

CREDIT SUPPORT ANNEX

dated as of August [], 2008

between

**Deutsche Bank AG,
New York Branch**

and

City of Austin, Texas

(“Party A”)

(“Party B”)

to the Schedule to the
ISDA Master Agreement
(Local Currency – Single Jurisdiction)
deemed entered into and binding pursuant to that certain
Replacement Transaction Agreement by and between
Deutsche Bank AG, New York Branch
City of Austin, Texas and
Morgan Keegan Financial Products, Inc.
dated as of August [], 2006

[ISDA PRE-PRINTED FORM TO BE INSERTED]

Paragraph 13. Elections and Variables

- (a) ***Security Interest for “Obligations”***. The term “Obligations” as used in this Annex includes no additional obligations with respect to Party A and Party B.
- (b) ***Credit Support Obligations***.
 - (i) Delivery Amount, Return Amount and Credit Support Amount.
 - (A) ***“Delivery Amount”*** will have the meaning specified in Paragraph 3(a).
 - (B) ***“Return Amount”*** will have the meaning specified in Paragraph 3(b).
 - (C) ***“Credit Support Amount”*** will have the meaning specified in Paragraph 3.
 - (ii) Eligible Collateral. The following items will qualify as “Eligible Collateral”:

Collateral Type

Valuation Percentage

- | | | |
|-----|--|------|
| (A) | Cash, in the form of U.S. Dollars | 100% |
| (B) | negotiable debt obligations issued by the U.S. Treasury Department having remaining maturities of not more than one year (“Treasury Bills”) | 99% |
| (C) | negotiable debt obligations issued by the U.S. Treasury Department having remaining maturities of more than one year but not more than ten years (“Treasury Notes”) | 98% |
| (D) | negotiable debt obligations issued by the U.S. Treasury Department having remaining maturities of more than ten years (“Treasury Bonds”) | 96% |
| (E) | negotiable debt obligations issued by the Federal National Mortgage Association, the Government National Mortgage Corporation the Federal Home Loan Mortgage Corporation, provided, however, that such securities may not be (a) multi-class or multi-branch securities or (b) paying interest or principal only (“Agency Securities”) | 96% |
- (iii) Other Eligible Support. There shall be no “Other Eligible Support” for purposes of this Annex.
- (iv) Thresholds.
- (A) **“Independent Amount”** shall mean (i) with respect to Party A, none and (ii) with respect to Party B, none.
- (B) **“Threshold”** means, (i) with respect to Party B, not applicable, and (ii) with respect to the Party A, the amounts determined on the basis of the lowest of the ratings assigned to the long-term, unsecured, unenhanced and unsubordinated indebtedness (the “Credit Ratings”) of the Pledgor set forth in the following table, *provided, however*, that if (i) the Pledgor has no Credit Rating from any two rating agencies, or (ii) an Event of Default has occurred and is continuing with respect to the Pledgor, then the Threshold shall be U.S.\$0.

CREDIT RATING (S&P / Moody’s)		THRESHOLD (Pledgor)
A-/A3 or above		Infinite
BBB+/Baa1		\$10,000,000
BBB/Baa2		\$5,000,000
BBB-/Baa3 or below or not rated		Zero

- (C) “**Minimum Transfer Amount**” means means, with respect to Party A, the amounts set out in the chart below determined on the basis of the lower of the ratings assigned by either S&P (or its successors or assigns) or Moody’s (or its successors or assigns) to the long term, unsecured and unsubordinated debt of Party A and, means with respect to Party B, the amounts set out in the chart below determined on the basis of the lower of the ratings assigned by either S&P (or its successors or assigns) or Moody’s (or its successors or assigns) to the Bonds; provided, however, that if an Event of Default has occurred and is continuing with respect to a party, the Minimum Transfer Amount for such party shall be \$0:

<u>S&P</u>	<u>Moody’s</u>	<u>Minimum Transfer Amount</u>
BBB+and above	Baa1 and above	\$1,000,000
BBB or below	Baa2 or below	\$100,000

- (D) **Rounding.** With respect to Transfers to be made by the Pledgor, the Delivery Amount will be rounded up to the nearest integral multiple of U.S.\$10,000. With respect to Transfers to be made by the Secured Party, the Return Amount will be rounded down to the nearest integral multiple of U.S.\$10,000.

