

LETTER OF CREDIT REIMBURSEMENT AGREEMENT

By and between

CITY OF AUSTIN, TEXAS,

and

CITIBANK, N.A.,

Relating to

\$50,000,000
City of Austin, Texas,
Combined Utility Systems Taxable
Commercial Paper Notes

Dated as of September [__], 2014

ARTICLE I
DEFINITIONS

Section 1.01.	Definitions.....	1
Section 1.02.	Incorporation of Certain Definitions by Reference	11
Section 1.03.	Accounting Matters.....	12
Section 1.04.	Computation of Time Periods.....	12
Section 1.05.	New York City Time Presumption	12
Section 1.06.	Relation to Other Documents.....	12
Section 1.07.	Interpretation.....	12

ARTICLE II
REIMBURSEMENT, FEES AND PAYMENT PROVISIONS

Section 2.01.	Reimbursement of Drawings	12
Section 2.02.	Default Interest.....	14
Section 2.03.	Payment of Interest Amounts.....	14
Section 2.04.	Prepayment	14
Section 2.05.	Fees	15
Section 2.06.	Costs, Expenses and Taxes	17
Section 2.07.	Change in Law	18
Section 2.08.	Payments Generally	19
Section 2.09.	Maintenance of Accounts	20
Section 2.10.	Cure.....	20
Section 2.11.	Maintenance and Operating Expenses	20

ARTICLE III
CONDITIONS PRECEDENT

Section 3.01.	Closing Conditions.....	20
Section 3.02.	Conditions Precedent to Amortization.....	23

ARTICLE IV
REPRESENTATIONS AND WARRANTIES

Section 4.01.	Representations of the City	24
---------------	-----------------------------------	----

ARTICLE V
COVENANTS

Section 5.01.	Covenants.....	26
---------------	----------------	----

ARTICLE VI

Section 6.01.	Security	30
---------------	----------------	----

ARTICLE VII
EVENTS OF DEFAULT

Section 7.01.	Events of Default	31
---------------	-------------------------	----

Section 7.02.	Rights and Remedies.....	33
Section 7.03.	No Waiver; Remedies	35
Section 7.04.	Equitable Relief	35

**ARTICLE VIII
NATURE OF OBLIGATIONS; INDEMNIFICATION**

Section 8.01.	Obligations Absolute	35
Section 8.02.	Continuing Obligation	36
Section 8.03.	Liability of the Bank	36
Section 8.04.	Indemnification	37
Section 8.05.	Facsimile Documents.....	38

**ARTICLE IX
TRANSFER, REDUCTION OR REINSTATEMENT OF LETTER OF CREDIT**

Section 9.01.	Transfer, Reduction and Reinstatement.....	38
---------------	--	----

**ARTICLE X
MISCELLANEOUS**

Section 10.01.	Right of Setoff.....	38
Section 10.02.	Amendments and Waivers; Remedies Cumulative.....	38
Section 10.03.	Counterparts.....	39
Section 10.04.	Notices	39
Section 10.05.	Severability	40
Section 10.06.	Governing Law	41
Section 10.07.	[Reserved.].....	41
Section 10.08.	Headings	41
Section 10.09.	Participations.....	41
Section 10.10.	Successors and Assigns.....	41
Section 10.11.	Complete and Controlling Agreement	41
Section 10.12.	Waiver of Rule of Construction.....	41
Section 10.13.	WAIVER OF JURY TRIAL.....	42
Section 10.14.	Payments Set Aside.....	42
Section 10.15.	Usury.....	42
Section 10.16.	Voluntary Termination; Extension	42
Section 10.17.	Electronic Signature; Electronically Signed Document	43
Section 10.18.	No Advisory or Fiduciary Responsibility	43

EXHIBIT A	FORM OF LETTER OF CREDIT	
EXHIBIT B	FORM OF ISSUING AND PAYING AGENT’S LETTER	
EXHIBIT C	COMPLIANCE CERTIFICATE	
EXHIBIT D	BANK NOTE	

LETTER OF CREDIT REIMBURSEMENT AGREEMENT

This **LETTER OF CREDIT REIMBURSEMENT AGREEMENT** (the “Agreement”) dated as of September [___], 2014, by and between **THE CITY OF AUSTIN, TEXAS** (the “City”) and **CITIBANK, N.A.**, a national banking association organized under the laws of the United States of America (the “Bank”).

WITNESSETH:

WHEREAS, pursuant to the provisions of its home rule charter, Chapter 1371, Texas Government Code (“Chapter 1371”), and the Ordinance (as hereinafter defined), the City Council, as the governing body of the City (the “City Council”), has authorized the issuance and delivery from time to time of the City’s Combined Utility Systems Taxable Commercial Paper Notes (the “Notes”);

WHEREAS, Chapter 1371 authorizes the City to execute a letter of credit and a reimbursement agreement with respect to the Notes;

WHEREAS, pursuant to the Ordinance, the Authority and U.S. Bank National Association, as Issuing and Paying Agent (the “Issuing and Paying Agent”) will enter into the Issuing and Paying Agency Agreement dated as of September 1, 2014, to provide for the issuance and delivery of the Notes, from time to time;

WHEREAS, in order to secure the payment by the Issuing and Paying Agent of principal and interest on the Notes at maturity, the City has requested that the Bank issue the Letter of Credit (as hereinafter defined) in accordance with the provisions of the Ordinance;

WHEREAS, the obligations of the City hereunder are secured by a pledge of the Pledged Revenues (as hereinafter defined) which pledge is subordinate only to the pledge thereof securing the Priority Lien Obligations (as hereinafter defined); and

WHEREAS, the Bank has agreed to issue the Letter of Credit pursuant to the terms hereof and the parties have entered into this Agreement in order to provide for the issuance of the Letter of Credit and the other matters set forth herein.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, including the covenants, terms and conditions hereinafter contained, and to induce the Bank to issue the Letter of Credit, the Bank and the City agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. In addition to terms defined at other places in this Agreement, the following defined terms are used throughout this Agreement with the following meanings:

“*Accountant*” means an independent certified public accountant or a firm of independent certified public accountants, selected by the City and satisfactory to the Bank.

“*Act*” means Chapter 1371, Texas Government Code, and all laws heretofore and hereafter amendatory thereof or supplemental thereto.

“*Affiliate*” means, with respect to any Person, any other Person directly or indirectly controlling or controlled by or under common control with such Person. For purposes of this definition, “control” (including “controlled by” and “under common control with”), when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting rights, membership, the power to appoint members, trustees or directors, by contract or otherwise. Without limiting the foregoing, the definition of “Affiliate” of any Person shall include any subsidiary of such Person.

“*Agreement*” means this Letter of Credit Reimbursement Agreement, including such amendments, modifications or supplements permitted pursuant to the terms hereof

“*Alternate Letter of Credit*” means any replacement Letter of Credit meeting the requirements of an alternate credit facility pursuant to Section 21 of the Ordinance.

“*Amortization End Date*” means, with respect to any Principal Drawing, the first to occur of (i) the date which is thirty-six (36) months after the date of the Principal Drawing, (ii) an Early Expiration Date, (iii) the date the Stated Amount is reduced to zero and (iv) the date upon which (A) an Event of Default shall occur or (B) any date during the Term Amortization upon which any representation or warranty of the City made in this Agreement or in any certificate or document delivered in connection with this Agreement shall no longer be accurate and complete, as deemed made on and as of such date.

“*Applicable Law(s)*” means, collectively, the Constitutions of the United States and the State, all applicable common law and principles of equity and all federal, state and local laws, statutes, treaties, codes, acts, rules, regulations, guidelines, ordinances, resolutions, orders, judgments, decrees, injunctions, and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all administrative orders, directed duties, requests, licenses, certificates, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law, that are applicable now or are applicable at any time hereafter to (a) the City or (b) the Systems or (c) the Transactions.

“*Authorized City Representative*” means the City Manager, any Assistant City Manager, the Chief Financial Officer of the City, any Deputy Chief Financial Officer of the City, the City Treasurer, any Deputy City Treasurer and any other officer or employee of the City authorized to perform the specific acts or duties to be performed by resolution duly adopted by the City and of whom another Authorized City Representative gives written notice to the Bank; provided, however, that in each case for which a certification or other statement of fact or condition is required to be submitted by an Authorized City Representative pursuant to the terms of this Agreement, such certificate or statement shall be executed only by an Authorized City Representative in a position to know or to obtain knowledge of the facts or conditions that are the subject of such certificate or statement. Any document or certificate hereunder that is executed by an Authorized City Representative shall be deemed to have been authorized by all necessary action by the City.

“*Authorized Denominations*” shall have the meaning assigned in Section 1 of the Ordinance.

“*Bank*” means Citibank N.A., a banking association organized and existing under the laws of the United States of America, and its successors and assigns.

“*Bank Debt Service*” means, collectively, the principal of and interest on the Bank Note and includes all obligations of the City to reimburse the Bank for Drawings under the Letter of Credit and all obligations to repay the Term Amortization and, in each case, all interest accruing thereon as provided in this Agreement.

“*Bank Disclosure*” means the information provided by the Bank and included in Appendix A of the Offering Circular entitled “Citibank.”

“*Bank Note*” means the note executed by the City in favor of the Bank in the form of Exhibit D hereto properly completed, including any renewals, amendments, modifications and supplements thereto permitted by the terms hereof.

“*Bank Rate*” means, for each date of determination, (a) the Base Rate, and (b) from and after the earlier of (i) the date amounts are owed hereunder but are not paid when due and (ii) during the occurrence and continuance of an Event of Default, the Default Rate.

“*Base Rate*” means, for any date, a rate per annum equal to the LIBOR Index Rate plus seven hundred fifty basis points (7.50%).

“*Bond Counsel*” has the meaning assigned to such term in Section 1 of the Ordinance.

“*Bonds*” has the meaning assigned to such term in Section 1 of the Ordinance.

“*Book Entry Notes*” means the Notes so long as the book entry system with the Securities Depository is used for determining beneficial ownership of the Notes.

“*Business Day*” means any day other than (a) a day on which banks located in any of the cities in which the principal office of any of Issuing and Paying Agent, the Dealer or the Bank is located are required or authorized by law to close, (b) a day on which the New York Stock Exchange is closed, or (c) a day on which the payment system of the Federal Reserve System is not operational. For purposes of this definition, the Bank’s principal office shall be that office of the Bank at which Drawings are to be presented under the Letter of Credit and the Issuing and Paying Agent’s principal office shall be its respective office as designated in the Issuing and Paying Agency Agreement.

“*Calendar Quarter*” means each calendar quarter ending December 31, March 31, June 30 and September 30.

“*Capital Lease Obligations*” of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

“*City*” means the City of Austin, Texas, a home-rule municipality duly organized and existing under and by virtue of the laws of the State of Texas.

“*City Manager*” means the city manager of the City.

“*Closing Date*” means September [___], 2014, or such later date on which this Agreement is fully executed and delivered.

“Code” means the Internal Revenue Code of 1986, as amended, or any successor provision or provisions thereto or any successor Federal tax code, and any regulations (including temporary and proposed regulations relating to the matters governed by this Agreement) thereunder or under any such provision or successor Federal tax code.

“Counsel” means an attorney duly admitted to practice law before the highest court of any state.

“Date of Determination” means the second London Banking Day prior to (a) the Closing Date, for the period from the Closing Date to and including [_____], 2014, and (b) the first day of each calendar month, for all other periods.

“Date of Issuance” means September [___], 2014, on which date the Bank will issue the Letter of Credit.

“Dealer” means Goldman, Sachs & Co. or any replacement firm which is acting as a dealer in the Notes and is appointed as such by the City.

“Dealer Agreement” means the Dealer Agreement, dated as of September 1, 2014, executed and delivered by the City and the Dealer pursuant to Section 39(b) of the Ordinance, including a Dealer Agreement with a substitute Dealer entered into in accordance with Section 39(b) of the Ordinance and with the prior written consent of the Bank.

“Debt” means with respect to any Person, all items that would be classified as a liability in accordance with GAAP, including, without limitation, (a) indebtedness or liability for borrowed money including amounts drawn under a letter of credit or other credit facility, or amounts advanced under a commercial paper program, or for the deferred purchase price of property or services (including trade obligations); (b) all Capital Lease Obligations of such Person; (c) current liabilities in respect of unfunded benefits under employee benefit, retirement or pension plans; (d) obligations issued for the account of any other Person; (e) all obligations arising under acceptance facilities; (f) all Guarantees and other contingent obligations to purchase, to provide funds for payment, to supply funds to invest in any other Person or otherwise to assure a creditor against loss; (g) obligations secured by full faith and credit or by any mortgage, lien, pledge, security interest or other charge or encumbrance on property, whether or not the obligations have been assumed; (h) all unfunded amounts under a loan agreement, letter of credit, or other credit facility for which such Person would be liable, if such amounts were advanced under the credit facility; (i) obligations of such Person under Hedge Agreements; and (j) all amounts required to be paid by such Person as a guaranteed payment to partners or members or as a preferred or special dividend, including any mandatory redemption of shares or interests; and, in each case, whether such Person is liable contingently or otherwise, as obligor, guarantor or otherwise, or in respect of which obligations such Person otherwise assures a creditor against loss.

“Debtor Relief Laws” means the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief laws and regulations of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

“Default” means the occurrence of any event or the existence of any condition which constitutes an Event of Default or the occurrence of any event or the existence of any condition which with the giving of notice, the passage of time, or both, would constitute an Event of Default.

“Default Premium” means a per annum rate equal to three hundred basis points (3.00%).

“*Default Rate*” means a per annum rate of interest equal to the Base Rate plus the Default Premium.

“*Designated Maturity*” means one month.

“*Drawing*” means a Drawing under the Letter of Credit to pay amounts due with respect to Notes at maturity.

“*Early Expiration Date*” means any occurrence of the Expiration Date described in any of subparts (b), (c) or (d) of the definition of “Expiration Date”.

“*Electric Utility System*” means the Electric Power and Light System as such term is defined in Section 1 of the Ordinance.

“*Environmental Claim*” shall mean any and all administrative, regulatory or judicial investigations, proceedings, actions, suits, demand letters, claims, liens, notices of noncompliance or violation, relating in any way to any Environmental Law (“claims”) or any permit issued under any such Environmental Law, including without limitation (a) any and all claims by Governmental Authorities for enforcement, cleanup, removal, response, remedial, or other actions or damages pursuant to any applicable Environmental Law, and (b) any and all claims by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from Hazardous Materials or arising from alleged injury or threat of injury to health, safety or the environment.

“*Environmental Law(s)*” means any and all federal, state, and local statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or other governmental restrictions relating to air, water or land pollution, wetlands or the protection of the environment or to emissions, discharges or releases of Hazardous Materials into the environment, including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials or the clean up or other remediation thereof.

“*Environmental Liability*” means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the City or any of its Affiliates directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, presence, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

“*Event of Default*,” in relation to this Agreement, shall have the meaning assigned to such term in Article VII, and in relation to any Related Document, shall have the meaning set forth therein.

“*Excluded Notes*” means (i) any Notes issued after the Expiration Date or maturing after the fifth (5th) Business Day prior to the Stated Expiration Date, (ii) any Notes issued after the Bank gives a No Issuance Notice or a Final Drawing Notice, and prior to the Bank giving written notice that such No Issuance Notice or Final Drawing Notice, as applicable, is rescinded and (iii) any Notes issued in a principal amount in excess of the principal amount of Notes maturing on the date such Notes are issued after the Bank gives a Restricted Issuance Notice and prior to the Bank giving written notice that such Restricted Issuance Notice is rescinded.

