

EXHIBIT C

Second Amended and Restated Cancellation Agreement

DRAFT

**SECOND AMENDED AND RESTATED BOND INSURANCE POLICY
CANCELLATION AGREEMENT**

THIS SECOND AMENDED AND RESTATED BOND INSURANCE POLICY CANCELLATION AGREEMENT (this “*Agreement*”) dated as of May 1, 2014 is entered into by and among **CITY OF AUSTIN, TEXAS** (the “*Issuer*”), **WELLS FARGO BANK, NATIONAL ASSOCIATION**, as paying agent and tender agent (the “*Agent*”), **SUMITOMO MITSUI BANKING CORPORATION**, acting through its New York Branch (the “*Bank*”) and **ASSURED GUARANTY MUNICIPAL CORP.** (formerly known as FINANCIAL SECURITY ASSURANCE INC.), a New York stock insurance company (“*AGM*”), and amends and restates that certain Amended and Restated Insurance Policy Cancellation Agreement, dated as of May 1, 2012, by and among the Issuer, the Agent, AGM and the “*Banks*” named therein.

RECITALS

WHEREAS, the Issuer issued, in four subseries, its \$281,300,000 Airport System Refunding Revenue Bonds, Series 2005 (AMT) pursuant to Ordinance No. 20050804-039, as supplemented on May 26, 2011 by Ordinance No. 20110526-068 and on April 12, 2012 by Ordinance No. 20120412-016 (collectively, the “*Ordinance*”); and

WHEREAS, the Bonds are insured by Municipal Bond Insurance Policy No. 205494-N (the “*Bond Policy*”) issued by AGM; and

WHEREAS, AGM has also issued Municipal Bond Insurance Debt Service Reserve Fund Insurance Policy No. 205494-R (the “*Reserve Policy*”) for the debt service reserve fund requirement for the Bonds and Financial Guaranty Insurance Policy No 205494-SWP with respect to the swap transaction relating to the Bonds (the “*Swap Policy*”); and

WHEREAS, the City has arranged for the delivery of Letters of Credit (“*Letters of Credit*”), one for each subseries of Bonds, each to be issued by the Bank, which Letters of Credit will provide liquidity for the payment of the purchase price of the Bonds of a subseries upon a tender thereof and also provide for payment of principal and interest on the Bonds of a subseries; and

WHEREAS, pursuant to the reimbursement agreement under which the Letters of Credit are being issued (the “*Reimbursement Agreement*”) and the Ordinance, the Bank has the right under certain circumstances to give direction to the Issuer and the Agent that the Bond Policy is to be terminated and thereby cause the Bonds to become subject to mandatory tender; and

WHEREAS, AGM, the Issuer and the Agent have agreed to cancellation of the Bond Policy at the request of the Bank pursuant to the Reimbursement Agreement, subject to the terms of this Agreement; and

WHEREAS, the parties hereto have agreed that the Swap Policy and the Reserve Policy shall be terminated as provided in Sections 15 and 16 hereof.

NOW THEREFORE, in consideration of the premises and the mutual promises set forth below, the parties hereto agree as follows:

AGREEMENT

Section 1. The Bank hereby requests that, effective upon the occurrence of the conditions set forth herein, AGM cancel the Bond Policy, and AGM hereby agrees to comply with such request, subject to the terms of this Agreement.

Section 2. The Bank acknowledges and agrees that pursuant to the Reimbursement Agreement the exercise by the Bank of rights and remedies, and the pursuit of other actions, referred to in Sections 6.3 and 6.4 of the Reimbursement Agreement, without the consent of AGM is subject to satisfaction of the conditions specified in Sections 6.3 and 6.4 of the Reimbursement Agreement which (except in certain specified circumstances) contemplate termination of the Bond Policy and AGM being paid all amounts due and payable to it.

