authentication, executed by an authorized representative of the Paying Agent/Registrar, in each case by manual signature and substantially in the form provided in Section 20 of this Resolution and Exhibit A of the Officer's Pricing Certificate. Such duly executed certificate of registration or authentication shall be conclusive evidence that the Contractual Obligation so authenticated was delivered hereunder.

9. Payment of Principal and Interest. The Paying Agent/Registrar is hereby appointed as the paying agent and registrar for the Contractual Obligations with power to act on behalf of the Authority pursuant to the terms and provisions of the Paying Agent/Registrar Agreement. The Paying Agent/Registrar Agreement is hereby authorized and approved by the Board substantially in the form and to the effect attached hereto as Exhibit B. The Authorized Representative is hereby authorized to approve changes to such form and to execute and the Secretary of the Board is hereby authorized to attest and affix the Authority's seal to the Paying Agent/Registrar Agreement. The



Paying Agent/Registrar, by undertaking the performance of the duties of the registrar and paying agent hereunder, and in consideration of the payment of any fees pursuant to the terms of the agreement between the Paying Agent/Registrar and the Authority and/or the deposits of money pursuant to this Resolution, shall be deemed to accept and agree to abide by the terms of this Resolution. All money transferred to the Paying Agent/Registrar in its capacity as registrar or paying agent for the Contractual Obligations under this Resolution (except any sums representing registrar or paying agent fees) shall be held in trust for the benefit of the Owners of the Contractual Obligations for the payment of which such money is transferred) and shall be disbursed in accordance with this Resolution. Subject to the provisions of Section 12, all matured Contractual Obligations presented to the Paying Agent/Registrar for payment shall be paid without the necessity of further instructions from the Authority. Such Contractual Obligations shall be cancelled as provided herein.

The principal or redemption price of the Contractual Obligations shall be payable, without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America, upon their presentation and surrender as they respectively become due and payable, at the corporate trust office of the Paying Agent/Registrar. The interest on each Contractual Obligation shall be payable by check on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before such Interest Payment Date to the Owner of record as of the Record Date, to the address of such Owner as shown on the Register. Any accrued interest on a Contractual Obligation payable at maturity or redemption shall be paid upon presentation and surrender of such Contractual Obligation at the corporate trust office of the Paying Agent/Registrar.

If the date for payment of the principal of or interest on any Contractual Obligation is not a Business Day, then the date for such payment shall be the next succeeding Business Day with the same force and effect as if made on the date payment was originally due and without any increase in the amount then due.

10. Successor Paying Agent/Registrars. At all times while any Contractual Obligations are Outstanding, the Authority shall engage a legally qualified bank, trust company, financial institution or other agency with a minimum capital and surplus at the time of deposit of at least \$1,000,000,000 to act as Paying Agent/Registrar for the Contractual Obligations. The Authority reserves the right to change the Paying Agent/Registrar for the Contractual Obligations on not less than sixty (60) days' written notice to the Paying Agent/Registrar, as long as any such notice is effective not less than 60 days prior to the next succeeding principal or interest payment date on the Contractual Obligations. Promptly upon the appointment of any successor Paying Agent/Registrar, the previous Paying Agent/Registrar shall deliver the Register or a copy thereof to the new Paying Agent/Registrar, and the new Paying Agent/Registrar shall notify each Owner, by United States mail, first class postage prepaid, of such change and of the address of the new Paying Agent/Registrar. Each Paying Agent/Registrar hereunder, by acting in that capacity, shall be deemed to have agreed to the provisions of this Resolution.

11. Special Record Date. If interest on any Contractual Obligation due on any Interest Payment Date remains unpaid for thirty (30) days thereafter, the Paying Agent/Registrar shall establish a new record date for the payment of such interest, to be known as a Special Record Date. The Paying Agent/Registrar shall establish a Special Record Date when funds to make such

interest payment are received from or on behalf of the Authority. Such Special Record Date shall be fifteen (15) days prior to the date fixed for payment of such past due interest, and notice of the date of payment and the Special Record Date shall be sent by United States mail, first class, postage prepaid, not later than five (5) days prior to the Special Record Date, to each Owner of record of an affected Contractual Obligation as of the close of business on the Business Day prior to the mailing of such notice.

12. Ownership; Unclaimed Principal and Interest. The Authority, the Paying Agent/Registrar, the Trustee and any other person may treat the person in whose name any Contractual Obligation is registered as the absolute Owner of such Contractual Obligation for the purpose of making and receiving payment of the principal of or interest on such Contractual Obligation and for all other purposes, whether or not such Contractual Obligation is overdue, and neither the Authority nor the Paying Agent/Registrar nor the Trustee shall be bound by any notice or knowledge to the contrary. All payments made to the person deemed to be the Owner of any Contractual Obligation in accordance with this Section shall be valid and effectual and shall discharge the liability of the Authority, the Trustee and the Paying Agent/Registrar upon or in respect of such Contractual Obligation to the extent of the sums paid.

Amounts held by the Paying Agent/Registrar which represent principal of and interest on the Contractual Obligations remaining unclaimed by the Owner after the expiration of three (3) years from the date such amounts have become due and payable shall be reported and disposed of by the Paying Agent/Registrar in accordance with the applicable provisions of Texas law, including, to the extent applicable, Title 6 of the Texas Property Code, as amended. To the extent such provisions of the Texas Property Code do not apply to the funds, such funds shall be paid by the Paying Agent/Registrar to the Authority upon receipt by the Paying Agent/Registrar of a written request therefor from the Authority. The Paying Agent/Registrar shall have no liability to the Owners of the Contractual Obligations by virtue of actions taken in compliance with this Section.

13. Registration, Transfer and Exchange. As long as any Contractual Obligations remains Outstanding, the Paying Agent/Registrar shall keep the Register at its corporate trust office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Contractual Obligations in accordance with the terms of this Resolution.

Each Contractual Obligation shall be transferable only upon the presentation and surrender thereof at the corporate trust office of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the registered Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Contractual Obligation in proper form for transfer, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor, within seventy-two (72) hours after such presentation, a new Contractual Obligation or Contractual Obligations, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and bearing interest at the same rate as the Contractual Obligation or Contractual Obligations so presented.

All Contractual Obligations shall be exchangeable upon presentation and surrender thereof at the corporate trust office of the Paying Agent/Registrar for a Contractual Obligation or Contractual Obligations of the same maturity and interest rate and in any authorized denomination, in an aggregate principal amount equal to the unpaid principal amount of the Contractual Obligation or Contractual Obligations presented for exchange. The Paying Agent/Registrar shall be and is hereby authorized to authenticate and deliver exchange Contractual Obligations in accordance with the provisions of this Section.

Each Contractual Obligation delivered in accordance with this Section shall be entitled to the benefits and security of this Resolution to the same extent as the Contractual Obligation or Contractual Obligations in lieu of which such Contractual Obligation is delivered.

The Authority or the Paying Agent/Registrar may require the Owner of any Contractual Obligation to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Contractual Obligation. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the Authority. The transferor shall also provide or cause to be provided to the Paying Agent/Registrar all information necessary to allow the Paying Agent/Registrar to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045. The Paying Agent/Registrar may rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

The Paying Agent/Registrar shall not be required to transfer or exchange any Contractual Obligation called for redemption in whole or in part during the 45-day period immediately prior to the date fixed for redemption; provided, however, that such limitation shall not apply to the transfer or exchange by the Owner of the unredeemed portion of a Contractual Obligation called for redemption in part.

14. Book-Entry Only System. The definitive Contractual Obligations shall be initially issued in the form of a separate single fully registered Contractual Obligation for each of the maturities thereof. Upon initial issuance, the ownership of each such Contractual Obligation shall be registered in the name of Cede & Co., as nominee of DTC, and except as provided in Section 16 hereof, all of the Outstanding Contractual Obligations shall be registered in the name of Cede & Co., as nominee of DTC. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Resolution with respect to interest checks being mailed to the Owner at the close of business on the Record Date, the word "Cede & Co." in this Resolution shall refer to such new nominee of DTC.

With respect to Contractual Obligations registered in the name of Cede & Co., as nominee of DTC, the Authority and the Paying Agent/Registrar shall have no responsibility or obligation to any DTC Participant or to any Person on behalf of whom such a DTC Participant holds an interest in the Contractual Obligations. Without limiting the immediately preceding sentence, the Authority and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (a) the accuracy of the records for, Cede & Co. or any DTC Participant with respect to any ownership interest in the Contractual Obligations, (b) the delivery to any DTC Participant or any other Person, other than an Owner, as shown on the Register, of any notice with respect to the



Contractual Obligations, or (c) the payment to any DTC Participant or any other Person, other than an Owner, as shown in the Register of any amount with respect to principal of, premium, if any, or interest on the Contractual Obligations.

Except as provided in Section 16 of this Resolution, the Authority and the Paying Agent/Registrar shall be entitled to treat and consider the Person in whose name each Contractual Obligation is registered in the Register as the absolute Owner of such Contractual Obligation for the purpose of payment of principal of, premium, if any, and interest on Contractual Obligations and other matters with respect to such Contractual Obligation, for the purpose of registering transfer with respect to such Contractual Obligation, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of, premium, if any, and interest on the Contractual Obligations only to or upon the order of the respective Owners, as shown in the Register as provided in this Resolution, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to payment of principal of, premium, if any, and interest on the Contractual Obligations to the extent of the sum or sums so paid. No person other than an Owner shall receive a certificate evidencing the obligation of the Authority to make payments of amounts due pursuant to this Resolution.

15. Payments and Notices to Cede & Co. Notwithstanding any other provision of this Resolution to the contrary, as long as any Contractual Obligations are registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on the Contractual Obligations, and all notices with respect to such Contractual Obligations shall be made and given, respectively, in the manner provided in the representation letter of the Authority to DTC.

16. Successor Securities Depository; Transfer Outside Book-Entry Only System. In the event that the Authority or the Paying Agent/Registrar determines that DTC is incapable of discharging its responsibilities described herein and in the representation letter of the Authority to DTC and that it is in the best interest of the beneficial owners of the Contractual Obligations that they be able to obtain certified Contractual Obligations, the Authority or the Paying Agent/Registrar shall (a) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC of the appointment of such successor securities depository and, upon presentation of Contractual Obligations by DTC for transfer, transfer such Contractual Obligations to such successor securities depository or (b) notify DTC Participants of the availability through DTC of Contractual Obligations and, upon presentation of Contractual Obligations by DTC for transfer, transfer such Contractual Obligations to DTC Participants having Contractual Obligations credited to their DTC accounts. In such event, the Contractual Obligations shall no longer be restricted to being registered in the Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Owners transferring or exchanging Contractual Obligations shall designate, in accordance with the provisions of this Resolution. In connection with any proposed transfer outside the Book-Entry Only system, the Authority or DTC shall provide or cause to be provided to the Paying Agent/Registrar all information necessary to allow the Paying Agent/Registrar to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045. The Paying Agent/Registrar may rely on

the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

17. Mutilated, Lost or Stolen Contractual Obligations. Upon the presentation and surrender to the Paying Agent/Registrar of a damaged or mutilated Contractual Obligation, the Paying Agent/Registrar shall authenticate and deliver to the Owner thereof in exchange therefor a replacement Contractual Obligation of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. The Authority or the Paying Agent/Registrar may require the Owner of a damaged or mutilated Contractual Obligation to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith, and the fees and expenses of the Paying Agent/Registrar.

If any Contractual Obligation is lost, apparently destroyed or wrongfully taken, the Authority, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Contractual Obligation has been acquired by a bona fide purchaser, shall execute and the Paying Agent/Registrar shall authenticate and deliver to the Owner thereof a replacement Contractual Obligation of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. The Authority or the Paying Agent/Registrar may require the Owner of a lost, apparently destroyed or wrongfully taken Contractual Obligation, before any replacement Contractual Obligation is issued, to:

- (a) Evidence of Loss, Etc.: furnish to the Authority and the Paying Agent/Registrar satisfactory evidence of the ownership of and the circumstances of the loss, destruction or theft of such Contractual Obligation;
- (b) Security or Indemnity: furnish such security or indemnity as may be required by the Paying Agent/Registrar or the Authority to save them harmless;
- (c) Payment of Expenses: pay all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees of the Paying Agent/Registrar and any tax or other governmental charge that may be imposed; and
- (d) Other: meet any other reasonable requirements of the Authority and the Paying Agent/Registrar.

If, after the delivery of a replacement Contractual Obligation, a bona fide purchaser of the original Contractual Obligation in lieu of which such replacement Contractual Obligation was issued presents for payment such original Contractual Obligation, the Authority and the Paying Agent/Registrar shall be entitled to recover such replacement Contractual Obligation from the Person to whom it was delivered or any Person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Authority or the Paying Agent/Registrar in connection therewith.

If any such mutilated, lost, apparently destroyed or wrongfully taken Contractual Obligation has become or is about to become due and payable, the Authority in its discretion may, instead of issuing a replacement Contractual Obligation, authorize the Paying Agent/Registrar to pay such Contractual Obligation.

Each replacement Contractual Obligation delivered in accordance with this Section shall be entitled to the benefits and security of this Resolution to the same extent as the Contractual Obligation or Contractual Obligations in lieu of which such replacement Contractual Obligation is delivered.

18. Cancellation of Contractual Obligations. All Contractual Obligations paid or redeemed in accordance with this Resolution, and all Contractual Obligations in lieu of which exchanged Contractual Obligations or replacement Contractual Obligations are authenticated and delivered in accordance herewith, shall be cancelled and destroyed upon the making of proper records regarding such payment or redemption, pursuant to the Paying Agent/Registrar's retention policy then in effect. The Paying Agent/Registrar shall furnish the Authority with appropriate certificates of destruction of such Contractual Obligations upon the Authority's written request.

19. Redemption Prior to Maturity. The Contractual Obligations shall be subject to redemption prior to maturity as determined by the Authorized Representative and set forth in the Officer's Pricing Certificate. The Authorized Representative shall have the authority on behalf of and in the name of the Authority to direct and/or consent to the delivery to the Registered Owners and other required notice parties of any notice of redemption of the Contractual Obligations, provided that any notice of optional redemption may be conditioned on the authorization and issuance of a series of refunding bonds by the Authority or on any other condition.

20. Forms. The form of the Contractual Obligations, the Paying Agent/Registrar's Authentication Certificate, the form of Assignment and the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas, which shall be attached or affixed to the Contractual Obligations initially issued shall be, respectively, substantially as follows, with such additions, deletions and variations, including any insurance legend or statement, as may be necessary or desirable and not prohibited by this Resolution:


[Remainder of Page Intentionally Left Blank]

I hereby certify that the above resolution is accurate in describing the action herein of the Board of Directors on the date below.



Cydonii Fairfax  
Executive Vice President & General Counsel

PASSED this 25<sup>th</sup> day of October, 2018  
APPROVED this 25<sup>th</sup> day of October, 2018



Carrin F. Patman  
Chair

THE STATE OF TEXAS                   §  
METROPOLITAN TRANSIT                 §  
AUTHORITY OF HARRIS COUNTY, TEXAS §

|                         |                   |
|-------------------------|-------------------|
| Carrin F. Patman        | Chair             |
| Jim Robinson, CFE       | First Vice-Chair  |
| Cindy Siegel            | Second Vice-Chair |
| Troi Taylor             | Secretary         |
| Don Elder Jr.           | Board Member      |
| Lex Frieden             | Board Member      |
| Lisa Gonzales Casteñeda | Board Member      |
| Sanjay Ramabhadran      | Board Member      |
| Terry Morales           | Board Member      |

**RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF METROPOLITAN TRANSIT AUTHORITY OF HARRIS COUNTY, TEXAS SALES AND USE TAX CONTRACTUAL OBLIGATIONS, SERIES 2018 FOR THE PURPOSE OF PURCHASING OR OTHERWISE ACQUIRING PERSONAL PROPERTY AS FURTHER DESCRIBED HEREIN IN AN AMOUNT NOT TO EXCEED \$140,000,000 (WHICH INCLUDES COSTS OF ISSUANCE) AND THE EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT, PAYING AGENT/ REGISTRAR AGREEMENT AND OTHER RELATED AGREEMENTS; AUTHORIZING THOMAS C. LAMBERT AND ARTHUR C. SMILEY, III AND, EXCEPT FOR PURPOSES OF EXECUTING AN OFFICER'S PRICING CERTIFICATE, THEIR DESIGNEES AS AUTHORIZED REPRESENTATIVES TO APPROVE THE AMOUNT, INTEREST RATES, PRICE AND TERMS THEREOF AND CERTAIN OTHER PROCEDURES AND PROVISIONS RELATED THERETO AND TO EXECUTED DOCUMENTS RELATING TO THE ISSUANCE, SUBJECT TO THE TERMS, LIMITATIONS AND CONDITIONS SET FORTH**



**HEREIN; AND CONTAINING OTHER MATTERS  
RELATED THERETO**

It was then duly moved and seconded that this Resolution be adopted and said motion, carrying with it the adoption of the Resolution, prevailed and carried the following vote:

AYES:        \_                                NOES:        \_                                ABSTENTIONS:        \_

1. That a true, full and correct copy of such Resolution passed at the meeting described in the above and foregoing paragraph and is attached to and follows this Certificate; that such Resolution has been duly recorded in such Board's minutes of such meeting; that the above and foregoing paragraph is a true, full and correct excerpt from such Board's minutes of such meeting pertaining to the passage of such Resolution; that the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of the Board as indicated therein; that each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance of the time, place and purpose of such meeting, and that such Resolution would be introduced and considered for passage at such meeting, and each of such officers and members consented, in advance, to the holding of such meeting for such purpose; and that such meeting was open to the public, and public notice of the time, place and purpose of such meeting was given all as required by Chapter 551, Texas Government Code, as amended.

SIGNED this \_\_\_\_\_, 2018.

ATTEST:

\_\_\_\_\_  
Assistant Secretary, Board of Directors

FORM OF CONTRACTUAL OBLIGATION

United States of America  
State of Texas

NUMBER  
R-<sup>1</sup>  
REGISTERED

PRINCIPAL AMOUNT  
\$ \_\_\_\_\_  
REGISTERED

METROPOLITAN TRANSIT AUTHORITY OF HARRIS COUNTY, TEXAS,  
SALES AND USE TAX CONTRACTUAL OBLIGATIONS  
SERIES 2018

|   |                             |  |                                |                                    |
|---|-----------------------------|--|--------------------------------|------------------------------------|
| <u>INTEREST</u><br><u>RATE:</u><br>_____% | <u>DATED DATE:</u><br>_____ | <u>ISSUANCE</u><br><u>DATE:</u><br>_____ | <u>MATURITY DATE:</u><br>_____ | <u>CUSIP</u> <sup>2</sup><br>_____ |
|---|-----------------------------|--|--------------------------------|------------------------------------|

REGISTERED OWNER:

PRINCIPAL AMOUNT: \_\_\_\_\_ DOLLARS

THE METROPOLITAN TRANSIT AUTHORITY OF HARRIS COUNTY, TEXAS, (the "Authority"), for value received, promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date specified above, upon presentation and surrender of this Contractual Obligation at the corporate trust office of Wells Fargo Bank, N.A., or its successor (the "Paying Agent/Registrar"), the Principal Amount identified above (or so much as shall not have been paid upon prior redemption), payable in any coin or currency of the United States of America which on the date of payment of such principal is legal tender for the payment of debts due the United States of America, and to pay interest thereon at the rate shown above, calculated on the basis of a 360-day year of twelve 30-day months, from the later of the Issuance Date specified above or the most recent interest payment date to which interest has been paid or duly provided for. Interest on this Contractual Obligation is payable semiannually on May 1 and November 1 of each year until maturity or prior redemption, beginning May 1, 2019, by check mailed to the Registered Owner of record as of the fifteenth day of the month next preceding each interest payment date, to the address of such owner as shown on the books of registration kept by the Paying Agent/Registrar. Any accrued interest due at maturity shall be paid upon presentation and surrender of this Contractual Obligation at the corporate trust office of the Paying Agent/Registrar.

IN CONSIDERATION of the Owner's acceptance hereof, which acceptance shall constitute the Owner's assent hereto and to the terms and conditions of the resolution adopted by the Authority's Board of Directors on October 25, 2018 (the "Resolution"), authorizing the issuance of the Contractual Obligations, the Authority hereby unilaterally contracts with such

<sup>1</sup> Initial Contractual Obligation shall be numbered T-1.

<sup>2</sup> Delete in Initial Contractual Obligation.

Owners that it will utilize the net proceeds of the Contractual Obligations, after payment of the costs of issuance related thereto, to acquire the Equipment (as defined in the Resolution) and to refund the Refunded Contractual Obligations, the proceeds of which were used to acquire the Equipment, in accordance with the provisions thereof. The Authority covenants with the Owner of this Contractual Obligation that on or before each date for the payment of interest on or principal of this Contractual Obligation it will make available to the Paying Agent/Registrar from the interest and sinking fund the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Contractual Obligations, when due. The Resolution is incorporated herein by reference. Terms used herein and not otherwise defined shall have the meanings ascribed to them in the Resolution.

THIS CONTRACTUAL OBLIGATION is one of a duly authorized issue of contractual obligations, aggregating \$\_\_\_\_\_ <sup>3</sup> (the "Contractual Obligations"), issued for the purposes of paying the cost of the Equipment as described in the Resolution, including paying the costs of issuance, all pursuant to the authority of Chapter 1371, Texas Government Code, as amended and Chapter 271, Subchapter A, Texas Local Government Code, as amended. Capitalized terms used but not defined herein shall have the meaning ascribed to such terms by the Resolution.

[THIS CONTRACTUAL OBLIGATION is not subject to redemption prior to maturity.][THE CONTRACTUAL OBLIGATIONS maturing on and after \_\_\_\_\_, 20\_\_ <sup>4</sup> are subject to optional redemption, in whole or (from time to time) in part on any date on or after 20\_\_, at a redemption price equal to the principal amount thereof plus accrued interest thereon from the most recent interest payment date to which interest has been paid or duly provided for, to the date of redemption.]

[THE CONTRACTUAL OBLIGATIONS MATURING IN THE YEARS 20\_\_ <sup>5</sup> and 20\_\_ (the "Term Bonds") are subject to mandatory redemption prior to maturity in the following amounts (subject to reduction as hereinafter provided), on the following dates, in whole or in part, at a price equal to the principal amount thereof plus accrued interest thereon from the most recent interest payment date to which interest has been paid or duly provided for to the redemption date, without premium:

| Term Bonds<br>Due _____ <sup>3</sup> |                  | Term Bonds<br>Due _____ |                  |
|--------------------------------------|------------------|-------------------------|------------------|
| Year                                 | Principal Amount | Year                    | Principal Amount |
| _____                                | \$ _____         | _____                   | \$ _____         |

<sup>3</sup> To be completed in accordance with the Officer's Pricing Certificate.

<sup>4</sup> To be completed in accordance with the Officer's Pricing Certificate.

<sup>5</sup> To be completed in accordance with the Officer's Pricing Certificate.

THE PRINCIPAL AMOUNT of Term Bonds of either maturity required to be redeemed on any redemption date pursuant to the foregoing mandatory redemption provisions shall be reduced, at the option of the Authority, by the principal amount of any Contractual Obligations having the same maturity which have been purchased or redeemed by the Authority at its option as follows, at least 45 days prior to the mandatory redemption date and cancelled by the Paying Agent/Registrar:

- (i) if the Authority directs the Paying Agent to purchase Contractual Obligations with money in the Interest and Sinking Fund (at a price not greater than par plus accrued interest to the date of purchase), then a credit of 100% of the principal amount of such Contractual Obligations purchased will be made against the next mandatory redemption installment due, or
- (ii) if the Authority purchases or redeems Contractual Obligations with other available moneys, then the principal amount of such Contractual Obligations will be credited against future mandatory redemption installments in any order, and in any annual amount, that the Authority may direct.

CONTRACTUAL OBLIGATIONS MAY BE REDEEMED IN PART only in integral multiples of \$5,000. If less than all of the Contractual Obligations are to be redeemed at the option of the Authority, the Authority may select the principal amount of each maturity to be redeemed. If less than all of the Contractual Obligations of a maturity are to be redeemed at the option of the Authority, the Paying Agent/Registrar shall select the Contractual Obligations of such maturity to be redeemed by lot or other means acceptable to it. If a Contractual Obligation subject to redemption is in a denomination larger than \$5,000, a portion of such Contractual Obligation may be redeemed, but only in integral multiples of \$5,000. In selecting portions of Contractual Obligations for redemption, each Contractual Obligation shall be treated as representing that number of Contractual Obligations of \$5,000 denomination which is obtained by dividing the principal amount of such Contractual Obligation by \$5,000. Upon presentation and surrender of any Contractual Obligation for redemption in part, the Paying Agent/Registrar, in accordance with the provisions of the Resolution, shall authenticate and deliver in exchange therefor a Contractual Obligation or Contractual Obligations of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Contractual Obligation so surrendered.

NOTICE OF ANY REDEMPTION, identifying the Contractual Obligations or portions thereof to be redeemed, shall be sent by first-class mail, postage prepaid, to the Registered Owners thereof at their addresses as shown on the books of registration kept by the Paying Agent/Registrar, not less than thirty (30) days before the date fixed for such redemption. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the redemption price of the Contractual Obligations called for redemption. If such notice of redemption is given, and if due provision for such payment is made, all as provided above, the Contractual Obligations which are to be so redeemed thereby automatically shall be redeemed prior to their scheduled maturities, they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the purpose of being paid with the funds so provided for such payment.



THIS CONTRACTUAL OBLIGATION IS TRANSFERABLE only upon presentation and surrender at the corporate trust office of the Paying Agent/Registrar duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his authorized representative, subject to the terms and conditions of the Resolution.

THIS CONTRACTUAL OBLIGATION IS EXCHANGEABLE at the corporate trust office of the Paying Agent/Registrar for Contractual Obligations in the same principal amount in denominations of \$5,000 or any integral multiple thereof, subject to the terms and conditions of the Resolution.

THE PAYING AGENT/REGISTRAR IS NOT REQUIRED to accept for transfer or exchange any Contractual Obligation called for redemption in whole or in part during the 45-day period immediately prior to the date fixed for redemption; provided, however, that such limitation shall not apply to the transfer or exchange by the Registered Owner of the unredeemed portion of any Contractual Obligation called for redemption in part.

THIS CONTRACTUAL OBLIGATION shall not be valid or obligatory for any purpose or be entitled to any benefit under the Resolution unless this Contractual Obligation is registered by the Comptroller of Public Accounts of the State of Texas by registration certificate endorsed hereon authenticated by the Paying Agent/Registrar by due execution of the authentication certificate endorsed hereon.

THE REGISTERED OWNER of this Contractual Obligation, by acceptance hereof, acknowledges and agrees to be bound by all the terms and conditions of the Resolution.

THE AUTHORITY has covenanted in the Resolution that it will at all times provide a legally qualified registrar for the Contractual Obligations and will cause notice of any change of registrar to be mailed to each registered owner.

THE CONTRACTUAL OBLIGATIONS are payable from all legally available funds of the Authority and are secured ratably with other Senior Lien Obligations by, in addition to other property described in the Resolution, a first lien on and pledge of the Pledged Revenues, which is expressly made senior to the pledge of and lien on the Pledged Revenues or any portions thereof, which the Authority has granted or may grant to secure the Authority's Junior Lien Obligations and Subordinate Lien Obligations, as both terms are defined in the Resolution. The Pledged Revenues are defined in the Resolution to include 75% of revenues collected and received by the Trustee or the Authority from its levy of sales and use taxes, plus any investment income earned on any moneys in the Revenue Fund, the Interest and Sinking Fund and any reserve fund for Senior Lien Obligations, including the Reserve Fund. The rate of such tax is equal to one percent (1%) of the receipts from the sale at retail or on the sale price or the lease or rental price on the storage, use or other consumption of all taxable items within the boundaries of the Authority. Pursuant to the Resolution, the Pledged Revenues are required to be set aside for and are pledged to the payment of the Contractual Obligations and all additional Senior Lien Obligations issued on a parity therewith. The Authority has reserved the right to issue additional parity obligations.

IT IS HEREBY certified, recited and covenanted that this Contractual Obligation has been duly and validly issued and delivered; that all acts, conditions and things required or proper to be



performed, to exist and to be done precedent to or in the issuance and delivery of this Contractual Obligation have been performed, exist and have been done in accordance with law and that the Contractual Obligations do not exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, this Contractual Obligation has been signed with the manual or facsimile signature of the President and Chief Executive Officer or Chief Financial Officer or Authorized Representative of the Authority and countersigned with the manual or facsimile signature of the Secretary or Assistant Secretary, and the official seal of the Authority has been duly impressed, or placed in facsimile, on this Contractual Obligation.

METROPOLITAN TRANSIT AUTHORITY OF  
HARRIS COUNTY, TEXAS,

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Chief Financial Officer

---

Secretary

(SEAL)

FORM OF COMPTROLLER'S REGISTRATION CERTIFICATE

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO. \_\_\_\_\_

I hereby certify that this Contractual Obligation has been examined, certified as to validity and approved by the Attorney General of the State of Texas, and that this Contractual Obligation has been registered by the Comptroller of Public Accounts of the State of Texas.

WITNESS MY SIGNATURE AND SEAL this \_\_\_\_\_.

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

(SEAL)

\*\*\*\*\*

FORM OF PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

AUTHENTICATION CERTIFICATE

It is hereby certified that this Contractual Obligation has been delivered pursuant to the Resolution described in the text of this Contractual Obligation, in exchange for or in replacement of a Contractual Obligation, Contractual Obligations or a portion of a Contractual Obligation or Contractual Obligations of an issue of Contractual Obligations which was originally approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

WELLS FARGO BANK, N.A.  
as Paying Agent/Registrar

By:  
Authorized Signature \_\_\_\_\_  
Date of Authentication: \_\_\_\_\_

FORM OF ASSIGNMENT

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_

\_\_\_\_\_  
(Please print or type name, address, and zip code of Transferee)

\_\_\_\_\_  
(Please insert Social Security or Taxpayer Identification Number of Transferee)

the within Contractual Obligation and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer such Contractual Obligation on the books kept for registration thereof, with full power of substitution in the premises.

DATED: \_\_\_\_\_

Signature Guaranteed: \_\_\_\_\_

\_\_\_\_\_  
Registered Owner

NOTICE: Signature must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

NOTICE: The signature above must correspond to the name of the registered owner as shown on the face of this bond in every particular, without any alteration, enlargement or change whatsoever.

\*\*\*\*

FORM OF STATEMENT OF INSURANCE

[To be inserted if a Bond Insurance Policy is obtained in accordance with the Officer's Pricing Certificate.]

21. Opinion of Co-Bond Counsel; CUSIP. The approving opinion of Orrick, Herrington & Sutcliffe LLP and Powell & Leon, LLP ("Co-Bond Counsel") and CUSIP Numbers may be reproduced on the Contractual Obligations, but errors or omissions in the printing of such opinion or such numbers shall have no effect on the validity of the Contractual Obligations.

22. Pledges and Sources of Payment; Tax Levy; Other Security.

(a) Pledge of Pledge Revenues. The Authority has heretofore, transferred, set over and assigned, and does hereby again TRANSFER, SET OVER and ASSIGN, to the Trustee all of the Pledged Revenues in trust, in order to provide for the payment of the principal of, interest on, and other payment obligations under the Senior Lien Obligations, Junior Lien Obligations and Subordinate Lien Obligations and all expenses of paying the same, subject to paragraph (c) below, and to provide for the disposition of the remaining Pledged Revenues in accordance with this Resolution. In order to facilitate the transfer made in the foregoing sentence, the Authority has heretofore appointed and does hereby confirm its irrevocable appointment of the Trustee as its lawful agent and attorney-in-fact for the purpose of (i) performing those duties of its treasurer which consist of receiving the Pledged Revenues from the Comptroller pursuant to the Authority Act and other applicable law and (ii) taking such steps as may be necessary, if any, to perfect and maintain the liens granted hereunder. The Pledged Revenues shall be set aside for and are hereby irrevocably pledged to the payment of the Senior Lien Obligations, including the Series 2009 Bonds, the Series 2009 Contractual Obligations, the Series 2010 Contractual Obligations, the Series 2011 Bonds, the Series 2015 Bonds, the Series 2016 Bonds, the Series 2017 Bonds, the Series 2011 Contractual Obligations, the Series 2014 Contractual Obligations, the Series 2015 Contractual Obligations, the Series 2016 Contractual Obligations, the Series 2017 Contractual Obligations, the Contractual Obligations, any Additional Obligations, any Senior Credit Agreements, any Junior Lien Obligations and any Subordinate Lien Obligations.

(b) Parity Senior Lien Obligations. The Senior Lien Obligations may be payable from all legally available funds of the Authority and shall be equally and ratably secured by (i) a senior lien on and pledge of the Pledged Revenues, as collected and received by the Authority or the Trustee, which pledge and lien is expressly made senior to the pledge of and lien on Pledged Revenues which the Authority has granted or may grant to secure the Junior Lien Obligations and the Subordinate Lien Obligations and (ii) to the extent such Senior Lien Obligations are Reserve Fund Participants, the Reserve Fund.

(c) Deposit of Pledged Revenues. The Authority shall, by appropriate notice, direction, request or other legal method, cause the Comptroller to pay all Pledged Revenues (or, if required by the Comptroller, all Sales and Use Tax collections) directly to the Trustee for the account of the Revenue Fund. If the Comptroller shall refuse or shall not be legally obligated to make transfers in accordance with such notice, direction or request, then the Authority shall itself cause the Pledged Revenues to be transferred to the Trustee in their entirety immediately upon receipt thereof by the Authority or by others for its account wherever located. If all Sales and Use Tax collections are paid to the Trustee by the Comptroller, then the Trustee shall promptly remit all such payment that is not Pledged

Revenues to the Authority. All Pledged Revenues received by the Trustee shall be deposited in the Revenue Fund and applied in accordance with this Resolution.

(d) Limitation on Security for Termination Payments. The lien on and pledge of Pledged Revenues granted by this Resolution shall not secure payment of any termination payment under an interest rate management agreement; provided, however, that nothing in this Resolution shall prevent the Authority from granting a junior or subordinate lien on and pledge of the Pledged Revenues for such purpose.

23. Levy of Sales and Uses Tax; Covenant to Levy Sales and Use Tax. The orders levying the Authority's Sales and Use Tax previously adopted by the Board are hereby approved, ratified and readopted in full, and this Resolution shall be cumulative of such orders.

24. Special Funds. The Authority hereby recognizes and confirms the prior establishment of (a) the Revenue Fund, which fund shall be maintained with the Trustee and shall be kept separate and apart from all other funds and accounts of the Authority (b) the Interest and Sinking Fund, which shall be maintained as a separate fund with the Trustee, which shall hold such Fund in trust for the registered owners of the Senior Lien Obligations, and (c) the Reserve Fund, which shall be maintained as a separate fund with the Trustee, which shall hold such fund in trust for the registered owners of the Reserve Fund Participants. All of the foregoing funds shall be used solely as herein provided so long as any Senior Lien Obligation remains Outstanding.

The Authority or the Trustee may create accounts and subaccounts within any Fund created by this Resolution when, in the judgment of the Authority or the Trustee, the creation of such accounts or subaccounts will enable the Authority or the Trustee to better administer the Funds.

25. Flow of Funds. The Trustee shall deposit the portion of the Sales and Use Tax payment that constitutes Pledged Revenues into the Revenue Fund promptly after receipt. Immediately upon such deposit and upon each deposit to the Revenue Fund thereafter, the Trustee shall apply moneys from time to time on deposit to the credit of the Revenue Fund in the following order of priority:

(a) First, to make all deposits into the Interest and Sinking Fund as provided herein and, if the Contractual Obligations are ratably secured thereby, in any other interest and sinking fund provided in any order or resolution authorizing the issuance of any other Senior Lien Obligations;

(b) Second, to make all deposits into the Reserve Fund as provided herein and in any other reserve fund provided in any order or resolution authorizing the issuance of any Senior Lien Obligations other than Reserve Fund Participants, provided that on any date on which there is a deficiency in the Reserve Fund, the Trustee shall not apply any moneys to any other such fund in an amount greater than that required to produce a balance therein equal to 50% of the Maximum Annual Debt Service Requirements on the Senior Lien Obligations payable from such other reserve fund ratably over a 36-month period from the original date of any deficiency therein unless an additional deposit to the Reserve Fund is made to cure such deficiency in the Reserve Fund at the same rate;



(c) Third, to make all other deposits not made pursuant to subsection (b) above into any reserve fund provided in any order or resolution authorizing the issuance of any Senior Lien Obligations;

(d) Fourth, to make all other deposits required by any order or resolution authorizing the issuance of any Senior Lien Obligations and any related agreement or Credit Agreement;

(e) Fifth, to make all deposits required by any order or resolution authorizing the issuance of any Junior Lien Obligations (a copy of which shall be provided by the Authority to the Trustee on or before the date of issuance of such Junior Lien Obligations);

(f) Sixth, to make all deposits required by any order or resolution authorizing the issuance of any Subordinate Lien Obligations (a copy of which shall be provided by the Authority to the Trustee on or before the date of issuance of such Subordinate Lien Obligations); and

(g) Seventh, to the Authority for any lawful purpose.

In case such moneys on deposit in the Revenue Fund shall at any time be insufficient to make in full all deposits and transfers then due and unpaid as provided above, then such deposits and transfers shall be made from such moneys in the priority set out above, but ratably according to the aggregate amount within each priority to be deposited and without preference within a priority.

26. Revenue Fund and Interest and Sinking Fund. Moneys from time to time on deposit to the credit of the Revenue Fund shall be applied by the Trustee as follows:

(a) Transfers to Interest and Sinking Fund. Subject to subsections (b) and (c) below, for so long as any Contractual Obligations remain Outstanding, the Trustee shall transfer from the Revenue Fund to the Interest and Sinking Fund on each date on which funds are deposited to the Revenue Fund such amounts which, when added to other amounts in the Interest and Sinking Fund, will provide for the accumulation, in substantially equal monthly installments, of amounts sufficient to pay (i) the interest scheduled to become due on all Outstanding Senior Lien Obligations on the next succeeding interest payment date (other than interest scheduled to become due but anticipated to be paid with the proceeds of Senior Lien Obligations), (ii) the principal of all Outstanding Senior Lien Obligations scheduled to mature on the next succeeding principal payment date (other than maturing principal anticipated to be paid with the proceeds of Senior Lien Obligations), (iii) payments due and payable to Credit Providers on Senior Credit Agreements on ensuing payment dates; and (iv) the redemption price of all Outstanding Senior Lien Obligations called or scheduled for redemption on the next redemption date, plus all fees, charges and other amounts payable to any Paying Agent/Registrar, market agent, broker/dealer, remarketing agent or Credit Provider in respect of Senior Lien Obligations; provided that in all cases the Trustee shall transfer an amount sufficient to ensure that the Interest and Sinking Fund has adequate funds on deposit to make all required principal, interest, and other payments on Senior Lien Obligations through the immediately

succeeding month, assuming accrual of interest at the maximum rate for any period for which the rate has not been fixed and payment thereof on the last day of such succeeding month.

(b) Limitation on Use of Capitalized Interest. Proceeds of any issue of Senior Lien Obligations on deposit in the Interest and Sinking Fund shall be available to pay interest only on such Senior Lien Obligations and shall be credited against the transfer requirements described in subsection (a)(i) above only for such issue of Senior Lien Obligations.

(c) BABs Subsidies. The refundable credit received pursuant to Section 6431 of the Code in respect of the Series 2009 Bonds designated Series 2009C shall be deposited directly into the Interest and Sinking Fund upon receipt and shall be used solely for the purposes of paying interest on the Series 2009 Bonds designated Series 2009C while they remain Outstanding. In determining the amount to be transferred to the Interest and Sinking Fund, no balance therein attributable to the Series 2009 Bonds designated Series 2009C shall be credited against the principal, interest or other payment requirements on any other Senior Lien Obligations.

(d) Suspension of Payments. Whenever the total amount on deposit to the credit of the Interest and Sinking Fund shall be equal to the sum of the aggregate principal amount of all Outstanding Senior Lien Obligations plus the aggregate amount of all interest accrued and to accrue thereon and all bank charges and other costs and expenses related to the payment thereof, no further payments need be made into such funds, and the Senior Lien Obligations shall not be regarded as being Outstanding except for the purpose of being paid with the moneys on deposit in such funds.

(e) Application of Interest and Sinking Fund. Monies deposited to the credit of the Interest and Sinking Fund shall be used solely for the purpose of paying the principal of and interest and other payments on the Outstanding Senior Lien Obligations, plus all bank charges, fees and expenses of the Trustee and paying agents and registrars and Credit Providers, and other costs and expenses, relating to such payment. On or before each due date for the payment of principal and/or interest or other amounts on Senior Lien Obligations, the Trustee shall pay (or transfer to the applicable paying agent for the payment of) the principal of and interest and other amounts payable on the Senior Lien Obligations on such date, together with an amount equal to all bank charges, fees and expenses of the Trustee and paying agents and registrars and Credit Providers and other costs and expenses relating to such payment; provided that, if the balance of the Interest and Sinking Fund is insufficient on any such date to pay such principal, interest and other amounts then due in full, then the Trustee shall apply all available funds therein to pay (or transfer to the applicable paying agents for the payment of) such principal, interest, and other amounts ratably, in proportion to the amounts then due, without any preference or priority of any Senior Lien Obligation over any other Senior Lien Obligations. Any moneys remaining in the Interest and Sinking Fund after all Senior Lien Obligations are no longer Outstanding shall be transferred to the Revenue Fund.

(f) Payment of the Contractual Obligations: The Trustee shall pay, out of the Interest and Sinking Fund, to the Paying Agent/Registrar in no event later than each applicable

principal payment date and Interest Payment Date for any Outstanding Contractual Obligations, an amount (as determined by the Paying Agent/Registrar) sufficient for the Paying Agent/Registrar to pay principal of and interest on the Outstanding Contractual Obligations due on such dates (and to be paid by such Paying Agent/Registrar).

27. Acquisition Fund. The Series 2018 Acquisition Fund (the "Acquisition Fund") is created as a special fund of the Authority held by the Authority. Money on deposit in the Acquisition Fund shall be used only for the purposes set forth in Section 2 of this Resolution. Money on deposit in the Acquisition Fund may, at the option of the Authority, be invested as permitted by Texas law, provided that all such deposits and investments shall be made in such manner that the money required to be expended from the Acquisition Fund will be available at the proper time or times.

28. Reserve Fund.

(a) Funding of Reserve Fund. If the Reserve Fund is not fully funded on the date of issuance of any Reserve Fund Participant (including the Contractual Obligations if so designated by the Authority) with proceeds of such issuance, other funds of the Authority or a combination of both, or if the balance of the Reserve Fund is less than the Reserve Fund Requirement as of any other valuation date, then on each date on which funds are deposited to the Revenue Fund, the Trustee shall transfer into the Reserve Fund, out of money held in the Revenue Fund, an amount equal to 1/36 of the Reserve Fund Requirement or the amount needed to attain the Reserve Fund Requirement, whichever is lesser, which transfers shall continue until the Reserve Fund contains the Reserve Fund Requirement; provided, however, that the Authority may provide for other or greater transfers in connection with the purchase or acquisition of any Reserve Fund Surety Policy or otherwise.

(b) Application of Reserve Fund. If, on any Interest Payment Date, any date a principal installment is due or any other date, after giving effect to all transfers pursuant to Section 25, the Paying Agent/Registrar and other paying agents for the Reserve Fund Participants have not received sufficient funds to make all payments of interest on and principal of the Reserve Fund Participants then due and payable or to make any other then required payments on Reserve Fund Participants, the Trustee shall transfer amounts from the Reserve Fund to the Paying Agent/Registrar and other paying agents for the Reserve Fund Participants to the extent necessary to enable them to make such payments; provided that, if the balance of the Reserve Fund is insufficient on any such date to make all such transfers in full, then the Trustee shall apply all available funds therein to make transfers to the applicable paying agents ratably, in proportion to the transfers then due, without any preference or priority of any Reserve Fund Participant over any other Reserve Fund Participant.

(c) Use to Retire Reserve Fund Participant. When the amount in the Reserve Fund, together with the amounts in the Interest and Sinking Fund available for such purpose, is sufficient to fully pay all Outstanding Reserve Fund Participants in accordance with their terms (including principal or redemption price and interest thereon), the funds on deposit



in the Reserve Fund at the direction of the Authority may be used to pay the principal and redemption price of and interest on all Outstanding Reserve Fund Participants.

(d) Surety Bonds. In lieu of cash or investment securities, the Reserve Fund Requirement may be satisfied in whole or in part with one or more Reserve Fund Surety Policies. Such policies may be drawn upon only after all other amounts in the Reserve Fund have been used or applied, and other amounts in the Reserve Fund may be used to reimburse and repay issuers of such policies for amounts drawn thereon together with interest thereon and related costs.

(e) Application of Surplus. Whenever the amount in the Reserve Fund exceeds the Reserve Fund Requirement and all reimbursement and repayment obligations pursuant to any debt service Reserve Fund Surety Policy have been satisfied, the Authority may direct the Trustee to transfer such excess to the Interest and Sinking Fund or to any other Fund hereunder.

29. Investment of Trust Funds. Amounts in any fund or account held by the Trustee may, to the extent permitted by applicable law, be invested in accordance with the Authority's investment policy upon written instruction of an Authorized Representative and the Trustee shall have no obligation or responsibility for selecting such investments or for any loss therefrom. Such investments shall mature in such amounts and at such times as may, in the judgment of such Authorized Representative, be necessary to provide funds when needed to make timely payments from such fund or account. In order to comply with the directions of such Authorized Representative, the Trustee may cause the liquidation prior to their maturities of obligations in which funds have been invested, and the Trustee shall not be liable for any loss or penalty of any nature resulting therefrom. In order to avoid loss in the event of a need for funds, the Authority may instruct the Trustee, in lieu of a liquidation of investments in the fund or account needing funds, to exchange such investments for investments in another fund or account that may be liquidated at no, or at a reduced, loss.

Obligations purchased as an investment of any money credited to any fund or any account thereof shall be deemed at all times to be a part of such fund or account. Except as otherwise provided herein, the interest accruing on obligations so purchased and any profit realized from such investment shall be credited to the Revenue Fund and any loss resulting from such investment shall be charged to such fund or account. For the purpose of determining the amount on deposit to the credit of any such fund, obligations in which money in such fund shall have been invested shall be computed at the fair market value thereof.

All money in excess of the amount guaranteed by the Federal Deposit Insurance Corporation or other federal agency shall be continuously secured by the Trustee, for the benefit of the Authority and the owners of the Senior Lien Obligations, as their interests appear, either (a) in the manner provided by the Public Funds Collateral Act, Chapter 2257, Texas Government Code, as amended or (b) in any other manner as may then be required or permitted by applicable state or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds; provided, however, that it shall not be necessary for the Trustee or the Paying Agent/Registrar to give such security for the deposit with it of any money to be used to pay principal (and premium, if any) or interest which is at the time of such deposit due and payable

with respect to any Senior Lien Obligations, or for the Trustee to give security for any money which shall be represented by obligations purchased under the provisions of this Section as an investment of such money.

The Trustee shall retain all records of its application and investment of funds hereunder for at least six years after the final maturity of Contractual Obligations. The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Authority periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder. No statement need be rendered for any fund or account if no activity occurred in such fund or account during such month. The Authority may receive brokerage confirmations at no additional cost at its written request.

30. Sale; Bond Purchase Agreement; Ratings; Bond Insurance. The Contractual Obligations shall be sold and delivered to the Underwriters at a price (not less than 90% of the aggregate initial offering price of the Contractual Obligations) determined by the Authorized Representative and set forth in the Officer's Pricing Certificate and in accordance with the terms of the Bond Purchase Agreement. Upon completion of the terms of the Officer's Pricing Certificate, the Authorized Representative is hereby authorized and directed to execute the Bond Purchase Agreement on behalf of the Authority substantially in the form attached hereto as Exhibit C and completed in accordance with the terms specified in the Officer's Pricing Certificate, and the Authorized Representative and all other officers, agents and representatives of the Authority are hereby authorized to do any and all things necessary or desirable to satisfy the conditions set out therein and to provide for the issuance and delivery of the Contractual Obligations.

The Authority hereby acknowledges that the sale of the Contractual Obligations pursuant to the Bond Purchase Agreement may be contingent upon the issuance of a Bond Insurance Policy from the Bond Insurer insuring the timely payment of principal of and interest on the Contractual Obligations. The Authorized Representative and other appropriate Authority officials are hereby authorized and directed to execute such documents and certificates and to do any and all things necessary or desirable to obtain such insurance, if any, and the printing on the Contractual Obligations of an appropriate legend or statement regarding such insurance is hereby approved.

31. Covenants to Maintain Tax Exempt Status.

(a) Definitions. When used in this Section, the following terms have the following meanings:

"Code" means the Internal Revenue Code of 1986, as amended by all legislation, if any, enacted on or before the Issue Date.

"Computation Date" has the meaning stated in section 1.148-1(b) of the Regulations.

"Gross Proceeds" has the meaning stated in section 1.148-1(b) of the Regulations.

"Investment" has the meaning stated in section 1.148-1(b) of the Regulations.



“Issue Date” for the Obligations or other obligations of the Authority is the respective date on which such bonds or other obligations of the Authority are first delivered against payment therefor.

“Issue Price” has the meaning stated in section 1.148-1(b) of the Regulations.

“Net Sale Proceeds” has the meaning stated in section 1.148-1(b) of the Regulations.

“Nonpurpose Investment” has the meaning stated in section 1.148-1(b) of the Regulations.

“Obligations” means the Contractual Obligations.

“Proceeds” has the meaning stated in section 1.148-1(b) of the Regulations.

“Rebate Amount” has the meaning stated in section 1.148-3 of the Regulations.

“Regulations” means the temporary or final Income Tax Regulations applicable to the Obligations issued pursuant to sections 141 through 150 of the Code. Any reference to a section of the Regulations shall also refer to any successor provision to such section hereafter promulgated by the Internal Revenue Service pursuant to sections 141 through 150 of the Code and applicable to the Obligations.

“Yield of”

- (1) any Investment shall be computed in accordance with section 1.148-5 of the Regulations, and
- (2) the Obligations shall be computed in accordance with section 1.148-4 of the Regulations.

(b) Not to Cause Interest to Become Taxable. The Authority shall not use, permit the use of or omit to use Gross Proceeds of the Obligations or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds of the Obligations) in a manner which, if made or omitted, respectively, would cause the interest on any Contractual Obligations to become includable in the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the Authority shall have received a written opinion of counsel nationally recognized in the field of municipal bond law to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income tax of the interest on any Obligation, the Authority shall comply with each of the specific covenants in this Section.

(c) No Private Use or Private Payments. Except as permitted by section 141 of the Code and the regulations and rulings thereunder, the Authority shall, at all times prior to the last stated maturity of the Obligations.