“*Expiration Date*” has the meaning given to such term in Paragraph 1 of the Letter of Credit.

“*Facility Fee*” has the meaning assigned to that term in Section 2.02.

“*Fiscal Year*” means the fiscal year of the City ending on September 30 of each calendar year.

“*Fitch*” means Fitch, Inc., or any successor thereto.

“*GAAP*” means accounting principles generally accepted and consistently applied to governmental entities in the United States, as set forth in the opinions and pronouncements of the Accounting Principles Board, the American Institute of Certified Public Accountants and the Financial Accounting Standards Board or in such other statements by such other entity as may be in general use by significant segments of the accounting profession as in effect on the date hereof.

“*Governmental Approvals*” means an authorization, consent, approval, permit, license, certificate of occupancy or an exemption of, a registration or filing with, or a report to, any Governmental Authority.

“*Governmental Authority*” means any national, supra national, state or local government (whether domestic or foreign), any political subdivision thereof or any other governmental, quasi governmental, judicial, administrative, public or statutory instrumentality, authority, body, agency, department, commission, bureau, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory, fiscal, monetary or administrative powers or functions of or pertaining to government, or any arbitrator, mediator or other Person with authority to bind a party at law.

“*Gross Revenues*” has the meaning assigned to such term in Section 1 of the Ordinance.

“*Guarantee*” of or by any Person (the “guarantor”) means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Debt or other obligation of any other Person (the “primary obligor”) in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Debt or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Debt or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Debt or obligation; provided, that the term *Guarantee* shall not include endorsements for collection or deposit in the ordinary course of business.

“*Hazardous Materials*” means all explosive or radioactive substances or wastes and all hazardous or toxic substances, contaminants, chemicals, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

“*Hedge Agreement*” means any rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option, total return swap, credit default swap or any other similar transaction (including any option with respect to any of these transactions) and any other agreement or option involving, or settled by reference to, one or more rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing

indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions.

“*Holder*” has the meaning assigned to the term “Holder” in Section 1 of the Ordinance.

“*Interest Drawing*” means that portion of each Drawing used to pay interest accrued on Notes at maturity.

“*Interest Payment Date*” has the meaning assigned to that term in Section 2.03.

“*Issuing and Paying Agency Agreement*” means the Issuing and Paying Agent Agreement, dated as of September 1, 2014, between the Issuing and Paying Agent and the City, as the same may be amended, supplemented or extended from time to time pursuant to the terms thereof and hereof and any other similar agreement between the City and any successor issuing and paying agent.

“*Issuing and Paying Agent*” means the institution appointed from time to time by the City to act as Issuing and Paying Agent under the Issuing and Paying Agency Agreement, which on the Closing Date is U.S. Bank National Association, New York, New York.

“*Letter of Credit*” means the Irrevocable Letter of Credit No. [_____] issued by the Bank dated September [___], 2014, including such amendments, modifications or supplements permitted pursuant to its terms and the terms hereof, substantially in the form of Exhibit A hereto.

“*LIBOR Index Rate*” means:

(a) as of any Date of Determination, the interest rate per annum equal to (i) the offered quotations for the Designated Maturity in United States Dollars which appears on LIBOR01 Page of the Reuters LIBOR Rates Screen (or such other page as may replace LIBOR01 Page at or about 11:00 a.m. (London time) on the applicable Date of Determination; or (ii) if the interest rate determined under clause (i) is not available, the arithmetic mean (rounded upward to the nearest one-sixteenth of one percent (0.0625%)) of the interest rates quoted by the “London Reference Banks” to leading banks in the London interbank market at or about 11:00 a.m. (London time) on the applicable Date of Determination for a period of the Designated Maturity (commencing on the first day of the relevant interest period) in United States Dollars;

(b) provided, however that, if the Bank determines that for any reason and with respect to any Date of Determination (i) Dollar deposits are not being offered to banks in the London interbank eurodollar market for the applicable amount and Designated Maturity, or (ii) adequate and reasonable means do not exist for determining the LIBOR Index Rate for any Designated Maturity, the Bank will promptly so notify the City and the LIBOR Index Rate for such Designated Maturity and such Date of Determination shall be that of the preceding interest period for the Designated Maturity until such time as the Bank shall either notify the City (x) of an alternative index to be used to calculate the LIBOR Index Rate or (y) that the LIBOR Index Rate will again be calculated as set forth under (a) of this definition.

“*Lien*” on or with respect to any asset means any mortgage, deed of trust, lien, pledge, charge, security interest, hypothecation, assignment, deposit arrangement or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected or effective under applicable law, as well as the interest of a vendor or lessor under any conditional sale agreement, capital or finance lease or other title retention agreement relating to such asset and, in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

“*Maintenance and Operating Expenses*” has the meaning assigned to such term in Section 1 of the Ordinance.

“*Material Adverse Change*” means the occurrence of any event or change which, in the sole reasonable discretion of the Bank, results in a material and adverse change in the business, condition (financial or otherwise), operations or prospects of the Systems since the last day of the period reported in the audited annual financial statements of the City for the Fiscal Year ended September 30, 2013, or which in the sole reasonable discretion of the Bank materially and adversely affects (a) the enforceability of this Agreement or any of the other Related Documents, (b) the ability of the City to perform its obligations hereunder or thereunder or (c) the rights of, or benefits or remedies available to, the Bank under the Ordinance, this Agreement or any other Related Document.

“*Maximum Bank Interest Rate*” means the lesser of (a) 25% per annum and (b) the Maximum Lawful Rate.

“*Maximum Lawful Rate*” means, with respect to the Required Payments under this Agreement and at any time, the lesser of (i) the maximum, nonusurious rate of interest permitted to be charged on such obligation by applicable federal or State law (whichever shall permit the higher lawful rate) from time to time in effect or (ii) the maximum “net effective interest rate” permitted by present or future law to be paid on Debt or other obligations issued or incurred by the City in the exercise of its borrowing powers, as currently prescribed by Chapter 1204, Texas Government Code.

“*Moody’s*” means Moody’s Investors Service, Inc., or any successor thereto.

“*Net Revenues*” has the meaning assigned to such term in Section 1 of the Ordinance.

“*Net Revenues of the Systems*” has the meaning assigned to such term in Section 1 of the Ordinance.

“*No Issuance Notice*” shall have the meaning assigned in Section 7.02.

“*Note*” and “*Notes*” means the City’s Combined Utility Systems Taxable Commercial Paper Notes, which shall be commercial paper notes having a maturity of not less than 7 days and not more than 270 days, and not expiring later than the Expiration Date, issued pursuant to and in accordance with the provisions of the Ordinance, and authenticated and delivered by the Issuing and Paying Agent under and pursuant to the Ordinance and the Issuing and Paying Agency Agreement, which may be outstanding at anyone time in a principal amount which, together with accrued interest to their maturity, will not exceed \$53,698,631.

“*Note CUSIP Number*” means the CUSIP numbers assigned by Standard & Poor’s CUSIP Service to the Notes.

“*Obligor Rating*” means any rating by a Rating Agency on any Priority Lien Obligations or Parity Lien Obligations of the City secured by a Lien on and security interest in the Net Revenues that is not guaranteed by any other Person or subject to any third-party credit enhancement.

“*Offering Circular*” means the Commercial Paper Offering Memorandum relating to the Notes, dated [____], 2014 (the “Offering Circular”) (including the cover page and all summary statements, appendices and other materials included or incorporated by reference or attached thereto), as amended or supplemented and any other preliminary or final offering circular of the City or prospectus used with respect to the remarketing of the Notes or supplement to the Offering Circular.

“*Ordinance*” means Ordinance No. 20140828-___ of the City Council, adopted on August 28, 2014, amending and restating Ordinance No. 000629-90 of the City Council, adopted on June 29, 2000, which amended and restated Ordinance No. 980513-B of the City Council, adopted on May 13, 1998, authorizing the issuance of Parity Notes.

“*Other Taxes*” means any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, the Letter of Credit or this Agreement.

“*Outstanding Notes*” means, as of the time in question, all Notes authenticated and delivered under the Ordinance and outstanding thereunder.

“*Parity Bank*” means any bank that is a party to the Parity Reimbursement Agreement.

“*Parity Electric Utility Obligations*” are obligations of the City issued pursuant to Ordinance No. 010118-53A adopted on January 18, 2001, governing the issuance of City’s electric utility system indebtedness.

“*Parity Lien Obligations*” means the City’s obligations under the Parity Notes and the Parity Reimbursement Agreement.

“*Parity Notes*” means the City’s Combined Utility Systems Commercial Paper Notes, Series A.

“*Parity Note Ordinance*” means Ordinance No. 20140828-___ of the City Council, adopted on August 28, 2014, amending and restating Ordinance No. 961121-A of the City Council, adopted on November 21, 1996, as amended by Ordinance No. 980513-A.

“*Parity Reimbursement Agreement*” means the Letter of Credit Reimbursement Agreement pertaining to the Parity Notes dated as of September 1, 2014, by and between the City and The Bank of Tokyo-Mitsubishi UFJ, Ltd, acting through its New York Branch.

“*Parity Water/Wastewater Obligations*” are obligations of the City issued pursuant to Ordinance No. 930318-A, as amended by Ordinance No. 961121-A and Ordinance No. 980513-A governing the issuance of the City’s water/sewer system indebtedness.

“*Participant(s)*” means any bank(s) or other financial institution(s) which may purchase a participation interest from the Bank in the Letter of Credit, this Agreement and certain of the Related Documents pursuant to a participation agreement between the Bank and the Participant(s).

“*Person*” means an individual, a corporation, a partnership, an association, a joint venture, a trust, a business trust, a limited liability company or any other entity or organization, including a governmental or political subdivision or an agency or instrumentality thereof.

“*Pledged Revenues*” has the meaning assigned to such term in Section 1 of the Ordinance.

“*Principal Drawing*” means that portion of each Drawing used to pay the principal of Notes at maturity.

“*Principal Portion*” has the meaning assigned to such term in the Letter of Credit.

“*Prior Lien Bonds*” has the meaning assigned to such term in the Ordinance.

“*Priority Lien Obligations*” has the meaning assigned to such term in the Ordinance.

“*Rating Agency*” means S&P, Moody’s, Fitch or any successor or additional rating agency that rates the Notes or other Parity Obligations at the written request of the City and with the written consent of the Bank.

“*Related Documents*” means, collectively, this Agreement, the Ordinance, the Letter of Credit, the Notes, the Bank Note, the Issuing and Paying Agency Agreement, the Dealer Agreement, the Offering Circular and any exhibits, instruments or agreements relating thereto, as the same may be amended from time to time in accordance with their respective terms and the terms hereof.

“*Required Payments*” means (a) all required payments in reimbursement of Drawings (including without limitation any Term Amortization) under the Letter of Credit for payment of the unpaid principal amount of, and accrued interest on, the Notes, (b) all required payments of interest under this Agreement at the Bank Rate, (c) all required payments of the Facility Fee, (d) all payments of principal and interest on the Bank Note and (e) all other amounts, charges, costs, fees (including reasonable attorneys’ fees as set forth), expenses and sums due the Bank under this Agreement, the Bank Note and the other Related Documents, whether in the form of a direct, reimbursement, or indemnity, payment obligation, and including all payment obligations of the City to the Bank, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against the City or any Affiliate thereof of any proceeding under any Debtor Relief Laws naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding.

“*Restricted Issuance Notice*” means a notice given by the Bank pursuant to Section 7.02 in the form of Schedule II to the Letter of Credit.

“*S&P*” means Standard and Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, or any successor thereto.

“*Sale Price*” has the meaning assigned to such term in Section 2.04(b).

“*Securities Depository*” means The Depository Trust Company or such other securities depository which may be designated by the City pursuant to the Ordinance.

“*Securities Depository Disclosure*” means the disclosure provided by the Securities Depository and included in the Offering Circular under the caption “Book-Entry Only System”.

“*Security*” has the meaning assigned to such term in Section 6.01 hereof.

“*Separate Lien Obligations*” has the meaning assigned to such term in Section 1 of the Ordinance.

“*State*” means the State of Texas.

“*Stated Amount*” has the meaning given to such term in Paragraph 2 of the Letter of Credit.

“*Stated Expiration Date*” has the meaning assigned to that term in subpart (a) of the definition of “Expiration Date.”

“*Subordinate Lien Bonds*” has the meaning assigned to such term in Section 1 of the Ordinance.

“*Systems*” means the Electric Utility System and the Water and Wastewater System.

“*Taxable Note Construction Account*” has the meaning assigned to such term in Section 1 of the Ordinance.

“*Taxable Note Credit Facilities Account*” has the meaning assigned to such term in Section 1 of the Ordinance.

“*Taxable Note Payment Fund*” has the meaning assigned to such term in Section 1 of the Ordinance.

“*Taxes*” has the meaning assigned to that term in Section 2.06(b).

“*Term Amortization*” means the amortization period the City is deemed to have requested the Bank to extend on and subject to the terms and conditions described in Section 2.01(b).

“*Termination Date*” means the first to occur of any Expiration Date.

“*Termination Fee*” has the meaning assigned to such term in Section 2.05(c).

“*To the best knowledge of*” (or any similar knowledge qualifier) means, when modifying a representation, warranty or other statement of any Person, that the fact or situation described therein is known by the Person (or, in the case of a Person other than a natural Person, known by an authorized representative of such Person) making the representation, warranty or other statement, or with the exercise of reasonable due diligence under the circumstances (in accordance with the standard of what a reasonably prudent Person in similar circumstances would have done) would have been known by the Person (or, in the case of a Person other than a natural Person, by such Person’s authorized representative).

“*Transactions*” means the issuance, sale and delivery of the Notes by the City, the execution and delivery by the City of this Agreement and the other Related Documents, the performance by the City of its obligations (including payment obligations) hereunder and thereunder, the advance of the Drawings under the Letter of Credit and the use of the proceeds thereof.

“*Voluntary Termination*” means any election by the City to terminate the Letter of Credit in connection with (i) an optional prepayment of all Outstanding Notes or (ii) the replacement of the Letter of Credit with an Alternate Letter of Credit.

“*Water and Wastewater System*” means the Waterworks and Sewer System as defined in Section 1 of the Ordinance.

“*Written*” or “*in writing*” means any form of written communication, a communication by means of facsimile device and as described in Section 10.16.

Section 1.02. Incorporation of Certain Definitions by Reference. Each capitalized term used herein and not otherwise defined herein shall have the meaning provided therefor in the Ordinance and the Notes, as applicable, unless the context requires otherwise.

Section 1.03. Accounting Matters. All accounting terms used herein without definition shall be interpreted in accordance with GAAP, and except as otherwise expressly provided herein all accounting determinations required to be made pursuant to this Agreement shall be made in accordance with GAAP.

Section 1.04. Computation of Time Periods. In this Agreement, in the computation of a period of time from a specified date to a later specified date, unless otherwise specified herein, the word “from” means “from and including” and the words “to” and “until” each mean “to but excluding.”

Section 1.05. New York City Time Presumption. All references herein to times of the day shall be presumed to refer to New York City time unless otherwise specified.

