

ANDREWS ECONOMIC DEVELOPMENT CORPORATION

(a nonprofit corporation created under the
Development Corporation Act of 1979, as amended,
Article 5190.6, Vernon's Annotated Texas Civil Statutes)

**LOCAL REGULATIONS FOR RECEIVING AND APPROVING APPLICATIONS
FOR FINANCIAL PARTICIPATION IN DEVELOPMENT PROJECTS**

I. General Purpose and Scope of Legal Regulations

(A) The Andrews Economic Development Corporation (the "Corporation") was created as a duly constituted authority of the City of Andrews, Texas, (the "Unit") pursuant to the Development Corporation Act of 1979, as amended, Article 5190.6, Vernon's Annotated Texas Civil Statutes (the "Act"), in furtherance of the public purposes of the Act.

(B) The activities of the Corporation shall be limited solely to the accomplishment of such public purpose, and no plan of financing for any project (the "Project"), as defined in the Act, and in the applicable portions of these local regulations (the "Regulations") will be approved by the Board of Directors (the "Board") of the Corporation unless and until the Board shall first affirmatively find that such financing and its related Project will be in furtherance of such public purpose, to be determined in accordance with the procedures set forth in these Regulations.

II. Applications; Approval Standards

(A) Preliminary Filing Requirements

(1) A person, firm, corporation or other legal entity (the "Applicant") desiring participation by the Corporation in the financing of any Project shall file with the Corporation three copies of an Application for Financial Participation (the "Application") as hereinafter provided and in the form accompanying these Regulations. Filing will become effective by following the procedure set forth in the Application, copy of which is attached.

(2) Along with the Application, the Applicant shall file with the Corporation five executed copies of an Inducement and Indemnity Agreement substantially in the form and substance accompanying these Regulations.

(3) The Applicant shall file with the Application the processing fees required in these Regulations.

(4) If the Applicant desires the Board to take preliminary official action pertaining to the issuance of obligations in accordance with relevant provisions of the Internal Revenue Code of 1986, as amended, and applicable Regulations and Revenue Rulings issued in connection therewith, then the Applicant shall also file a statement requesting such action.

(5) The documents and fees required by these regulations, unless waived by the Corporation, shall be filed with the Corporation by mail or personal delivery of the same to

Andrews Economic Development Corporation, 111 Logsdon, Andrews, Texas 79714, Attention: President.

(B) Preliminary Official Action

(1) Upon compliance with the preliminary filing requirements of paragraph II(A) of these Regulations, if preliminary official action is requested pursuant to paragraph II(A)(4), the Corporation will conduct an expedited preliminary review of such request, and such action will be scheduled for the next regular or for a special meeting of the Board.

(2) The Board will take the requested preliminary official action, expressing its present intention to issue the obligations requested if such preliminary review of the Application demonstrates with reasonable certainty:

(a) that the Application, the obligations and the Project qualify for final approval by the Board in accordance with these Regulations; and

(b) that all governmental approvals with respect to the obligations and the Project will be obtained.

(C) Subsequent Filing Requirements

Prior to review of the Application for final approval by the Board, the Applicant may file such additional documents or statements in support thereof as the Applicant shall consider relevant and appropriate and shall file the following:

(1) such additional Information as is requested of the Applicant by the Board; and

(2) if the Application indicated that financing will be by public distribution, it should include a pro-forma copy of any official statement, prospectus or other offering memoranda, through the use of which the proposed obligations are to be offered. In addition, such offering, if approved, must be registered with the Texas State Securities Board or exempt from such registration. Offering, sale or placement material shall contain prominent disclosure substantially to the effect:

(a) that neither the Corporation nor the Unit has undertaken to review or has assumed any responsibility for the matters contained therein except solely as to matters relating to the Corporation and to a description of the obligations being offered thereby;

(b) that all findings and determinations by the Corporation and the Unit, respectively, are and have been made by each for its own internal uses and purposes in performing its duties under the Act and these Regulations;

(c) that notwithstanding its approval of the obligations and the Project, neither the Unit nor the Corporation endorses or in any manner, directly or indirectly guarantees, warrants or endorses the creditworthiness or credit standing of the Applicant or of any guarantor

or credit enhancer of such obligations, or in any manner guarantees, warrants or endorses the investment quality or value of such obligations; and

(d) that such obligations are payable solely from funds and secured solely by property furnished and to be furnished and provided by the Applicant and any guarantor or credit enhancer and are not in any manner payable wholly or partially from any funds or properties otherwise belonging to the Corporation.