- (1) exclusively own, operate, and possess all property the acquisition, construction, or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds of the Obligations and not use or permit the use of such Gross Proceeds or any property acquired, constructed, or improved with such Gross Proceeds in any activity carried on by any person or entity other than a state or local government, unless such use is solely as a member of the general public, or
- (2) not directly or indirectly impose or accept any charge or other payment for use of Gross Proceeds of the Obligations or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such Gross Proceeds other than taxes of general application and interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.
- (d) No Private Loan. Except to the extent permitted by section 141 of the Code and the regulations and rulings thereunder, the Authority shall not use Gross Proceeds of the Obligations to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, Gross Proceeds are considered to be "loaned" to a person or entity if (1) property acquired, constructed or improved with Gross Proceeds is sold or leased to such person or entity in a transaction which creates a debt for federal income tax purposes, (2) capacity in or service from such property is committed to such person or entity under a take-or-pay, output, or similar contract or arrangement, or (3) indirect benefits, or burdens and benefits of ownership, of such Gross Proceeds or such property are otherwise transferred in a transaction which is the economic equivalent of a loan.
- (e) Not to Invest at Higher Yield. Except to the extent permitted by section 148 of the Code and the regulations and rulings thereunder, the Authority shall not, at any time prior to the earlier of the final stated maturity or final payment of the Obligations, directly or indirectly invest Gross Proceeds of the Obligations in any Investment (or use such Gross Proceeds to replace money so invested), if as a result of such investment the Yield of all Investments allocated to such Gross Proceeds whether then held or previously disposed of, exceeds the Yield on the Obligations.
- (f) Not Federally Guaranteed. Except to the extent permitted by section 149(b) of the Code and the regulations and rulings thereunder, the Authority shall not take or omit to take any action which would cause any Obligation to be federally guaranteed within the meaning of section 149(b) of the Code and the regulations and rulings thereunder.
- (g) Information Report. The Authority shall timely file with the Secretary of the Treasury the information required by section 149(e) of the Code with respect to the Contractual Obligations on such forms and in such place as such Secretary may prescribe.
- (h) Payment of Rebate Amount. Except to the extent otherwise provided in section 148(f) of the Code and the regulations and rulings thereunder, the Authority shall:

- (1) account for all Gross Proceeds (including all receipts, expenditures and investments thereof) of the Obligations on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of such accounting for at least six years after the final Computation Date, although the Authority may, however, to the extent permitted by law, commingle Gross Proceeds of the Obligations with other money of the Authority, provided that the Authority separately accounts for each receipt and expenditure of such Gross Proceeds and the obligations acquired therewith,
  - (2) calculate the Rebate Amount with respect to the Obligations, not less frequently than each Computation Date, in accordance with rules set forth in section 148(f) of the Code, section 1.148-3 of the Regulations, and the rulings thereunder and maintain a copy of such calculations for at least six years after the final Computation Date,
  - (3) as additional consideration for the purchase of the Obligations by the initial purchaser thereof and the loan of the money represented thereby, and in order to induce such purchase by measures designed to ensure the excludability of the interest thereon from the gross income of the owners thereof for federal income tax purposes, pay to the United States the amount described in paragraph (ii) above at the times, in the installments, to the place, in the manner and accompanied by such forms or other information as is or may be required by section 148(f) of the Code and the regulations and rulings thereunder, and
  - (4) exercise reasonable diligence to assure that no errors are made in the calculations required by paragraph (ii) and, if such error is made, to discover and promptly to correct such error within a reasonable amount of time thereafter, including payment to the United States of any interest and any penalty required by the Regulations.
- (i) Not to Divert Arbitrage Profits. Except to the extent permitted by section 148 of the Code and the regulations and rulings thereunder, the Authority shall not, at any time prior to the earlier of the final stated maturity or final payment of the Obligations, enter into any transaction that reduces the amount required to be paid to the United States pursuant to Subsection (h) of this Section because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Yield of the Obligations not been relevant to either party.
- (j) Not Hedge Bonds. The Authority will not invest more than 50 percent of the Proceeds of each series of the Obligations and the original bonds refunded with the Obligations, if any, in Nonpurpose Investments having a substantially guaranteed yield for four years or more. As of the respective Issue Dates of the Obligations and the original bonds refunded with the Obligations, the Authority reasonably expects that at least 85 percent of the Net Sale Proceeds of the Obligations will be used to carry out the governmental purpose of the Obligations within three years after such respective Issue Date.

32. Use of Proceeds. Proceeds from the sale of the Contractual Obligations shall, promptly upon receipt by the Authority, be applied as follows:

(a) Costs of Issuance: A portion of the proceeds shall be applied to pay expenses arising in connection with the issuance of the Contractual Obligations and the premium for any Bond Insurance Policy; and

(b) Acquisition Fund: A portion of the proceeds shall be deposited into the Acquisition Fund created in Section 27 of this Resolution.

The Authority authorizes the deposit of other funds of the Authority into the Reserve Fund as may be set forth in the Officer's Pricing Certificate.

33. Additional Obligations.

(a) Right to Issue: Subject to the requirements of subsection (b) of this Section, the Authority reserves the right to issue or enter into, at any time and from time to time, in one or more installments, for any lawful purpose, the CP Notes, Additional Obligations, and Senior Credit Agreements, all of which, when issued or otherwise entered into and delivered, shall be payable from and secured by the senior lien on and pledge of the Pledged Revenues to the Trustee confirmed by this Resolution on a parity with all other Senior Lien Obligations and shall in all respects be on a parity and of equal dignity with and shall be secured in the same manner as the Contractual Obligations. Such pledge of and lien on the Pledged Revenues securing the Senior Lien Obligations is and shall be senior to the pledge of and lien on the Pledged Revenues which the Authority has granted or may grant to secure the Junior Lien Obligations and the Subordinate Lien Obligations.

(b) Conditions to Issuance: Except as provided in paragraph (c) of this Section, no Additional Obligations may be issued and no Senior Credit Agreements may be entered into unless the Chief Financial Officer of the Authority shall certify to the Trustee in writing that, for either the preceding Fiscal Year or any consecutive 12-month period out of the 18-month period preceding the month in which the order or resolution authorizing such Additional Obligations or Senior Credit Agreement is adopted (the "Base Period"):

(1) Historical/Pro Forma Coverage: The Pledged Revenues were not less than 200% of the Maximum Annual Debt Service Requirements, after giving effect to the issuance of the Additional Obligations or execution of the Senior Credit Agreement, as applicable; or

(2) Pro Forma Coverage: Pledged Revenues, adjusted to give effect to the occurrence prior to the adoption of the order or resolution authorizing such Additional Obligations of (A) any increase in the Sales and Use Tax rate or (B) any increase in the percentage of the Sales and Use Tax revenues designated by the Authority as Pledged Revenues, as if either such increase had been in effect for the entire Base Period, would have been not less than 200% of the Maximum Annual Debt Service Requirements after giving effect to the issuance of the Additional Obligations or execution of the Senior Credit Agreement, as applicable.



(c) Exception. Additional Obligations issued to refund Senior Lien Obligations are not subject to subsection (b) of this Section if their issuance will not increase Maximum Annual Debt Service Requirements by more than 10%.

34. Covenant to Maintain Sales and Use Tax Rate. The Authority agrees and covenants that at all times while there are Outstanding Contractual Obligations, (i) it will not reduce the rate at which the Sales and Use Tax is levied below its current rate of 1% of the receipts from the sale at retail or on the sale price or the lease or rental price on the storage, use or other consumption of all taxable items within the boundaries of the Authority or take action to apply such tax to less than all of such transactions and (ii) it will maintain its sales and use tax rate and apply such amounts to pay its Outstanding Series 2009 Bonds, Outstanding Series 2009 Contractual Obligations, Outstanding Series 2010 Contractual Obligations, Outstanding Series 2011 Bonds, Outstanding Series 2011 Contractual Obligations, Outstanding Series 2014 Contractual Obligations, Outstanding Series 2015 Bonds, Outstanding Series 2015 Contractual Obligations, Outstanding Series 2016 Bonds, Outstanding Series 2016 Contractual Obligations, Outstanding Series 2017 Bonds, Outstanding Series 2017 Contractual Obligations and other obligations issued pursuant to the authority of the election held within the Authority on November 4, 2003 or other obligations issued pursuant to Chapter 451, Texas Transportation Code, as amended.

35. Continuing Disclosure Undertaking.

(a) Annual Reports: The Authority shall provide annually to the MSRB, within six months after the end of each Fiscal Year, financial information and operating data with respect to the Authority of the general type included in the final Official Statement authorized by Section 39, being the information described in the Official Statement in Appendix B and in Tables 1 through 7. Any financial statements so to be provided shall be (1) prepared in accordance with the accounting principles as the Authority may be required to employ from time to time pursuant to State law or regulation and (2) audited, if the Authority commissions an audit of such statements and the audit is completed within the period during which they must be provided. If audited financial statements are not so provided, then the Authority shall provide unaudited financial statements for the applicable Fiscal Year to the MSRB, and audited financial statements when and if audited financial statements become available.

If the Authority changes its Fiscal Year, it will notify the MSRB of the change (and of the date of the new Fiscal Year end) prior to the next date by which the Authority otherwise would be required to provide financial information and operating data pursuant to this Section.

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) or filed with the SEC, or may be provided in any other manner consistent with the Rule.

(b) Event Notices. The Authority shall notify the MSRB, in a timely manner, not in excess of 10 business days after the occurrence of the event, notice of any of the following events with respect to the Contractual Obligations:



- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form in 5701-TEB) or other material notices or determinations with respect to the tax status of the Contractual Obligations or other material events affecting the tax status of the Contractual Obligations;
- (7) Modifications to rights of holders of the Contractual Obligations, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Contractual Obligations, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Authority, which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Authority in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person;
- (13) The consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material which is considered to occur when any of the following occur:

the appointment of a receiver, fiscal agent or similar officer for the Authority in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person;

(c) General: The Authority shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the Authority remains an "obligated person" with respect to the Contractual Obligations within the meaning of the Rule, except that the Authority in any event will give the notice required by this Section of any redemption calls and defeasance that cause the Authority to be no longer such an "obligated person."

The notices and information required to be provided by the Authority pursuant to this Section will be provided in an electronic format or in such other format as required by the MSRB or the SEC and shall be accompanied by such identifying information as required by the MSRB or the SEC.

The provisions of this Section are for the sole benefit of the Registered Owners and beneficial owners of the Contractual Obligations, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Authority undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Authority's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The Authority does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Contractual Obligations at any future date.

UNDER NO CIRCUMSTANCES SHALL THE AUTHORITY BE LIABLE TO THE REGISTERED OWNER OR BENEFICIAL OWNER OF ANY CONTRACTUAL OBLIGATION OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE AUTHORITY, IF NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by the Authority in observing or performing its obligations under this Section shall constitute a breach of or default under the Resolution for purposes of any other provision of this Resolution.

Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of the Authority under federal and state securities laws.

The provisions of this Section may be amended by the Authority from time to time to adapt the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Authority, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell the Contractual Obligations in the primary offering of the Contractual Obligations in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the Registered Owners of a majority in aggregate principal amount (or any greater amount required by any other provision of this Resolution that authorizes such an amendment) of the Outstanding Contractual Obligations consent to such amendment or (b) a person that is unaffiliated with the Authority (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Registered Owners and beneficial owners of the Contractual Obligations. If the Authority so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with this Section an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided. The Authority may also amend or repeal the provisions of this Section if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the Authority also may amend the provisions of this Section in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Contractual Obligations in the primary offering of the Contractual Obligations, giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule.

(d) Definitions: As used in this Section, the following terms have the meanings ascribed to such terms below:

“*EMMA*” means the Electronic Municipal Market Access system of the MSRB.

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*Rule*” means SEC Rule 15c2-12, as amended from time to time.

“*SEC*” means the United States Securities and Exchange Commission.

### 36. The Trustee.

(a) Appointment. Wells Fargo Bank, N.A. has heretofore been appointed, and is hereby again appointed as Trustee, for the sole purpose of holding, investing, securing and disbursing the Pledged Revenues in accordance with this Resolution and is not acting in a fiduciary capacity for the Owners. The Trustee shall not be responsible for any Pledged Revenues until such Pledged Revenues are actually received by the Trustee. The Trustee undertakes to perform such functions and duties and only such functions and duties as are specifically set forth in this Resolution, and no implied duties or obligations shall be read into this Resolution against the Trustee.



(b) Limited Obligations. The Trustee shall be under no obligation to perform any duty or exercise any right or power under this Resolution until it is provided with adequate funds to do so and receives an indemnity reasonably satisfactory to it against any and all costs and expenses, outlays, and counsel fees and other disbursements, and against all liability not due to its negligence or willful misconduct. No provision of this Resolution shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or to take any action, which in the judgment of the Trustee would conflict with any rule of law or with the terms of this Resolution or would expose it to liability.

(c) Compensation. The Authority shall pay to the Trustee from time to time reasonable compensation for its services. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Authority shall promptly reimburse the Trustee upon request for all reasonable out-of-pocket expenses incurred by it. Such expense shall include the reasonable compensation and out-of-pocket expenses of its agents and counsel.

(d) Limited Liability. The Trustee shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in good faith, reasonably and in accordance with the terms of this Resolution, upon any resolution, order, notice, request, consent, waiver, certificate, statement, affidavit, requisition, bond or other paper or documents which it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper board or person, or to have been prepared and furnished pursuant to any of the provisions of this Resolution, or upon the written opinion of any attorney (who may be an attorney for the Authority), engineer, appraiser or accountant (any of which, unless otherwise specified herein, may be an employee of the Authority) reasonably believed by the Trustee to be qualified in relation to the subject matter. The Trustee shall not be liable for any error of judgment made in good faith by the Trustee unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts. The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the express provisions of this Resolution.

(e) Establishing Facts Prior to Action. Whenever, in the administration of the trust confirmed by this Resolution, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof is specifically prescribed herein) may, in the absence of bad faith on the part of the Trustee, be deemed to be proved and established by a certificate of an Authorized Representative; and, in the absence of bad faith on the part of the Trustee, such certificate shall constitute full authority for any action taken, suffered or omitted by the Trustee under the provisions of this Resolution in reliance thereon.

(f) Use of Released Funds. The Trustee shall not be concerned with or accountable to anyone for the subsequent use or application of any money which shall be released or withdrawn and used in accordance with the provisions hereof.

(g) Executing Powers Through Third Parties. The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through

attorneys, accountants, agents or receivers and may, in all cases, pay, and be reimbursed for, the reasonable fees and expenses thereof. The Trustee shall not be responsible for the conduct of such attorneys, accountants, agents or receivers it appointed with due care.

(h) Limited Responsibility for the Contractual Obligations and Related Documents.

The Trustee shall not be responsible for any recital or statement in this Resolution, any amendment to this Resolution, the Contractual Obligations, or any official statement or other disclosure document prepared or distributed in connection with the Contractual Obligations or for the validity of the execution by the Authority of this Resolution, any amendment to this Resolution or the Contractual Obligations, or for the validity of the execution of any other or supplemental instrument by the Authority, or for the validity or sufficiency of the security for the Contractual Obligations issued hereunder or intended to be secured hereby, or for the value of or title to the security for the Contractual Obligations pledged hereunder or for the creditworthiness of the Authority. Except as otherwise expressly provided herein, the Trustee shall have no duty to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or in an amendment to this Resolution, but the Trustee may require of the Authority full information and advice as to the performance of such covenants, conditions and agreements set forth herein and in an amendment to this Resolution.

(i) No Representation of Warranty. The Trustee makes no representation or warranty, express or implied, as to the title, value, design, compliance with specifications or legal requirements, quality, operation, condition, merchantability or fitness for any particular purpose for the use contemplated by the Authority of the Equipment. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from this Resolution for the existence, furnishing or use of the Equipment.

(j) No Obligation or Duty. The permissive right of the Trustee to do things enumerated in this Resolution shall not be construed as an obligation or duty of the Trustee. The Trustee shall not be required to give any bond or surety in respect of the execution of its trusts and powers hereunder or otherwise in respect of these premises, except as provided in Section 29. Nothing contained herein or in the Contractual Obligations shall be construed to impose any duties upon the Trustee beyond those expressly contained in this Resolution or in an amendment to this Resolution. All immunities, indemnities and other provisions of this Resolution as related to the duties and liabilities of the Trustee shall apply to its duties and liabilities with respect to the Contractual Obligations.

(k) No Individual Liability. Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Contractual Obligations. In accepting the trust hereby created, the Trustee acts solely as Trustee for the trust estate hereunder and not in its individual capacity and, except as otherwise provided herein, all persons, including without limitation the Owners and the Authority, having any claim against the Trustee arising from this Resolution shall look for payment only from the funds and accounts held by the Trustee hereunder.

(l) Indemnification of the Trustee. The Authority hereby covenants and agrees, to the extent permitted by applicable law and solely from the amounts held or required to be held



hereunder, to indemnify the Trustee for any loss, liability, outlays and reasonable fees of its in-house and/or outside counsel, other reasonable disbursements, expenses or advances reasonably incurred or made, without negligence or willful misconduct on the part of the Trustee, arising out of or in connection with its acceptance or administration of the trust or performance of its duties hereunder. All indemnifications and releases from liability granted to the Trustee hereunder shall extend to its directors, officers, employees, officials and agents.

(m) Trustee May Purchase Senior Lien Obligations. The Trustee shall not be disqualified from buying, selling, holding, owning or dealing in Senior Lien Obligations solely because it is trustee hereunder, nor is the Trustee disqualified from being the depository of the Authority of moneys not entrusted to it hereunder.

(n) Trustee May Resign or be Removed. The Trustee may resign and thereby become discharged from the trusts confirmed upon the acceptance thereof by a successor by notice in writing to be given to the Authority and by notice mailed, postage prepaid to all Owners not less than 60 days before such resignation is to take effect, but such resignation shall take effect immediately upon the appointment of a successor Trustee pursuant to this Section, if such successor Trustee shall be appointed before the time specified by such notice and shall accept such appointment. If no successor Trustee is appointed within 60 days after the date of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee. The Trustee may be removed, with or without cause, at any time by an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the Owners of a majority in principal amount of the Senior Lien Obligations.

(o) Successor Trustee. The Authority covenants that at all times while any Contractual Obligations are Outstanding it will engage a legally qualified bank, trust company, financial institution or other agency with a minimum capital and surplus at the time of deposit of at least \$1,000,000,000 to act as Trustee for the Contractual Obligations. The Authority reserves the right to change the Trustee for the Contractual Obligations on not less than sixty (60) days' written notice to the Trustee, as long as any such notice is effective not less than 60 days prior to the next succeeding principal or interest payment date on the Contractual Obligations. Any successor Trustee appointed under this Resolution shall execute, acknowledge, and deliver to its predecessor Trustee, and also to the Authority, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties, and obligations of such predecessor Trustee, with like effect as if originally named as Trustee; but the Trustee ceasing to act shall nevertheless, on the written request of the Authority, or of the successor Trustee, execute, acknowledge, and deliver such instruments of assignment and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title, and interest of the predecessor Trustee in and to any property held by it under this Resolution, and shall pay over, assign, and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Any such successor Trustee shall promptly notify any paying agents and registrars of its appointment as Trustee. Each Trustee hereunder, by acting in

that capacity, shall be deemed to have agreed to the provisions of this Resolution. No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Section shall become effective until the acceptance of appointment by the successor Trustee under this Section.

37. Related Matters. To satisfy in a timely manner all of the Authority's obligations under this Resolution, the Paying Agent/Registrar Agreement and the Bond Purchase Agreement, the Authorized Representative and all other appropriate officers, agents and representatives of the Authority are hereby authorized and directed to take all other actions that are reasonably necessary to provide for the issuance of the Contractual Obligations, including, without limitation, executing and delivering on behalf of the Authority all certificates, consents, receipts, requests and other documents as may be reasonably necessary to satisfy the Authority's obligations under the Bond Purchase Agreement, the Paying Agent/Registrar Agreement and this Resolution and to direct the transfer and application of funds of the Authority consistent with the provisions of this Resolution.

38. Resolution a Contract - Amendments. The Authority hereby contractually obligates and commits itself to utilize the net proceeds of the Contractual Obligations, after payment of the costs of issuance and any Bond Insurance Policy premium related thereto, for the acquisition of the Equipment, the proceeds of which were used to fund the acquisition of the Equipment in accordance with the terms and provisions hereof. This Resolution shall constitute a contract with the Owners from time to time, be binding on the Authority and the Trustee, and shall not be amended or repealed by the Authority so long as any Contractual Obligation remains Outstanding except as permitted in this Section. The Authority may, without the consent of or notice to any Owners, but with notice to the Trustee, from time to time and at any time, amend this Resolution in any manner not detrimental to the interests of the Owners, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the Authority may, with the written consent of the Trustee and Owners who own in the aggregate 51% of the principal amount of the Contractual Obligations then Outstanding, amend, add to, or rescind any of the provisions of this Resolution; provided that, without the consent of all Owners of Outstanding Contractual Obligations, no such amendment, addition, or rescission shall (i) extend the time or times of payment of the principal of and interest on the Contractual Obligations, reduce the principal amount thereof, the redemption price, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Contractual Obligations, (ii) give any preference to any Contractual Obligation over any other Contractual Obligation, or (iii) reduce the aggregate principal amount of Contractual Obligations required to be held by Owners for consent to any such amendment, addition, or rescission.

No one or more Owner of Outstanding Contractual Obligations shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Resolution to affect, disturb, or prejudice the rights of any other Owner of Outstanding Contractual Obligations or the Trustee, or to obtain or to seek to obtain priority or preference over any other Owner of Outstanding Contractual Obligations or to enforce any right under this Resolution, except in the manner herein provided and for the equal and ratable benefit of all Owners of Outstanding Senior Lien Obligations and, on a basis subordinate thereto, all Owners of Junior Lien Obligations and Subordinate Lien Obligations.

39. Official Statement. The Board hereby authorizes, in connection with the sale of the Contractual Obligations, (a) the preparation and distribution of a Preliminary Official Statement, in the form substantially attached hereto as Exhibit D, with such changes approved by the Authorized Representative and/or the Authority's working group, and (b) the Authorized Representative to act on behalf of the Authority to deem the Preliminary Official Statement for any series of the Contractual Obligations final within the meaning of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, and hereby authorizes the preparation of a final Official Statement containing such additional information and amendments as may be necessary to conform to the terms of the Contractual Obligations, this Resolution, the Officer's Pricing Certificate and the Bond Purchase Agreement. The Authorized Representative is hereby authorized to sign such Official Statement and/or to deliver a certificate pertaining to such Official Statement as prescribed therein, dated as of the date of payment for and delivery of the Contractual Obligations.

40. Power to Revise Form of Documents. Notwithstanding any other provision of this Resolution, the Authorized Representative is authorized hereby to make or approve such revisions, additions, deletions, and variations to this Resolution and in the form of the documents attached hereto as exhibits as, in the judgment of the Authorized Representative, and in the opinion of Co-Bond Counsel to the Authority, may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, the Preliminary Official Statement, the final Official Statement, or as may be required for approval of the Contractual Obligations by the Attorney General of Texas; provided, however, that any changes to such documents resulting in substantive amendments to the terms and conditions of the Contractual Obligations or such documents shall be subject to the prior approval of the Board and the provisions of Section 38 of this Resolution.

41. No Personal Liability. No recourse shall be had for payment of the principal of or interest on any Contractual Obligation or for any claim based thereon, or on this Resolution, against any official or employee of the Authority or any person executing any Contractual Obligations.

42. Engagement of Professionals. The engagement of the firm of Orrick, Herrington & Sutcliffe LLP and Powell & Leon, LLP as Co-Bond counsel and the engagement of West & Associates LLP as disclosure counsel is hereby approved and confirmed in accordance with each firm's engagement letter with the Authority, in substantially the forms attached hereto as Exhibit E and Exhibit F respectively, as shall be approved by the Authority's General Counsel.

43. Defeasance. The Authority may defease the provisions of this Resolution (except as herein expressly stated), and discharge its obligation to the Owners of any or all of the Senior Lien Obligations (except to the extent otherwise expressly provided therein) to pay the principal of and interest thereon from other funds, by depositing with the Paying Agent/Registrar, the Comptroller or any other entity with which such deposits may be made (as specified in Section 1207.061, Texas Government Code, as amended) which has a minimum capital and surplus at the time of deposit of at least \$100,000,000 either:

- (a) Cash Deposit: Cash in an amount equal to the principal amount of and interest thereon to the date of maturity or earlier redemption, if any, or



(b) Governmental Obligations: Pursuant to an escrow or trust agreement, cash and/or (i) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America; (ii) 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 are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; or (iii) 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 are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, which, in the case of (i), (ii) or (iii), may be in book-entry form, and the principal of and interest on which will, when due or redeemable at the option of the holder, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon, provide money in an amount which, together with other moneys, if any, held in such escrow at the same time and available for such purpose, shall be verified by a nationally recognized firm of accountants or actuaries sufficient to provide for the timely payment of the principal of and interest thereon to the date of maturity or earlier redemption, if any; provided, however, that if any of such Contractual Obligations are to be redeemed prior to their respective dates of maturity, irrevocable provision shall have been made for giving notice of redemption as provided in this Resolution. Upon such deposit, such Contractual Obligations shall no longer be regarded to be Outstanding and shall no longer be subject to other redemption at the option of the Authority. Any surplus amount not required to accomplish such defeasance shall be returned to the Authority.

Upon such defeasance of all Senior Lien Obligations as provided in this Section, the lien on and pledge of the Pledged Revenues and powers of the Trustee granted under this Resolution and all covenants, agreements and other obligations of the Authority to the Owners thereof shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall cause an accounting for such period or periods as shall be requested by the Authority to be prepared and filed with the Authority and, upon the request of the Authority, shall execute and deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction, and shall pay over or deliver to the Authority all moneys or securities held by it pursuant to this Resolution which are not required for the payment of principal or redemption price, if applicable, on Senior Lien Obligations not theretofore surrendered for such payment, or redemption.

44. Notice. Any notice, demand, direction, request or other instrument authorized or required by this Resolution to be given to or filed with the Authority, the Trustee or the Paying Agent/Registrar shall be deemed to have been given only upon receipt. Any notice shall be sent by first class mail, postage prepaid, to the address specified below or, to such other address as may be designated in writing by the parties:

Authority:

Metropolitan Transit Authority of Harris County, Texas  
1900 Main Street  
Houston, Texas 77002  
Chief Financial Officer  
Facsimile Transmission Number: (713) 758-9771

Paying Agent/Registrar: Wells Fargo Bank, N.A.  
MAC T9216-430  
1445 Ross Avenue, Suite 4300  
Dallas, TX 75201  
Attn: Corporate Trust Department  
Facsimile Transmission Number: (469) 729-7638

Trustee: Wells Fargo Bank, N.A.  
MAC T9216-430  
1445 Ross Avenue, Suite 4300  
Dallas, TX 75201  
Attn: Corporate Trust Department  
Facsimile Transmission Number: (469) 729-7638

45. Legal Holidays. In any case where the date interest becomes payable on the Contractual Obligations or principal of the Contractual Obligations matures or the date fixed for redemption of any Contractual Obligations shall not be a Business Day, then payment of interest or principal need not be made on such date, but payment may be made on the next succeeding Business Day and in the same amount with the same force and effect as if made on the scheduled date for payment and no interest shall accrue for the period from the date of maturity or redemption to the date of actual payment.

46. Open Meeting. It is hereby officially found and determined that the meeting at which this Resolution was adopted was open to the public, and public notice of the time, place and purpose of said meeting was given, all as required by the Open Meetings Law, Chapter 551, Texas Government Code, as amended.

47. Effective Date. This Resolution shall be in full force and effect from and upon its adoption.

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

49. Repealer. All orders, resolutions and ordinances, or parts thereof, inconsistent herewith are hereby repealed to the extent of such inconsistency.



**PASSED AND APPROVED this \_\_\_\_\_, 2018.**

|           |  |
|-----------|--|
| Exhibit A | Form of Officer's Pricing Certificate        |
| Exhibit B | Form of Paying Agent/Registrar Agreement     |
| Exhibit C | Form of Bond Purchase Agreement              |
| Exhibit D | Form of Preliminary Official Statement       |
| Exhibit E | Form of Bond Counsel Engagement Letter       |
| Exhibit F | Form of Disclosure Counsel Engagement Letter |

**EXHIBIT A TO OFFICER'S PRICING CERTIFICATE**  
**FORM OF CONTRACTUAL OBLIGATION**

## EXHIBIT A

### FORM OF OFFICER'S PRICING CERTIFICATE

#### METROPOLITAN TRANSIT AUTHORITY OF HARRIS COUNTY, TEXAS, SALES AND USE TAX CONTRACTUAL OBLIGATIONS, SERIES 2018

THIS OFFICER'S PRICING CERTIFICATE is executed as of \_\_\_\_\_, 2018, by the Authorized Representative of the Metropolitan Transit Authority of Harris County, Texas (the "Authority") pursuant to the authorization contained in a resolution of the Board of Authority, acting as the governing body of the Authority, adopted on October 25, 2018 (the "Resolution"), authorizing the issuance of the captioned series of Contractual Obligations and delegating to the undersigned the authority to agree to and stipulate certain terms and provisions thereof, all of which are set forth herein.

Capitalized terms used in this Officer's Pricing Certificate shall have the meanings assigned to them in the Resolution.

1. Principal Amount, Numbers, Interest Rates and Maturities. The Contractual Obligations shall be issued in the total authorized principal amount of \$ \_\_\_\_\_.

The Contractual Obligations shall mature on November 1 in each of the years and in the amounts set out in the following schedule:

| <u>Bond<br/>Number</u> | <u>Year of Maturity<br/>(November 1)</u> | <u>Principal Amount</u> | <u>Interest Rate</u> |
|------------------------|--|-------------------------|----------------------|
| R-1                    |  |                         |                      |
| R-2                    |  |                         |                      |
| R-3                    |  |                         |                      |

2. Redemption. [The Contractual Obligations are not subject to redemption prior to maturity.] [The Contractual Obligations maturing on and after \_\_\_\_\_ are subject to optional redemption, in whole or, from time to time, in part on any date on or after \_\_\_\_\_ at a redemption price of par plus accrued interest.]

[The Contractual Obligations maturing in the years \_\_\_\_ and \_\_\_\_ will be issued as term bonds and shall be subject to the following mandatory redemption requirements:]

3. Purchase Price. The sale of the Contractual Obligations is authorized pursuant to the form of Bond Purchase Agreement at the following price:

|                     |          |
|---------------------|----------|
| PRINCIPAL AMOUNT    | \$ _____ |
| Plus Original Issue | _____    |
| Premium             | _____    |

Less Underwriter's \_\_\_\_\_  
Discount \_\_\_\_\_  
PURCHASE PRICE \$ \_\_\_\_\_

It is hereby found and declared that the sale of the Contractual Obligations pursuant to the Bond Purchase Agreement at such price is on the best terms and at the best prices reasonably obtainable by the Authority.

4. Deposits. Pursuant to Section 32 of the Resolution, \$ \_\_\_\_\_ from the proceeds of the Contractual Obligations shall be deposited into the Acquisition Fund and \$ \_\_\_\_\_ from the proceeds of the Contractual Obligations shall be deposited to the Interest and Sinking Fund.
5. Form of Contractual Obligation. Pursuant to Section 5 of the Resolution, the Form of Contractual Obligation as set forth in Exhibit A hereto is hereby approved and supersedes the Form of Contractual Obligation set forth in the Resolution.
6. \_\_\_\_\_ YES \_\_\_\_\_ NO Bond Insurance. The payment of principal of and interest on the Contractual Obligations, when due, shall be insured by an Bond Insurance Policy issued by \_\_\_\_\_, upon the terms and conditions of the commitment attached hereto as Exhibit B. The statement of insurance set forth in Exhibit A hereto is hereby approved and authorized to be printed on each Contractual Obligation.
7. Pursuant to Section 5 of the Resolution, we hereby further find and determine that:
  - a. The net effective interest rate on the Contractual Obligations does not exceed the maximum rate allowed by Chapter 1204, Texas Government Code, and
  - b. The aggregate principal amount of the Contractual Obligations plus any net premium from the sale of the Contractual Obligations, does not exceed the maximum principal amount authorized in Section 5 of the Resolution and, when added to any premium, is equal to an amount sufficient to provide for the cost of the Equipment, capitalized interest during the acquisition period, the estimated costs of issuance of the Contractual Obligations, including underwriter's discount, and any Bond Insurance Policy premium.
  - c. the Contractual Obligations have been rated prior to delivery by a nationally recognized rating agency for municipal securities in one of the four highest categories for long-term obligations.
8. The undersigned hereby find, determine and declare, that in accordance with the requirements of the Resolution, this Officer's Pricing Certificate

complies with and satisfies the terms and provisions of the Resolution in accordance with the delegation contained therein.

WITNESS MY HAND this \_\_\_\_\_, 2018.

\_\_\_\_\_  
Authorized Representative

\_\_\_\_\_  
Authorized Representative



**EXHIBIT B**  
**FORM OF PAYING AGENT/REGISTRAR AGREEMENT**

## **PAYING AGENT REGISTRAR AGREEMENT**

THIS PAYING AGENT REGISTRAR AGREEMENT dated as of October 25, 2018 (together with any amendments or supplements hereto, the "Agreement"), is entered into by and between METROPOLITAN TRANSIT AUTHORITY OF HARRIS COUNTY, TEXAS (the "Authority"), and WELLS FARGO BANK, NATIONAL ASSOCIATION, as paying agent/registrar (together with any successor in such capacity, the "Bank").

### **WITNESSETH:**

WHEREAS, the Authority has duly authorized and provided for the issuance of its Metropolitan Transit Authority of Harris County, Texas Sales and Use Tax Contractual Obligations, Series 2018 in the authorized principal amount of \$140,000,000 (the "Obligations") as fully registered Obligations;

WHEREAS, all things necessary to make the Obligations the valid obligations of the Authority, in accordance with their terms, will be done upon the issuance and delivery thereof;

WHEREAS, the Authority and the Bank wish to provide the terms under which the Bank will act as Paying Agent to pay the principal of, redemption premium (if any), and interest on the Obligations, in accordance with the terms thereof, and under which the Bank will act as Registrar for the Obligations; and

WHEREAS, the Authority and the Bank have duly authorized the execution and delivery of this Agreement; and all things necessary to make this Agreement the valid agreement of the parties, in accordance with its terms, have been done.

NOW, THEREFORE, it is mutually agreed as follows:

### **ARTICLE ONE APPOINTMENT OF BANK AS PAYING AGENT AND REGISTRAR**

Section 1.01 Appointment. The Authority hereby appoints the Bank to act as Paying Agent with respect to the Obligations, to pay to the Registered Owners of the Obligations, in accordance with the terms and provisions of this Agreement and the respective Resolution authorizing the issuance of the Obligations, the principal of, redemption premium (if any), and interest on all or any of the Obligations.

The Authority hereby appoints the Bank as Registrar with respect to the Obligations.

The Bank hereby accepts its appointment, and agrees to act as Paying Agent and Registrar with respect to the Obligations.

Section 1.02 Compensation. As compensation for the Bank's services as Paying Agent/Registrar, the Authority hereby agrees to pay the Bank the fees and amounts set forth in

Schedule A attached hereto. The Bank reserves the right to amend the fee schedule at any time, provided the Bank shall have furnished the Authority with a written copy of such amended fee schedule at least 60 days prior to the date that the new fees are to become effective. In addition, the Authority agrees to reimburse the Bank for all reasonable expenses, disbursements and advances incurred or made by the Bank in connection with this Agreement (including the reasonable compensation and the expenses and disbursements of its agents and counsel).

## ARTICLE TWO DEFINITIONS

Section 2.01 Definitions. For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

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

“Bank” means Wells Fargo Bank, National Association, a national banking association, duly organized and existing under the laws of the United States of America, and any successors thereto pursuant to Section 4.07 hereof.

“Contractual Obligations” means the Series 2018 Sales and Use Tax Contractual Obligations.

“Obligation” or “Obligations” means, the Series 2018 Contractual Obligations, as authorized by its Resolution.

“Paying Agent” means the Bank when it is performing the function of paying agent.

“Person” means any individual, corporation, partnership, joint venture, associations, joint stock company, trust, unincorporated organization or government or any agency or political subdivision of a government or any entity whatsoever.

“Registrar” means the Bank when it is performing the function of registrar.

“Registered Owner” means the Person in whose name any Obligation is registered in the books of registration maintained by the Bank under this Agreement.

“Resolution” means, the resolution authorizing the Contractual Obligations, each as adopted by the Board of the Authority on September 27, 2018.

All other capitalized terms shall have the meanings assigned to them in the Resolution or the recital paragraphs of this Agreement.

## ARTICLE THREE DUTIES OF THE BANK

Section 3.01 Initial Delivery of the Obligations. The Obligations will be initially registered and delivered by the Bank to the purchaser designated by the Authority as set forth in the Resolution. If such purchaser delivers a written request to the Bank not later than five business days prior to the date of initial delivery, the Bank will, on the date of initial delivery, exchange the Obligations initially delivered for Obligations of authorized denominations, registered in accordance with the instructions in such request and the Resolution.

Section 3.02 Duties of Paying Agent. As Paying Agent, the Bank shall, provided adequate funds have been provided to it for such purpose by or on behalf of the Authority, timely pay on behalf of the Authority the principal of, redemption premium, if any, and interest on the Obligations in accordance with the provisions of the Resolution.

Since the issue will be Depository Trust Company (DTC) eligible, the Paying Agent shall comply with all eligibility requirements as outlined and agreed upon in the eligibility questionnaire.

The net proceeds of the sale of the Obligations shall be deposited with the Paying Agent via wire transfer of immediately available funds. The Paying Agent shall deposit such funds in such accounts as are necessary to be established in accordance with the closing memorandum provided to the Paying Agent by the Authority, its financial advisor or other agent, or as directed in writing by the Authority. Such funds shall not be invested. Moneys on deposit with the Paying Agent shall be disbursed upon written request of the Authority. Any funds remaining on deposit with the Paying Agent thirty (30) days after the issuance of the Obligations shall be paid over to the Authority.

Section 3.03 Duties of Registrar. The Bank shall keep and maintain for and on behalf of the Authority books and records as to the ownership of said Obligations and with respect to the transfer and exchange thereof as provided herein and in the Resolution. The Bank shall provide for the proper registration of the Obligations and the timely exchange, replacement and registration or transfer of the Obligations in accordance with the provisions of the Resolution. Any charges to Registered Owners for such exchange, replacement and registration shall be made by the Bank only in accordance with the Resolution. The Bank will maintain the books of registration in accordance with the Bank's general practices and procedures in effect from time to time; provided, however, that the Bank agrees to comply with the terms of Chapter 1203 of the Texas Government Code, as amended, and more specifically agrees also to maintain books of registration for the Obligations at the Bank's offices in Texas, which books of registration may be a copy of the register which shall be kept current by the Bank.

Section 3.04 Unauthenticated Obligations. The Authority shall provide an adequate inventory of unauthenticated Obligations to facilitate transfers. The Bank covenants that it will maintain such unauthenticated Obligations in safekeeping and will use reasonable care in maintaining such Obligations in safekeeping, which shall be not less than the care it maintains for debt securities of other government entities or corporations for which it serves as registrar, or which it maintains for its own obligations.

Section 3.05 Reports. Upon request of the Authority, the Bank will provide to the Authority reports, which will describe in reasonable detail all transactions pertaining to the Obligations and the books of registration for the period of time specified by the Authority. The Authority may also inspect and make copies of the information in the books of registration and such other documents related to the Obligations and in the Bank's possession at any time the Bank is customarily open for business, provided that reasonable time is allowed the Bank to provide an up-to-date listing or to convert the information into written form.

The Bank will not release or disclose the content of the books of registration to any person other than to, or at the written request of, an authorized officer or employee of the Authority, except upon receipt of a subpoena, court order or as otherwise required by law. Upon receipt of a subpoena, court order or other lawful request, the Bank will notify the Authority immediately so that the Authority may contest the subpoena, court order or other request if it so chooses, unless the Bank is prohibited by law from doing so.

Section 3.06 Cancelled Obligations. All Obligations surrendered for payment, redemption, transfer, exchange or replacement, if surrendered to the Bank, shall be promptly cancelled by it and, if surrendered to the Authority, shall be delivered to the Bank and, if not already cancelled, shall be promptly cancelled by the Bank. The Authority may at any time deliver to the Bank for cancellation any Obligations previously authenticated and delivered which the Authority may have acquired in any manner whatsoever, and all Obligations so delivered shall be promptly cancelled by the Bank. All cancelled Obligations held by the Bank shall be treated in accordance with the Bank's document retention policy.

Section 3.07 Reliance on Documents, Etc.

(a) The Bank may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, on certificates or opinions furnished to the Bank by the Authority.

(b) The Bank shall not be liable to the Authority for actions taken under this Agreement as long as it acts without negligence, as prescribed by law, with regard to its duties hereunder.

(c) This Agreement is not intended to require the Bank to expend its own funds for performance of any of its duties hereunder.

(d) The Bank may exercise any of the powers hereunder and perform any duties hereunder either directly or by or through agents or attorneys.

(e) The Bank shall have no duties or responsibilities whatsoever except such duties and responsibilities as are specifically set forth in this Agreement, and no covenant or obligations shall be implied in this Agreement against the Bank.

(f) IN NO EVENT SHALL THE BANK BE LIABLE FOR SPECIAL, INDIRECT OR CONSEQUENTIAL LOSS OR DAMAGE OF ANY KIND WHATSOEVER



(INCLUDING BUT NOT LIMITED TO LOST PROFITS), EVEN IF THE BANK HAS BEEN ADVISED OF THE LIKELIHOOD OF SUCH LOSS OR DAMAGE AND REGARDLESS OF THE FORM OF ACTION.

(g) The Authority agrees, to the extent permitted by law, to indemnify the Bank (including its directors, officers and employees) for, and hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on its part arising out of or in connection with its acceptance or administration of its duties hereunder, including the cost and expense (including its counsel fees) of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties under this Agreement. The foregoing indemnities in this paragraph shall survive the resignation or removal of the Paying Agent/Registrar and the termination of this Agreement.

Section 3.08 Money Held by Bank. Money held by the Bank hereunder shall be held in trust in a paying, agent capacity for the benefit of the Registered Owners of the Obligations and the Bank shall have a paying agent's responsibility as to such funds.

The Bank shall be under no obligation to pay interest on any money received by it hereunder.

A paying agent account shall at all times be kept and maintained by the Bank for the receipt, safekeeping, and disbursement of moneys received from the Authority under this Agreement for the payment of the Obligations, and money deposited to the credit of such account until paid to the Registered Owners of the Obligations shall be continuously collateralized by securities or obligations which qualify and are eligible under both the laws of the State of Texas and the laws of the United States of America to secure and be pledged as collateral for paying agent accounts to the extent such money is not insured by the Federal Deposit Insurance Corporation. Payments made from such paying agent account shall be made by check drawn on such account unless the owner of the Obligations shall, at its own expense and risk, request an alternative method of payment.

Any money deposited with the Bank for the payment of the principal of, redemption premium (if any), or interest on any of the Obligations and remaining unclaimed by the Registered Owner after the expiration of three years from the date such funds have become due and payable shall be reported and disposed of by the Bank in accordance with the provisions of Texas law including, to the extent applicable, Title 6 of the Texas Property Code, as amended. To the extent such provisions of the Property Code do not apply to the funds; such funds shall be paid by the Bank to the Authority upon receipt of a written request therefor from the Authority. The Bank shall have no liability to the Registered Owners of the Obligations by virtue of actions taken in compliance with the foregoing provision.

#### ARTICLE FOUR MISCELLANEOUS PROVISIONS

Section 4.01 May Own Obligations. The Bank, in its individual or any other capacity, may become the owner or pledgee of Obligations with the same rights it would have if it were not the Paying Agent and Registrar for the Obligations.

Section 4.02 Interpleader. The Authority and the Bank agree that the Bank may seek adjudication of any adverse claim, demands, or controversy over its persons as well as funds on deposit, in either the District Court of Harris County, Texas, or the United States Federal District Court for the Southern District of Texas, waive personal service of any process, and agree that service of process by certified or registered mail, return receipt requested, to the address shown on the signature page hereof shall constitute adequate service. The Authority and the Bank further agree that the Bank has the right to file a bill of interpleader in any court of competent jurisdiction located in the State of Texas to determine the rights of any person claiming any interest herein.

Section 4.03 Amendment. This Agreement may be amended only by an agreement in writing signed by both of the parties hereof.

Section 4.04 Assignment. This Agreement may not be assigned by either party without the prior written consent of the other.

Section 4.05 Notices. Any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted hereby to be given or furnished to the Authority or the Bank shall be mailed or delivered to the Authority or the Bank, respectively, at the addresses shown below, or such other address as may have been given by one party to the other by 15 days' written notice.

Metropolitan Transit Authority  
1900 Main Street  
Houston, Texas 77002  
c/o George Fotinos

Wells Fargo Bank, National Association  
625 Marquette Avenue, 11th Floor  
Minneapolis, MN 55402  
Attention: Corporate Trust Department  
c/o Jeffrey Carlson

Section 4.06 Effect of Headings. The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

Section 4.07 Successors and Assigns. All covenants and agreements herein by the Authority and the Bank shall bind their successors and assigns, whether so expressed or not. This Agreement shall not be assigned by the Bank without the prior written consent of the Authority.

Any company into which the Bank may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Bank may sell or transfer all or substantially all of

its corporate trust business, provided such company shall be a national banking association or a bank or trust company duly organized under the laws of any state of the United States and shall be authorized by law to perform all the duties imposed upon it by this Agreement, shall be the successor to the Bank without the execution or filing of any paper or the performance of any further act. In case any Obligation shall have been registered, but not delivered, by the Bank then in office, any successor by merger, conversion, or consolidation to such authenticating Bank may adopt such registration and deliver the Obligation so registered with the same effect as if such successor Bank had itself registered such Obligations.

Section 4.08 Severability. If any provision of this Agreement shall be invalid or unenforceable, the validity and enforceability of the remaining provisions hereof shall not in any way be affected or impaired.

Section 4.09 Benefits of Agreement. Nothing herein, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy or claim hereunder.

Section 4.10 Resolution Governs Conflicts. This Agreement and the Resolution constitute the entire agreement between the parties hereto relative to the Bank acting as Paying Agent and Registrar and if any conflict exists between this Agreement and the Resolution, the Resolution shall govern. The Bank agrees to be bound by the terms of the Resolution with respect to the Obligations.

Section 4.11 Term and Termination. This Agreement shall be effective from and after its date and may be terminated for any reason by the Authority or the Bank at any time upon 60 days written notice; provided, however, that no such termination shall be effective until a successor has been appointed and has accepted the duties of the Bank hereunder. In the event of early termination, regardless of circumstances, the Bank shall deliver to the Authority or its designee all funds, Obligations and all books and records pertaining to the Bank's role as Paying Agent and Registrar with respect to the Obligations, including, but not limited to, the books of registration.

Section 4.12 Governing Law. This Agreement shall be construed in accordance with and shall be governed by the laws of the State of Texas.

Section 4.13 Force Majeure. In no event shall the Bank be liable for any failure or delay in the performance of its obligations hereunder because of circumstances beyond the Bank's control, including, but not limited to, acts of God, flood, war (whether declared or undeclared), terrorism, fire, riot, strikes or work stoppages for any reason, embargo, government action, including any laws, ordinances, regulations or the like which restrict or prohibit the providing of the services contemplated by this Agreement, inability to obtain material, equipment, or communications or computer facilities, or the failure of equipment or interruption of communications or computer facilities, and other causes beyond the Bank's control whether or not of the same class or kind as specifically named above.

Section 4.14 Compliance with Sections 2270.002 and 2252.152, Texas Government Code. In accordance with Section 2270.002, Texas Government Code, the Bank hereby verifies

that the Bank: (i) does not Boycott Israel (as such term is defined in Section 2270.001, Texas Government Code) and (ii) subject to or as otherwise required by applicable Federal law, including, without limitation, 50 U.S.C. Section 4607, will not Boycott Israel during the term of this Agreement.

Pursuant to Section 2252.152, Texas Government Code, neither the Bank nor any wholly owned subsidiary, majority-owned subsidiary, parent company or affiliate of the Bank is a company currently listed by the Texas Comptroller of Public Accounts under Sections 806.051, 807.051, or 2252.153 of the Texas Government Code.

For purposes of this Section, "Company" shall have the meaning given such term in Section 808.001(2) of the Texas Government Code.

[Signature page follows]



IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

METROPOLITAN TRANSIT AUTHORITY OF  
HARRIS COUNTY

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Chief Financial Officer

WELLS FARGO BANK, NATIONAL  
ASSOCIATION, as Paying Agent and Registrar

---

Authorized Signatory

[Signature Page]

## SCHEDULE A

Fee schedule

Schedule A - I

**EXHIBIT C**  
**FORM OF BOND PURCHASE AGREEMENT**

§  
**METROPOLITAN TRANSIT AUTHORITY  
OF HARRIS COUNTY, TEXAS,  
SALES AND USE TAX  
CONTRACTUAL OBLIGATIONS,  
SERIES 2018**

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**BOND PURCHASE AGREEMENT**

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\_\_\_\_\_, 2018

Metropolitan Transit Authority of Harris County, Texas  
Chief Financial Officer  
1900 Main Street  
Houston, Texas 77002

Ladies and Gentlemen:

On the basis of the representations, warranties and covenants, and upon the terms and conditions contained in this Bond Purchase Agreement (the “**Agreement**”), the undersigned, J.P. Morgan Securities LLC (the “**Representative**”), acting on its own behalf and on behalf of the Underwriters (jointly, the “**Underwriters**”) as referenced in the List of Underwriters attached hereto as **Exhibit “A”**, and not as an agent or fiduciary to you, hereby offers to enter into this Agreement to purchase from Metropolitan Transit Authority of Harris County, Texas (the “**Issuer**”) the above stated aggregate principal amount of the Issuer’s Sales and Use Tax Contractual Obligations, Series 2018 (the “**Obligations**”) to be issued under and pursuant to Chapters 1201 and 1371, Texas Government Code, as amended, and the Public Property Finance Act, Chapter 271, Subchapter A, Texas Local Government Code, as amended (collectively, the “**Act**”), a resolution adopted by the Board of Directors of the Authority (the “**Board**”) on October 25, 2018, authorizing the issuance of the Obligations (the “**Series 2018 Resolution**”) and an officer’s pricing certificate executed pursuant to the Series 2018 Resolution on the date hereof and attached hereto as **Exhibit “B”** (the “**Officer’s Pricing Certificate**”, and collectively with the Series 2018 Resolution, the “**Resolution**”). This offer is made subject to the Issuer’s written acceptance hereof on or before 10:00 p.m., Houston, Texas time, on the date hereof and, if not so accepted, will be subject to withdrawal by the Underwriters upon written notice delivered by the Representative to the Issuer at any time prior to the acceptance hereof by the Issuer. Pursuant to the Resolution, the Issuer has authorized the proceeds of the Obligations and other available funds of the Issuer, if any, to be used for the authorized purposes of acquiring personal property including, but not limited to, light rail vehicles, clean diesel and compressed natural gas transit and commuter buses and small equipment purchases including farebox equipment, and paying the costs of issuance of the Obligations and the premium for any Bond Insurance Policy, if any. All capitalized terms used herein and not otherwise defined herein shall have the same meanings as assigned to each such term in the Resolution.