Section 1.06. Relation to Other Documents. Nothing in this Agreement shall be deemed to amend, or relieve the City of any of its obligations under, any Related Document. To the extent that the City undertakes in any provision of this Agreement representations, covenants or obligations which conflict with, or are more exacting than, a provision of any other Related Document to which the City is a party, such provisions of this Agreement shall control for all purposes of this Agreement.

Section 1.07. Interpretation. All words used herein shall be construed to be of such gender as the circumstances require. Unless the context of this Agreement otherwise clearly requires, references to the plural include the singular, the singular includes the plural and the part includes the whole. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”. The word “will” shall be construed to have the same meaning and effect as the word “shall”. Unless otherwise specified (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth in such document or herein), (b) any reference herein to any Person shall be construed to include such Person’s permitted successors and assigns, (c) the words “herein”, “hereof” and “hereunder”, and words of similar import, shall be construed to refer to this Agreement in its entirety and not be limited to any particular provision of this Agreement, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words “asset” and “property” shall be construed to have the same meaning and effect and, when used in connection with any Person, to refer to all rights, title and interests of such Person in and to any and all property whether real, personal or mixed, or tangible or intangible, and wherever situated, including cash, securities, investment property, accounts, land, buildings, general intangibles, chattel, intellectual property, contract rights and other property and assets. Except insofar as a particular provision of this Agreement provides for consent in the sole discretion of a Person, a Person shall not unreasonably withhold its consent when a right of consent is conferred under this Agreement.

ARTICLE II

REIMBURSEMENT, FEES AND PAYMENT PROVISIONS

The City shall pay and reimburse the Bank for all amounts drawn under the Letter of Credit and shall pay such other amounts as are set forth in this Article II and the other provisions of this Agreement, all on and subject to the terms and conditions of this Agreement:

Section 2.01. Reimbursement of Drawings. The City agrees to repay to the Bank all amounts drawn under the Letter of Credit pursuant to a Principal Drawing or an Interest Drawing, payable without any requirement of notice or demand by the Bank, on the day on which such Drawing is paid by the

Bank; provided, however, if on the date of any Principal Drawing the conditions set forth in Section 3.02 are satisfied, the City shall be deemed to have requested the Bank to extend a Term Amortization of the Principal Drawing to the City on the terms set forth in Section 2.01(b) and the City shall be required to repay to the Bank such Term Amortization and the amounts accruing in respect thereof in accordance with the provisions of this Section 2.01, as follows:

(a) The City shall pay to the Bank, without any requirement of notice or demand by the Bank, an amount equal to the Principal Drawing together with any accrued unpaid interest thereon (i) on the earliest to occur of (A) an Early Expiration Date, (B) an Event of Default hereunder and (C) the defeasance of the Notes (with respect to which such Principal Drawing was made), and (ii) during a Term Amortization, upon the occurrence of an Amortization End Date.

(b) ***Term Amortization.***

(i) The Bank shall extend a Term Amortization to the City on the date of any Principal Drawing if, as of such date, the requirements of Section 3.02 are met.

(ii) Subject to the provisions of subpart (iii) of this Section 2.01(b), the amount of the Principal Drawing shall amortize in six (6) semi-annual principal installments (the "Principal Payments") with the initial Principal Payment being due and payable by the City 180 days after the date of such Principal Drawing and each successive Principal Payment being due six (6) months after the prior such Principal Payment, with the final Principal Payment in an amount equal to the entire remaining unpaid amount of the Principal Drawing, with all accrued interest due and owing as of such date, due on the Amortization End Date. Each Principal Payment shall be that amount of principal which will result in equal (as nearly as possible) aggregate Principal Payments assuming a Term Amortization ending on the date which is thirty-six (36) months after the date of the Principal Drawing.

(iii) If as of any date during the Term Amortization, the Amortization End Date shall occur, then the Term Amortization shall be terminated and the entire unpaid principal amount of the Principal Drawing shall be paid in a single principal payment, with all accrued interest due and owing as of such date, on such Amortization End Date; notwithstanding the foregoing, upon any issuance of Notes, the amount owed to the Bank pursuant to this Section shall be immediately paid to the Bank by mandatory prepayment as further provided in Section 2.04(b); and provided, further, that the amount owed to the Bank under this Section shall be due and payable in full on the date of delivery to the Issuing and Paying Agent of any Alternate Letter of Credit (as provided in Section 21 of the Ordinance) in substitution for the Letter of Credit.

(iv) The City shall be deemed to have made on and as of each day during a Term Amortization each of the representations and warranties of the City made in this Agreement and in any certificate or document delivered in connection with this Agreement and each such representation and warranty shall continue to be accurate and complete on and as of such date.

(c) The City shall pay to the Bank interest on any and all amounts drawn under the Letter of Credit pursuant to a Principal Drawing, such interest to accrue from the date of such Drawing until payment thereof in full, payable on the first Business Day of each month or, if earlier, the date on which all or a portion of such principal amount is paid or required to be paid, to the extent of such principal repayment, at a fluctuating interest rate per annum equal to the

Bank Rate from time to time in effect, provided that (i) if any such amount is not paid when due and (ii) upon the occurrence and during the continuance of any Event of Default, amounts owed hereunder shall thereafter bear interest at the Default Rate.

(d) In any event, an amount equal to any Interest Drawing shall be due and payable by the City to the Bank on the date of any such Drawing.

(e) Each time the Issuing and Paying Agent makes a Drawing, the City shall be deemed to represent and warrant on the date of such Drawing that (i) the conditions set forth in Section 3.02 have been satisfied, and (ii) the representations and warranties made by the City herein are true and correct in all material respects on and as of such date, as made on and as of such date.

Section 2.02. Default Interest. The City agrees to pay to the Bank, upon demand, interest on any and all amounts owed by the City under this Agreement from the earlier of (a) the date such amounts are due and payable but not paid until payment thereof in full and (b) a date on which an Event of Default occurs, at a fluctuating interest rate per annum equal to the Default Rate. The obligations of the City under this Section 2.02 shall survive the termination of this Agreement.

Section 2.03. Payment of Interest Amounts. The amount of interest required to be paid on any date under Sections 2.01 or 2.02, or under any other provision of this Article II (each, an “Interest Payment Date”) shall be due and payable by the City on such date at the Bank Rate, in accordance with the following provisions:

(a) Interest at the Bank Rate is due and payable by the City to the Bank hereunder on each Interest Payment Date as a contractual obligation in respect of the advances made by the Bank hereunder.

(b) (i) If the amount of interest (including all amounts which are treated as interest on amounts advanced hereunder under Applicable Law) required to be paid on any Interest Payment Date under the terms of this Agreement (calculated as a net effective interest rate) exceeds the amount of interest that would have been payable for the applicable period had interest for such period been calculated at the Maximum Bank Interest Rate, then (ii) the applicable rate of interest shall not exceed but shall be capped at such Maximum Bank Interest Rate and (iii) in any interest accrual period thereafter that the applicable rate of interest (calculated as a net effective interest rate) is less than the Maximum Bank Interest Rate, the Bank Note and all Required Payments shall bear interest at the Maximum Bank Interest Rate until the earlier of (x) payment to the Bank of an amount equal to the amount which would have accrued but for the limitation of the applicable rate of interest set forth under (i) hereinbefore and (y) the Stated Expiration Date.

Section 2.04. Prepayment.

(a) **Optional Prepayment.** On any Business Day upon not less than three (3) Business Days’ notice, the City may prepay or cause to be prepaid, without penalty, any Term Amortization either in whole, or in part in a principal amount equal to \$100,000 or any multiple thereof, by paying to the Bank (i) the principal amount of the Term Amortization, or portion thereof, being prepaid plus (ii) accrued and unpaid interest on such principal amount.

(b) **Mandatory Prepayment by Reason of Sales of Commercial Paper Notes.** Simultaneously with the sale of any Notes while any Drawings or Term Amortizations are

outstanding, the City shall be obligated (i) to prepay all outstanding Drawings and Term Amortizations in a principal amount equal to the principal amount of Notes sold and (ii) to pay accrued and unpaid interest on the principal amount of such Drawings or Term Amortizations being prepaid; provided that the prepayment requirement by reason of sales of Notes imposed by this sentence shall not apply to the principal portion of newly issued Notes used to pay the principal of maturing Notes or to reimburse the Bank for amounts drawn under the Letter of Credit to repay such maturing Notes. In order to effectuate such prepayment, prior to or simultaneously with the sale of any Notes, (i) the City shall use its best efforts to cause the Dealer to deliver to the Bank a written notice to the effect that (A) it is selling on the Business Day of such notice a specified principal amount of Notes, (B) it is delivering to the Issuing and Paying Agent for the account of the Bank on such Business Day by wire transfer a specified amount of immediately available funds which is equal to the principal amount of such Notes plus accrued interest thereon (the "Sale Price") and which constitutes proceeds of such sale and (C) such specified principal amount of Notes is being delivered to or upon the order of the Dealer in accordance with the Issuing and Paying Agency Agreement, (ii) the City shall use its best efforts to cause the Dealer to pay to the Issuing and Paying Agent for the account of the Bank, by wire transfer of immediately available funds, the proceeds of the sale of such Notes in an amount equal to the Sale Price which shall be applied first, to the prepayment of principal of Term Amortizations in an amount equal to the principal amount of Notes sold, second, to the extent sufficient therefor, to the payment of interest accrued on such principal amount of Term Amortizations prepaid, and third, to the extent sufficient therefor, to the payment of the principal of and interest accrued on all outstanding Drawings, and (iii) the City shall pay to the Bank, by wire transfer of immediately available funds, the amount, if any, by which the sum of the amounts referred to in clauses first, second and third of subpart (ii) exceeds the amount of the Sale Price received by the Bank. Effective upon the actual receipt by the Bank in immediately available funds of the Sale Price and any transfer of funds from the City sufficient to repay the Drawings or Term Amortizations to be repaid, the Principal Portion shall automatically be reinstated by an amount equal to the principal amount of the Notes being sold and/or amounts received by the Bank directly from the City. In the event that the proceeds of any sale of Notes are not received from the Dealer or are received in an amount less than the Sale Price thereof, the City shall pay to the Bank, within one (1) Business Day after such amounts were due, an amount equal to the amount of such proceeds or such deficiency; provided, however, that all amounts due to the Bank shall bear interest as set forth herein until paid in full; and provided further that the Principal Portion shall reinstate only in the amount of funds actually received by the Bank.

Section 2.05. Fees.

(a) **Facility Fee.** The City hereby agrees to pay to the Bank without any requirement of notice or demand, in immediately available funds, quarterly in arrears on the first Business Day of each Calendar Quarter (commencing on [October] 1, 2014, for the period from and including the Effective Date to but not including [October] 1, 2014) and on the Expiration Date and on the Amortization End Date, a nonrefundable facility fee (the "Facility Fee") with respect to the Stated Amount under the Letter of Credit (without regard to any reductions subject to reinstatement) during each period in respect of which such payment is to be made at the rate per annum (the "Facility Fee Rate") specified below based upon the then applicable Rating (as defined below).

Level	Moody's Rating	S&P Rating	Fitch Rating	Facility Fee Rate
1	A1 or greater	A+ or greater	A+ or greater	.28%

2	A2	A	A	.48%
3	A3	A-	A-	.68%
4	Baa1 or below	BBB+ or below	BBB+ or below	.88%

The term “Rating” as used above shall mean the Obligor Rating. In the event of a split Rating (i.e., one or more of the Rating Agency’s Ratings is at a different level than the Rating of the other Rating Agencies), the Facility Fee Rate shall be based upon the lowest Rating. Any change in the Facility Fee Rate resulting from a change in a Rating shall be and become effective as of and on the date of the announcement of the change in such Rating. References to Ratings above are references to rating categories as presently determined by the Rating Agencies and in the event of adoption of any new or changed rating system by any such Rating Agency, including, without limitation, any recalibration of the Ratings in connection with the adoption of a “global” rating scale, each of the Ratings from the Rating Agency in question referred to above shall be deemed to refer to the rating category under the new rating system which most closely approximates the applicable rating category as currently in effect. The City and the Bank acknowledge that as of the Effective Date the Facility Fee Rate is that specified above for Level 1. In the event that any Rating is suspended, removed, withdrawn or otherwise unavailable from any Rating Agency, and for so long as such Rating remains so suspended, withdrawn or otherwise unavailable and upon the occurrence and during the continuance of any Default or an Event of Default under the Agreement, the Facility Fee Rate shall, without notice to the City, be increased by an amount equal to the Default Premium of 3.00% per annum from and after the date of such suspension, withdrawal or occurrence and continuance of a Default or an Event of Default under the Agreement. The City shall provide prompt written notice to the Bank of any suspension, removal or withdrawal of any Rating. The Facility Fee shall be payable quarterly in arrears, as specified above, together with interest on the Facility Fee from the date payment is due until payment in full at the Default Rate. The Facility Fee shall be payable in immediately available funds and computed on the basis of a 360 day year and the actual number of days elapsed.

(b) ***Drawing Fee; Transfer and Amendment Fee.***

(i) Upon each Drawing hereunder, the City agrees to pay to the Bank a non-refundable drawing fee of \$350, payable without any requirement of notice or demand by the Bank on the day on which such Drawing is paid by the Bank.

(ii) Upon each transfer or assignment of the Letter of Credit or this Agreement in accordance with its terms and upon any amendment of this Agreement or the Letter of Credit, the City agrees to pay to the Bank a non-refundable fee of \$3500 plus the Bank’s actual costs and expenses associated with such transfer, assignment or amendment (including, without limitation, the reasonable fees and expenses of Bank Counsel).

(c) ***Reduction or Termination of Commitment; Termination Fee.***

(i) Subject to the provisions of subsection (ii) of this Section 2.05(c), the City at any time may reduce the Stated Amount of the Letter of Credit or terminate the Stated Amount; provided that all Required Payments, including without limitation, all principal and interest owing in connection with any Drawings or Term Amortizations and

all other amounts payable hereunder shall be paid to the Bank at or prior to the time of such termination;

(ii) In the event that this Agreement is terminated or the Stated Amount is reduced on or before the end of the “Initial Period” (such “Initial Period” being the period commencing on the Date of Issuance and ending on the date which is twelve (12) months after the Date of Issuance), the City shall pay to the Bank on the date of termination or reduction date (either, the “Termination Date”) (i) all amounts then due and owing to the Bank and (ii) a termination fee equal to the Facility Fee that would have been paid to the Bank during the Initial Period, calculated at the Facility Fee Rate in effect as of the Termination Date, multiplied by the Stated Amount as of the Date of Issuance, all as described in Section 2.05(a) above, less the amount of the Facility Fee theretofore received by the Bank pursuant to Section 2.05(a) above since the Date of Issuance (the fee described in clause (ii) being the “Termination Fee”).

Notwithstanding the foregoing paragraph, no such Termination Fee will become payable if the City terminates the Agreement during the Initial Period solely because the Bank’s short-term ratings at the time of such termination have been reduced below “A-1” by S&P or “F1” by Fitch, by such of those Rating Agencies as are then rating the City’s debt; provided that the short-term ratings of any replacement liquidity facility provider shall not be the same as or lower than the Bank’s then current short-term ratings.

Section 2.06. Costs, Expenses and Taxes.