(D) Final Approval

(1) The Board will take up and consider its final action pertaining to an Application filed hereunder when requested to do so by the Applicant and upon receipt by it of evidence satisfactory to the Board that the Applicant has complied with these Regulations in all material respects not otherwise waived by the Board.

(2) Applications will be finally approved by the Board if it first affirmatively determines:

(a) that all requirements for and prerequisites to final approval under these Regulations have either been satisfied or waived and are in form and substance satisfactory to the Board;

(b) that the operation the Project will constitute a lawful activity, is qualified for approval by the Unit and complies with and promotes the purposes and satisfies the requirements of the Act and the statement of policy in these Regulations.

(3) After final approval by the Board, the Corporation will seek approval by the Unit and will proceed to close the delivery of such obligations upon receipt of such approval in accordance with the documents approved by the Board and when finally approved by the Corporation's bond counsel ("Bond Counsel") in accordance with the terms of sale or placement.

III. **Fees and Costs**

(A) Fees and Expenses

(1) Concurrently with the filing of an Application, the Applicant shall pay to the Corporation an application fee in the amount of \$5,000 and upon the closing of the bonds, the Applicant shall pay to the Corporation a closing fee in the amount of 1/10 of 1% of the principal amount of the bonds to be issued for the Project, with a maximum of \$10,000, unless waived by the Corporation. The Applicant acknowledges that such amount is not refundable if its Application is approved regardless of whether or not financing of the Project is ever accomplished. If the Application is not approved, the check will be returned.

(2) The Corporation may engage the services of a financial consultant. If the Corporation engages the services of a financial consultant, the Applicant shall be obligated to pay the fees and expenses of such financial consultant, including a stated amount which will be payable upon the submission of the Application. Such amount shall be applied to the fees and expenses of the financial consultant and additional amounts may be required to be paid by the Applicant prior to final payment due at the closing of the financing.

(3) The Application requires the Applicant to use a Bond Counsel, including a stated amount which will be payable upon the submission of the Application. Such amount shall be applied to the fees and expenses of Bond Counsel and additional amounts may be required to be paid by the Applicant prior to final payment due at the closing of the financing.

(4) The Corporation may engage an attorney or a law firm to act as its counsel. Applicant shall be obligated to pay the fees and expenses of such counsel as approved by the Corporation.

(5) Any out-of-pocket expenses of the Corporation are additional costs to be paid by the Applicant.

(B) Continuing Costs.

Each Applicant shall pay to the Corporation, within ten days after receipt of a bill or statement, the following amounts, to-wit:

(1) any amounts payable pursuant to the Inducement and Indemnity Agreement and any other indemnity contract or agreement executed in connection with any financing hereunder.

(2) the amount of costs or expenses incurred or paid by the Corporation each year which shall be divided and allocated equally among all Applicants whose financing has been completed.

(C) Changes in Fees and Costs.

(1) The Corporation reserves the right at any time to establish or change the amount of fees payable under paragraph III(A) and to make the same effective as to any Applicant whose Application is filed subsequent to the date of such change.

(2) The Corporation reserves the right at any time to change the method of allocation described in paragraph III(B)(2), if it should, in its sole discretion, determine such change to be reasonable and more equitable, such change to be effective upon the date specified by the Corporation.

IV. **Miscellaneous**

(A) Unauthorized Representations and Bond Marketing Practices

(1) No Applicant, or any representative of the Applicant or the Corporation, shall represent, directly or indirectly, to any lender, interim or otherwise, supplier, contractor or other person, firm or entity that the Corporation has agreed or is firmly committed to issue any obligations in relation to any Project or Application until the Board has finally approved the issuance thereof under these Regulations.

(2) No Applicant, or any representative of the Applicant or the Corporation, shall ever make any representation, directly or indirectly, express or implied, of any fact or facts contrary to the disclosures required to be made by paragraph II(C)(2) of these Regulations.

(3) Neither the Applicant nor any securities firm, underwriter, broker, dealer, salesman or other person, firm or entity shall offer, sell, distribute or place any obligations authorized by the Corporation by any process, method, or technique or in any manner, transaction or circumstances or to any person or persons, the effect of which would be to require such obligations to be registered or would require filings to be made with regard thereto under the laws of the State or jurisdiction where such offer, sale, distribution or placement is made without first registering the same or making the filings regarding the same required by such laws.