## SECTION 1. PURCHASE, SALE AND DELIVERY OF THE OBLIGATIONS.

On the basis of the representations, warranties and covenants contained herein, and in the other agreements referred to herein, and subject to the terms and conditions herein set forth, at the Closing Time (as defined herein) the Underwriters agree, jointly and severally, to purchase from the Issuer, and the Issuer agrees to sell and deliver to the Underwriters, all (but not less than all) of the \$ \_\_\_\_\_ "Metropolitan Transit Authority of Harris County, Texas Sales and Use Tax Contractual Obligations, Series 2018" at the purchase price (the "**Purchase Price**") for the Obligations. The Purchase Price for the Obligations is \$ \_\_\_\_\_, (representing the par amount of the Obligations, plus an original issue premium on the Obligations of \$ \_\_\_\_\_ and less an underwriting discount of \$ \_\_\_\_\_). The date of initial delivery of the Obligations to the Underwriters is December 11, 2018. The Obligations shall be dated \_\_\_\_\_, 2018.

Delivered to the Issuer herewith is the Representative's good faith corporate check payable to the order of the Issuer in the amount of \$ \_\_\_\_\_ for the Obligations (the "**Check**"). In the event you accept this offer, the Check shall be held uncashed by you until the time of Closing (as defined herein), at which time the Check shall be returned uncashed to the Representative. In the event that the Issuer does not accept this Agreement, the Check shall be immediately returned to the Representative. Should the Issuer fail to deliver the Obligations at the Closing, or should the Issuer be unable to satisfy the conditions of the Obligations of the Representative to purchase, accept delivery of and pay for the Obligations, as set forth in this Agreement (unless waived by the Representative), or should such obligations of the Representative be terminated for any reason permitted by this Agreement, the Check shall immediately be returned to the Representative. In the event the Representative fails (other than for a reason permitted hereunder) to purchase, accept delivery of and pay for the Obligations at Closing as herein provided, the Check shall be cashed and the amount thereof retained by the Issuer as and for full liquidated damages for such failure of the Representative, and, except as set forth in Section 9 hereof, no party shall have any further rights against the other hereunder. The Representative and the Issuer understand that in such event the Issuer's actual damages may be greater or may be less than such amount. Accordingly, the Representative hereby waives any right to claim that the Issuer's actual damages are less than such amount, and the Issuer's acceptance of this offer shall constitute a waiver of any right the Issuer may have to additional damages for the Representative.

In addition, unless otherwise exempt, each Underwriter has delivered the Certificate of Interested Parties Form 1295 ("**Form 1295**") and the certification of filing generated by the Texas Ethics Commission's (the "**TEC**") electronic portal in accordance with the provisions of Section 2252.908 of the Texas Government Code and the rules promulgated by the TEC, in connection with the Underwriter's entry into this Agreement with the Issuer. The Underwriters and the Issuer understand that neither the Issuer nor its consultants have the ability to verify the information included in a Form 1295, and neither the Issuer nor its consultants have an obligation, nor have undertaken any responsibility, for advising the Underwriters with respect to the proper completion of the Form 1295 other than, with respect to the Issuer, providing the identification number required for the completion of the Disclosure Form by any nonexempt Underwriter. The following Underwriters hereby individually represent and warrant that they are claiming an exemption from the requirements of Section 2252.908 of the Texas Government



Code, as amended, pursuant to subsection (c)(4) thereof: J.P. Morgan Securities LLC, and Hutchinson, Shockey, Erley & Co.

If exempt, the Underwriters hereby individually certify that they meet the criteria for an exemption under Section 2252.908(c)(4) of the Texas Government Code with respect to the requirement that the Underwriters file an application in accordance with the provisions of Section 2252.908 of the Texas Government Code and the rules promulgated by the TEC. The Underwriters and the Issuer understand and agree that neither the Issuer nor its consultants are responsible for the determination of the applicability of such exception to the requirements of Section 2252.908 and neither the Issuer nor its consultants have verified such information.

Each Underwriter hereby represents that, to the extent this Agreement constitutes a contract for goods or services within the meaning of Section 2270.002 of the Texas Government Code, as amended, solely for purposes of compliance with Chapter 2270 of the Texas Government Code, and subject to applicable Federal law, that neither such applicable Underwriter, nor any wholly owned subsidiary, majority-owned subsidiary, parent company or affiliate of such Underwriter (i) boycotts Israel or (ii) will boycott Israel through the term of this Agreement. The terms "boycotts Israel" and "boycott Israel" as used in this paragraph have the meanings assigned to the term "boycott Israel" in Section 808.001 of the Texas Government Code, as amended.

Each Underwriter hereby represents and warrants that, as of the date of this Agreement, to the extent this Agreement constitutes a governmental contract within the meaning of Section 2252.151 of the Texas Government Code, as amended, solely for purposes of compliance with Chapter 2252 of the Texas Government Code, and except to the extent otherwise required by applicable Federal law, neither such applicable Underwriter, nor any wholly owned subsidiary, majority-owned subsidiary, parent company or affiliate of such Underwriter is an entity listed by the Texas Comptroller of Public Accounts under Sections 2252.153 or 2270.0201 of the Texas Government Code. The term "foreign terrorist organization" in this paragraph has the meaning assigned to such term in Section 2252.151 of the Texas Government Code.

The Issuer acknowledges and agrees that (i) the primary role of the Underwriters is the purchase and sale of securities pursuant to this Agreement in an arm's-length, commercial transaction between the Issuer and the Underwriters in which each Underwriter is acting solely as a principal and is not acting as a municipal advisor (within the meaning of Section 15B of the Exchange Act), financial advisor or fiduciary to the Issuer, (ii) the Underwriters have not assumed (individually or collectively) any advisory or fiduciary responsibility to the Issuer with respect to this Agreement, the offering of securities and the discussions, undertakings and procedures leading thereto (irrespective of whether any Underwriter, or any affiliate of an Underwriter, has provided other services or is currently providing other services to the Issuer on other matters), (iii) the only obligations the Underwriters have to the Issuer with respect to the transaction contemplated hereby are set forth in this Agreement, (iv) the Underwriters have financial and other interests that differ from those of the Issuer, (v) the Issuer has consulted with its own legal, accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate, and (vi) the Underwriters have provided to the Issuer prior disclosures under Rule G-17 of the Municipal Securities Rulemaking Board (the "MSRB"), which each of the Underwriters has independently verified have been received by the Issuer.

The Obligations shall be issued under and secured as provided in the Resolution and the Obligations shall have the maturities, interest rates, redemption provisions and other features as set forth in the Officer's Pricing Certificate.

At 9:00 a.m. local time in Houston, Texas (the "**Closing Time**"), on December 11, 2018, or at such later date as may be mutually agreed upon by the Issuer and the Underwriter (the "**Closing Date**"), (a) the Issuer will, subject to the terms and conditions hereof, deliver the Obligations or caused to be delivered to the Representative, duly executed, in the aggregate principal amount set forth herein (the "**Initial Obligation**"), and deliver or cause to be delivered to the Representative the other documents required by Section 5 hereof and (b) the Underwriter will, subject to the terms and conditions hereof, accept such delivery and pay or cause to be paid the Purchase Price of the Obligations as set forth in the Officer's Pricing Certificate by wire transfer in immediately available funds for unconditional credit to the Issuer (all of the foregoing described transactions are herein called the "**Closing**"). Delivery as aforesaid shall be made at the offices of Orrick, Herrington & Sutcliffe LLP in Houston, Texas, or such other place as shall have been mutually agreed upon by the Issuer and the Representative. The Initial Obligations delivered at the Closing shall be approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

Upon surrender of the Initial Obligation for exchange, definitive Obligation certificates shall be issued in the form of one typewritten or printed certificate for each maturity of the Obligations registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("**DTC**"), in the aggregate principal amounts set forth in the Officer's Pricing Certificate. Delivery of the definitive Obligation certificates as aforesaid shall be made to Wells Fargo Bank, N.A., as Registrar for the Obligations pursuant to DTC's FAST system. The definitive Obligations shall be made available to the Representative at least one full business day before the date of the Closing for purposes of inspection. The definitive Obligations shall bear proper CUSIP numbers (provided, however, that neither the printing of the wrong CUSIP number on any Obligation nor the failure to print a CUSIP number thereon shall constitute cause to refuse to accept delivery of any Obligation, as long as the Obligations are accepted by DTC).

## SECTION 2. REPRESENTATIONS, WARRANTIES AND AGREEMENTS.

On the date hereof, the Issuer represents, warrants, and agrees with Underwriters as follows:

(a) The Issuer is duly created, organized and existing as a body politic and corporate and political subdivision of the State of Texas under the Constitution and laws of the State of Texas (the "**State**"). The Issuer is authorized (i) to issue the Obligations for the purposes set forth in the Resolution; and (ii) to secure the Obligations in the manner contemplated by the Resolution.

(b) The Issuer has full legal right, power, and authority to (i) adopt the Series 2018 Resolution and execute the Officer's Pricing Certificate authorized thereby and enter into the Resolution (which contains the Undertaking defined in Section 5(d)(3) hereof); (ii) issue, sell, and deliver the Obligations to the Underwriters as provided herein; and (iii) enter into this Agreement, and all other documents and agreements required hereunder and under the

Resolution to be executed by the Issuer, and carry out and consummate the transactions contemplated by each of the aforesaid documents (the Resolution, Officer's Pricing Certificate and this Agreement are collectively referred to herein as the "**Issuer Documents**"); further, the Issuer has complied in all material respects with the terms of applicable law and with the obligations on its part in connection with the issuance of the Obligations contained in the Issuer Documents.

(c) The Issuer has duly adopted and authorized (i) the execution and delivery of the Issuer Documents; (ii) the approval, delivery and distribution of the Preliminary Official Statement, and approval, delivery, and distribution of the Official Statement and the use of the Preliminary Official Statement and the Official Statement by the Underwriter in connection with the issuance of the Obligations; and (iii) the taking of any and all such action as may be required on the part of the Issuer to carry out, give effect to, and consummate the transactions contemplated by such instruments. Except for the approval of the Attorney General and registration by the Comptroller of the State, all consents or approvals necessary to be obtained by the Issuer in connection with the foregoing have been received and are in full force and effect.

(d) The Resolution is in full force and effect and constitutes the legal, valid, and binding act of the Issuer, and the Issuer Documents and this Agreement, when executed and delivered, will constitute legal, valid, and binding obligations of the Issuer, and each such instrument is enforceable against the Issuer in accordance with its respective terms, except that (i) enforceability thereof may be limited by bankruptcy, insolvency, or other laws affecting creditors' rights generally, (ii) certain equitable remedies, including specific performance, may be unavailable, and (iii) the exercise of judicial discretion in appropriate cases.

(e) The Obligations and the Resolution conform to the descriptions thereof contained in the Official Statement under the caption "THE OBLIGATIONS"; the proceeds of the sale of the Obligations will be applied generally as described in the Official Statement under the caption "PLAN OF FINANCE" and the Undertaking conforms to the description thereof contained in the Official Statement under the caption "CONTINUING DISCLOSURE OF INFORMATION."

(f) The audited financial statements of the Issuer in the Official Statement fairly present in all material respects the financial position and results of the Issuer as of the dates and for the periods therein set forth. Prior to Closing, the Issuer will not take any action within or under its control that will cause any material adverse change in such financial position, results of operations and conditions of the Issuer.

(g) The information contained in the Preliminary Official Statement is, and as of the date of Closing such information in the final Official Statement will be, true and correct in all material respects, and the Preliminary Official Statement does not and the final Official Statement will not, contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(h) Unless the Official Statement is amended or supplemented pursuant to paragraph (c) of Section 4 of this Agreement, at all times subsequent to the date of this Agreement during the period up to and including the earlier of (i) 90 days from the "end of the underwriting period" (as defined in Rule 15c2-12 of the United States Securities and Exchange Commission (the



**“Rule”**) and (ii) the time when the Official Statement is available to any person from the Municipal Securities Rulemaking Board (the **“MSRB”**), but in no case less than 25 days after the “end of the underwriting period” for the Obligations, the Preliminary Official Statement does not and the Official Statement will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(i) If the Official Statement is supplemented or amended pursuant to paragraph (c) of Section 4 of this Agreement, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto during the period up to and including the earlier of (i) 90 days from the “end of the underwriting period” (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from the MSRB, but in no case less than 25 days after the “end of the underwriting period” for the Obligations, the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which made, not misleading.

(j) The adoption and authorization of the Series 2018 Resolution and the authorization, execution, and delivery of the Issuer Documents, and compliance with the provisions hereof and thereof, will not conflict with, nor constitute a breach of or default, which would adversely affect the validity or marketability of the Obligations in any material respect, under any law, administrative regulation, consent, decree, order, resolution, indenture, mortgage, commitment, note, or any agreement or other instrument to which the Issuer was or is subject, as the case may be, nor will such adoption, execution, delivery, authorization, or compliance result in the creation or imposition of any lien, charge, or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Issuer, or under the terms of any law, administrative regulation, order, resolution, or instrument, except as expressly provided by the Resolution, which would adversely affect the validity or marketability of the Obligations in any material respect.

(k) On the date of Closing, the Issuer will not be in default as to principal of or interest on any obligation secured by any of the revenues pledged to the Obligations which it has issued and will be in compliance in all material respects with the covenants and agreements contained in the Resolution and no event of default and no event which, with the lapse of time or giving of notice, or both, would constitute an event of default under the Resolution will have occurred or be continuing, and the Issuer has not entered into any contract or arrangement of any kind which might give rise to a lien or encumbrance on the revenues or other assets, properties, funds, or interest pledged pursuant to the Resolution except as described in the Official Statement.

(l) Except as is specifically disclosed in the Official Statement, there is no litigation, action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court, public board, or body, pending or, to the best knowledge of the Issuer, threatened: (i) affecting the existence of the Issuer or the titles of its officers to their respective offices, (ii) affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Obligations or the pledge or collection by the Issuer of the sales and use tax revenues (the **“Pledged Revenues”**) or the making of any other required deposits with respect to the Obligations (iii) in any way

contesting or affecting the validity or enforceability of the Act, or contesting or affecting the validity or enforceability, or the power or authority of the Issuer to issue, adopt or enter into (as applicable), the Obligations or the Issuer Documents (iv) contesting the exclusion from gross income of interest on the Obligations for federal income tax purposes; (v) contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto; or (vi) contesting the powers of the Issuer referred to in paragraph (b) or any authority for the issuance of the Obligations, the adoption of the Series 2018 Resolution, the execution and delivery of the Issuer Documents or the execution and delivery of any other document required or contemplated by this financing, wherein an unfavorable decision, ruling or finding could materially adversely affect the validity or enforceability of the Obligations, the Issuer Documents, or any other document required or contemplated by this financing.

(m) Any certificate signed by any official of the Issuer and delivered to the Underwriters shall be deemed a representation and warranty by the Issuer, as appropriate, to the Underwriters as to the truth of the statements therein contained.

(n) The Issuer will not knowingly take or omit to take any action, which action or omission will in any way cause the proceeds from the sale of the Obligations to be applied in a manner other than as provided in the Resolution, or which would cause the interest on the Obligations to be includable in gross income for federal income tax purposes.

(o) The Issuer will, at the Representative's sole expense, cooperate with Counsel to the Underwriters (defined herein) in arranging for the qualification of the Obligations for sale and the determination of their eligibility for investment under the laws of such jurisdictions as the Representative designates, and will use its best and reasonable efforts to continue such qualifications in effect so long as required for distribution of the Obligations; provided, however, that the Issuer will not be required to execute a special or general consent to service of process or qualify to do business in connection with any such qualification in any jurisdiction.

(p) The Issuer will promptly notify the Representative as soon as it may become aware of any fact which, in its reasonable judgment, could have a material adverse effect on the ability of the Issuer (i) to issue, sell, and deliver the Obligations as provided for by this Agreement, or (ii) to perform any of its other obligations in a timely manner pursuant to this Agreement.

(q) The Issuer shall take no action including, without limitation, the issuance of additional debt, the effect of which will be to prevent the issuance and delivery of any of the Obligations on the date of Closing.

(r) Except as otherwise disclosed in the Official Statement under the caption "CONTINUING DISCLOSURE OF INFORMATION", the Issuer has complied for the past five years in all material respects with all prior continuing disclosure undertakings made pursuant to the Rule.

(s) The Issuer will furnish such information and execute such instruments and take such action in cooperation with the Underwriters as the Representative may reasonably request (at no cost to the Issuer) (1) to (i) qualify the Obligations for offer and sale under the Blue Sky or



other securities laws and regulations of such states and other jurisdictions in the United States as the Representative may designate and (ii) determine the eligibility of the Obligations for investment under the laws of such states and other jurisdictions and (2) to continue such qualifications in effect so long as required for the distribution of the Obligations (provided, however, that the Issuer will not be required to qualify as a foreign corporation or to file any consents to service of process under the laws of any jurisdiction) and will advise the Representative immediately of receipt by the Issuer of any notification with respect to the suspension of the qualification of the Obligations for sale in any jurisdiction or the initiation or threat of any proceeding for that purpose.

(t) Prior to the Closing the Issuer will not offer or issue any bonds, notes or other obligations for borrowed money or incur any material liabilities, direct or contingent, payable from or secured by any of the sales and use taxes that will secure the Obligations, except as may be incurred in the ordinary course of business, without the prior approval of the Representative, which approval shall not be unreasonably withheld.

(u) The Issuer, to the extent heretofore requested in writing by the Representative, has delivered to the Representative true, correct, complete, and legible copies of all information, applications, reports, or other documents of any nature whatsoever submitted to any rating agency for the purpose of obtaining a rating for the Obligations true, correct, complete, and legible copies of all correspondence or other communications relating, directly or indirectly, thereto.

(v) Any certificate, signed by any official of the Issuer authorized to do so in connection with the transactions described in this Agreement, shall be deemed a representation and warranty by the Issuer to the Underwriters as to the statements made therein.

(w) The Issuer covenants that between the date hereof and the date of Closing, it will take no actions which will cause the representations and warranties made in this Section to be untrue in any material respect as of the date of Closing.

By delivering the Official Statement to the Underwriters, the Issuer shall be deemed to have reaffirmed, with respect to such Official Statement, the representations, warranties and covenants set forth above with respect to the Preliminary Official Statement.

### SECTION 3. PUBLIC OFFERING; OTHER TRANSACTIONS; ESTABLISHMENT OF ISSUE PRICE

(a) The Underwriters agree to make a *bona fide* public offering of all of the Obligations at prices not to exceed the public offering prices (or yields not less than the reoffering yields) set forth on the inside cover of the Official Statement and may, subject to the provisions of subsection (c) hereof, subsequently change such offering prices or yields without any requirement of prior notice.

(b) Subject to the provisions of subsection (c) hereof, the Underwriters also reserve the right to: (i) over-allot or effect transactions that stabilize or maintain the market price of the Obligations at levels above those that might otherwise prevail in the open market and (ii) discontinue such stabilizing, if commenced, at any time without notice; provided, however that

no such actions shall affect the certification of the original issue price of the Obligations as provided below. Subject to the provisions of subsection (c) hereof, after the initial public offering, the Underwriters may offer and sell Obligations to certain dealers (including dealers depositing Obligations into investment trusts) and others at prices lower (or yields greater) than the public offering prices or yields stated on the inside cover of the Official Statement.

(c) The Representative, on behalf of the Underwriters, agrees to assist the Issuer in establishing the issue price of the Obligations and shall execute and deliver to the Issuer at or before Closing an "issue price certificate" or similar certificate, with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as **Exhibit "C"**, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Representative, the Issuer and Co-Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Obligations.

Further, if there are any Obligations subject to the hold-the offering-price rule (as described in this section, (i) the Representative, on behalf, of the Underwriters, agrees that each Underwriter, including the Representative, will execute and deliver to the Issuer at Closing a certificate substantially in the form attached hereto as **Exhibit "C1"** with such modifications as may be appropriate or necessary, in the reasonable judgement of the applicable Underwriter, the Issuer and Co-Bond Counsel and (ii) the Representative agrees that it will be responsible for obtaining such certificates from each of the Underwriters and providing completed, executed certificates to the Issuer and Co-Bond Counsel. All actions to be taken by the Issuer under this Section 3(c) to establish the issue price of the Obligations may be taken on behalf of the Issuer by the Issuer's Co-Financial Advisors and any notice or report to be provided to the issuer may be provided to the Issuer's Co-Financial Advisors.

Except as otherwise set forth in Schedule I attached hereto, the Issuer will treat the first price at which 10% of each maturity of the Obligations (the "10% test") is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). At or promptly after the execution of this Agreement, the Representative shall report to the Issuer the price or prices at which the Underwriters have sold to the public each separate CUSIP Number within a maturity of Obligations. If at that time the 10% test has not been satisfied as to any maturity of the Obligations, the Representative agrees to promptly, but within no more than three business days, report to the Issuer the prices at which Obligations of that maturity have been sold by the Underwriters to the public. Unless the Issuer and the Representative, on behalf of the Underwriters, agree to apply the hold-the-offering-price rule described below to each such maturity, that reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied as to the Obligations of that maturity or until all Obligations of that maturity have been sold to the public.

The Representative confirms that the Underwriters have offered all the Obligations of each maturity to the public on or before the date of this Agreement at the respective offering price (the "initial offering price"), or at the corresponding yield or yields, set forth in Schedule I attached hereto, except as otherwise set forth therein. Schedule I also sets forth, as of the date of this Agreement, the maturities, if any, of the Obligations for which the 10% test has not been satisfied and for which the Issuer and the Representative, on behalf of the Underwriters, agree

that the restrictions set forth in the next sentence shall apply, which will allow the Issuer to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the "hold-the-offering-price rule"). So long as the hold-the-offering-price rule remains applicable to any maturity of the Obligations, the Underwriters will neither offer nor sell unsold Obligations of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the Underwriters have sold at least 10% of that maturity of the Obligations to the public at a price that is no higher than the initial offering price to the public.

The Representative shall promptly advise the Issuer when the Underwriters have sold 10% of that maturity of the Obligations to the public at a price that is no higher than the initial offering price to the public, if such sale occurs prior to the close of the fifth (5th) business day after the sale date.

The Issuer acknowledges that, in making the representations set forth in this subsection, the Representative will rely on (i) the agreement of each Underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Obligations to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an Underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Obligations to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The Issuer further acknowledges that each Underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no Underwriter shall be liable for the failure of any other Underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement, to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Obligations.

The Representative confirms that:

- (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the Representative is a party) relating to the initial sale of the Obligations to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Obligations of each maturity allotted to it until it is notified by the Representative that either the 10% test has been satisfied as to the Obligations of that maturity or all Obligations of that maturity have been sold to the public and (B) comply with the hold-the-offering-price



rule, if applicable, in each case if and for so long as directed by the Representative and as set forth in the related pricing wires, and

(ii) any agreement among underwriters relating to the initial sale of the Obligations to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Obligations to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Obligations of each maturity allotted to it until it is notified by the Representative or the Underwriter that either the 10% test has been satisfied as to the Obligations of that maturity or all Obligations of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Representative or the Underwriter and as set forth in the related pricing wires.

The Underwriters acknowledge that sales of any Obligations to any person that is a related party to an Underwriter shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(i) “public” means any person other than a tax law underwriter or a related party,

(ii) “tax law underwriter” means (A) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Obligations to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Obligations to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Obligations to the public),

(iii) a purchaser of any of the Obligations is a “related party” to a tax law underwriter if the tax law underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) “sale date” means the date of execution of this Agreement by all parties.

#### SECTION 4. OFFERING DOCUMENTS.

(a) The Issuer has delivered or caused to be delivered to the Underwriter copies of the Preliminary Official Statement dated \_\_\_\_\_, 2018 (which, together with the cover

page, schedule and appendices thereto, is herein referred to as the “**Preliminary Official Statement**”), in a “designated electronic format,” as defined in the MSRB’s Rule G-32 (“**Rule G-32**”). The Representative hereby confirms that the Preliminary Official Statement was delivered in such format. The Issuer hereby approves the distribution and use of the Preliminary Official Statement by the Underwriters in connection with the public offering, sale and distribution of the Obligations before the Official Statement described below becomes available. The Preliminary Official Statement has been deemed final by the Issuer as of its date for purposes of the Rule, except for the omission of items specified by paragraph (b)(1) of the Rule. To the knowledge and belief of the Issuer, the Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Obligations.

(b) Not more than seven (7) business days after the time of the execution of this Agreement, the Issuer shall prepare and deliver to the Underwriters a sufficient number of copies of the final Official Statement relating to the Obligations, approved by one or more duly authorized officers of the Issuer, which will be (1) dated the date of this Agreement, (2) complete within the meaning of the Rule, (3) substantially in the form of the most recent version of the Preliminary Official Statement provided to the Underwriters before the execution hereof and (4) in both a “designated electronic format” consistent with the requirements of Rule G-32, the satisfaction of which shall be confirmed by the Underwriter prior to Closing, and in a printed format in such quantity as the Underwriters shall reasonably request to permit the Underwriters to comply with Section (b)(4) of the Rule and the rules of the MSRB. Such final Official Statement, including the cover page thereto, all exhibits, appendices, maps, charts, pictures, diagrams, reports, and statements included or incorporated therein or attached thereto, and all amendments and supplements thereto that may be authorized for use with respect to the Obligations, is herein referred to as the “**Official Statement**.” The Issuer hereby authorizes the distribution and use of the Official Statement and the information contained therein by the Underwriters in connection with the public offering and sale of the Obligations. Until the Official Statement has been prepared and is available for distribution, the Issuer shall provide to the Underwriters sufficient quantities of the Preliminary Official Statement (which may be in electronic form) as the Underwriters deem necessary to satisfy the obligation of the Underwriters under the Rule with respect to distribution to each potential customer, upon request, of a copy of the Preliminary Official Statement.

(c) If, after the date of this Agreement to and including the date the Underwriters are no longer required to provide an Official Statement to potential customers who request the same pursuant to the Rule (the earlier of (i) 90 days from the “end of the underwriting period” (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from the MSRB, but in no case less than 25 days after the “end of the underwriting period” for the Obligations), the Issuer becomes aware of any fact or event which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, or if it is necessary to amend or supplement the Official Statement to comply with law, the Issuer will notify the Representative (and for the purposes of this clause provide the Representative with such information as it may from time to time request), and if, in the opinion of the Representative, such fact or event requires preparation and publication of a supplement or



amendment to the Official Statement, the Issuer will forthwith prepare and furnish, at the Issuer's own expense (in a form and manner approved by the Representative), a reasonable number of copies of either amendments or supplements to the Official Statement so that the statements in the Official Statement as so amended and supplemented will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading or so that the Official Statement will comply with law; provided, however, that for all purposes of this Agreement and any certificate delivered by the Issuer in accordance herewith, the Issuer makes no representations with respect to the description in the Preliminary Official Statement or the Official Statement of the Depository Trust Company, New York, New York, or its book-entry system. If such notification shall be subsequent to the Closing, the Issuer shall furnish such legal opinions, certificates, instruments, and other documents as the Representative may reasonably deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement. The Issuer shall provide any such amendment or supplement, or cause any such amendment or supplement to be provided, (i) in a "designated electronic format" consistent with the requirements of Rule G-32, the satisfaction of which shall be confirmed by the Underwriters in connection with the printing of any such supplement or amendment, and (ii) in a printed format in such quantity as the Underwriters shall reasonably request in order for the Underwriters to comply with Section (b)(4) of the Rule and the rules of the MSRB. The Issuer will not amend or supplement the Official Statement without the prior written consent of the Representative, which consent shall not unreasonably be withheld.

(d) The Issuer authorizes the Representative to file, to the extent required by applicable Securities and Exchange Commission (the "SEC") or MSRB rule, and the Representative agrees to file or cause to be filed, and to notify the Issuer of the date of filing, the Official Statement with (i) the MSRB or its designee (including the MSRB's Electronic Municipal Market Access system) or (ii) other repositories approved from time to time by the SEC (either in addition to or in lieu of filings referred to above). If an amended Official Statement is prepared in accordance with Section 4(c) during the "new issue disclosure period," and if required by applicable SEC or MSRB rule, the Representative also shall make the required filings of the amended Official Statement. Unless otherwise notified in writing by the Representative, the Issuer may assume that the "end of the underwriting period" for purposes of the Rule will be the Closing Date.

(e) The Preliminary Official Statement and/or the Official Statement may be delivered in printed and/or electronic form to the extent permitted by applicable rules of the MSRB and as may be agreed by the Issuer and the Representative. If the Official Statement is prepared for distribution in electronic form, the Issuer hereby confirms that it does not object to distribution of the Official Statement in electronic form.

#### SECTION 5. CONDITIONS TO THE UNDERWRITER'S OBLIGATIONS.

The Underwriters' obligations hereunder shall be subject to the due performance by the Issuer of its obligations and agreements to be performed hereunder at or prior to the Closing and to the accuracy of and compliance with the Issuer's representations and warranties contained herein, as of the date hereof and as of the Closing Date, and are also subject to the following conditions:

(a) The Obligations, the Issuer Documents, and any and all such other agreements, certificates and documents as may be required to be authorized, executed and delivered by the Issuer or the Board in order to consummate the transactions contemplated hereby shall have been duly authorized, executed and delivered, shall be in full force and effect, and shall be in the form heretofore approved by the Representative with only such changes therein as shall be mutually agreed upon by the Issuer and the Representative.

(b) The representations and warranties of the Issuer contained herein shall be true, complete and correct in all material respects on the date hereof and on and as of the Closing Date, as if made on the Closing Date.

(c) The Issuer shall have performed and complied in all material respects with all agreements and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing.

(d) At the Closing Time, the Representative shall receive:

(1) The Official Statement of the Issuer, a certified copy of the Series 2018 Resolution, and the Officer's Pricing Certificate authorized thereby, duly completed and executed on behalf of the Issuer, each with such amendments, modifications or supplements thereto as may have been agreed to by the Representative;

(2) The approving opinion of Orrick, Herrington & Sutcliffe LLP, Houston, Texas and Powell & Leon LLP, (**"Co-Bond Counsel"**), addressed to the Underwriters (or addressed to the Issuer and with a reliance letter addressed to the Underwriters), dated the Closing Date, and in substantially the form included as an appendix to the Official Statement;

(3) The Continuing Disclosure Undertaking (the **"Undertaking"**) of the Issuer which satisfies the requirements of section (b)(5)(i) of the Rule, which Undertaking may be included in the Series 2018 Resolution;

(5) A supplemental opinion of Co-Bond Counsel addressed to the Underwriters, in substantially the form attached as **Exhibit "D"** and to the effect that:

A. the Obligations are exempted securities under the Securities Act of 1933, as amended (the **"1933 Act"**), and the Trust Indenture Act of 1939, as amended (the **"Trust Indenture Act"**) and it is not necessary, in connection with the offering and sale of the Obligations, to register the Obligations under the 1933 Act or to qualify the Resolution or the Indenture under the Trust Indenture Act; and

B. the statements on the cover page of the Official Statement and under the captions **"PLAN OF FINANCE"** and **"THE OBLIGATIONS"** and in Appendix A to the Official Statement that purport to summarize certain provisions of the Obligations and the Resolution accurately and fairly summarize such provisions. The descriptions of federal and Texas law contained in the Official Statement under the captions **"TAX MATTERS"** and **"OTHER**

INFORMATION –LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS” are true and correct in all material respects;

(6) The opinion of West & Associates LLP, Disclosure Counsel in substantially the form set forth in **Exhibit “E”** hereto;

(7) The opinion of Baker Williams Matthiesen LLP, (“**Counsel to the Underwriters**”) addressed to the Underwriters, dated the Closing Date, in substantially the form set forth as **Exhibit “F”**;

(8) A certificate dated the Closing Date of the Issuer, executed by an authorized officer of the Issuer, to the effect that, to the best of such officer's knowledge and belief:

(A) the representations and warranties of the Issuer contained in this Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date;

(B) the Issuer has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied in connection with the issuance of the Obligations at or prior to the Closing;

(C) no event affecting the Issuer has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the Closing Date any statement or information contained in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein not misleading in any material respect; and

(D) there is no action, suit, proceeding or investigation before or by any court or public board or body pending or threatened against the Issuer to restrain or enjoin the issuance, execution or delivery of the Obligations or in any manner questioning the proceedings or authority for the issuance of the Obligations or affecting directly or indirectly the validity of the Obligations or of any provisions made or authorized for their payment or contesting the existence of the Issuer or the title of any of its officers to their respective offices;

(9) The approving opinion of the Attorney General of the State with respect to the Obligations;

(10) A copy of the registration certificate of the Comptroller of Public Accounts of the State in connection with the Obligations;

(11) Evidence satisfactory to the Representative that the Obligations shall have the ratings of “Aa2” and “AA+”, respectively, from Moody’s Investors Service, Inc. (“**Moody’s**”) and Standard & Poor’s Rating Services (“**S&P**”);

(12) A certificate of Wells Fargo Bank, N.A., Dallas, Texas (the “**Trustee**” and “**Paying Agent/Registrar**”), acceptable to the Representative, dated the Closing Date, to the effect that (A) Issuer Documents and other financing or operative documents relating



to the Obligations to which the Paying Agent is a party have been duly authorized, executed, and delivered by the Trustee or the Paying Agent and, assuming due authorization, execution and delivery thereof by the Issuer and any other parties thereto, constitute valid and binding agreements of the Paying Agent enforceable against the Paying Agent in accordance with their terms, (B) the Trustee is authorized to administer and has duly accepted the trust created by the Resolution and Issuer Documents, and (C) the Obligations have been authenticated in accordance with the Resolution and the Issuer Documents by a duly authorized officer or signatory of the Paying Agent; and an incumbency certificate of the Paying Agent, in form and content acceptable to the Representative and Co-Bond Counsel, dated the Closing Date, with respect to the officers or other signatories of the Paying Agent who have executed, authenticated and delivered the Obligations, the Issuer Documents to which the Paying Agent is a party, and all other financing or operative documents relating to the Obligations to be signed by the Paying Agent;

(13) A certificate of the Issuer in form and substance satisfactory to Co-Bond Counsel and Counsel to the Underwriters setting forth the facts, estimates, and circumstances in existence on the date of the Closing, which establish that it is not expected that the proceeds of the Obligations will be used in a manner that would cause the Obligations to be "arbitrage bonds" or "private activity bonds" within the meaning of Section 148 and 141, respectively, of the Internal Revenue Code of 1986, as amended (the "**Code**"), and any applicable regulations (whether final, temporary or proposed), issued pursuant to the Code;

(14) An Information Return for Tax-Exempt Bond Issues (Internal Revenue Service Form 8038-G), relating to the Obligations (and any other obligations of the same "issue"), in a form satisfactory to Co-Bond Counsel for filing, executed by a duly authorized officer of the Issuer; and

(15) Such additional certificates, opinions and other documents as the Representative, Counsel to the Underwriters, or Co-Bond Counsel may reasonably request to evidence performance of or compliance with the provisions of this Agreement and the transactions contemplated hereby and by the Resolution, and the Official Statement, all such certificates, opinions and other documents to be satisfactory in form and substance to the Representative and Counsel to the Underwriters. If the Issuer shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Obligations contained in this Agreement, or if the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Representatives shall be terminated for any reason permitted by this Agreement, this Agreement shall terminate and neither the Underwriters nor the Issuer shall be under any further obligation hereunder, except that the respective obligations of the Issuer and the Underwriters set forth in Sections 2, 8 and 9 hereof shall continue in full force and effect.

(16) The Official Statement, and each supplement or amendment thereto, if any, as may have been agreed to by the Representative in (i) a "designated electronic format" that meets the requirements of Rule G-32 and (ii) a printed format.

## SECTION 6. THE UNDERWRITERS' RIGHT TO CANCEL.



The Underwriters have the right to cancel their obligations hereunder to purchase the Obligations by notifying the Issuer in writing of its election to do so, if between the date hereof and the Closing, the market price or marketability of the Obligations shall be materially and adversely affected, in the sole judgment of the Representative, reasonably exercised, by the occurrence of any of the following:

(a) Legislation shall be enacted by the Congress of the United States or the Treasury Department of the United States or the Internal Revenue Service or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, a decision by a court of the United States or of the State or the United States Tax Court shall be rendered, or an order, ruling, regulation (final, temporary or proposed), press release, statement or other form of notice by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made or proposed, the effect of any or all of which would be to impose, directly or indirectly, federal income taxation upon Pledged Revenues or interest received on obligations of the general character of the Obligations, of the interest on the Obligations as described in the Official Statement, or other action or events shall have transpired which may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences of any of the transactions contemplated herein;

(b) Any amendment to the federal or the State Constitution or action by any federal or state court, legislative body, regulatory body, or other authority materially adversely affecting the tax status of the Issuer, its property, income, securities (or interest thereon), or the validity or enforceability of the imposition, collection or application of the Pledged Revenues to pay principal of and interest on the Obligations;

(c) Legislation shall be introduced in or enacted (or resolution passed) by the Congress or an order, decree, or injunction shall be issued by any court of competent jurisdiction, or a stop order, ruling, regulation (final, temporary, or proposed), press release or other form of notice shall be issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Obligations, including any or all underlying arrangements, are not exempt from registration under or other requirements of the 1933 Act, or that the order and/or the Resolution or indentures are not exempt from qualification under or other requirements of the Trust Indenture Act, or that the issuance, offering, or sale of obligations of the general character of the Obligations, including any or all underlying arrangements, as described herein or by the Official Statement or otherwise, is or would be in violation of the federal securities law as amended and then in effect;

(d) A decision by a court of the United States shall be rendered, or a stop order, release, regulation or no-action letter by or on behalf of the United States Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall have been issued or made, to the effect that the issuance, offering or sale of the Obligations, including the underlying obligations as described in this Agreement or the Official Statement, or any document relating to the issuance, offering or sale of the Obligations, is or would be in violation of any provision of the federal securities laws at the Closing date, including Securities Act of 1933, the Securities Exchange Act of 1934, and the Trust Indenture Act;

(e) Any state blue sky or securities commission or other governmental agency or body in a state in which fifteen percent (15%) or more of the Obligations have been sold shall have withheld registration, exemption or clearance of the offering of the Obligations as described herein, or issued a stop order or similar ruling relating thereto, provided that such withholding or stop order is not due to the malfeasance, misfeasance or nonfeasance of the Underwriters;

(f) Any event shall have occurred, or information become known, which, in the Representative's reasonable opinion, makes untrue in any material respect any statement or information contained in the Official Statement or has the effect that the Official Statement contains an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading and the Issuer refuses to permit the Official Statement to be supplemented to supply such statement or information, or the effect of the Official Statement as so supplemented is to materially and adversely affect the market price or marketability of the Obligations or the ability of the Underwriter to enforce contracts for the sale of the Obligations;

(g) Additional restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange;

(h) The New York Stock Exchange or any other national securities exchange, or any governmental authority, shall impose, as to either the Obligations or obligations of the general character of the Obligations, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriter;

(i) A general banking moratorium shall have been established by federal, New York or Texas authorities or a major financial crisis or a material disruption in commercial banking or securities settlement or clearances services shall have occurred, which, in the reasonable judgment of the Representative, would make the marketing of municipal bonds generally impractical;

(j) Any proceeding shall be pending or threatened by the United States Securities and Exchange Commission against the Issuer;

(k) There shall be in force a general suspension of trading, minimum or maximum prices for trading shall have been fixed and be in force or maximum ranges or prices for securities shall have been required and be in force on the New York Stock Exchange or other national stock exchange whether by virtue of a determination by that Exchange or by order of the United States Securities and Exchange Commission or any other governmental entity having jurisdiction;

(l) There shall have occurred since the date of this Agreement any materially adverse change in the affairs or financial condition of the Issuer, except for changes which the Official Statement discloses are expected to occur;

(m) There shall have occurred any downgrading from a rating agency that at the date of this Agreement has published a rating (or has been asked to furnish a rating on the Obligations) on any of the Issuer's debt obligations that are secured in a like manner as the

Obligations, which action reflects a negative change, in the unenhanced ratings accorded any such obligations of the Issuer (including any rating to be accorded the Obligations;

(n) A war involving the United States shall have been declared, or any conflict involving the armed forces of the United States shall have escalated, or any other national emergency relating to the effective operation of government or the financial community or other national or international calamity or crisis shall have occurred; or

(o) The purchase of and payment for the Obligations by the Underwriters, or the resale of the Obligations by the Underwriters, on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission which prohibition shall occur subsequent to the date hereof, and is not the result of the Underwriters' acts or failure to act. With respect to the conditions described in subparagraph (p) above, the Underwriters are not aware of any current, pending or proposed law or government inquiry or investigation as of the date of execution of this Agreement which would permit the Underwriters to invoke their termination rights hereunder.

#### SECTION 7. CONDITION TO THE ISSUER'S OBLIGATIONS.

The Issuer's obligations hereunder are subject to the Underwriter's performance of its obligations hereunder.

#### SECTION 8. REPRESENTATIONS, WARRANTIES AND AGREEMENTS TO SURVIVE DELIVERY.

All of the Issuer's representations, warranties and agreements shall remain operative and in full force and effect, regardless of (i) any investigations made by or on behalf of the Underwriters; and (ii) delivery of and payment for the Obligations pursuant to this Agreement shall survive the Closing.

#### SECTION 9. PAYMENT OF EXPENSES.

(a) The Underwriters shall be under no obligation to pay, and the Issuer shall pay all expenses incident to the performance of the Issuer's obligations hereunder, including, but not limited to (i) the cost of preparation and printing of the Obligations, Preliminary Official Statement, Official Statement and any amendment or supplement thereto, (ii) the fees and disbursements of Co-Bond Counsel and other counsel retained by the Issuer, if any; (iii) the fees and disbursements of the Co-Financial Advisors to the Issuer, if any; (iv) the fees and disbursements of the Trustee and Paying Agent/Registrar; (v) the fees and disbursements of engineers, accountants, and other experts, consultants or advisers retained by the Issuer, if any; and (vi) all fees and expenses in connection with obtaining bond ratings and credit enhancement fees or premiums. The Issuer shall pay for any expenses (included in the expense component of the Underwriters' discount) incurred by the Underwriters on behalf of the Issuer in connection with the marketing, issuance and delivery of the Obligations, including but not limited to, meals, transportation and lodging, if any, and any other miscellaneous closing costs.

(b) Except as provided for above, the Underwriters shall pay (i) the cost of preparation and printing of this Agreement, the Blue Sky Survey and Legal Investment Memorandum, if any; (ii) all advertising expenses in connection with the public offering of the



Obligations; and (iii) all other expenses incurred by them in connection with the public offering of the Obligations, including the fees and disbursements of counsel retained by the Underwriters. Certain payments may be in the form of inclusion of such expenses in the expense component of the Underwriters' discount.

#### SECTION 10. NOTICES.

Any notice or other communication to be given to the Issuer under this Agreement may be given by certified mail or by delivering the same in writing to **Metropolitan Transit Authority of Harris County, Texas, 1900 Main Street, Houston, Texas 77002, Attention: Arthur C. Smiley III, Chief Financial Officer** and any notice or other communication to be given to the Representative under this Agreement may be given by delivering the same in writing to the Underwriter, **J.P. Morgan Securities LLC, 712 Main Street, 5<sup>th</sup> Floor, Houston, Texas 77002, Attention: Timothy Peterson** or to such other addresses as one party shall furnish the other in writing for receipt of notice.

#### SECTION 11. APPLICABLE LAW; NONASSIGNABILITY.

This Agreement shall be governed by the substantive laws of the State of Texas without regard to principles of conflicts of law. This Agreement as heretofore specified shall constitute the entire agreement between the Issuer and the Underwriters, and supersedes all prior agreements and understandings between the parties regarding the transaction contemplated by this Agreement and the process leading thereto, and is made solely for the benefit of the Issuer and the Underwriters (including successors or assigns of the Underwriters) and no other person shall acquire or have any right hereunder or by virtue hereof. This Agreement shall not be assigned by the Issuer and shall only be amended, supplemented or modified in a writing signed by both of the parties hereto.

#### SECTION 12. EXECUTION OF COUNTERPARTS.

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

#### SECTION 13. BUSINESS DAY.

For purposes of this Agreement, "business day" means any day on which the New York Stock Exchange is open for trading.

#### SECTION 14. SECTION HEADINGS.

Section headings have been inserted in this Agreement as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this Agreement and will not be used in the interpretation of any provisions of this Agreement.

#### SECTION 15. EFFECTIVENESS.

This Agreement shall become effective upon the acceptance hereof by the Issuer and shall be valid and enforceable at the time of such acceptance.



#### SECTION 16. SEVERABILITY.

If any provision of this Agreement shall be held or deemed to be, or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provision of any constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatsoever.

*[Signature Pages to Follow]*

VERY TRULY YOURS,

J.P. MORGAN SECURITIES LLC  
ESTRADA HINOJOSA & CO.  
STERN BROTHERS  
HUTCHINSON, SHOCKEY, ERLEY & CO.

BY: J.P. MORGAN SECURITIES LLC

By: \_\_\_\_\_  
NAME: \_\_\_\_\_  
TITLE: \_\_\_\_\_

ACCEPTED AND AGREED TO AS OF THE DATE FIRST  
WRITTEN ABOVE AT \_\_\_\_\_ A.M/P.M.:

METROPOLITAN TRANSIT AUTHORITY  
OF HARRIS COUNTY, TEXAS

BY: \_\_\_\_\_  
AUTHORIZED REPRESENTATIVE

## SCHEDULE I

2018

### I. Initial Offering Prices.

Interest Accrues From: Date of Delivery

| <b>Maturity<br/>Date<br/>(Nov. 1)<sup>(b)</sup></b> | <b>Principal<br/>Amount</b> | <b>Interest<br/>Rate</b> | <b>Initial Price or<br/>Yield<sup>(a)(c)</sup></b> |
|---|-----------------------------|--------------------------|--|
| 2021  | \$ _____                    | _____ %                  | _____ %  |
| 2022  | \$ _____                    | _____ %                  | _____ %  |
| 2023  | \$ _____                    | _____ %                  | _____ %  |
| 2024  | \$ _____                    | _____ %                  | _____ %  |
| 2025  | \$ _____                    | _____ %                  | _____ %  |
| 2026  | \$ _____                    | _____ %                  | _____ %  |
| 2027  | \$ _____                    | _____ %                  | _____ %  |
| 2028  | \$ _____                    | _____ %                  | _____ %  |
| 2029  | \$ _____                    | _____ %                  | _____ %  |
| 2030  | \$ _____                    | _____ %                  | _____ %  |

- (a) The initial reoffering prices or yields of the Obligations are furnished by the Underwriters and represent the initial offering prices or yields to the public, which may be changed by the Underwriters at any time.
- (b) The Obligations maturing on or after November 1, \_\_\_\_\_ are subject to redemption, in whole or in part, prior to their scheduled maturities on November 1, \_\_\_\_\_, or any date thereafter, at a price of par plus accrued interest to the date fixed for redemption.
- (c) Obligations maturing in \_\_\_\_\_ — \_\_\_\_\_ are priced to maturity. Obligations maturing in \_\_\_\_\_ and \_\_\_\_\_ are priced to call.

### II. Maturities for Which the 10% Test Was Satisfied on the Sale Date.

### III. Maturities Subject to the Hold-the-Offering-Price Rule



**EXHIBIT "A"**  
**LIST OF UNDERWRITERS**

J.P. Morgan Securities LLC  
Estrada Hinojosa & Co.  
Stern Brothers  
Hutchinson, Shockey, Erley & Co.

**EXHIBIT "B"**  
**FORM OF OFFICER'S PRICING CERTIFICATE**

Exhibit A to Officer's Pricing Certificate  
Form of Contractual Obligation

## EXHIBIT "C"

### METROPOLITAN TRANSIT AUTHORITY

### OF HARRIS COUNTY, TEXAS SALES AND USE TAX CONTRACTUAL OBLIGATIONS, SERIES 2018

### ISSUE PRICE CERTIFICATE

I, the undersigned officer of J.P. Morgan Securities LLC (the "Representative"), acting on behalf of itself and Estrada Hinojosa & Co., Stern Brothers, and Hutchinson, Shockey, Erley & Co. (collectively, the "Underwriting Group"), make this certification in connection with the \$[ ] Metropolitan Transit Authority of Harris County, Texas, Sales and Use Tax Contractual Obligations, Series 2018 (the "Obligations") issued by the Metropolitan Transit Authority of Harris County, Texas (the "Issuer").

I. I hereby certify as follows in good faith as of the Issue Date of the Obligations:

(a) I am the duly chosen, qualified and acting officer of the Representative for the office shown below my signature; as such, I am familiar with the facts herein certified and I am duly authorized to execute and deliver this certificate on behalf of the Underwriting Group. I am the officer of the Representative charged, along with other officers of the Underwriting Group, with responsibility for the Obligations.

(b) **[IF 10% OF MATURITY SOLD]** For the Obligations maturing in [ ], the first price at which at least 10% of each maturity was sold to the Public is the price for each such maturity set forth on the inside cover of the Official Statement prepared in connection with the Obligations (each, an "Actual Sales Price").

(c) **[IF FEWER THAN 10% OF MATURITY SOLD ON SALE DATE]** For the Obligations maturing in [ ] (each, a "Held Maturity"), the Underwriting Group on or before the Sale Date offered for purchase each such maturity to the Public at the applicable initial offering price set forth on the inside cover of the Official Statement prepared in connection with the Obligations (each, an "Initial Offering Price"). A copy of the pricing wire evidencing the Initial Offering Prices is attached hereto as Attachment I. In connection with the offering of the Obligations, each member of the Underwriting Group agreed in writing that (i) during the Hold Period, it would neither offer nor sell any Held Maturity to any person at a price higher than the applicable Initial Offering Price (the "Hold-the-Offering-Price Rule") and (ii) any selling group agreement would contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement would contain the agreement of each broker-dealer who is a party to the retail distribution agreement, that, during the Hold Period, such party would comply with the Hold-the-Offering-Price Rule.

(d) The aggregate of the Actual Sales Prices and the Initial Offering Prices is \$[ ]. [The Obligations were sold with pre-issuance accrued interest in the amount of \$[ ]. The sum of these two amounts is \$[ ].]



2. For purposes of this Issue Price Certificate, the following definitions apply:

(a) ["Hold Period" means, with respect to a Held Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date or (ii) the date on which the Underwriters have sold at least 10% of such Held Maturity to the Public at a price no higher than the applicable Initial Offering Price.]