(a) The City agrees to pay on demand all costs and expenses incurred by the Bank and its Counsel in connection with the preparation, negotiation, execution and delivery of this Agreement, the Related Documents and any other documents and certificates which may be delivered in connection with this Agreement and the other Related Documents, including, without limitation, the fees, expenses and disbursements of Counsel for the Bank as provided in Section 3.01(n)(iv). In addition, the City shall pay or cause to be paid on demand, upon not less than twenty-one (21) days prior written notice to the City, the necessary and reasonable out-of-pocket expenses and disbursements of the Bank and the necessary and reasonable fees, expenses and disbursements of Counsel to the Bank in connection with (i) the administration of this Agreement including any waiver or consent under this Agreement or any Related Document or other document or certificate delivered in connection with the Transactions or any amendment or requested amendment hereof or thereof (whether or not the transactions contemplated thereby shall be consummated) or any Default or alleged Default hereunder, (ii) the preparation, execution, delivery, administration and enforcement or preservation of rights in connection with a workout, refinancing, restructuring or waiver with respect to this Agreement, or any of the Related Documents and (iii) the occurrence of an Event of Default and collection and other enforcement proceedings resulting therefrom.

(b) Any and all payments to the Bank by or on behalf of the City hereunder shall be made free and clear of, and without deduction for, any and all taxes, levies, imposts, deductions, charges or withholdings imposed, including but not limited to as a result of a change in, law, rule, treaty, or regulation, or any policy, guideline, or directive of, or any change in the interpretation, implementation, or administration thereof by, any Governmental Authority, and all liabilities with respect thereto, excluding only taxes imposed on or measured by the net income or capital of the Bank by any jurisdiction or any political subdivision or taxing authority thereof or therein solely as a result of a connection between the Bank and such jurisdiction or political subdivision, other than a connection resulting solely from executing, delivering or performing its obligations or

receiving a payment under, or enforcing, this Agreement (all such non excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If the City is required by law to withhold or deduct any sum from payments required under this Agreement, the City shall, to the maximum extent permitted by Applicable Law, increase the amount paid by it to the Bank so that, after all withholdings and deductions, the amount received by the Bank shall equal the amount the Bank would have received without any such withholding or deduction.

(c) In addition, the City shall pay or cause to be paid on demand, upon not less than twenty-one (21) days prior written notice to the City, any present or future stamp, recording, or Other Taxes and fees payable or determined to be payable under Applicable Law in connection with the execution, delivery, filing and recording of this Agreement, the Related Documents and such other documents and certificates and agrees to defend, indemnify and hold the Bank harmless from and against any and all liabilities with respect to or resulting from any failure to pay, or any delay in paying, such taxes and fees.

Section 2.07. Change in Law.

(a) If the Bank or any Participant shall have determined that the adoption or implementation of, or any change in, any law, rule, treaty, regulation, policy, guideline, supervisory standard or directive of, or any change in the interpretation, implementation, or administration thereof by, any Governmental Authority (in each case, whether or not having the force of law), or compliance by the Bank or any Participant with any request by or directive of any Governmental Authority (in each case, whether or not having the force of law), including but not limited to any such law, rule, regulation, policy, guideline, standard, directive, interpretation or application implementing, invoking or in any way related to any provision (as now or hereafter amended) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (or any other statute referred to therein or amended thereby) or any rules, guidelines, standards, policies, regulations, or directives promulgated by the Basel Committee on Banking Supervision or the Bank for International Settlements (BIS) (or any successor or similar organizations), shall (i) change the basis of taxation of payments to the Bank or such Participant of any amounts payable hereunder (except for taxes on the overall net income of the Bank or such Participant), (ii) impose, modify or deem applicable any reserve, liquidity, special deposit, insurance premium, fee, financial charge, monetary burden or similar requirement against issuing the Letter of Credit or honoring draws under the Letter of Credit, or complying with any term of this Agreement, or against assets held by, or deposits with or for the account of, the Bank or such Participant or (iii) impose on the Bank or such Participant any other condition, expense or cost regarding this Agreement or the Letter of Credit, and the result of any event referred to in clause (i), (ii) or (iii) above shall be to increase the cost to the Bank or such Participant of issuing the Letter of Credit or honoring draws under the Letter of Credit or complying with any term of this Agreement or to reduce the amount of any sum received or receivable by the Bank or such Participant hereunder, then, upon demand by the Bank, the City shall pay to the Bank for its own account, or for the account of such Participant, as applicable, such additional amount or amounts as will compensate the Bank or such Participant for such increased costs or reductions in amount.

(b) If the Bank or any Participant shall have determined that the adoption or implementation of, or any change in, any law, rule, treaty, regulation, policy, guideline, supervisory standard or directive of, or any change in the interpretation, implementation, or administration thereof by, any Governmental Authority (in each case whether or not having the force of law), or compliance by the Bank or any Participant with any request by or directive of any Governmental Authority (in each case, whether or not having the force of law), including but

not limited to any such law, rule, regulation, policy, guideline, standard, directive, interpretation or application implementing, invoking or in any way related to any provision (as now or hereafter amended) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (or any other statute referred to therein or amended thereby) or any rules, guidelines, standards, or directives promulgated by the Basel Committee on Banking Supervision or the Bank for International Settlements (BIS) (or any successor or similar organizations), shall impose, modify or deem applicable any capital (including but not limited to contingent capital) adequacy, reserve, insurance, liquidity or similar requirement (including, without limitation, a request or requirement that affects the manner in which the Bank or any Participant allocates capital resources or reserves to its commitments (including its obligations under letters of credit)) that either (i) affects or would affect the amount of capital or reserves to be maintained by the Bank or such Participant or (ii) reduces or would reduce the rate of return on the Bank's or such Participant's capital or reserves to a level below that which the Bank or such Participant could have achieved but for such circumstances (taking into consideration the policies of the Bank or such Participant with respect to capital adequacy or the maintenance of reserves) then, upon demand by the Bank, the City shall pay to the Bank for its own account, or for the account of such Participant, as applicable, such additional amount or amounts as will compensate the Bank or such Participant for such event.

(c) All payments of amounts referred to in clauses (a) and (b) above shall be paid by the City to the Bank within five Business Days of such demand. A certificate as to such increased cost, increased capital or reserves or reduction in return incurred by the Bank or any Participant as a result of any event mentioned in clause (a) or (b) of this subsection setting forth, in reasonable detail, the basis for calculation and the amount of such calculation shall be submitted in writing by the Bank to the City simultaneously with such demand for payment and shall be conclusive as to the amount thereof absent manifest error. In making the determinations contemplated by the above referenced certificate, the Bank or Participant may make such reasonable estimates, assumptions, allocations and the like that the Bank or Participant in good faith determines to be appropriate, which estimates, assumptions and allocations shall be set forth or described in the certificate. The obligations of the City under this Section shall survive the termination of this Agreement.

Section 2.08. Payments Generally.

(a) Except as may be otherwise provided herein, all fees hereunder and interest on amounts owed hereunder or under the Bank Note shall be computed on the basis of a year of 360 days, and the actual number of days elapsed. All payments by or on behalf of the City to the Bank hereunder shall be fully earned when due and nonrefundable when paid and made in lawful currency of the United States of America and in immediately available funds. Amounts payable to the Bank hereunder, unless otherwise directed by the Bank in writing, shall be paid by wire transfer to the Bank's account at Citibank, New York, ABA # 021-000-089, Credit to Account No. 4058-0089; Ref: City of Austin CP (or to such other account of the Bank as the Bank may specify by written notice to the City) not later than 3:30 p.m. New York, New York time, on the date payment is due. Any payment received by the Bank after 3:30 p.m., New York, New York time, shall be deemed to have been received by the Bank on the next Business Day. If any payment hereunder is due on a day that is not a Business Day, then such payment shall be due on the next succeeding Business Day, and, in the case of the computation of the interest or fees hereunder, such extension of time shall, in such case, be included in the computation of the payment due hereunder.

(b) If at any time insufficient funds are received by and available to the Bank to pay fully all amounts of principal, interest and fees then due hereunder, such funds shall be applied first, to payment of that portion of the Required Payments constituting fees, indemnities, expenses and other amounts (including fees, charges and disbursements of counsel to the Bank and amounts payable under Section 2.08) payable to the Bank, second, to payment of that portion of the Required Payments constituting accrued and unpaid interest on any Drawing or other amount unpaid hereunder or under the Bank Note (and, in any such case, first to past due interest and second to current interest), and third, to payment of that portion of the Required Payments constituting unpaid principal of any Drawing or Term Amortization.

Section 2.09. Maintenance of Accounts. The Bank shall maintain in accordance with its usual practice an account or accounts evidencing the Debt of the City under this Agreement and the amounts payable and paid from time to time hereunder. In any legal action or proceeding in respect of this Agreement, the entries made in such account or accounts shall be presumptive evidence of the existence and amounts of the obligations of the City therein recorded. The failure to record any such amount shall not, however, limit or otherwise affect the obligations of the City to repay all amounts owed under this Agreement, together with all interest accrued thereon as provided herein.

Section 2.10. Cure. The City agrees to pay to the Bank on demand, any amounts advanced by or on behalf of the Bank, to the extent required to cure any Default or Event of Default under this Agreement or any Related Document. The Bank shall give the City reasonably prompt notice of any such advances. The Bank shall have the right, but not the obligation, to cure any such Default or Event of Default.

Section 2.11. Maintenance and Operating Expenses. The City agrees that the obligations of the City to pay the fees, expenses and other Required Payments payable by the City under this Agreement, other than the Bank Debt Service, are payable as Maintenance and Operating Expenses.

ARTICLE III

CONDITIONS PRECEDENT

Section 3.01. Closing Conditions. On September [___], 2014, and subject to satisfaction of the conditions precedent set forth in this Section 3.01, the Bank shall issue the Letter of Credit in the Stated Amount, effective on the Date of Issuance and expiring on the Expiration Date. As conditions precedent to the issuance of the Letter of Credit, the Bank shall have received the following items on or before the Date of Issuance, each in form and substance satisfactory to the Bank and its counsel and the City shall satisfy the Bank that the following conditions have been fulfilled:

(a) an opinion dated the Date of Issuance of Bond Counsel as to the due and valid execution and delivery of the Notes, and that the Notes are entitled to the benefits of the Ordinance, satisfaction of legal requirements, lien status and securities matters and related matters, which shall expressly include this Agreement and the delivery and acceptance of the Letter of Credit under the Ordinance and cover such other matters as the Bank shall reasonably request within the scope of the matters opined upon; and the opinions shall be addressed to the Bank or a reliance letter shall be provided to the Bank expressly stating that the Bank is entitled to rely upon said opinion as if such opinion were addressed to the Bank;

(b) an opinion of Bond Counsel dated the Date of Issuance addressed to and acceptable to the Bank, to the effect that all conditions necessary to create a valid pledge of the Security in favor of the Bank and subject to no prior Lien other than the Lien securing the Priority

Lien Obligations have been accomplished and that such pledge is on a parity with the pledge securing the Parity Lien Obligations, and covering such other matters relating to the Agreement and any of the other Related Documents or the proceedings of the City as the Bank may request, including due authority, due execution and delivery, enforceability, no conflict, no consent, no litigation and related opinions;

(c) an opinion of Bond Counsel dated the Date of Issuance addressed to and acceptable to the Bank, to the effect that the Ordinance has been duly and validly adopted, has not been amended since its date of passage and is in full force and effect, and covering related matters with respect to the City as may be requested by the Bank, including due authority, due execution and delivery, enforceability, no conflict, no consent, no litigation and related opinions;

(d) a letter from the Issuing and Paying Agent to the Bank, substantially in the form of Exhibit B;

(e) a certificate of the City, in form and substance satisfactory to the Bank, executed by the Authorized City Representative, dated the Date of Issuance, to the effect that (i) all actions required to be taken by, and all resolutions required to be adopted under Applicable Law (which resolutions shall be attached to such certificate) by the City in connection with the execution, delivery and performance of and under this Agreement and the other Related Documents to which the City is a party, have been done and adopted and (ii) that each of the Related Documents to which the City is a party, constitutes the legal, valid and binding obligations thereof, enforceable in accordance with their terms (subject, as to enforceability, to applicable bankruptcy, moratorium, insolvency or similar laws affecting the rights of creditors generally and to general principles of equity); and (iii) covering such other matters relating to the Notes, the City, this Agreement or any of the other Related Documents as the Bank may reasonably request;

(f) an incumbency certificate of the City Clerk of the City certifying as to the name and true signature of the Authorized City Representative(s) authorized to execute this Agreement, the Related Documents and any other document to be delivered by the City hereunder or under the other Related Documents;

(g) certified copies of (i) all approvals, authorizations or consents of, or notices to or filings or registrations with, any governmental body, agency or official required for the City to execute, deliver or perform this Agreement or any of the other Related Documents to which the City is a party and (ii) audited financial statements of the City for the Fiscal Years concluding on the last day of September 2011, 2012 and 2013, respectively;

(h) in final form, the Offering Circular in the form reviewed by the Bank and dated the Date of Issuance;

(i) (i) a specimen original of a Note,

(ii) the duly executed Bank Note, and

(iii) executed originals (or, when the Bank is not a party thereto, duplicates thereof) of this Agreement, each other Related Document and of each other agreement, document, instrument, certificate or opinion required to be delivered by any Person pursuant to the Related Documents, each of which shall be in form and substance satisfactory to the Bank and, in the case of each such opinion, either addressed to the Bank or accompanied by a letter addressed to the Bank from the counsel rendering such

opinion stating that the Bank is entitled to rely upon such opinion as if such opinion were addressed to it;

(j) such other agreements, documents, instruments, certificates (and, if requested by the Bank, certified duplicates of executed copies thereof) and opinions as the Bank may reasonably request; and

(k) evidence satisfactory to the Bank and its counsel that all filings and recordings necessary to perfect the liens and security interests created by the Related Documents in favor of the Bank have been made in the appropriate governmental offices and that all filing fees, taxes or other impositions required therewith have been paid in full.

(l) The following statements shall be true and correct on the Date of Issuance and the Bank shall have received a certificate signed by an Authorized City Representative dated the Date of Issuance, stating that on and as of the Date of Issuance: (i) the representations and warranties contained (or incorporated by reference) in Article IV hereof are true and correct, in all material respects, on and as of the Date of Issuance, as though made on and as of such date; (ii) no Material Adverse Change has occurred since September 30, 2013; (iii) no Default or Event of Default has occurred and is continuing or would result from the issuance of the Letter of Credit or the execution, delivery and performance by the City of this Agreement or any of the other Related Document to which the City is a party; (iv) the City is in compliance with all of the terms, provisions and conditions of each rate or financial covenant and any other material provision of the Related Documents and any other contract or obligation entered into in connection with any Debt; (v) all requirements and preconditions to the issuance, execution, delivery and sale of the Notes and the acceptance of the Letter of Credit as an Alternate Letter of Credit have been satisfied; (vi) the City has complied with all agreements and covenants and satisfied all conditions stated in this Agreement on its part to be performed or satisfied at or prior to the Date of Issuance; (viii) no petition by or against the City has at any time been filed under the United States Bankruptcy Code or under any similar law; and (ix) covering such other matters of fact as may be reasonably requested by the Bank.