Section 3. The Bank will provide written notice in the form attached hereto as Exhibit A-1 signed by the Bank (the “*Notice*”) of the exercise by the Bank of its right to request the cancellation of the Bond Policy pursuant to the terms of Sections 6.3 and 6.4 of the Reimbursement Agreement to the Issuer, the Agent and AGM specifying that the date of cancellation of the Bond Policy (the “*Cancellation Date*”) shall be the sixteenth (16th) day following the Agent’s receipt of the Notice, and the Agent shall take steps required pursuant to Section A-405 of the Ordinance to effect the mandatory tender of the Bonds. The Bank agrees that it shall not direct the Agent to draw on the Bond Policy, and the Agent agrees that it shall not draw on the Bond Policy, after the Bank has delivered the Notice. Upon delivery of the Notice and the Agent’s receipt thereof, the Issuer, the Bank and the Agent hereby irrevocably consent to the cancellation of the Bond Policy in accordance with the terms of this Agreement. The Bank, as Owner of the Bonds, shall confirm such consent when it owns the Bonds following the mandatory tender thereof and prior to the remarketing thereof. The cancellation of the Bond Policy will be effective upon the Cancellation Date specified in the Notice subject to the terms of this Agreement; *provided* that in no event shall the Cancellation Date occur prior to the Mandatory Purchase Date (as such term is defined in the Ordinance). The Agent agrees to deliver to AGM the original executed Bond Policy for cancellation, *provided, however*, that if the original Bond Policy cannot be located after diligent search, the Agent shall deliver a copy of the Bond Policy, together with a lost policy affidavit in form and substance satisfactory to AGM stating that the original cannot be located. Notwithstanding anything to the contrary herein, the failure to deliver the original Bond Policy or any such affidavit shall not invalidate the cancellation of the Bond Policy pursuant to this Agreement.

Section 4. The parties hereto acknowledge and agree that until the Bond Policy is cancelled pursuant hereto, AGM shall be deemed the sole holder of all of the Bonds entitled to control remedies under the Ordinance (subject to the provisions of the Ordinance). Furthermore, the Bank agrees to cooperate with AGM in the event of a draw on the Bond Policy for the purpose of reimbursing the Bank, including assigning any rights the Bank may have with respect to the related Bonds paid with a draw on the Letters of Credit.

Section 5. The parties hereto agree that as of the Cancellation Date no amounts will be due or payable by AGM with respect to the Bonds pursuant to the Bond Policy, and none of the parties hereto or their successors or assigns will submit any claims for payment relating to the Bonds pursuant to the Bond Policy.

Section 6. On or prior to the Cancellation Date, the Issuer shall deliver or cause to be delivered to the Agent for authentication new Bonds that (a) do not contain the AGM statement

of insurance and (b) have new CUSIPs assigned reflecting the absence of insurance, with a list of such new CUSIPs to be provided to AGM.

Section 7. Notwithstanding any provision to the contrary in this Agreement, the Ordinance, the Reimbursement Agreement or the Bonds, the parties hereto acknowledge that to the extent AGM has made any payments under the Bond Policy prior to the Cancellation Date:

(a) each recognizes that, to the extent AGM has made payments, directly or indirectly (as by paying through the Agent), on account of principal of or interest on the Bonds to any holder of the Bonds (a “*Holder*”), AGM will be (i) subrogated to the rights of such Holder to receive the amount of such payment from the Issuer, as provided and from the sources stated in the Ordinance and the Bonds, and (ii) deemed to be the Holder of such Bond or Bonds for all purposes under the Ordinance, including, without limitation, the direction of remedies, the voting or giving of consent with respect to remedies and other actions or inactions of the Agent or the Issuer that may require such voting or consent, and the filing of proofs of claim and other indicia of ownership in any insolvency proceeding; and

(b) AGM is entitled to receive the amount of such principal and interest as provided in the Ordinance and the Bonds, and the parties hereto will otherwise treat AGM as the owner of such rights to the amount of such payment.

Section 8. The Issuer agrees that there will be no refund or return of the insurance premium for the Bond Policy or the Reserve Policy in connection with cancellation of the Bond Policy or the Reserve Policy. Furthermore, the Issuer agrees to pay all reasonable out-of-pocket fees and expenses of AGM in connection with the cancellation of the Bond Policy and the Reserve Policy.

Section 9. The Issuer covenants that (a) in connection with any remarketing of the Bonds on or after the Cancellation Date, a disclosure document will be delivered to prospective Bondholders that states prominently that the Bond Policy is no longer in effect with respect to the Bonds and the purchasers of the remarketed Bonds shall be deemed to have consented to the cancellation of the Bond Policy and (b) it will file with the Municipal Securities Rulemaking Board (“*MSRB*”) (or any successor repository of disclosure of information relating to the Bonds) on or as of the Cancellation Date a filing that discloses that the Bond Policy is no longer in effect with respect to the Bonds. The Issuer shall make such disclosure documents and MSRB filings available to AGM reasonably in advance of the use and/or filing of such materials.

Section 10. [Reserved.]

Section 11. All notices shall be sent to the addressees and in the manner specified in Section A-702(c) of the Ordinance; *provided* that notices to (a) the Issuer shall be sent to it at 700 Lavaca, Suite 940, Austin, Texas 78701, Attention: City Treasurer, and (b) the Bank shall be sent to it 277 Park Avenue, New York, New York 10172, Attention: _____.