(b) "Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to an Underwriter.

(c) "Related Party" means any two or more persons who are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interest or profits interest of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(d) ["Sale Date" means the first day on which there is a binding contract in writing for the sale or exchange of the Obligations. The Sale Date of the Obligations is [\_\_\_\_], 20[\_\_\_\_].]

(e) "Underwriter" means (i) any person that agrees pursuant to a written contract with the Issuer (or with the Representative to form an underwriting syndicate) to participate in the initial sale of the Obligations to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this definition to participate in the initial sale of the Obligations to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Obligations to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Representative's interpretation of any laws, including specifically sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Obligations, and by Orrick Herrington & Sutcliffe LLP and Powell and Leon LLP in connection with rendering their opinion that the interest on the Obligations is excluded from gross income for federal income tax purposes, the preparation of Internal Revenue Service Form 8038-G, and other federal income tax advice they may give to the Issuer from time to time relating to the Obligations.

[EXECUTION PAGE FOLLOWS]

EXECUTED as of this \_\_\_\_\_ day of \_\_\_\_\_, 2018.

J.P. MORGAN SECURITIES LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**ATTACHMENT I TO ISSUE PRICE CERTIFICATE  
FINAL PRICING WIRE**

[See Attached]

\$ \_\_\_\_\_  
Metropolitan Transit Authority of Harris County, Texas, Sales and Use Tax Contractual  
Obligations, Series 2018

**INITIAL OFFERING PRICES**

\$ \_\_\_\_\_ **Serial Obligations**

| <b>Maturity<br/>Date</b> | <b>Principal<br/><u>Amount</u></b> | <b>Interest<br/><u>Rate</u></b> | <b><u>Yield</u></b> | <b>Maturity<br/>Date</b> | <b>Principal<br/><u>Amount</u></b> | <b>Interest<br/><u>Rate</u></b> | <b><u>Yield</u></b> |
|--------------------------|------------------------------------|---------------------------------|---------------------|--------------------------|------------------------------------|---------------------------------|---------------------|
|--------------------------|------------------------------------|---------------------------------|---------------------|--------------------------|------------------------------------|---------------------------------|---------------------|

## EXHIBIT C-1

### FORM OF

### CERTIFICATE OF [UNDERWRITING][SELLING] GROUP MEMBER

I, the undersigned officer of \_\_\_\_\_ (the "Member"), acting on behalf of itself and the Retail Distribution Partners, make this certification in connection with the \$[\_\_\_\_\_] Metropolitan Transit Authority of Harris County, Texas, Sales and Use Tax Contractual Obligations, Series 2018 (the "Obligations") issued by the Metropolitan Transit Authority of Harris County, Texas (the "Issuer").

1. I hereby certify as follows in good faith as of the Issue Date of the Obligations:

(a) I am the duly chosen, qualified and acting officer of the Member for the office shown below my signature; as such, I am familiar with the facts herein certified and I am duly authorized to execute and deliver this certificate on behalf of the Member. I am the officer of the Member charged, along with other officers of the Member, with responsibility for the Obligations.

(b) Other than the Underwriting Group Members [, the Selling Group Members] and the Retail Distribution Partners, the Member has not entered into a written contract directly or indirectly with another person to participate in the initial sale of the Obligations to the Public.

(c) During the Hold Period for each Held Maturity, the Member and the Retail Distribution Partners have neither offered nor sold any Obligations of each such Held Maturity to any person at a price that is higher than the initial offering price for each such Held Maturity set forth on the inside cover of the Official Statement prepared in connection with the Obligations.

2. For purposes of this Certificate, the following definitions apply:

(a) "Held Maturity" means the Obligations maturing in the years \_\_\_\_\_.[TO BE COMPLETED BY REPRESENTATIVE]

(b) "Hold Period" means, with respect to a Held Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date or (ii) the date on which the at least 10% of such Held Maturity had been sold to the Public at a price no higher than the initial offering price for such Held Maturity set forth on the inside cover of the Official Statement prepared in connection with the Obligations during the Hold Period for such Held Maturity.

(c) "Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to an Underwriter.



(d) "Related Party" means any two or more persons who are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interest or profits interest of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(e) "Retail Distribution Partner[s]" means (i) [MEMBER TO FILL IN LEGAL NAMES OF EACH PARTY TO A RETAIL DISTRIBUTION AGREEMENT WITH THE FIRM].

(f) "Sale Date" means the first day on which there is a binding contract in writing for the sale or exchange of the Obligations. The Sale Date of the Obligations is [\_\_\_\_], 2018.

(g) ["Selling Group Members" means (i) [REPRESENTATIVE TO FILL IN LEGAL NAMES OF EACH PARTY TO SELLING GROUP AGREEMENT].]

(h) "Underwriter" means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Obligations to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this definition to participate in the initial sale of the Obligations to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Obligations to the Public).

(i) "Underwriting Group Members" means J.P. Morgan Securities LLC, Estrada Hinojosa & Co., Stern Brothers, Hutchinson, Shockey, Erley & Co.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Representative's interpretation of any laws, including specifically sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Obligations, and by Orrick Herrington & Sutcliffe LLP and Powell & Leon LLP in connection with rendering their opinion that the interest on the Obligations is excluded from gross income for federal income tax purposes, the preparation of Internal Revenue Service Form 8038-G, and other federal income tax advice they may give to the Issuer from time to time relating to the Obligations.

[EXECUTION PAGE FOLLOWS]

EXECUTED as of this \_\_\_\_\_ day of \_\_\_\_\_, 2018.

\_\_\_\_\_  
[NAME OF MEMBER]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT "D"**  
**FORM OF SUPPLEMENTAL OPINION OF CO-BOND COUNSEL**

**EXHIBIT "E"**

**FORM OF OPINION OF DISCLOSURE COUNSEL**

**EXHIBIT "F"**

**FORM OF OPINION OF COUNSEL TO UNDERWRITER**

**BAKER WILLIAMS**  
**MATTHIENSEN LLP**

JoAnn Matthiesen

O: 713.888.3535 | D: 713.888.2506 | F: 713.888.3550

joann@bwmtx.com

\_\_\_\_\_, 2018

J.P. Morgan Securities LLC  
Estrada Hinojosa & Co.  
Stern Brothers  
Hutchinson, Shockey, Erley & Co.

Re: Metropolitan Transit Authority of Harris County, Texas Sales and Use Tax  
Contractual Obligations, 2018

Ladies and Gentlemen:

We have acted as counsel to you as Representative of the Underwriters of \$\_\_\_\_\_ aggregate principal amount of the captioned obligations (the "Obligations") issued by Metropolitan Transit Authority of Harris County, Texas (the "Issuer"), pursuant to a resolution adopted by the Board of Directors of the Issuer (the "Board") on \_\_\_\_\_, 2018 authorizing the issuance of the Obligations (the "Series 2018 Resolution") and an officer's pricing certificate executed pursuant to the Series 2018 Resolution on \_\_\_\_\_, 2018 (the "Officer's Pricing Certificate," and collectively with the Series 2018 Resolution, the "Resolution"). The Underwriters are purchasing the Obligations pursuant to the Bond Purchase Agreement (the "Agreement") with respect thereto, dated \_\_\_\_\_, 201\_\_\_\_. Unless otherwise expressly provided herein, capitalized terms used in this opinion shall have the meanings ascribed to them in the Agreement.

As your counsel, we have examined executed copies of the Resolution, the Agreement and the Official Statement and the certificates and opinions referred to in Section 5(d) of the Agreement. In addition, we have examined the originals or copies, certified or otherwise identified to our satisfaction, of such records of the Issuer, agreements and other instruments, certificates of public officials and representatives of the Issuer, and such other documents as we have deemed necessary or advisable as a basis for the opinions hereinafter expressed.

Based on the foregoing and in reliance on the matters described below, we are of the opinion that the Obligations are exempt securities under the Securities Act of 1933, as amended (the "1933 Act") and the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act") and it is not necessary, in connection with the offering and sale of the Obligations, to register the Obligations under the 1933 Act or to qualify the Resolution under the Trust Indenture Act.



Because the primary purpose of our professional engagement was not to establish factual matters, and because of the wholly or partially non-legal character of many determinations involved in the preparation of the Official Statement, and because the information in the Official Statement included under the headings "TAX EXEMPTION" and Appendices A-1, B-1, C-1, and D-1 thereto were prepared by others who have been engaged to review or provide such information, we are not passing upon and do not assume any responsibility for the information contained under such headings and appendices, and, except as set forth in the last sentence of this paragraph, we are not passing upon and do not assume any responsibility for the accuracy, completeness, or fairness of the statements contained in the Official Statement (including any appendices, schedules and exhibits thereto), and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. At your request, we have participated as your counsel in conferences with representatives of the Issuer, the Co-Bond Counsel to the Issuer, the Co-Financial Advisors to the Issuer and your representatives, at which conferences the contents of the Official Statement and related matters were discussed. Based on our participation in the above-mentioned conferences and in reliance thereon and on the certificates, opinions and other documents herein mentioned, we advise you that no facts have come to our attention that lead us to believe that the Official Statement (except as to any financial, forecast, technical and statistical statements and data included in the Official Statement or the addenda thereto and the information under the headings "TAX EXEMPTION" and Appendices A-1, B-1, C-1, and D-1 thereto, as to which we are not called upon to express any opinion or belief) contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

You have requested our opinion as to whether the Undertaking established in the Series 2018 Resolution satisfies the requirements as set forth in the United States Securities and Exchange Commission (the "SEC") Rule 15c2-12(b)(5) (17 C.F.R., Part 240, § 240.15c2-12) under the Securities Exchange Act of 1934, as amended (the "Rule"), as the Rule applies with respect to the Obligations. Assuming that the Series 2018 Resolution has been adopted by the Issuer, and constitutes a valid and legally binding obligation of the Issuer, enforceable in accordance with its terms, the Undertaking satisfies the requirements of Section (b)(5)(i) of the Rule with respect to the Obligations, which provides for undertakings for the benefit of the holders, including beneficial owners, of the Obligations to provide certain annual financial information and event notices at the times and in the manner required by the Rule.

The opinions expressed herein are expressed only insofar as the laws of the State of Texas and the United States of America may be applicable. This opinion may be relied upon only by the addressees hereof and may not be used or relied upon by any other person for any purpose whatsoever without, in each instance, our prior written consent.

Respectfully,

**EXHIBIT D**

**FORM OF PRELIMINARY OFFICIAL STATEMENT**

PRELIMINARY OFFICIAL STATEMENT DATED October \_\_, 2018

NEW ISSUES — BOOK-ENTRY-ONLY

Ratings: See "OTHER INFORMATION—RATINGS" herein

*In the opinion of Co-Bond Counsel (defined herein), interest on the Obligations is excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" herein, and is not includable in the federal alternative minimum taxable income of individuals. See "TAX MATTERS" for a discussion of the opinion of Co-Bond Counsel.*

**METRO**



**METROPOLITAN TRANSIT AUTHORITY  
OF HARRIS COUNTY, TEXAS**

**\$ \_\_\_\_\_ \***  
**SALES AND USE TAX  
CONTRACTUAL OBLIGATIONS  
SERIES 2018**

Interest accrues from the date of delivery

CUSIP Prefix: \_\_\_\_\_

Due: As shown on the inside cover

The Sales and Use Tax Contractual Obligations, Series 2018 (the "Obligations") are being issued by the Metropolitan Transit Authority of Harris County, Texas (the "Authority" or "METRO") for the purposes described herein. See "PLAN OF FINANCE."

Interest on the Obligations will accrue from the date of delivery at the rates specified on the inside cover page, will be payable on each May 1 and November 1, commencing May 1, 2019, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The definitive Obligations will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Obligations may be acquired in denominations of \$5,000 of principal amount or integral multiples thereof. No physical delivery of the Obligations will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners thereof. See "BOOK-ENTRY-ONLY SYSTEM" herein. **Wells Fargo Bank, N.A., Dallas, Texas** is designated as the initial trustee (in such capacity, the "Trustee") and the initial paying agent/registrar (in such capacity, the "Paying agent/Registrar"). See "THE OBLIGATIONS — TRUSTEE/PAYING AGENT/REGISTRAR."

The Obligations are secured, equally and ratably with certain outstanding debt obligations and any future parity obligations (collectively, the "Senior Lien Obligations"), by a grant to the Trustee, of a senior lien on and pledge of 75% of the sales tax revenues collected and received by the Authority, plus any investment income earned on moneys in certain funds to which such revenue is deposited. See "THE OBLIGATIONS — SECURITY AND SOURCE OF PAYMENT." A sales tax is levied by the Authority at the rate of 1% on all taxable transactions within the Authority's boundaries. See "REVENUES AND INVESTMENTS." **The Obligations are not Reserve Fund Participants (as defined herein) and therefore are not secured by a debt service reserve fund, which secures other Senior Lien Obligations.** See "THE OBLIGATIONS — DEBT SERVICE RESERVE FUNDS" and "DEBT AND OTHER OBLIGATIONS — TABLE 6 — OUTSTANDING DEBT AS OF \_\_\_\_\_, 2018."

The Obligations are being issued for the authorized purposes of (a) acquiring and/or reimbursing the acquisition of personal property, including, but not limited to, light rail vehicles, bus rapid transit articulated buses, clean diesel and compressed natural gas transit and commuter buses, and small equipment purchases including farebox equipment (the "Equipment") and (b) paying the costs of issuance of the Obligations and the premium for a Bond Insurance Policy, if any. See "PLAN OF FINANCE."

**SEE INSIDE COVER PAGE FOR MATURITY SCHEDULES AND PRICES**

The Obligations are subject to redemption prior to maturity as set forth herein. See "THE OBLIGATIONS — REDEMPTION".

The Obligations are offered for sale when, as and if issued by the Authority and accepted by the Underwriters listed below, subject, prior to sale, to the withdrawal or modification of the offer without notice, and, prior to delivery, to the approving opinions of the Attorney General of Texas and the opinions of Orrick, Herrington & Sutcliffe LLP, Houston, Texas, and Powell & Leon LLP, Houston, Texas, Co-Bond Counsel. See APPENDIX C — "FORM OF CO-BOND COUNSEL'S OPINION." Certain additional matters will be passed upon for the Authority by its Special Disclosure Counsel, West & Associates, L.L.P., Houston, Texas. Certain matters will be passed upon for the Underwriters by Baker Williams Matthiesen LLP, Houston, Texas, as Counsel to the Underwriters.

It is expected that the Obligations will be available for delivery through DTC on or about \_\_\_\_\_, 2018.

**J.P. MORGAN**

(Senior Manager)

**STERN BROTHERS**

**ESTRADA HINOJOSA**

(Co-Senior Manager)

**HUTCHINSON, SHOCKEY, ERLEY & CO.**

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

## MATURITY SCHEDULE

\$ \_\_\_\_\_ \*

Sales and Use Tax Contractual Obligations,  
Series 2018

(Interest accrues from date of delivery)

\* Preliminary, subject to change.

- (1) The Authority reserves the right, at its option, to redeem the Obligations having stated maturities on and after November 1, 20\_\_, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on November 1, 20\_\_, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.
- (2) The initial offering yield is calculated to maturity or the first optional par redemption date, whichever produces a lower yield.
- (3) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services managed by S&P Global Market Intelligence, on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the Authority, the Co-Financial Advisor (as hereinafter defined) or the Underwriters is responsible for the selection or correctness of the CUSIP numbers set forth herein.

*[The remainder of this page is intentionally left blank.]*



*For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (the "Rule"), and in effect on the date of this Preliminary Official Statement, this document constitutes an "official statement" of the Authority with respect to the Obligations that has been deemed "final" by the Authority as of its date, except for the omission of no more than the information permitted by the Rule.*

The Obligations have not been registered under the United States Securities Act of 1933, as amended, in reliance upon exemptions contained in such Act. Any registration or qualification of the Obligations in accordance with applicable provisions of securities laws of the states in which the Obligations may have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof.

In making an investment decision, investors must rely on their own examination of the terms of this offering, including the merits and risks involved. The Obligations have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Official Statement. Any representation to the contrary may be a criminal offense.

This Official Statement includes descriptions and summaries of certain events, matters, laws and documents. Such descriptions and summaries do not purport to be complete, and all such descriptions, summaries and references thereto are qualified in their entirety by reference to this Official Statement in its entirety and to each such law or document, copies of which may be obtained from the Authority or from the Co-Financial Advisors to the Authority. Any statements made in this Official Statement or the appendices hereto involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such opinions or estimates will be realized.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, the Rule.

**This Official Statement is delivered in connection with the sale of securities referred to herein and may not be reproduced or used, in whole or in part, for any other purposes.**

**The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.**

**This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Obligations in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. No dealer, salesman or other person has been authorized by the Authority to give any information or to make any representation other than those contained herein, and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority or any other person. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create the implication that there has been no change in the matters described herein since the date hereof.**

**The cover page contains certain information for general reference only. Investors must read the entire Official Statement to obtain information essential to make an investment decision. See "INVESTMENT CONSIDERATIONS" for a discussion of factors that should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the Obligations.**

**IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE OBLIGATIONS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

**CERTAIN STATEMENTS INCLUDED OR INCORPORATED BY REFERENCE IN THIS OFFICIAL STATEMENT (INCLUDING, WITHOUT LIMITATION, ALL APPENDICES HERETO) CONSTITUTE "FORWARD-LOOKING STATEMENTS." SUCH STATEMENTS ARE GENERALLY IDENTIFIABLE BY THE TERMINOLOGY USED, SUCH AS "PLAN," "EXPECT," "ESTIMATE," "BUDGET," "FORECAST" OR SIMILAR WORDS.**

**THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE AUTHORITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED CHANGE. INVESTORS SHOULD NOT PLACE UNDUE RELIANCE ON SUCH FORWARD-LOOKING STATEMENTS. PLEASE REVIEW THE FACTORS DESCRIBED BELOW UNDER "INVESTMENT CONSIDERATIONS" AND ELSEWHERE HEREIN WHICH COULD CAUSE ACTUAL RESULTS TO DIFFER FROM EXPECTATIONS.**



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## OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Obligations to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

|  |   |
|--|---|
| <b>THE AUTHORITY</b> .....                 | The Metropolitan Transit Authority of Harris County, Texas (the "Authority" or "METRO") is a metropolitan rapid transit authority created pursuant to legislation now codified as Chapter 451, Texas Transportation Code, as amended, and was confirmed at a confirmation and tax election held on August 12, 1978. The Authority provides transit services to, and collects sales taxes on taxable transactions in a 1,303-square mile area with a population of approximately 3.6 million people. The Authority also serves other areas by contract. See "THE AUTHORITY." See also the inside back cover for a map depicting the Authority's service area and sales tax jurisdiction.   |
| <b>THE OBLIGATIONS</b> .....               | The Sales and Use Tax Contractual Obligations, Series 2018 (the "Obligations") are being issued by the Authority in the aggregate principal amounts shown on the inside cover page hereof.  |
| <b>USE OF PROCEEDS</b> .....               | The Obligations are being issued for the authorized purposes of (a) acquiring, and/or reimbursing the acquisition of personal property, including, but not limited to, light rail vehicles, bus rapid transit articulated buses, clean diesel and compressed natural gas transit and commuter buses, and small equipment purchases including farebox equipment (the "Equipment") and (b) paying the costs of issuance of the Obligations and the premium of a Bond Insurance Policy, if any. See "PLAN OF FINANCE."   |
| <b>AUTHORITY FOR ISSUANCE</b> .....        | The Obligations are authorized by Chapters 1201 and 1371, Texas Government Code, as amended, Chapter 271, Subchapter A, Texas Local Government Code, as amended, and a resolution adopted by the Board of Directors of the Authority authorizing the issuance of the Obligations (the "Resolution") and an officer's pricing certificate authorized by the Resolution. See "THE OBLIGATIONS — AUTHORITY FOR ISSUANCE."  |
| <b>PAYMENT OF INTEREST</b> .....           | Interest on the Obligations accrues from the date of delivery and is payable May 1, 2019, and each May 1 and November 1 thereafter until maturity or prior redemption, as set forth herein. See "THE OBLIGATIONS — REDEMPTION".   |
| <b>SECURITY FOR THE OBLIGATIONS</b> .....  | The Obligations are secured, equally and ratably with outstanding and any future parity obligations (collectively, the "Senior Lien Obligations"), by a senior lien on and pledge of 75% of the sales tax revenues collected and received by the Authority, plus any investment income earned on moneys in certain funds to which such revenue is deposited (together, the "Pledged Revenues"). See "THE OBLIGATIONS — SECURITY AND SOURCE OF PAYMENT." A sales tax is levied by the Authority at the rate of 1% on all taxable transactions within the Authority's boundaries. See "REVENUES AND INVESTMENTS." <b>The Obligations are not Reserve Fund Participants and therefore are not secured by a debt service reserve fund, which secures other Senior Lien Obligations.</b> |
| <b>ADDITIONAL PARITY OBLIGATIONS</b> ..... | Subject to certain requirements, the Authority may issue additional parity Senior Lien Obligations, as well as obligations secured by a junior lien on and pledge of the Pledged Revenues. See "THE OBLIGATIONS — OUTSTANDING AND ADDITIONAL PARITY OBLIGATIONS." The Authority has authorized the issuance of up to \$165 million of commercial paper notes, which are secured on a parity with the Senior Lien Obligations, including the Obligations, and are also not secured by a debt service reserve fund. See "PLAN OF FINANCE" and "DEBT AND OTHER OBLIGATIONS."   |
| <b>REDEMPTION</b> .....                    | The Authority reserves the right, at its option, to redeem the Obligations having stated maturities on and after November 1, 20__, in whole or in part, in authorized denominations on November 1, 20__ or any date thereafter, at 100% of the principal amount, plus accrued interest to the date of redemption. See "THE OBLIGATIONS — REDEMPTION".   |
| <b>TAX EXEMPTION</b> .....                 | In the opinion of Co-Bond Counsel, interest on the Obligations is excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption "TAX MATTERS" herein, and is not includable in the federal alternative minimum  |

taxable income of individuals. See "TAX MATTERS" for a discussion of the opinion of Co-Bond Counsel.

**RATINGS** ..... The following ratings have been assigned to the Obligations. See "OTHER INFORMATION – RATINGS."

**Moody's**

**S&P**

**PAYMENT RECORD** ..... The Authority has never defaulted in the payment of its obligations.

**RISK FACTORS** ..... An investment in the Obligations involves certain risks. See "INVESTMENT CONSIDERATIONS."

**ADDITIONAL INFORMATION** ..... For additional information regarding the Authority, please contact:

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Metropolitan Transit Authority of Harris County, or  
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Dallas, Texas 75201  
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## METROPOLITAN TRANSIT AUTHORITY OF HARRIS COUNTY, TEXAS

### BOARD MEMBERS

| <u>Board Member</u>               | <u>Position</u>   | <u>Appointing Authority</u> |
|-----------------------------------|-------------------|-----------------------------|
| Ms. Carrin F. Patman              | Chair             | City of Houston             |
| Mr. Jim Robinson, CFE             | First Vice-Chair  | Harris County               |
| Ms. Cindy Siegel                  | Second Vice-Chair | Multi-Cities                |
| Mr. Troi Taylor                   | Secretary         | City of Houston             |
| Mr. Don Elder Jr.                 | Board Member      | Multi-Cities                |
| Mr. Lex Frieden                   | Board Member      | City of Houston             |
| Ms. Lisa Gonzales Castañeda, P.E. | Board Member      | Harris County               |
| Mr. Sanjay Ramabhadran, P.E.      | Board Member      | City of Houston             |
| Ms. Terry Morales                 | Board Member      | City of Houston             |

### OFFICERS

| <u>Officer</u>            | <u>Position</u>  |
|---------------------------|--|
| Mr. Thomas C. Lambert     | President & Chief Executive Officer                                      |
| Mr. Tom Jasien            | Deputy Chief Executive Officer   |
| Mr. John Garcia           | Vice President & Chief Auditor   |
| Ms. Rosa Diaz             | Director, Board Support  |
| Ms. Cydonii Fairfax       | Executive Vice President and General Counsel                             |
| Mr. Jerome Gray           | Executive Vice President & Chief Communications Officer                  |
| Mr. Tim Kelly             | Executive Vice President, Operations, Public Safety and Customer Service |
| Ms. Debbie Sechler        | Executive Vice President, Administration                                 |
| Mr. Arthur C. Smiley, III | Chief Financial Officer  |
| Ms. Alva Treviño          | Executive Vice President, Special Projects                               |
| Mr. Roberto Treviño       | Executive Vice President, Planning, Engineering and Construction         |
| Ms. Kimberly J. Williams  | Chief Innovation Officer   |

### CONSULTANTS AND ADVISORS

#### Co-Bond Counsel

Orrick, Herrington & Sutcliffe LLP  
Houston, Texas

Powell & Leon LLP  
Houston, Texas

#### Special Disclosure Counsel

West & Associates, L.L.P.  
Houston, Texas

#### Co-Financial Advisors

PFM Financial Advisors LLC  
Dallas, Texas

TKG & Associates LLC  
Houston, Texas

**Trustee and Paying Agent/Registrar**  
Wells Fargo Bank, N.A.  
Dallas, Texas



# PRELIMINARY OFFICIAL STATEMENT

Relating to

## METROPOLITAN TRANSIT AUTHORITY OF HARRIS COUNTY, TEXAS

### \$ \_\_\_\_\_ \* SALES AND USE TAX CONTRACTUAL OBLIGATIONS SERIES 2018

#### INTRODUCTION

#### OFFERING

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance by the Metropolitan Transit Authority of Harris County, Texas (the "Authority" or "METRO"), of its Sales and Use Tax Contractual Obligations, Series 2018 (the "Obligations"), each in the aggregate principal amount shown above.

Capitalized terms used in this Official Statement, except as otherwise indicated herein, have the meanings assigned to such terms in the resolution authorizing the issuance of the Obligations adopted by the Board of Directors of the Authority (the "Board") on October 25, 2018 (the "Resolution"), excerpts from which are attached as APPENDIX A. The Resolution recognizes and confirms the prior appointment of Wells Fargo Bank, N.A., as trustee (together with any successor, the "Trustee") for the sole purpose of holding certain funds for the payment of the Obligations authorized by the Resolution, as described herein.

There follows in this Official Statement descriptions of the Obligations and certain information regarding the Authority and its finances. All descriptions of laws and documents contained herein are only summaries and are qualified in their entirety by reference to each such law and document. Copies of such documents may be obtained from the Authority's Financial Advisor, PFM Financial Advisors LLC, 750 North Saint Paul Street, Suite 540, Dallas, Texas 75201.

#### DESCRIPTION OF THE AUTHORITY

The Authority is a metropolitan rapid transit authority created pursuant to legislation now codified as Chapter 451, Texas Transportation Code, as amended (the "Authority Act"). Its creation was confirmed at a confirmation and tax election held on August 12, 1978. The Authority provides transit service for, and collects sales taxes on taxable transactions in, a 1,303 square mile area with a population of approximately 3.6 million, including the cities of Houston, Bellaire, Bunker Hill Village, El Lago, Hedwig Village, Hilshire Village, Humble, Hunters Creek Village, Katy, Missouri City, Pincey Point Village, Southside Place, Spring Valley Village, Taylor Lake Village, and West University Place (the "Participating Municipalities"), and significant portions of unincorporated Harris County. The Authority also provides transit service for other areas by contract. See "THE AUTHORITY."

#### PLAN OF FINANCE

The Obligations are being issued for the authorized purposes of (a) acquiring, and/or reimbursing the acquisition of personal property, including, but not limited to, light rail vehicles, bus rapid transit articulated buses, clean diesel and compressed natural gas transit and commuter buses, and small equipment purchases including farebox equipment (the "Equipment") and (b) paying the costs of issuance of the Obligations and the premium for a Bond Insurance Policy, if any.

#### ESTIMATED SOURCES AND USES OF FUNDS

The following schedule is an estimate of the sources and uses of proceeds of the Series 2018 Obligations:

##### Series 2018 Obligations

##### **Sources of Funds:**

|                                       |                 |
|---------------------------------------|-----------------|
| Principal amount                      | \$ _____        |
| Net original issue premium (discount) | _____           |
| <b>TOTAL</b>                          | <b>\$ _____</b> |

##### **Uses of Funds:**

|                                  |                 |
|----------------------------------|-----------------|
| Deposit to Acquisition Fund      | \$ _____        |
| Costs of issuance <sup>(1)</sup> | \$ _____        |
| <b>TOTAL</b>                     | <b>\$ _____</b> |

(1) Costs of issuance include underwriters' discount, financial advisor fees, rating agencies fees, paying agent/registrars fees, legal fees of the Authority, printing expense, additional proceeds and rounding amounts.

## THE OBLIGATIONS

### DESCRIPTION

The Obligations will accrue interest from the date of delivery thereof, and mature on November 1 in each of the years and in the amounts shown on the inside cover page hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on May 1 and November 1 of each year, commencing May 1, 2019, until maturity or earlier redemption, as set forth herein. See "THE OBLIGATIONS – REDEMPTION". The definitive Obligations will be issued only in fully registered form in any integral multiple of \$5,000 for any one series and maturity. All Obligations will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. No physical delivery of the Obligations will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC, for subsequent payment to the beneficial owners of the Obligations. See "BOOK-ENTRY-ONLY SYSTEM."

### AUTHORITY FOR ISSUANCE

The Obligations are issued pursuant to a Resolution and an officer's pricing certificate (the "Officer's Pricing Certificate") authorized by the Board of Directors of the Authority on October 25, 2018. In addition, the Obligations are authorized by Chapters 1201 and 1371, Texas Government Code, as amended, and Chapter 271, Subchapter A, Texas Local Government Code, as amended.

### REDEMPTION

The Authority reserves the right, at its option, to redeem the Obligations having stated maturities on and after November 1, 20\_\_, in whole or (from time to time) in part, on any date on or after November 1, 20\_\_, at a redemption price equal to the principal amount thereof plus accrued interest thereon from the most recent interest payment date to which interest has been paid or duly provided for, to the date of redemption.

If less than all of the Obligations of a maturity are to be redeemed, at the option of the Authority, the Paying Agent/Registrar shall select the Obligations of such maturity to be redeemed by lot or other means acceptable to it. If an Obligation subject to redemption is in a denomination larger than \$5,000, a portion of such Obligation may be redeemed, but only in integral multiples of \$5,000. In selecting portions of Obligations for redemption, each Obligation shall be treated as representing that number of Obligations of \$5,000 denomination which is obtained by dividing the principal amount of such Obligation by \$5,000. Upon presentation and surrender of any Obligation for redemption in part, the Paying Agent/Registrar, in accordance with the provisions of the Resolution, shall authenticate and deliver in exchange therefor an Obligation or Obligations of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Obligation so surrendered.

### NOTICE OF REDEMPTION

Notice of any redemption, identifying the Obligations or portions thereof to be redeemed, shall be sent by first class mail, postage prepaid, to the Registered Owners thereof at their addresses as shown on the books of registration kept by the Paying Agent/Registrar, not less than thirty (30) days before the date fixed for such redemption, provided that any notice of optional redemption may be conditioned on the authorization and issuance of a series of refunding bonds by the Authority, or any other condition. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the redemption price of the Obligations called for redemption. If such notice of redemption is given, and if due provision for such payment is made, all as provided above, the Obligations that are to be so redeemed thereby automatically shall be redeemed prior to their scheduled maturities, they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the purpose of being paid with the funds so provided for such payment. See "BOOK-ENTRY-ONLY SYSTEM."

### SECURITY AND SOURCE OF PAYMENT

The Obligations are payable from all legally available funds of the Authority. The Obligations are secured equally and ratably with certain outstanding debt obligations and any future parity obligations (collectively, the "*Senior Lien Obligations*") by a senior lien on and pledge of 75% of the sales tax revenues collected and received by the Authority, plus any investment income earned on moneys in the Revenue Fund and the Interest and Sinking Fund for any such obligations referred to herein (together, the "*Pledged Revenues*"). See "– OUTSTANDING AND ADDITIONAL PARITY OBLIGATIONS" below. Under the Resolution, the Authority has agreed to cause the Pledged Revenues to be paid by the Texas State Comptroller directly to the Trustee.

A sales tax is levied by the Authority at the rate of 1% on all taxable transactions within the Authority's boundaries. See "REVENUES AND INVESTMENTS."

The Authority has reserved the right to issue or incur additional parity obligations, as described under "– OUTSTANDING AND ADDITIONAL PARITY OBLIGATIONS," and the right to pledge and grant liens on Pledged Revenues in the future, on a basis subordinate

to the pledge and lien securing the Senior Lien Obligations to secure Junior Lien Obligations and Subordinate Lien Obligations. See "Section 22. Pledges and Sources of Payment; Tax Levy; Other Security" and "Section 33. Additional Obligations" in APPENDIX A – SELECTED PROVISIONS OF THE RESOLUTION.

In the Resolution, the Authority has covenanted and agreed that, while any Obligations are outstanding, it will not reduce the rate at which its sales tax is levied below its current rate of 1% or take action to apply such tax to less than all taxable transactions. See "REVENUES AND INVESTMENTS – SALES AND USE TAX AUTHORITY – *Imposition of Tax.*"

Although the Obligations are payable from fare revenue as well as sales tax revenue, under the Authority Act, the expenses of operating and maintaining the Authority's mass transit system (the "System") are a first lien on and charge against any revenue from operation or ownership of the System. ***The Authority has not historically earned (and does not expect to earn) any net revenue from the operation or ownership of its transit system. Consequently, prospective investors should not rely on operating revenue as a source of payment of the Obligations.***

***The Obligations are not payable from funds raised or to be raised by property taxes. The Authority has no authority to levy property taxes.***

***The Obligations are not Reserve Fund Participants and therefore are not secured by a debt service reserve fund, which secures certain other Senior Lien Obligations.***

#### OUTSTANDING AND ADDITIONAL PARITY OBLIGATIONS

Senior Lien Obligations and other debt in the total aggregate principal amount of \$1,123,635,000 were outstanding as of September 30, 2018, consisting of \$652,000,000 aggregate principal amount of Sales Tax Bonds, \$355,535,000 aggregate principal amount of contractual obligations and \$116,100,000 aggregate principal amount of commercial paper notes, all of which are secured by a senior lien on and pledge of Pledged Revenues on a parity with the Obligations. See "DEBT AND OTHER OBLIGATIONS – OUTSTANDING DEBT." Proceeds of the Obligations will be used for the authorized purposes of (a) acquiring, and/or reimbursing the acquisition of personal property, including, but not limited to, light rail vehicles, bus rapid transit articulated buses, clean diesel and compressed natural gas transit and commuter buses, and small equipment purchases including farebox equipment (the "Equipment") and (b) paying the costs of issuance of the Obligations and the premium for a Bond Insurance Policy, if any.

In the Resolution, the Authority reserves the right to issue additional parity bonds, notes and other debt obligations (as further defined in APPENDIX A, "Additional Obligations") and enter into credit agreements (as further defined in APPENDIX A, "Senior Credit Agreements") payable from any and all legally available funds and secured, equally and ratably with the Obligations, by a lien on and pledge of the Pledged Revenues, but only if (while any Senior Lien Obligations remain Outstanding) the Pledged Revenues for the preceding Fiscal Year or any consecutive 12-month period out of the 18-month period preceding the month in which the resolution authorizing such parity Additional Obligations or Senior Credit Agreement is adopted were at least 200% of the maximum annual debt service ("MADS") on all Senior Lien Obligations, after giving effect to the issuance of the Additional Obligations or execution of the Senior Credit Agreement.

Under the Resolution, Additional Obligations may also be issued on a parity with the Obligations to refund or defease Senior Lien Obligations (including termination payments under interest rate management agreements), regardless of the amount of historical Pledged Revenues, if the issuance of such Additional Obligations will not increase MADS on Senior Lien Obligations by more than 10%. See "Section 33. Additional Obligations" in APPENDIX A – SELECTED PROVISIONS OF THE RESOLUTION.

For purposes of the debt service coverage tests described in the preceding two paragraphs, Pledged Revenues may be adjusted to give retroactive effect to (A) any increase in the sales tax rate that has occurred before the authorization of the Additional Obligations or Senior Credit Agreement and (B) any increase in the percentage of sales tax revenues dedicated by the Authority to purposes other than the payment of principal of and interest and other obligations on Senior Lien Obligations, as if either such increase had been in effect for the entire applicable period.

For these purposes, MADS is defined by the Resolution to assume the accrual of variable rate interest at hedged or average historical rates, and to assume the refunding of demand debt and bullet maturities (including the CP Notes, as defined herein), as described in APPENDIX A. See "DEBT AND OTHER OBLIGATIONS – SALES TAX-SUPPORTED DEBT." Accordingly, the MADS assumed in issuing Additional Obligations and entering into Senior Credit Agreements may be less than the maximum amount of debt service that could actually come due on Senior Lien Obligations in a year, and the difference could be substantial.

When issuing Additional Obligations, the Authority will determine whether such Additional Obligations shall be secured by a debt service reserve fund. If the Additional Obligations are secured by a debt service reserve fund, the Authority must fund any resulting increase in the required balance of such debt service reserve fund with monthly deposits ratably over the next 36 months, to the extent not then funded with proceeds of the Additional Obligations or funds on hand. See "– DEBT SERVICE RESERVE FUNDS" below.



## DEBT SERVICE RESERVE FUNDS

**The Obligations are not Reserve Fund Participants. Pursuant to the Resolution, the Authority is not required to maintain and fund a debt service reserve fund for the Obligations.**

The Authority, however, is required to maintain and fund debt service reserve funds (each a "*Reserve Fund*" and collectively the "*Reserve Funds*") for certain other Senior Lien Obligations and Additional Obligations that the Authority designates at or before the time of issue (the "*Reserve Fund Participants*"). The required balance of each Reserve Fund is equal to 50% of pro forma MADS for all Senior Lien Obligations Outstanding designated by the Authority to be payable from such Reserve Fund. See "DEBT AND OTHER OBLIGATIONS — TABLE 6 — OUTSTANDING DEBT AS OF SEPTEMBER 30, 2018 for the series of Senior Lien Obligations which have been designated Reserve Fund Participants.

On each date for payment of principal of or interest or other amounts on Senior Lien Obligations payable from a Reserve Fund, including upon call for redemption, the Trustee is required to transfer from such Reserve Fund to the paying agent for such Senior Lien Obligations an amount sufficient, together with funds then transferred from the applicable Interest and Sinking Fund, to pay such principal, interest, and other amounts when due.

For Additional Obligations payable from a Reserve Fund, or if the balance of a Reserve Fund is less than the applicable Reserve Fund Requirement as of any valuation date, the Trustee is required to make monthly transfers from the Revenue Fund in substantially equal monthly deposits over a three-year period into such Reserve Fund as required to increase its balance to its Reserve Fund Requirement. The Authority may provide for satisfaction of a Reserve Fund Requirement with the purchase or acquisition of a Reserve Fund Surety Policy (defined in APPENDIX A) or with the deposit into such Reserve Fund of cash or investment securities. A Reserve Fund Surety Policy may be drawn upon only after all other amounts in the Reserve Fund have been used or applied, and other amounts in the Reserve Fund may be used to reimburse and repay an issuer of a Reserve Fund Policy for amounts drawn thereon together with interest thereon and related costs.

The combined balance of the Reserve Funds as of September 30, 2018 was \$26,128,755.72, consisting of a balance of (i) \$21,455,555.49 for the Reserve Fund established for Senior Lien Obligations issued as Sales Tax Bonds and (ii) \$4,673,200.23 for the Reserve Fund established for Senior Lien Obligations issued as Contractual Obligations. These balances in each Reserve Fund exceed the Reserve Fund Requirements for the Senior Lien Obligations issued as Sales Tax Bonds and Contractual Obligations, respectively, that have been designated as Reserve Fund Participants. See TABLE 6 — OUTSTANDING DEBT AS OF SEPTEMBER 30, 2018 for a list of which bonds are Reserve Fund Participants. In the event an additional deposit is required due to an increase in the Reserve Fund Requirements, the Authority expects to fund such differences between the current balances and the Reserve Fund Requirements with cash deposits over the three year period as required by the resolutions authorizing those Reserve Fund Participants. Whenever the amount in the Reserve Fund exceeds the Reserve Fund Requirement and all reimbursement and repayment obligations pursuant to any Reserve Fund Surety Policy have been satisfied, the Authority may direct the Trustee to transfer such excess to the Interest and Sinking Fund or to any other fund authorized under the resolutions.

## FLOW OF FUNDS

The Resolution recognizes and confirms the prior establishment and maintenance of certain funds and accounts for the application of the proceeds of the Obligations and for the Pledged Revenues. The Trustee holds the "*Revenue Fund*" to receive and administer Pledged Revenues, and an "*Interest and Sinking Fund*" to provide for the payment of the Senior Lien Obligations, including the Obligations.

***Revenue Fund.*** Pledged Revenues must be deposited directly to the Revenue Fund held by the Trustee under the Resolution as received. Pursuant to the Resolution, moneys in the Revenue Fund will be applied immediately upon receipt as follows:

- First, to make all deposits into the Interest and Sinking Fund as described below and, if the applicable Senior Lien Obligations are ratably secured thereby, in any other interest and sinking fund provided in any order or resolution authorizing the issuance of any other parity Senior Lien Obligations;
- Second, to make all deposits into the Reserve Funds as required by the resolutions authorizing the Reserve Fund Participants, if any, and in any other reserve fund provided in any order or resolution authorizing the issuance of any Senior Lien Obligations other than Reserve Fund Participants; provided that on any date on which there is a deficiency in a Reserve Fund, the Trustee may not apply any moneys to any other such fund in an amount greater than that required to produce a balance therein equal to 50% of the MADS on the Senior Lien Obligations payable from such other reserve fund ratably over a 36-month period from the original date of any deficiency therein, unless an additional deposit to the Reserve Funds is made to cure any deficiency in the Reserve Funds at the same rate;
- Third, to make all other deposits not made pursuant to clause Second above into any reserve fund provided in any order or resolution authorizing the issuance of any Senior Lien Obligations;
- Fourth, to make all other deposits required by the Resolution and in any order or resolution authorizing the issuance of any Senior Lien Obligations and any related agreement or credit agreement;

Fifth, to make all deposits required by any order or resolution authorizing the issuance of any Junior Lien Obligations; and

Sixth, to make all deposits required by any order or resolution authorizing the issuance of any Subordinate Lien Obligations.

After making the foregoing transfers and deposits from the Revenue Fund, the Trustee is required to transfer any balance therein to the Authority for use for any lawful purpose.

In case money on deposit in the Revenue Fund is at any time insufficient to make in full all deposits and transfers, then such deposits and transfers then to be made from the Revenue Fund shall be made from such money in the priority set out above, but ratably according to the aggregate amount within each priority to be deposited and without any preference within a priority.

**Interest and Sinking Fund.** The Resolution provides that, for so long as any Obligations remain Outstanding, the Trustee shall transfer from the Revenue Fund to the Interest and Sinking Fund, on each date on which funds are deposited to the Revenue Fund, such amounts which, when added to other amounts in the Interest and Sinking Fund, will provide for the accumulation, in substantially equal monthly installments, of amounts sufficient to pay (i) the interest scheduled to become due on all Outstanding Senior Lien Obligations on the next succeeding interest payment date (other than interest scheduled to become due but anticipated to be paid with the proceeds of such Senior Lien Obligations), (ii) the principal of all such Outstanding Senior Lien Obligations scheduled to mature on the next succeeding principal payment date (other than maturing principal anticipated to be paid with the proceeds of such Senior Lien Obligations), (iii) payments due and payable to Credit Providers on Senior Credit Agreements (e.g., the current credit agreements for the CP Notes) on ensuing payment dates; and (iv) the redemption price of all such Outstanding Senior Lien Obligations called or scheduled for redemption on the next redemption date, plus all fees, charges and other amounts payable to the Trustee any paying agent/registrar, market agent, broker/dealer, remarketing agent or Credit Provider in respect of such Senior Lien Obligations; provided that in all cases the Trustee is required to deposit an amount sufficient to ensure that the Interest and Sinking Fund has adequate funds on deposit to make all required principal, interest and other payments on Senior Lien Obligations through the immediately succeeding month, assuming accrual of interest at the maximum rate for any period for which the rate has not been fixed and payment thereof on the last day of such succeeding month. For a description of the application of amounts deposited to the Interest and Sinking Fund, see "Section 26. Revenue Fund and Interest and Sinking Fund" in "APPENDIX A — SELECTED PROVISIONS OF THE RESOLUTION." If the balance of the Interest and Sinking Fund is not sufficient to pay principal of and interest and other amounts payable on all Senior Lien Obligations secured by a pledge of money deposited therein when due, available funds must be transferred ratably to the paying agents for such Senior Lien Obligations, including those entitled to the benefits of a Reserve Fund, in proportion to the amount then due on each, before computing the deficiency to be funded from the applicable Reserve Fund.

Proceeds of any issue of Senior Lien Obligations on deposit in an Interest and Sinking Fund will be available to pay interest only on such issue of Senior Lien Obligations and will be credited against the transfer requirements described in the preceding paragraph only for such issue of Senior Lien Obligations.

#### **INVESTMENT OF FUNDS**

The Revenue Fund, the Reserve Funds and the Interest and Sinking Fund may be invested by the Trustee at the direction of the Authority solely in investments authorized for the investment of the Authority's funds. The Resolution imposes no additional credit or term limitations on the investments, except that investments must mature by the date when invested funds are expected to be applied. See "Section 29. Investment of Trust Funds" in "APPENDIX A — SELECTED PROVISIONS OF THE RESOLUTION."

#### **DEFEASANCE**

The Resolution provides that the Obligations may be defeased in any manner now or hereafter permitted by law, including by irrevocably depositing in trust (i) direct noncallable obligations of United States of America, including obligations that are unconditionally guaranteed by the United States of America; (ii) 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 are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; (iii) 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 are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; or (iv) cash. Upon defeasance, Obligations will no longer be regarded to be outstanding for purposes of the applicable Resolution, and will no longer be subject to other redemption at the option of the Authority. See "Section 43. Defeasance" in "APPENDIX A — SELECTED PROVISIONS OF THE RESOLUTION."

#### **TRUSTEE/PAYING AGENT/REGISTRAR**

The initial Trustee and Paying Agent/Registrar is Wells Fargo Bank, N.A., Dallas, Texas. In the Resolution, the Authority retains the right to replace the Trustee and Paying Agent/Registrar, and either may resign under conditions set out in the Resolution. The Authority covenants to maintain and provide a Trustee and Paying Agent/Registrar for Senior Lien Obligations, including the Obligations, at all times until such Senior Lien Obligations are duly paid. Any successor Trustee or Paying Agent/Registrar must be a bank, trust company, financial institution or other agency duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Obligations and have a minimum capital and surplus of at least \$1 billion.



The Resolution provides that no resignation or removal of the Trustee may be effective until a successor has been appointed, qualified and accepted its appointment.

The Trustee has been appointed for the sole purpose of receiving, holding, investing, and disbursing the Pledged Revenues and Reserve Funds. The Trustee is not empowered to enforce the Resolution or otherwise act on behalf of the Owners of the Obligations. See "Section 36. The Trustee" in "APPENDIX A — SELECTED PROVISIONS OF THE RESOLUTION."

#### AMENDMENTS TO RESOLUTION

The Resolution constitutes a contract with the Owners, from time to time, of the Obligations, is binding on the Authority and the Trustee, and shall not be amended or repealed by the Authority so long as any Obligations remain Outstanding, except as follows: The Authority may, without the consent of or notice to any Owners, but with notice to the Trustee, from time to time and at any time, amend the Resolution, in any manner not detrimental to the interests of the Owners of the Obligations authorized thereby, including the curing of any ambiguity, inconsistency or formal defect or omission therein. In addition, the Authority may, with the written consent of the Trustee and the Owners who own in the aggregate 51% of the principal amount of such Obligations then Outstanding, amend, add to or rescind any of the provisions of the Resolution; provided that, without the consent of all Owners of Outstanding Obligations authorized thereby, no such amendment, addition, or rescission shall (i) extend the time or times of payment of the principal of and interest on such Obligations, reduce the principal amount thereof, the redemption price, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on such Obligations, (ii) give any preference to any such Obligation over any other such Obligation, or (iii) reduce the aggregate principal amount of the such Obligations required to be held by the Owners for consent to any such amendment, addition or rescission.

#### BOOK-ENTRY-ONLY SYSTEM

*This section describes how ownership of the Obligations is to be transferred and how the principal of, premium, if any, and interest on the Obligations are to be paid to and credited by DTC while the Obligations are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Authority believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

*The Authority cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Obligations, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Obligations), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.*

DTC will act as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each series and maturity of the Obligations, each in the aggregate principal amount of such series and maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law (N.Y. Banking Law 2 (Consol. 2018)), a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Obligation ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered

into the transaction. Transfers of ownership interests in the Obligations are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all Obligations of the same series and maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant of such series and maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Obligations unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal and interest payments on the Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, the Paying Agent/Registrar, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, the Paying Agent/Registrar or the Authority, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Obligations at any time by giving reasonable notice to the Authority or the Trustee or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Obligation certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Obligation certificates will be printed and delivered to DTC.

*The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority and the Underwriters believe to be reliable, but the Authority and the Underwriters take no responsibility for the accuracy thereof.*

#### **EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM**

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the Authority, printed certificates will be issued to the holders and the Obligations will be subject to transfer, exchange and registration provisions as set forth in the Resolution.

### **THE AUTHORITY**

#### **GENERAL**

The Authority is a metropolitan rapid transit authority created pursuant to legislation now codified as Chapter 451, Texas Transportation Code, as amended, and confirmed at a confirmation and tax election held on August 12, 1978.

## JURISDICTION

The Authority provides transit service for, and collects sales taxes on taxable transactions in a 1,303 square mile area with a population of approximately 3.6 million, including the cities of Houston, Bellaire, Bunker Hill Village, El Lago, Hedwig Village, Hilshire Village, Humble, Hunters Creek Village, Katy, Missouri City, Pince Point Village, Southside Place, Spring Valley Village, Taylor Lake Village, and West University Place (the "*Participating Municipalities*"), and significant portions of unincorporated Harris County. The Authority also serves by contract, but does not collect sales taxes in, other areas.

## BOARD OF DIRECTORS

The Authority is governed by a nine-member Board of Directors, each of whom serves a two-year term. Five directors are nominated by the Mayor of the City of Houston, Texas (the "*City*") and confirmed by the Houston City Council, two directors are appointed by the mayors of the Authority's 14 other Participating Municipalities (the "*Multi-Cities*") and two directors are appointed by the Harris County Commissioners Court. A list of the current members of the Board, the position held by each member and the appointing entity for each member are listed on page viii hereof.

## MANAGEMENT

The management of the Authority is under the direction of its President and Chief Executive Officer, who performs any duties delegated to him by the Board. A list of certain of the Authority's key executives is provided on page viii hereof.

## TRANSIT SYSTEM

The Authority is organized to develop, operate and maintain a mass transit system to serve the residents within and visitors to its area. The Authority's transit system is a multi-modal system consisting of the following components:

**Bus System** – The Authority provides public bus service within its service area utilizing a fleet of approximately 1,246 buses, including 696 Diesel, 77 compressed natural gas, 435 40/45-foot hybrid buses, and 38 ARBOC alternative service vehicles (a small bus that seats 14 passengers and provides wheel chair accessibility. These vans are 25 feet long, low-floor vehicles that provide alternative service to METRO's transit customers), as well as 158 METROLift paratransit service vans, plus passenger facilities, including 9,043 active bus stops, and 37,693 parking spaces. METRO buses will have run 44.6 million revenue miles in a service area of 1,303 square miles with approximately 66.9 million boardings by the end of Fiscal Year 2018. See "TABLE 1 — SELECTED RIDERSHIP STATISTICS FOR THE LAST SIX FISCAL YEARS."

**HOV/HOT Lane System** – The High Occupancy Vehicle ("*HOV*") lane program and the High Occupancy Toll ("*HOT*") lane program are cooperative efforts among the Texas Department of Transportation ("*TxDOT*"), Harris County and the Authority. The programs are funded through a combination of federal, state and local resources. As of September 2017, there are 182.3 miles of HOV/HOT lanes in Houston freeways, of which METRO operates 95.1 miles. For Fiscal Year 2018, the total HOV/HOT lane ridership is approximately 28.1 million.

Under the HOT program, METRO has converted several HOV lanes to provide solo drivers the opportunity to use the lanes by paying a toll charge. Such drivers are allowed to use the system by paying a toll with an authorized EZ Tag issued by Harris County or one of the other interoperable toll tags available for use on toll road systems in the State of Texas (the "*State*"). The Authority has an Interlocal Agreement with the Harris County Toll Road Authority (HCTRA) for the processing of toll transactions on METRO's HOT lanes. METRO's operational responsibilities for the HOV/HOT lanes include HOV/HOT lane enforcement, debris removal, maintenance and repair of electronic gates and signs, opening and closure of HOV/HOT lane gates and remote operations. TxDOT is responsible for any maintenance work on bridge sections of HOV/HOT lanes. The TOW AND GO program, which is a part of the Houston-Galveston Area Council (H-GAC) Regional Incident Management Program, performs the tow/removal of stalled or disabled vehicles from HOV/HOT lanes at no cost to the owner or the Authority, to a safe location within one mile.

**Light Rail System** – The Authority's first light rail line began operation on January 1, 2004. Now extended to 12.8 miles, the line begins at the Northline Transit Center, serving Houston Community College Northeast and Northline Commons mall, and then continues south through Houston's Central Business District, Midtown, the Museum District, Rice University, the Texas Medical Center and the NRG (formerly Reliant) Park Complex to the Fannin South Transit Center. There are 25 stations along the route. The Authority opened two additional light rail lines in Fiscal Year 2015, the Purple (Southeast) and Green (East End) Lines. Destinations served by these new lines include Texas Southern University, the University of Houston, and BBVA Compass Stadium. These new lines added another 9.9 miles of light rail lines. In total, METRO operates 22.7 miles of light rail service. METRO had about 19.0 million light rail boardings in Fiscal Year 2018. See "CAPITAL IMPROVEMENT PROGRAM."

**Paratransit Service** – The Authority's METROLift paratransit service provided service to 16,551 eligible riders using both METRO-owned lift-equipped vans and contractor-owned and operated accessible minivans in Fiscal Year 2018. Total trips for Fiscal Year 2018 were estimated to be 1.9 million.



**Commuter Vanpool Service** – In Fiscal Year 2018, the Authority's METRO STAR commuter vanpool service averaged 571 vanpools. In Fiscal Year 2018, the Authority is estimating 2.0 million trips annually, with approximately 5,903 riders, making METRO STAR one of the largest vanpool programs in the nation.

#### RIDERSHIP INFORMATION [METRO TO UPDATE]

Table 1 below presents selected information regarding the Authority's ridership during the Fiscal Years ending September 30, 2012 through 2016 and comparative data for the ten months ended July 31, 2016 and 2017.

**TABLE 1 – SELECTED RIDERSHIP STATISTICS FOR THE LAST FIVE FISCAL YEARS**

|  | Fiscal Year Ended September 30 |             |             |             |             | Ten Months Ended<br>July 31 (FY2017<br>Unaudited) |                            |
|--|--------------------------------|-------------|-------------|-------------|-------------|---|----------------------------|
|  | 2012                           | 2013        | 2014        | 2015        | 2016        | 2016  | 2017                       |
|  |                                |             |             |             |             |   |                            |
| Transit boarding                         | 81,020,887                     | 84,266,386  | 85,389,587  | 86,089,171  | 89,895,108  | 74,520,025  | 74,071,931                 |
| Revenue vehicle miles <sup>(1)</sup>     | 57,332,904                     | 68,324,181  | 69,134,726  | 71,162,933  | 74,247,761  | 61,677,051  | 61,856,523 <sup>(4)</sup>  |
| Passenger Miles – Transit                | 534,648,747                    | 574,724,199 | 605,100,948 | 573,489,760 | 470,865,852 | 390,142,356                                       | 387,646,224 <sup>(4)</sup> |
| HOV/HOT Ridership <sup>(2)</sup>         | 24,936,852                     | 25,371,590  | 25,386,535  | 26,723,748  | 26,515,186  | 23,118,651  | 21,622,907                 |
| Passenger Miles <sup>(3)</sup>           | 257,098,944                    | 261,581,093 | 261,735,176 | 275,521,842 | 259,785,307 | 218,156,126                                       | 222,831,453                |
| Total Actual Passenger Car Revenue Miles | 905,795                        | 989,373     | 1,577,592   | 2,350,774   | 3,420,828   | 2,869,014   | 2,811,404 <sup>(4)</sup>   |
| HOV/HOT Lane Miles <sup>(5)</sup>        | 140.8                          | 140.8       | 139.1       | 139.1       | 139.1       | 139.1   | 95.1                       |

<sup>(1)</sup> "Revenue Vehicle Miles" are the miles traveled when a vehicle is available to the general public and there is an expectation of carrying passengers.

<sup>(2)</sup> Includes cars, vans, and non-Authority buses.

<sup>(3)</sup> Includes carpool/vanpool non-Authority buses on transitway.

<sup>(4)</sup> The statistics represent estimates of the Authority as these figures are not finalized until fiscal year-end.

<sup>(5)</sup> Numbers prior to FY17 reflect the total number of HOV/HOT lane miles within the METRO service area. This number has increased to 182.3 miles due to additional construction. However, the miles that METRO itself operates have dropped from 101.9 to 95.1 miles. This is due to a loss of 12.2 miles of diamond lanes from the US 290 construction, offset by a 5.4-mile extension in the I-45 South HOV lane, for a net reduction of 6.8 total miles.

#### FLEET REPLACEMENT POLICIES

**Bus Replacement.** The Authority's fleet replacement plan is designed to ensure service reliability. In accordance with Federal Transportation Administration ("FTA") standards, the Authority assumes a useful life of 12 years for each bus. Therefore, the Authority replaces one-twelfth of its approximately 1,200 vehicle bus fleet, or approximately 100 buses, each year. The Authority may alter the rate of bus retirement to address unanticipated service changes and service demands. The Authority's replacement plan is updated regularly and incorporated into the capital and operating budgets.

**Rail Car Replacement.** The Authority has not adopted a rail car replacement policy. In accordance with FTA standards, the Authority assumes a life expectancy of 25 years of each rail car. The oldest rail cars in the Authority's fleet were purchased in 2003. Plans for replacement of rail cars will be considered as needed in future capital and operating budgets.

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## REVENUES AND INVESTMENTS

The Authority's principal sources of revenue are (1) a 1% sales tax imposed on all taxable personal property and service transactions within the Authority's boundaries, (2) federal and state grants for operations and capital projects and (3) transit fares and other operating revenue. The amount of revenue received by the Authority from these and other sources in the last five fiscal years (audited) and (unaudited) data for the 12 month periods ended September 30, 2018, are shown in the following table:

**TABLE 2 – COMBINED SOURCES OF REVENUE**

|                                  | Fiscal Year Ended September 30, |                      |                      |                      |                      | 12 Months Ended<br>Sept 30, (Unaudited) |
|----------------------------------|---------------------------------|----------------------|----------------------|----------------------|----------------------|---|
|                                  | 2013                            | 2014                 | 2015                 | 2016                 | 2017                 | 2018                                    |
| Sales and use tax <sup>(1)</sup> | \$642,515,462                   | \$685,167,303        | \$715,160,213        | \$686,101,655        | \$690,929,011        | \$759,455,661                           |
| Operating revenue <sup>(2)</sup> | 72,782,991                      | 76,282,549           | 74,651,045           | 72,052,304           | 72,817,352           | 74,975,672                              |
| Grants:                          |                                 |                      |                      |                      |                      |   |
| Capital <sup>(3)</sup>           | 3,372,918                       | 3,173,736            | 5,229,959            | 13,454,675           | 11,052,370           | 5,804,290                               |
| Service-related <sup>(4)</sup>   | 65,610,667                      | 54,644,364           | 41,765,703           | 74,443,067           | 78,278,438           | 57,416,808                              |
| Investment income <sup>(5)</sup> | 768,527                         | 328,666              | 597,015              | 1,220,156            | 3,551,729            | 6,672,511                               |
| Other <sup>(6)</sup>             | <u>3,831,776</u>                | <u>4,487,310</u>     | <u>10,682,510</u>    | <u>4,541,743</u>     | <u>5,199,189</u>     | <u>4,843,493</u>                        |
| <b>TOTAL</b>                     | <b>788,882,341</b>              | <b>\$824,083,928</b> | <b>\$848,086,445</b> | <b>\$851,813,600</b> | <b>\$861,828,089</b> | <b>\$909,168,436</b>                    |

<sup>(1)</sup> Represents 100% of sales tax revenue of the Authority. Only 75% of the sales tax revenue is included in Pledged Revenues. See "THE OBLIGATIONS – SECURITY AND SOURCE OF PAYMENT" and "REVENUES AND INVESTMENTS – SALES AND USE TAX."

<sup>(2)</sup> Represents farebox receipts, special events fares and route guarantees for specific transit service. See "— OPERATING REVENUE."

<sup>(3)</sup> Represents revenue received under recurring federal capital grant programs. Other FTA capital programs are non-recurring, are specific to individual projects and are awarded through competitive selection process. Non-recurring federal capital grants received by the Authority in Fiscal Years 2013 through 2017 are excluded from the table and ranged from \$14,778,339 to \$253,546,927 in those five fiscal years.

<sup>(4)</sup> Represents revenue under federal programs for bus and rail capitalized preventive maintenance, the regional vanpool program, new bus service and alternative fuel/clean air programs. Other FTA programs, the Federal Highway Administration and state programs are non-recurring, are specific to individual projects and are awarded through competitive selection process. FEMA funds are received based on reimbursement of actual eligible expenditures associated with a natural disaster. Non-recurring federal grants for non-capital uses received by the Authority in Fiscal Years 2013 through 2017 are excluded from the table and ranged from \$883,614 to \$7,017,423 in those five fiscal years.

<sup>(5)</sup> See "TABLE 4 – CASH AND INVESTMENTS" for information relating to the Authority's investments. Note: End of year figures include an Unrealized Market Adjustment that is not included in figures during the year.

<sup>(6)</sup> Other income consists of miscellaneous revenues such as parking revenue, concession sales, leased property revenue and rebates on procurement cards.

### SALES AND USE TAX AUTHORITY

**Imposition of Tax.** State law authorizes the Authority to impose a sales tax on the sale within the Authority's boundaries of all items subject to the state sales tax and a use tax on the use, storage or consumption within the Authority's boundaries of any such taxable items purchased, leased or rented from a retailer, at a rate established by the Board in accordance with the Authority Act. The Board has established the rate at 1%, as authorized by public vote when the Authority was confirmed in 1978. The sales tax and use tax is referred to herein as the "sales tax."

Section 451.061, Texas Transportation Code, authorizes the Authority to impose fares, tolls, charges, rents, and other compensation in amounts sufficient to produce revenue, together with sales tax revenue received by the Authority, in an amount adequate to: (1) pay all expenses necessary to operate and maintain its transit system; (2) pay when due debt service, sinking fund and reserve fund payments agreed to be made with respect to all Authority obligations payable in whole or in part from such revenue; and (3) fulfill the terms of any other agreement with the holders of any such obligations. The total of compensation and sales taxes imposed may not exceed the amounts necessary to produce revenue sufficient to meet the obligations of the Authority under Chapter 451, Texas Transportation Code. See "EXPENDITURES – BUDGET."

Section 451.061(e) specifies that the right of the State to regulate sales taxes is not limited by Section 451.061, but also includes specific provisions that recognize the rights of holders of Authority obligations, including protections against (i) alterations to the power given to the Authority under Section 451.061 to impose sales taxes, fares, tolls, charges, rents, and other compensation in amounts sufficient to satisfy its debt service and other obligations and (ii) any impairment of the rights and remedies of holders of such obligations until such obligations have been fully discharged.



**2003 Election.** Pursuant to an election held within the Authority on November 4, 2003 (the "2003 Election"), 25% of sales tax revenue collected by the Authority through September 30, 2015 was dedicated for street improvements and mobility projects (referred to herein as "General Mobility"). The remaining 75% of the sales tax revenue is available for the payment of the Authority's operating expenses and other obligations, including repayment of bonds, notes, commercial paper notes, leases and other obligations and, along with any investment income earned on moneys in certain funds to which such revenues are deposited, constitutes Pledged Revenues.

**2012 Election.** Pursuant to an election held on November 6, 2012 (the "2012 Election"), the qualified voters of the Authority elected to continue the dedication of the Authority's sales tax revenue for the period October 1, 2015 through December 31, 2025, for street improvements and related projects, to be calculated as follows: (1) an amount equal to 25% of the sales tax collected by the Authority during its Fiscal Year 2014, which is the period October 1, 2013 through September 30, 2014 (such amount, the "2014 Collection"), shall be paid to Harris County, the City and the other cities within the Authority's jurisdiction; and (2) in any Authority fiscal year in which the amount of sales tax collected by the Authority is greater than the 2014 Collection, the 25% General Mobility portion of such additional amount (the "Incremental Collection") shall be divided equally, with (a) 50% of the Incremental Collection being paid to Harris County, the City and the other cities within the Authority's jurisdiction and (b) 50% of the Incremental Collection being retained by the Authority. However, in any Authority fiscal year in which the amount of sales tax collected by the Authority is less than the 2014 Collection, the total payment made to Harris County, the City and the other cities within the Authority's jurisdiction for that fiscal year shall be 25% of the sales and use tax revenues collected by the Authority during such fiscal year. **Any future Incremental Collection by the Authority does not constitute Pledged Revenues.**

**Taxable Transactions.** Taxable items include any tangible personal property and certain taxable services, unless exempted from the sales tax. "Taxable services" include certain amusement services; personal services; motor vehicle parking and storage services; the repair, maintenance and restoration of most tangible personal property; credit reporting services; debt collection services; insurance services; information services; real property services; data processing services; real property repair and remodeling services; security services; telephone answering services; internet access services; and certain transmission or delivery of taxable electricity usage. Many items are exempted from the sales tax by State law, including items purchased for resale, food products (except food products which are sold for immediate consumption, e.g., by restaurants, lunch counters, etc.), health care supplies (including medicines, corrective lens and various therapeutic appliances and devices), agricultural items (if the item is to be used exclusively on a farm or ranch or in the production of agricultural products), gas and electricity purchased for residential use, newspapers and magazines. In addition, items which are taxed under other State laws are generally exempted from sales taxes. These items include certain natural resources, cement, motor vehicles and insurance premiums, although alcohol and tobacco products are taxed under both State alcohol and tobacco taxes as well as the sales tax. In addition, purchases made by various exempt organizations are not subject to the sales tax. Such organizations include the federal and State governments, political subdivisions, Indian tribes, religious institutions and certain charitable organizations and non-profit corporations. In addition, sales of telecommunication services (including cable and satellite TV services) are exempt from the Authority's sales tax unless the Board determines to suspend the exemption and the suspension is approved at an election within the Authority. To date, the Board has not taken any actions to suspend the exemption for telecommunication services. For a discussion of sales and use taxes as it relates to Internet sales, see "INVESTMENT CONSIDERATIONS - The Authority Has Limited Ability To Increase or Maintain Revenue."

In general, a sale or use of a taxable item happens when such sale or use occurs within the jurisdiction in which the sale or use is consummated. For purposes of the Authority's sales tax, the use, storage or consumption of tangible personal property is considered to be consummated at the location where the item is first stored, used or consumed in an area of the State where a mass transit sales tax is imposed. Thus, the use is considered to be consummated in the Authority's jurisdiction if the item is shipped from outside the State or outside any other State mass transit agency with sales tax authority, for first use, storage or consumption within the Authority's jurisdiction.

**Collection Procedures.** With certain exceptions, sales taxes in the State are collected at the point of sale and are remitted to the State Comptroller of Public Accounts (the "Comptroller") by, generally speaking, the business that collects the tax resulting from a taxable transaction. The Comptroller collects sales taxes based upon the amount of taxes reported by the seller or purchaser. Taxpayers who collect \$500 or more in State sales tax in a month must remit the taxes on or before the 20th day of the month following the month in which the taxes were collected. Taxpayers who collect less than \$500 in State sales tax per month (or less than \$1,500 per calendar quarter) may file quarterly or annually depending on the amount collected. Under State law, a collecting taxpayer may deduct  $\frac{1}{2}\%$  of the amount of taxes due as reimbursement for the cost of collecting the taxes. In addition, taxpayers who file monthly or quarterly may prepay the taxes due and deduct  $1\frac{1}{4}\%$  of the amount of the prepayment in addition to the  $\frac{1}{2}\%$  for the cost of collecting the sales tax.

The Comptroller is required by law to distribute funds to the Authority as often as feasible, but not less frequently than quarterly. Historically, and at the present time, the Comptroller distributes the funds monthly. Distributions to the Authority are made by electronic funds transfers.

**Seasonality and Recent Collections.** The Authority's sales tax receipts are seasonal, with the greatest monthly collections typically received in the months of February and August, reflecting taxes on retail sales in the holiday and back-to-school seasons. In the Fiscal Years 2017, 2016 and 2015, receipts in the lowest revenue months were 74.4%, 68.6%, and 66.4% respectively, of

collections in the highest revenue months. During Fiscal Year 2017, audited sales tax receipts in the amount of \$690,929,011 were 0.7% higher than the audited amounts in Fiscal Year 2016, in the amount of \$686,101,655.

**Collection and Allocation of Delinquent Taxes.** Although sales taxes are imposed on purchasers, retail sellers are responsible for collecting the taxes and are the only source from which the taxes can practically be collected. Accordingly, collections are dependent on the solvency and continued operation of retail sellers. The Comptroller is responsible for enforcing the collection of sales taxes in the State. Under State law, the Comptroller utilizes sales tax permits, payment bonds and audits to encourage timely payment of sales taxes. Each entity selling, renting, leasing or otherwise providing taxable goods or services is required to have a sales tax permit. As a general rule, every person who applies for a sales tax permit for the first time, or who becomes delinquent in paying the sales or use tax, is required to post a bond in an amount sufficient to protect against the failure to pay such taxes. A person who has filed security is entitled to have the Comptroller return the security if, in the Comptroller's judgment, the person has for two consecutive years continuously complied with the conditions of the security. The Comptroller's audit procedures include auditing the largest 2% of the sales taxpayers (who report about 65% of all sales tax in the State annually) every three or four years. Other taxpayers are selected at random or upon some other basis for audits. The Comptroller also engages in taxpayer education programs and mails a report to each taxpayer before the last day of the month, quarter or year that it covers.

Once a taxpayer becomes delinquent in the payment of a sales or use tax, the Comptroller may collect the delinquent tax by using one or more of the following methods: (1) collection by an automated collection center or local field office; (2) estimating the taxpayer's liability based on the highest amount due in the previous 12 months and billing them for it; (3) filing liens and requiring a new or increased payment bond; (4) utilizing forced collection procedures such as seizing assets of the taxpayer (e.g., a checking account) or freezing assets of the taxpayer that are in the custody of third parties; (5) removing a taxpayer's sales tax permit; and (6) certifying the account to the Attorney General's Office to file suit for collection. The Authority may not sue for delinquent taxes unless it joins the Attorney General as a plaintiff or unless it first receives the permission of the Attorney General and the Comptroller.

In addition to the sales taxes levied by the Authority, the State imposes a 6¼% sales tax for its own purposes and the City imposes a 1% sales tax, in each case applied to essentially the same taxable transactions as those to which the Authority's sales tax is applied. If the Comptroller is unable to collect the full amount of sales tax liability, collections are applied to the State's share of the sales tax, first, and the applicable municipality's share, second, before distributing any part of the collections to the Authority.

## OPERATING REVENUE

The Authority derives operating revenue from transportation fares, which include bus, rail and METROLift farebox receipts plus ticket sales from special events and the Texas Medical Center Route Guarantee Services as well as HOT Lanes and vanpool. The Authority last increased bus and rail fares by an average of 25% effective November 2, 2008. A fare increase for METROLift, METRO's paratransit service, was approved in November 2015 and was enacted February 1, 2016. The current fares established by the Board for most commonly used services are set forth below.

**TABLE 3 – CURRENT FARES FISCAL YEAR 2018**

|                                      | <b>Full Fare</b> | <b>Discounted Fare</b> |
|--------------------------------------|------------------|------------------------|
| Local/METROrail                      | \$1.25           | \$0.60                 |
| Park & Ride Zone 1                   | \$2.00           | \$1.00                 |
| Park & Ride Zone 2                   | \$3.25           | \$1.60                 |
| Park & Ride Zone 3                   | \$3.75           | \$1.85                 |
| Park & Ride Zone 4                   | \$4.50           | \$2.25                 |
| Day Pass                             | \$3.00           | \$1.50                 |
| METROLift Paratransit <sup>(1)</sup> | \$1.25           | n/a                    |

<sup>(1)</sup> For METROLift Paratransit outside the Americans with Disabilities Act ("ADA") service area, Full Fare is \$2.50

Groups eligible for the discounted fare are:

- Senior citizens aged 65 to 69 (seniors 70 and older ride free)
- Disabled riders
- Students age 6 through college/university (children 5 and under ride free)
- Medicare cardholders

The Authority is required by the Authority Act to impose reasonable and nondiscriminatory fares, tolls, charges, rents and other compensation for the use of the System sufficient to produce revenue in an amount that, together with tax revenue received by the Authority, is adequate to pay all expenses necessary to operate and maintain the System, to pay principal of and interest on obligations of the Authority, to make required sinking fund and reserve fund deposits for such obligations, and to fulfill the terms of agreements with the holders of such obligations.

## GRANTS

The Authority is the recipient of a number of federal and state grants from a variety of programs including Urbanized Area ("UZA") Formula grants, New Starts, Fixed Guideway Modernization ("FGM"), Bus and Bus Facilities ("BBF"), Congestion Mitigation/Air Quality ("CMAQ"), Surface Transportation Program ("STP"), State of Good Repair ("SOGR") and Department of Homeland Security. The UZA, BBF, and SOGR grants are annual allocations, with amounts based on the Authority's operating and financial data relative to other transit authorities in the country. UZA allocations averaged approximately \$73 million between Fiscal Year 2011 and Fiscal Year 2018. BBF allocations averaged \$8 million and SOGR \$7.5 million between Fiscal Year 2013 and Fiscal Year 2018, respectively. Other grant programs are awarded on a discretionary basis through competitive processes at the federal and local levels. Note that with the passage of the Moving Ahead for Progress in the 21st Century (MAP-21) legislation that took effect on October 1, 2012, several grant program changes took place. Notable grant programs repealed by MAP-21 include Clean Fuels, Fixed Guideway Modernization, discretionary BBF, Job Access & Reverse Commute ("JARC"), and New Freedom. Notable new grant programs created by MAP-21 include SOGR, formula BBF, and Enhanced Mobility of Seniors and Individuals with Disabilities. On December 4, 2015, the FAST Act reinstated the discretionary BBF. At this time, Fiscal Year 2018 has been appropriated and will be distributed within the region in the near term.

## INVESTMENTS

The Authority invests surplus revenue in accordance with its Investment Policy. Certain features of the Authority's Investment Policy are summarized in Note 2 (beginning on page 29) to the Authority's financial statements for the Fiscal Year ended September 30, 2017, under the section captioned "Deposits and Investment Activities Including Compliance with the Texas Public Funds Investment Act (TPFIA)," which are attached hereto as APPENDIX B. The Authority's current Investment Policy was approved and adopted by the Board on August 23, 2018. The allocation of cash and investments in the Authority's operating fund as of September 30, 2018, is summarized below.

**TABLE 4 – CASH AND INVESTMENTS (AS OF SEPTEMBER 30, 2018)**

| <u>Investments</u>                | <u>Par Value</u>     | <u>Percentage of Portfolio</u> |
|-----------------------------------|----------------------|--------------------------------|
| U.S. Agency Bonds                 | \$161,710,000        | 57.53%                         |
| Local Government Investment Pools | 60,105,673           | 21.38                          |
| U.S. Treasury Notes               | 34,000,000           | 12.09                          |
| Certificates of Deposit           | 20,000,000           | 7.11                           |
| Cash                              | 5,293,309            | 1.88                           |
| <b>Total</b>                      | <b>\$281,108,982</b> | <b>100.00%</b>                 |

The table above reflects General and Operating funds and does not include monies escrowed for General Mobility program commitments, funds held in METRO's Real Estate Fund, funds held in the Reserve Funds or the Interest and Sinking Fund or proceeds of Authority debt obligations. See "DEBT AND OTHER OBLIGATIONS – GENERAL MOBILITY CONTRACTS" and "– GENERAL MOBILITY ESCROW."

## EXPENDITURES

### BUDGET

The Authority Act requires the Board to adopt an annual operating budget of all major expenditures by type and amount for each fiscal year before conducting any business in the fiscal year. The Authority must hold a public hearing on each proposed annual operating budget, or any amendment to the budget, before adopting the budget or amendment.

The Authority constantly manages performance against its budget. Detailed financial reports are produced monthly and quarterly for review by the Board. Each department prepares quarterly reports and meets with the Board to review the departmental budget performance against goals and business initiative accomplishments.

The Authority budgets its Total Operating Expenses for each fiscal year. "Total Operating Expense" is the sum of all employee labor, the cost of supporting that labor (e.g., insurance, space, utilities) and the direct costs for operating and maintaining the bus and rail system, including purchased transportation and support vehicles (e.g., parts, fuel, tires, batteries, etc.) and also includes the labor expenses of the Authority's employees incurred when those employees perform work on capital improvement projects.

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The following table summarizes Fiscal Year 2018 actual (unaudited) and budgeted operating expenses by cost category and the Fiscal Year 2019 operating budget.

| OPERATING BUDGET BY COST CATEGORY         |                       |                       |                         |                 |                       |  |                |
|---|-----------------------|-----------------------|-------------------------|-----------------|-----------------------|--|----------------|
| Expense Category                          | FY 2018<br>Budget     | FY 2018<br>Actual     | Variance <sup>(1)</sup> |                 | FY 2019<br>Budget     | Change in Budget<br>FY 2019 vs. FY 2018 <sup>(2)</sup> |                |
|   |                       |                       | Amount                  | %               |                       | Amount   | %              |
| Salaries and Wages                        | \$ 235,688,847        | \$ 227,799,635        | \$ (7,889,212)          | -3.35%          | \$ 252,622,688        | \$ 16,933,841  | 7.18%          |
| Fringe Benefits                           | 124,141,101           | 120,484,549           | (3,656,552)             | -2.95%          | 126,376,205           | 2,235,104  | 1.80%          |
| <b>Subtotal Labor and Fringe Benefits</b> | <b>\$ 359,829,948</b> | <b>\$ 348,284,184</b> | <b>\$ (11,545,764)</b>  | <b>-3.21%</b>   | <b>\$ 378,998,893</b> | <b>\$ 19,168,945</b>                                   | <b>5.33%</b>   |
| Services                                  | \$ 62,166,353         | \$ 45,029,744         | \$ (17,136,610)         | -27.57%         | \$ 49,447,093         | \$ (12,719,260)  | -20.46%        |
| Materials and Supplies                    | 30,906,304            | 31,555,876            | 649,572                 | 2.10%           | 31,696,392            | 790,088  | 2.56%          |
| Fuel & Utilities                          | 34,702,275            | 33,953,400            | (748,875)               | -2.16%          | 38,618,907            | 3,916,632  | 11.29%         |
| Casualty and Liability                    | 4,352,588             | 3,361,538             | (991,050)               | -22.77%         | 5,359,774             | 1,007,186  | 23.14%         |
| Purchased Transportation                  | 101,982,281           | 99,761,003            | (2,221,278)             | -2.18%          | 102,805,759           | 823,478  | 0.81%          |
| Leases, Rentals and Miscellaneous         | 14,253,334            | 10,695,589            | (3,557,745)             | -24.96%         | 13,316,910            | (936,424)  | -6.57%         |
| <b>Subtotal Non-Labor</b>                 | <b>\$ 248,363,136</b> | <b>\$ 224,357,150</b> | <b>\$ (24,005,985)</b>  | <b>-9.67%</b>   | <b>\$ 241,244,835</b> | <b>\$ (7,118,301)</b>                                  | <b>-2.87%</b>  |
| <b>Subtotal Labor and Non-Labor</b>       | <b>\$ 608,193,084</b> | <b>\$ 572,641,334</b> | <b>\$ (35,551,750)</b>  | <b>-5.85%</b>   | <b>\$ 620,243,728</b> | <b>\$ 12,050,644</b>                                   | <b>1.98%</b>   |
| Contingency                               | \$ 12,500,000         | \$ --                 | \$ (12,500,000)         | -100.00%        | \$ 17,101,800         | \$ 4,601,800   | 36.81%         |
| Allocation to Capital Program and GMP     | (630,084)             | (802,084)             | (172,000)               | 27.30%          | (11,135,529)          | (10,505,445)   | 1,667.31%      |
| <b>Subtotal Contingency/Allocation</b>    | <b>\$ 11,869,916</b>  | <b>\$ (802,084)</b>   | <b>\$ (12,672,000)</b>  | <b>-106.76%</b> | <b>\$ 5,966,271</b>   | <b>\$ (5,903,645)</b>                                  | <b>-49.74%</b> |
| <b>Total Operating Expenses</b>           | <b>\$ 620,063,000</b> | <b>\$ 571,839,251</b> | <b>\$ (48,223,749)</b>  | <b>-7.78%</b>   | <b>\$ 626,210,000</b> | <b>\$ 6,147,000</b>                                    | <b>0.99%</b>   |

<sup>(1)</sup> Fiscal Year 2018 Actual (unaudited) compared to Fiscal Year 2018 Budget.

<sup>(2)</sup> Fiscal Year 2019 Budget compared to Fiscal Year 2018 Budget.

The Authority also budgets its annual capital expenditures, consisting of capitalized purchases comprising part of Total Operating Expenses as well as the costs of labor and support costs to plan, manage and implement General Mobility, Capital Improvements, METRORail and Debt Service together with labor and support costs for bus and rail service funded by Formula and CMAQ Program capital funds. The sum of the total amount is referred to as the "Capital Program." The following table summarizes the Operating and Capital Budgets for Fiscal Years 2018 and 2019.

| SUMMARY OF BUDGETS |                   |                                  |                         |          |                   |  |                       |
|--------------------|-------------------|----------------------------------|-------------------------|----------|-------------------|--|-----------------------|
| Purpose            | FY 2018<br>Budget | FY 2018<br>Actual<br>(unaudited) | Variance <sup>(1)</sup> |          | FY 2019<br>Budget | Change in Budget<br>FY 2019 vs. FY 2018 <sup>(2)</sup> |                       |
|                    |                   |                                  | Amount                  | %        |                   | Amount   | %                     |
| Operating Budget   | \$ 620,063,000    | 571,839,251                      | (48,223,749)            | (7.78%)  | \$ 626,210,000    | \$ 6,147,000   | 0.99%                 |
| Capital Program:   |                   |                                  |                         |          |                   |  |                       |
| General            | 176,816,000       | 179,113,200                      | 2,297,200               | 1.30%    | 180,007,573       | 3,191,573  | 1.81%                 |
| Mobility           |                   |                                  |                         |          |                   |  |                       |
| Capital            | 166,186,000       | 100,650,058                      | (65,535,942)            | (39.44%) | 192,599,275       | 26,413,275   | 15.89% <sup>(3)</sup> |
| Improvement        |                   |                                  |                         |          |                   |  |                       |
| METRORail          | 51,532,000        | 5,068,545                        | (46,463,455)            | (90.16%) | 93,368,000        | 41,836,000   | 81.18% <sup>(3)</sup> |
| Completion         |                   |                                  |                         |          |                   |  |                       |
| Debt               | 96,973,000        | 96,212,438                       | (760,562)               | (0.78%)  | 104,171,344       | 7,198,344  | 7.42%                 |
| Service            |                   |                                  |                         |          |                   |  |                       |
| TOTAL              | \$ 1,111,570,000  | \$952,883,492                    | \$ (158,686,508)        | (14.28%) | \$1,196,356,192   | \$ 84,786,192  | 7.63%                 |

<sup>(1)</sup> Fiscal Year 2018 Actual (unaudited) is compared to Fiscal Year 2018 Budget.

<sup>(2)</sup> Fiscal Year 2019 Budget compared to Fiscal Year 2018 Budget.

<sup>(3)</sup> The percentage increase in METRORail Expansion is due to the completion of the rail lines; the percentage increase in Capital Improvement is due to programmed constrained spending to match available funding.

Substantial risks that could cause a variance between actual and budgeted expenses include possible increases in pension and other employee benefit funding requirements, possible increases in unhedged energy costs or failures of hedges, increased costs from possible storm damage and other risks that cannot be predicted or avoided. Neither the Authority's budgets nor the data in the above tables employ generally accepted accounting principles since they are prepared to manage, rather than to fairly present, financial condition and performance. Accordingly, the data in the above tables may differ from financial data appearing elsewhere in this Official Statement.

Although the Authority has successfully limited its actual expense to budgeted expense in each of the last twelve fiscal years, there can be no assurance that it will be successful in doing so in the future.

See "INVESTMENT CONSIDERATIONS—RESPONSE TO HURRICANE HARVEY" for a discussion of Hurricane Harvey's impact on the operations and facilities of the Authority. See also "INVESTMENT CONSIDERATIONS" for a description of certain risks related to the purchase of the Obligations.

#### FISCAL YEAR 2018 BUDGET AND 2019 BUDGET

METRO has approved its Fiscal Year 2018 and its Fiscal Year 2019 budgets for operations, General Mobility, its Capital Program and Debt Service. The highest priorities for Fiscal Year 2019 include attaining universal accessibility, improving the customer experience, investing in enhanced safety, improving security, maintaining a state of good repair, marketing METRO's service, and planning for the future. See "INVESTMENT CONSIDERATIONS—FORWARD LOOKING STATEMENTS."

#### FINANCIAL HEDGES FOR FUEL

The Authority employs physical forward and financial commodities contracts to provide fuel and energy commodity price certainty for up to 24 months of expected consumption. Counterparties to the fuel hedging contracts must either have a minimum long-term rating of "A3" or "A-" assigned by at least two of the three nationally recognized rating agencies or comply with collateral posting requirements. Certain features of the Authority's Fuel Hedge Policy and outstanding diesel fuel swaps are summarized in Note 7 (beginning on page 53) to the Authority's financial statements for the Fiscal Year ended September 30, 2017, under the sections captioned "Fuel Hedge Policy" and "Outstanding Diesel Fuel Swaps" which are attached hereto as APPENDIX B.

Table 5 below describes the Authority's expenditures by category for its Fiscal Years ending September 30, 2013 through 2017 audited and for the twelve-month period ending September 30, 2018.

**TABLE 5 — OPERATING AND CAPITAL EXPENDITURES AND DEPRECIATION**

|                                    | Fiscal Year Ended September 30, |                    |                    |                    |                    | 12 Months<br>Ended Sept 30, 2018<br>(unaudited) |
|------------------------------------|---------------------------------|--------------------|--------------------|--------------------|--------------------|---|
|                                    | 2013                            | 2014               | 2015               | 2016               | 2017               | 2018  |
| Operating cost before depreciation | \$ 455,222,735                  | \$ 481,754,946     | \$ 521,298,340     | \$ 570,871,086     | \$ 600,263,693     | \$ 571,839,251                                  |
| Infrastructure <sup>(1)</sup>      | 170,373,931                     | 161,502,564        | 149,505,814        | 209,464,879        | 149,838,694        | 151,755,726                                     |
| Capital additions <sup>(2)</sup>   | <u>555,215,767</u>              | <u>369,878,818</u> | <u>257,921,754</u> | <u>131,968,141</u> | <u>101,377,092</u> | <u>105,718,602</u>                              |
| Total expenditures                 | \$1,180,812,433                 | \$1,013,136,328    | \$ 928,725,908     | \$ 912,304,106     | \$ 815,479,479     | \$ 829,313,579                                  |
| Depreciation <sup>(3)</sup>        | \$ 136,642,238                  | \$ 160,049,291     | \$ 173,469,603     | \$ 212,338,159     | \$ 206,753,917     | \$ 203,727,711                                  |

<sup>(1)</sup> See page 45 of the Fiscal Year 2017 Financial Statements in the section captioned "Agreements to Fund Local Infrastructure and Mobility Programs."

<sup>(2)</sup> See page 31 of the Fiscal Year 2017 Financial Statements for a discussion and description of capital additions.

<sup>(3)</sup> The Authority does not maintain a capital replacement fund to provide for the replacement of depreciated assets.

#### DEBT AND OTHER OBLIGATIONS

##### SALES TAX-SUPPORTED DEBT

**Voter Authorized.** In the 2003 Election, voters authorized the issuance of \$640,000,000 of bonds payable from a pledge of 75% of the sales tax collected by the Authority (the "Voted Sales Tax Bonds") to fund projects for its transit system. The Authority has issued all of the bonds authorized at the 2003 Election. The Authority may hold one or more future elections to authorize additional sales tax bonds.

Under current State law, in addition to the Voted Sales Tax Bonds and other sales tax bonds approved by future elections, the Authority may issue certain other Senior Lien Obligations without an election, specifically (i) contractual obligations and (ii) commercial paper notes and sales and use tax bonds or notes with a five-year or shorter term.



**Contractual Obligations.** Contractual obligations may be issued as Senior Lien Obligations on a parity with the Voted Sales Tax Bonds and may be issued to finance vehicles and other personal property. As of September 30, 2018, \$355,535,000 in aggregate principal amount of contractual obligations, all constituting Senior Lien Obligations, were outstanding.

**Commercial Paper Notes.** The Authority has established a \$400 million commercial paper program ("CP Program") for the issuance of Sales and Use Tax Revenue Commercial Paper Notes (the "CP Notes") in multiple separate series. As described in further detail below, the current maximum issuance capacity of the CP Program is \$165 million, which is the amount of authorized CP Notes secured by credit facilities. The current CP Program expires in June 2021, and, consistent with the terms of the Authority Act, the Authority expects to renew the CP Program for an additional five years prior to its expiration. The CP Notes are Senior Lien Obligations payable on a parity with the Obligations. The CP Notes are not secured by the Reserve Funds.

As of September 30, 2018, CP Notes were outstanding in the aggregate principal amount of \$116,100,000.

The Authority has contracted for liquidity support for the CP Notes by means of (1) a \$140,000,000 line of credit provided by JPMorgan Chase Bank, N.A. and (2) a \$25,000,000 line of credit provided by State Street Bank and Trust Company. The lines of credit obligate the respective banks to provide liquidity for the payment of the principal of (but not interest on) maturing CP Notes, subject to certain conditions. If a bank makes an advance to pay for maturing CP Notes, the Authority must repay such advances over a two-year period. Unless otherwise extended pursuant to the terms of each agreement, the stated expiration dates for the credit facilities are as follows: JPMorgan Chase Bank, N.A. (line of credit), June 30, 2021; and State Street Bank and Trust Co. (line of credit), June 30, 2021. The Authority expects to either renew or replace one or more of the facilities on or before such expiration dates.

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## OUTSTANDING DEBT

The following table summarizes selected terms of debt of the Authority payable from and, except for certificates of participation, secured by a senior lien on and pledge of Pledged Revenues on a parity with the Obligations.

**TABLE 6—OUTSTANDING DEBT AS OF SEPTEMBER 30, 2018**

| Series                          | Principal Amount<br>Outstanding | Interest | Reserve Fund<br>Participant | Final<br>Maturity |
|---------------------------------|---------------------------------|----------|-----------------------------|-------------------|
| <b>Senior Lien Obligations:</b> |                                 |          |                             |                   |
| Sales and Use Tax Bonds,        |                                 |          |                             |                   |
| Series 2009A                    | \$ 4,195,000                    | Fixed    | Yes <sup>(1)</sup>          | 2018              |
| Series 2009C                    | 82,555,000                      | Fixed    | Yes <sup>(1)</sup>          | 2038              |
| Series 2011A                    | 331,575,000                     | Fixed    | Yes <sup>(1)</sup>          | 2041              |
| Series 2015A                    | 43,820,000                      | Fixed    | No                          | 2020              |
| Series 2016A                    | 126,245,000                     | Fixed    | No                          | 2029              |
| Series 2016C                    | 33,615,000                      | Fixed    | No                          | 2021              |
| Series 2017A                    | 29,995,000                      | Fixed    | No                          | 2025              |
| <b>Subtotal</b>                 | <b>\$652,000,000</b>            |          |                             |                   |
| Contractual Obligations,        |                                 |          |                             |                   |
| Series 2009B                    | \$-                             | Fixed    | Yes <sup>(2)</sup>          | N/A               |
| Series 2009D                    | -                               | Fixed    | Yes <sup>(2)</sup>          | N/A               |
| Series 2010A                    | 6,885,000                       | Fixed    | Yes <sup>(2)</sup>          | 2021              |
| Series 2011B                    | 9,575,000                       | Fixed    | Yes <sup>(2)</sup>          | 2022              |
| Series 2014                     | 88,370,000                      | Fixed    | No                          | 2029              |
| Series 2015B                    | 54,475,000                      | Fixed    | No                          | 2028              |
| Series 2016B                    | 25,635,000                      | Fixed    | No                          | 2033              |
| Series 2016D                    | 44,445,000                      | Fixed    | No                          | 2028              |
| Series 2017B                    | 100,950,000                     | Fixed    | No                          | 2029              |
| Series 2017C                    | 25,200,000                      | Fixed    | No                          | 2027              |
| <b>Subtotal</b>                 | <b>\$355,535,000</b>            |          |                             |                   |
| Commercial Paper Notes          |                                 |          |                             |                   |
| Series A-1                      | \$94,100,000                    | Variable | No                          | N/A               |
| Series A-3                      | 22,000,000                      | Variable | No                          | N/A               |
| <b>Subtotal</b>                 | <b>\$116,100,000</b>            |          |                             |                   |
| <b>Total</b>                    | <b>\$1,123,635,000</b>          |          |                             |                   |

<sup>(1)</sup> Secured by the Sales Tax Bond Reserve Fund.

<sup>(2)</sup> Secured by the Contractual Obligation Reserve Fund.

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## ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth the Authority's annual debt service requirements on Senior Lien Obligations (other than CP Notes) to be outstanding after issuance of the Obligations, as well as the portion of debt service requirements expected to be paid to the Authority by the federal government, computed based upon the noted assumptions. The table excludes debt service on the CP Notes. See "PLAN OF FINANCE" and "OUTSTANDING DEBT."

**TABLE 7—PRO FORMA ANNUAL DEBT SERVICE REQUIREMENTS SECURED BY PLEDGED REVENUES**

| Fiscal<br>Year<br>Ending<br>Sept. 30 | Outstanding<br>Senior Lien<br>Obligations<br>Debt Service <sup>(1)</sup> | The Obligations <sup>(2)</sup> |                     |                       | Combined<br>Total Debt<br>Service | Less:<br>Build<br>America Bond<br>Subsidy <sup>(3)</sup> | Combined<br>Total Net Debt<br>Service <sup>(4)</sup> |
|--------------------------------------|--|--------------------------------|---------------------|-----------------------|-----------------------------------|--|--|
|                                      |  | Principal                      | Interest            | Total Debt<br>Service |                                   |  |  |
| 2019                                 | \$ 100,361,073   | \$ -                           | \$ 3,047,500        | \$ 3,047,500          | \$ 103,408,573                    | \$ (1,863,318)   | \$ 101,545,255                                       |
| 2020                                 | 99,784,939   | -                              | 6,095,000           | 6,095,000             | 105,879,939                       | (1,863,318)  | 104,016,621  |
| 2021                                 | 99,664,760   | -                              | 6,095,000           | 6,095,000             | 105,759,760                       | (1,863,318)  | 103,896,442  |
| 2022                                 | 99,157,311   | -                              | 6,095,000           | 6,095,000             | 105,252,311                       | (1,863,318)  | 103,388,993  |
| 2023                                 | 96,584,277   | 9,245,000                      | 5,863,875           | 15,108,875            | 111,693,152                       | (1,863,318)  | 109,829,834  |
| 2024                                 | 94,640,016   | 9,720,000                      | 5,389,750           | 15,109,750            | 109,749,766                       | (1,863,318)  | 107,886,448  |
| 2025                                 | 89,305,042   | 11,420,000                     | 4,861,250           | 16,281,250            | 105,586,292                       | (1,863,318)  | 103,722,974  |
| 2026                                 | 80,613,366   | 11,945,000                     | 4,277,125           | 16,222,125            | 96,835,491                        | (1,863,318)  | 94,972,173   |
| 2027                                 | 76,000,344   | 12,600,000                     | 3,663,500           | 16,263,500            | 92,263,844                        | (1,863,318)  | 90,400,526   |
| 2028                                 | 75,769,821   | 13,180,000                     | 3,019,000           | 16,199,000            | 91,968,821                        | (1,863,318)  | 90,105,503   |
| 2029                                 | 68,955,456   | 13,890,000                     | 2,342,250           | 16,232,250            | 85,187,706                        | (1,863,318)  | 83,324,388   |
| 2030                                 | 64,410,706   | 14,630,000                     | 1,629,250           | 16,259,250            | 80,669,956                        | (1,863,318)  | 78,806,638   |
| 2031                                 | 45,128,931   | 15,405,000                     | 878,375             | 16,283,375            | 61,412,306                        | (1,777,324)  | 59,634,982   |
| 2032                                 | 45,252,438   | 1,620,000                      | 452,750             | 2,072,750             | 47,325,188                        | (1,601,386)  | 45,723,802   |
| 2033                                 | 45,933,500   | 1,725,000                      | 369,125             | 2,094,125             | 48,027,625                        | (1,417,435)  | 46,610,190   |
| 2034                                 | 45,726,578   | 1,830,000                      | 280,250             | 2,110,250             | 47,836,828                        | (1,225,077)  | 46,611,751   |
| 2035                                 | 42,847,594   | 370,000                        | 225,250             | 595,250               | 43,442,844                        | (1,023,916)  | 42,418,927   |
| 2036                                 | 42,621,094   | 390,000                        | 206,250             | 596,250               | 43,217,344                        | (813,558)  | 42,403,786   |
| 2037                                 | 42,388,203   | 410,000                        | 186,250             | 596,250               | 42,984,453                        | (593,551)  | 42,390,902   |
| 2038                                 | 42,144,844   | 430,000                        | 165,250             | 595,250               | 42,740,094                        | (363,500)  | 42,376,594   |
| 2039                                 | 41,886,891   | 455,000                        | 143,125             | 598,125               | 42,485,016                        | (122,953)  | 42,362,062   |
| 2040                                 | 41,756,000   | 475,000                        | 119,875             | 594,875               | 42,350,875                        | -  | 42,350,875   |
| 2041                                 | 41,755,750   | 500,000                        | 95,500              | 595,500               | 42,351,250                        | -  | 42,351,250   |
| 2042                                 | 41,758,500   | 525,000                        | 69,875              | 594,875               | 42,353,375                        | -  | 42,353,375   |
| 2043                                 | 100,361,073  | 555,000                        | 42,875              | 597,875               | 597,875                           | -  | 597,875  |
| 2044                                 | 99,784,939   | 580,000                        | 14,500              | 594,500               | 594,500                           | -  | 594,500  |
| <b>TOTAL</b>                         | <b>\$1,564,447,432</b>   | <b>\$121,900,000</b>           | <b>\$55,627,750</b> | <b>\$177,527,750</b>  | <b>\$1,741,975,182</b>            | <b>\$(31,298,516)</b>                                    | <b>\$1,710,676,665</b>                               |

<sup>(1)</sup> Excludes debt service on the CP Notes.

<sup>(2)</sup> Includes debt service for the 2017A, 2017B, and 2017C issuance.

<sup>(3)</sup> Represents federal subsidy for the Series 2009C Sales Tax Bonds issued as direct subsidy "Build America Bonds." The schedule assumes a 6.2% reduction (subject to change) applied from Fiscal Years 2018 through 2042. See "OUTSTANDING DEBT" and "INVESTMENT CONSIDERATIONS—RISKS ASSOCIATED WITH FEDERAL FUNDING" and "RISKS RELATING TO BUILD AMERICA BONDS."

## MAXIMUM AND AVERAGE ANNUAL DEBT SERVICE REQUIREMENTS

After the issuance of the Obligations, the MADS and combined average annual debt service requirements on the Senior Lien Obligations (other than the CP Notes) will be \$109,829,834 and \$65,795,256, respectively. The foregoing calculations take into account projected federal subsidy payments (as shown on Table 7) on the Series 2009C Obligations issued as direct subsidy "Build America Bonds" and exclude debt service payments on the CP Notes.

## DEBT SERVICE COVERAGE

Sales tax revenues accrued for Fiscal Year 2017 amounted to \$690,929,011. Pledged Revenues for Fiscal Year 2017 are equal to 75% of such amount, or \$518,196,758. Coverage of the MADS and combined average annual debt service requirements on the Senior Lien Obligations (other than CP Notes) by Fiscal Year 2017 Pledged Revenues, after giving effect to the issuance of the

Obligations, is equal to 4.72x and 7.88x, respectively. The Authority's Fiscal Year 2019 Business Plan estimates sales tax revenues for Fiscal Year 2018 to be \$743,267,872, and projects sales tax revenues for Fiscal Year 2019 to be \$754,727,884. The foregoing calculations take into account projected federal subsidy payments on the Series 2009C Obligations issued as direct subsidy "Build America Bonds" and exclude debt service payments on the CP Notes.