(m) On or before the Date of Issuance:

(i) the Bank shall have received a copy of the Ordinance certified by an Authorized City Representative as being in full force and effect on the Date of Issuance, as not having been amended or supplemented through the date thereof and as being the only Ordinance relating to the Notes;

(ii) (A) provision by the City for the fees and expenses of counsel to the Bank payable in connection with the delivery of the Letter of Credit and the preparation and negotiation of the Related Documents shall be paid and (B) all other amounts payable on the Date of Issuance pursuant to this Agreement shall have been received;

(iii) the Bank shall have received satisfactory evidence that the Notes have been assigned short-term ratings of "A-1," by S&P, and short-term ratings of "F-1," by Fitch, and "VMIG-1" by Moody's, after giving effect to the Letter of Credit and this Agreement and that the Obligor Rating on Parity Lien Obligations is "[__]" by [__] and [__].

(n) **Other Documents.** The Bank shall have received such other documents, certificates, approvals, filings, and opinions as the Bank shall have reasonably requested in writing to the City.

(o) **Credit Requirements.** Prior to the Date of Issuance, the Bank shall have determined, in its sole discretion, based in part upon the information and reports submitted by the City, that (i) the City has met the Bank's credit requirements, (ii) the Bank has not discerned any adverse change in the financial condition, manner of operation, properties or prospects of the City or any material inaccuracy in the information, representations and materials submitted to the Bank by the City in connection with the issuance of the Letter of Credit, (iii) there has been no change in any law, rule or regulation (or their interpretation or administration) nor is there any pending or threatened litigation, that, in each case, may adversely affect the consummation of the Transactions and (iv) the Bank has not discerned any bar or restriction under Applicable Law that places in question any aspect of the execution and delivery of the Notes, the execution, delivery and performance by the Bank of the Letter of Credit or this Agreement or the execution, delivery and performance by the City or any other Person of any Related Document. Provided, that, notwithstanding the foregoing terms and any investigation and/or determination by the Bank, the City expressly acknowledges and agrees that no such investigation or determination by the Bank shall in any respect whatsoever qualify, or release the City from, any representation, warranty or covenant contained in this Agreement or create or constitute any defense to the enforcement of the provisions of this Agreement.

(p) **Issuing and Paying Agent's Documents.** The Bank shall have received (i) copies of the resolution(s) of the Issuing and Paying Agent authorizing the execution, delivery and performance of the Related Documents to which it is a party and the performance of any duties of the Issuing and Paying Agent under or in connection with the other Related Documents including the Letter of Credit, this Agreement and the Ordinance, and (ii) a certificate of an authorized representative of the Issuing and Paying Agent (A) certifying as to the authority, incumbency and specimen signatures of the authorized representatives of the Issuing and Paying Agent authorized to sign the Related Documents to which it is a party and any other documents to be delivered by it hereunder and who will be authorized to represent the Issuing and Paying Agent in connection with this Agreement, upon which the Bank may rely until it receives a new certificate and certifying that the resolution(s) referred to under (ii) is/are presently in full force and effect and (B) covering such matters relating to the Offering Circular and the other Related Documents as the Bank may reasonably request.

(q) **No Debt Default.** The Bank shall have received a certificate, in form and substance satisfactory to the Bank, dated and effective as of the Date of Issuance, and executed by an Authorized City Representative, and stipulating that no default or event of default exists with respect to any Debt of the City.

Section 3.02. Conditions Precedent to Amortization. All amounts drawn under the Letter of Credit as a Principal Drawing are due and payable on the date drawn unless on such date the following conditions are satisfied:

- (a) No Default shall have occurred and be continuing;
- (b) No Early Expiration Date shall have occurred;
- (c) No Material Adverse Change shall have occurred since September 30, 2013; and

(d) The City shall be deemed to have made on and as of the date of such Drawing each of the representations and warranties of the City made in this Agreement and in any certificate or document delivered in connection with this Agreement and each such representation and warranty shall continue to be accurate and complete in all material respects on and as of such date.

The City shall be deemed to represent and warrant that the conditions described in this Section 3.02 have been satisfied on the date of such Drawing and on the date of any commencement (or purported commencement) of a Term Amortization.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

Section 4.01. Representations of the City. In order to induce the Bank to issue the Letter of Credit, the City represents, warrants and covenants to and with the Bank as of the Closing Date, as of each date on which the Bank honors a Drawing under the Letter of Credit and as of each day during any Term Amortization, as follows:

(a) the City is a “Home Rule City,” acting as such under the Constitution and laws of the State, and has full legal right, power and authority to (i) own, operate and maintain the Systems, (ii) adopt the Ordinance, (iii) execute and deliver this Agreement and the Related Documents, (iv) issue and deliver the Notes, (v) pledge the Security, and (vi) perform fully and completely all its obligations and liabilities under the Ordinance and this Agreement and under the Related Documents;

(b) the adoption and performance of the Ordinance and the issuance of the Notes thereunder and the execution, delivery and performance of this Agreement and the Related Documents on the terms and conditions hereof and thereof have been duly authorized by all necessary action on the part of the City and will not violate or contravene any constitutional provisions or any existing law or regulation, or any order or decree of any Governmental Authority, or violate or cause a default under the Parity Note Ordinance, any ordinance previously issued by the City or under the Parity Reimbursement Agreement or under any indenture, contract or other agreement to which the City is a party or that is binding upon it or any of its property; provided, however, that no representation or warranty is made hereunder with respect to the indemnification provisions of this Agreement;

(c) no consent of any Person and no license, approval or authorization of, nor notice to or registration, filing or declaration with, any Governmental Authority (other than any action that may be required under any state securities or blue sky laws) is required in connection with the adoption, performance, validity or enforceability of the Ordinance, the issuance, validity or enforceability of the Notes, or the execution, delivery, performance, validity or enforceability of this Agreement or the Related Documents or, if required, the same has been obtained and is in full force and effect or, if not yet obtained, will be obtained on or before the Date of Issuance and will be in full force and effect on such date, and true copies thereof have been, or will be, delivered to the Bank on or before the Date of Issuance;

(d) the Ordinance, this Agreement and the Related Documents constitute, and the Notes, when issued, will constitute, legal, valid and binding agreements or obligations, as the case may be, of the City enforceable in accordance with their respective terms except as (i) the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, liquidation,

moratorium or other similar laws of general application affecting creditors' rights generally, (ii) the availability of equitable remedies may be limited by equitable principles of general applicability and (iii) the indemnification provisions therein may be limited by applicable securities laws and public policy;

(e) there are no actions, suits or proceedings pending or, to the knowledge of the City, threatened against or affecting it or its properties before any Governmental Authority in which there is reasonable possibility of an adverse decision which could materially and adversely affect the business, financial position or results of operations of the City or which in any manner questions the validity of the Ordinance or this Agreement or any of the Related Documents or the City's ability to carry out the transactions contemplated hereby and thereby;

(f) no written information furnished by the City to the Bank in connection with the Ordinance or this Agreement or any Related Documents contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statement made therein, in light of the circumstances in which they were made, not misleading in any material respect;

(g) the Ordinance and this Agreement creates a valid lien on, pledge of, and security interest in the Security as security for the Notes and for the repayment of the City's obligations under this Agreement and all action necessary to perfect the lien on, pledge of, and security interest of the Bank in the Security has been duly and validly taken;

(h) the City has not taken any action, or omitted to take any action, which constitutes a default, or which with the passage of time or the giving of notice, or both, would constitute a default, under any ordinance, indenture, agreement or other instrument pursuant to which any outstanding Priority Lien Obligations have been issued;

(i) the City hereby makes to the Bank the same representations and warranties as are made by the City in, or are incorporated by the City in, the Ordinance or any of the Related Documents, which representations and warranties, as well as the related defined terms contained therein, are hereby incorporated by reference with the same effect as if each and every such representation and warranty and defined term was set forth herein in its entirety. No amendment to any such representation and warranty or defined term made pursuant to the Ordinance or any Related Document shall be effective to amend such representation and warranty or such defined term as incorporated by reference herein without the prior consent of the Bank;

(j)

(i) neither the City nor any of its Affiliates is in violation of any laws relating to terrorism or money laundering ("Anti-Terrorism Laws"), including Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001 (the "Executive Order"), and the USA Patriot Act, Title III of Pub. L. 107-56, 115 Stat. 272 (the "Patriot Act");

(ii) neither the City nor any of its Affiliates is any of the following:

(A) a Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order;

(B) a Person owned or controlled by, or acting for or on behalf of, any Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order;

(C) a Person with which the Bank is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law;

(D) a Person that commits, threatens or conspires to commit or supports “terrorism” as defined in the Executive Order; or

(E) a Person that is named as a “specially designated national and blocked person” on the most current list published by the Office of Foreign Asset Control (“OFAC”) or any list of Persons issued by OFAC pursuant to the Executive Order at its official website or any replacement website or other replacement official publication of such list; and

(iii) neither the City nor any of its Affiliates (A) conducts any business or engages in making or receiving any contribution of funds, goods or services to or for the benefit of any Person described in subsection (ii)(B) above, (B) deals in, or otherwise engages in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order or (C) engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law.

ARTICLE V

COVENANTS

Section 5.01. Covenants. The City covenants and agrees that until the principal of and interest on the Notes and all Required Payments have been indefeasibly paid in full and all other obligations of the City under this Agreement or with respect to the Bank Note have been paid and performed and the Bank shall have no further obligation or liability under or in respect of the Letter of Credit:

(a) It will, from time to time, at its expense, promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that the Bank may reasonably request, in order to (i) perfect and protect any lien, pledge, or security interest or other right or interest given, or purported to be given to the Bank under or in connection with this Agreement or (ii) enable the Bank to exercise or enforce their rights or remedies under or in connection with this Agreement;

(b) It will not, without the prior written consent of the Bank, enter into or consent to any amendments of or supplements to the Ordinance or any Related Document or any waiver of the requirements thereof and no such amendment or supplement shall be effective without the prior written consent of the Bank, which consent shall not be unreasonably withheld;

(c) It will promptly notify the Bank of the occurrence of any “Event of Default” under the Ordinance or of a default under the Parity Note Ordinance, the Parity Reimbursement Agreement, or any ordinance, indenture, agreement or other instrument pursuant to which the Priority Lien Obligations are issued, specifying the details thereof and the action that the City proposes to take with respect thereto;

(d) It will permit, at any reasonable time and from time to time during the City's regular business hours and upon reasonable notice, the Bank or any of its agents or representatives to examine and make copies of and abstracts from the records and books of accounts of the City relating to the Systems, and to discuss the affairs, finances and accounts of the Systems with City officials;

(e) It will comply with and observe all other obligations, covenants, agreements and requirements set forth in the Ordinance and in the Constitution of the State and in all statutes and regulations binding upon it relating to the Notes, the Letter of Credit, this Agreement and the Related Documents;

(f) It will maintain the Taxable Note Payment Fund with the Issuing and Paying Agent as required by the Ordinance;

(g) It will promptly notify the Bank in writing of (i) the occurrence of any material litigation or proceeding affecting the City and of any proceeding or threatened proceeding between the City and any Governmental Authority or any other Person which, in each such case, might substantially interfere with the normal operation of the Systems, or (ii) any amendment to the Act or any other governing instrument of the City, which would have a material adverse effect on the Systems or the Notes, or (iii) the name, address, telephone number, fax number and contact person of any bank(s) which becomes a provider under the Parity Reimbursement Agreement;

(h) It will pay when due all of its obligations in connection with the authorization, issuance and delivery of the Notes, this Agreement, the Letter of Credit and the Related Documents;

(i) It will not enter into any contract, agreement or transaction, or incur any obligation which would have a material adverse effect on the City's ability to meet its obligations under this Agreement or any Related Document;

(j) It will not create, incur, assume or suffer to exist any pledge of, lien on or other security interest in the Security except as provided in the Related Documents, the Parity Note Ordinance and the Parity Reimbursement Agreement;

(k) [Reserved];

(l) It will at all times maintain rates and charges for the services furnished, provided and supplied by the Electric Utility System and Water and Wastewater System which shall comply with the provisions of the ordinances authorizing the issuance of the Priority Lien Obligations, be reasonable and non-discriminatory and produce Gross Revenues in each Fiscal Year from each of the Systems sufficient:

(i) to pay the respective Maintenance and Operating Expenses of the Systems;

(ii) to provide amounts required to establish, maintain or restore, as the case may be, a required balance in any reserve or contingency fund created for the payment and security of Separate Lien Obligations;

(iii) to produce combined Net Revenues of the Systems sufficient to pay the amounts required to be deposited in any reserve or contingency fund created for the

payment and security of the Prior Lien Bonds, the Subordinate Lien Bonds, and other obligations or evidences of indebtedness issued or incurred that are payable only from and secured solely by a lien on and pledge of the combined Net Revenues of the Systems;

(iv) to produce combined Net Revenues of the Systems (after satisfaction of the amounts required to be paid in (ii) and (iii) above) equal to at least the sum of (A) 1.25 times the annual principal and interest requirements (or other similar payments) for the then outstanding Prior Lien Bonds and Separate Lien Obligations and (B) 1.10 times the total annual principal and interest requirements (or other similar payments) for the then outstanding Subordinate Lien Bonds and all other indebtedness payable only from and secured solely by a lien on and pledge of the Net Revenues of the Systems, either or both;

(v) (A) to pay all amounts owed to the Bank under this Agreement and to any provider of credit or liquidity support under the Parity Reimbursement Agreement, as and when the same shall become due, and (B) to the extent the same are reasonably anticipated to be paid from Pledged Revenues, to pay the principal of and interest on the Notes and the Parity Notes, as and when the same shall become due; provided, that in no event shall the amount described in clause (B) above be less than an amount equal to the sum of:

(x) 1.10 times the product of (i) \$400,000,000 multiplied by (ii) the sum of (a) the average daily yield on 30-day tax-exempt commercial paper rated A 1/P 1 during the preceding twelve-month period ending on the last day of July of such year (as calculated by a Dealer and set forth in a written notice to the City and the Bank on or before August 31 of each year), plus (b) two percent (2%); and

(y) 1.10 times the product of (i) \$50,000,000 multiplied by (ii) the sum of (a) the average daily yield on 30-day taxable commercial paper rated A 1/P 1 during the preceding twelve-month period ending on the last day of July of such year (as calculated by a Dealer and set forth in a written notice to the City and the Bank on or before August 31 of each year), plus (b) two percent (2%); and

(vi) to pay any other legal debt or obligation of the Systems, either or both, as and when the same shall become due;

(m) It shall, in good faith and with due diligence, endeavor to sell a sufficient principal amount of the Bonds (or Notes) in order to have funds available, together with other moneys available therefore, to pay all amounts owed to the Bank;

(n) It will deliver to the Bank (i) as soon as available and in any event within ninety (90) days after the end of each Fiscal Year of the City, the approved budget of the City for the then current Fiscal Year (including therein detailed budget information relating to the Systems), together with a certificate from an Authorized City Representative certifying that (A) the rates and charges for the Systems set forth in such approved budget are sufficient to allow the City to comply with the provisions of Section 5.01(1) at all times during such Fiscal Year, and (B) containing the City's calculation of its compliance for the preceding Fiscal Year of the covenant set forth in Section 5.01(1) of this Agreement, (ii) as soon as available and in any event within two hundred and ten (210) days of the end of each Fiscal Year of the City, an audited financial

statement of the City as of the end of such Fiscal Year and the related statement of changes in the funds and in fund balances for such Fiscal Year, setting forth in each case in comparative form the figures for the previous Fiscal Year, all audited by an independent public accountant of nationally recognized standing, (iii) as soon as available and in any event within sixty (60) days after the end of each Calendar Quarter, unaudited financial statements of the Systems for such Calendar Quarter (which shall include an income statement, balance sheet and statement of cash flows), and (iv) any other information that the Bank may reasonably request in writing from time to time;

(o) It will maintain and preserve all of its properties that are material to the conduct of its business in good working order and condition, ordinary wear and tear excepted, it being understood that this paragraph relates only to the good working order and condition of such properties and shall not be construed as a covenant not to encumber or dispose of such properties by sale, lease, transfer or otherwise in the ordinary course of business or within the provisions of the ordinances authorizing the Priority Lien Obligations;

(p) It will perform and comply with each and every obligation, covenant and agreement required to be performed or observed by it in or pursuant to the Related Documents and the ordinances pursuant to which any Priority Lien Obligations have been issued, which provisions, as well as the related defined terms contained therein, are hereby incorporated by reference herein with the same effect as if each and every such provision were set forth herein in its entirety. To the extent that any such incorporated provision permits any Person or Persons to waive compliance with such provision or requires that a document, opinion or other instrument or any event or condition be acceptable or satisfactory to any Person or Persons, for purposes of this Agreement, such provision shall be complied with only if it is waived by the Bank and such document, opinion or other instrument and such event or condition shall be acceptable or satisfactory only if it is acceptable or satisfactory to the Bank. No amendment to such obligations, covenants and agreements or defined terms made pursuant to any of the Related Documents shall be effective to amend such obligations, covenants and agreements and defined terms as incorporated by reference herein without the consent of the Bank; and

(q) It will not issue any Notes to refund Priority Lien Obligations without the prior written consent of the Bank.

(r) In the event that the City shall agree or covenant to maintain financial covenants, financial covenant levels or financial covenant testing periods pursuant to documentation entered into by the City with any Person or Persons (other than the Bank) that undertake to make loans or extend credit or liquidity to the City related to the Parity Lien Obligations, from time to time after the date hereof, the City shall (simultaneously with the execution of such documentation) notify the Bank of such covenants, covenant levels or covenant testing periods, and to the extent such covenants, covenant levels or covenant testing periods are determined by the Bank, in its sole discretion, by written notice to the City to be more restrictive than the covenants, covenant levels or covenant testing periods set forth in this Agreement, the City shall comply with the covenants contained in the new documentation for the benefit of the Bank under this Agreement, and the City and the Bank hereby agree that such covenants, together with the related definition of terms contained therein, are hereby incorporated by reference in this Agreement with the same effect as if each and every such covenant and definition were set forth herein in its entirety, and such more restrictive financial covenants, financial covenant levels or financial covenant testing periods shall replace and supersede the financial covenants, financial covenant levels or financial covenant testing periods contained herein. For purposes of clarification, the terms financial covenants, financial covenant levels, and financial covenant testing periods refer to covenants to

maintain coverage ratios at certain levels prior to the incurrence of additional debt, to maintain rates, to maintain certain liquidity levels and similar financial covenants and agreements to deliver financial information and other information within a specified term period. The terms financial covenants, financial covenant levels and financial covenant testing periods specifically excludes collateral posting requirements, reserve requirements, automatic termination events, termination events, additional termination events and pricing levels. Each and every amendment or waiver of such covenants or definitions made pursuant to such other documentation, or the release, termination or other discharge of such other documentation, shall be not effective to amend, release, terminate or discharge (as applicable) such covenants and definitions as incorporated by reference herein without the written consent of the Bank.

(s) The City shall at all times maintain the ability to issue Bonds (as defined in the Ordinance) in an amount at least equal to the sum of (i) the aggregate principal amount of the Notes plus (ii) the aggregate amount of accrued interest to maturity on all Notes, plus (iii) any other obligations owing to any credit enhancer or liquidity provider on the Notes.

(t) The City shall use its best efforts to cause the Dealer and the Issuing and Paying Agent to market, issue, and deliver, as applicable, Notes at the then current market rate, up to the Maximum Interest Rate (as defined in the Ordinance). If the Dealer fails to sell the Notes for sixty (60) consecutive days, then the City, at the written request of the Bank and with mutual agreement of the City, shall replace the applicable Dealer with a Dealer reasonably satisfactory to the Bank.

(u) To the extent authorized by Texas Government Code Section 1371.059(c), the City has, in this Agreement, waived sovereign immunity from suit and liability for the purposes of adjudicating a claim to enforce this Agreement or for damages for breach of this Agreement. The City further represents that to the extent its obligations hereunder and under the other Related Documents to which it is a party represent the legal obligations of the City, its non-discretionary duties are subject to enforcement in State courts by writ of mandamus, and that it is not immune to an equitable mandamus action.

(v) In the event that there is at any time a Term Amortization outstanding, the City covenants that, upon the request of the Bank, it will within five (5) Business Days after such request apply to at least one Rating Agency for a long-term unenhanced rating to be assigned to the Bank Note and use its best efforts to cause at least one Rating Agency to assign a long-term unenhanced rating to the Bank Note of at least investment grade within thirty (30) calendar days of receipt of such request.

ARTICLE VI

SECURITY

Section 6.01. Security.

(a) The City hereby pledges and grants to the Bank, on an equal and ratable basis with the Holders of the Notes and as collateral security for the payment by the City, when due, of all amounts now or at any time hereafter owing to the Bank under this Agreement and the Bank Note, the due and punctual observance and performance of all other obligations of the City under this Agreement, and the due and punctual observance and performance of the City's obligations to the Holders of the Notes arising under the Notes, a lien on and security interest in the following:

(i) the proceeds from (A) the sale of Bonds issued to refund outstanding Notes and (B) the sale of Notes issued pursuant to the Ordinance to refund outstanding Notes; and

(ii) the amounts held in the Taxable Note Payment Fund until the amounts deposited therein are used for authorized purposes; provided, however, that amounts in the Taxable Note Payment Fund attributable to and derived from Drawings on the Letter of Credit shall be used only to pay the principal of or interest on maturing Notes.

(b) In addition, the City hereby pledges and grants to the Bank, on an equal and ratable basis with the Holders of the Notes and the holders of the Parity Lien Obligations as collateral security for the payment of the City, when due, of all amounts now or at any time hereafter owing to the Bank under this Agreement and the Bank Note, the due and punctual observance and performance of all other obligations of the City under this Agreement, and the due and punctual observance and performance of the City's obligations to the Holders of the Notes arising under the Notes subject only to the provisions of the Ordinance permitting the application thereof for purposes and on the terms and conditions set forth therein, a lien on and security interest in the Pledged Revenues; provided, however, that the lien on and security interest in the Pledged Revenues to secure payment of the Notes and other amounts due under this Agreement and the Bank Note shall be subordinate only to the lien and pledge of the Pledged Revenues securing the payment of Priority Lien Obligations. The liens and security interests described in Section 6.01(a) and (b) are referred to collectively as the "Security."

(c) The Bank acknowledges that the pecuniary obligations of the City under this Agreement and the Bank Note in the nature of fees due hereunder, amounts due for Drawings made under the Letter of Credit or any other amounts owed to the Bank hereunder are secured by and payable solely from the Security.

(d) Chapter 1208, Texas Government Code provides that no filing, registering, recording or publication of this Agreement is required to establish a pledge of Pledged Revenues to perfect, protect or maintain the lien securing the obligations of the City under this Agreement. In the event Chapter 1208, Texas Government Code is amended at any time while any obligations of the City remain outstanding under this Agreement, such that the lien on the Pledged Revenues is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, the City agrees to take such action to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code, to maintain perfection of the lien on the Pledged Revenues.

ARTICLE VII

EVENTS OF DEFAULT

Section 7.01. Events of Default. The occurrence of any of the following events shall constitute an "Event of Default":

(a) Failure of the City to pay or cause to be paid when due any amount owed by the City under this Agreement or the Bank Note;

(b) Any representation, warranty, certification or statement made by the City in this Agreement or in any Related Document or in any certificate, financial statement or other document delivered pursuant to this Agreement or any Related Document shall (in any such case)

prove to have been incorrect or untrue in any material respect when made or deemed to have been made; or

(c) The City shall default in the due performance or observance of (A) any covenant set forth in Section 5.01 hereof or (B) any other term, covenant (other than a covenant set forth in Section 5.01) or agreement contained in this Agreement and such default in the due performance or observance of any such other term, covenant or agreement shall remain unremedied for a period of sixty (60) days after the Bank shall have given the City written notice of such default; or

(d) This Agreement or any provision hereof at any time after its execution and delivery, or any Note, shall, for any reason, cease to be valid and binding on the City or in full force and effect or shall be declared to be null and void, or the validity or enforceability of this Agreement or any Notes shall be contested by the City or by any Governmental Authority having jurisdiction over the City, or the City shall deny that it has any or further liability or obligation under this Agreement or any Notes; or

(e) The City shall admit in writing its inability to pay its debts as they mature or shall declare a moratorium on the payment of its debts or apply for, consent to or acquiesce in the appointment of a trustee or receiver for itself or any part of its property, or shall take any action to authorize or effect any of the foregoing; or in the absence of any such application, consent or acquiescence, a trustee or receiver shall be appointed for it or for a substantial part of its property or revenues and shall not be discharged within a period of thirty (30) days; or any bankruptcy, reorganization, debt arrangement or other proceeding under any bankruptcy or insolvency law or any dissolution or liquidation proceeding shall be instituted by or against the City (or any action shall be taken to authorize or effect the institution by it of any of the foregoing) and if instituted against it, shall be consented to or acquiesced in by it, or shall not be dismissed within a period of thirty (30) days; or

(f) There shall be commenced against the City any case, proceeding or action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of the Systems, which results in the entry of an order for relief which shall not have been vacated, discharged, stayed or bonded pending appeal within thirty (30) days from the entry thereof; or

(g) Any lien, pledge or security interest created to secure any amount due under this Agreement should fail to be fully enforceable with the same priority as and when such lien, pledge or security interest was first acquired; or

(h) An "Event of Default" shall have occurred under the Ordinance, any of the Related Documents, the Parity Reimbursement Agreement or the Parity Ordinance as "Event of Default" is defined in such documents; or

(i) A final, nonappealable judgment or order for the payment of money in excess of \$15,000,000 shall be rendered against the City and such judgment or order shall continue unsatisfied and unstayed for a period of sixty (60) days; or

(j) The City shall fail to pay when due any non-debt obligation in excess of \$5,000,000, which is payable from the City's General Fund or the Gross Revenues, except for the City's failure to pay any such non-debt obligation where the payment of such non-debt obligation is being contested in good faith by the City and defended in an appropriate proceeding; or

(k) The City shall (a) fail to pay any indebtedness of the City for borrowed money, or any interest or premium thereon, when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such indebtedness, or (b) fail to perform or observe any term, covenant or condition on its part to be performed or observed under any ordinance, indenture, agreement or other instrument relating to any such indebtedness when required to be performed or observed, and such failure shall not be waived and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such failure to perform or observe is to accelerate, or permit the acceleration of, with the giving of notice if required, the maturity of such indebtedness; or any such indebtedness shall be declared to be due and payable or be required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof; or

(l) The ratings assigned to any of the City's Parity Electric Utility Obligations, Parity Water/Wastewater Obligations, or the Priority Lien Obligations by S&P, Moody's or Fitch shall be lower than A-/A3/A-, respectively; or

(m) The ratings assigned to any of the City's Parity Electric Utility Obligations, or Parity Water/Wastewater Obligations, or Priority Lien Obligations by S&P, Moody's or Fitch shall be withdrawn or suspended for reasons other than debt maturity, redemption or defeasance; or

(n) A court of competent jurisdiction has found any of the City's Parity Electric Utility Obligations, Parity Water/Wastewater Obligations or Priority Lien Obligations to have been issued illegally or in violation of the additional debt test in the related ordinance.

Section 7.02. Rights and Remedies.

(a) If an Event of Default occurs and is continuing, the Bank may, in its sole discretion:

(i) notify the City that an Event of Default has occurred and is continuing,

(ii) (A) deliver to the Issuing and Paying Agent, the City, the Dealer, and the provider of liquidity or credit support under the Parity Reimbursement Agreement a notice in the form of Schedule I to the Letter of Credit (a "No Issuance Notice") stating that on the maturity date for the last Note to mature which was issued prior to the delivery of such No Issuance Notice and upon the Bank's honoring Drawings under the Letter of Credit with respect to such Notes, the Letter of Credit shall terminate and be returned to the Bank, and any Notes issued after such No Issuance Notice shall constitute Excluded Notes, (B) deliver to the Issuing and Paying Agent a Restricted Issuance Notice and thereafter Notes issued in a principal amount in excess of the principal amount of Notes maturing on the date such Notes are issued shall constitute Excluded Notes, or (C) deliver a notice to the Issuing and Paying Agent, the City, the Dealer, and the provider of liquidity or credit support under the Parity Reimbursement Agreement stating that an Event of Default has occurred hereunder, directing that no additional Notes be issued, and stating that the Letter of Credit will terminate 10 days after the Issuing and Paying Agent's receipt of such notice, and any Notes issued after such notice shall constitute Excluded Notes,

(iii) at any time subsequent to any notice under subpart (ii) and if the Bank has not already directed such action, the Bank may give notice to the City declaring the principal of the Bank Note, and the accrued interest thereon, to be immediately due and payable,

(iv) by notice to the City, declare the entire unpaid principal and interest amount of any advances outstanding as a result of any Drawing (including any Term Amortization) together with accrued interest thereon, and all other amounts owing under the Bank Note or this Agreement, to be, whereupon the same shall become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the City; provided that in the case of any of the Events of Default specified in Section 7.01(d), 7.01(e) or 7.01(n) above, without any notice to the City or any other Person or any other act by the Bank, the principal amount of any advances outstanding as a result of any Drawing (including any Drawing thereafter occurring), together with accrued interest with respect thereto, and all other Required Payments owing to the Bank, and the Bank Note, shall be immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the City,

(v) (A) cure any default, event of default or event of nonperformance under this Agreement or under any of the Related Documents (in which event the City shall reimburse the Bank therefor pursuant to Section 2.11 hereof), (B) exercise its banker's lien, or right of set off, (C) proceed to protect its right by suit in equity, action at law or other appropriate proceedings, whether for specific performance of any covenant or agreement of the City herein contained or in the exercise of any power or remedy granted to the Bank under any of the Related Documents, (D) exercise its rights under the Security and exercise any right it or the Holders may have under the Ordinance to take any action, including without limitation any right it or the Holders may have to collect, foreclose, marshal, dispose of or otherwise realize on the Pledged Revenues and moneys in the funds and accounts under the Ordinance, pursuant to and in compliance with the Ordinance, and to cause the application and payment of Pledged Revenues and amounts on deposit in the Electric Fund and the Water and Sewer System Fund in accordance with the provisions of Section 26 of the Ordinance and payment of amounts owing to the Bank, and to otherwise direct or control the enforcement of remedies and proceedings taken under the Related Documents, and foreclose, marshal, dispose of and otherwise realize on any other collateral of the City pledged hereunder or under the Related Documents, on such terms and in such manner as the Bank may determine, or (E) exercise any other rights or remedies available under any Related Document, any other agreement or at law or in equity,

(b) The rights and remedies of the Bank specified herein are for the sole and exclusive benefit, use and protection of the Bank, and the Bank is entitled, but shall have no duty or obligation to the City, the Issuing and Paying Agent, the Holders of the Notes or any other Person, (i) to exercise or to refrain from exercising any right or remedy reserved to the Bank hereunder, or (ii) to cause the Issuing and Paying Agent or any other Person to exercise or to refrain from exercising any right or remedy available to it under any of the Related Documents.

(c) From and after the occurrence of an Event of Default, all amounts owing to the Bank hereunder shall bear interest at the Default Rate.

Section 7.03. No Waiver; Remedies. No failure on the part of the Bank to exercise, and no delay in exercising, any right under this Agreement shall operate as a waiver of such right; nor shall any single or partial exercise of any right under this Agreement preclude any other further exercise of such right or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law or equity.

Section 7.04. Equitable Relief. The City recognizes that, in the event the City fails to perform, observe or discharge any of its obligations or liabilities under this Agreement, any remedy of law may prove to be inadequate relief to the Bank; therefore, the City agrees that the Bank, if the Bank so requests, shall be entitled to temporary and permanent injunctive relief in any such case to the extent allowed by law.

ARTICLE VIII

NATURE OF OBLIGATIONS; INDEMNIFICATION

Section 8.01. Obligations Absolute. The obligations of the City to pay all Required Payments under this Agreement and the other Related Documents shall be absolute, unconditional and irrevocable, notwithstanding any other provision of this Agreement or any other Related Document, and shall not be subject to any right of setoff, recoupment or counterclaim against the Bank or any Participant and shall be paid and performed strictly in accordance with the terms of this Agreement under all circumstances whatsoever. Until the principal of and interest on the Notes and all Required Payments including the repayment of all Drawings, have been indefeasibly paid in full and all other obligations of the City hereunder and under the Related Documents have been performed and discharged, the City waives and covenants not to assert any right of setoff or recoupment against its obligation to make all payments of principal, interest and all other Required Payments due hereunder and under the other Related Documents in the amounts and at the times required hereby and thereby, and without abatement, diminution, deduction, counterclaim or defense for any reason, including, without limitation, in the following circumstances:

- (a) any lack of validity or enforceability of the Letter of Credit or any of the Related Documents;
- (b) any amendment or waiver of any provision, term or condition of any of the Related Documents;
- (c) the existence of any dispute with, or any claim, right of setoff or recoupment, defense or other rights which the City may have at any time against, the Issuing and Paying Agent, any beneficiary or any transferee of the Letter of Credit (or any Persons for whom the Issuing and Paying Agent, any such beneficiary or any such transferee may be acting), the Bank (other than the defense of payment to the Bank in accordance with the terms of this Agreement), any Participant or any other Person, whether in connection with this Agreement, the Related Documents or any transaction contemplated thereby or any unrelated transaction;
- (d) any statement or any other document presented under the Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever;
- (e) payment by the Bank under the Letter of Credit against presentation of a sight draft or certificate which does not comply with the terms of the Letter of Credit; and

(f) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of setoff or recoupment against, the City's obligations hereunder or under any of the other Related Documents.

None of the obligations of the City hereunder or under the Bank Note constitute a debt of the City or of the State of Texas or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction, and none of the obligations of the City hereunder or under the Bank Note shall be payable from funds raised or to be raised from taxation.

Section 8.02. Continuing Obligation. All covenants, agreements, representations and warranties made by the City in this Agreement and in the certificates or other instruments delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the Bank and shall survive the execution and delivery of this Agreement, the issuance of the Letter of Credit and any Drawings under the Letter of Credit, regardless of any investigation made by the Bank or on its behalf and notwithstanding that the Bank may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the Notes or any Required Payments remain outstanding and unpaid. The obligations of the City under this Agreement shall survive the expiration or termination of the Letter of Credit and continue until the date upon which all amounts due and owing to the Bank hereunder and under the Bank Note shall have been indefeasibly paid in full; provided, however, that the obligations of the City pursuant to Article II and Article VIII and Sections 10.14 and 10.15 hereof shall survive any expiration or termination of this Agreement.

Section 8.03. Liability of the Bank. To the extent permitted by the laws of the State, the City assumes all risks of the acts or omissions of the Issuing and Paying Agent and any transferee of the Letter of Credit with respect to its use of the Letter of Credit. Except as provided in this Section, neither the Bank nor any of its respective officers or directors nor any of the Indemnitees referred to in Section 8.04 hereof shall be liable or responsible for:

- (a) the use which may be made of the Letter of Credit or for any acts or omissions of the Issuing and Paying Agent and any transferee in connection therewith;
- (b) the validity, sufficiency or genuineness of documents, or of any endorsement(s) thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged;
- (c) any payment by the Bank against presentation of documents which do not comply with the terms of the Letter of Credit, including failure of any documents to bear any reference or adequate reference to the Letter of Credit;
- (d) the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign the Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason;
- (e) the failure of the Issuing and Paying Agent to comply fully with conditions required in order to draw upon the Letter of Credit;
- (f) any loss or delay in the transmission or delivery of any document or draft required in order to make a Drawing under the Letter of Credit;

(g) any payment of a Drawing under the Letter of Credit by inter-bank tested telex notwithstanding that the manually executed draft(s) to be delivered to the Bank following such Drawing do not comply on their face with the terms of the Letter of Credit or failure is made to deliver such manually executed draft(s), in whole or in part, to the Bank; or

(h) any other circumstances whatsoever in making or failing to make payment under the Letter of Credit;

except only that the City shall have a claim against the Bank, and the Bank shall be liable to the City, to the extent and only to the extent of any direct, as opposed to consequential, damages suffered by the City determined in a final, non-appealable judgment by a court of competent jurisdiction to have resulted directly from: (A) the willful misconduct or negligence of the Bank, as applicable, in connection with clauses (b), (c), (d), (f), (g) and (h) above; or (B) the willful or negligent failure of the Bank to pay under the Letter of Credit after the presentation to it by the Issuing and Paying Agent (or a successor issuing and paying agent under the Issuing and Paying Agency Agreement to whom the Letter of Credit has been transferred in accordance with its terms) of a drawing strictly complying with the terms and conditions of the Letter of Credit. In furtherance and not in limitation of the foregoing, the Bank may accept documents that appear on their face to be in order, without responsibility for further investigation. The Bank shall not be liable in any way for any failure on its part to honor any draft under the Letter of Credit as a result of any act or omission of any Governmental Authority or any other cause beyond the control of the Bank.

Section 8.04. Indemnification. To the extent permitted by the laws of the State, and except as otherwise provided in this Section, the City hereby indemnifies and holds harmless the Bank, each Participant and each of their respective officers, directors, shareholders, employees, attorneys, agents and servants (the “Indemnitees”) from and against any and all claims, damages, losses, liabilities, reasonable costs or out-of-pocket expenses whatsoever, including reasonable attorney’s fees and court costs of whatever kind and nature, ordinary, extraordinary, foreseen and unforeseen, which the Indemnitees may incur (or which may be claimed against the Indemnitees by any Person or entity whatsoever) by reason of or in connection with:

(a) the execution and delivery or transfer of, or payment or failure to pay under, the Letter of Credit;

(b) the offering, issuance, sale or delivery of the Notes;

(c) any inaccuracy of any representation or any breach of any warranty of the City set forth in this Agreement or the Related Documents;

(d) any failure by the City for any reason whatsoever to perform punctually and discharge all of its agreements, covenants, duties and obligations under this Agreement and the Related Documents;

(e) the payment of a drawing under the Letter of Credit notwithstanding the noncompliance, non-delivery or other improper presentation, of the manually executed draft(s) and certificate(s); or

(f) any circumstance, happening, event or condition resulting in or from an Event of Default;

provided, however, that the City shall not be required to indemnify the Indemnitees for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by the willful misconduct or negligence of the Indemnitees.

If any action, suit or proceeding is brought against the Indemnitees, the City, to the extent permitted by the laws of the State of Texas, and in the manner directed by the Bank, will resist and defend such action, suit or proceeding, or cause the same to be resisted and defended by counsel designated by the City, which counsel shall be reasonably satisfactory to the Person or Persons indemnified or intended to be indemnified. The obligations of the City under this Section shall survive the execution and delivery of this Agreement, the Letter of Credit and the Related Documents and the termination or expiration of this Agreement, the Letter of Credit and the Related Documents and shall be binding on the City and inure to the benefit of the Bank. Nothing in this Section is intended to limit any obligations of the City contained in this Agreement.

Section 8.05. Facsimile Documents. At the request of the City, the Letter of Credit provides that Drawings thereunder may be presented to the Bank by, among other methods, facsimile. The City acknowledges and assumes all risks relating to the use of such facsimile demands for payment and agrees that its obligations under this Agreement and the Related Documents shall remain absolute, unconditional and irrevocable as provided in Section 8.01 above if the Bank honors such facsimile demands for payment.

ARTICLE IX

TRANSFER, REDUCTION OR REINSTATEMENT OF LETTER OF CREDIT

Section 9.01. Transfer, Reduction and Reinstatement. The Letter of Credit may be transferred, reduced and reinstated in accordance with the provisions set forth therein.

ARTICLE X

MISCELLANEOUS

Section 10.01. Right of Setoff. Upon the occurrence of an Event of Default, the Bank and its Affiliates may, at any time and from time to time, without notice to the City or any other Person (any such notice being expressly waived), set off and appropriate and apply, against and on account of, any obligations and liabilities of the City to the Bank or its Affiliates, whether or not arising under or connected with this Agreement or the Related Documents and without regard to whether or not the Bank shall have made any demand therefor and although such obligations and liabilities may be contingent or unmatured and regardless of currency, place of payment or booking office thereof, any and all deposits (general or special, including but not limited to Debt evidenced by certificates of deposit, but not including trust accounts) and any other Debt or other payment obligation at any time held or owing by the Bank or its Affiliates to or for the credit or the account of the City, whether or not arising under or connected with this Agreement or the Related Documents, whether or not matured, whether or not contingent and regardless of the currency, place of payment or booking office thereof. The rights of the Bank under this Section are in addition to other rights and remedies (including other rights of setoff) which the Bank may have at law or in equity.

Section 10.02. Amendments and Waivers; Remedies Cumulative. No amendment or waiver of any provision of this Agreement nor any consent to any departure by the City from any such provision shall in any event be effective unless the same shall be in writing and signed by the Bank. Any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which

given. In the event any covenant or agreement contained in this Agreement should be breached by the City and thereafter waived by the Bank, such waiver shall be limited to the particular breach so waived for the specific period set out in such waiver and such waiver shall not constitute a waiver of such breach for any other period and shall not waive any other or similar breach hereunder. Specifically and not in limitation of the foregoing, this Agreement may not be amended or modified by course of dealing, oral acknowledgement or agreement or by any writing, unless it is a writing which is expressly stated to constitute an amendment of this Agreement and is signed by an authorized officer of the Bank and an Authorized City Representative. The rights and remedies of the Bank hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have.

Section 10.03. Counterparts. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract.

Section 10.04. Notices. All notices, requests, demands, directions and other communications (collectively “notices”) under the provisions of this Agreement shall be in writing (including facsimile communication), unless otherwise expressly permitted hereunder, and shall be properly addressed and sent by registered or certified mail or by express courier for next Business Day delivery and shall be deemed received as follows: (a) if by registered or certified mail, five (5) days after mailing; (b) if by express courier for next Business Day delivery, on the next Business Day; and (c) if by facsimile, when confirmation of transmission is obtained if prior to 5:00 p.m. local time on a Business Day, and otherwise, on the next Business Day; provided that service of a notice prescribed by any applicable statute shall be considered complete when the requirements of that statute are met. Notices by electronic mail (e-mail) shall not constitute notice under this Agreement and are only to be used in addition to notice given as prescribed under (a), (b) or (c) of this Section 10.04. All notices shall be sent to the applicable party at the following address or in accordance with the last unrevoked written direction from such party to the other parties hereto:

if to the City, addressed to the City at:

City of Austin, Texas
P.O. Box 2106
Austin, Texas 78768
Attention: City Treasurer
Telephone: 512-974-7882
E-Mail: debt@austintexas.gov

or if to the Bank, addressed to if at:

For Administrative Matters:

Citibank, N.A., Delaware
1615 Brett Rd., OPS 3
New Castle, DE 19720
Attention: Adriene Jackson
Telephone: (302) 323-5888
Facsimile: (212) 994-0849
E-Mail: adriene.jackson@citi.com

With a copy to:

Citibank, N.A., Tampa
3800 Citibank Center Building
Tampa, FL 33610
Attention: Karen E. Kunze GTS Letter of Credit Operations
Telephone: (813) 604-7038
Facsimile: (813) 604-7187
E-Mail: Karen.e.kunze@citigroup.com

For Credit Matters:

Citibank, N.A.
390 Greenwich Street, 8th Floor
New York, NY 10013
Attention: Municipal Credit Surveillance
E-Mail: munisurveillance@citi.com

With a copy to:

Citigroup Global Markets, Inc.
390 Greenwich Street, 2nd Floor
New York, NY 10013
Attention: Rebekah McGuire
E-Mail: rebekah.mcguire@citi.com

or if to the Issuing and Paying Agent, addressed to it at:

[U.S. Bank National Association
100 Wall Street, 16th Floor
New York, NY 10005
Attention: Corporate Trust Services
Reference: Austin, Texas Commercial Paper Notes
Telephone: (212) 361-2892
Facsimile: (212) 361-5217
E-Mail: millie.rolla@usbank.com]

or if to the Dealer, addressed to it at:

Goldman, Sachs & Co.
[_____]]
[_____]]
Attention: [_____]]
Telephone: [_____]]
Facsimile: [_____]]

Section 10.05. Severability. Any provision of this Agreement which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or nonauthorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

Section 10.06. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS; PROVIDED, THAT THE OBLIGATIONS OF THE BANK SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

Section 10.07. [Reserved.]

Section 10.08. Headings. Section headings in this Agreement are included herein for convenience of reference only and shall not have any effect for purposes of interpretation or construction of the terms of this Agreement.

Section 10.09. Participations. The City acknowledges and agrees that the Bank may participate all or any portion of its obligations under the Letter of Credit and the obligations of the City under the Bank Note and under this Agreement and any other Related Documents (collectively, the “Participated Obligations”) to other financial institutions and waives any notice of such participations. The Bank agrees to provide the City notice of any such participation or prospective participation. The City agrees to provide to the Bank, promptly upon request, a copy of the most recent financial information concerning the City in connection with any such participation or prospective participation. The Bank may disclose to any Participants or prospective Participants any information or other data or material in the Bank’s possession relating to this Agreement, the Offering Circular or any other Related Document, without the consent of or notice to the City. The City further acknowledges and agrees that upon any such participation the Participants will become owners of a pro rata portion of the Participated Obligations and the City waives any right of setoff it may at any time have against the Bank or any Participant with regard to the Participated Obligations. The grant of any participation interest in the Participated Obligations shall not impair the Bank’s obligation to honor Drawings made in accordance with the express terms of the Letter of Credit.

Section 10.10. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the City, the Bank and their respective successors, endorsees and assigns, except that the City shall not assign, transfer or delegate all or any portion of its rights or obligations hereunder without the prior written consent of the Bank in its sole discretion. The Bank may grant interests in its rights hereunder as provided in Section 10.09; provided, however, that no such grant shall affect the obligations of the Bank under the Letter of Credit. Notwithstanding any other provision of this Agreement, the Bank may at any time pledge or grant a security interest in all or any portion of its rights (including, without limitation, rights to payment under this Agreement) to secure obligations of the Bank, including any pledge or assignment to secure obligations to a Federal Reserve Bank, without notice to or consent of the City; provided that no such pledge or grant of a security interest shall release the Bank from any of its obligations hereunder, as the case may be, or substitute any such pledgee or grantee for the Bank as a party hereto, as the case may be.

Section 10.11. Complete and Controlling Agreement. This Agreement and the other Related Documents completely set forth the agreements between the Bank and the City and supersede all prior and contemporaneous understandings, agreements and contracts, both written and oral, between the Bank and the City relating to the issuance of the Letter of Credit and all matters set forth herein and in the Related Documents.

Section 10.12. Waiver of Rule of Construction. The City hereby waives any and all provisions of law to the effect that an ambiguity in a contract or agreement should be interpreted against the party responsible for its drafting.

Section 10.13. WAIVER OF JURY TRIAL. TO THE FULLEST EXTENT PERMITTED BY LAW, THE CITY AND THE BANK EACH HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION (WHETHER AS CLAIM, COUNTER CLAIM, AFFIRMATIVE DEFENSE OR OTHERWISE) BASED HEREON, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH, THIS AGREEMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN) OR ACTIONS OF THE CITY OR THE BANK.

Section 10.14. Payments Set Aside. To the extent that any payment by or on behalf of the City is made to the Bank, or the Bank exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Bank in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred.

Section 10.15. Usury. If notwithstanding the application of Section 2.03 of this Agreement, Applicable Law shall be interpreted by a court of competent jurisdiction to render usurious any amount or amounts payable to the Bank under this Agreement or under the Notes, or contracted for, charged or received by the Bank with respect to the obligations of the City hereunder or under the Notes, or if any acceleration or optional or extraordinary prepayment results in the City having paid any interest in excess of that permitted by Applicable Law, then it is the Bank's express intent that all excess amounts theretofore collected by the Bank shall be credited against the principal balance of the City's obligations to the Bank and the provisions of this Agreement and the other Related Documents shall immediately be deemed reformed and the amounts thereafter collectible hereunder and thereunder modified, without the necessity of the execution of any new documents, so as to comply with the Applicable Law, but so as to permit the recovery of the fullest amount otherwise called for hereunder or thereunder. All sums paid or agreed to be paid to the Bank, which may be characterized as interest under Applicable Law shall, to the extent permitted thereby, be amortized, prorated, allocated, and spread throughout the full stated term of the Notes or other obligations of the City until payment in full so that the rate or amount of interest on account of such obligations does not exceed the Maximum Lawful Rate from time to time in effect and applicable to such obligations for so long as the obligations are outstanding.

Section 10.16. Voluntary Termination; Extension.

(a) **Voluntary Termination.** Subject to the provisions of Article II with respect to the payment of a Termination Fee, the City shall have the right to effect a Voluntary Termination of the Letter of Credit at any time upon not less than ten (10) Business Days' prior written notice to the Bank. The City may not exercise its right to effect a Voluntary Termination unless it can be demonstrated to the reasonable satisfaction of the Bank that immediately upon such Voluntary Termination there shall be sufficient funds on deposit in the Taxable Note Payment Fund or Taxable Note Credit Facilities Account for the purpose of paying to the Bank all amounts owing pursuant to this Agreement (and the Bank Note).

(b) **Extension.** At any time not earlier than three hundred sixty (360) days, and not later than one hundred eighty (180) days, prior to the Stated Expiration Date, the City may by written notice to the Bank request that the Stated Expiration Date of the Letter of Credit and of this Agreement be extended on terms and conditions to be mutually agreed to by the City and the Bank. The Bank may, in its sole and absolute discretion, decide to accept or reject any such proposed extension and no extension shall become effective unless the Bank shall have consented

thereto, in its sole discretion, in writing within sixty (60) days of the Bank's receipt of such written notice. The Bank's consent shall be conditioned upon the preparation, execution and delivery of documentation in form and substance satisfactory to the Bank and its counsel. The Bank's failure to so respond to a requested extension of the Stated Expiration Date shall constitute the Bank's denial of such request. If the Stated Expiration Date is extended, the City shall, except as otherwise agreed to in writing by the Bank, be deemed to have made the representations and warranties contained herein on and as of the date on which the Stated Expiration Date is so extended.

Section 10.17. Electronic Signature; Electronically Signed Document. For purposes hereof, "electronic signature" means a manually signed original signature that is then transmitted by electronic means; "transmitted by electronic means" means sent in the form of a facsimile or sent via the Internet as a pdf (portable document format) or other replicating image attached to an e mail message; and "electronically signed document" means a document transmitted by electronic means and containing, or to which there is affixed, an electronic signature. The parties agree that the electronic signature of a party to this Agreement (or any amendment or supplement of this Agreement) shall be as valid as an original signature of such party and shall be effective to bind such party to this Agreement. The parties agree that any electronically signed document (including this Agreement) shall be deemed (a) to be "written" or "in writing," (b) to have been signed, and (c) to constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. Such paper copies or "printouts", if introduced as evidence in any judicial, arbitral, mediation or administrative proceeding, will be admissible as between the parties to the same extent and under the same conditions as other original business records created and maintained in documentary form. Neither party shall contest the admissibility of true and accurate copies of electronically signed documents on the basis of the best evidence rule or as not satisfying the business records exception to the hearsay rule.

Section 10.18. No Advisory or Fiduciary Responsibility. In connection with all aspects of the transactions contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Related Document), the City acknowledges and agrees that: (a)(i) any arranging, structuring and other services regarding this Agreement provided by the Bank and any of its Affiliates are arm's length commercial transactions between the City and its Affiliates, on the one hand, and the Bank and its Affiliates, on the other hand, (ii) the City has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (iii) the City is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Related Documents; (b)(i) the Bank and each of its Affiliates is and has been acting solely as a principal and has not been, is not, and will not be acting as an advisor, agent or fiduciary for the City or any of its Affiliates, or any other Person and (ii) neither the Bank nor any of its Affiliates has any obligation to the City or any of its Affiliates with respect to the Transactions, except those obligations expressly set forth herein; and (c) the Bank and each of its Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the City and its Affiliates, and neither the Bank nor any of its Affiliates has any obligation to disclose any of such interests to the City or its Affiliates. To the fullest extent permitted by Applicable Law, the City hereby waives and releases any claims that it may have against the Bank and each of its Affiliates with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby.

[Remainder of page intentionally left blank]

[Signature Page to Letter of Credit Reimbursement Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Letter of Credit Reimbursement Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first above written.

CITY OF AUSTIN, TEXAS

By _____
Name: Marc A. Ott
Title: City Manager

Approved:

By: _____
Name: _____
Title: [Assistant] City Attorney

[Signatures continued on next page]

[Signature Page to Letter of Credit Reimbursement Agreement]

CITIBANK, N.A.

By _____
Name _____
Title _____

DRAFT

EXHIBIT A
FORM OF LETTER OF CREDIT

DRAFT

EXHIBIT B

FORM OF ISSUING AND PAYING AGENT'S LETTER

[_____], 2014

Citibank, N.A.

Re: Irrevocable Transferable Direct Pay Letter of Credit No. [_____]

Dear Ladies and/or Gentlemen:

We refer to the above referenced Irrevocable Transferable Direct Pay Letter of Credit (the "Letter of Credit") issued pursuant to the Letter of Credit Reimbursement Agreement dated [_____], 2014 (the "Reimbursement Agreement") by and between the City of Austin, Texas (the "City") and Citibank, N.A.

We have read and understand our obligations under the Reimbursement Agreement. We hereby further agree to provide notice to you in the form of Exhibit E to the Letter of Credit when so instructed by the City or when payment for all of the Notes has been made pursuant to the Ordinance. Subject to the terms and conditions of the Ordinance and the Issuing and Paying Agency Agreement regarding performance of the duties set forth therein by the Issuing and Paying Agent, we agree to perform our duties set forth in Article II of the Reimbursement Agreement and the Letter of Credit.

Capitalized terms used herein and not otherwise defined shall have the meanings given to such terms in the Reimbursement Agreement.

Very truly yours,

[Signature on next page]

[Signature Page to Letter of Issuing and Paying Agent of [____], 2014]

[____], as Issuing and Paying Agent

By _____
Name _____
Title _____

DRAFT

EXHIBIT C

FORM OF COMPLIANCE CERTIFICATE

To: Citibank, N.A. (the "Bank")

This Compliance Certificate is furnished pursuant to that certain Letter of Credit Reimbursement Agreement dated [_____], 2014, (as amended, modified, renewed or extended from time to time, the "Agreement") by and between the City of Austin, Texas (the "City") and the Bank. Unless otherwise defined herein, capitalized terms used in this Compliance Certificate have the meanings ascribed thereto in the Agreement.

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am the _____ of the City;
2. This Compliance Certificate is provided with respect to the Fiscal Year ending on [_____] (the "Relevant Period").
3. I have reviewed the terms of the Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of the City during the Relevant Period; and
4. The examinations described in paragraph 3 did not disclose, and I have no knowledge of, the existence of any condition or event which constitutes a Default during or at the end of the Relevant Period or as of the date of this Compliance Note, except as set forth below.

Described below are the exceptions, if any, to paragraph 4 by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which the City has taken, is taking, or proposes to take with respect to each such condition or event:

5. In accordance with Section ___ of the Agreement, I certify on behalf of the City the following as of _____, 20_ for the Relevant Period:

(a) Pursuant to Section 5.01(1), the rates and charges for the Systems set forth in the approved City budget are sufficient to allow the City to comply with the provisions of Section 5.01(1) at all times during such Fiscal Year.

(b) Annex __ attached hereto sets forth financial data and computations evidencing the City's calculation of its compliance for the preceding Fiscal Year with respect to the covenant set forth in Section 5.01(1) of this Agreement, all of which data and computations are true, complete and correct.

6. I have reviewed the City's insurance coverages and certify that the City is in compliance with the insurance coverage requirements of [_____].

7. [OTHER REPORTING ITEMS, AS APPLICABLE].

The foregoing certifications, together with any financial data and computations provided herewith, are made and delivered this _____ day of _____, ____.

CITY OF AUSTIN, TEXAS

By _____
Name _____
Title _____

DRAFT

EXHIBIT D

FORM OF BANK NOTE

CUSIP NUMBER: [_____]

\$50,000,000
City of Austin, Texas,
Combined Utility Systems Taxable
Commercial Paper Notes,

September [__], 2014

Citibank, N.A.
New York, New York

For value received, CITY OF AUSTIN, TEXAS (the "City"), promises to pay to the order of CITIBANK, N.A. (the "Bank"), the lesser of (a) \$53,698,631 and (b) the unpaid aggregate principal and interest amounts due and owing to the Bank under that Letter of Credit Reimbursement Agreement dated as of September [__], 2014 (the "Reimbursement Agreement") by and between the City and the Bank. The City promises to pay the principal amount of this Bank Note on the dates specified in the Reimbursement Agreement and to pay interest on the unpaid principal amount of this Bank Note on the dates and at the rate or rates provided for in the Reimbursement Agreement. All such payments of principal and interest shall be made in lawful money of the United States in immediately available funds to the Bank as provided in the Reimbursement Agreement.

All Principal Drawings and Term Amortizations made by the Bank, the maturities thereof and all repayments of the principal thereof shall be recorded by the Bank and, prior to any transfer hereof, appropriate notations to evidence the foregoing information with respect to each such Principal Drawing and Term Amortization then outstanding shall be endorsed by the Bank on the schedule attached hereto, or on a continuation of such schedule attached to and made a part hereof; provided, however, that the failure of the Bank to make any such recordation or endorsement shall not affect the obligations of the City hereunder or under the Reimbursement Agreement.

This Note is secured by and entitled to all the benefits of the Reimbursement Agreement and the other Related Documents. Reference is made to the provisions of Article II of the Reimbursement Agreement as well as Sections 8.01, 8.02, 10.14, 10.15 and the other provisions thereof relating to the payment of Bank Debt Service and such provisions are incorporated by reference herein. Whenever an event of default under the Reimbursement Agreement shall have occurred and, as a result thereof, the principal owing thereunder and interest accrued thereon, shall have been declared to be immediately due and payable, the unpaid principal amount of and accrued interest on this Note and all other amounts payable hereunder shall also be due and payable on the date of such acceleration, provided that the annulment of a declaration of acceleration shall also constitute an annulment of any corresponding declaration of acceleration with respect to this Note.

This Note shall be subject to mandatory and optional prepayment in accordance with the provisions of the Reimbursement Agreement.

Each payment of principal of and any premium and interest on this Note shall at all times be sufficient to pay when due the total amount of principal (whether at maturity or upon acceleration) or prepayment price of, and interest payable under this Note (whether at mandatory or optional prepayment, maturity or upon acceleration) and such other amounts required by the Reimbursement Agreement.

All payments hereunder shall be payable in lawful money of the United States of America in immediately available funds. The obligation of the City to make payments hereunder shall be absolute and unconditional and the City shall make such payments without abatement, diminution or deduction regardless of any cause or circumstances whatsoever including, without limitation, any defense, set-off, recoupment or counterclaim which the City may have or assert against the Bank, the Issuing and Paying Agent, the Dealer or any other person.

The City hereby promises to pay all costs of collection and fees in the event of a default of this Note including, without limitation, reasonable arbitration, paralegals', attorneys' and experts' fees and expenses, whether incurred without the commencement of a suit, in any trial, arbitration, or administrative proceeding, or in any appellate or bankruptcy proceeding.

The City hereby waives presentment, notice of prepayment or acceleration, notice of dishonor and protest and all other notices, except for such notices (if any) of Default required to be given under the Related Documents, protest, diligence in collecting or bringing suit against the City or any other party liable hereon and waives all rights to the benefit of any moratorium, reinstatement, marshaling, forbearance, valuation, stay, extension, redemption, appraisalment, and exemption now provided, or which may hereafter be provided by the Constitution and laws of the United States of America and of any state thereof, both as to itself and in and to all of its property, real and personal, against the enforcement and collection of the obligations evidenced by this Note. The City further agrees to any and all extensions, renewals, modifications, partial payments, substitutions of evidence of indebtedness, and the taking or release or impairment of any collateral with or without notice before or after demand by the Bank for payment hereunder.

The failure of the holder hereof to exercise any of its rights hereunder in any particular instance shall not constitute a waiver of the same or any other right in that or any subsequent instance. Time is of the essence for this Note and all of the City's obligations hereunder.

This Note shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, legal representatives, successors and assigns. The Bank's interests in and rights under this Note are freely assignable, in whole or in part, by the Bank. In addition, nothing in this Note or any of the other Related Documents shall prohibit the Bank from pledging or assigning this Note or any interest herein to any Federal Reserve Bank. The City shall not assign its rights and interest hereunder without the prior written consent of the Bank in its sole discretion, and any attempt by the City to assign without the Bank's prior written consent is null and void. Any assignment shall not release the City from its obligations hereunder and under the other Related Documents.

Capitalized terms used in this Bank Note and not defined herein shall have the meaning assigned in the Reimbursement Agreement and the Ordinance.

[remainder of page intentionally left blank; signature and authentication on following pages]

IN WITNESS WHEREOF, the City has issued this Bank Note and caused the same to be signed by its Mayor and attested by the City Clerk.

Attested:

CITY OF AUSTIN, TEXAS

By _____
Name _____
Title _____

By _____
Name _____
Title _____

DRAFT