Section 12. This Agreement shall be binding upon and inure to the benefit of the Bank, subsequent beneficial owners of the Bonds, the Agent, the Issuer, and AGM and their respective successors and assigns.

Section 13. This Agreement may be executed in several counterparts, each of which shall be an original and all of which together shall constitute but one and the same instrument. This Agreement may be delivered by the exchange of executed signature pages by facsimile transmission or by email with a pdf copy or other replicating image attached, and any printed or copied version of any signature page so delivered shall have the same force and effect as the originally signed version of such signature page.

Section 14. Notwithstanding any other provision hereof, all financial obligations of the Issuer under or as a consequence of actions required by this Agreement are limited to the sources provided therefore in the Ordinance and are subject to all limitations on such sources and priorities with respect to payment therefrom as are set forth in the Ordinance.

Section 15. The parties acknowledge and agree that upon the termination of the Bond Policy in accordance herewith, the Series 2005 Swap Agreement entered into in connection with the Bonds or the Swap Policy shall be terminated in accordance with, and to the extent required by, the terms of the Second Amended and Restated Agreement Regarding Insured Swap Transaction (City of Austin), dated the date hereof, between the Issuer and AGM.

Section 16. The parties acknowledge and agree that upon the termination of the Bond Policy in accordance herewith (unless an Insurer Event of Default (as defined in the Reimbursement Agreement) has occurred and is continuing), the Reserve Policy shall be cancelled by a date that is not more than three years after the Cancellation Date, and the Issuer shall (i) beginning with the first full calendar month following the Cancellation Date, commence funding on a monthly basis an amount sufficient so that the Debt Service Reserve Fund Requirement is established (without giving effect to the Reserve Policy) by the date that is three years after the Cancellation Date and (ii) restore any draw on the Debt Service Reserve Fund from over a period of no more than 18 months as required by Section 5.07 of the Ordinance. The Issuer further agrees that, commencing on the date hereof, it shall not issue any Additional Revenue Bonds payable from the Reserve Policy. Following the date the Reserve Policy is cancelled pursuant to the terms hereof or otherwise terminates in accordance with its terms, the Agent agrees to return the original Reserve Policy to AGM.

Section 17. The Bank irrevocably agrees for the benefit of AGM, the Agent and the City that the only manner in which the Bank may direct the Agent to cause a mandatory tender of the Bonds (in connection with the cancellation of the Bond Policy, the termination of the Letters of Credit, or otherwise) is to provide a written notice in the form attached hereto as Exhibit A-1 or Exhibit A-2, as applicable, in accordance with the terms of this Agreement.

Section 18. This Agreement shall be governed by the law of the State of New York applicable to contracts executed and to be performed in the State of New York by parties domiciled in the State of New York, except that the law of the State of Texas shall govern all matters relating to the powers, authority and obligations of the Issuer. Defined terms used herein and not otherwise defined shall have the meanings assigned to them in the Ordinance.

[Signature Page Follows]

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed in its respective name by its duly authorized officer, all as of the date first above written.

CITY OF AUSTIN, TEXAS, as Issuer

By _____
Title _____

**WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Agent**

By _____
Title _____

**SUMITOMO MITSUI BANKING
CORPORATION, acting through its New York
Branch**

By _____
Title _____

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Title _____

Exhibit A-1 to Insurance Policy Cancellation Agreement

Notice of Mandatory Tender and Cancellation of Insurance Policy No. 205494-N

Wells Fargo Bank, National Association, as Paying Agent/Registrar and Tender Agent
750 N. St. Paul Place, Suite 1750
MAC: T9263-170
Dallas, Texas 75201
Ph: 214-756-7417
Fax: 214-756-7401
Email: _____@wellsfargo.com

City of Austin, Texas
700 Lavaca, Suite 940
Austin, Texas 78701
Attention: City Treasurer

Assured Guaranty Municipal Corp.
31 West 52nd Street
New York, New York 10019
Attention: Director, Municipal Surveillance

Re: Municipal Bond Insurance Policy No. 205494-N; City of Austin, Texas Airport
System Refunding Revenue Bonds, Series 2005 (AMT)

Ladies and Gentlemen:

The undersigned, representing the Bank in furtherance of its providing letters of credit under the Reimbursement Agreement (as hereinafter defined), hereby advises you that

[Insert one of the following paragraphs as appropriate]

[a City Event of Default has occurred and pursuant to Section 6.3(a) of the Reimbursement Agreement the Bank hereby directs the Paying Agent/Registrar (i) to cause a mandatory tender of all of the Bonds in accordance with Section A-403 of the Ordinance, whereby the Letters of Credit will terminate on the sixteenth (16th) day following the Paying Agent/Registrar's receipt of this Notice of Mandatory Tender and Cancellation of Insurance Policy No. 205494-N (this "Notice"), and (ii) to cause Municipal Bond Insurance Policy No. 205494-N to terminate in accordance with the terms of the Cancellation Agreement.]

[an Insurer Event of Default or an Insurer Downgrade Event has occurred and pursuant to Section 6.4(a) of the Reimbursement Agreement the Bank hereby directs the Paying Agent/Registrar (i) to cause a mandatory tender of all of the Bonds in accordance with Section A-403 of the Ordinance and (ii) to cause Municipal Bond Insurance Policy No. 205494-N to terminate in accordance with the terms of the Cancellation Agreement on the sixteenth (16th) day following the Paying Agent/Registrar's receipt of this Notice of Mandatory Tender and Cancellation of Insurance Policy No. 205494-N (this "Notice").]

All capitalized terms used in this Notice and not defined herein shall have the meanings ascribed to such terms in the Letter of Credit and Reimbursement Agreement, dated as of the date set forth therein, by and between the City of Austin, Texas and Sumitomo Mitsui Banking Corporation, acting through its New York Branch (as in effect on the date hereof, the "Reimbursement Agreement").

IN WITNESS WHEREOF, the undersigned have executed and delivered this Notice the ___ day of _____, 201_.

SUMITOMO MITSUI BANKING CORPORATION,
acting through its New York Branch

By: _____

Name: _____

Title: _____

Exhibit A-2 to Insurance Policy Cancellation Agreement

**Notice of Mandatory Tender and Termination of the Letters of Credit
(Insurance Policy Not Cancelled)**

[Date]

Wells Fargo Bank, National Association, as Paying Agent/ Registrar and Tender Agent
750 N. St. Paul Place, Suite 1750
MAC: T9263-170
Dallas, Texas 75201
Ph: 214-756-7417
Fax: 214-756-7401
Email: _____@wellsfargo.com

City of Austin, Texas
700 Lavaca, Suite 940
Austin, Texas 78701
Attention: City Treasurer

Re: City of Austin, Texas Airport System Refunding Revenue Bonds, Series 2005
(AMT)

Ladies and Gentlemen:

The undersigned, representing the Bank in furtherance of its providing letters of credit under the Reimbursement Agreement (as hereinafter defined), hereby advises you that

[Insert one of the following paragraphs as appropriate]

[a City Event of Default and an Insurer Event of Default have occurred and pursuant to Section 6.3(a) of the Reimbursement Agreement the Bank hereby directs the Paying Agent/Registrar to cause a mandatory tender of all of the Bonds in accordance with Section A-403 of the Ordinance, whereby the Letters of Credit will terminate on the sixteenth (16th) day following the Paying Agent/Registrar's receipt of this Notice of Mandatory Tender and Termination of the Letters of Credit (this "Notice").]

[the City has failed to pay the Letter of Credit Fee and pursuant to Section 6.4(b) of the Reimbursement Agreement the Bank hereby directs the Paying Agent/ Registrar to cause a mandatory tender of all of the Bonds in accordance with Section A-403 of the Ordinance, whereby the Letters of Credit will terminate on the sixteenth (16th) day following the Paying Agent/Registrar's receipt of this Notice of Mandatory Tender and Termination of the Letters of Credit (this "Notice").]

[an Insurer Event of Default or an Insurer Downgrade Event has occurred and is continuing, and a City Event of Default has also occurred and is continuing and pursuant to Section 6.4(a) of the Reimbursement Agreement the Bank hereby directs the Paying Agent/Registrar (i) to cause a mandatory tender of all of the Bonds in accordance with Section

A-403 of the Ordinance whereby the Letters of Credit will terminate on the sixteenth (16th) day following the Paying Agent/Registrar's receipt of this Notice of Mandatory Tender and Termination of the Letters of Credit (this "Notice").]

All capitalized terms used in this Notice and not defined herein shall have the meanings ascribed to such terms in the Letter of Credit and Reimbursement Agreement, dated as of the date set forth therein, by and between the City of Austin, Texas and Sumitomo Mitsui Banking Corporation, acting through its New York Branch (as in effect on the date hereof, the "Reimbursement Agreement").

IN WITNESS WHEREOF, the undersigned have executed and delivered this Notice the ___ day of _____, 201_.

SUMITOMO MITSUI BANKING CORPORATION,
acting through its New York Branch

By: _____

Name: _____

Title: _____