(B) Amendments; Waivers; Effective Date

(1) The Corporation reserves the right at any time to amend these Regulations effective as to any Applications filed subsequent to the effective date of any such amendment. Any amendments shall be filed with the Office of the Governor, Economic Development and Tourism Division.

(2) The Corporation reserves the right to waive any provision of these Regulations as to any Applicant, Application or Project; and should the Corporation give its final approval pertaining to an Application and authorize bonds for the financing of a Project, all provisions of these Regulations not previously satisfied shall be deemed to have been waived unless the Corporation by action of its Board shall otherwise determine.

(3) These Regulations are and shall be effective from and after their adoption by the Board and shall continue in effect until and unless amended, modified or repealed and shall be effective as to any Application pending at the time of their adoption.

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INDUCEMENT AND INDEMNITY AGREEMENT

ANDREWS ECONOMIC DEVELOPMENT CORPORATION

Gentlemen:

The below named Applicant has this day filed with your corporation (the “Issuer”) an Application for Financial Participation (the “Application”) with respect to the acquisition and/or construction and equipping of certain facilities (the “Project”) within the City of Andrews, Texas, (the “Unit”), pursuant to the Development Corporation Act of 1979, as amended, Article 5190.6, Vernon’s Annotated Texas Civil Statutes, in accordance with your regulations governing such applications in effect on the date hereof.

As an inducement to the Issuer and to the Unit to accept, review and favorably consider and approve the Application and to issue the obligations therein contemplated, and whether or not all or any part thereof are ever actually approved or issued by you, the Applicant hereby irrevocably agrees that it will (a) pay all Project costs that are not or cannot be paid or reimbursed from the proceeds of obligations issued by you, and (b) at all times indemnify and hold harmless the Issuer and the members and officers of its Board of Directors and the Unit and the members and officers of its governing body against all losses, costs, damages, expenses and liabilities of whatsoever nature or kind (including but not limited to attorney’s fees, litigation and court costs, amounts paid in settlement, and amounts paid to discharge judgments) directly or indirectly resulting from, arising out of, or related to the acceptance, consideration and approval or disapproval of such Application or the issuance, offering, sale or delivery of any such obligations, or the design, construction, installation, operation, use, occupancy, maintenance, or ownership of the Project.

It is understood and agreed that this Inducement and Indemnity Agreement shall be continuing and shall survive and continue to be effective after any approval or disapproval of the Application and the issuance or failure to issue any such obligations and the construction and operation of the Project. It is also understood that additional indemnity agreements may be required by you from the Applicant or others, such as guarantors, prior to the final approval of such Application.

This Inducement and Indemnity Agreement shall be effective upon execution by you where indicated below, and the same is dated this _____, 20__.

Sincerely,

Applicant

By: _____
Authorized Officer or Representative

Approved, Accepted and Agreed to this
_____, 20__.

**ANDREWS ECONOMIC DEVELOPMENT
CORPORATION**

By: _____
Authorized Officer

ANDREWS ECONOMIC DEVELOPMENT CORPORATION

APPLICATION FOR FINANCIAL PARTICIPATION

The undersigned, on behalf of the entity named as Applicant, hereby applies to Andrews Economic Development Corporation (the "Issuer") for project financing pursuant to the Development Corporation Act of 1979, as amended, Article 5190.6, Vernon's Annotated Texas Civil Statutes, and pursuant to the regulations of 'the Issuer governing applications for financial participation (the "Regulations").

We have reviewed the Regulations presented to us and in effect on the date hereof, and we agree to and accept the terms thereof.

The following Application for Financing questionnaire has been completed to the best of our ability, and the information contained therein and on any attachments thereto represent a reasonably comprehensive outline of the project for which this Application is made and the financing requested in connection therewith.

We submit herewith the processing fee required by the Regulations (unless waived by the Issuer), together with five copies of the executed Inducement and Indemnity Agreement required by the Regulations.

Preliminary Official Action, pursuant to the Regulations (is) (is not) requested.

The undersigned warrants that (he) (she) is authorized to submit this Application on behalf of the Applicant.

Applicant

By: _____
Authorized Officer or Representative

Presently estimated amount of project financing requested:

\$ _____