#### **GENERAL MOBILITY CONTRACTS**

Pursuant to the 2012 Election and interlocal agreements, the Authority is committed through December 31, 2025, to make payments to or on behalf of Harris County, the City and the Participating Municipalities of up to 25% of sales tax revenue collected by the Authority for General Mobility projects. The Authority is also committed by the 2012 Election to seek additional voter authority to renew its General Mobility commitments beyond December 31, 2025.

#### **GENERAL MOBILITY ESCROW**

Recognizing the potential liquidity risks associated with varying rates at which sales tax revenues pledged to General Mobility will be billed to the Authority by other local governments, in October 2010 the Authority established an escrow account to isolate funds dedicated to intergovernmental obligations. Contributions are deposited to the escrow account each month from sales tax receipts in amounts up to 25% of the current net receipts. As of September 30, 2018, the Authority had collected and escrowed \$95,877,947.66 in sales tax revenues committed to the General Mobility program in the service area that had not been billed for reimbursement by the partner local governments. Such escrowed mobility funds are not Pledged Revenues. See "EXPENDITURES – FISCAL YEAR 2018 BUDGET AND 2019 BUDGET."

#### **DEBT POLICY**

On August 23, 2018, the Board approved an updated Debt Policy for the Authority (the "*Debt Policy*"). The Debt Policy sets forth guidance on the type of debt that may be incurred by the Authority (e.g., long-term versus short-term), the source of payment for its debt obligations and other factors to be considered when incurring debt. The Debt Policy allows the Authority to incur debt for only the following purposes: financing capital assets, improving infrastructure, refunding or defeasing existing obligations, funding capitalized interest, paying costs of issuance or making deposits to reserve funds and other funds required in debt instruments. The Debt Policy specifies budgeting interest costs on variable rate debt, such as 1% above the two-year historical average rate for the Securities Industry and Financial Markets Association ("*SIFMA*") Municipal Swap Index (formerly the BMA Municipal Swap Index), plus ongoing costs such as credit facilities. Additionally, the Debt Policy specifies financial policies such as the use of external economists for sales tax projections and maintaining a working capital reserve amount of at least 15% of annualized budgeted operating expenditures. Compliance with all continuing disclosure agreements is part of the Debt Policy.

#### **SWAP POLICY**

The Authority has a policy of not entering into derivative transactions related to the Authority's debt. The Authority does, however, enter into financial hedges, which are described under "EXPENDITURES – FINANCIAL HEDGES FOR FUEL,"

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## LEASE/SUBLEASE AGREEMENTS

During Fiscal Year 2016, the transit buses' lease expired with the fareboxes/radios buses' lease expiring during Fiscal Year 2018. The Authority has no plans to renew or enter into new leases after the conclusion of the existing program.

|                  | Lease<br>Expiration<br>Date | Amortization<br>Period<br>(Years) |                        |
|------------------|-----------------------------|-----------------------------------|------------------------|
| Fareboxes/radios | Jan 1, 2018                 | 16                                |                        |
|                  | September 30,<br>2016       | Current<br>Year                   | September 30,<br>2017  |
|                  | Unamortized<br>Balance      | Amortization                      | Unamortized<br>Balance |
| Fareboxes/radios | \$ 4,426,306                | \$ 2,213,154                      | \$ 2,213,152           |
|                  | September 30,<br>2015       | Current<br>Year                   | September 30,<br>2016  |
|                  | Unamortized<br>Balance      | Amortization                      | Unamortized<br>Balance |
| Transit buses    | \$ 607,395                  | \$ 607,395                        | \$ -                   |
| Fareboxes/radios | 6,639,460                   | 2,213,154                         | 4,426,306              |
| Total            | \$ 7,246,855                | \$ 2,820,549                      | \$ 4,426,306           |

Certain information about the lease/leaseback transactions is summarized in Note 7 of the Authority's financial statements for the Fiscal Year ended September 30, 2017, attached hereto as APPENDIX B.

## RETIREMENT PLANS

METRO has three pension plans and two postemployment healthcare plans. Two of the pension plans are noncontributory, single-employer, defined-benefit plans and one is a defined contribution plan. The postemployment healthcare plans are single-employer, defined benefit plans that are available to eligible retirees.

Pension and postemployment healthcare contributions are authorized by METRO's Board of Directors during the annual budgeting process. METRO's funding policy, for both pension plans, is to contribute each year the annual, actuarially determined contribution in equal payments over a 12-month period.

The monthly pension contributions are placed into separate trust accounts and will be used to fund pension payments as they become due. Other postemployment benefits are funded on a pay-as-you-go basis. Independently audited financial statements are available for both defined-benefit pension plans on METRO's Website. METRO has no access to pension plan assets as they are kept in separate trust accounts and managed by two separate administrative committees. The Defined Benefit Pension Plans (Plans) asset custodian and disbursing agent is State Street Bank, which is responsible for executing/recording all investment transactions authorized by the plans, paying operating expenses, and issuing monthly checks to retirees.

Calculating amounts used in financial reporting and management of the Transport Workers Union Pension Plan, Local 260, AFL-CIO (TWUPP) and the Non-Union Pension Plan (NUPP), the two defined benefit retirement plans, requires the use of actuarial assumptions. These assumptions reflect a long-term perspective in determining liabilities and expenses. Each year these assumptions are reviewed with the plans' actuary and adjusted based on actual performance. The amount ultimately paid may vary significantly from the amounts currently reported since retirement liabilities are based on long-term estimates and actuarial projections.

Changes in actuarial assumptions made during FY2017 for the TWUPP and the NUPP consisted of:

| TWUPP   | NUPP  |
|---|---|
| The mortality table was updated using the Mortality Improvement Scale MP-2016 | The mortality table was updated using the Mortality Improvement Scale MP-2016 |
| The earnings progression assumption, was increased from 2.50% to 2.75%.       | The earnings progression assumption was increased from 2.50% to 2.75%         |
| Lump sum election is not available under this plan                            | The lump sum election was decreased from 85% to 50%                           |



Changes in assumptions, listed above, along with other economic and demographic gains reduced the TWUPP net pension liability by \$15,925,303 while similar changes increased the net pension liability of the NUPP by \$12,298,654 during FY2017. The related changes in deferred inflows/outflows will be amortized, using the straight-line method, and reported as part of pension expense in the current and over the next four years.

Change in actuarial assumption made during FY2016 for the TWUPP and the NUPP consisted of:

| TWUPP   | NUPP  |
|---|---|
| The mortality table was updated to the RP2014 Mortality Table adjusted backwards to 2006 with MP-2014 and projected forward (fully generational) with MP-2015 | The mortality table was updated to the RP2014 Mortality Table adjusted backwards to 2006 with MP-2014 and projected forward (fully generational) with MP-2015 |

Updating the mortality table, listed above, along with other economic and demographic losses (based on an experience study dated June 22, 2016) increased the net pension liability for the TWUPP by \$22,899,218 and by \$18,953,325 for the NUPP during FY2016. The related increase in deferred outflows will be amortized, using the straight-line method, and reported as part of pension expense in the current and over the next four years.

The net pension liability, as of September 30, 2017, for both defined benefit pension plans was measured as of December 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated January 1, 2016. The actuarial valuation was based on the discount rate and actuarial assumptions listed on the next page and projected forward to the measurement date, September 30, 2017, in accordance with GASB Statement No. 68.

The discount rate used to determine the total pension liability for both defined benefit pension plans was 6.75% which is the same as the long-term expected investment rate of return. The use of the same rate is only appropriate when the depletion analysis, which covers the life of the individual plan, has projected cash inflows from contributions and investment earnings which will equal or exceed the projected outflows for expenses and benefit payments.

The projected long-term expected rate of return on pension plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of returns (expected returns, net of pension plan investment expense and inflation) were developed for each major asset class. These ranges are combined to produce the projected long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of the projected arithmetic, real rates of return for each major asset class included in the Plan's target asset allocation as of January 1, 2016 are reflected on page 38 and 41 of this report.

Changes in the combined net pension liability for both defined benefit pension plans as of September 30, 2017 and September 30, 2016 was:

| Net Pension Liability     | TWUPP          | NUPP          | Total          |
|---------------------------|----------------|---------------|----------------|
| Ending September 30, 2016 | \$ 159,208,177 | \$ 92,829,616 | \$ 252,037,793 |
| Current year changes      | (19,990,903)   | 11,445,638    | (8,545,265)    |
| Ending September 30, 2017 | \$ 139,217,274 | \$104,275,254 | \$ 243,492,528 |

| Net Pension Liability     | TWUPP          | NUPP          | Total          |
|---------------------------|----------------|---------------|----------------|
| Ending September 30, 2015 | \$ 116,911,315 | \$ 61,050,504 | \$ 177,961,819 |
| Current year changes      | 42,296,862     | 31,779,112    | 74,075,974     |
| Ending September 30, 2016 | \$ 159,208,177 | \$ 92,829,616 | \$ 252,037,793 |

The ending net pension liabilities are measured each December 31 and reported nine months later in METRO's Statement of Net Position dated September 30 of each fiscal year. METRO's contributions for the period January 1 through September 30 of each year are reported as part of the deferred outflows as listed on the following schedule.

The deferred outflows and inflows for both defined benefit pension plans as of September 30, 2017 and September 30, 2016 were:

| Deferred outflows for FY2017  | TWUPP                | NUPP                 | Total                |
|---|----------------------|----------------------|----------------------|
| Contributions between January 1, 2017 through September 30, 2017            | \$ 11,560,367        | \$ 8,480,456         | \$ 20,040,823        |
| Difference between expected and actual economic/demographic experience      | —                    | 10,222,838           | 10,222,838           |
| Change of assumption  | 14,382,035           | 7,629,662            | 22,011,697           |
| Net difference between projected and actual earnings on pension investments | 14,193,139           | 11,086,424           | 25,279,563           |
| Total deferred outflows September 30, 2017                                  | <u>\$ 40,135,541</u> | <u>\$ 37,419,380</u> | <u>\$ 77,554,921</u> |
|   |                      |                      |                      |
| Deferred outflows for FY2016  | TWUPP                | NUPP                 | Total                |
| Contributions between January 1, 2016 through September 30, 2016            | \$ 12,423,960        | \$ 8,385,852         | \$ 20,809,812        |
| Difference between expected and actual economic/demographic experience      | —                    | 4,955,728            | 4,955,728            |
| Change of assumption  | 20,030,910           | 9,020,358            | 29,051,268           |
| Net difference between projected and actual earnings on pension investments | 22,066,007           | 15,441,726           | 37,507,733           |
| Total deferred outflows September 30, 2016                                  | <u>\$ 54,520,877</u> | <u>\$ 37,803,664</u> | <u>\$ 92,324,541</u> |
|   |                      |                      |                      |
| Deferred inflows for FY2017   | TWUPP                | NUPP                 | Total                |
| Difference between expected and actual economic/demographic experience      | \$ 9,593,939         | \$ —                 | \$ 9,593,939         |
| Change of assumption  | 4,087,840            | —                    | 4,087,840            |
| Total deferred inflows September 30, 2017                                   | <u>\$ 13,681,779</u> | <u>\$ —</u>          | <u>\$ 13,681,779</u> |
|   |                      |                      |                      |
| Deferred inflows for FY2016   | TWUPP                | NUPP                 | Total                |
| Difference between expected and actual economic/demographic experience      | <u>\$ 2,168,916</u>  | <u>\$ —</u>          | <u>\$ 2,168,916</u>  |

*[The remainder of this page is intentionally left blank.]*

Significant actuarial assumptions used in calculating the net pension liability and related pension expense for the defined benefit pension plans are listed below:

|                                  | TWUPP   | NUPP  |
|----------------------------------|---|---|
| Valuation timing                 | January 1 of each year  | January 1 of each year  |
| Cost method                      | Entry age normal  | Entry age normal  |
| Inflation rate                   | 2.3% per year IRS salary limit  | 2.3% per year IRS salary limit  |
| Investment rate of return        | 6.75% per annum   | 6.75% per annum   |
| Funding policy                   | Contributing annually the actuarially determined contribution requirement   | Contributing annually the actuarially determined contribution requirement   |
| Cost-of-living adjustments       | None  | None  |
| Projected salary increases       | 2.75% per annum   | 2.75% per annum   |
| Assumed annual retirement rate   | Varying percentage ranging from 5% to 100% for ages 60 through 70   | Varying percentage ranging from 20% to 100% for ages 55 through 70  |
| Mortality and disabled mortality | RP-2014 Mortality adjusted backwards to 2006 with MP-2014 and projected forward (fully generational) with MP-2016 | RP-2014 Mortality adjusted backwards to 2006 with MP-2014 and projected forward (fully generational) with MP-2016 |
| Amortization of gains/losses:    |   |   |
| Method                           | Level dollars/reestablished annually  | Level dollars/reestablished annually  |
| Period                           | 27 years closed   | 27 years closed   |
| Open to new members              | No (as of October 1, 2012)  | No (as of October 1, 2007)  |

**TWUPP Defined Benefit Pension Plan.** The TWUPP was established by METRO for the purpose of accumulating funds to pay retirement benefits and certain related administrative costs. The Plan, which closed to new members on October 1, 2012, is a single employer, noncontributory defined benefit pension plan which is for employees covered by the collective bargaining agreement. Retirement benefits are established during periodic negotiations with the Transport Workers Union of America, AFL-CIO and Local 260 of the Transport Workers Union of America, AFL-CIO (Union). Postemployment health care costs are not included in the TWUPP.

TWUPP provides for monthly normal retirement benefits based on the participant's years of service, but not less than \$500 each month. The calculation for the monthly normal retirement benefit is based on the designated dollar amount times the number of credited years of service. The designated dollar amount used to determine the monthly normal retirement benefit is based on date of retirement and as allowed by the Union labor agreement. The most current monthly amounts paid for recent retirees are as follows:

|   |       |
|---|-------|
| August 1, 2002 through July 31, 2003    | \$ 50 |
| August 1, 2003 through July 31, 2004    | 51    |
| August 1, 2004 through July 31, 2005    | 52    |
| August 1, 2005 through July 31, 2006    | 52    |
| August 1, 2006 through July 31, 2007    | 53    |
| August 1, 2007 through January 31, 2009 | 54    |
| February 1, 2009 through present        | 60    |

Participants can only receive monthly distributions unless their balance is \$5,000 or less, then the participant can elect to receive a lump-sum payment. TWUPP participants are 100% vested after five years of credited service. Participants become eligible to receive benefits at the earlier of 28 years of credited services or at age 60 with five years of credited service. The requirements for early retirement with reduced benefits are that an employee reaches age 55 with 25 years of credited service. In addition, TWUPP provides for disability retirement benefits with the requirement of having five years of credited service. Additional requirements include five years of vesting service for vested deferred retirement benefits and for preretirement spousal benefits.

Changes in plan participants between January 1, 2016 and January 1, 2015 were:

| Participants               | 2016  | 2015  | Change |
|----------------------------|-------|-------|--------|
| Active                     | 1,994 | 2,108 | (114)  |
| Terminated and vested      | 530   | 560   | (30)   |
| Retired                    | 1,050 | 986   | 64     |
| Disabled                   | 198   | 209   | (11)   |
| Beneficiaries              | 295   | 247   | 48     |
| Total for all participants | 4,067 | 4,110 | (43)   |

Changes in the Net Pension Liability for the TWUPP is based on a measurement date of December 31 with the amounts reported on METRO's September 30 financial statements. Activities for the last two years consisted of:

|   | For the Years Ending September 30, (Report Dates) |                |
|---|---|----------------|
|   | 2017  | 2016           |
| Total pension liability                           |   |                |
| Changes for the year:                             |   |                |
| Service cost                                      | \$ 5,328,754                                      | \$ 5,549,985   |
| Interest on total pension liability               | 24,589,485  | 24,786,145     |
| Changes of benefit terms                          | -   | -              |
| Difference between expected and actual experience | (10,556,008)                                      | (2,780,567)    |
| Changes of assumption                             | (5,369,295)                                       | 25,679,785     |
| Benefit payments                                  | (17,656,524)                                      | (16,567,409)   |
| Net change in total pension liability             | (3,663,588)                                       | 36,667,939     |
| Total pension liability beginning                 | 383,569,323                                       | 346,901,384    |
| Total pension liability ending                    | 379,905,735                                       | 383,569,323    |
| Plan fiduciary net position:                      |   |                |
| Contributions from the employer                   | 16,565,280  | 19,062,423     |
| Net investment income                             | 17,696,392  | (7,809,891)    |
| Benefit payments                                  | (17,656,524)                                      | (16,567,409)   |
| Administrative expenses                           | (277,833)   | (314,046)      |
| Net change in plan fiduciary net position         | 16,327,315  | (5,628,923)    |
| Plan fiduciary net position - beginning           | 224,361,146                                       | 229,990,069    |
| Plan fiduciary net position - ending              | 240,688,461                                       | 224,361,146    |
| METRO's net pension liability                     | \$ 139,217,274                                    | \$ 159,208,177 |

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Sensitivity Analysis Schedule, provided below, is used to evaluate the effect on the total pension liability and related net pension liability for a 1% change in the discount rate as of September 30, 2017.

|                       | 1%<br>Decrease to 5.75% | Current Discount R<br>6.75% | 1%<br>Increase to<br>7.75% |
|-----------------------|-------------------------|-----------------------------|----------------------------|
| Net pension liability | <u>\$ 181,897,283</u>   | <u>\$ 139,217,274</u>       | <u>\$ 103,104,922</u>      |

The best estimates of the projected arithmetic, real rates of return for each major asset class included in TWUPP target asset allocation as of January 1, 2016 are listed below:

| Asset Class                       | Index                        | Target Allocation | Long-term Expected<br>Real Rate of Return |
|-----------------------------------|------------------------------|-------------------|---|
| Cash                              | Citigroup 90-Day T-<br>Bills | 4.31%             | 0.50%                                     |
| Core Fixed Income                 | Barclays Aggregate           | 31.48%            | 1.68%                                     |
| Large Cap U.S. Equities           | S&P 500                      | 14.89%            | 3.70%                                     |
| Mid Cap U.S. Equities             | Russell Mid Cap              | 13.44%            | 3.85%                                     |
| Small Cap U.S. Equities           | Russell 2000                 | 13.69%            | 4.20%                                     |
| Developed Foreign Equities        | MSCI EAFE                    | 22.20%            | 4.50%                                     |
| Assumed Inflation – Mean          |                              |                   | 2.30%                                     |
| Assumed Standard Deviation        |                              |                   | 1.85%                                     |
| Portfolio Arithmetic Mean Return  |                              |                   | 6.48%                                     |
| Portfolio Standard Deviation      |                              |                   | 11.18%                                    |
| Long-Term Expected Rate of Return |                              |                   | 6.75%                                     |

**Pension Plan Expense and Deferred Outflows and Inflows.** Pension expense for FY2017 and FY2016 totaled \$21,608,983 and \$25,885,559, respectively, and was reported on the Statement of Changes in Net Position for each fiscal year. The decline in pension expense for FY2017 primarily relates to the amortization of deferred inflows.

A deferred outflow of \$40,135,541 and a deferred inflow of \$13,681,779 was reported on the statement of net position as of September 30, 2017. Included in the deferred outflow are contributions, by METRO, totaling \$11,560,367 for the period January 1, 2017 through September 30, 2017. These contributions will be reflected in next year's actuarial report when determining financial information including pension expense. The deferred outflows, and inflows, excluding the contributions previously discussed, will be amortized using the straight-line method over the next four years and reported as a part of pension expense as follows:

| Fiscal Year | Amount               |
|-------------|----------------------|
| 2018        | \$ 6,511,836         |
| 2019        | 6,511,835            |
| 2020        | 3,111,366            |
| 2021        | (1,241,642)          |
| Total       | <u>\$ 14,893,395</u> |

**Non-union Pension Plan Defined Benefit Pension Plan ("NUPP").** METRO established the NUPP during December 1975 for the purpose of accumulating funds to pay retirement benefits and certain related administrative costs. The Plan, closed to new participants on October 1, 2007, is a single employer, noncontributory (since March 1, 1984) defined benefit pension plan which covers full-time police officers and administrative staff. Retirement benefits are established and can be amended by METRO's Board of Directors. Postemployment healthcare costs are not included in the Plan.

The Plan participants are 100% vested after five years and can retire at age 65 (normal retirement age) or with reduced benefits after age 55 with 15 years of credited service. Monthly benefits are calculated using three factors, which include employee's average earnings for the last three years, number of service years, and the retirement factor. The minimum monthly normal retirement benefit is \$300 for those who retire at or after age 65 and with five years of credited service. The NUPP offers several annuity options and a discounted lump-sum payment.



To receive a lump sum payment, vested employees must withdraw their funds by the end of the year following their termination. After this time, they must select one of the annuity options upon their eligible retirement date. Employees who are totally disabled will continue to earn service years until their normal retirement age with their compensation, as of their disability date, used to calculate their benefits.

Changes in plan participants between January 1, 2016 and January 1, 2015 were:

| Participants          | 2016 | 2015 | Change |
|-----------------------|------|------|--------|
| Active                | 585  | 621  | (36)   |
| Terminated and vested | 87   | 87   | -      |
| Retired               | 225  | 210  | 15     |
| Disabled              | -    | -    | -      |
| Beneficiaries         | 43   | 44   | (1)    |
| Total participants    | 940  | 962  | (22)   |

#### Pension Plan Expense and Deferred Outflows and Inflows

Pension expense for FY2017 and FY2016 totaled \$23,105,662 and \$17,309,213 and was reported on the statement of changes in net position for each fiscal year. The increase in pension expense for FY2017 primarily relates to the amortization of deferred outflows and interest on the total pension liability.

A deferred outflow of \$37,419,380 and a deferred inflow of \$0 were reported on the statement of net position as of September 30, 2017. Included in the deferred outflow are contributions by METRO totaling \$8,480,456 for the period January 1, 2017 through September 30, 2017. These contributions will be reflected in next year's actuarial report when determining financial information including pension expense. The deferred contributions, excluding those contributions previously discussed, will be amortized using the straight-line method over the next four years and reported as a part of pension expense as follows:

| Fiscal Year | Amount        |
|-------------|---------------|
| 2018        | \$ 12,447,957 |
| 2019        | 11,492,328    |
| 2020        | 5,064,556     |
| 2021        | (65,917)      |
| Total       | \$ 28,938,924 |

*[The remainder of this page is intentionally left blank.]*

Changes in the Net Pension Liability for the NUPP is based on a measurement date of December 31 with amounts reported on METRO's September 30 financial statements. Activities for the last two years consisted of:

|   | For the Years Ended September 30,<br>(Reporting Dates) |               |
|---|--|---------------|
|   | 2017   | 2016          |
| Total pension liability                           |  |               |
| Changes for the year                              |  |               |
| Service cost                                      | \$ 3,465,270   | \$ 2,782,533  |
| Interest on total pension liability               | 16,607,887   | 15,165,652    |
| Changes of benefit terms                          | -  | -             |
| Difference between expected and actual experience | 9,768,147  | 6,720,589     |
| Changes of assumption                             | 2,530,507  | 12,232,736    |
| Benefit payments                                  | (10,374,582)   | (8,777,750)   |
| Net change in total pension liability             | 21,997,229   | 28,123,760    |
| Total pension liability beginning                 | 235,381,436  | 207,257,676   |
| Total pension liability ending                    | 257,378,665  | 235,381,436   |
| Plan fiduciary net position                       |  |               |
| Contributions from the employer                   | 11,181,136   | 11,248,671    |
| Net investment income                             | 9,971,104  | (5,890,916)   |
| Benefit payments                                  | (10,374,582)   | (8,777,750)   |
| Administrative expenses                           | (226,067)  | (235,357)     |
| Net change in plan fiduciary net position         | 10,551,591   | (3,655,352)   |
| Plan fiduciary net position – beginning           | 142,551,820  | 146,207,172   |
| Plan fiduciary net position – ending              | 153,103,411  | 142,551,820   |
| METRO's net pension liability ending              | \$ 104,275,254   | \$ 92,829,616 |

Sensitivity Analysis Schedule, provided below, is used to evaluate the effect on the total pension liability and related net pension liability for a 1% change in the discount rate as of September 30, 2017.

|                       | 1%<br>Decrease to 5.75% | Current Discount<br>Rate of 6.75% | 1%<br>Increase to<br>7.75% |
|-----------------------|-------------------------|-----------------------------------|----------------------------|
| Net pension liability | \$ 128,352,282          | \$ 104,275,254                    | \$ 83,795,584              |

The best estimates of the projected arithmetic, real rates of return for each major asset class included in the Plan's target asset allocation as of January 1, 2016, are listed below.

| Asset Class                       | Index                    | Target<br>Allocation | Long-term<br>Expected Real<br>Rate of Return |
|-----------------------------------|--------------------------|----------------------|--|
| Cash                              | Citigroup 90-Day T-Bills | 4.38%                | 0.50%  |
| Core Fixed Income                 | Barclays Aggregate       | 33.56%               | 1.68%  |
| Large Cap U.S. Equities           | S&P 500                  | 23.01%               | 3.70%  |
| Mid Cap U.S. Equities             | Russell Mid Cap          | 3.80%                | 3.85%  |
| Small Cap U.S. Equities           | Russell 2000             | 12.72%               | 4.20%  |
| Developed Foreign Equities        | MSCI EAFE                | 22.53%               | 4.50%  |
| Assumed Inflation – Mean          |                          |                      | 2.30%  |
| Assumed Standard Deviation        |                          |                      | 1.85%  |
| Portfolio Arithmetic Mean Return  |                          |                      | 6.36%  |
| Portfolio Standard Deviation      |                          |                      | 10.61%                                       |
| Long-Term Expected Rate of return |                          |                      | 6.75%  |

**Defined Contribution Pension Plan (DCPP).** The NUPP was closed October 1, 2007 and the TWUPP was closed October 1, 2012 to new employees. Individuals hired after those dates are placed into a DCP. As part of DCP, METRO will contribute 2% of the employee's annual salary and will match up to an additional 4% of their contributions. All contributions are placed into a third-party trust account. Employee's vesting rates are 40% after the second year and 20% annually thereafter. Contributions by METRO for the current and previous two fiscal years were \$4,925,937, \$4,113,297, and \$2,954,478, with employees contributing \$4,150,144, \$3,356,028, and \$2,406,028, respectively.

#### RISK FACTORS RELATING TO PENSION SYSTEMS

There are numerous actuarial assumptions that an actuary makes in evaluating a pension plan. Any material deviation between actual results and the actuary's assumptions over an extended period of time can have a significant impact on actuarial funding. These deviations can include, but are not limited to, actual investment performance different than assumed, changes in post-retirement longevity of retirees, and changes in the level of benefits provided. See also "INVESTMENT CONSIDERATIONS --The Authority's Unfunded Future Expenses for Prior Employment May Grow Substantially and Adversely Affect its Financial Condition."

#### OTHER POST-EMPLOYMENT BENEFITS

METRO sponsors two single-employer, defined benefit Other Postemployment Healthcare Plans, which include the Transport Workers Union Metropolitan Transit Authority Health & Welfare Trust (Trust) and the Non-Union Plan (together "Other Postemployment Plan"). These plans cover medical, dental, and life insurance for retirees with a retiree's contribution being based on years of service for the Non-Union Plan. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and historical pattern of cost sharing between the employer and plan members. METRO is on a pay-as-you-go funding basis for these benefits.

The Trust is a separate legal entity that is managed by four trustees who are responsible for managing resources and establishing benefits. Payments to the Trust are irrevocable with METRO's responsibility limited to monthly payments that are based on the number of eligible participants times a standard amount that is established during contract negotiations. To qualify for this retirement benefit, an employee must be 60 years old with 5 years of credited service, any age with 28 years of credited services, or 55 years old with 25 years of credited service or meet disability qualifications. Actual contributions made to the Trust for retirees for the current and previous two fiscal years were \$11,541,786, \$10,748,776, and \$9,194,420 respectively.

The Non-Union Plan is administered by METRO and covers full-time employees with payments made as services are provided. To qualify for this benefit, an employee must be 55 years or older with 5 years of credited services. Employees hired after December 31, 2009 are not eligible for postretirement medical and dental benefits but remain eligible for life insurance with a maximum benefit of \$14,000. Effective October 1, 2012, METRO moved post-65 retirees and spouses to Extend Health. This plan is capped at \$2,801 per person annually and includes medical, dental, vision, and pharmacy. Actual contributions for the current and previous two fiscal years were \$2,871,264, \$3,101,140, and \$3,078,282, respectively.

Significant actuarial assumptions used in METRO's Other Postemployment Plans valuations are listed the following page.

|  | Trust  | Non-Union  |
|--|--|--|
| Valuation date                               | Biennially on January 1 <sup>st</sup>                            | Biennially on January 1 <sup>st</sup>                              |
| Cost method                                  | Projected unit credit  | Projected unit credit  |
| Healthcare cost trend rate                   | 3%   | Varying from 5.3% declining to 4.4% after 2071                     |
| Investment rate of return without prefunding | 3.75% per annum  | 3.75% per annum  |
| Funding policy                               | Pay-as-you-go  | Pay-as-you-go  |
| Assumed annual retirement rate               | Varying percentage ranging from 5% to 100% for age 55 through 70 | Varying percentage ranging from 10% to 100% for ages 55 through 70 |
| Inflation assumption                         | 2.5% per annum, compound annually                                | 2.3% per annum, compound annually                                  |

|   |   |   |
|---|---|---|
| Mortality basis after normal retirement | The RP-2014 Mortality adjusted backwards to 2006 with MP-2014 projected forward (fully generational) with MP2015. Separate tables were used for male and female disabled lives (sex distinct) | The RP-2014 Mortality adjusted backwards to 2006 with MP-2014 projected forward (fully generational) with MP2016. Separate tables were used for male and female disabled lives (sex distinct) |
| Amortization of gains and losses:       |   |   |
| Method                                  | Level dollars/reestablished annually  | Level dollars/reestablished annually  |
| Period                                  | 30 years closed starting January 1, 2013  | 30 years closed starting January 1, 2013  |
| Open to new members                     | Yes   | No (as of January 1, 2010)  |

The following calculations for Other Postemployment Benefit (OPEB) Cost, Net OPEB Obligation, and Funded Status of the plans are based on independent actuarial reports. The Trust's report was dated January 1, 2016 while the Non-Union report was dated January 1, 2017.

|   | Fiscal Year 2017 |               | Fiscal Year 2016 |               |
|---|------------------|---------------|------------------|---------------|
|   | Trust            | Non-Union     | Trust            | Non-Union     |
| Annual required contributions                                 | \$ 42,192,802    | \$ 7,518,756  | \$ 42,192,802    | \$ 6,609,938  |
| Interest on prior year net post-employment benefit obligation | 6,425,278        | 2,302,692     | 6,425,278        | 2,254,416     |
| Adjustment to annual required Contributions                   | (9,831,809)      | (3,602,911)   | (9,831,809)      | (3,252,264)   |
| Other postemployment cost                                     | 38,786,271       | 6,218,537     | 38,786,271       | 5,612,090     |
| Contribution  | 11,541,786       | 2,871,264     | 10,748,776       | 3,101,140     |
| Change in net postemployment benefit obligation               | 27,244,485       | 3,347,273     | 28,037,495       | 2,510,950     |
| Beginning net postemployment benefit obligation               | 199,378,240      | 61,405,152    | 171,340,745      | 58,894,202    |
| Ending net postemployment benefit obligation                  | \$226,622,725    | \$ 64,752,425 | \$199,378,240    | \$ 61,405,152 |
| Percentage of postemployment benefit cost contributed         | 29.76%           | 46.17%        | 27.71%           | 55.26%        |

OPEB cost and Net OPEB obligations for the last three years are:

|           | Annual OPEB Cost | Percentage of OPEB Funded | Year-End Net OPEB Obligation |
|-----------|------------------|---------------------------|------------------------------|
| Trust     |                  |                           |                              |
| 2015      | 34,849,747       | 26.38%                    | 171,340,745                  |
| 2016      | 38,786,271       | 27.71%                    | 199,378,240                  |
| 2017      | 38,786,271       | 29.76%                    | 226,622,725                  |
| Non-Union |                  |                           |                              |
| 2015      | 5,612,090        | 54.85%                    | 58,894,202                   |
| 2016      | 5,612,090        | 55.26%                    | 61,405,152                   |
| 2017      | 6,218,538        | 46.17%                    | 64,752,425                   |

No assets have been accumulated for the OPEB liability since METRO funds on a pay-as-you-go basis. The schedule of funding progress as calculated by an independent actuary (in thousands) was:

| Actuarial Valuation Date | OPEB Plan | Actuarial Value of Assets | Actuarial Accrued Liabilities | Unfunded Actuarial Accrued Liabilities (UAAL) | Funded Ratio Percentage |
|--------------------------|-----------|---------------------------|-------------------------------|---|-------------------------|
| October 1, 2016          | Trust     | —                         | \$ 446,704                    | \$ 446,704                                    | —                       |
| October 1, 2016          | Non-Union | —                         | 82,237                        | 82,237  | —                       |

#### CLAIMS AND LITIGATION AFFECTING THE AUTHORITY

The Authority is a defendant in various lawsuits and is aware of pending claims arising in the ordinary course of its governmental and enterprise activities, certain of which seek substantial damages. That litigation includes lawsuits claiming damages that allege that the Authority caused personal injuries and wrongful deaths; class actions and other lawsuits and claims alleging discriminatory hiring and promotion practices; various claims from contractors for additional amounts under construction contracts; and various other liability claims. The status of such litigation ranges from an early discovery stage to various levels of appeal of judgments both for and against the Authority. The amount of damages is limited in certain cases under the Texas Tort Claims Act and is subject to appeal. The Authority regularly reviews the potential cost exposure of such cases and does not anticipate these exposures will interfere with the normal course of business. The Authority intends to defend itself vigorously against the suits; however, no prediction can be made, as of the date hereof, with respect to the liability of the Authority for such claims or the final outcome of such suits.

#### CAPITAL PROGRAM

##### DESCRIPTION

The Authority Act requires the Board to adopt an annual budget which specifies major expenditures by type and amount. Each year the Board approves a rolling five year Capital Program Budget, which is revised annually to include new projects to reflect changes in priorities, established through input from the Board, staff, and citizens. The Capital Program consists of MetroRail Completion (MRC) and the Capital Improvement Program (CIP).

*The Authority's funding of its Capital Program Budget is subject to available funding sources and access to the financial markets. The Authority does not intend to issue any debt that could be expected to adversely affect the sufficiency of revenues to pay costs of operation and maintenance of the Authority's transportation services. Consequently, the Authority intends to adjust its capital program as necessary to finance the program consistent with available resources and operating needs.*

The Authority's Fiscal Year 2019-2023 Capital Program Budget reflects expenditures of \$1,372.9 million, with \$200.3 million budgeted for MRC and \$1,172.6 million budgeted for CIP.



The table below summarizes the \$286.0 million Capital Program Budget for Fiscal Year 2019:

| <b>Capital Program</b><br><b>Fiscal Year 2019 Annual Budget</b><br><b>(in millions)</b> |   |
|---|---|
| Description   | Fiscal Year 2019<br>Budget <sup>(1)</sup> |
| <b><u>METRORail Completion Program (MRC)<sup>(2)</sup></u></b>                          |   |
| LRT Lines   | \$ 40,884                                 |
| Other MRE Projects  | 52,484                                    |
| Total MRE   | \$ 93,368                                 |
| <b><u>Capital Improvement Program (CIP)</u></b>   |   |
| <i>State of Good Repair</i>   |   |
| Bus and Van Acquisitions  | \$ 51,004                                 |
| State of Good Repair Projects   | 29,663                                    |
| State of Good Repair Project - GMP Referendum   | 1,810                                     |
| Total State of Good Repair  | \$ 80,667                                 |
| Safety  | 13,902                                    |
| Enhancement of Existing Assets  | 26,241                                    |
| Universal Accessibility Projects  | 9,667                                     |
| Service Expansion   | 57,686                                    |
| Total CIP   | \$281,531                                 |
| Non-Obligation Capital Project Fund   | 4,436                                     |
| <b>TOTAL Capital Program</b>  | <b>\$ 285,967</b>                         |

<sup>(1)</sup> Reflects a increase of \$68.2 million or 31.3% over the Fiscal Year 2018 approved budget. This increase is largely due to a \$28 million or 17% increase in planned CIP expenditures and a \$41.8 million or 81.2% increase in METRORail Completion expenditures. (Fiscal Year 2019 Business Plan & Budget Book)

<sup>(2)</sup> Funding sources include grant revenues of \$53.955 million. An additional \$39.413 million will be used from fund balance and borrowing to cover remaining expenditures. (Fiscal Year 2019 Business Plan & Budget Book)

The FY2019 budget allots \$93.4 million for MRC program expenditures and \$192.6 million for the CIP program: specifically, \$80.7 million for State of Good Repair projects (including bus acquisitions, METROLift van replacements, bus and facilities improvements and support vehicles), \$35.9 million for projects that enhance existing assets, support the Universal Accessibility Projects and \$57.7 million for projects relating to service expansion, and \$4.4 million of unallocated funding for projects that are currently not under contract or otherwise obligated.

See below for additional detail regarding Fiscal Year 2019 priorities for the MRC and CIP budgets.

**METRORail Completion.** This program is the completion of the METRORail Phase 1 program of expanding METRO's existing LRT system by adding three lines (North, Southeast, and East End) plus the design and construction of approximately 15 miles of LRT, 24 LRT stations, a storage facility at the Southeast line, a service and inspection facility at the East End line, and the procurement of 39 Light Rail Vehicles (LRV) for the opening-day fleets.

Fiscal Year 2019 will see the completion of Phase 1 and the continuation of Phase 2 of the METRORail program (MRC) which involves the final order of 14 Light Rail Vehicles (LRVs), the construction of a Rail Operations Center storage track needed to accommodate the new LRV's, and several Safety Initiatives on each of the three lines. Phase 2 also involves the development of a new Northline Maintenance of Way facility that would include a METRO Police facility and the development of the Northline Transit Center and Parking facility, currently pending FTA approvals.

**Capital Improvement Program.** The CIP provides for the capital needs that are outside the scope of the METRORail Completion (e.g., bus replacement, facility renovations, procurement of equipment, etc.). The infrastructure supported by the Fiscal Year 2019 CIP budget includes facilities (maintenance and administrative support), revenue rolling stock (rail cars, buses and paratransit vans), and bus system infrastructure including transit center improvements and bus shelters. Maintenance of these assets is critical to ensure a high level of service, reliability and optimized operating costs.

## INVESTMENT CONSIDERATIONS

**THE PURCHASE OF THE OBLIGATIONS IS SUBJECT TO CERTAIN RISKS. EACH PROSPECTIVE INVESTOR IN THE OBLIGATIONS IS ENCOURAGED TO READ THIS OFFICIAL STATEMENT IN ITS ENTIRETY, INCLUDING ALL APPENDICES HERETO. PARTICULAR ATTENTION SHOULD BE GIVEN TO THE FACTORS DESCRIBED BELOW, WHICH, AMONG OTHERS, COULD AFFECT THE PAYMENT OF PRINCIPAL OF AND INTEREST ON THE OBLIGATIONS AND WHICH COULD ALSO AFFECT THE MARKET PRICE OF OBLIGATIONS TO AN EXTENT THAT CANNOT BE DETERMINED.**

### FORWARD-LOOKING STATEMENTS

The statements contained in this Official Statement, and in other information provided by the Authority, that are not purely historical, are forward-looking statements, including statements regarding the Authority's expectations, hopes, intentions or strategies regarding the future. All forward-looking statements included in this Official Statement are based on information available to the Authority on the date hereof, and the Authority assumes no obligation to update any such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates that are inherently subject to numerous risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

### FUNDING OF CAPITAL IMPROVEMENT PROGRAM AND OPERATIONS

The Authority's funding of its CIP is subject to available funding sources and access to the financial markets. The amount of debt service the Authority pays will directly affect the amount of the Pledged Revenues available to the Authority to support its operations, maintenance and capital reinvestment needs. The Authority does not intend to issue any debt that could be expected to adversely affect the sufficiency of revenues to pay costs of operation and maintenance of the Authority's transportation services. Consequently, the Authority intends to adjust its capital program as necessary to finance the program consistent with available resources and operating needs.

### RISKS ASSOCIATED WITH FEDERAL FUNDING

The receipt of capital grants from the FTA is not assured and is subject to approval by the FTA, Secretary of Transportation and Office Management and Budget as well as appropriation by the U.S. Congress, to the allocation and delivery procedures of the U.S. Department of Transportation ("USDOT") and the FTA, and to compliance by the Authority with conditions to the grants. By August 15 of each year, the Congressional Budget Office (the "CBO") issues a report that provides estimates of the caps on discretionary budget authority in effect for each fiscal year through 2021. The CBO has assessed that discretionary appropriations for 2017 do not exceed the caps and therefore a sequestration (or cancellation of budgetary resources) will not be required as a result of appropriation actions in 2017.

If federal funding for transit programs is reduced, whether as a result of sequestration or for other reasons, METRO's receipt of FTA grant funding, as well as METRO's substantial recurring revenue from the FTA, could be delayed, not approved or cancelled.

### RISKS RELATING TO BUILD AMERICA BONDS

The Authority's Series 2009C Sales Tax Bonds were issued as direct subsidy "Build America Bonds." The Authority elected to receive a subsidy payment from United States Treasury equal to 35% of the interest the Authority pays on the Series 2009C Sales Tax Bonds. In order to receive the subsidy, the Authority is required to make certain filings with the Internal Revenue Service. If the Authority fails to make the required filings, it will not be eligible to receive the subsidy payments. Additionally, the proceeds of "Build America Bonds" have a number of limitations on their use. If the Authority were to use the proceeds of the Series 2009C Sales Tax Bonds for expenditures other than capital expenditures, reasonably required reserve funds, and costs of issuance, the Series 2009C Sales Tax Bonds would not be eligible for the subsidy payments or as an offset against amounts owed by the Authority to the federal government. In federal fiscal year 2013, the subsidy was reduced by 8.7%, as a result of sequestration. In federal fiscal years 2014, 2015, and 2016, the subsidy was reduced by 7.2%, 7.3%, and 6.8%, respectively. In federal year 2017, the subsidy was reduced by 6.9% and then by 6.6%. In Fiscal Year 2018, the Authority realized a reduction of \$131,107.67 in subsidy payments as a result of the sequestration reduction. The subsidy reduction in Fiscal Year 2018 equals 0.13% of the Authority's total fiscal year 2018 combined debt service on Senior Lien Obligations (including the Obligations but excluding the CP Notes). Subsidy payments could be further reduced, or eliminated, as a result of a change in law, or as a result of sequestration. The Authority has determined that the reduced amount of the subsidy to be received from the Treasury in relation to the Series 2009C Sales Tax

Bonds as a result of sequestration will not have a material impact on the financial condition of the Authority or its ability to pay regularly scheduled debt service on Series 2009C Sales Tax Bonds when and in the amounts due and owing.

#### **LOSS OF TAX EXEMPTION**

In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Obligations, the Authority has covenanted in the Resolution to comply with the applicable requirements of the Internal Revenue Code of 1986, as amended. The interest on the Obligations could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of such Obligations as a result of acts or omissions of the Authority in violation of this or other covenants in the Resolution applicable to the Obligations. The Obligations are not subject to redemption or any increase in interest rates in the event of an event of taxability and will remain outstanding until maturity or prior redemption in accordance with the provisions contained in the Resolution. See "TAX MATTERS."

#### **REGULATIONS AND RESTRICTIONS AFFECTING THE AUTHORITY**

The operations of the Authority are affected by a variety of contractual, statutory and regulatory restrictions and limitations. The Authority also has been required to implement enhanced security measures mandated by the Federal Transportation Administration, Department of Homeland Security and Authority management. It is not possible to predict whether future restrictions or limitations on Authority operations will be imposed, whether future legislation or regulations will affect anticipated federal funding or collections for the Authority, whether additional requirements will be funded by the federal government or require funding by the Authority, or whether such restrictions or legislation or regulations would adversely affect the Pledged Revenues.

#### **THE AUTHORITY HAS LIMITED ABILITY TO INCREASE OR MAINTAIN REVENUE**

The Authority has imposed the maximum sales tax authorized by law, and it has no authority to impose property taxes in proportion to value or to impose other taxes without an election. Unless additional taxes are authorized at an election, the Authority's sales tax revenue will be limited by changes in the value of taxable transactions within its boundaries, which are beyond its control. Variations in the amount of receipts can be affected adversely by a number of variables, including possible (1) changes in State law and administrative practices governing the remittance and allocation of sales tax receipts, (2) changes in the transactions against which the sales tax may be imposed, (3) further migration of commerce to Internet sales that are not taxed or taxes from which cannot be effectively collected, and (4) changes in economic activity within the Authority's taxing jurisdiction. Sales tax receipts immediately reflect changes in the economic conditions within the Authority's taxing jurisdiction. Depending on the level of variation, such variations may impact the Authority's ability to meet its Debt Service requirements.

The increasing use of the Internet to conduct electronic commerce may affect the collection of the sales tax. To the extent that transactions subject to the sales tax imposed by the Authority avoid normal collection and remittance procedures because they occur over the Internet, the Authority's receipt of sales tax may be adversely affected. At this time, the Authority is unable to predict how Internet sales may affect the amount of sales and use tax collected in the future. If, due to increases in Internet or other tax-exempt sales, the Authority's sales tax revenue decreases or increases more slowly than operating expenses and debt service requirements, the Authority's ability to pay the Obligations and maintain operations could be adversely affected to an extent that cannot be predicted.

The Permanent Internet Tax Freedom Act was enacted on February 24, 2016, permanently imposing a ban on taxes on online commerce, replacing the temporary moratorium on taxes on online commerce previously imposed by the federal Internet Tax Freedom Act.

For additional investment considerations regarding the Authority's sales tax, including seasonality, collection and delinquency issues, see the section captioned "REVENUES AND INVESTMENTS — SALES AND USE TAX AUTHORITY."

#### **ADDITIONAL OBLIGATIONS MAY BE INCURRED**

Subject to certain financial tests and limitations contained in the Resolution, the Authority may issue Additional Obligations secured by a pledge of and lien on Pledged Revenues on a parity with the Obligations. Such Additional Obligations may or may not be entitled to the benefits of the Reserve Fund. The Authority may issue (i) additional bonds approved by voters at a future election or (ii) bonds or other obligations that do not require voter approval in order to provide financing for components of the Authority's CIP. Under the Resolution, the Authority may also issue non-voted Additional Obligations for other purposes, including for the purchase of buses, rail cars and other equipment. The debt service requirements for the payment of any such Additional Obligations may be substantial. The financial tests that must be satisfied to permit the issuance of Additional Obligations are based on certain assumptions concerning future revenue and debt service requirements. Actual debt service requirements may exceed assumed requirements, and the excess could be substantial. In addition, the Authority may issue obligations secured by a junior lien without meeting any of the financial tests and limitations of the Resolution. See "— RIGHTS OF OWNERS ARE LIMITED" below.



## **THE AUTHORITY'S UNFUNDED FUTURE EXPENSES FOR PRIOR EMPLOYMENT MAY GROW SUBSTANTIALLY AND ADVERSELY AFFECT ITS FINANCIAL CONDITION**

**Pension.** For its two defined benefit pension plans, contributions are authorized by the Authority's Board of Directors during the annual budgeting process. The Authority's funding policy, for both pension plans, is to contribute each year the annual, actuarially determined contribution in equal payments over a 12 month period. For additional information, see "DEBT AND OTHER OBLIGATIONS – RETIREMENT PLANS."

During Fiscal Year 2016, the Authority updated several actuarial assumptions used for the TWUPP and the Non-Union Pension Plan (NUPP). These changes included the disability, withdrawal and retirement rates which were based on an experience study dated June 22, 2016 and a change to the mortality tables for both plans. These changes increased the net pension liability for the TWUPP by \$22,899,218 and by \$18,953,325 for the NUPP. The related increase in deferred outflows will be amortized, using the straight-line method, and reported as part of pension expense in the current and over the next four years. The discount rate used to determine the total pension liability for both defined benefit pension plans was 6.75% which is the same as the long-term expected investment rate of return. For additional information, see "DEBT AND OTHER OBLIGATIONS – RETIREMENT PLANS."

**OPEB.** The Authority has historically funded OPEB on a pay-as-you-go basis. If the Authority begins to prefund for OPEB, the expected effects include:

- Substantial reductions in the unfunded liabilities for OPEB. This would be due both to the direct effect of prefunding, and to the likely use of a higher discount rate for OPEB liabilities.
- Substantial reductions in the annual required contributions. This would be primarily due to the likely use of a higher discount rate for OPEB liabilities.
- In the short run, a larger cash expenditure for OPEB. Any prefunding would be in addition to pay-as-you-go costs. In the long run, prefunding is expected to reduce budget outlays for OPEB.

The Authority's UAAL for OPEB is expected to continue to grow significantly, unless the Authority begins to fund for current accruals of estimated OPEB expenses. If medical costs rise faster than expected or employees retire sooner than expected or live longer than expected, OPEB costs may grow at a higher rate than projected. Unless the Authority restricts the growth of or reduces its UAAL for OPEB, it may be required to pay substantial OPEB costs from current revenues in future years, and its financial condition may be adversely affected, before the Obligations are retired. OPEB costs are also sensitive to changes in Federal and State regulation of medical care and insurance, and future changes may substantially increase or decrease costs to the Authority. For additional information, see "DEBT AND OTHER OBLIGATIONS – OTHER POST-EMPLOYMENT BENEFITS."

## **PAYMENT OF SHORT-TERM PARITY OBLIGATIONS MAY DEPEND ON MARKET ACCESS AND POSSIBLE MARKET DISRUPTIONS**

The Authority may issue up to \$165 million of CP Notes if needed to pay for costs of its CIP, including cost overruns, or to offset delays or a reduction in federal funding. The Authority is obligated to redeem the CP Notes within two years after expiration of the supporting line of credit or standby letter of credit, as applicable, unless the CP Notes are sooner refunded. The Authority may also issue parity Additional Obligations that are short-term obligations or subject to mandatory tender by the owners thereof and purchase or redemption by the Authority, with or without a supporting credit or liquidity facility.

Given recent history of the financial markets, the Authority cannot provide any assurance that it will have market access to remarket or refund such obligations, if issued, upon mandatory tender thereof for purchase or at maturity. The Authority may be unable to remarket or refund such parity obligations at that time due to then-existing market conditions or an unanticipated and substantial deterioration in the financial condition of the Authority. The Authority is not obligated to fund or maintain any reserve fund for payment of the CP Notes or Additional Obligations, but, if it elects to do so, such Senior Lien Obligations could be entitled to be paid from one of the Reserve Funds. In addition, Pledged Revenues in excess of monthly accruals of debt service may be expended for other purposes. Consequently, if the CP Notes or any parity short-term or demand obligations cannot be remarketed or refunded and if Pledged Revenues and other legally available funds on hand are not sufficient to pay or redeem such obligations when due and pay principal of and interest on the other parity Senior Lien Obligations, the Reserve Funds could be depleted, and the Authority may be unable to pay principal of and interest on the Obligations in full when due.

The credit markets experience substantial disruption from time to time. There can be no assurance as to the timing of any disruption or the extent of any recovery. Disruptions in the credit markets could delay the Authority's ability to finance projects or result in increased borrowing costs for projects currently under construction or contemplated.

## **MAINTENANCE COSTS**

Successful operation of the Authority's transit system will require timely and adequate maintenance and replacement of components. No assurance can be given that sufficient funds will be available to maintain the transit system adequately over the long term. Any significant deterioration in the transit system may result in increased operating costs, reduced usage and, accordingly, reduced farebox revenues. Increased maintenance and operating costs may adversely affect the Authority's financial condition.

## **OPERATING REVENUES; NO PROPERTY TAXES**

The Authority derives operating revenue from transportation fares, which include bus, rail and METROLift farebox receipts plus ticket sales from special events and the Texas Medical Center Route Guarantee Services. Although the Obligations may be payable from operating revenue as well as sales tax, under the Authority Act, the expenses of operating and maintaining the Authority's transit system are a first lien on and charge against any revenue from operation or ownership of the system. The Authority has not historically earned (and does not expect to earn) any net revenue from the operation or ownership of its transit system. Consequently, prospective investors should not rely on operating revenue as a source of payment of the Obligations.

The Obligations are not payable from funds raised or to be raised by property taxes. The Authority has no authority to levy property taxes.

## **THE STATE COMPTROLLER MAY OFFSET CURRENT DISTRIBUTIONS FOR OVERPAYMENTS OR REMIT SALES AND USE TAX REVENUE LESS FREQUENTLY**

The Comptroller periodically identifies underpayments and overpayments of sales tax revenues and responds to claims by taxpayers. In the event that the Comptroller determines that the Authority received an overpayment, the sales tax revenues for future periods are subject to reduction or the Authority may be required to make a repayment in order to reimburse the overpayment. Under State law, the Authority has no legal standing or ability to intervene or appeal the Comptroller's determination. State law requires the Comptroller to remit sales tax revenue to the Authority as often as feasible and at least quarterly. The Comptroller remits sales tax revenues to the Authority and other taxing entities on a monthly basis. While the Authority has no reason to believe that the Comptroller's current practice will be discontinued, there is no assurance that the Comptroller will continue to remit sales tax revenues to the Authority on a monthly basis. Thus, temporary cashflow irregularities could occur.

## **ADVERSE LEGISLATION COULD BE ENACTED**

The Texas Legislature and the U.S. Congress may enact legislation that could materially affect the operations, financial condition and financial prospects of the Authority. In odd-numbered years, the Texas Legislature meets in a regular session lasting 140 days. The most recent regular session of the Texas Legislature ended on May 29, 2017. When the Texas Legislature is not in regular session, the Governor of Texas may call one or more special sessions, at the Governor's discretion, each lasting no longer than 30 days, and for which the Governor sets the agenda. The most recent special session of the Texas Legislature ended on August 15, 2017. There can be no assurance that the Texas Legislature or the U.S. Congress will not enact tax moratoriums or exemptions or other legislation that may adversely affect the operations of the Authority or its ability to pay the Obligations.

## **RESPONSE TO HURRICANE HARVEY**

On August 25, 2017, Hurricane Harvey, characterized as a Category 4 hurricane at its peak, made landfall on the Texas coast before stalling over the Southeast Texas region and producing significant flooding. Although many residences and commercial and industrial properties within the Southeast Texas region sustained flood related damage, Hurricane Harvey did not have a material impact on the Authority's operations or physical assets. In its audited financial reports for Fiscal Year 2017, METRO recognized a loss of \$13.6 million from Hurricane Harvey. In 2018, while repair work was in process, an additional \$0.5 million in cost was identified; METRO plans to recognize this expense as an additional loss. In May 2018, METRO was awarded an allocation of \$13.535 million in Public Transportation Emergency Relief Funds by the Federal Transit Administration ("FTA") for response, recovery and rebuilding based on detailed damage assessments submitted in cooperation with FTA and Federal Emergency Management Administration ("FEMA") staff. METRO operations and services are currently fully operational with no expected short or long-term impact.

## **WEATHER-RELATED EVENTS**

Hazards caused by weather-related events include flooding, severe storm and wind. Any such events, if unmitigated, may have major impacts on METRO infrastructure: fleet, stations, railways, traction power, train control and maintenance yard/shops, wayside facilities, as well as operating facilities (including bus and rail), warehouse facilities, and administrative buildings. The impacts may directly impact patron safety, cause service disruptions and require prolonged recovery.

METRO is responding to weather related events through developing adaptation strategies and hardening its infrastructure against such hazards. Current efforts include emergency response plans and a disaster recovery plan. METRO is also working with regional partners in the Greater Houston area to plan for regional adaptation needs. No assurance can be given that such measures will be sufficient to protect against all impacts of weather-related events.

## **TECHNOLOGICAL AND SOCIETAL CHANGES**

METRO cannot predict the technological and societal changes that may affect the use of the System during the term of the Bonds. Societal changes may include, for example, the increased use of telecommuting, which could have an adverse impact on usage of the System. Other technologies or societal changes could have a similar detrimental effect on the System.



## **RIGHTS OF OWNERS ARE LIMITED**

The Resolution does not establish specific events of default with respect to the Obligations. The Resolution provides no right to the acceleration of maturity of the Obligations upon the failure of the Authority to observe any covenant under the Resolution. In addition, under State law, the Authority is immune from a suit for damages from any default by the Authority on the Obligations or under the Resolution. Even if a judgment against the Authority could be obtained, it could not be enforced by direct levy and execution against the Authority's property, which under State law is exempt from forced sale. An owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel Authority officers to observe or perform any of their undisputed obligations under the Resolution. The enforcement of any such remedy may be difficult and time consuming, and an owner of the Obligations could be required to enforce such remedy on a periodic basis. Except for acting as custodian for the Pledged Revenues until disbursed, the Trustee is not empowered to represent the interests of the owners of the Obligations upon any failure of the Authority to perform in accordance with the terms of the Resolution, or upon any other condition. The opinions of Co-Bond Counsel will note that all opinions relative to the enforceability of the Resolution and the Obligations are qualified with respect to the customary rights of debtors relative to their creditors.

The Authority is authorized by State law to file a petition for the adjustment of its debts under the United States Bankruptcy Code. The Authority may do so under Chapter 9 of the Bankruptcy Code if it is unable to pay its debts as they become due and it desires to effect a plan to adjust its debts. If the Authority files a petition for the adjustment of its debts under Chapter 9, owners of the Obligations would be automatically stayed from taking action to enforce their claims against the Authority during the pendency of the case, unless permitted by the court; the Authority's pledge of Pledged Revenues as security for the Obligations would be ineffective as to revenues collected after the commencement of the case; and with the approval of the court the Authority could use previously collected Pledged Revenues for purposes other than paying the Obligations if it provides "adequate protection" to the owners of the relevant Obligations, among other consequences. In a proceeding for the adjustments of its debts, the Authority could propose, and the court could order, a plan that changes payment terms on the Obligations without the consent of the owners of the affected Obligations, if the plan is accepted by at least one class of Authority creditors and the court determines that the plan is in the best interests of the Authority's creditors and does not discriminate unfairly among, and is fair and equitable to, each class of creditors whose claims are impaired and have not accepted the plan. For these purposes, a plan would be deemed accepted by the owners of the Obligations if approved by the owners of two-thirds in amount and a majority in number of the claims for the Obligations. All descriptions herein of contractual obligations of the Authority on the Obligations and under the Resolution are subject to these provisions of the Bankruptcy Code.

## **TAX MATTERS**

### **TAX EXEMPTION**

The delivery of the Obligations is subject to the opinion of Co-Bond Counsel to the effect that interest on the Obligations for federal income tax purposes (1) will be excludable from gross income, as defined in Section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "*Code*"), pursuant to Section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as described below, corporations. The forms of Co-Bond Counsel's anticipated opinion is reproduced as APPENDIX C. The statute, regulations, rulings, and court decisions on which such opinion will be based are subject to change.

Interest on the Obligations owned by a corporation, other than an S corporation, a regulated investment company, a real estate investment trust (REIT), a real estate mortgage investment conduit (REMIC) or a financial asset securitization investment trust (FASIT) will be included in such corporation's adjusted current earnings for purposes of calculating such corporation's alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by the Code is computed.

In rendering the foregoing opinion, Co-Bond Counsel will rely upon representations and certifications of the Authority made in a certificate dated the date of initial delivery of the Obligations pertaining to the use, expenditure, and investment of the proceeds of the Obligations and will assume continuing compliance by the Authority with the provisions of the Resolution subsequent to the issuance of the Obligations. The Resolution contains covenants by the Authority with respect to, among other matters, the use of the proceeds of the Obligations and the facilities or equipment financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Obligations are to be invested, the periodic calculation and payment to the United States Treasury of any "arbitrage profits" from the investment of the proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Obligations to be includable in the gross income of the owners thereof from the date of the issuance of the Obligations.

Co-Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Authority described above. No ruling has been sought from the Internal Revenue Service (the "*IRS*") with respect to the matters addressed in the opinion of Bond Counsel, and Co-Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Obligations is commenced, under current procedures the IRS is likely to treat the Authority as the "taxpayer," and the beneficial owners ("*Owners*") of the Obligations would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest of the Obligations,

the Authority may have different or conflicting interests from the Owners of the Obligations. Public awareness of any future audit of the Obligations could adversely affect the value and liquidity of the Obligations during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Co-Bond Counsel will express no other opinion with respect to any federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Obligations. Prospective purchasers of the Obligations should be aware that the ownership of tax-exempt obligations such as the Obligations may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

#### **FUTURE TAX LEGISLATION**

Tax legislation, administrative actions taken by tax authorities, and court decisions may cause interest on the Obligations to be subject, directly or indirectly, to federal income taxation or state income taxation, or otherwise prevent the beneficial owners of the Obligations from realizing the full current benefit of the tax status of such interest. For example, future legislation to resolve certain federal budgetary issues may significantly reduce the benefit of, or otherwise affect, the exclusion from gross income for federal income tax purposes of interest on all state and local obligations, including the Obligations. In addition, such legislation or actions (whether currently proposed, proposed in the future or enacted) could affect the market price or marketability of the Obligations. Prospective purchasers of the Obligations should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and its impact on their individual situations, as to which Co-Bond Counsel express no opinion.

#### **TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT OBLIGATIONS**

Some of the Obligations may be offered at an initial offering price which is less than the stated redemption price payable at maturity of such Obligations. If a substantial amount of any maturity of the Obligations is sold to members of the public (which for this purpose excludes bond houses, brokers and similar persons or entities acting in the capacity of wholesalers or underwriters) at such initial offering price, each of the Obligations of that maturity (each, a "Discount Bond") will be considered to have "original issue discount" for federal income tax purposes equal to the difference between (a) the stated redemption price payable at the maturity of such Discount Bond and (b) the initial offering price to the public of such Discount Bond. Under existing law, such original issue discount will be treated for federal income tax purposes as additional interest on a Bond and such initial owner will be entitled to exclude from gross income for federal income tax purposes that portion of such original issue discount deemed to be earned (as discussed below) during the period while such Discount Bond continues to be owned by such initial owner. Except as otherwise provided herein, the discussion regarding interest on the Obligations under the caption "TAX MATTERS -- Tax Exemption" generally applies to original issue discount deemed to be earned on a Discount Bond while held by an owner who has purchased such Discount Bond at the initial offering price in the initial public offering of the Obligations and that discussion should be considered in connection with this portion of the Official Statement.

In the event of a redemption, sale, or other taxable disposition of a Discount Bond prior to its stated maturity, however, any amount realized by such initial owner in excess of the basis of such Discount Bond in the hands of such owner (increased to reflect the portion of the original issue discount deemed to have been earned while such Discount Bond continues to be held by such initial owner) will be includable in gross income for federal income tax purposes.

Because original issue discount on a Discount Bond will be treated for federal income tax purposes as interest on a Bond, such original issue discount must be taken into account for certain federal income tax purposes as it is deemed to be earned even though there will not be a corresponding cash payment. Corporations that purchase a Discount Bond must take into account original issue discount as it is deemed to be earned for purposes of determining alternative minimum tax. Other owners of a Discount Bond may be required to take into account such original issue discount as it is deemed to be earned for purposes of determining certain collateral federal tax consequences of owning a Discount Bond. See "TAX MATTERS -- Tax Exemption" for a discussion regarding the alternative minimum taxable income consequences for corporations and for a reference to collateral federal tax consequences for certain other owners.

The characterization of original issue discount as interest is for federal income tax purposes only and does not otherwise affect the rights or obligations of the owner of a Discount Bond or of the Authority. The portion of the principal of a Discount Bond representing original issue discount is payable upon the maturity or earlier redemption of such Discount Bond to the registered owner of the Discount Bond at that time.

Under special tax accounting rules prescribed by existing law, a portion of the original issue discount on each Discount Bond is deemed to be earned each day. The portion of the original issue discount deemed to be earned each day is determined under an actuarial method of accrual, using the yield to maturity as the constant interest rate and semi-annual compounding.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Discount Bonds by an owner that did not purchase such Discount Bonds in the initial public offering and at the initial offering price may be determined according to rules which differ from those described above. All prospective purchasers of Discount Bonds should consult their tax advisors with respect to the determination for federal, state and local income tax purposes of interest and original issue discount accrued upon redemption, sale or other disposition of such Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Discount Bonds.

#### **TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE PREMIUM ON THE OBLIGATIONS**

The initial public offering price of certain Obligations (the "*Premium Bonds*") may be greater than the amount payable on such Obligations at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bond. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium that is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

#### **CONTINUING DISCLOSURE OF INFORMATION**

In the Resolution, the Authority has made the following agreement for the benefit of the holders and beneficial owners of the Obligations. The Authority is required to observe the agreement for so long as the Obligations are outstanding. Under the agreement, the Authority will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "*MSRB*"). Access to such information will be made available to the public without charge by the MSRB on its Electronic Municipal Market Access ("*EMMA*") website at [www.emma.msrb.org](http://www.emma.msrb.org).

#### **ANNUAL REPORTS**

The Authority will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the Authority of the general type included in this Official Statement under Tables numbered 1 through 7 and in APPENDIX B.

The Authority may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by Rule 15c2-12 (the "*Rule*") of the United States Securities and Exchange Commission (the "*SEC*"). The updated information will include audited financial statements, if the Authority commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the Authority will provide unaudited financial information and operating data which is customarily prepared by the Authority by the required time, and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the Authority may be required to employ from time to time pursuant to state law or regulation.

The Authority's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the Authority changes its fiscal year. If the Authority changes its fiscal year, it will notify the MSRB of the change and such updated information will be due six (6) months from the date of the revised fiscal year end.

#### **CERTAIN EVENT NOTICES**

The Authority will notify the MSRB in a timely manner not in excess of ten (10) business days after the occurrence of the event, of any of the following events with respect to the Obligations, to the extent applicable: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Obligations, or other material events affecting the tax status of the Obligations; (7) modifications to rights of holders of the Obligations, if material; (8) Obligation calls, if material, and tender offers; (9) defeasances; (10) the release, substitution, or sale of property securing repayment of the Obligations, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the Authority; (13) the consummation of a merger, consolidation or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to



any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or name change of a trustee, if material

In addition, the Authority will provide timely notice to the MSRB of any failure by the Authority to provide information, data, or financial statements in accordance with its agreement described above under "– ANNUAL REPORTS."

#### **LIMITATIONS AND AMENDMENTS**

The Authority has agreed to update information and to provide notices of material events only as described above. The Authority has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition or prospects or agreed to update any information that is provided, except as described above. The Authority makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Obligations at any future date. The Authority disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement. Holders or beneficial owners of Obligations may seek as their sole remedy a writ of mandamus to compel the Authority to comply with its agreement. No default by the Authority with respect to its continuing disclosure agreement shall constitute a breach of or default under the Resolution for purposes of any other provision of the Resolution. Nothing in this paragraph is intended or shall act to disclaim, waive or otherwise limit the duties of the Authority under federal and state securities laws. The Authority's undertakings and agreements are subject to appropriation of necessary funds and to applicable legal restrictions.

The Authority may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law or a change in the identity, nature, status or type of operations of the Authority, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell the Obligations in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Obligations consent to the amendment or (b) any person unaffiliated with the Authority (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Obligations. The Authority may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Obligations in the primary offering of the Obligations. If the Authority so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "– ANNUAL REPORTS" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

#### **COMPLIANCE WITH PRIOR UNDERTAKINGS**

The Authority has made a filing with respect to its compliance with its continuing disclosure undertakings for ratings changes occurring during the past five years. Please see the filing made by the Authority on November 9, 2016, which is available by accessing the Authority's page on EMMA at <http://emma.msrb.org/EP962282-EP746502-EP1147997.pdf>. The contents of the aforementioned filing are incorporated by reference herein.

#### **OTHER INFORMATION**

##### **RATINGS**

Moody's Investors Service, Inc. ("*Moody's*") and S&P Global Ratings ("*S&P*") have assigned the following respective municipal bond ratings to the Obligations based on the Authority's underlying credit.

**Moody's**

**S&P**

An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the Authority makes no representation as to the appropriateness of the ratings. The Authority is not obligated to maintain the current ratings on the Obligations and there is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Obligations. Neither the Authority nor the Co-Financial Advisors nor the Underwriters will undertake responsibility to oppose any revision or withdrawal of such ratings. A securities rating is not a recommendation to buy, sell, or hold securities.

#### **LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS**

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Obligations are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and

authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Obligations by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Obligations be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION – RATINGS" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Obligations are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more and savings and loan associations. The Obligations are eligible to secure deposits of any public funds of the State, its agencies and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the Authority has been made of the laws in other states to determine whether the Obligations are legal investments for various institutions in those states.

#### **LEGAL MATTERS**

The Authority will furnish a complete transcript of proceedings incident to the authorization and issuance of the Obligations to the Underwriters, including the unqualified approving legal opinions of the Attorney General of Texas approving the initial Obligations and to the effect that the Obligations are valid and legally binding obligations of the Authority, and based upon examination of such transcript of proceedings, the approving legal opinions of Orrick, Herrington & Sutcliffe LLP and Powell & Leon, LLP, Co-Bond Counsel, including to the effect that the interest on the Obligations will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code and the alternative minimum tax imposed on individuals, subject to the matters described under "TAX MATTERS." The Form of Co-Bond Counsel's Opinion is attached hereto as APPENDIX C. The legal fees to be paid to Co-Bond Counsel for services rendered in connection with the issuance of the Obligations is contingent upon the issuance of the Obligations. Certain matters will be passed upon for the Authority by its General Counsel and its Special Disclosure Counsel, West & Associates, L.L.P., Houston, Texas. Certain matters will be passed upon for the Underwriters by their Counsel, Baker Williams Matthiesen LLP, Houston, Texas.

Co-Bond Counsel and Special Disclosure Counsel are engaged by, and represent only, the Authority. Orrick, Herrington & Sutcliffe LLP, Powell & Leon, LLP and West & Associates, L.L.P. represent the Underwriters from time to time in matters unrelated to the issuance of the Obligations. Baker Williams Matthiesen LLP represents the Authority from time to time in matters unrelated to the issuance of the Obligations.

The various legal opinions to be delivered concurrently with the delivery of the Obligations express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

#### **AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION**

The financial data and other information contained herein have been obtained from Authority records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and Resolution contained in this Official Statement are made subject to all of the provisions of such statutes, documents and Resolution. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

#### **CO-FINANCIAL ADVISORS**

PFM Financial Advisors LLC and TKG & Associates LLC are employed as Co-Financial Advisors to the Authority in connection with the issuance of the Obligations. The Co-Financial Advisors fees for services rendered with respect to the sale of the Obligations are contingent upon the issuance and delivery of the Obligations. PFM Financial Advisors LLC and TKG & Associates LLC, in their capacity as Co-Financial Advisors, do not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Obligations, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Co-Financial Advisors to the Authority have provided the following sentence for inclusion in this Official Statement. The Co-Financial Advisors have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to the Authority and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Co-Financial Advisors do not guarantee the accuracy or completeness of such information.

#### **UNDERWRITING**

J.P. Morgan ("JPMS"), as representative of the Underwriters, has agreed, subject to certain conditions, to purchase the Obligations at a discount of \$[ ] from their initial offering prices, as specified inside the cover page.



The Obligations to be offered to the public may be offered and sold to certain dealers (including the respective Underwriters and other dealers depositing Obligations into investment trusts) at prices lower than the public offering prices of such Obligations, and such public offering prices may be changed, from time to time, by the Underwriters. The Authority has also agreed to reimburse the Underwriters for certain expenses in connection with the offering.

JPMS, one of the Underwriters of the Obligations, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Obligations from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Obligations that such firm sells.

The offering of the Obligations by the Underwriters is subject to receipt and acceptance and subject to the Underwriters' right to reject any order in whole or in part.

The Obligations are a new issue of securities with no established trading market. The Authority has been advised by the Underwriters that they intend to make a market in the Obligations but are not obligated to do so and may discontinue market-making at any time without notice. No assurance can be given as to the liquidity of the trading market for the Obligations.

The Underwriters and their respective affiliates are full-service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and nonfinancial services. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform a variety of these services for the Authority, and to persons and entities with relationships with the Authority, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default wraps) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and/or instruments of the Authority. The Underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

JPMS and its affiliates together comprise a full service financial institution engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Such activities may involve or relate to assets, securities and/or instruments of the Authority (whether directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with (or that are otherwise involved with transactions by) the Authority. JPMS and its affiliates may have, from time to time, engaged, and may in the future engage, in transactions with, and performed and may in the future perform, various investment banking services for the Authority for which they received or will receive customary fees and expenses. Under certain circumstances, JPMS and its affiliates may have certain creditor and/or other rights against the Authority in connection with such transactions and/or services. In addition, JPMS and its affiliates may currently have and may in the future have investment and commercial banking, trust and other relationships with parties that may relate to assets of, or be involved in the issuance of securities and/or instruments by, the Authority. JPMS and its affiliates also may communicate independent investment recommendations, market advice or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and at any time may hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

#### **INDEPENDENT AUDITORS**

The Authority's financial statements, as of and for the year ending September 30, 2017, included in this Official Statement in APPENDIX B-1, have been audited by KPMG LLP, independent auditors, as stated in their report appearing herein, which is based on their audit and the reports of other auditors. The report of KPMG LLP includes references to the introduction and statistical sections of the Authority's Comprehensive Annual Financial Report ("CAFR") for the year ending September 30, 2017, which are not included in APPENDIX B. A complete copy of the CAFR is available from the Authority upon request. The Authority's financial statements, as of and for the year ending September 30, 2018, included in this Official Statement in APPENDIX B-2, are unaudited.

KPMG LLP has not been engaged to perform and has not performed, since the date of its report included in APPENDIX B, any procedures on the financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to this Official Statement.

#### **GENERAL INFORMATION**

This Official Statement does not create a contract between or among the Authority, the Underwriters and the purchasers of the Obligations. The Resolution approves the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Obligations by the Underwriters.

This Official Statement has been approved by the Authority.

## APPENDIX A

### SELECTED PROVISIONS OF THE SERIES 2018 SALES AND USE TAX CONTRACTUAL OBLIGATIONS RESOLUTION

*Presented below are excerpts of certain provisions contained in the Resolution. Such excerpts are not to be considered full statements pertaining thereto. Reference is directed to the Resolution for the complete text thereof. Copies of such documents are available upon request from the Authority or the Authority's Co-Bond Counsel.*

1. **Definitions.** Throughout this Official Statement the following terms and expressions as used herein shall have the meanings set forth below:

"Acts" means, together, Chapters 1201 and 1371, Texas Government Code, as amended, and the Public Property Finance Act, Chapter 271, Subchapter A, Texas Local Government Code, as amended.

"Acquisition Fund" means that certain fund established pursuant to and used in accordance with Section 27 of this Resolution.

"Additional Obligations" means any bonds, notes or other debt obligations which the Authority reserves the right to issue or incur, as provided in Section 33 of this Resolution, which are secured by a senior lien on Pledged Revenues.

"Adjustable Rate Obligations" means any Senior Lien Obligations that initially bear interest at an adjustable or variable rate of interest, including Adjustable Rate Obligations which may be, but have not yet been, converted to Senior Lien Obligations bearing a fixed rate of interest.

"Attorney General" means the Attorney General of Texas.

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

"Authority Act" has the meaning provided in the recitals hereto.

"Authorized Representative" means the Chief Executive Officer or, in the event of his or her inaccessibility or incapacity, the Chief Financial Officer of the Authority and, except for purposes of executing an Officer's Pricing Certificate, their designees. The execution of a document by any such officer as an Authorized Representative shall conclusively evidence the inaccessibility or incapacity of any other such officer with superior authority.

"BABs" means any Series 2009 Bonds which the Authority has designated as a "Build America Bond" pursuant to Section 54AA of the Code.

"Board" means the Board of Directors of the Authority.

"Bond Insurance Policy" means the financial guaranty insurance policy or policies, if any, issued by the Bond Insurer that guarantees the scheduled payment of principal of and interest on the Contractual Obligations when due, as provided in the Officer's Pricing Certificate.

"Bond Insurer" means the provider of a Bond Insurance Policy, if any, as provided in the Officer's Pricing Certificate.

"Bond Purchase Agreement" means the purchase agreement between the Authority and the Underwriters relating to the Contractual Obligations, substantially in the form attached hereto as Exhibit C.

"Bullet Obligation" means all Senior Lien Obligations of a Series maturing in any single year in a principal amount that totals at least 15% of the initial aggregate principal amount of the entire series of such Senior Lien Obligations.

"Business Day" means any day other than a Saturday, a Sunday, or another day on which commercial banks generally located in the State of New York or the State of Texas are authorized or required by law or executive order to close.

"Code" means the Internal Revenue Code of 1986, as amended to the date of delivery of the Contractual Obligations.

"Comptroller" means the Comptroller of Public Accounts of the State of Texas.

"Contractual Obligations" means the Authority's Sales and Use Tax Contractual Obligations, Series 2018 issued and to be issued as Senior Lien Obligations pursuant to this Resolution.

"CP Notes" means the Sales and Use Tax Commercial Paper Notes, Series A of the Authority currently authorized to be issued in the maximum aggregate principal amount of \$165,000,000.

"Credit Agreement" means a credit agreement, as such term is defined in Chapter 1371, Texas Government Code: as amended, including but not limited to a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitment to purchase obligations, purchase or sale agreement, interest rate swap, cap, floor, collar, or similar agreement, or other commitment or agreement authorized by the Board in anticipation of, related to, or in connection with the authorization, issuance, sale, resale, security, exchange, payment, purchase, remarketing, or redemption of some or all of the Authority's obligations (as such term is defined in Chapter 1371) or interest on obligations, or both, or as otherwise authorized by such chapter.

"Credit Provider" means a party to a Credit Agreement other than the Authority.

"Debt Service Requirements" means, with respect to any Senior Lien Obligations for any period of time for which such calculation applies, an amount equal to the sum of the following:

a. Interest: Current interest scheduled to be paid during such period on or under such Senior Lien Obligations; plus

b. Principal: That portion of the principal of, or compounded interest on, such Senior Lien Obligations payable during such period (either at maturity or by reason of scheduled mandatory redemptions or upon demand, but after taking into account all prior optional and mandatory redemptions of Senior Lien Obligations); provided, however, that, in making such calculation, the following rules shall apply:

a) Refinancing Assumption: For any series of Senior Lien Obligations issued as Short Term Obligations, Demand Obligations, or Bullet Obligations, Debt Service Requirements may be computed on the assumption that the principal amount shall be refinanced at maturity (or an earlier date on which principal thereof is payable on demand) by fixed rate Senior Lien Obligations bearing interest at (a) if the interest on such obligations is excludable from gross income of the owners thereof for federal income tax purposes, a Revenue Bond Index published by the Bond Buyer or any successor publication or (b) if the interest on such obligations is not excludable from gross income of the owners thereof for federal income tax purposes, the yield on the Treasury Constant Maturity Series as reported in Federal Reserve Statistical Release H. 15, Selected Interest Rates of the Board of Governors of the Federal Reserve System, or any successor publication, as certified by the Authority's financial advisor, in both cases (a) and (b) within 30 days prior to the date of such calculation (or the gross fixed or capped rate payable by the Authority under an interest rate swap or cap agreement that substantially hedges the rate of interest on such Senior Lien Obligations) and maturing in substantially equal annual payments of principal and interest over a term of 25 years (or such longer period as a nationally recognized financial advisor or investment banker certifies is then reasonably attainable) or less; and

b) Interest Rate Assumption: For any series of Senior Lien Obligations issued as Adjustable Rate Obligations that are not Short Term Obligations, Demand Obligations, or Bullet Obligations, Debt Service Requirements may be computed on the assumption that such Senior Lien Obligations will bear interest at (a) to the extent the rate of interest thereon is effectively hedged by an interest rate swap or cap agreement, the gross fixed or capped rate payable by the Authority under such agreement, and (b) otherwise the greater of (i) the average rate on such Senior Lien Obligations over a 12-month period ending within two months of the date of such calculation and (ii) a rate estimated by the Authority's financial advisor in a written certificate delivered to the Authority at the time of such calculation to be the average rate of interest such Senior Lien Obligations would bear if issued as long-term bonds, in the same principal amount and with the same priority of lien, bearing interest at fixed rates based on the average life of the Adjustable Rate Obligations; and

c) Effect of Federal Subsidies: For any series of Senior Lien Obligations for which the Authority is entitled to receive payments from the federal or state government in such period on account of, and substantially contemporaneously with, interest paid on such Senior Lien Obligations, the amount to be received in such period may be deducted from such interest in computing Debt Service Requirements.

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



"Demand Obligation" means any Senior Lien Obligation the principal of which is payable by the Authority on demand of the owner or holder thereof.

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

"DTC Participant" means 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.

"Equipment" has the meaning specified in Section 2.

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

"Interest and Sinking Fund" means the fund confirmed by the Authority pursuant to Section 26 of this Resolution.

"Interest Payment Date," means May 1, 2019, and each November 1 and May 1 thereafter until maturity or prior redemption, unless otherwise provided in the Officer's Pricing Certificate.

"Junior Lien Obligations" means any one or more of those series of bonds, notes or other debt obligations (including capital lease obligations and obligations to make deferred payments for goods and services in furtherance of METRO Solutions Phase 2, which deferred payments have been assigned to a third party and used to make payments to owners of public securities) or Credit Agreements that are secured, with or without other security, by a lien on Pledged Revenues that is junior and subordinate to the lien thereon securing the Senior Lien Obligations but is senior and superior to the lien thereon securing the Subordinate Lien Obligations.

"Maximum Annual Debt Service Requirements" for any Senior Lien Obligations means the maximum Debt Service Requirements for such Senior Lien Obligations calculated to occur in any future Fiscal Year or the then current Fiscal Year.

"Officer's Pricing Certificate" means a certificate to be signed by the Authorized Representative and containing the information regarding the Contractual Obligations specified in Sections 3, 4 and 5 hereof substantially in the form of Exhibit A hereto, with such appropriate variations, omissions and insertions as are permitted hereby.

"Outstanding" means, when used with respect to Senior Lien Obligations, as of the date of determination, all Senior Lien Obligations theretofore delivered under this Resolution or other authorizing resolution, except:

a. Cancelled Obligations: Senior Lien Obligations theretofore canceled and delivered to the Authority or delivered to the Paying Agent/Registrar for cancellation;

b. Transferred and Exchanged Obligations: Senior Lien Obligations upon transfer of or in exchange for and in lieu of which other Senior Lien Obligations have been delivered; and

c. Defeased Obligations: Senior Lien Obligations which have been released, discharged or extinguished in accordance with the terms thereof, or due to the deposit of cash or investments with the paying agent therefor or an escrow agent, the obligation of the Authority to pay the same is payable solely from and to the extent of such cash and investments and income therefrom.

"Owner" or "Registered Owner" means any person who shall be the registered owner of any outstanding Contractual Obligation.

"Paying Agent/Registrar" means the entity identified as such in the Paying Agent/Registrar Agreement.

"Paying Agent/Registrar Agreement" means the paying agent/registrar agreement relating to the Contractual Obligations entered into in accordance with Section 9, hereof substantially in the form of Exhibit B hereto, as amended from time to time.

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

"Pledged Revenues" means seventy-five percent (75%) of the revenues collected and received by the Trustee or the Authority from its levy of the Sales and Use Tax, plus any investment income earned on any moneys in the Revenue Fund, the Interest and Sinking Fund and any reserve fund for Senior Lien Obligations that are Reserve Fund Participants, which are hereby pledged as security for payment of the Contractual Obligations and any other Senior Lien Obligations and all other funds or



revenues, if any, including additional Sales and Use Tax revenues, which the Authority pledges hereafter as security for payment of the Senior Lien Obligations.

“Record Date” for interest due on the Contractual Obligations on any Interest Payment Date means the fifteenth day of the month next preceding such Interest Payment Date whether or not such day is a Business Day.

“Register” means the books of registration kept by the Paying Agent/Registrar in which are maintained the names and addresses of, and the principal amounts of the Contractual Obligations of each maturity registered to, each Owner.

“Reserve Fund” means the shared reserve fund for the Reserve Fund Participants confirmed by the Authority pursuant to Section 24 of this Resolution.

“Reserve Fund Participant” means the Series 2009 Contractual Obligations, the Series 2010 Contractual Obligations, the Series 2011 Contractual Obligations and Additional Obligations which the Authority designates at or before the time of issue as Reserve Fund Participants to share the Reserve Fund. All such issues designated as a Reserve Fund Participant shall be entitled to a parity claim on the funds deposited in the shared Reserve Fund as and to the extent provided in Section 28 of this Resolution. None of the Series 2009 Bonds, the Series 2011 Bonds, the Series 2015 Bonds, the Series 2016 Bonds, the Series 2017 Bonds, the Series 2014 Contractual Obligations, the Series 2015 Contractual Obligations, the Series 2016 Contractual Obligations, the Series 2017 Contractual Obligations, or the Contractual Obligations are Reserve Fund Participants.

“Reserve Fund Requirement” means an amount equal to 50% of the Maximum Annual Debt Service Requirements on the Reserve Fund Participants. The reserve fund requirement, if any, for the Contractual Obligations or any Additional Obligations which are not Reserve Fund Participants shall be provided in the order or resolution authorizing their issuance.

“Reserve Fund Surety Policy” shall mean any reserve fund surety policy or bond, letter of credit or other instrument, however denominated, provided by a qualifying financial institution as described in the following sentence, pursuant to which the Trustee or Paying Agent/Registrar may draw on such Reserve Fund Surety Policy to enable the Reserve Fund to make a required transfer to the Interest and Sinking Fund. Reserve Fund Surety Policies may only be acquired from a financial institution with a long term credit rating in one of the two highest generic rating categories from at least two nationally recognized rating services and having a credit rating or claims paying ability such that the purchase of such surety policy will not cause any rating agency then rating any Senior Lien Obligations to withdraw or lower its rating.

“Resolution” as used herein and in the Contractual Obligations means this resolution authorizing the Contractual Obligations.

“Revenue Fund” means the fund confirmed by the Authority pursuant to Section 24 of this Resolution.

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

“Senior Credit Agreement” means any Credit Agreement to the extent the obligations of the Authority thereunder are Senior Lien Obligations.

“Senior Lien Obligations” means the Series 2009 Bonds, the Series 2011 Bonds, the Series 2015 Bonds, the Series 2016 Bonds, the Series 2017 Bonds, the Series 2009 Contractual Obligations, the Series 2010 Contractual Obligations, the Series 2011 Contractual Obligations, the Series 2014 Contractual Obligations, the Series 2015 Contractual Obligations, the Series 2016 Contractual Obligations, the Series 2017 Contractual Obligations, the Contractual Obligations, the CP Notes, any Additional Obligations, and any Senior Credit Agreements.

“Series 2009 Bonds” means the Authority’s Sales and Use Tax Bonds, Series 2009A and the Authority’s Sales and Use Tax Bonds, Taxable Series 2009C (Direct-Subsidy Build America Bonds), each previously issued as Senior Lien Obligations.

“Series 2009 Contractual Obligations” means, collectively, the Authority’s Sales and Use Tax Contractual Obligations, Series 2009B and Sales and Use Tax Contractual Obligations, Series 2009D, each previously issued as Senior Lien Obligations.

“Series 2010 Contractual Obligations” means the Authority’s Sales and Use Tax Contractual Obligations, Series 2010A, previously issued as Senior Lien Obligations.

“Series 2011 Bonds” means the Authority’s Sales and Use Tax Bonds, Series 2011A, previously issued as Senior Lien Obligations.

“Series 2011 Contractual Obligations” means the Authority’s Sales and Use Tax Contractual Obligations, Series 2011B, previously issued as Senior Lien Obligations.

“Series 2014 Contractual Obligations” means the Authority’s Sales and Use Tax Contractual Obligations, Series 2014A, previously issued as Senior Lien Obligations.

“Series 2015 Bonds” means the Authority’s Sales and Use Tax Bonds, Series 2015A, previously issued as Senior Lien Obligations.

“Series 2015 Contractual Obligations” means the Authority’s Sales and Use Tax Contractual Obligations, Series 2015B, previously issued as Senior Lien Obligations.

“Series 2016 Bonds” means, collectively, the Authority’s Sales and Use Tax Refunding Bonds, Series 2016A and Sales and Use Tax Bonds, Series 2016C, each previously issued as Senior Lien Obligations.

“Series 2016 Contractual Obligations” means, collectively, the Authority’s Sales and Use Tax Refunding Contractual Obligations, 2016B and the Authority’s Sales and Use Tax Contractual Obligations, Series 2016D, each previously issued as Senior Lien Obligations.

“Series 2017 Bonds” means, the Authority’s Sales and Use Tax Refunding Bonds, Series 2017A previously issued as Senior Lien Obligations.

“Series 2017 Contractual Obligations” means, collectively, the Authority’s Sales and Use Tax and Refunding Contractual Obligations, Series 2017B and the Authority’s Sales and Use Tax Refunding Contractual Obligations, Series 2017C, each previously issued as Senior Lien Obligations.

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

“Subordinate Lien Obligations” means any one or more of any series of bonds, notes or other obligations (including lease obligations and obligations to make deferred payments for goods and services in furtherance of METRO Solutions Phase 2 and which have been assigned to a third party and used by such third party to make payments to owners of public securities) or Credit Agreements secured, with or without other security, by a lien on Pledged Revenues that is junior and subordinate to the lien thereon of the Senior Lien Obligations and the Junior Lien Obligations.

“Trustee” means Wells Fargo Bank, N.A., as the trustee under this Resolution and any successor to or replacement of such trustee appointed to serve in such capacity in accordance with this Resolution.

“Underwriters” means J.P. Morgan Securities LLC, Estrada & Hinojosa & Company, Inc., Stern Brothers and Hutchinson Shockey Erley & Co., as may be further in the Bond Purchase Agreement.

22. **Pledges and Sources of Payment; Tax Levy; Other Security.**

(a) **Pledge of Pledge Revenues.** The Authority has heretofore, transferred, set over and assigned, and does hereby again TRANSFER, SET OVER and ASSIGN, to the Trustee all of the Pledged Revenues in trust, in order to provide for the payment of the principal of, interest on, and other payment obligations under the Senior Lien Obligations, Junior Lien Obligations and Subordinate Lien Obligations and all expenses of paying the same, subject to paragraph (c) below, and to provide for the disposition of the remaining Pledged Revenues in accordance with this Resolution. In order to facilitate the transfer made in the foregoing sentence, the Authority has heretofore appointed and does hereby confirm its irrevocable appointment of the Trustee as its lawful agent and attorney-in-fact for the purpose of (i) performing those duties of its treasurer which consist of receiving the Pledged Revenues from the Comptroller pursuant to the Authority Act and other applicable law and (ii) taking such steps as may be necessary, if any, to perfect and maintain the liens granted hereunder. The Pledged Revenues shall be set aside for and are hereby irrevocably pledged to the payment of the Senior Lien Obligations, including the Series 2009 Bonds, the Series 2009 Contractual Obligations, the Series 2010 Contractual Obligations, the Series 2011 Bonds, the Series 2015 Bonds, the Series 2016 Bonds, the Series 2017 Bonds, the Series 2011 Contractual Obligations, the Series 2014 Contractual Obligations, the Series 2015 Contractual Obligations, the Series 2016 Contractual Obligations, the Series 2017 Contractual Obligations, the Contractual Obligations, any Additional Obligations, any Senior Credit Agreements, any Junior Lien Obligations and any Subordinate Lien Obligations.

(b) **Parity Senior Lien Obligations.** The Senior Lien Obligations may be payable from all legally available funds of the Authority and shall be equally and ratably secured by (i) a senior lien on and pledge of the Pledged Revenues, as collected and received by the Authority or the Trustee, which pledge and lien is expressly made senior to the pledge of and lien on Pledged Revenues which the Authority has granted or may grant to secure the Junior Lien Obligations and the Subordinate Lien Obligations and (ii) to the extent such Senior Lien Obligations are Reserve Fund Participants, the Reserve Fund.

(c) **Deposit of Pledged Revenues.** The Authority shall, by appropriate notice, direction, request or other legal method, cause the Comptroller to pay all Pledged Revenues (or, if required by the Comptroller, all Sales and Use Tax collections) directly to the Trustee for the account of the Revenue Fund. If the Comptroller shall refuse or shall not be legally obligated to make transfers in accordance with such notice, direction or request, then the Authority shall itself cause the Pledged Revenues to be transferred to the Trustee in their entirety immediately upon receipt thereof by the Authority or by others for its account wherever located. If all Sales and Use Tax collections are paid to the Trustee by the Comptroller, then the Trustee shall promptly remit all such payment that is not Pledged Revenues to the Authority. All Pledged Revenues received by the Trustee shall be deposited in the Revenue Fund and applied in accordance with the Resolution.

(d) **Limitation on Security for Termination Payments.** The lien on and pledge of Pledged Revenues granted by the Resolution shall not secure payment of any termination payment under an interest rate management agreement provided, however, that nothing in the Resolution shall prevent the Authority from granting a junior or subordinate lien on and pledge of the Pledged Revenues for such purpose.

23. **Levy of Sales and Uses Tax; Covenant to Levy Sales and Use Tax.** The orders levying the Authority's Sales and Use Tax previously adopted by the Board are hereby approved, ratified and readopted in full, and the Resolution shall be cumulative of such orders.

24. **Special Funds.** The Authority hereby recognizes and confirms the prior establishment of (a) the Revenue Fund, which Fund shall be maintained with the Trustee and shall be kept separate and apart from all other funds and accounts of the Authority (b) the Interest and Sinking Fund, which shall be maintained as a separate fund with the Trustee, which shall hold such Fund in trust for the registered owners of the Senior Lien Obligations, and (c) the Reserve Fund, which shall be maintained as a separate fund with the Trustee, which shall hold such fund in trust for the registered owners of the Reserve Fund Participants. All of the foregoing funds shall be used solely as herein provided so long as any Senior Lien Obligation remains Outstanding.

The Authority or the Trustee may create accounts and subaccounts within any Fund created by the Resolution when, in the judgment of the Authority or the Trustee, the creation of such accounts or subaccounts will enable the Authority or the Trustee to better administer the Funds.

25. **Flow of Funds.** The Trustee shall deposit the portion of the Sales and Use Tax payment that constitutes Pledged Revenues into the Revenue Fund promptly after receipt. Immediately upon such deposit and upon each deposit to the Revenue Fund thereafter, the Trustee shall apply moneys from time to time on deposit to the credit of the Revenue Fund in the following order of priority:

(a) **First,** to make all deposits into the Interest and Sinking Fund as provided herein and, if the Contractual Obligations are ratably secured thereby, in any other interest and sinking fund provided in any order or resolution authorizing the issuance of any other Senior Lien Obligations;

(b) **Second,** to make all deposits into the Reserve Fund as provided herein and in any other reserve fund provided in any order or resolution authorizing the issuance of any Senior Lien Obligations other than Reserve Fund Participants, provided that on any date on which there is a deficiency in the Reserve Fund, the Trustee shall not apply any moneys to any other such fund in an amount greater than that required to produce a balance therein equal to 50% of the Maximum Annual Debt Service Requirements on the Senior Lien Obligations payable from such other reserve fund ratably over a 36-month period from the original date of any deficiency therein unless an additional deposit to the Reserve Fund is made to cure such deficiency in the Reserve Fund at the same rate;

(c) **Third,** to make all other deposits not made pursuant to subsection (b) above into any reserve fund provided in any order or resolution authorizing the issuance of any Senior Lien Obligations;

(d) **Fourth,** to make all other deposits required by any order or resolution authorizing the issuance of any Senior Lien Obligations and any related agreement or Credit Agreement;

(e) **Fifth,** to make all deposits required by any order or resolution authorizing the issuance of any Junior Lien Obligations (a copy of which shall be provided by the Authority to the Trustee on or before the date of issuance of such Junior Lien Obligations);

(f) **Sixth,** to make all deposits required by any order or resolution authorizing the issuance of any Subordinate Lien Obligations (a copy of which shall be provided by the Authority to the Trustee on or before the date of issuance of such Subordinate Lien Obligations); and

(g) **Seventh,** to the Authority for any lawful purpose.

In case such moneys on deposit in the Revenue Fund shall at any time be insufficient to make in full all deposits and transfers then due and unpaid as provided above then such deposits and transfers shall be made from such moneys in the priority



set out above, but ratably according to the aggregate amount within each priority to be deposited and without preference within a priority.

26. **Revenue Fund and Interest and Sinking Fund.** Moneys from time to time on deposit to the credit of the Revenue Fund shall be applied by the Trustee as follows:

(a) **Transfers to Interest and Sinking Fund.** Subject to subsections (b) and (c) below, for so long as any Contractual Obligations remain Outstanding, the Trustee shall transfer from the Revenue Fund to the Interest and Sinking Fund on each date on which funds are deposited to the Revenue Fund such amounts which, when added to other amounts in the Interest and Sinking Fund, will provide for the accumulation, in substantially equal monthly installments, of amounts sufficient to pay (i) the interest scheduled to become due on all Outstanding Senior Lien Obligations on the next succeeding interest payment date (other than interest scheduled to become due but anticipated to be paid with the proceeds of Senior Lien Obligations), (ii) the principal of all Outstanding Senior Lien Obligations scheduled to mature on the next succeeding principal payment date (other than maturing principal anticipated to be paid with the proceeds of Senior Lien Obligations), (iii) payments due and payable to Credit Providers on Senior Credit Agreements on ensuing payment dates; and (iv) the redemption price of all Outstanding Senior Lien Obligations called or scheduled for redemption on the next redemption date, plus all fees, charges and other amounts payable to any Paying Agent/Registrar, market agent, broker/dealer, remarketing agent or Credit Provider in respect of Senior Lien Obligations; provided that in all cases the Trustee shall transfer an amount sufficient to ensure that the Interest and Sinking Fund has adequate funds on deposit to make all required principal, interest, and other payments on Senior Lien Obligations through the immediately succeeding month, assuming accrual of interest at the maximum rate for any period for which the rate has not been fixed and payment thereof on the last day of such succeeding month.

(b) **Limitation on Use of Capitalized Interest.** Proceeds of any issue of Senior Lien Obligations on deposit in the Interest and Sinking Fund shall be available to pay interest only on such Senior Lien Obligations and shall be credited against the transfer requirements described in subsection (a)(i) above only for such issue of Senior Lien Obligations.

(c) **BABs Subsidies.** The refundable credit received pursuant to Section 6431 of the Code in respect of the Series 2009 Bonds designated Series 2009C shall be deposited directly into the Interest and Sinking Fund upon receipt and shall be used solely for the purposes of paying interest on the Series 2009 Bonds designated Series 2009C while they remain Outstanding. In determining the amount to be transferred to the Interest and Sinking Fund, no balance therein attributable to the Series 2009 Bonds designated Series 2009C shall be credited against the principal, interest or other payment requirements on any other Senior Lien Obligations.

(d) **Suspension of Payments.** Whenever the total amount on deposit to the credit of the Interest and Sinking Fund shall be equal to the sum of the aggregate principal amount of all Outstanding Senior Lien Obligations plus the aggregate amount of all interest accrued and to accrue thereon and all bank charges and other costs and expenses related to the payment thereof, no further payments need be made into such funds, and the Senior Lien Obligations shall not be regarded as being Outstanding except for the purpose of being paid with the moneys on deposit in such funds.

(e) **Application of Interest and Sinking Fund.** Monies deposited to the credit of the Interest and Sinking Fund shall be used solely for the purpose of paying the principal of and interest and other payments on the Outstanding Senior Lien Obligations, plus all bank charges, fees and expenses of the Trustee and paying agents and registrars and Credit Providers, and other costs and expenses, relating to such payment. On or before each due date for the payment of principal and/or interest or other amounts on Senior Lien Obligations, the Trustee shall pay (or transfer to the applicable paying agent for the payment of) the principal of and interest and other amounts payable on the Senior Lien Obligations on such date, together with an amount equal to all bank charges, fees and expenses of the Trustee and paying agents and registrars and Credit Providers and other costs and expenses relating to such payment; provided that, if the balance of the Interest and Sinking Fund is insufficient on any such date to pay such principal, interest and other amounts then due in full, then the Trustee shall apply all available funds therein to pay (or transfer to the applicable paying agents for the payment of) such principal, interest, and other amounts ratably, in proportion to the amounts then due, without any preference or priority of any Senior Lien Obligation over any other Senior Lien Obligations. Any moneys remaining in the Interest and Sinking Fund after all Senior Lien Obligations are no longer Outstanding shall be transferred to the Revenue Fund.

(f) **Payment of the Contractual Obligations:** The Trustee shall pay, out of the Interest and Sinking Fund, to the Paying Agent/Registrar in no event later than each applicable principal payment date and Interest Payment Date for any Outstanding Contractual Obligations, an amount (as determined by the Paying Agent/Registrar) sufficient for the Paying Agent/Registrar to pay principal of and interest on the Outstanding Contractual Obligations due on such dates (and to be paid by such Paying Agent/Registrar).

27. **Acquisition Fund.** The Series 2018 Acquisition Fund (the "Acquisition Fund") is created as a special fund of the Authority held by the Authority. Money on deposit in the Acquisition Fund shall be used only for the purposes set forth in Section 2 of this Resolution. Money on deposit in the Acquisition Fund may, at the option of the Authority, be invested as permitted by Texas law, provided that all such deposits and investments shall be made in such manner that the money required to be expended from the Acquisition Fund will be available at the proper time or times.

28. **Reserve Fund.**

(a) **Funding of Reserve Fund.** If the Reserve Fund is not fully funded on the date of issuance of any Reserve Fund Participant (including the Contractual Obligations if so designated by the Authority) with proceeds of such issuance, other funds of the Authority or a combination of both, or if the balance of the Reserve Fund is less than the Reserve Fund Requirement as of any other valuation date, then on each date on which funds are deposited to the Revenue Fund, the Trustee shall transfer into the Reserve Fund, out of money held in the Revenue Fund, an amount equal to 1/36 of the Reserve Fund Requirement or the amount needed to attain the Reserve Fund Requirement, whichever is lesser, which transfers shall continue until the Reserve Fund contains the Reserve Fund Requirement; provided, however, that the Authority may provide for other or greater transfers in connection with the purchase or acquisition of any Reserve Fund Surety Policy or otherwise.

(b) **Application of Reserve Fund.** If, on any Interest Payment Date, any date a principal installment is due or any other date, after giving effect to all transfers pursuant to Section 25, the Paying Agent/Registrar and other paying agents for the Reserve Fund Participants have not received sufficient funds to make all payments of interest on and principal of the Reserve Fund Participants then due and payable or to make any other then required payments on Reserve Fund Participants, the Trustee shall transfer amounts from the Reserve Fund to the Paying Agent/Registrar and other paying agents for the Reserve Fund Participants to the extent necessary to enable them to make such payments; provided that, if the balance of the Reserve Fund is insufficient on any such date to make all such transfers in full, then the Trustee shall apply all available funds therein to make transfers to the applicable paying agents ratably, in proportion to the transfers then due, without any preference or priority of any Reserve Fund Participant over any other Reserve Fund Participant.

(c) **Use to Retire Reserve Fund Participant.** When the amount in the Reserve Fund, together with the amounts in the Interest and Sinking Fund available for such purpose, is sufficient to fully pay all Outstanding Reserve Fund Participants in accordance with their terms (including principal or redemption price and interest thereon), the funds on deposit in the Reserve Fund at the direction of the Authority may be used to pay the principal and redemption price of and interest on all Outstanding Reserve Fund Participants.

(d) **Surety Bonds.** In lieu of cash or investment securities, the Reserve Fund Requirement may be satisfied in whole or in part with one or more Reserve Fund Surety Policies. Such policies may be drawn upon only after all other amounts in the Reserve Fund have been used or applied, and other amounts in the Reserve Fund may be used to reimburse and repay issuers of such policies for amounts drawn thereon together with interest thereon and related costs.

(e) **Application of Surplus.** Whenever the amount in the Reserve Fund exceeds the Reserve Fund Requirement and all reimbursement and repayment obligations pursuant to any debt service Reserve Fund Surety Policy have been satisfied, the Authority may direct the Trustee to transfer such excess to the Interest and Sinking Fund or to any other Fund hereunder.

29. **Investment of Trust Funds.** Amounts in any fund or account held by the Trustee may, to the extent permitted by applicable law, be invested in accordance with the Authority's investment policy upon written instruction of an Authorized Representative and the Trustee shall have no obligation or responsibility for selecting such investments or for any loss therefrom. Such investments shall mature in such amounts and at such times as may, in the judgment of such Authorized Representative, be necessary to provide funds when needed to make timely payments from such fund or account. In order to comply with the directions of such Authorized Representative, the Trustee may cause the liquidation prior to their maturities of obligations in which funds have been invested, and the Trustee shall not be liable for any loss or penalty of any nature resulting therefrom. In order to avoid loss in the event of a need for funds, the Authority may instruct the Trustee, in lieu of a liquidation of investments in the fund or account needing funds, to exchange such investments for investments in another fund or account that may be liquidated at no, or at a reduced, loss.

Obligations purchased as an investment of any money credited to any fund or any account thereof shall be deemed at all times to be a part of such fund or account. Except as otherwise provided herein, the interest accruing on obligations so purchased and any profit realized from such investment shall be credited to the Revenue Fund and any loss resulting from such investment shall be charged to such fund or account. For the purpose of determining the amount on deposit to the credit of any such fund, obligations in which money in such fund shall have been invested shall be computed at the fair market value thereof.

All money in excess of the amount guaranteed by the Federal Deposit Insurance Corporation or other federal agency shall be continuously secured by the Trustee, for the benefit of the Authority and the owners of the Senior Lien Obligations, as their interests appear, either (a) in the manner provided by the Public Funds Collateral Act, Chapter 2257, Texas Government Code, or (b) in any other manner as may then be required or permitted by applicable state or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds; provided, however, that it shall not be necessary for the Trustee or the Paying Agent/Registrar to give such security for the deposit with it of any money to be used to pay principal (and premium, if any) or interest which is at the time of such deposit due and payable with respect to any Senior Lien Obligations, or for the Trustee to give security for any money which shall be represented by obligations purchased under the provisions of this Section as an investment of such money.

The Trustee shall retain all records of its application and investment of funds hereunder for at least six years after the final maturity of Contractual Obligations. The Authority acknowledges that to the extent regulations of the Comptroller of the



Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Authority periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder. No statement need be rendered for any fund or account if no activity occurred in such fund or account during such month. The Authority may receive brokerage confirmations at no additional cost at its written request.

33. **Additional Obligations.**

(a) **Right to Issue:** Subject to the requirements of subsection (b) of this Section, the Authority reserves the right to issue or enter into, at any time and from time to time, in one or more installments, for any lawful purpose, the CP Notes, Additional Obligations, and Senior Credit Agreements, all of which, when issued or otherwise entered into and delivered, shall be payable from and secured by the senior lien on and pledge of the Pledged Revenues to the Trustee confirmed by the Resolution on a parity with all other Senior Lien Obligations and shall in all respects be on a parity and of equal dignity with and shall be secured in the same manner as the Contractual Obligations. Such pledge of and lien on the Pledged Revenues securing the Senior Lien Obligations is and shall be senior to the pledge of and lien on the Pledged Revenues which the Authority has granted or may grant to secure the Junior Lien Obligations and the Subordinate Lien Obligations.

(b) **Conditions to Issuance:** Except as provided in paragraph (c) of this Section, no Additional Obligations may be issued and no Senior Credit Agreements may be entered into unless the Chief Financial Officer of the Authority shall certify to the Trustee in writing that, for either the preceding Fiscal Year or any consecutive 12-month period out of the 18-month period preceding the month in which the order or resolution authorizing such Additional Obligations or Senior Credit Agreement is adopted (the "Base Period"):

(1) **Historical/Pro Forma Coverage:** The Pledged Revenues were not less than 200% of the Maximum Annual Debt Service Requirements, after giving effect to the issuance of the Additional Obligations or execution of the Senior Credit Agreement, as applicable; or

(2) **Pro Forma Coverage:** Pledged Revenues, adjusted to give effect to the occurrence prior to the adoption of the order or resolution authorizing such Additional Obligations of (A) any increase in the Sales and Use Tax rate or (B) any increase in the percentage of the Sales and Use Tax revenues designated by the Authority as Pledged Revenues, as if either such increase had been in effect for the entire Base Period, would have been not less than 200% of the Maximum Annual Debt Service Requirements after giving effect to the issuance of the Additional Obligations or execution of the Senior Credit Agreement, as applicable.

(c) **Exception.** Additional Obligations issued to refund Senior Lien Obligations are not subject to subsection (b) of this Section if their issuance will not increase Maximum Annual Debt Service Requirements by more than 10%.

34. **Covenant to Maintain Sales and Use Tax Rate.** The Authority agrees and covenants that at all times while there are Outstanding Contractual Obligations, (i) it will not reduce the rate at which the Sales and Use Tax is levied below its current rate of 1% of the receipts from the sale at retail or on the sale price or the lease or rental price on the storage, use or other consumption of all taxable items within the boundaries of the Authority or take action to apply such tax to less than all of such transactions and (ii) it will maintain its sales and use tax rate and apply such amounts to pay its Outstanding Series 2009 Bonds, Outstanding Series 2009 Contractual Obligations, Outstanding Series 2010 Contractual Obligations, Outstanding Series 2011 Bonds, Outstanding Series 2011 Contractual Obligations, Outstanding Series 2014 Contractual Obligations, Outstanding Series 2015 Bonds, Outstanding Series 2015 Contractual Obligations, Outstanding Series 2016 Bonds, Outstanding Series 2016 Contractual Obligations, Outstanding Series 2017 Bonds, Outstanding Series 2017 Contractual Obligations and other obligations issued pursuant to the authority of the election held within the Authority on November 4, 2003 or other obligations issued pursuant to Chapter 451, Texas Transportation Code, as amended.

36. **The Trustee.**

(a) **Appointment.** Wells Fargo Bank, N.A. has heretofore been appointed, and is hereby again appointed as Trustee, for the sole purpose of holding, investing, securing and disbursing the Pledged Revenues in accordance with the Resolution and is not acting in a fiduciary capacity for the Owners. The Trustee shall not be responsible for any Pledged Revenues until such Pledged Revenues are actually received by the Trustee. The Trustee undertakes to perform such functions and duties and only such functions and duties as are specifically set forth in the Resolution, and no implied duties or obligations shall be read into the Resolution against the Trustee.

(b) **Limited Obligations.** The Trustee shall be under no obligation to perform any duty or exercise any right or power under the Resolution until it is provided with adequate funds to do so and receives an indemnity reasonably satisfactory to it against any and all costs and expenses, outlays, and counsel fees and other disbursements, and against all liability not due to its negligence or willful misconduct. No provision of the Resolution shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or to take any action, which in the judgment of the Trustee would conflict with any rule of law or with the terms of the Resolution or would expose it to liability.

(c) Compensation. The Authority shall pay to the Trustee from time to time reasonable compensation for its services. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Authority shall promptly reimburse the Trustee upon request for all reasonable out-of-pocket expenses incurred by it. Such expense shall include the reasonable compensation and out-of-pocket expenses of its agents and counsel.

(d) Limited Liability. The Trustee shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in good faith, reasonably and in accordance with the terms of the Resolution, upon any resolution, order, notice, request, consent, waiver, certificate, statement, affidavit, requisition, bond or other paper or documents which it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper board or person, or to have been prepared and furnished pursuant to any of the provisions of the Resolution, or upon the written opinion of any attorney (who may be an attorney for the Authority), engineer, appraiser or accountant (any of which, unless otherwise specified herein, may be an employee of the Authority) reasonably believed by the Trustee to be qualified in relation to the subject matter. The Trustee shall not be liable for any error of judgment made in good faith by the Trustee unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts. The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the express provisions of the Resolution.

(e) Establishing Facts Prior to Action. Whenever, in the administration of the trust confirmed by the Resolution, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof is specifically prescribed herein) may, in the absence of bad faith on the part of the Trustee, be deemed to be proved and established by a certificate of an Authorized Representative; and, in the absence of bad faith on the part of the Trustee, such certificate shall constitute full authority for any action taken, suffered or omitted by the Trustee under the provisions of the Resolution in reliance thereon.

(f) Use of Released Funds. The Trustee shall not be concerned with or accountable to anyone for the subsequent use or application of any money which shall be released or withdrawn and used in accordance with the provisions hereof.

(g) Executing Powers Through Third Parties. The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, accountants, agents or receivers and may, in all cases, pay, and be reimbursed for, the reasonable fees and expenses thereof. The Trustee shall not be responsible for the conduct of such attorneys, accountants, agents or receivers it appointed with due care.

(h) Limited Responsibility for the Contractual Obligations and Related Documents. The Trustee shall not be responsible for any recital or statement in the Resolution, any amendment to the Resolution, the Contractual Obligations, or any official statement or other disclosure document prepared or distributed in connection with the Contractual Obligations or for the validity of the execution by the Authority of the Resolution, any amendment to the Resolution or the Contractual Obligations, or for the validity of the execution of any other or supplemental instrument by the Authority, or for the validity or sufficiency of the security for the Contractual Obligations issued hereunder or intended to be secured hereby, or for the value of or title to the security for the Contractual Obligations pledged hereunder or for the creditworthiness of the Authority. Except as otherwise expressly provided herein, the Trustee shall have no duty to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or in an amendment to the Resolution, but the Trustee may require of the Authority full information and advice as to the performance of such covenants, conditions and agreements set forth herein and in an amendment to the Resolution.

(i) No Representation of Warranty. The Trustee makes no representation or warranty, express or implied, as to the title, value, design, compliance with specifications or legal requirements, quality, operation, condition, merchantability or fitness for any particular purpose for the use contemplated by the Authority of the Equipment. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from this Resolution for the existence, furnishing or use of the Equipment.

(j) No Obligation or Duty. The permissive right of the Trustee to do things enumerated in the Resolution shall not be construed as an obligation or duty of the Trustee. The Trustee shall not be required to give any bond or surety in respect of the execution of its trusts and powers hereunder or otherwise in respect of these premises, except as provided in Section 29. Nothing contained herein or in the Contractual Obligations shall be construed to impose any duties upon the Trustee beyond those expressly contained in the Resolution or in an amendment to the Resolution. All immunities, indemnities and other provisions of the Resolution as related to the duties and liabilities of the Trustee shall apply to its duties and liabilities with respect to the Contractual Obligations.

(k) No Individual Liability. Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Contractual Obligations. In accepting the trust hereby created, the Trustee acts solely as Trustee for the trust estate hereunder and not in its individual capacity and, except as otherwise provided herein, all persons, including without limitation the Owners and the Authority, having any claim against the Trustee arising from the Resolution shall look for payment only from the funds and accounts held by the Trustee hereunder.

(l) Indemnification of the Trustee. The Authority hereby covenants and agrees, to the extent permitted by applicable law and solely from the amounts held or required to be held hereunder, to indemnify the Trustee for any loss, liability, outlays and reasonable fees of its in- house and/or outside counsel, other reasonable disbursements, expenses or advances

reasonably incurred or made, without negligence or willful misconduct on the part of the Trustee, arising out of or in connection with its acceptance or administration of the trust or performance of its duties hereunder. All indemnifications and releases from liability granted to the Trustee hereunder shall extend to its directors, officers, employees, officials and agents.

(m) **Trustee May Purchase Senior Lien Obligations.** The Trustee shall not be disqualified from buying, selling, holding, owning or dealing in Senior Lien Obligations solely because it is trustee hereunder, nor is the Trustee disqualified from being the depository of the Authority of moneys not entrusted to it hereunder.

(n) **Trustee May Resign or be Removed.** The Trustee may resign and thereby become discharged from the trusts confirmed upon the acceptance thereof by a successor by notice in writing to be given to the Authority and by notice mailed, postage prepaid to all Owners not less than 60 days before such resignation is to take effect, but such resignation shall take effect immediately upon the appointment of a successor Trustee pursuant to this Section, if such successor Trustee shall be appointed before the time specified by such notice and shall accept such appointment. If no successor Trustee is appointed within 60 days after the date of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee. The Trustee may be removed, with or without cause, at any time by an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the Owners of a majority in principal amount of the Senior Lien Obligations.

(o) **Successor Trustee.** The Authority covenants that at all times while any Contractual Obligations are Outstanding it will engage a legally qualified bank, trust company, financial institution or other agency with a minimum capital and surplus at the time of deposit of at least \$1,000,000,000 to act as Trustee for the Contractual Obligations. The Authority reserves the right to change the Trustee for the Contractual Obligations on not less than sixty (60) days' written notice to the Trustee, as long as any such notice is effective not less than 60 days prior to the next succeeding principal or interest payment date on the Contractual Obligations. Any successor Trustee appointed under the Resolution shall execute, acknowledge, and deliver to its predecessor Trustee, and also to the Authority, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties, and obligations of such predecessor Trustee, with like effect as if originally named as Trustee; but the Trustee ceasing to act shall nevertheless, on the written request of the Authority, or of the successor Trustee, execute, acknowledge, and deliver such instruments of assignment and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title, and interest of the predecessor Trustee in and to any property held by it under the Resolution, and shall pay over, assign, and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Any such successor Trustee shall promptly notify any paying agents and registrars of its appointment as Trustee. Each Trustee hereunder, by acting in that capacity, shall be deemed to have agreed to the provisions of the Resolution. No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Section shall become effective until the acceptance of appointment by the successor Trustee under this Section.

37. **Related Matters.** To satisfy in a timely manner all of the Authority's obligations under the Resolution, the Paying Agent/Registrar Agreement and the Bond Purchase Agreement, the Authorized Representative and all other appropriate officers, agents and representatives of the Authority are hereby authorized and directed to take all other actions that are reasonably necessary to provide for the issuance of the Contractual Obligations, including, without limitation, executing and delivering on behalf of the Authority all certificates, consents, receipts, requests and other documents as may be reasonably necessary to satisfy the Authority's obligations under the Bond Purchase Agreement, the Paying Agent/Registrar Agreement, the Escrow Agreement and the Resolution and to direct the transfer and application of funds of the Authority consistent with the provisions of the Resolution.

38. **Resolution a Contract - Amendments.** The Authority hereby contractually obligates and commits itself to utilize the net proceeds of the Contractual Obligations, after payment of the costs of issuance and any Bond Insurance Policy premium related thereto, for the refunding of the Refunded Contractual Obligations, the proceeds of which were used to fund the acquisition of the Equipment in accordance with the terms and provisions hereof. This Resolution shall constitute a contract with the Owners from time to time, be binding on the Authority and the Trustee, and shall not be amended or repealed by the Authority so long as any Contractual Obligation remains Outstanding except as permitted in this Section. The Authority may, without the consent of or notice to any Owners, but with notice to the Trustee, from time to time and at any time, amend this Resolution in any manner not detrimental to the interests of the Owners, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the Authority may, with the written consent of the Trustee and Owners who own in the aggregate 51% of the principal amount of the Contractual Obligations then Outstanding, amend, add to, or rescind any of the provisions of this Resolution; provided that, without the consent of all Owners of Outstanding Contractual Obligations, no such amendment, addition, or rescission shall (i) extend the time or times of payment of the principal of and interest on the Contractual Obligations, reduce the principal amount thereof, the redemption price, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Contractual Obligations, (ii) give any preference to any Contractual Obligation over any other Contractual Obligation, or (iii) reduce the aggregate principal amount of Contractual Obligations required to be held by Owners for consent to any such amendment, addition, or rescission.

No one or more Owner of Outstanding Contractual Obligations shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Resolution to affect, disturb, or prejudice the rights of any other Owner of Outstanding Contractual Obligations or the Trustee, or to obtain or to seek to obtain priority or preference over any other Owner of Outstanding Contractual Obligations or to enforce any right under the Resolution, except in the manner herein provided and for the equal and



rateable benefit of all Owners of Outstanding Senior Lien Obligations and, on a basis subordinate thereto, all Owners of Junior Lien Obligations and Subordinate Lien Obligations.

43. **Defeasance.** The Authority may defease the provisions of the Resolution (except as herein expressly stated), and discharge its obligation to the Owners of any or all of the Senior Lien Obligations (except to the extent otherwise expressly provided therein) to pay the principal of and interest thereon from other funds, by depositing with the Paying Agent/Registrar, the Comptroller or any other entity with which such deposits may be made (as specified in Section 1207.061, Texas Government Code, as amended) which has a minimum capital and surplus at the time of deposit of at least \$100,000,000 either:

(a) **Cash Deposit:** Cash in an amount equal to the principal amount of and interest thereon to the date of maturity or earlier redemption, if any, or

(b) **Governmental Obligations:** Pursuant to an escrow or trust agreement, cash and/or (i) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America; (ii) 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 are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; or (iii) 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 are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, which, in the case of (i), (ii) or (iii), may be in book-entry form, and the principal of and interest on which will, when due or redeemable at the option of the holder, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon, provide money in an amount which, together with other moneys, if any, held in such escrow at the same time and available for such purpose, shall be verified by a nationally recognized firm of accountants or actuaries sufficient to provide for the timely payment of the principal of and interest thereon to the date of maturity or earlier redemption, if any; provided, however, that if any of such Contractual Obligations are to be redeemed prior to their respective dates of maturity, irrevocable provision shall have been made for giving notice of redemption as provided in the Resolution. Upon such deposit, such Contractual Obligations shall no longer be regarded to be Outstanding and shall no longer be subject to other redemption at the option of the Authority. Any surplus amount not required to accomplish such defeasance shall be returned to the Authority.

Upon such defeasance of all Senior Lien Obligations as provided in this Section, the lien on and pledge of the Pledged Revenues and powers of the Trustee granted under the Resolution and all covenants, agreements and other obligations of the Authority to the Owners thereof shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall cause an accounting for such period or periods as shall be requested by the Authority to be prepared and filed with the Authority and, upon the request of the Authority, shall execute and deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction, and shall pay over or deliver to the Authority all moneys or securities held by it pursuant to the Resolution which are not required for the payment of principal or redemption price, if applicable, on Senior Lien Obligations not theretofore surrendered for such payment, or redemption.

45. **Legal Holidays.** In any case where the date interest becomes payable on the Contractual Obligations or principal of the Contractual Obligations matures or the date fixed for redemption of any Contractual Obligations shall not be a Business Day, then payment of interest or principal need not be made on such date, but payment may be made on the next succeeding Business Day and in the same amount with the same force and effect as if made on the scheduled date for payment and no interest shall accrue for the period from the date of maturity or redemption to the date of actual payment.



**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS  
AND  
UNAUDITED MANAGEMENT'S DISCUSSION AND ANALYSIS  
AND SUPPLEMENTAL INFORMATION**

**APPENDIX C**

**FORM OF CO-BOND COUNSELS' OPINION**

## APPENDIX D

### SELECTED INFORMATION REGARDING HARRIS COUNTY, TEXAS

Harris County is a southeast Texas county and a major component of the Houston Primary Metropolitan Statistical Area ("PMSA"). The economy is based on petrochemicals, tourism, shipping, refining, chemicals, space exploration, manufacturing, and education. The County is ranked as the 6th largest manufacturing county in the country. The County seat is Houston, Texas.

The Authority does not provide service to or collect sales and use taxes in certain portions of eastern Harris County, including the cities of Baytown, La Porte and Pasadena. The chart below presents selected demographic statistics for all of Harris County, including those portions not served by the Authority, for years 2008 through 2017.

#### Demographic Statistics (2008 – 2017) (Unaudited)



| <b>Fiscal Year</b> | <b>PMSA Population<sup>(a)</sup></b> | <b>Per Capita Personal Income<sup>(a)</sup></b> | <b>Per Capita Personal Income (State of Texas)<sup>(b)</sup></b> | <b>Harris County Total Retail Sales<sup>(c)</sup></b> | <b>Harris County Unemployment Rate<sup>(a)</sup></b> | <b>Unemployment Rate (State of Texas)<sup>(d)</sup></b> |
|--------------------|--------------------------------------|---|--|---|--|---|
| 2017               | 6,601.2                              | \$ 56,949                                       | 47,362   | 79,429,277,247  | 4.1%   | 3.9%  |
| 2016               | 6,502.2                              | 54,759  | 47,146   | 77,809,627,779  | 5.2%   | 4.8%  |
| 2015               | 6,403.7                              | 54,346  | 46,709   | 84,871,509,475  | 4.6%   | 4.5%  |
| 2014               | 6,305.7                              | 53,660  | 46,406   | 84,850,743,008  | 4.9%   | 4.6%  |
| 2013               | 6,207.4                              | 50,910  | 43,821   | 79,600,023,467  | 6.0%   | 6.0%  |
| 2012               | 6,110.6                              | 51,633  | 43,477   | 76,623,589,919  | 6.6%   | 6.8%  |
| 2011               | 6,014.8                              | 47,498  | 41,258   | 65,858,385,218  | 7.8%   | 7.9%  |
| 2010               | 5,920.4                              | 44,498  | 38,306   | 57,288,630,374  | 8.3%   | 8.2%  |
| 2009               | 5,826.1                              | 43,502  | 36,740   | 62,716,250,637  | 7.6%   | 7.5%  |
| 2008               | 5,676.4                              | 47,752  | 39,349   | 64,291,119,973  | 4.7%   | 4.9%  |

Source: (a) Referenced to the Fiscal Year 2017 Financial Statements  
 (b) U.S. Department of Commerce, Bureau of Economic Analysis.  
 (c) Windows on State Governments, the website of Glenn Hegar, Texas Comptroller of Public Accounts.  
 (d) Texas Workforce Commission.

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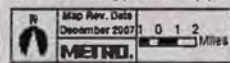
# Metropolitan Transit Authority Of Harris County, Texas Sales Tax Jurisdiction

-  METRO Sales Tax Area
-  Non-METRO Sales Tax Area

The areas shown in blue are subject to the MTA Sales Tax of 1 percent. Darker blue areas collect a City Sales Tax of 1 percent. Light blue areas may be subject to 1 percent City Sales Tax. For more information on the imposition of local Sales and Use Taxes, call the State Comptroller's Office at 1-800-252-8555 (Tax Administration).

Metropolitan Transit Authority Boundary Information is available by contacting METRO at (713) 739-4609 or (713) 739-4895.

This map is available on the METRO Web site at: [www.ridemetro.org/pdf/salesmap.pdf](http://www.ridemetro.org/pdf/salesmap.pdf)



Map of Harris County, Texas, showing the Metropolitan Transit Authority (MTA) Sales Tax Jurisdiction. The map displays the MTA Sales Tax Area in blue and Non-METRO Sales Tax Area in orange. The map includes major highways, city boundaries, and surrounding counties: Montgomery County, Liberty County, Chambers County, Galveston County, Brazoria County, and Harris County. The map is titled 'Metropolitan Transit Authority Of Harris County, Texas Sales Tax Jurisdiction'.

**EXHIBIT E**  
**FORM OF BOND COUNSEL ENGAGEMENT LETTER**



Orrick, Herrington & Sutcliffe LLP  
609 Main Street  
40th Floor  
Houston, TX 77002-3106  
+1 713 658 6400  
orrick.com

October 25, 2018

Board of Directors, Metropolitan Transit Authority  
Metro Administration Building  
1900 Main Street  
Houston, Texas 77002

Re: Bond Counsel Services for METRO Sales and Use Tax Contractual Obligations, Series 2018  
(the "Contractual Obligations")

Dear Board of Directors:

We are pleased to submit to you this proposed agreement for the Metropolitan Transit Authority of Harris County, Texas ("METRO") to engage Orrick, Herrington & Sutcliffe LLP ("Orrick"), as described below, to serve as Bond Counsel with respect to the Contractual Obligations, as defined above. When approved by the Board of Directors (the "Board") on behalf of METRO, this letter will confirm and evidence a further agreement between METRO and Orrick.

As Bond Counsel, Orrick will prepare, or assist the appropriate METRO officials and staff in the preparation of all required legal proceedings and will perform certain other necessary legal work in connection with the Board's authorization and issuance of the Contractual Obligations. Our services as Bond Counsel will include the following Basic Services, which we will carry out directly or in concert with METRO officials and staff, as follows:

- (1) Preparation or assistance in the preparation of the resolution authorizing the issuance of the Contractual Obligations (the "Resolution"), the escrow agreement, if any, the paying agent/registrar agreement and all other documents and legal instruments that comprise the transcript of legal proceedings pertaining to the authorization, issuance and sale of the Contractual Obligations;
- (2) Preparation of initial temporary bonds to be submitted to the Attorney General for approval and to the Comptroller for registration and, if required, preparation of definitive bonds to be held in book-entry only form;
- (3) Attendance at meetings called by appropriate METRO officials and staff to discuss the sizing, timing and sale of the Contractual Obligations;





- (4) Consultation with METRO officials and staff and its financial advisor, together with the underwriter for the Contractual Obligations, to review information to be included in the offering document for the Contractual Obligations, but only to the extent that such information describes the Contractual Obligations, the security therefor, their federal income tax status and our opinion;
- (5) Preparation of a transcript of legal proceedings pertaining to the Contractual Obligations and submission thereof to the Attorney General of Texas to obtain an approving opinion; and
- (6) Prior to and in connection with the closing for the Contractual Obligations, giving advice to METRO to enable appropriate officials to comply with the arbitrage requirements of the Internal Revenue Code of 1986 as they affect the Contractual Obligations, including yield restrictions and rebate requirements.

At the closing of the sale of the Contractual Obligations, Orrick will deliver one or more approving opinions, based on facts and law existing as of its date, generally to the effect that the Contractual Obligations have been duly issued, executed and delivered in accordance with the Constitution and laws of the State of Texas, that the Contractual Obligations constitute valid and legally binding obligations of METRO (subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws in effect from time to time relating to or affecting the enforcement of rights of creditors of political subdivisions) and that, if applicable and subject to certain restrictions, interest on the Contractual Obligations is excludable from the gross income of the owners thereof for federal income tax purposes.

In addition to the foregoing Basic Services, as Bond Counsel, Orrick is prepared to undertake the following Additional Services, as directed by appropriate METRO officials:

- (1) Disclosure work or similar services (other than the limited review of certain sections of the offering document for the Contractual Obligations as described in paragraph (4) under Basic Services above) to assist METRO or its financial advisor, together with the underwriter for the Contractual Obligations, in the preparation of such offering and other documents, on such basis and to such extent as shall be directed by the appropriate METRO officials and staff, including compliance with the requirements of SEC Rule 15c2-12, as amended;
- (2) Attendance at rating agency presentations, investor meetings or other presentations relating to the marketing of the Contractual Obligations and consultation with METRO officials, staff and advisors, together with the underwriter for the Contractual Obligations, to develop such presentations;





- (3) Any other special services not ordinarily required in connection with the issuance of obligations of the nature of the Contractual Obligations, including services rendered in connection with special federal income tax issues or unusual issues arising in connection with METRO's financial reports or audits, any documentation or related services for credit or liquidity facilities or enhancements or other special structuring techniques or devices to be employed in connection with the issuance of the Contractual Obligations; and
- (4) After the closing for the Contractual Obligations, providing assistance to METRO concerning questions and issues that may arise prior to the maturity of the Contractual Obligations.

For Basic Services performed in connection with the issuance of the Contractual Obligations, Orrick will be paid a fee to be negotiated with METRO's general counsel in an amount which may not exceed \$140,000. Except as otherwise provided below, payment of such fees shall be made after the closing for the Contractual Obligations and within thirty (30) days after receipt by METRO of an approved invoice therefor.

The fee for any Additional Services provided by Bond Counsel will be determined on an hourly rate basis or as METRO and Bond Counsel may agree, whichever is less. The hourly rates will be those customarily charged by Orrick to other clients for the same or similar services, taking into consideration the time consumed in providing the services, the level of experience and ability of the attorneys performing the services and the difficulty and complexity of the tasks involved.

Bond Counsel will be reimbursed for any filing fees paid by such firm to the Attorney General of Texas, which fees may be as much as \$9,500 per series or subseries of Contractual Obligations. Nothing herein shall be construed as creating any personal liability on the part of any officer of METRO, and this agreement may be terminated by METRO by giving thirty (30) days' prior written notice to Bond Counsel.

Orrick agrees that it will (1) adhere to METRO's conflict of interest policy as in effect on the date hereof, (2) provide sufficient detail in its invoices to enable METRO to determine the extent of work done and the expenses incurred, if any, including providing any supporting documentation METRO may reasonably request, (3) retain all records of work done and expenses incurred, if any, for a period of five years after such work is completed, and (4) provide reasonable access to METRO's Auditor of such books and records as will enable her to perform an audit of the foregoing items.

As required by Texas Government Code, Section 2270.002, Orrick verifies that it does not "boycott Israel" (as defined in Texas Government Code Section 808.001), and subject to or as otherwise required by applicable federal law, will not boycott Israel during the term of this engagement.

October 25, 2018  
Page 4



If this proposed agreement for the services of Orrick is satisfactory, please evidence your acceptance and approval by executing three copies, each of which shall be an original, in the space provided below.

Very truly yours,

Adrian Patterson

Approved: \_\_\_\_\_, 2018

METROPOLITAN TRANSIT AUTHORITY

\_\_\_\_\_  
Authorized Representative

# POWELL & LEON, LLP

7322 Southwest Freeway, Suite 825, Houston, TX 77074 T: (713) 779-7500 F: (713) 485-0169

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October 22, 2018

Board of Directors  
Metropolitan Transit Authority of Harris County  
Metro Administration Building  
1900 Main Street  
Houston, Texas 77002

Re: Bond Counsel Services for METRO Sales and Use Tax Contractual Obligations, Series 2018  
(the "Contractual Obligations")

Dear Board of Directors:

We are pleased to submit to you this proposed agreement for the Metropolitan Transit Authority of Harris County, Texas, a Texas public transportation agency ("METRO"), to engage Powell & Leon, LLP ("Powell & Leon"), as described below, to serve as Co-Bond Counsel with respect to the Contractual Obligations, as defined above. When approved by the Board of Directors (the "Board") on behalf of METRO, this letter will confirm and evidence a further agreement between METRO and Powell & Leon.

As Co-Bond Counsel, Powell & Leon will prepare, or assist the appropriate METRO officials and staff in the preparation of all required legal proceedings and will perform certain other necessary legal work in connection with the Board's authorization and issuance of the Contractual Obligations. Our services as Co-Bond Counsel will include the following Basic Services, which we will carry out directly or in concert with METRO officials and staff, as follows:

- (1) Preparation or assistance in the preparation of the resolution authorizing the issuance of the Contractual Obligations (the "Resolution"), the escrow agreement, if any, the paying agent/registrar agreement and all other documents and legal instruments that comprise the transcript of legal proceedings pertaining to the authorization, issuance and sale of the Contractual Obligations;
- (2) Preparation of initial temporary bonds to be submitted to the Attorney General for approval and to the Comptroller for registration and, if required, preparation of definitive bonds to be held in book-entry only form;
- (3) Attendance at meetings called by appropriate METRO officials and staff to discuss the sizing, timing and sale if requested, the Contractual Obligations;
- (4) Consultation with METRO officials and staff and its financial advisor, together with the underwriter for the Contractual Obligations, to review information to be included in the offering document for the Contractual Obligations, but only to the extent that such information describes the Contractual Obligations, the security therefor, their federal income tax status and our opinion;



- 
- (5) Preparation of a transcript of legal proceedings pertaining to the Contractual Obligations and submission thereof to the Attorney General of Texas to obtain an approving opinion; and
  - (6) Prior to and in connection with the closing for the Contractual Obligations, providing advice to METRO to enable appropriate officials to comply with the arbitrage requirements of the Internal Revenue Code of 1986 as they affect the Contractual Obligations, including yield restrictions and rebate requirements.

At the closing of the sale of the Contractual Obligations, Powell & Leon will deliver one or more approving opinions, based on facts and law existing as of its date, generally to the effect that the Contractual Obligations have been duly issued, executed and delivered in accordance with the Constitution and laws of the State of Texas, that the Contractual Obligations constitute valid and legally binding obligations of METRO (subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws in effect from time to time relating to or affecting the enforcement of rights of creditors of political subdivisions) and that, if applicable and subject to certain restrictions, interest on the Contractual Obligations is excludable from the gross income of the owners thereof for federal income tax purposes.

In addition to the foregoing Basic Services, as Co-Bond Counsel, Powell & Leon is prepared to undertake the following Additional Services, as directed by appropriate METRO officials:

- (1) Disclosure work or similar services (other than the limited review of certain sections of the offering document for the Contractual Obligations as described in paragraph (4) under Basic Services above) to assist METRO or its financial advisor, together with the underwriter for the Contractual Obligations, in the preparation of such offering and other documents, on such basis and to such extent as shall be directed by the appropriate METRO officials and staff, including compliance with the requirements of SEC Rule 15c2-12, as amended;
- (2) Attendance at rating agency presentations, investor meetings or other presentations relating to the marketing of the Contractual Obligations and consultation with METRO officials, staff and advisors, together with the underwriter for the Contractual Obligations, to develop such presentations;
- (3) Any other special services not ordinarily required in connection with the issuance of obligations of the nature of the Contractual Obligations, including services rendered in connection with special federal income tax issues or unusual issues arising in connection with METRO's financial reports or audits, any documentation or related services for credit or liquidity facilities or enhancements or other special structuring techniques or devices to be employed in connection with the issuance of the Contractual Obligations; and
- (4) After the closing for the Contractual Obligations, providing assistance to METRO concerning questions and issues that may arise prior to the maturity of the Contractual Obligations.

For Basic Services performed in connection with the issuance of the Contractual Obligations, Powell & Leon will be paid a fee to be negotiated with METRO's general counsel in an amount which may not exceed \$35,000. Except as otherwise provided below, payment of such fees shall be made after the closing for the Contractual Obligations and within thirty (30) days after receipt by METRO of an approved invoice therefor.



The fee for any Additional Services provided by Co-Bond Counsel will be determined on an hourly rate basis or as METRO and Co-Bond Counsel may agree, whichever is less. The hourly rates will be those customarily charged by Powell & Leon to other clients for the same or similar services, taking into consideration the time consumed in providing the services, the level of experience and ability of the attorneys performing the services and the difficulty and complexity of the tasks involved.

Co-Bond Counsel will be reimbursed for any filing fees paid by such firm to the Attorney General of Texas, which fees may be as much as \$9,500 per series or subseries of Contractual Obligations. Nothing herein shall be construed as creating any personal liability on the part of any officer of METRO, and this agreement may be terminated by METRO by giving thirty (30) days' prior written notice to Powell & Leon.

Powell & Leon agrees that it will (1) adhere to METRO's conflict of interest policy as in effect on the date hereof, (2) provide sufficient detail in its invoices to enable METRO to determine the extent of work done and the expenses incurred, if any, including providing any supporting documentation METRO may reasonably request, (3) retain all records of work done and expenses incurred, if any, for a period of five years after such work is completed, and (4) provide reasonable access to METRO's Auditor of such books and records as will enable her to perform an audit of the foregoing items.

As required by Texas Government Code, Section 2270.002, Powell & Leon verifies that it does not "boycott Israel" (as defined in Texas Government Code Section 808.001), and subject to or as otherwise required by applicable federal law, will not boycott Israel during the term of this engagement. Powell & Leon affirms that it is not identified on a list prepared and maintained under Texas Government Code Sections 806.051, 807.051, or 2252.153, Foreign Terrorist Organization Statement.

If this proposed agreement for the services of Powell & Leon is satisfactory, please evidence your acceptance and approval by executing three copies, each of which shall be an original, in the space provided below.

Very truly yours,

Sara Hardner Leon

Approved: \_\_\_\_\_, 2018

METROPOLITAN TRANSIT AUTHORITY OF HARRIS COUNTY

\_\_\_\_\_  
Authorized Representative

\_\_\_\_\_  
Printed Name

**EXHIBIT F**  
**FORM OF DISCLOSURE COUNSEL ENGAGEMENT LETTER**

# WEST & ASSOCIATES, LLP

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## ATTORNEYS AND COUNSELORS AT LAW

4601 Washington Ave., Suite 200  
Houston, Texas 77007  
713-520-1064

October \_\_, 2018

Directors, Metropolitan Transit Authority  
Metro Administration Building  
1900 Main Street  
Houston, Texas 77002

Re: Disclosure Counsel Services for METRO Sales and Use Tax Contractual Obligations, Series 2018 (the "Contractual Obligations")

Dear Board of Directors:

We are pleased to submit to you this proposed agreement for the Metropolitan Transit Authority of Harris County, Texas ("METRO") to engage West & Associates, L.L.P. ("West"), as described below, to serve as Disclosure Counsel with respect to the Contractual Obligations, as defined above. When approved by the Board of Directors (the "Board") on behalf of METRO, this letter will confirm and evidence a further agreement between METRO and West.

As Disclosure Counsel, West will prepare, or assist the appropriate METRO officials and staff in the preparation of all required legal proceedings and will perform certain other necessary legal work in connection with the Board's authorization and issuance of the Contractual Obligations. Our services as Disclosure Counsel will include the following Basic Services, which we will carry out directly or in concert with METRO officials and staff, as follows:

- (1) Preparation of the preliminary and final offering documents for the issuance and sale of the Contractual Obligations prior to delivery thereof;
- (2) Assistance in the performance of any necessary due diligence investigation required of the Authority, including due diligence calls or meetings, as appropriate;
- (3) Attendance and participation at meetings called or requested by appropriate METRO officials and staff to discuss the Contractual Obligations, including, without limitation, rating agency presentations investor meetings or other presentations relating to the marketing of the Contractual Obligations and consultation with METRO officials, staff and advisors and METRO's financial advisor to develop such presentations;
- (4) Consultation and advise METRO officials and staff and its financial advisor regarding any disclosure issues, including assistance in evaluating the materiality of such issues;

- (5) Analysis of the requirements of SEC Rule 15c2-12 and the basis upon which such rule is satisfied; and
- (6) Provide METRO with one or more securities disclosure in customary form reasonably satisfactory to METRO and West.

For the services described above performed in connection with the issuance of the Contractual Obligations, West will be paid a fee to be negotiated with METRO's general counsel in an amount which may not exceed \$75,000. Except as otherwise provided below, payment of such fees shall be made after the closing for the Contractual Obligations and within thirty (30) days after receipt by METRO of an approved invoice therefor.

The fee for any additional services provided by Disclosure Counsel will be determined on an hourly rate basis or as METRO and Disclosure Counsel may agree, whichever is less. The hourly rates will be those customarily charged by West to other clients for the same or similar services, taking into consideration the time consumed in providing the services, the level of experience and ability of the attorneys performing the services and the difficulty and complexity of the tasks involved.

West agrees that it will (1) adhere to METRO's conflict of interest policy as in effect on the date hereof, (2) provide sufficient detail in its invoices to enable METRO to determine the extent of work done and the expenses incurred, if any, including providing any supporting documentation METRO may reasonably request, (3) retain all records of work done and expenses incurred, if any, for a period of five years after such work is completed, and (4) provide reasonable access to METRO's Auditor of such books and records as will enable her to perform an audit of the foregoing items.

As required by Texas Government Code, Section 2270.002, West verifies that it does not "boycott Israel" (as defined in Texas Government Code Section 808.001), and subject to or as otherwise required by applicable federal law, will not boycott Israel during the term of this engagement.

If this proposed agreement for the services of West as Disclosure Counsel is satisfactory, please evidence your acceptance and approval by executing three copies, each of which shall be an original, in the space provided below.

Very truly yours,

Edgardo E. Colón

Approved: \_\_\_\_\_, 2018

METROPOLITAN TRANSIT AUTHORITY

\_\_\_\_\_  
Authorized Representative



A RESOLUTION

AUTHORIZING THE PRESIDENT & CEO TO NEGOTIATE AND EXECUTE A CONTRACT WITH EACH OF HDR ENGINEERING, INC. AND WSP USA, INC. FOR GENERAL PLANNING CONSULTANT SERVICES ON AN AS-NEEDED BASIS, AND MAKING FINDINGS AND PROVISIONS RELATED TO THE FOREGOING SUBJECT

WHEREAS, the Metropolitan Transit Authority of Harris County, Texas ("METRO") requires planning, engineering and other support services to assist METRO with the planning and development of certain capital projects, compliance with various Federal Transit Administration requirements, interagency coordination and completion of other METRO department initiatives as needed; and

WHEREAS, METRO issued a Request for Qualifications for these services and an evaluation committee determined that HDR Engineering, Inc. and WSP USA, Inc. were the top two ranked firms that submitted statements of qualifications; and

WHEREAS, management recommends that METRO negotiate and execute a three-year contract with each of HDR Engineering, Inc. and WSP USA, Inc. for such general planning consultant services on an as-needed basis, and a maximum contract amount of \$5,000,000.

NOW, THEREFORE, BE IT RESOLVED THAT:

Section 1. The METRO Board of Directors hereby authorizes the President & CEO to negotiate and execute a three-year contract with each of HDR Engineering, Inc. and WSP USA, Inc. for general planning consultant services on an as-needed basis, and a maximum contract amount of \$5,000,000.


Section 2. This Resolution is effective immediately upon passage.

I hereby certify that the above resolution is accurate in describing the action herein of the Board of Directors on the date below.

  
Cydonii V. Fairfax  
Executive Vice President & General Counsel

PASSED this 25<sup>th</sup> day of October, 2018  
APPROVED this 25<sup>th</sup> day of October, 2018



  
Carrin F. Patman  
Chair

A RESOLUTION

AUTHORIZING THE PRESIDENT & CEO TO NEGOTIATE AND EXECUTE A LEASE AGREEMENT WITH ENTERPRISE FLEET MANAGEMENT FOR NON-REVENUE SUPPORT VEHICLES, AND MAKING FINDINGS AND PROVISIONS RELATED TO THE FOREGOING SUBJECT

WHEREAS, pursuant to Resolution No. 2018-85, the Metropolitan Transit Authority of Harris County, Texas ("METRO") entered into an Interlocal Agreement with the Region VIII Education Service Center to participate in The Interlocal Purchasing System ("TIPS"); and

WHEREAS, TIPS competitively awarded a vehicle lease contract to Enterprise Fleet Management, and management recommends that METRO satisfy its competitive bidding requirements for leasing fifty-four (54) non-revenue support vehicles by entering into a one-year lease agreement with Enterprise Fleet Management through its participation in TIPS during fiscal year 2019 for various departmental uses, with a maximum contract amount of \$1,210,497.

NOW, THEREFORE, BE IT RESOLVED THAT:

Section 1. The METRO Board of Directors hereby authorizes the President & CEO to negotiate and execute a one-year lease agreement with Enterprise Fleet Management for fifty-four (54) non-revenue support vehicles during fiscal year 2019, with a maximum contract amount of \$1,210,497.

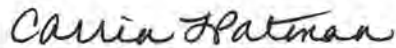
Section 2. This Resolution is effective immediately upon passage.

I hereby certify that the above resolution is accurate in describing the action herein of the Board of Directors on the date below.

  
\_\_\_\_\_  
Cydoni Fairfax  
Executive Vice President & General Counsel

PASSED this 25<sup>th</sup> day of October, 2018  
APPROVED this 25<sup>th</sup> day of October, 2018

ATTEST

  
Recca Perry  
Assistant Secretary  
\_\_\_\_\_  
Carrin F. Patman  
Chair



A RESOLUTION

AUTHORIZING THE PRESIDENT & CEO TO NEGOTIATE AND EXECUTE A CONTRACT WITH MOTOROLA SOLUTIONS, INC. FOR MAINTENANCE, SUPPORT, AND OTHER RELATED SERVICE REQUESTS FOR METRO'S RADIO COMMUNICATIONS SYSTEM, AND MAKING FINDINGS AND PROVISIONS RELATED TO THE FOREGOING SUBJECT

WHEREAS, the Metropolitan Transit Authority of Harris County, Texas ("METRO") radio communications system was designed, developed and manufactured by Motorola Solutions, Inc. (the "Contractor") and requires ongoing maintenance, support, and repair services; and

WHEREAS, the software for such equipment is proprietary and the Contractor is the only authorized vendor that can provide second and third-tier level on-hand software support, monitoring capabilities, and certified service technicians with access to authorized warranty service centers; and

WHEREAS, METRO also requires the Contractor's assistance with maintenance, engineering and replacement of equipment and software applications and updates required for continued operation of the Harris County Regional Radio System; and

WHEREAS, management recommends that METRO enter into a three-year contract with the Contractor for the foregoing services to METRO's radio communications system and equipment, with a maximum contract amount of \$407,312.46.

NOW, THEREFORE, BE IT RESOLVED THAT:

Section 1. The METRO Board of Directors hereby authorizes the President & CEO to negotiate and execute a three-year contract with Motorola Solutions, Inc. for maintenance, support, and other related services to METRO's radio communications system and equipment, with a maximum contract amount of \$407,312.46.

Section 2. This Resolution is effective immediately upon passage.

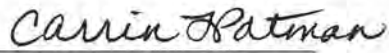
I hereby certify that the above resolution is accurate in describing the action herein of the Board of Directors on the date below.

  
Cydonii Fairfax  
Executive Vice President & General Counsel

PASSED this 25<sup>th</sup> day of October, 2018  
APPROVED this 25<sup>th</sup> day of October, 2018

ATTEST:



  
Carrin F. Patman  
Chair

A RESOLUTION

AUTHORIZING THE PRESIDENT & CEO TO NEGOTIATE AND EXECUTE AN ADVANCED FUNDING AGREEMENT WITH THE TEXAS DEPARTMENT OF TRANSPORTATION FOR OFF-PEAK BI-DIRECTIONAL HOV LANE SIGNAGE AND OTHER RELATED SERVICES ON TEXAS STATE HIGHWAY 290, ENFORCEMENT AND OTHER RELATED SERVICES MAKING FINDINGS AND PROVISIONS RELATED TO THE FOREGOING SUBJECT

WHEREAS, the Texas Department of Transportation ("TxDOT") has authorized the Metropolitan Transit Authority of Harris County, Texas ("METRO") to utilize the inside lane adjacent to the reversible barrier of the High Occupancy Vehicle ("HOV")/High Occupancy Toll ("HOT") lane on Texas State Highway 290 as an off-peak bi-directional HOV lane; and

WHEREAS, METRO will use the bi-directional HOV lane during the weekday, except for holidays, at off-peak times such as outbound morning travel and inbound evening travel; and

WHEREAS, TxDOT is authorized pursuant to Section 455.002(1), (5) of the Texas Transportation Code to purchase, construct, lease, and contract for public transportation systems and to contract as necessary to perform a function under Texas Transportation Code Chapter 455, and in accordance with such statutory authority, TxDOT and METRO desire to enter into an agreement to specify the terms under which TxDOT will perform certain services that benefit METRO and METRO will reimburse TxDOT for such services; and

WHEREAS, METRO will provide signage for commuters on the off-peak bi-directional HOV lane, enforcement for such HOV lane after its construction, and a representative present at TxDOT's public meeting for environmental re-evaluation of the HOV lanes to address any questions relating to METRO's HOV lane operations; and

WHEREAS, the parties acknowledge and agree that reimbursement for services is not a gift or a grant by METRO to TxDOT prohibited under Section 455.002(4), and such reimbursement will not impair the financial and legal independence of TxDOT required by Section 455.052 for the implementation of a state safety oversight program for METRO's rail fixed guideway public transportation system; and

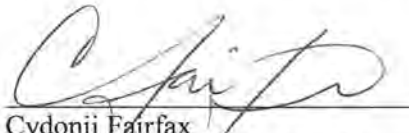
WHEREAS, management recommends that METRO negotiate and execute an Advanced Funding Agreement with TxDOT regarding the use of this off-peak bi-directional HOV lane, with a cost to METRO not to exceed \$1,600,000 for the installation of HOV lane signage.

NOW, THEREFORE, BE IT RESOLVED THAT:

Section 1. The METRO Board of Directors hereby authorizes the President & CEO to negotiate and execute an Advanced Funding Agreement with the Texas Department of Transportation regarding METRO's use of an off-peak bi-directional HOV lane on Texas State Highway 290, with a cost to METRO not to exceed \$1,600,000 for the installation of HOV lane signage in connection with its use of such lane.

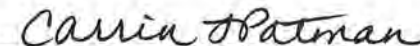
Section 2. This Resolution is effective immediately upon passage.

I hereby certify that the above resolution is accurate in describing the action herein of the Board of Directors on the date below.

  
Cydonii Fairfax  
Executive Vice President & General Counsel

PASSED this 25<sup>th</sup> day of October, 2018  
APPROVED this 25<sup>th</sup> day of October, 2018



  
Carrin F. Patman  
Chair