(c) ***Valuation and Timing.***

- (i) “**Valuation Agent**” means, for purposes of Paragraphs 3 and 5, the party making the demand under Paragraph 3; for purposes of Paragraph 6(d), the Secured Party receiving or deemed to receive the Distributions or the Interest Amount, as applicable; and for purposes of Paragraph 4(d), the Secured Party for purposes of calculating the Value in connection with substitutions.
- (ii) “**Valuation Date**” means any Local Business Day designated by the parties.
- (iii) “**Valuation Time**” means the close of business on the Local Business Day preceding the Valuation Date or date of calculation, as applicable.
- (iv) “**Notification Time**” means by 1:00 p.m., New York time, on a Local Business Day.
- (d) ***Conditions Precedent.*** With respect to Party A, an Illegality and any Additional Termination Event (if Party A is the Affected Party with respect to such Additional Termination Event) will be a “Specified Condition.” With respect to Party B, an Illegality and any Additional Termination Event (if Party B is the Affected Party with respect to such Additional Termination Event) will be a “Specified Condition.”

(e) ***Substitution.***(i) “***Substitution Date***” has the meaning specified in Paragraph 4(d)(ii).(ii) Consent. Inapplicable.(f) ***Dispute Resolution.***(i) “***Resolution Time***” means 1:00 p.m., New York time, on the Local Business Day following the date on which notice is given that gives rise to a dispute under Paragraph 5.(ii) Value. For the purpose of Paragraphs 5(i)(C) and 5(ii), the Value of Posted Credit Support other than Cash will be calculated as follows: With respect to any Eligible Collateral except Cash, the sum of (I) (x) the mean of the high bid and low asked prices quoted on such date by any principal market maker for such Eligible Collateral chosen by the Disputing Party, or (y) if no quotations are available from a principal market maker for such date, the mean of such high bid and low asked prices as of the first day prior to such date on which such quotations were available, and (II) the accrued interest on such Eligible Collateral (except to the extent Transferred to a party pursuant to any applicable provision of this Annex or included in the applicable price referred to in (I)) as of such date, multiplied by the applicable Valuation Percentage.

(iii) The provisions of Paragraph 5 will apply.

(g) ***Holding and Using Posted Collateral.***(i) Eligibility to Hold Posted Collateral; Custodians. The Secured Party will be entitled to hold Posted Collateral (i) itself pursuant to Paragraph 6(b), *provided* that it is not a Defaulting Party or (ii) through a Custodian pursuant to Paragraph 6(b), *provided* that the Custodian is a Bank (as defined in the Federal Deposit Insurance Act) whose rating with respect to its long term unsecured, unsubordinated indebtedness is at least “A” by S&P or “A2” by Moody’s.(ii) Use of Posted Collateral. The provisions of Paragraph 6(c) will apply.(h) ***Distributions and Interest Amount.***(i) Interest Rate. The Interest Rate for any day means the Federal Funds Overnight Rate. For the purposes hereof, “Federal Funds Overnight Rate” means, for any day, an interest rate per annum equal to the rate published as the Federal Funds Effective Rate that appears on Telerate Page 118 for such day.(ii) Transfer of Interest Amount. The Transfer of the Interest Amount will be made on the last Local Business Day of each calendar month and on any Local Business Day that

Posted Collateral in the form of Cash is Transferred to the Pledgor pursuant to Paragraph 3(b).

(iii) Alternative to Interest Amounts. The provisions of Paragraph 6(d)(ii) will apply.

(i) ***Additional Representations.*** None.

(j) ***Other Eligible Support and Other Posted Support.***

(i) “***Value***” shall have no meaning with respect to Other Eligible Support and Other Posted Support.

(ii) “***Transfer***” shall have no meaning with respect to Other Eligible Support and Other Posted Support.

(k) ***Demands and Notices.***

All demands, specifications and notices made by a party to this Annex will be made pursuant to Section 12 of this Annex, unless otherwise specified here:

With respect to Party A:

Deutsche Bank AG, New York Branch
60 Wall Street
New York, NY 10005
Attention: Collateral Management and Valuations
Facsimile: (212) 797-5922

With respect to Party B:

City of Austin, Texas
P.O. Box 2106
Austin, Texas, 78768
Attention: City Treasurer
Facsimile: (512) 370-3838

(l) ***Party B Not Obligated To Transfer Eligible Credit Support.*** Party A and Party B agree that, notwithstanding anything to the contrary in this Annex, including, without limitations, the recitals, Paragraph 1(b) or Paragraph 2, the definitions in Paragraph 12, or Table I hereof: (a) the term "Secured Party" as used in this Annex means only Party B, (b) the term "Pledgor" as used in this Annex means only Party A, (c) only Party A makes the pledge and grant in Paragraph 2, the acknowledgment in the final sentence of Paragraph 8(a) and the representations in Paragraph 9, and (d) only Party A will be required to make transfers of Eligible Credit Support under this Annex.

(m) ***Additional Definitions.***

“Agreement” means an ISDA Master Agreement (1992 Local Currency – Single Jurisdiction), between Party A and Party B (together with the Schedule thereto and this Annex) that Party A and Party B have agreed to be bound by and have been deemed to have entered into, having terms identical to those of the Initial Agreement (other than this Annex), but for certain modifications set forth in the Replacement Transaction Agreement.

“Initial Agreement” means the ISDA Master Agreement (1992 Local Currency – Single Jurisdiction), dated as of August [], 2008, between Party B and Morgan Keegan Financial Products, Inc., together with the Schedule thereto.

“Initial Transaction” means each Transaction entered into pursuant to the Initial Agreement.

“Replacement Transaction Agreement” means the Replacement Transaction Agreement, dated as of August [], 2008, by and between Morgan Keegan Financial Products, Inc., Party A and Party B.

“Replacement Transactions” means Transactions (other than the option granted by Party A to Party B) entered into pursuant to the Agreement, identical in their terms to all Initial Transactions except as otherwise specified in Paragraph 2(a) of the Replacement Transaction Agreement.

- (n) ***Exposure.*** The definition of “Exposure” in Paragraph 12 of this Annex is amended to add the following sentence at the end of such definition:

“Notwithstanding the foregoing, unless and until either (i) the option granted by Party A to Party B under the Agreement, pursuant to Paragraph 2(a) of the Replacement Transaction Agreement, is exercised or (ii) the Initial Agreement and all Initial Transactions thereunder are assigned by Morgan Keegan Financial Products, Inc. to Party A pursuant to Part 4(m)(i) of the Schedule to the Initial Agreement, Exposure means for any Valuation Date or other date for which Exposure is calculated and subject to Paragraph 5 in the case of a dispute, the amount, if any, that would be payable to a party that is the Secured Party by the other party (expressed as a positive number) or by a party that is the Secured Party to the other party (expressed as a negative number) pursuant to Section 6(e)(ii)(2)(A) of the Agreement as if (a) the option granted by Party A to Party B under the Agreement, pursuant to Paragraph 2(a) of the Replacement Transaction Agreement, had been exercised and Replacement Transactions had become effective thereunder, and (b) all such Replacement Transactions under the Agreement were being terminated as of the relevant Valuation Time; *provided* that Market Quotation will be determined by the Valuation Agent using its estimates at mid-market of the amounts that would be paid for Replacement Transactions (as that term is defined in the definition of “Market Quotation”).”

- (o) ***Assignment of the Initial Agreement.*** In the event the Initial Agreement and all Initial Transactions thereunder are assigned by Morgan Keegan Financial Products, Inc. to Party A pursuant to Part 4(m)(i) of the Schedule to the Initial Agreement, Party A and Party B agree that this Annex shall constitute a Credit Support Annex to the Initial Agreement as such Initial Agreement is assigned and modified pursuant to the Replacement Transaction Agreement.

Please confirm your agreement to the terms of the foregoing Paragraph 13 by signing below.

DEUTSCHE BANK AG, NEW YORK BRANCH

By:_____

Name:

Title:

By:_____

Name:

Title:

CITY OF AUSTIN, TEXAS

By:_____

Name:

Title: