

REIMBURSEMENT AGREEMENT

By and Between

CITY OF AUSTIN, TEXAS

and

DEXIA CREDIT LOCAL,  
acting through its New York Branch

Relating to:

\$119,290,000  
City of Austin, Texas  
Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds,  
Series 2008

Dated as of August 1, 2008

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## APPENDIX I — IRREVOCABLE TRANSFERABLE DIRECT-PAY LETTER OF CREDIT

## REIMBURSEMENT AGREEMENT

THIS REIMBURSEMENT AGREEMENT dated as of August 1, 2008 (together with any amendments or supplements hereto, this "*Agreement*"), is made by and between the City of Austin, Texas (the "*City*") and Dexia Credit Local, acting through its New York Branch (the "*Bank*").

### WITNESSETH:

WHEREAS, the City intends to issue \$119,290,000 aggregate principal amount of its Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008 consisting of \$59,645,000, Subseries 2008A and \$59,645,000, Subseries 2008B (collectively, the "*Bonds*"), pursuant to that certain Ordinance No. 20080724-\_\_\_\_ adopted on July 24 2008 ("*Ordinance*"), and the Pricing Certificate related thereto executed \_\_\_\_\_, 2008; and

WHEREAS, the City has requested the Bank to issue a letter of credit for the payment by the Paying Agent/Registrar, when and as due, of the principal of, the purchase price and interest on the Bonds, and to provide a liquidity facility in the form of a Drawing under the Letter of Credit; and

WHEREAS, the Bank is willing to issue such letter of credit and to provide such liquidity facility upon the terms and conditions provided herein;

NOW THEREFORE, in consideration of the premises and the mutual agreements herein contained, the City and the Bank agree as follows:

## ARTICLE I.

### DEFINITIONS

*Section 1.01 Definitions.* As used in this Agreement:

"*Advance*" has the meaning set forth in Section 2.03(a) hereof.

"*Agreement*" means this Reimbursement Agreement, as amended and supplemented.

"*Alternate Liquidity Facility*" has the meaning set forth in Appendix A to the Ordinance.

"*Amortization Commencement Date*" means, with respect to each Bank Certificate, the earlier to occur of (a) 180 days from the related Purchase Date and (b) the Termination Date; *provided, however*, that an Amortization Commencement Date shall occur only if (x) no Default or Event of Default shall have occurred and be continuing on any Amortization Commencement Date and (y) all representations of warranties contained in Article IV hereof are true and correct on any Amortization Commencement Date.

"*Amortization End Date*" means the earliest to occur of (a) the fifth (5th) anniversary of the date the related Advance was made, (b) the Conversion Date and (c) the Substitution Date.

*“Amortization Payment Date”* means (a) the first Business Day of the sixth calendar month immediately succeeding the Amortization Commencement Date and the first Business Day of each sixth calendar month occurring thereafter prior to the Amortization End Date and (b) the Amortization End Date.

*“Available Amount”* has the meaning set forth in the Letter of Credit.

*“Bank”* has the meaning set forth in the introductory paragraph hereof.

*“Bank Bonds”* means the Liquidity Provider Bonds as defined in the Ordinance.

*“Bank Rate”* means the rate of interest per annum with respect to an Advance (a) for any day commencing on the date such Advance is made up to and including the sixtieth (60th) day next succeeding the date such Advance was made equal to the greater of (i) the Base Rate from time to time in effect or (ii) the Maximum Bond Interest Rate; (b) for any day commencing on the sixty-first (61st) day next succeeding the date such Advance is made up to and including the ninetieth (90th) day next succeeding the date such Advance was made equal to the sum of the Base Rate from time to time in effect plus one percent (1.00%); and (c) for any day commencing on the ninety-first (91st) day next succeeding the date such Advance is made and thereafter equal to the sum of the Base Rate from time to time in effect plus two percent (2.00%); *provided, however,* that immediately and automatically upon the occurrence of an Event of Default (and without any notice given with respect thereto) and during the continuance of such Event of Default, *“Bank Rate”* shall mean the Default Rate. Notwithstanding the foregoing, in no instance shall the Bank Rate ever be less than the interest rate borne by the Bonds that are not Bank Bonds.

*“Base Rate”* means, for any day, a rate of interest per annum equal to the greater of (a) the Prime Rate in effect at such time or (b) the Federal Funds Rate in effect at such time plus 1.0%.

*“Bond Counsel”* means Fulbright & Jaworski L.L.P. (or any other nationally recognized bond counsel selected by the City).

*“Bond Purchase Agreement”* has the meaning set forth in the Ordinance.

*“Bonds”* has the meaning set forth in the recitals hereof.

*“Business Day”* has the meaning set forth in the Ordinance.

*“Cap Interest Rate”* has the meaning set forth in the Letter of Credit.

*“City”* has the meaning set forth in the recitals hereof.

*“Closing Date”* means the date on which the Letter of Credit is issued.

*“Code”* means the Internal Revenue Code of 1986, as amended.

*“Conversion Date”* means the date on which the interest rate or all of the Bonds has been converted to bear interest at a rate other than a Covered Mode.

*“Covered Mode”* means the Weekly Mode.

*“Debt”* of any Person means at any date, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (c) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (d) all obligations of such Person as lessee under capital leases, (e) all Debt of others secured by a lien on any asset of such Person, whether or not such Debt is assumed by such Person, and (f) all Guarantees by such Person of Debt of other Persons.

*“Default”* means any condition or event which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

*“Default Rate”* means a fluctuating interest rate per annum equal to the sum of the Base Rate from time to time in effect plus three percent (3.00%).

*“Drawing”* means and includes an Interest Drawing, a Liquidity Drawing, a Redemption Drawing and a Stated Maturity Drawing.

*“Event of Default”* has the meaning set forth in Section 6.01 hereof.

*“Facility Fee”* means the fee payable to the Bank pursuant to Section 2.05(a) hereof.

*“Favorable Opinion of Bond Counsel”* has the meaning set forth in the Ordinance.

*“Federal Funds Rate”* means, as of any date of calculation thereof, a rate of interest per annum equal to the interest rate (rounded upwards, if necessary, to the nearest 1/16 of 1%) offered in the interbank market to the Bank as the overnight Federal Funds Rate at or about 10:00 a.m. (New York time) on such date (or if such date is not a Business Day, the next preceding Business Day).

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

*“GAAP”* means generally accepted accounting principles in the United States as in effect from time to time, applied by the City on a basis consistent with the City’s most recent financial statements furnished to the Bank pursuant to Section 4.12 hereof.

*“Governmental Authority”* means any national, state or local government (whether domestic or foreign), any political subdivision thereof or any other governmental, quasi-governmental, judicial, public or statutory instrumentality, authority, body, agency, bureau or entity (including any zoning authority, the Federal Deposit Insurance Corporation or the Federal Reserve District, any central bank or any comparable authority), or any arbitrator with authority to bind a party at law.

*“Gross Available Amount”* means, as of any date, the Available Amount without taking into account any temporary reductions thereto in effect on such date.

*“Interest Drawing”* means a drawing under the Letter of Credit resulting from a presentation of a certificate by the Paying Agent/Registrar to the Bank in the form of Exhibit C to the Letter of Credit.

*“Letter of Credit”* means the irrevocable transferable direct-pay letter of credit issued by the Bank for the account of the City in favor of the Paying Agent/Registrar supporting the Bonds, in the form of Appendix I hereto with appropriate insertions, as amended.

*“Liquidity Drawing”* means a drawing under the Letter of Credit resulting from the presentation of a certificate by the Paying Agent/Registrar to the Bank in the form of Exhibit E to the Letter of Credit.

*“Ordinance”* has the meaning set forth in the recitals hereof.

*“Material Adverse Effect”* means a material adverse effect on the ability of the City to perform any of its obligations under this Agreement.

*“Maximum Bond Interest Rate”* means higher of (i) 12% or (ii) the highest rate permitted on the Bonds pursuant to the Ordinance.

*“Maximum Lawful Rate”* means the maximum “net effective interest rate” allowed under Texas law, currently codified as Chapter 1204, Texas Government Code, as amended.

*“Maximum Rate”* means, with respect to each Bank Bond and any other Obligation due and payable hereunder, the lesser of (i) the maximum non-usurious interest rate permitted by applicable law, and (ii) 25% per annum.

*“Moody’s”* means Moody’s Investors Service, Inc. and its successors and assigns.

*“Obligations”* means the Reimbursement Obligations (which includes amounts owing to the Bank evidenced by Bank Bonds), the Facility Fees and other obligations of the City to the Bank arising under or in relation to this Agreement.

*“Official Statement”* means the Official Statement dated August 7, 2008, relating to the Bonds.

*“Ordinance”* has the meaning set forth in the recitals hereof.

*“Original Stated Amount”* has the meaning set forth in Section 2.01 hereof.

*“Parity Bonds”* has the meaning set forth in the Ordinance.

*“Parity Obligations”* has the meaning set forth in the Ordinance.

*“Paying Agent/Registrar”* has the meaning set forth in the Ordinance.



*“Payment Account”* means the following account, or such account as may be designated by the Bank in writing to the City and the Paying Agent/Registrar: Citibank, N.A., Account No. 36240356, ABA No. 021000089, in favor of Dexia Credit Local, New York Branch, Reference: F-0743B City of Austin, Texas Hotel Occupancy Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008.

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

*“Pledged Revenues”* has the meaning given such term in the Ordinance.

*“Prime Rate”* means, for any day, the per annum rate of interest for such day announced by the New York Branch of the Bank from time to time as its base rate for commercial lending or prime rate (it being understood that such base rate for commercial lending or prime rate may not be the best or lowest rate offered by the New York Branch of the Bank). Each change in the Prime Rate shall take effect at the time of such change in the base rate for commercial lending or prime rate as the case may be.

*“Program Documents”* means this Agreement, the Letter of Credit, the Remarketing Agreement, the Paying Agent/Registrar Agreement, the Tender Agent Agreement, the Bonds, the Ordinance, the Series 2008 Interest Management Agreement and any documents related thereto.

*“Rating Agencies”* means Moody’s, Fitch and S&P.

*“Redemption Drawing”* means a drawing under the Letter of Credit resulting from the presentation of a certificate by the Paying Agent/Registrar to the Bank in the form of Exhibit D to the Letter of Credit.

*“Reimbursement Obligations”* means any and all obligations of the City to reimburse the Bank for any Drawings under the Letter of Credit and all obligations to repay the Bank for any Advance, including in each instance all interest accrued thereon which obligations are evidenced and secured by the Bank Bonds.

*“Remarketing Agents”* means together, Bank of America Securities LLC and Morgan Keegan & Company, Inc (each a “Remarketing Agent”) and their successors and assigns or any alternate remarketing agent(s) appointed for the Bonds.

*“Remarketing Agreement”* means the Remarketing Agreements each dated as of August 1, 2008, between the City and the respective Remarketing Agent, as amended or supplemented from time to time in accordance with the terms hereof and thereof.

*“Series 2008 Interest Rate Management Agreement”* has the meaning set forth in the Ordinance.

*“S&P”* means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., or any successor thereto.

“*State*” means the State of Texas.

“*Stated Expiration Date*” has the meaning set forth in the Letter of Credit.

“*Stated Maturity Drawing*” means a drawing under the Letter of Credit resulting from the presentation of a certificate by the Paying Agent/Registrar to the Bank in the form of Exhibit F to the Letter of Credit.

“*Substitution Date*” has the meaning set forth in Section 2.03(c) hereof.

“*Tender Agent*” has the meaning set forth in the Ordinance.

“*Termination Date*” has the meaning set forth in the Letter of Credit.

“*Term Rate Mode*” has the meaning set forth in the Ordinance.

“*Underwriters*” has the mean set forth in the Bond Purchase Agreement.

“*Weekly Mode*” has the meaning set forth in the Ordinance.

The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms. Any capitalized terms used herein which are not specifically defined herein shall have the same meanings herein as in the Ordinance, as applicable. All references in this Agreement to times of day shall be references to New York City time unless otherwise expressly provided herein. Unless otherwise inconsistent with the terms of this Agreement, all accounting terms shall be interpreted and all accounting determinations hereunder shall be made in accordance with GAAP.

## **ARTICLE II.**

### **LETTER OF CREDIT**

*Section 2.01 Issuance of Letter of Credit.* Upon the terms, subject to the conditions and relying upon the representations and warranties set forth in this Agreement or incorporated herein by reference, the Bank agrees to issue the Letter of Credit (substantially in the form of Appendix I hereto). The Letter of Credit shall be in the original stated amount of \$\_\_\_\_\_ (the “Original Stated Amount”), which is the sum of (a) the principal amount of Bonds outstanding on the Closing Date, plus (b) interest thereon at the Cap Interest Rate for a period of 35 days.

*Section 2.02 Letter of Credit Drawings.* The Paying Agent/Registrar is authorized to make Drawings under the Letter of Credit in accordance with its terms. The City hereby directs the Bank, to make payments under the Letter of Credit in the manner therein provided. The City hereby irrevocably approves reductions and reinstatements of the Available Amount with respect to the Letter of Credit as provided in the Letter of Credit.

*Section 2.03 Reimbursement of Certain Drawings Under the Letter of Credit; Mandatory Prepayment; Interest.*

(a) If the conditions precedent contained in Section 3.02 hereof are satisfied at the time of payment by the Bank of any Liquidity Drawing, each Liquidity Drawing made under the Letter of Credit shall constitute an advance (“*Advance*”) to the City. The City promises to reimburse the Bank for each Advance on the earliest to occur of (i) the date on which the Letter of Credit is replaced by an Alternate Liquidity Facility pursuant to the terms of the Ordinance (the “*Substitution Date*”); (ii) the date on which any Bonds purchased with funds disbursed under the Letter of Credit in connection with such Liquidity Drawing are redeemed, prepaid or canceled pursuant to the Ordinance; (iii) the date on which any Bonds purchased with funds disbursed under the Letter of Credit are remarketed pursuant to the Ordinance; (iv) the date which is fifteen (15) days following the Conversion Date on which all of the Bonds are converted to a rate other than a Covered Rate; and (v) if the conditions precedent set forth in Section 3.02 hereof are not satisfied on the Amortization Commencement Date, on the Amortization Commencement Date. The City’s obligations to repay each Advance and to pay interest thereon as hereinafter provided shall be secured by the Bank Bonds. Subject to Section 2.10 and 2.16 hereof, the City also promises to repay to the Bank interest on the unpaid principal amount of each Advance from the date such Advance is made until it is paid in full as provided herein, at a rate per annum equal to the Bank Rate from time to time in effect and shall be payable monthly in arrears on the first day of each month for the immediately preceding calendar month (commencing on the first such date to occur after the making of the related Advance), and on the date that the final principal installment of such Advance is payable as herein provided. Unless otherwise paid in full on one of the dates provided above, and subject to the conditions that no Event of Default shall have occurred and be continuing and that the representations and warranties continued in Article IV of the Agreement be true and correct in all material respects, in each case, on the related Amortization Commencement Date, the principal of each Advance shall be payable by the City in semiannual installments (“*Semiannual Principal Payments*”) on each Amortization Payment Date, with the final installment in an amount equal to the entire then outstanding principal amount of such Advance due and payable on the Amortization End Date (the period commencing on the Amortization Commencement Date and ending on the Amortization End Date is herein referred to as the “*Amortization Period*”). Each Semiannual Principal Payment shall be that amount of principal which will result in equal (as nearly as possible) aggregate Semiannual Principal Payments over the applicable Amortization Period.

(b) Any Advance may be prepaid in whole or in part on the day such Advance is made. Any Advance created pursuant to paragraph (a) above may be prepaid in whole or in part without premium or penalty on any other Business Day upon one Business Day’s prior written notice.

(c) Upon the Bank’s receipt of any payment or prepayment of any Advance, the amount of such Advance shall be reduced by the amount of such payment or prepayment.

(d) Upon the Bank’s honoring any Liquidity Drawing, the Bank shall be deemed to have purchased the Bank Bonds in respect of which such Drawing is made,

and the City shall cause the Paying Agent/Registrar to hold such Bank Bonds for the benefit of the Bank and register such Bank Bonds in the name of the Bank or its nominee, or to otherwise deliver such Bank Bonds as directed by the Bank pursuant to the Ordinance. During such time as the Bank is the owner of any Bonds, the Bank shall have all the rights granted to a Bondholder under the Ordinance and such additional rights as may be granted to the Bank hereunder. To the extent that the Bank actually receives payment in respect to principal of or interest on the Bank Bond held by the Bank, the Advance made in connection with the purchase of such Bank Bond shall be deemed to have been reduced *pro tanto*, with the Bank crediting any payment on such Bank Bond received, first to the payment of any outstanding interest accrued on the related Advance, and second to the payment of the principal of such Advance. Any such payment or prepayment to be applied to principal of Advances hereunder shall be applied to the prepayment of related Advances in chronological order of their issuance hereunder, and within each Advance in inverse order of the principal installments payable thereon. Following the occurrence of an Event of Default, any payments received by the Bank hereunder shall be applied by the Bank to the payment of the Obligations in such order as the Bank shall in its sole discretion determine.

*Section 2.04 Reimbursement of Redemption Drawings, Interest Drawings, Stated Maturity Drawings and Certain Liquidity Drawings.* The City agrees to reimburse the Bank for the full amount of any Liquidity Drawing (but only if the conditions precedent contained in Section 3.02 hereof are not satisfied on the date of payment by the Bank of such Liquidity Drawing) and all Interest Drawings, Redemption Drawings and Stated Maturity Drawings immediately upon payment by the Bank of each such Drawing and on the date of each such payment. Subject to the provisions of Section 2.16, if the City does not make such reimbursement on such date, such reimbursement obligation shall bear interest at the Default Rate.

*Section 2.05 Fees.*

(a) *Facility Fees.* The City hereby agrees to pay to the Bank quarterly in arrears on the first Business Day of each October, January, April and July commencing on October 1, 2008, and on the Termination Date, a non-refundable facility fee in an amount equal to the rate per annum associated with the Rating, as specified below (the “*Facility Fee Rate*”) on the Available Amount of the Letter of Credit (without regard to any temporary reductions of the Stated Amount of the Letter of Credit) (the “*Facility Fees*”) during each related period.

LEVEL	MOODY’S RATING	S&P RATING	FITCH RATING	FACILITY FEE RATE
Level 1	A3	A-	A-	.70%
Level 2	Below A3	Below A-	Below A-	.85%
Level 3	Below Baa1	Below BBB	Below BBB	1.10%
Level 4	Below Baa2	Below BBB	Below BBB	1.35%

LEVEL	MOODY'S RATING	S&P RATING	FITCH RATING	FACILITY FEE RATE
Level 5	Below Baa3	Below BBB-	Below BBB-	3.10%

The term “*Rating*” as used above shall mean the lowest long-term unenhanced debt ratings assigned by each of Moody’s, Fitch and S&P to any bonded indebtedness of the City secured by the same lien on and pledge of the Pledged Revenues as the lien on and pledge of the Pledged Revenues securing the Bonds. In the event of a split Rating by the Rating Agencies, the lowest Rating assigned by any Rating Agency shall be used to determine the Facility Fee Rate. 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, 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 acknowledges that as of the Closing Date the Facility Fee Rate is that specified above for Level 1. In the event the Rating assigned by any of Moody’s, Fitch or S&P is withdrawn, suspended or otherwise unavailable, the Facility Fee Rate shall equal the rate specified above for Level 5. The Facility Fees shall be payable quarterly in arrears, together with interest on the Facility Fees from the date payment is due until payment in full at the Default Rate.

(b) *Drawing Fee.* The City hereby agrees to pay a drawing fee of \$250 to the Bank for each Drawing under the Letter of Credit.

(c) *Amendment Fee.* The City also hereby agrees to pay to the Bank on the date of any amendment to this Agreement, the Letter of Credit or any Program Document for which the consent of the Bank is required, an amendment fee of \$2,500 plus the reasonable fees of any legal counsel retained by the Bank in connection therewith.

(d) *Transfer Fee.* The City also hereby agrees to pay to the Bank on the date of each transfer of the Letter of Credit to a successor Paying Agent/Registrar under the Ordinance, a transfer fee of \$2,500 plus the reasonable fees of any legal counsel retained by the Bank in connection therewith.

*Section 2.06 Method of Payment; Etc.* All payments to be made by the City under this Agreement shall be made at the Payment Account of the Bank not later than 3:00 p.m., (New York City time), on the date when due and shall be made in lawful money of the United States of America in freely transferable and immediately available funds. Any payments received by the Bank later than 3:00 p.m. (New York time) on any day shall be deemed to have been paid on the next succeeding Business Day and interest shall accrue thereon until such next Business Day at the rate applicable thereto.

*Section 2.07 Termination of Letter of Credit by the City.* Notwithstanding any provisions of this Agreement to the contrary, the City agrees not to terminate this Agreement or the Letter of Credit prior to August 13, 2011, except upon (i)(A) the payment by the City to the Bank of a termination fee in an amount equal to the Facility Fees payable pursuant to Section 2.05(a) hereof (based upon the Stated Amount equal to that in effect on the Closing Date) for two full calendar years at the Facility Fee Rate in effect as of the date of such termination, less the actual amount of Facility Fees the City has previously paid to the Bank pursuant to Section 2.05(a) hereof; (B) the withdrawal, suspension or reduction in the rating assigned to the Bank's senior unsecured short-term obligations by Moody's, Fitch or S&P, respectively; *provided however*, that for purposes of this clause (i)(B), the ratings of the Bank shall be the short-term ratings assigned to the Bonds by Moody's, Fitch or S&P, respectively on the date of this Agreement; or (C) the mandatory redemption of all of the Bonds or the conversion of the interest rate on all of the Bonds to a non-Covered Mode, (ii) the payment to the Bank of all Obligations payable hereunder and (iii) City providing the Bank with thirty (30) days prior written notice of its intent to terminate this Agreement and the Letter of Credit; *provided* that all payments to the Bank referred to in clause (i)(A) and (ii) above shall be made immediately available funds.

*Section 2.08 Computation of Interest and Fees.* All computations of fees and interest payable by the City under this Agreement shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual number of days elapsed. Interest shall accrue during each period during which interest is computed from and including the first day thereof to and including the last day thereof.

*Section 2.09 Payment Due on Non-Business Day To Be Made on Next Business Day.* If any sum becomes payable pursuant to this Agreement on a day which is not a Business Day, the date for payment thereof shall be extended, without penalty, to the next succeeding Business Day, and such extended time shall be included in the computation of interest and fees.

*Section 2.10 Late Payments.* If the principal amount of any Obligation is not paid when due, such Obligation shall bear interest until paid in full at a rate per annum equal to the Default Rate.

*Section 2.11 Source of Funds.* All payments made by the Bank pursuant to the Letter of Credit shall be made from funds of the Bank, and not from the funds of any other Person.

*Section 2.12 Extension of Stated Expiration Date.* If the City, on any date not earlier than sixty days prior to each anniversary of the Closing Date and not later than ninety (90) days prior to the Stated Expiration Date, submits to the Bank a written request for an extension of the Stated Expiration Date for a period as specified in such written request, the Bank will make reasonable efforts to respond to such request within thirty (30) days after receipt of all information necessary, in the Bank's reasonable judgment, to permit the Bank to make an informed credit decision. In the event the Bank fails to definitively respond to such request within such period of time, the Bank shall be deemed to have refused to grant the extension requested. 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 writing. The consent of the Bank, if granted, shall be conditioned upon the

preparation, execution and delivery of documentation in form and substance reasonably satisfactory to the Bank and consistent with this Agreement and the Letter of Credit. If such an extension request is accepted by the Bank in its absolute discretion, the then current Stated Expiration Date for the Letter of Credit shall be extended to the date agreed to by the City and the Bank.

*Section 2.13 Net of Taxes, Etc.*

(a) *Taxes.* Any and all payments to the Bank by the City hereunder shall be made free and clear of and without deduction for any and all taxes, levies, imposts, deductions, charges, withholdings or liabilities imposed thereon, excluding, however, 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 (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as “*Taxes*”). If the City shall be required by law to withhold or deduct any Taxes imposed by the United States or any political subdivision thereof from or in respect of any sum payable hereunder to the Bank, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.13), the Bank receives an amount equal to the sum it would have received had no such deductions been made, (ii) the City shall make such deductions and (iii) the City shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law. If the City shall make any payment under this Section 2.13 to or for the benefit of the Bank with respect to Taxes and if the Bank shall claim any credit or deduction for such Taxes against any other taxes payable by the Bank to any taxing jurisdiction in the United States then the Bank shall pay to the City an amount equal to the amount by which such other taxes are actually reduced; *provided* that the aggregate amount payable by the Bank pursuant to this sentence shall not exceed the aggregate amount previously paid by the City with respect to such Taxes. In addition, the City agrees to pay any present or future stamp, recording or documentary taxes and any other excise or property taxes, charges or similar levies that arise under the laws of the United States of America or the State of New York from any payment made hereunder or from the execution or delivery or otherwise with respect to this Agreement (hereinafter referred to as “*Other Taxes*”). The Bank shall provide to the City within a reasonable time a copy of any written notification it receives with respect to Other Taxes owing by the City to the Bank hereunder; *provided* that the Bank’s failure to send such notice shall not relieve the City of its obligation to pay such amounts hereunder.

(b) *Reimbursement.* The City shall, to the extent permitted by law, reimburse the Bank for the full amount of Taxes and Other Taxes including any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 2.13 paid by the Bank or any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted; *provided* that the City shall not be obligated to reimburse the Bank for any penalties, interest or expenses relating to Taxes or Other Taxes arising from the

Bank's gross negligence or willful misconduct. The Bank agrees to give notice to the City of the assertion of any claim against the Bank relating to such Taxes or Other Taxes as promptly as is practicable after being notified of such assertion; *provided* that the Bank's failure to notify the City promptly of such assertion shall not relieve the City of its obligation under this Section 2.13. Payments by the City pursuant to this provision shall be made within thirty (30) days from the date the Bank makes written demand therefor, which demand shall be accompanied by a certificate describing in reasonable detail the basis thereof. The Bank agrees to repay to the City any refund (including that portion of any interest that was included as part of such refund) with respect to Taxes or Other Taxes paid by the City pursuant to this Section 2.13 received by the Bank for Taxes or Other Taxes that were paid by the City pursuant to this Section 2.13 and to contest, with the cooperation and at the expense of the City, any such Taxes or Other Taxes which the Bank or the City reasonably believe not to have been properly assessed.

(c) *Notice.* Within thirty (30) days after the date of any payment of Taxes by the City, the City shall furnish to the Bank, the original or a certified copy of a receipt evidencing payment thereof.

(d) *Payments.* All payments to the Bank under this Agreement and the Bank Bonds shall be made in U.S. Dollars and in immediately available and freely transferable funds at the place of payment without counterclaim, set-off, condition or qualification, and free and clear of and without deduction or withholding for or by reason or any present or future taxes, levies, imposts, deductions or charges of any nature whatsoever. In the event that the City is compelled by law to make any such deduction or withholding, the City shall nevertheless pay to the Bank such amounts as will result in the receipt by the Bank of the sum they would have received had no such deduction or withholding been required to be made. If requested, the Bank shall from time to time provide the City, the Paying Agent/Registrar and the United States Internal Revenue Service (to the extent such information and forms may be lawfully provided by the Bank) with such information and forms as may be required by Treasury Regulations Section 1.1411 or any other such information and forms as may be necessary to establish that the City is not subject to any withholding obligation under Section 1442 or other comparable provisions of the Code.

(e) *Survival of Obligations.* The obligations of the City under this Section 2.13 shall survive the termination of this Agreement.

#### *Section 2.14 Increased Costs.*

(a) If the Bank shall have determined that the adoption or implementation of, or any change in, any law, rule, treaty or regulation, or any policy, guideline or directive of, or any change in the interpretation or administration thereof by any court, central bank or other administrative or governmental authority (in each case, whether or not having the force of law) (collectively a "*Change in Law*"), or compliance by the Bank with any request or directive of any such court, central bank or other administrative or governmental authority (whether or not having the force of law), shall



(A) change the basis of taxation of payments to the Bank of any amounts payable hereunder (except for taxes on the overall net income of the Bank), (B) impose, modify or deem applicable any reserve, special deposit or similar requirement against making or maintaining its obligations under this Agreement or assets held by, or deposit with or for the account of, the Bank, (C) impose on the Bank any other condition regarding this Agreement, or (D) limit the deductibility of interest on funds obtained by the Bank to pay any of its liabilities or subject the Bank to any tax, duty, charge, deduction or withholding on or with respect to payments relating to the Bonds or this Agreement, or any amount paid or to be paid by the Bank hereunder (other than any tax measured by or based upon the overall net income of the Bank imposed by any jurisdiction having control over the Bank); and the result of any event referred to in clause (A), (B), (C) or (D) above shall be to increase the cost to the Bank of making or maintaining its obligations hereunder, or to reduce the amount of any sum received or receivable by the Bank hereunder, then, the City shall pay to the Bank, at such time and in such amount as is set forth in paragraph (c) of this Section 2.14, such additional amount or amounts as will compensate the Bank for such increased costs or reductions in amount.

(b) If the Bank shall have determined that the adoption or implementation of, or any change in, any law, rule or regulation, or any policy, guideline or directive of, or any change in the interpretation or administration thereof, by, any court, central bank or other administrative or governmental authority, or compliance by the Bank with any directive of or guidance from any central bank or other authority (in each case, whether or not having the force of law), shall impose, modify or deem applicable any capital adequacy or similar requirement (including, without limitation, a request or requirement that affects the manner in which the Bank allocates capital resources to its commitments, including its obligations under lines of credit) that either (A) affects or would affect the amount of capital to be maintained by the Bank or (B) reduces or would reduce the rate of return on the Bank's capital to a level below that which the Bank could have achieved but for such circumstances (taking into consideration the Bank's policies with respect to capital adequacy) then, the City shall pay to the Bank, at such time and in such amount as is set forth in paragraph (c) of this Section, such additional amount or amounts as will compensate the Bank for such cost of maintaining such increased capital or such reduction the rate of return on the Bank's capital.

(c) All payments of amounts referred to in paragraphs (a) and (b) of this Section shall be due and payable thirty (30) days following the City's receipt of notice thereof. Interest on the sums due as described in paragraphs (a) and (b) of this Section, and in the preceding sentence, shall begin to accrue from the date when the payments were first due and shall otherwise be payable in accordance with Section 2.03 hereof; *provided*, that from and after the required date of payment, interest shall begin to accrue on such obligations at a rate per annum equal to the Default Rate until such delinquent payments have been paid in full. A certificate as to such increased cost, increased capital or reduction in return incurred by the Bank as a result of any event mentioned in paragraphs (a) or (b) of this Section setting forth, in reasonable detail, the basis for calculation and the amount of such calculation shall be submitted by the Bank to the City and shall be conclusive (absent manifest error) as to the amount thereof. In making the determinations contemplated by the above referenced certificate, the Bank

may make such reasonable estimates, assumptions, allocations and the like that the Bank in good faith determines to be appropriate.

*Section 2.15 Margin Regulations.* No portion of the proceeds of any Drawings under the Letter of Credit shall be used by the City (or the Paying Agent/Registrar or any other Person on behalf of the City) for the purpose of “purchasing” or “carrying” any margin stock or used in any manner which might cause the borrowing or the application of such proceeds to violate Regulation G, Regulation U, Regulation T, or Regulation X of the Board of Governors of the Federal Reserve System or any other regulation of the City or to violate the Securities Exchange Act of 1934, as amended, in each case as in effect on the date or dates of such Drawings or Advances and such use of proceeds.

*Section 2.16 Maximum Rate; Payment of Fee.* If the rate of interest payable hereunder shall exceed the Maximum Rate for any period for which interest is payable, then (a) interest at the Maximum Rate shall be due and payable with respect to such interest period, and (b) interest at the rate equal to the difference between (i) the rate of interest calculated in accordance with the terms hereof without regard to the Maximum Rate and (ii) the Maximum Rate (the “*Excess Interest*”), shall be deferred until such date as the rate of interest calculated in accordance with the terms hereof ceases to exceed the Maximum Rate, at which time the City shall pay to the Bank, with respect to amounts then payable to the Bank that are required to accrue interest hereunder, such portion of the deferred Excess Interest as will cause the rate of interest then paid to the Bank to equal the Maximum Rate, which payments of deferred Excess Interest shall continue to apply to such unpaid amounts hereunder until all deferred Excess Interest is fully paid to the Bank. Upon the date all Reimbursement Obligations are payable hereunder following the termination of the Letter of Credit, in consideration for the limitation of the rate of interest otherwise payable hereunder, the City shall pay to the Bank a fee equal to the amount of all unpaid deferred Excess Interest (the “*Excess Interest Fee*”), *provided however*, if in the opinion of a nationally recognized bond counsel firm or bank counsel firm the Excess Interest Fee is deemed “interest,” the payment of such Excess Interest Fee shall be limited so that after giving effect to such payment the net effective interest rate on the Bonds will not exceed the Maximum Lawful Rate when calculating such net effective interest rate from the date of the original issuance of the Bonds to the date no principal amount hereunder remains unpaid and no Bank Bonds are outstanding.

### **ARTICLE III.**

#### **CONDITIONS PRECEDENT**

*Section 3.01 Conditions Precedent to Issuance of the Letter of Credit.* As conditions precedent to the obligation of the Bank to issue the Letter of Credit, the City shall provide to the Bank on the Closing Date, each in form and substance satisfactory to the Bank and the Bank’s counsel, Andrews Kurth LLP (hereinafter, “*Bank’s Counsel*”):

(a) *Approvals.* The Bank shall have received a counterpart of this Agreement duly executed by the City and the Bank and copies of all action taken by the City approving the execution and delivery by the City of this Agreement, in each case

certified by an authorized official of the City as complete and correct as of the date hereof.

(b) *Incumbency of City Officials.* The Bank shall have received an incumbency certificate of the City in respect of each of the officials who is authorized to (i) execute this Agreement on behalf of the City, and (ii) take actions for the City under this Agreement and the other Program Documents with respect to this Agreement and the Bonds.

(c) *Opinion of Bond Counsel.* The Bank shall have received a written opinion of Bond Counsel, addressed to the Bank, dated the Closing Date to the effect that (i) this Agreement has been, duly authorized, executed and delivered by the City and is the valid and binding obligation of the City enforceable in accordance with its terms, except as may be limited by the valid exercise of judicial discretion and the constitutional powers of the United States of America and to valid bankruptcy, insolvency, reorganization or moratorium or other similar laws applicable to the City and equitable principles relating to or affecting creditors' rights generally from time to time; (ii) the execution and delivery by the City of this Agreement does not violate the constitution or laws of the State; and (iii) the City has taken all actions, and has obtained any approvals, necessary to the authorization, execution, delivery and performance by the City of this Agreement. In addition, the Bank shall have received a letter from Bond Counsel authorizing the Bank to rely on the Favorable Opinion of Bond Counsel delivered to the City on the Closing Date.

(d) *Paying Agent/Registrar; Tender Agent; Remarketing Agents.* The Bank shall have received copies of the Paying Agent/Registrar Agreement, Tender Agent Agreement, and Remarketing Agreement, duly executed by the parties thereto, which agreements shall be in full force and effect.

(e) *Ordinance.* The Bank shall have received a certified copy of the Ordinance, including any amendments or supplements thereto, if any, which have been adopted as of the Closing Date, authorizing the issuance of the Bonds, and approving and authorizing this Agreement in form and substance satisfactory to the Bank, all certified by the Secretary of the City as being in full force and effect.

(f) *No Default, Etc.* (i) No Event of Default shall have occurred and be continuing as of the date hereof or will result from the execution and delivery by the City of this Agreement; (ii) the representations and warranties and covenants made by the City in Articles IV and V hereof shall be true and correct in all material respects on and as of the Closing Date, as if made on and as of such date; and (iii) the Bank shall have received a certificate, given and made as of the Closing Date, from the City to the foregoing effect.

(g) *Financial Information.* The Bank shall have received copies of (i) the City's audited financial statements with respect to the City for the fiscal years ended September 30, 2005, September 30, 2006 and September 30, 2007.

(h) *Legality; Material Adverse Change.* (i) Neither the making of any Drawings or Advances nor the consummation of any of the transactions contemplated by the Ordinance, the Bonds or this Agreement (with respect to this Agreement and the Bonds) will violate any law, rule, guideline or regulation applicable to the City, the Bank or this Agreement; and (ii) no material adverse change in the ratings, financial condition, business, assets, liabilities or prospects of the City shall have occurred since September 30, 2007, except as disclosed in writing to the Bank prior to August 14, 2008, which would be reasonably likely to result in a Material Adverse Effect.

(i) *Fees, Etc.* The Bank shall have received payment of the fees, costs and expenses referred to in Section 2.05 and Section 7.03 hereof.

(j) *Attorney General Opinion.* The favorable opinion of the Attorney General of the State of Texas as to the validity of the Bonds.

(k) *Other Opinions.* all other opinions, each addressed to the Bank (unless given by counsel to the Underwriters), required to be delivered under the Bond Purchase Agreement to the Underwriters.

(l) *Other Documents.* The Bank shall have received such other documents, certificates and opinions as the Bank or the Bank's Counsel shall have reasonably requested.

*Section 3.02 Conditions Precedent to Advances.* Following any payment by the Bank under the Letter of Credit pursuant to a Liquidity Drawing, an Advance shall be made available to the City only if on the date of payment of such Liquidity Drawing by the Bank (a) the representations and warranties contained in Article IV of this Agreement are true and correct in all material respects as of such date; and (b) no event has occurred and is continuing, or would result from such payment, which constitutes a Default or Event of Default.

Unless the City shall have previously advised the Bank in writing that the above statement is no longer true, the City shall be deemed to have represented and warranted on the date of such payment that the above statement is true and correct.

## **ARTICLE IV.**

### **REPRESENTATIONS AND WARRANTIES**

In order to induce the Bank to enter into this Agreement, the City represents and warrants to the Bank as follows:

*Section 4.01 Status of the City.* 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) levy and collect the hotel occupancy taxes, (ii) adopt the Ordinance, (iii) execute and deliver this Agreement and the Program Documents (iv) issue and deliver the Bonds, (v) pledge the Pledged Revenues, and (vi) perform fully and completely all its obligations and liabilities under the Ordinance, this Agreement and under the Program Documents.

*Section 4.02 Regulatory and Authority.* The City is duly authorized to conduct its business under all applicable laws, rulings, regulations and ordinances and the departments, agencies and political subdivisions governing it or regulating its business, and the City has obtained or will obtain prior to the date of delivery of the Bonds all material and requisite approvals of the state and of federal, regional and local governmental bodies required to be obtained prior to the date of delivery of the Bonds, the Program Documents and this Agreement.

*Section 4.03 Default.* No Event of Default or Default has occurred and is continuing.

*Section 4.04 Official Statement.* The Official Statement prepared with respect to the Bonds and the transactions herein contemplated, a true copy of which has heretofore been delivered to the Bank, does not contain, and such Official Statement (including any amendments or supplements prepared subsequent to its date, a true copy of which shall be furnished to the Bank prior to the distribution thereof) will not contain, any untrue statement of a material fact and such Official Statement does not omit, and will not omit, to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, except no representation is made as to information furnished in writing by the Bank expressly for inclusion therein.

*Section 4.05 Bonds.* Each Bond has been or will be duly issued under the Ordinance and each such Bond is and shall be entitled to the benefits thereof.

*Section 4.06 Bank Bonds.* The Bank Bonds purchased pursuant hereto will be transferred to the Bank free and clear of all liens, security interests or claims of any Person other than the Bank, except for consensual liens or other security interests as may be created by the Bank and shall be secured as, and payable as set forth in the Ordinance.

*Section 4.07 Incorporation of Representations and Warranties.* The City hereby makes to the Bank the same representations and warranties as are being made by the City in the Ordinance and each of the Program Documents to which the City is a party, which representations and warranties, together with the related definitions of terms contained therein, are hereby incorporated by reference with the same effect as if each and every such representation and warranty and definition were set forth herein in its entirety. No amendment to such representations and warranties or definitions made pursuant to the Ordinance or the Program Documents shall be effective to amend such representations and warranties and definitions as incorporated by reference herein without the prior written consent of the Bank.

*Section 4.08 No Proposed Legal Changes.* There is no amendment, or to the knowledge of the City, proposed amendment certified for placement on a statewide ballot to the Constitution of the State or any published administrative interpretation of the Constitution of the State or any law of the State, or any legislation that has passed either house of the State legislature, or any published judicial decision interpreting any of the foregoing, the effect of which is to materially adversely affect the issuance of any of the Bonds, the security for any of the Bonds, or the City's ability to repay when due any obligations under this Agreement, any of the Bonds, the Bank Bonds, the Obligations, the Ordinance and the other Program Documents.

*Section 4.09 Survival of Representations and Warranties.* All statements contained in any certificate or other instrument delivered by or on behalf of the City pursuant to or in connection with this Agreement (including, but not limited to, any such statements made in or in connection with any amendment hereto) shall constitute representations and warranties made under this Agreement.

*Section 4.10 Permitted Investments.* The City has neither made any investment nor entered into any agreements for the purpose of effecting any investment of amounts maintained under the Ordinance which are not permitted pursuant to the Ordinance.

*Section 4.11 Environmental.* The City has not received any notice to the effect that the City's operations are not in material compliance with any of the requirements of applicable federal, state and local environmental, health and safety statutes and regulations or the subject of any federal or state investigation evaluation whether any remedial action is needed to respond to a release of any toxic or hazardous waste or substance into the environment, which non-compliance or remedial action could have a material adverse effect on the operation or condition, financial or otherwise, of the City.

*Section 4.12 Noncontravention.* The adoption, execution and delivery by the City of this Agreement and the Program Documents and the performance of its obligations hereunder and thereunder, will not violate any existing law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the City, or result in a breach of any of the terms of, or constitute a default under or result in the creation or imposition of any lien on, any indenture, ordinance, mortgage, deed of trust, lease or other agreement or instrument to which the City is a party or by which it or any of its property is bound or its articles of incorporation, bylaws or any of the rules or regulations applicable to it or its property or any decree or order of any court or other governmental body.

*Section 4.13 Due Authorization.* The adoption, execution, delivery and performance by the City of this Agreement and the Program Documents to which it is a party is within its corporate power and authority, and has been duly authorized by all necessary action and will not contravene any provision of the Ordinance.

*Section 4.14 Valid and Binding Obligations.* This Agreement and the Program Documents to which the City is a party are valid and binding obligations of the City, enforceable against the City in accordance with their respective terms, except as such enforceability may be limited by the City's bankruptcy, insolvency, reorganization, moratorium or other laws or equitable principles relating to or limiting creditors' rights generally. The Bonds, when issued and delivered against payment therefor as contemplated by the Bond Purchase Agreement, will have been duly issued, executed and delivered in conformity with the Ordinance and will constitute legal, valid and binding obligations of the City, enforceable in accordance with their terms, except as such enforceability may be limited by applicable reorganization, insolvency, liquidation, readjustment of debt, moratorium or other similar laws affecting the enforcement of the rights of creditors generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law), and entitled to the benefit and security of the Ordinance.

*Section 4.15 Pending Litigation and Other Proceedings.* There is no pending action or proceeding before any court, governmental agency or arbitrator against or directly involving the City and, to the City's knowledge, there is no threatened action or proceeding affecting the City or any of its assets before any court, governmental agency or arbitrator which, if adversely determined, could materially and adversely affect the (a) financial condition or operations of the City, (b) the validity or enforceability of this Agreement or any of the Program Documents, the ability of the City to perform its obligations hereunder or under the Program Documents, (c) the status of the City as a governmental agency and political subdivision of the State, (d) the status of the exemption of interest on the Bonds from federal income tax or (e) the City's property, assets, operations or conditions financial or otherwise.

*Section 4.16 Insurance.* The City currently maintains insurance of such type and in such amounts or in excess of such amounts as are customarily carried by, and insures against such risks as are customarily insured against by, Texas home-rule cities of like type, size and character to the City.

*Section 4.17 Financial Statements.* The balance sheets of the City as of September 30, 2007 and the related statement of revenues and expenses and changes in financial position for the years then ended and the auditors' reports with respect thereto and the balance sheets of the City as of September 30, 2007 and the related statements of revenues and expenses and change in financial position for the period then ended, copies of which have heretofore been furnished to the Bank, are complete and correct and fairly present the financial condition, changes in financial position and results of operations of the City at such dates and for such periods, and were prepared in accordance with generally accepted accounting principles as applied to Texas home-rule cities. Since September 30, 2007, there has been no material adverse change in the business, properties, condition (financial or otherwise) or operations, present or prospective, of the City nor any increase in its long term debt which has not been otherwise disclosed to the Bank.

*Section 4.18 Complete and Correct Information.* No representation, warranty or other statement made by the City in or pursuant to this Agreement or any Program Document or any other document or financial statement provided by the City or its agents to the Bank in connection with this Agreement or any other Program Document, contains any untrue statement of a material fact or omits (as of the date made or furnished) any material fact necessary to make the statements herein or therein not misleading in light of the circumstances under which they are made. All information, reports and other papers and data with respect to the City furnished to the Bank or its counsel by the City were, taken in the aggregate (including all updated information provided) and at the time the same were so furnished, complete and correct in all material respects, to the extent necessary to give the Bank a true and accurate knowledge of the subject matter. No fact is known to the City which materially and adversely affects or in the future may (so far as it can foresee) materially and adversely affect the business, assets or liabilities, financial condition, results of operations of the City or its prospects which has not been set forth in the financial statements referred to in Section 4.17 above or in such information, reports, papers and data or otherwise disclosed in writing to the Bank by the City. When taken in the aggregate, no document furnished or statement made by the City in connection with the negotiation, preparation or execution of this Agreement or any Program Document contains any untrue statement of a fact material to its creditworthiness of the City or omits to state a material fact necessary in order to make the statements contained therein not misleading. With regard to

any information provided to the Bank which is subsequently updated prior to the Closing Date, this representation shall not apply to the information that has been updated to the extent updated.

*Section 4.19 Pending Legislation and Decisions.* To the knowledge of the City, there are no proposed amendments to the Constitution of the State or any State law or any administrative interpretation of the Constitution of the State or any State law, or any legislation that has passed either house of the legislature of the State, or any judicial decision interpreting any of the foregoing, the effect of which will materially adversely affect the issuance of any of the Bonds, the security for any of the Bonds or the City's obligations hereunder or under any of the Program Documents, or the City's ability to repay when due its obligations under this Agreement, any of the Bonds, and the Program Documents.

*Section 4.20 Default.* No Event of Default or Default has occurred and is continuing.

*Section 4.21 Security.* Pursuant to the Ordinance, the City has pledged the Pledged Revenues to the payment and security of the Bonds (including the Bank Bonds) and the obligation of the City to make payments under this Agreement. The payment Obligations of the City under this Agreement are Parity Obligations. The Ordinance validly grants the pledge which they purport to create to secure the Bonds (including the Bank Bonds) and the City's Obligations hereunder as and to the extent provided herein and in the Ordinance and the Ordinance and is a perfected lien.

*Section 4.22 Reserved.*

*Section 4.23 Usury.* The terms of the Agreement and the Program Documents regarding the calculation and payment of interest and fees do not violate any applicable usury laws.

*Section 4.24 Federal Reserve Board Regulations.* The City does not intend to use any part of the proceeds of the Bonds or the funds advanced hereunder and has not incurred any indebtedness to be reduced, retired or purchased by the City out of such proceeds, for the purpose of purchasing or carrying any Margin Stock, and the City does not own and has no intention of acquiring any such Margin Stock.

*Section 4.25 Investment Company Act.* The City is not an "investment company" or a company "controlled" by an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended.

## **ARTICLE V.**

### **COVENANTS**

The City will do the following so long as any amounts may be drawn under the Letter of Credit or any Obligations remain outstanding under this Agreement, unless the Bank shall otherwise consent in writing:

*Section 5.01 Payment Obligations.* The City shall promptly pay or cause to be paid all amounts payable hereunder and under the Program Documents according to the terms hereof or



thereof and shall duly perform its obligations under this Agreement, the Ordinance and the Program Documents to which the City is a party. All payments of principal and interest on Bank Bonds and any other Obligations due hereunder shall be made in the amounts required hereunder without any reduction or setoff, notwithstanding the assertion of any right of recoupment or setoff or of any counterclaim by the City.

*Section 5.02 Ordinance and the Program Documents.* The City agrees that it will perform and comply with each and every covenant and agreement required to be performed or observed by the City in the Ordinance and each of the Program Documents to which the City is a party and in each case such provisions, together with the related definitions of 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.

*Section 5.03 Compliance With Law.* The City shall comply with all laws, ordinances, orders, rules and regulations that may be applicable to it if the failure to comply could have a material adverse effect on the security for any of the Bonds, or the City's ability to repay when due any obligations under this Agreement or any other obligations under any of the Bonds, the Ordinance and the other Program Documents.

*Section 5.04 Notices.* The City will promptly furnish, or cause to be furnished, to the Bank (i) notice of the failure by the Remarketing Agents, the Paying Agent/Registrar or the Tender Agent to perform any of their respective obligations under the Remarketing Agreement, the Ordinance or this Agreement, (ii) notice of any proposed substitution of this Agreement, (iii) each notice required to be given to the Bank and the holders of the Bonds pursuant to the Ordinance and (iv) such further financial and other information with respect to the City and its affairs as the Bank may reasonably request from time to time.

The City shall also provide, or cause to be provided, to the Bank prompt written notice of (i) any change in the ratings of the Bonds of which the City has actual knowledge, (ii) any ratings which may be assigned to any uninsured Debt of the City (or any changes in such ratings), and (iii) any "shadow rating" (or changes therein) assigned to the Bonds of which the City has actual knowledge.

*Section 5.05 Certain Information.* The City shall not include in an offering document for the Bonds any information concerning the Bank that is not supplied in writing, or otherwise consented to, by the Bank expressly for inclusion therein.

*Section 5.06 Alternate Support for Bonds.* The City agrees to use reasonable efforts to obtain an Alternate Liquidity Facility to replace this Agreement or to convert the Bonds to a Mode (as defined in the Ordinance) that does not require a Liquidity Facility (as defined in the Ordinance) in the event the Bank shall decide not to extend the Stated Expiration Date pursuant to Section 2.12 hereby. In addition, the parties hereto acknowledge and agree that the City may terminate this Agreement and the Letter of Credit and obtain an Alternate Liquidity Facility satisfying the requirements of the Ordinance upon any downgrading of the Bank to a level below the top two highest short-term ratings by either S&P, Fitch or Moody's.

The City agrees that, as a condition to the effectiveness of the Alternate Liquidity Facility, the City, whether from its own funds or an Alternate Liquidity Facility shall provide funds to the extent necessary, in addition to other funds available, on the Alternate Liquidity Facility Effective Date, to make the payments in full to the Bank of any and all obligations due hereunder and all principal and interest due on the Bank Bonds.

The City shall not permit an Alternate Liquidity Facility to become effective with respect to less than all of the Bonds without the prior written consent of the Bank.

*Section 5.07 Maintenance of Approvals, Filings, Etc.* The City shall at all times maintain in effect, renew and comply with all the terms and conditions of all consents, licenses, approvals and authorizations as may be necessary or appropriate under any applicable law or regulation for its execution, delivery and performance of this Agreement, the Ordinance and the Program Documents to which the City is a party.

*Section 5.08 Further Assurances.* To the extent the provisions of Chapter 1208, Texas Government Code are held by a court of competent jurisdiction to not apply to this Agreement, the City shall, upon the request of the Bank, from time to time, execute and deliver and, if necessary, file, register and record such further financing statements, amendments, confirmation statements and other documents and instruments and take such further action as may be reasonably necessary to effectuate the provisions of this Agreement, the Ordinance and the Program Documents or to protect the security for the Bonds including, without limitation, the Bank Bonds. Except to the extent it is exempt there from, the City will pay or cause to be paid all filing, registration and recording fees incident to such filing, registration and recording, and all expenses incident to the preparation, execution and acknowledgment of such instruments of further assurance, and all federal or state fees and other similar fees, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of this Agreement, the Ordinance and the Program Documents and such instruments of further assurance.

*Section 5.09 Selection of Bonds for Redemption or Purchase.* The City shall select, or cause to be selected, for redemption or purchase (pursuant to Part 3.4(h) of the Ordinance) any and all Bank Bonds prior to selecting, or causing to be selected, for redemption or such purchase any Bonds that are not Bank Bonds. The City shall not declare, instruct the Paying Agent/Registrar to declare or permit an optional redemption of the Bonds pursuant to the Ordinance unless the City has all of the funds available for such optional redemption and such optional redemption will be funded from sources other than moneys provided by the Bank under this Agreement.

*Section 5.10 Use of Proceeds.* The City shall cause (a) the proceeds from purchases of Bonds in Covered Mode made hereunder to be used solely as described in Article II hereof and (b) the proceeds of the Bonds to be used solely for the purposes set forth in the Ordinance.

*Section 5.11 Reporting Requirements.* The City shall keep proper books of record and account in which full, true and correct entries will be made of all dealings or transactions of or in relation to the business and affairs of the City on a consolidated or combined basis in accordance with generally accepted accounting principles applicable to Texas home-rule cities consistently applied. The City shall furnish to the Bank two hard copies of each of the following:

(a) *Annual Financial Statements.* As soon as available, and in any event within 180 days after the close of each Fiscal Year of the City, (i) the complete audited financial statements of the City including the balance sheet as of the end of such Fiscal Year and the related statements of revenues, expenses and cash flows and changes in fund balance for such Fiscal Year, setting forth in each case in comparative form the corresponding figures for the preceding Fiscal Year all in reasonable detail, certified and prepared by an independent certified public accountant in accordance with generally accepted accounting principles, consistently applied.

(b) *Certificate of Compliance.* Simultaneously with the delivery of each set of financial statements referred to in (a) above, a certificate signed by the chief financial officer or the treasurer of the City stating that (i) under his/her supervision the City has made a review of its activities during the preceding annual period for the purpose of determining whether or not the City has complied with all of the terms, provisions and conditions of this Agreement and the Program Documents and (ii) to the best of his/her knowledge the City is not in default in the performance or observance of any of the terms, covenants, provisions or conditions of this Agreement or any of the Program Documents, or if the City shall be in default, such certificate shall specify each such default, the nature and status thereof and any remedial steps taken or proposed to correct each such default.

(c) *Other Reports.* Promptly upon request by the Bank, copies of any financial statement or report furnished to any other holder of the long term securities of the City pursuant to the terms of any long term Ordinance, loan or credit or similar agreement and not otherwise required to be furnished to the Bank pursuant to any other clause of this Section 5.12.

(d) *Amendments.* Promptly after the adoption thereof, copies of any amendments of or supplements to the bylaws of the City and copies of any amendments to the Program Documents.

(e) *Ordinance Information.* Copies of all notices, certificates, opinions and other reports or documents required to be filed pursuant to the Ordinance. The City shall provide the Bank written notice of any change in the identity of the Paying Agent/Registrar, the Tender Agent or the Remarketing Agents upon becoming aware of the same. The City shall, upon request, provide or cause to be provided, to the Bank the list of the name and address of the last known holders of the Bonds.

(f) *Other Information.* Such other information respecting the business, properties or the condition or operations, financial or otherwise, of the City as the Bank may from time to time reasonably request.

*Section 5.12 Amendments.* The City shall not amend, modify, supplement, supplement or terminate, nor agree to any amendment or modification of, or supplement to, termination or substitution of, any of the Program Documents or permit or suffer to occur any action or omission which results in, or is equivalent to any amendment, termination or modification of a

Program Document without the prior written consent of the Bank, which the Bank shall not unreasonably withhold or delay.

*Section 5.13 Notices.*

(a) *Notice of Default.* The City shall provide to the Bank immediate notice by telephone, promptly confirmed in writing, of any Default or Event of Default.

(b) *Litigation.* Together with the information described in Section 5.11(b), the City shall provide to the Bank written notice of all actions, suits and proceedings before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, against the City and which, if adversely determined could have a material adverse affect on the financial condition of the City or its ability to pay or perform its obligations hereunder or under any of the Program Documents.

(c) *Certain Notices.* Furnish to the Bank a copy of any notice, certification, demand or other writing or communication given by the Paying Agent/Registrar, the Remarketing Agents or the Tender Agent to the City or by the City to the Paying Agent/Registrar, the Remarketing Agents or the Tender Agent under or in connection with any of the Program Documents, in each case promptly after the receipt or giving of the same.

(d) *Other Notices.* Promptly give written notice to the Bank of any material dispute which may exist between the City and any of the Paying Agent/Registrar, Remarketing Agents or the Tender Agent or any dispute in connection with any transaction contemplated under this Agreement or the Program Documents.

(e) *Failure of Other Parties to Perform.* Notice of the failure by the Remarketing Agents, the Tender Agent or the Paying Agent/Registrar to perform any of their respective obligations under the Program Documents.

(f) *Changes in Ratings.* The City shall promptly give written notice to the Bank of (i) any change in the ratings of the Bonds of which the City has actual knowledge; and (ii) any ratings which may be assigned to Debt of the City which ranks on a parity with the bonds or any changes in such ratings.

*Section 5.14 Right of Entry.* The City shall permit the duly authorized representatives of the Bank during normal business hours and upon reasonable notice to enter the premises of the City, or any parts thereof, to examine and copy the City's financial books, records and accounts related to the Program Documents, and to discuss the affairs, finances, business and accounts related to the City's Pledged Revenues with the City's officers.

*Section 5.15 Payment of Obligations; Removal of Liens.* The City shall pay all indebtedness and obligations of the City in accordance with the terms thereof including all charges of any kind whatsoever that may be at any time lawfully assessed or levied against or with respect to the Pledged Revenues and promptly discharge or cause to be discharged all liens, encumbrances and charges on its property and assets.

*Section 5.16 Preservation of Existence, Ownership, Etc.* The City shall not dissolve nor shall it sell, lease, assign, transfer or otherwise dispose of all or substantially all of its assets. The City shall preserve and maintain its existence, right (charter and statutory) and franchises and licenses.

*Section 5.17 Disclosure of Participants.* The City agrees to permit the Bank to disclose any information received by the Bank in connection herewith, including without limitation the financial information described in Section 5.11, to any Participants of the Bank in this Agreement.

*Section 5.18 Sovereign Immunity.* To the extent authorized by Texas Government Code Section 1371.059(c), the City agrees to waive 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 represent the legal obligations of the City, it believes its non-discretionary duties are subject to enforcement in Texas courts by writ of mandamus, and that is not immune to an equitable mandamus action.

*Section 5.19 Paying Agent/Registrar; Tender Agent; Remarketing Agents.* The City shall not remove the Paying Agent/Registrar, the Tender Agent or a Remarketing Agent or appoint a tender agent, Paying Agent/Registrar or co-Paying Agent/Registrar or appoint a successor Paying Agent/Registrar, the Tender Agent or Remarketing Agent without the written consent of the Bank. If the position of Paying Agent/Registrar, the Tender Agent or Remarketing Agent becomes vacant, the City shall promptly appoint a successor which is reasonably acceptable to the Bank.

*Section 5.20 Conversions; Defeasance.* The City (a) shall promptly furnish, or cause to be furnished, to the Bank, not later than its furnishing the same to the Remarketing Agents, a copy of any written notice furnished by the City to the Remarketing Agents pursuant to the Ordinance indicating a proposed conversion of the interest rate on the Bonds; and (b) shall not permit a conversion of the Bonds to Bonds bearing an interest rate other than a Covered Rate without the prior written consent of the Bank if, after giving effect to such conversion, any Bonds remain as Bank Bonds. In addition, the City will not defease, nor allow the defeasance of, the Bonds without having contemporaneously satisfied all of its obligations hereunder.

*Section 5.21 Liens, Additional Debt and Rate Setting.*

(a) *Parity Liens.* Except as permitted by the Ordinance, the City shall not grant any lien, pledge or security interest in the Pledged Revenues which is on parity with the lien on Pledged Revenues that secure the payment of the City's Obligations hereunder.

(b) *Additional Debt.* The City shall not issue any obligations after the Closing Date which are secured by a lien on Pledged Revenues that is senior to that securing the Bonds or the City's Obligations under this Agreement.

*Section 5.22 Incorporation of Covenants by Reference.* The City agrees that it will perform and comply with each and every covenant and agreement required to be performed or

observed by it in each Program Document to which it is a party and in each case such provisions, together with the related definitions of 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 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, for purposes of this Agreement such provision shall be complied with unless it is waived by the Bank and such document, opinion or other instrument must be acceptable or satisfactory unless such satisfaction or acceptability is waived by the Bank, provided that such waiver by the Bank shall only be required if the action proposed to be taken would materially adversely affect the rights, interests or obligations of the Bank. The City shall provide the Bank with 30 days prior written notice of all actions or waivers proposed to be taken pursuant to this Section regardless of whether the City believes the Bank's consent is required.

*Section 5.23 Regulation U.* The City is not engaged principally, or as one of its important activities, in the business of extending credit for the purposes of purchasing or carrying Margin Stock and will not use the proceeds of the Bonds or any amounts paid by the Bank hereunder so as to violate Regulation U as it may be amended or interpreted from time to time by the Board of governors of the Federal Reserve System.

*Section 5.24 Ordinance a Contract.* The provisions of the Ordinance constitute a contract between the City and the owner or owners of the Bonds and the Bank, and any such owner shall have all rights and remedies afforded by the Ordinance and applicable law.

*Section 5.25 Rating Covenant.* The City agrees that while this Agreement is still in effect or any Obligations hereunder are outstanding it will maintain at least one published rating on its unenhanced Parity Bonds.

## **ARTICLE VI.**

### **DEFAULTS**

*Section 6.01 Events of Default and Remedies.* If any of the following events shall occur, each such event shall be an "Event of Default":

(a) the City fails to pay, or cause to be paid, when due (i) any principal of or interest on any Drawing or any Advance; or (ii) any principal of or interest on any Bonds for any reason other than the failure of the Bank to perform its obligations hereunder;

(b) any representation, warranty or statement made by or on behalf of the City herein or in any Program Document to which the City is a party or in any certificate delivered pursuant hereto or thereto shall prove to be untrue in any material respect on the date as of which made or deemed made; or the documents, certificates or statements of the City (including unaudited financial reports, budgets, projections and cash flows of the City) furnished to the Bank by or on behalf of the City in connection with the transactions contemplated hereby, when taken as a whole, are materially inaccurate in

light of the circumstances under which they were made and as of the date on which they were made;

(c) (i) the City fails to perform or observe any term, covenant or agreement contained in Sections 5.02, 5.03, 5.05, 5.06, 5.07, 5.09, 5.10, 5.12, 5.16, 5.17, 5.18, 5.20, 5.21 or 5.24 inclusive; or (ii) the City fails to perform or observe any other term, covenant or agreement contained in this Agreement (other than those referred to in Sections 6.01(a) and (c)(i)) and any such failure cannot be cured or, if curable, remains uncured for 30 days after written notice thereof to the City;

(d) the City shall (i) default in any payment of any principal, premium, or interest on any of the City's long-term indebtedness (other than the Bonds, the Drawings or the Advances), beyond the period of grace, if any, provided in the instrument or agreement under which such long-term indebtedness was created; or (ii) default in the observance or performance of any agreement or condition relating to any long-term indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such long-term indebtedness (or a trustee or agent on behalf of such holder or holders) to cause (determined without regard to whether any notice is required), any such long term indebtedness to become due prior to its stated maturity;

(e) (i) a court or other governmental authority with jurisdiction to rule on the validity of this Agreement, the Ordinance or any other Program Document to which the City is a party shall find, announce or rule that (A) any material provision of this Agreement and any other Program Document to which the City is a party; or (B) any provision of the Ordinance relating to the security for the Bonds or the Obligations, the City's ability to pay the Obligations or perform its obligations hereunder or the rights and remedies of the Bank, is not a valid and binding agreement of the City; or (ii) the City shall contest the validity or enforceability of this Agreement, any other Program Document to which the City is a party or any provision of the Ordinance relating to the security for the Bonds or the Obligations, the City's ability to pay the Obligations or perform its obligations hereunder or the rights and remedies of the Bank, or shall seek an adjudication that this Agreement, any other Program Document to which the City is a party or any provision of the Ordinance relating to the security for the Bonds or the Obligations, the City's ability to pay the Obligations or perform its obligations hereunder or the rights and remedies of the Bank, is not valid and binding on the City;

(f) any provision of the Ordinance relating to the security for the Bonds or the Obligations, the City's ability to pay the Obligations or perform its obligations hereunder or the rights and remedies of the Bank, or any Program Document to which the City is a party, except for any Remarketing Agreement which has been terminated due to a substitution of a Remarketing Agent, or any material provision thereof shall cease to be in full force or effect, or the City or any Person acting by or on behalf of the City shall deny or disaffirm the City's obligations under the Ordinance or any other Program Document to which the City is a party;

(g) a final judgment or order for the payment of money from the revenues of the Pledged Revenues in excess of \$5,000,000 (in excess of the coverage limits of any applicable insurance therefor) shall have been rendered against the City and such judgment or order shall not have been satisfied, stayed, vacated, discharged or bonded pending appeal within a period of thirty (30) days from the date on which it was first so rendered;

(h) (i) a debt moratorium, debt restructuring, debt adjustment or comparable restriction is imposed on the repayment when due and payable of the principal or of interest on any obligation secured by a lien, charge or encumbrance upon the Pledged Revenues; (ii) under any existing or future law of any jurisdiction relating to bankruptcy, insolvency, reorganization or relief of debtors, the City seeks to have an order for relief entered with respect to it or seeking to adjudicate it insolvent or bankrupt or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts; (iii) the City seeks appointment of a receiver, trustee, custodian or other similar official for itself or for any substantial part of the City's property, or the City shall make a general assignment for the benefit of its creditors; (iv) there shall be commenced against the City any case, proceeding or other action of a nature referred to in clause (ii) above and the same shall remain undismissed; (v) there shall be commenced against the City any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its property which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal, within 60 days from the entry thereof; (vi) the City takes action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), (iii), (iv) or (v) above; or (vii) the City shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due;

(i) any of Moody's, Fitch or S&P shall have downgraded its long-term unenhanced rating of any debt of the City secured by a lien on and pledge of the Pledged Revenues to below "Baa3" (or its equivalent), "BBB-" (or its equivalent) or "BBB-" (or its equivalent), respectively, or suspended or withdrawn its rating of the same; or

(j) an Event of Default under the Ordinance.

*Section 6.02 Remedies.* Upon the occurrence of any Event of Default the Bank, may exercise any one or more of the following rights and remedies in addition to any other remedies herein or by law provided:

(a) by written notice to the City require that the City immediately prepay to the Bank in immediately available funds an amount equal to the Available Amount (such amount to be held by the Bank as collateral security for the Obligations); *provided, however*, that in the case of an Event of Default described in Section 6.01(h) hereof, such prepayment of an amount equal to the Available Amount shall



automatically become immediately due and payable without any notice (unless the coming due of such Obligations is waived by the Bank in writing);

(b) by notice to the City, declare all Obligations to be, and such amounts shall thereupon 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 upon the occurrence of an Event of Default under Section 6.01(h) hereof such acceleration shall automatically occur (unless such automatic acceleration is waived by the Bank in writing);

(c) give notice of the occurrence of any Event of Default to the Paying Agent/Registrar directing the Paying Agent/Registrar to cause a mandatory tender of the Bonds pursuant to the terms of the Ordinance, thereby causing the Letter of Credit to expire 15 days thereafter;

(d) pursue any rights and remedies it may have under the Program Documents; or

(e) pursue any other action available at law or in equity.

## **ARTICLE VII.**

### **MISCELLANEOUS**

*Section 7.01 Unconditional Obligations.* The obligations of the City under this Agreement shall be absolute, unconditional, irrevocable and payable strictly in accordance with the terms of the Ordinance and this Agreement, under all circumstances whatsoever, including, without limitation, the following:

(a) any lack of validity or enforceability of this Agreement, the Letter of Credit or, to the extent permitted by law, the Bonds, the Ordinance or any other Program Document;

(b) any amendment or waiver of or any consent to departure from the terms of the Ordinance or all or any of the Program Documents to which the Bank has not consented in writing;

(c) the existence of any claim, counterclaim, setoff, recoupment, defense or other right which any Person may have at any time against the Bank, the City, the Paying Agent/Registrar, the Tender Agent, the Remarketing Agents, or any other Person, whether in connection with this Agreement, the Ordinance, the Program Documents, or any other transaction related thereto;

(d) any statement or any other document presented pursuant hereto or pursuant to the Letter of Credit which the Bank in good faith determines to be valid, sufficient or genuine and which subsequently proves 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 of a Drawing or an Advance against presentation of a request which the Bank in good faith determines to be valid, sufficient or genuine and which subsequently is found not to comply with the terms of this Agreement; *provided* that such payment shall not have constituted gross negligence of the Bank; and

(f) any other circumstances or happening whatsoever whether or not similar to any of the foregoing.

*Section 7.02 Amendments; Liability of the Bank.*

(a) No amendment or waiver of any provision of this Agreement or, to the extent required by Section 5.02 hereof, any other Program Document, nor consent to any departure by the City therefrom, shall in any event be effective unless the same shall be in writing and signed by the Bank, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

(b) With respect to the Bank, the City, to the extent permitted by law, assumes all risks of the acts or omissions of the Paying Agent/Registrar and its agents in respect of their use of this Agreement or any amounts made available by the Bank hereunder. Neither the Bank nor any of its officers or directors shall be liable or responsible for: (i) the use which may be made of this Agreement or the Letter of Credit or any amounts made available by the Bank under the Letter of Credit or for any acts or omissions of the Paying Agent/Registrar or the Remarketing Agents or its agents in connection therewith; (ii) the validity, sufficiency or genuineness of documents (other than the validity of this Agreement as to the Bank), 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; or (iii) 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, but only to the extent, of any direct, as opposed to consequential, damages suffered by the City which the City prove were caused by the Bank's gross negligence or willful failure to make payment under the Letter of Credit in accordance with the terms thereof. 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, regardless of any notice or information to the contrary.

(c) The City assumes all risks associated with the acceptance by the Bank of documents received by telecommunication, it being agreed that the use of telecommunication devices is for the benefit of the City and that the Bank assumes no liabilities or risks with respect thereto.

*Section 7.03 Costs and Expenses; Reimbursement; Indemnification.*

(a) The City shall pay (i) on the Effective Date, all reasonable costs and expenses incurred by the Bank and its counsel in connection with the preparation, execution and delivery of this Agreement, the Letter of Credit and any other documents and instruments that may be delivered in connection therewith, (ii) all costs and

expenses incurred by the Bank, including reasonable fees and out-of-pocket expenses of counsel for the Bank, otherwise arising in connection with this Agreement, the Letter of Credit, the Ordinance and the Program Documents, including, without limitation, in connection with any amendment hereto or thereto, the enforcement hereof or thereof or the protection of the rights of the Bank hereunder or thereunder, and (iii) any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution and delivery of this Agreement and any other documents or instruments that may be delivered in connection herewith.

(b) To the extent permitted by law and solely from the Pledged Revenues, the City agrees to reimburse and hold harmless the Bank, its officers, directors, employees and agents (each a "*Reimbursed Party*") from and against any and all claims, damages, losses, liabilities, reasonable costs or expenses whatsoever which a Reimbursed Party may incur or be subject to (or which may be claimed against a Reimbursed Party by any Person) by reason of or in connection with the execution and delivery of and consummation of the transactions contemplated under this Agreement, the Letter of Credit the Ordinance and the Program Documents, including, without limitation, (i) the offering, sale, remarketing or resale of Bonds (including, without limitation, by reason of any untrue statement or alleged untrue statement contained or incorporated by reference in any official statement, or in any supplement or amendment thereof, prepared with respect to the Bonds, or the omission or alleged omission to state therein a material fact necessary to make such statements, in the light of the circumstances under which they are or were made, not misleading or the failure to deliver a preliminary official statement or an official statement to any offeree or purchaser of Bonds) and (ii) the execution and delivery of, or payment or failure to pay by any Person (other than the Bank as and when required by the terms and provisions of the Letter of Credit) under, this Agreement; *provided, however*, that the City shall not be required to reimburse the Bank for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by (a) the willful misconduct or negligence of the Bank (including without limitation, with respect to the Bank, failure of the Bank to honor its obligations to purchase Bonds upon the satisfaction of the applicable conditions precedent set forth herein and in accordance with the terms of this Agreement and the Letter of Credit) or (b) the material inaccuracy of any information included or incorporated by reference in any offering document referred to in Section 5.05 hereof concerning the Bank which was furnished in writing by the Bank expressly for inclusion or incorporated by reference therein. Nothing in this Section 7.03 is intended to limit the obligations of the City under the Bonds or of the City to pay its obligations hereunder, under the Ordinance and under the Program Documents.

(c) The provisions of this Section 7.03 and Sections 2.08 and 2.09 hereof shall survive the termination of this Agreement and the payment in full of the Bonds and the obligations of the City hereunder. The Bank shall notify the City of any amounts which are owed to such party pursuant to this Section 7.03.

*Section 7.04 Notices.* Unless otherwise specified herein, all notices, requests, demands or other communications to or upon the respective parties hereto or referred to herein shall be

deemed to have been given (i) in the case of notice by letter, when delivered by hand or four (4) days after the same is deposited in the U.S. mail, first class postage prepaid, and (ii) in the case of notice by telecopier, when sent, receipt confirmed, addressed to them as follows or at such other address as any of the parties hereto may designate by written notice to the other parties hereto and to the Bond Insurer and the Remarketing Agents:

City:	City of Austin, Texas (Tax Identification No. 74-600085) 700 Lavaca, Suite 1510 Austin, Texas 78701 Attention: Treasurer Telephone: (512) 974-7882 Telecopy: (512) 370-3838
Bank:	Dexia Credit Local, New York Branch 445 Park Avenue, 8th Floor New York, New York 10022 Attention: Vice President, Operations Telephone: (212) 515-7007 Telecopy: (212) 753-7522
Paying Agent/Registrar/Tender Agent:	Deutsche Bank National Trust Company 25 DeForest Avenue, 2 <sup>nd</sup> Floor Summit, NJ 07901  Attention: Trust & Securities Services Telephone: (908) 608-4094 Telecopy: (908) 608-3220
Remarketing Agents:	Morgan Keegan & Company, Inc. 50 North Front Street, 50th Floor Memphis, Tennessee 38103  Attention: Thomas Galvin Telephone: (901)-579-4226 Telecopy: (901)-579-4363  Banc of America Securities LLC 214 North Tryon Street Charlotte, NC 28255 Attention: Kenny Rogers Telephone: (704) 386-9028 Telecopy: (704) 388-0393

*Section 7.05 Survival of Covenants; Successors and Assigns.*

(a) All covenants, agreements, representations and warranties made herein and in the certificates delivered pursuant hereto shall survive the making of any Drawing or Advance hereunder and shall continue in full force and effect until all of the Obligations hereunder shall have been paid in full. Whenever in this Agreement any of the parties hereto is referred to, such reference shall, subject to the last sentence of this Section, be deemed to include the successors and assigns of such party, and all covenants, promises and agreements by or on behalf of the City which are contained in this Agreement shall inure to the benefit of the successors and assigns of the Bank. The City may not transfer its rights or obligations under this Agreement without the prior written consent of the Bank. The Bank may transfer some or all of its rights and obligations under this Agreement with the prior written consent of the City (which consent shall not be withheld unreasonably); *provided* that (i) the City has received written notice from at least two nationally recognized rating agencies that the transfer shall not cause the lowering, withdrawal or suspension of any ratings then existing on the Bonds; and (ii) the Bank shall be responsible for all costs resulting from the transfer. This Agreement is made solely for the benefit of the City and the Bank, and no other Person (including, without limitation, the Paying Agent/Registrar, the Tender Agent, the Remarketing Agents or any holder of Bonds) shall have any right, benefit or interest under or because of the existence of this Agreement; *provided further* that the City's liability to any Participant shall not in any event exceed that liability which the City would owe to the Bank but for such participation.

(b) Notwithstanding the foregoing, the Bank shall be permitted to grant to one or more financial institutions (each a "*Participant*") a participation or participations in all or any part of the Bank's rights and benefits under this Agreement on a participating basis but not as a party to this Agreement (a "*Participation*"), provided the Bank receives the prior written consent of the City. In the event of any such grant by the Bank of a Participation to a Participant, the Bank shall remain responsible for the performance of its obligations hereunder, and the City shall continue to deal solely and directly with the Bank in connection with the Bank's rights and obligations under this Agreement. The City agrees that each Participant shall, to the extent of its Participation, be entitled to the benefits of this Agreement as if such Participant were the Bank; *provided* that no Participant shall have the right to declare, or to take actions in response to, an Event of Default under Section 6.01 hereof.

*Section 7.06 Governing Law; Waiver of Trial by Jury.* THIS AGREEMENT SHALL BE DEEMED TO BE A CONTRACT UNDER, AND FOR ALL PURPOSES SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK; *PROVIDED, HOWEVER,* THE OBLIGATIONS OF THE CITY HEREUNDER SHALL BE GOVERNED BY THE LAWS OF THE STATE.

THE PARTIES HERETO EACH HEREBY IRREVOCABLY SUBMIT TO THE NONEXCLUSIVE JURISDICTION OF ANY STATE OF FEDERAL COURT IN THE STATE OF NEW YORK FOR THE PURPOSE OF ANY SUIT, ACTION OR OTHER PROCEEDING ARISING OUT OF THIS AGREEMENT, AT THE ELECTION OF THE PARTY INITIATING ANY SUCH SUIT, ACTION OR PROCEEDING WHICH IS BROUGHT BY OR AGAINST THE BANK, THE TENDER AGENT, THE PAYING AGENT/REGISTRAR OR THE CITY, AND THE

PARTIES EACH HEREBY IRREVOCABLY AGREE THAT ALL CLAIMS IN RESPECT OF ANY SUCH SUIT, ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED BY ANY SUCH COURT.

TO THE FULLEST EXTENT PERMITTED BY LAW, THE CITY, THE TENDER AGENT, PAYING AGENT/REGISTRAR AND THE BANK HEREBY WAIVES TRIAL BY JURY IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE ORDINANCE OR ANY OF THE PROGRAM DOCUMENTS.

*Section 7.07 No Waivers, Amendments, Etc.* No provision of this Agreement shall be waived, amended or supplemented except by a written instrument executed by the parties hereto.

*Section 7.08 Counterparts.* This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

*Section 7.09 Source of Funds.* The Bank agrees that all funds provided by the Bank hereunder will be paid from funds of the Bank and not directly or indirectly from funds or collateral on deposit with or for the account of, or pledged with or for the account of, the Bank by the City.

*Section 7.10 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 Agreement.

*Section 7.11 Complete and Controlling Agreement.* This Agreement, the Ordinance and the other Program Documents completely set forth the agreements between the Bank and the City and supersede all prior agreements, both written and oral, between the Bank and the City relating to the matters set forth herein, in the Ordinance and in the Program Documents.

*Section 7.12 USA PATRIOT Act Notice.* The Bank hereby notifies the City that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the “Act”), it is required to obtain, verify and record information that identifies the City, which information includes the name and address of the City and other information that will allow the Bank to identify the City in accordance with the Act.

*Section 7.13 Assignment to Federal Reserve Bank.* The Bank may assign and pledge all or any portion of the obligations owing to it to any Federal Reserve Bank or the United States Treasury as collateral security pursuant to Regulation A of the City of Governors of the Federal Reserve System and any Operating Circular issued by such Federal Reserve Bank, *provided* that any payment in respect of such assigned obligations made by the City to the Bank in accordance with the terms of this Agreement shall satisfy the City’s obligations hereunder in respect of such assigned obligation to the extent of such payment. No such assignment shall release the Bank from its obligations hereunder.

IN WITNESS WHEREOF, the City and the Bank have duly executed this Agreement as of the date first above written.

CITY OF AUSTIN, TEXAS

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

DEXIA CREDIT, acting through its New York Branch

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## APPENDIX I

### IRREVOCABLE TRANSFERABLE DIRECT-PAY LETTER OF CREDIT

August 14, 2008

\*\*U.S. \$\_\_\_\_\_

DCL #\_\_\_\_\_

Deutsche Bank National Trust Company,  
as Paying Agent/Registrar (the "*Paying Agent/Registrar*"),  
under the Ordinance adopted on July 24, 2008 (the "*Ordinance*")  
25 DeForest Avenue, 2<sup>nd</sup> Floor  
Summit, NJ 07901

Ladies and Gentlemen:

We hereby establish in your favor as Paying Agent/Registrar for the benefit of the holders of the Bonds, as hereinafter defined, our irrevocable transferable direct-pay Letter of Credit DCL #\_\_\_\_\_ (this "*Letter of Credit*") for the account of the City of Austin, Texas (the "*City*"), whereby we hereby irrevocably authorize you to draw on us from time to time, from and after the date hereof to and including the earliest to occur of our close of business on: (a) August 14, 2011 (as extended from time to time, the "*Stated Expiration Date*"); (b) the earlier of (i) the date which is 15 days following the date on which the rate on all of the Bonds has been converted to bear interest at a rate other than a Covered Mode (as defined in the hereinafter defined Reimbursement Agreement) as such date is specified in a certificate in the form of Exhibit A hereto (the "*Conversion Date*"); or (ii) the date on which the Bank honors a drawing under this Letter of Credit on or after the Conversion Date; (c) the date which is 15 days following receipt from you of a certificate in the form set forth as Exhibit B hereto; and (d) the date which is 15 days following receipt by you of a written notice from us specifying the occurrence of an Event of Default under the Reimbursement Agreement, dated as of August 1, 2008 (the "*Reimbursement Agreement*"), by and between the City and Dexia Credit Local, acting through its New York Branch (the "*Bank*") and directing you to cause a mandatory tender of the Bonds pursuant to the terms of the (the earliest of such dates to occur referred to herein as the "*Termination Date*"), a maximum aggregate amount not exceeding U.S. \$\_\_\_\_\_ (the "*Original Stated Amount*") to pay principal of and accrued interest on, or the purchase price of \$\_\_\_\_\_ City of Austin, Texas Hotel Occupancy Tax Subordinate Lien Variable Rate Revenues Refunding Bonds, Series 2008 consisting of \$59,645,000 of Subseries 2008A Bonds and \$59,645,000 of Subseries 2008B Bonds (collectively, the "*Bonds*") in accordance with the terms hereof (said \$\_\_\_\_\_ having been calculated to be equal to \$\_\_\_\_\_, the original principal amount of the Bonds, plus \$\_\_\_\_\_ which is at least 35 days' accrued interest on said principal amount of the Bonds at the rate of 10% per annum (the "*Cap Interest Rate*") and a three hundred sixty-five (365) day year). This credit is available to you against presentation of the following documents (the "*Payment Documents*") presented to the Bank as described below:



A certificate (with all blanks appropriately completed): (i) in the form attached as Exhibit C hereto to pay accrued interest on the Bonds as provided for under Part 5.2 of Appendix A to the Ordinance (an "*Interest Drawing*"); (ii) in the form attached as Exhibit D hereto to pay the principal amount of and accrued interest on the Bonds in respect of any redemption of the Bonds as provided for in Part 5.2 of Appendix A to the Ordinance (a "*Redemption Drawing*"); *provided* that in the event the date of redemption coincides with an Interest Payment Date (as defined in the Ordinance) the Redemption Drawing shall not include any accrued interest on the Bonds (which interest is payable pursuant to an Interest Drawing); (iii) in the form attached as Exhibit E hereto, to allow the Paying Agent/Registrar, to pay the purchase price of Bonds tendered for purchase as provided for in Article IV of Appendix A to the Ordinance which have not been successfully remarketed or for which the purchase price has not been received by the Paying Agent/Registrar by 10:30 a.m., New York time, on the purchase date (a "*Liquidity Drawing*"); *provided* that in the event the purchase date coincides with an Interest Payment Date, the Liquidity Drawing shall not include any accrued interest on the Bonds (which interest is payable pursuant to an Interest Drawing); or (iv) in the form attached as Exhibit F hereto to pay the principal amount of Bonds maturing on November 15 2029 (a "*Stated Maturity Drawing*"), each certificate to state therein that it is given by your duly authorized officer and dated the date such certificate is presented hereunder. No drawings shall be made under this Letter of Credit for Bank Bonds or for Bonds bearing interest at a rate other than a Covered Mode (as defined in the Reimbursement Agreement) or Bonds owned by or on behalf of the City.

All Drawings shall be made by presentation of each Payment Document at the Bank's office at 445 Park Avenue, 8th Floor, New York, New York 10022, Telecopier Number: (212) 753-7522, Attention: Public Finance Department, or at such other address or facsimile number as we may specify to you in writing without further need of documentation, including the original of this Letter of Credit, it being understood that each Payment Document so submitted is to be the sole operative instrument of a Drawing. You shall use your best efforts to give telephonic notice of a Drawing to the Bank at (212) 515-7007 on the Business Day, as hereinafter defined preceding the day of such Drawing (but such notice shall not be a condition to a Drawing hereunder and you shall have no liability for not doing so).

We agree to honor and pay the amount of any Interest, Redemption, Liquidity, or Stated Maturity Drawing if presented in compliance with all of the terms of this Letter of Credit. If such Drawing, other than a Liquidity Drawing, is presented prior to 2:00 p.m., New York time, on a Business Day, payment shall be made to the account number or address designated by you of the amount specified, in immediately available funds, by 11:00 a.m., New York time, on the following Business Day. If any such Drawing, other than a Liquidity Drawing, is presented at or after 2:00 p.m., New York time, on a Business Day, payment shall be made to the account

number or address designated by you of the amount specified, in immediately available funds, by 2:30 p.m., New York time, on the following Business Day. If a Liquidity Drawing is presented prior to 10:30 a.m., New York time, on a Business Day, payment shall be made to the account number or address designated by you of the amount specified, in immediately available funds, by 2:00 p.m., New York time, on the same Business Day. If a Liquidity Drawing is presented at or after 10:30 a.m., New York time, payment shall be made to the account number or address designated by you of the amount specified, in immediately available funds, by 11:00 a.m., New York time, on the following Business Day. Payments made hereunder shall be made by wire transfer to you or by deposit into your account with us in accordance with the instructions specified by the Paying Agent/Registrar in the drawing certificate relating to a particular Drawing hereunder. "Business Day" means any day other than (a) a Saturday, Sunday, (b) a day on which banks located in cities in which the designated office of any of the Tender Agent, the Remarketing Agents, the Paying Agent/Registrar, the Credit Provider or the Liquidity Provider is located are required or authorized by law or executive order to close; (c) a day on which the New York Stock Exchange is closed, or (d) a day on which the payment system of the Federal Reserve System is not operational..

The Available Amount, as hereinafter defined will be reduced automatically by the amount of any Drawing hereunder; *provided, however*, that the amount of any Interest Drawing hereunder, less the amount of the reduction in the Available Amount attributable to interest as specified in a certificate in the form of Exhibit D or G hereto, shall be automatically reinstated immediately upon payment by the Bank of such Drawing. After payment by the Bank of a Liquidity Drawing, the obligation of the Bank to honor Drawings under this Letter of Credit will be automatically reduced by an amount equal to the Original Purchase Price (as hereinafter defined) of any Bonds (or portions thereof) purchased pursuant to said Drawing. In addition, prior to the Conversion Date, in the event of the remarketing of the Bonds (or portions thereof) previously purchased with the proceeds of a Liquidity Drawing, the Bank's obligation to honor Drawings hereunder will be automatically reinstated concurrently upon receipt by the Bank, or the Paying Agent/Registrar on behalf of the Bank, of an amount equal to the Original Purchase Price of such Bonds (or portion thereof); the amount of such reinstatement shall be equal to the Original Purchase Price of such Bonds (or portions thereof). "*Original Purchase Price*" shall mean the principal amount of any Bond purchased with the proceeds of a Liquidity Drawing plus the amount of accrued interest on such Bond paid with the proceeds of a Liquidity Drawing (and not pursuant to an Interest Drawing) upon such purchase.

Upon receipt by the Bank of a certificate of the Paying Agent/Registrar in the form of Exhibit D or G hereto, the Letter of Credit will automatically and permanently reduce the amount available to be drawn hereunder by the amount specified in such certificate. Such reduction shall be effective as of the next Business Day following the date of delivery of such certificate.

Upon any permanent reduction of the amounts available to be drawn under this Letter of Credit, as provided herein, we may deliver to you a substitute Letter of Credit in exchange for this Letter of Credit or an amendment to this Letter of Credit substantially in the form of Exhibit H hereto to reflect any such reduction. If we deliver to you such a substitute Letter of Credit you shall simultaneously surrender to us for cancellation the Letter of Credit then in your possession. The "*Available Amount*" shall mean the Original Stated Amount less (a) the amount of all prior reductions pursuant to Interest, Redemption, Liquidity or Stated Maturity Drawings;

less (b) the amount of any reduction thereof pursuant to a reduction certificate in the form of Exhibit D or G hereto to the extent such reduction is not already accounted for by a reduction in the Available Amount pursuant to clause (a) above; plus (c) the amount of all reinstatements as above provided.

Prior to the Termination Date, we may extend the Stated Expiration Date from time to time at the request of the City by delivering to you an amendment to this Letter of Credit in the form of Exhibit J hereto designating the date to which the Stated Expiration Date is being extended. Each such extension of the Stated Expiration Date shall become effective on the Business Day following delivery of such notice to you and thereafter all references in this Letter of Credit to the Stated Expiration Date shall be deemed to be references to the date designated as such in such notice. Any date to which the Stated Expiration Date has been extended as herein provided may be extended in a like manner.

Upon the Termination Date this Letter of Credit shall automatically terminate and be delivered to the Bank for cancellation.

This Letter of Credit is transferable in whole only to your successor as Paying Agent/Registrar. Any such transfer (including any successive transfer) shall be effective upon receipt by the Bank (which receipt shall be subsequently confirmed in writing to the transferor and the transferee by the Bank) of a signed copy of the instrument effecting each such transfer signed by the transferor and by the transferee in the form of Exhibit I hereto (which shall be conclusive evidence of such transfer) and, in such case, the transferee instead of the transferor shall, without the necessity of further action, be entitled to all the benefits of and rights under this Letter of Credit in the transferor's place; *provided* that, in such case, any certificates of the Paying Agent/Registrar to be provided hereunder shall be signed by one who states therein that he is a duly authorized officer or agent of the transferee.

Communications with respect to this Letter of Credit shall be addressed to the Bank at 445 Park Avenue, 8th Floor, New York, New York 10022, Telecopier Number: (212) 753-7522, Attention: Public Finance Department, specifically referring to the number of this Letter of Credit.

To the extent not inconsistent with the express provisions hereof, this Letter of Credit shall be governed by the Uniform Customs and Practices for Documentary Credits, International Chamber of Commerce Publication No. 600 (the "*Uniform Customs*"), except for Article 32, the second sentence of Article 38(d) and Article 38(e) thereof and notwithstanding the provisions of the second sentence of Article 36 of the Uniform Customs, if this Letter of Credit expires during an interruption of business (as defined in Article 36 of the Uniform Customs), the Banks agree to effect payment under this Letter of Credit if a Drawing which strictly conforms to the terms and conditions of this Letter of Credit is made within 15 days after the resumption of business and, as to matters not governed by the Uniform Customs, this Letter of Credit shall be governed by the internal laws of the State of New York, including, without limitation, the Uniform Commercial Code as in effect in the State of New York.

All payments made by us hereunder shall be made from our funds and not with the funds of any other person.



This Letter of Credit sets forth in full the terms of our undertaking, and such undertaking shall not in any way be modified or amended by reference to any other document whatsoever.

DEXIA CREDIT LOCAL, acting through its New York  
Branch

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT A**  
**TO**  
**LETTER OF CREDIT DCL #\_\_\_\_\_**

**NOTICE OF CONVERSION DATE**

[Date]

Dexia Credit Local  
445 Park Avenue, 8th Floor  
New York, New York 10022  
Attention: Public Finance Department

Ladies and Gentlemen:

Reference is hereby made to that certain Irrevocable Transferable Direct-Pay Letter of Credit DCL #\_\_\_\_\_ dated August 14, 2008 (the "*Letter of Credit*"), which has been established by the Bank for the account of City of Austin, Texas in favor of [\_\_\_\_\_], as Paying Agent/Registrar.

The undersigned hereby certifies and confirms that the Conversion Date of all of the Bonds to a rate other than a Covered Mode (as defined in the Reimbursement Agreement) has occurred on [insert date], and, accordingly, said Letter of Credit shall terminate 15 days after such Conversion Date in accordance with its terms.

All defined terms used herein which are not otherwise defined herein shall have the same meaning as in the Letter of Credit.

[PAYING AGENT/REGISTRAR]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT B**  
**TO**  
**LETTER OF CREDIT**  
**NOTICE OF TERMINATION**

[Date]

Dexia Credit Local  
445 Park Avenue, 8th Floor  
New York, New York 10022  
Attention: Public Finance Department

Ladies and Gentlemen:

Reference is hereby made to that certain Irrevocable Transferable Direct-Pay Letter of Credit DCL # \_\_\_\_\_ dated August 14, 2008 (the "*Letter of Credit*"), which has been established by the Bank for the account of City of Austin (the "*City*") in favor of [\_\_\_\_\_] as Paying Agent/Registrar.

The undersigned hereby certifies and confirms that (a) no Bonds (as defined in the Letter of Credit), remain Outstanding within the meaning, of the Ordinance (as defined in the Letter of Credit); (b) all drawings required to be made under the Ordinance and available under the Letter of Credit have been made and honored; or (c) a substitute letter of credit has been issued to replace the Letter of Credit pursuant to the Ordinance and the Reimbursement Agreement dated as of August 1, 2008, by and between the City and the Bank, and, accordingly, the Letter of Credit shall be terminated in accordance with its terms.

All defined terms used herein which are not otherwise defined shall have the same meaning as in the Letter of Credit.

[PAYING AGENT/REGISTRAR]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT C**  
**TO**  
**LETTER OF CREDIT DCL #\_\_\_\_\_**

**INTEREST DRAWING CERTIFICATE**

Dexia Credit Local  
445 Park Avenue, 8th Floor  
New York, New York 10022

Attention: Public Finance Department

The undersigned individual, a duly authorized representative of \_\_\_\_\_ (the "*Beneficiary*"), hereby certifies on behalf of the Beneficiary as follows with respect to (a) that certain Irrevocable Transferable Direct-Pay Letter of Credit DCL #\_\_\_\_\_ dated August 14, 2008 (the "*Letter of Credit*"), issued by the Bank in favor of the Beneficiary; (b) those certain Bonds, as defined in the Letter of Credit; and (c) that certain Ordinance, as defined in the Letter of Credit:

1. The Beneficiary is the Paying Agent/Registrar, as defined in the Letter of Credit, under the Ordinance.

2. The Beneficiary is entitled to make this Drawing in the amount of \$\_\_\_\_\_ under the Letter of Credit pursuant to the Ordinance with respect to the payment of interest due on all Bonds outstanding on the Interest Payment Date (as defined in the Ordinance) occurring on [insert applicable date], other than Bank Bonds (as defined in the Letter of Credit), Bonds which bear interest at a rate other than a Covered Mode (as defined in the Reimbursement Agreement) or Bonds owned by or on behalf of the City (as defined in the Letter of Credit).

3. The amount of the Drawing is equal to the amount required to be drawn by the Paying Agent/Registrar pursuant to Part 5.2 of appendix A to the Ordinance.

4. The amount of the Drawing made by this Certificate was computed in compliance with the terms of the Ordinance and, when added to the amount of any other Drawing under the Letter of Credit made simultaneously herewith, does not exceed the Available Amount, as defined in the Letter of Credit.

5. Payment by the Bank pursuant to this drawing shall be made to \_\_\_\_\_, ABA Number \_\_\_\_\_, Account Number \_\_\_\_\_, Attention: \_\_\_\_\_, Re: \_\_\_\_\_.

IN WITNESS WHEREOF, this Certificate has been executed this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.



[PAYING AGENT/REGISTRAR]

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

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

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

**EXHIBIT D**  
**TO**  
**LETTER OF CREDIT DCL #\_\_\_\_\_**

**REDEMPTION DRAWING AND REDUCTION CERTIFICATE**

Dexia Credit Local  
445 Park Avenue, 8th Floor  
New York, New York 10022

Attention: Public Finance Department

The undersigned individual, a duly authorized representative of \_\_\_\_\_ (the "*Beneficiary*"), hereby certifies on behalf of the Beneficiary as follows with respect to (a) that certain Irrevocable Transferable Direct-Pay Letter of Credit DCL #\_\_\_\_\_ dated \_\_\_\_\_, 2008 (the "*Letter of Credit*"), issued by the Bank in favor of the Beneficiary; (b) those certain Bonds, as defined in the Letter of Credit; and (c) that certain Ordinance, as defined in the Letter of Credit:

1. The Beneficiary is the Paying Agent/Registrar, as defined in the Letter of Credit, under the Indenture.

2. The Beneficiary is entitled to make this Drawing in the amount of \$\_\_\_\_\_ under the Letter of Credit pursuant to Part 5.2 of Appendix A to the Ordinance.

3. (a) The amount of this Drawing is equal to (i) the principal amount of Bonds to be redeemed by the City, as defined in the Letter of Credit, pursuant to Part 3.04 of Appendix A to the Ordinance on [insert applicable date] (the "*Redemption Date*") other than Bank Bonds (as defined in the Letter of Credit), Bonds which bear interest at a rate other than a Covered Mode (as defined in the Reimbursement Agreement or Bonds owned by or on behalf of the City (as defined in the Letter of Credit); plus (ii) interest on such Bonds accrued from the immediately preceding Interest Payment Date (as defined in the Ordinance) to the Redemption Date; *provided* that in the event the Redemption Date coincides with an Interest Payment Date this drawing does not include any accrued interest on such Bonds.

(b) Of the amount stated in paragraph 2 above:

(i) \$\_\_\_\_\_ is demanded in respect of the principal amount of the Bonds referred to in paragraph (a) above; and

(ii) \$\_\_\_\_\_ is demanded in respect of accrued interest on such Bonds.

4. Payment by the Bank pursuant to this Drawing shall be made to \_\_\_\_\_, ABA Number \_\_\_\_\_, Account Number \_\_\_\_\_, Attention: \_\_\_\_\_, Re: \_\_\_\_\_.

5. The amount of the Drawing made by this Certificate was computed in compliance with the terms and conditions of the Ordinance and, when added to the amount of any other Drawing under the Letter of Credit made simultaneously herewith, does not exceed the Available Amount, as defined in the Letter of Credit.

6. Upon payment of the amount drawn hereunder, the Bank is hereby directed to permanently reduce the Available Amount by \$[insert amount of reduction] and the Available Amount shall thereupon equal \$[insert new Available Amount]. The Available Amount has been reduced by an amount equal to the principal of Bonds paid with this Drawing and an amount equal to 35 days' interest thereon at the Cap Interest Rate, as defined in the Letter of Credit.

7. Of the amount of the reduction stated in paragraph 6 above:

(a) \$\_\_\_\_\_ is attributable to the principal amount of Bonds redeemed; and

(b) \$\_\_\_\_\_ is attributable to interest on such Bonds (i.e., 35 days' interest thereon at the Cap Interest Rate).

8. The amount of the reduction in the Available Amount has been computed in accordance with the provisions of the Letter of Credit.

9. Following the reduction, the Available Amount shall be at least equal to the aggregate principal amount of the Bonds outstanding (to the extent such Bonds are not Bank Bonds, as defined in the Letter of Credit), other than Bonds bearing interest at a rate other than a Covered Mode or bonds owned by or on behalf of the City plus 35 days' interest thereon at the Cap Interest Rate.

10. <sup>1</sup>In the case of a redemption pursuant to Part 3.04 of the Ordinance, the Paying Agent/Registrar, prior to giving notice of redemption to the owners of the Bonds, received written evidence from the Bank that the Bank has consented to such redemption.

IN WITNESS WHEREOF, this Certificate has been executed this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

[PAYING AGENT/REGISTRAR]

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

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

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

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<sup>1</sup> To be included in certificate only if Section [\_\_\_\_\_] is referenced in paragraph 2 or 3 above.

**EXHIBIT E**  
**TO**  
**LETTER OF CREDIT DCL #\_\_\_\_\_**

**LIQUIDITY DRAWING CERTIFICATE**

Dexia Credit Local  
445 Park Avenue, 8th Floor  
New York, New York 10022

Attention: Public Finance Department

The undersigned individual, a duly authorized representative of \_\_\_\_\_ (the "*Beneficiary*") hereby certifies as follows with respect to (a) that certain Irrevocable Transferable Direct-Pay Letter of Credit DCL #\_\_\_\_\_ dated August 14, 2008 (the "*Letter of Credit*"), issued by the Bank in favor of the Beneficiary; (b) those certain Bonds, as defined in the Letter of Credit; and (c) that certain Ordinance, as defined in the Letter of Credit:

1. The Beneficiary is the Paying Agent/Registrar under the Ordinance.
2. The Beneficiary is entitled to make this Drawing under the Letter of Credit in the amount of \$\_\_\_\_\_ with respect to the payment of the purchase price of Bonds tendered for purchase in accordance with Article IV of Appendix A to the Ordinance and to be purchased on [insert applicable date] (the "*Purchase Date*") which Bonds have not been remarketed as provided in the Ordinance or the purchase price of which has not been received by the Beneficiary by 10:30 a.m., New York time, on said Purchase Date.
3. (a) The amount of the Drawing is equal to (i) the principal amount of Bonds to be purchased pursuant to the Ordinance on the Purchase Date other than Bank Bonds (as defined in the Letter of Credit), Bonds which bear interest at a rate other than a Covered Mode (as defined in the Reimbursement Agreement or Bonds owned by or on behalf of the City (as defined in the Letter of Credit); plus (ii) interest on such Bonds accrued from the immediately preceding Interest Payment Date (as defined in the Ordinance) (or if none, the date of issuance of the Bonds) to the Purchase Date; *provided* that in the event the Purchase Date coincides with an Interest Payment Date this drawing does not include any accrued interest on such Bonds.
  - (b) Of the amount stated in paragraph 2 above:
    - (i) \$\_\_\_\_\_ is demanded in respect of the principal portion of the purchase price of the Bonds referred to in paragraph 2 above; and
    - (ii) \$\_\_\_\_\_ is demanded in respect of payment of the interest portion of the purchase price of such Bonds.

4. The amount of the Drawing made by this Certificate was computed in compliance with the terms and conditions of the Ordinance and, when added to the amount of any other Drawing under the Letter of Credit made simultaneously herewith, does not exceed the Available Amount, as defined in the Letter of Credit.

5. The Beneficiary will register or cause to be registered in the name of the Bank upon payment of the amount drawn hereunder, Bonds in the principal amount of the Bonds being purchased with the amounts drawn hereunder and will deliver such Bonds to the Paying Agent/Registrar in accordance with the Ordinance.

6. Payment by the Bank pursuant to this drawing shall be made to \_\_\_\_\_, ABA Number \_\_\_\_\_, Account Number \_\_\_\_\_, Attention: \_\_\_\_\_, Re: \_\_\_\_\_.

IN WITNESS WHEREOF, this Certificate has been executed this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

[PAYING AGENT/REGISTRAR]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT F**  
**TO**  
**LETTER OF CREDIT DCL #\_\_\_\_\_**

**STATED MATURITY DRAWING CERTIFICATE**

Dexia Credit Local  
445 Park Avenue, 8th Floor  
New York, New York 10022

Attention: Public Finance Department

The undersigned individual, a duly authorized representative of \_\_\_\_\_ (the "*Beneficiary*"), hereby certifies on behalf of the Beneficiary as follows with respect to (a) that certain Irrevocable Transferable Direct-Pay Letter of Credit DCL #\_\_\_\_\_ dated August 14, 2008 (the "*Letter of Credit*"), issued by the Bank in favor of the Beneficiary; (b) those certain Bonds, as defined in the Letter of Credit; and (c) that certain Ordinance, as defined in the Letter of Credit:

1. The Beneficiary is the Paying Agent/Registrar under the Ordinance.
2. The Beneficiary is entitled to make this Drawing in the amount of \$\_\_\_\_\_ under the Letter of Credit pursuant to the Ordinance.
3. The amount of this Drawing is equal to the principal amount of Bonds outstanding on \_\_\_\_\_, 20\_\_\_\_, the maturity date thereof as specified in the Ordinance, other than Bank Bonds (as defined in the Letter of Credit), Bonds which bear interest at a rate other than a Covered Mode (as defined in the Reimbursement Agreement or Bonds owned by or on behalf of the City (as defined in the Letter or Credit).
4. The amount of this Drawing made by this Certificate was computed in compliance with the terms and conditions of the Ordinance and, when added to the amount of any other Drawing under the Letter of Credit made simultaneously herewith, does not exceed the Available Amount, as defined in the Letter of Credit.
5. Payment by the Bank pursuant to this drawing shall be made to \_\_\_\_\_, ABA Number \_\_\_\_\_, Account Number \_\_\_\_\_, Attention: \_\_\_\_\_, Re: \_\_\_\_\_

IN WITNESS WHEREOF, this Certificate has been executed this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

[PAYING AGENT/REGISTRAR]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT G**  
**TO**  
**LETTER OF CREDIT DCL #\_\_\_\_\_**

**REDUCTION CERTIFICATE**

Dexia Credit Local  
445 Park Avenue, 8th Floor  
New York, New York 10022  
Attention: Public Finance Department

The undersigned individual, a duly authorized representative of \_\_\_\_\_ (the "*Beneficiary*"), hereby certifies with respect to (a) that certain Irrevocable Transferable Direct-Pay Letter of Credit DCL #\_\_\_\_\_ dated August 14, 2008 (the "*Letter of Credit*"), issued by the Bank in favor of the Beneficiary; (b) those certain Bonds, as defined in the Letter of Credit; and (c) that certain Ordinance, as defined in the Letter of Credit:

1. The Beneficiary is the Paying Agent/Registrar under the Ordinance.
2. Upon receipt by the Bank of this Certificate, the Available Amount, as defined in the Letter of Credit, shall be reduced by \$\_\_\_\_\_ and the Available Amount shall thereupon equal \$\_\_\_\_\_. \$\_\_\_\_\_ of the new Available Amount is attributable to interest.
3. The amount of the reduction in the Available Amount has been computed in accordance with the provisions of the Letter of Credit.
4. Following the reduction, the Available Amount shall be at least equal to the aggregate principal amount of the Bonds outstanding (other than Bank Bonds (as defined in the Letter of Credit), Bonds bearing interest at a rate other than a Covered Mode (as defined in the Reimbursement Agreement) or Bonds owned by or on behalf of the City (as defined in the Letter of Credit)) plus 35 days' interest thereon at the Cap Interest Rate (as defined in the Letter of Credit).

IN WITNESS WHEREOF, this Certificate has been executed this \_\_\_\_\_ day of \_\_\_\_\_,  
\_\_\_\_\_.

[PAYING AGENT/REGISTRAR]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT H**  
**TO**  
**LETTER OF CREDIT DCL #\_\_\_\_\_**

**NOTICE OF AMENDMENT**

[Date]

[PAYING AGENT/REGISTRAR]

Attention:

Ladies and Gentlemen:

Reference is hereby made to that certain Irrevocable Transferable Direct-Pay Letter of Credit DCL #\_\_\_\_\_ dated August 14, 2008 (the "*Letter of Credit*"), established by us in your favor as Beneficiary. We hereby notify you that, in accordance with the terms of the Letter of Credit and that certain Reimbursement Agreement dated as of August 1, 2008, by and between the City of Austin, Texas, and us the Available Amount, as defined in the Letter of Credit, has been reduced to \$\_\_\_\_\_.

This letter should be attached to the Letter of Credit and made a part thereof.

DEXIA CREDIT LOCAL, acting through its New York  
Branch

By:\_\_\_\_\_  
Name:\_\_\_\_\_  
Title:\_\_\_\_\_



**EXHIBIT I**  
**TO**  
**LETTER OF CREDIT DCL #\_\_\_\_\_**

**TRANSFER CERTIFICATE**

[Date]

Dexia Credit Local  
445 Park Avenue, 8th Floor  
New York, New York 10022  
Attention: Public Finance Department

Ladies and Gentlemen:

Reference is made to that certain Irrevocable Transferable Direct-Pay Letter of Credit No. DCL #\_\_\_\_\_ dated August 14, 2008 (the "*Letter of Credit*"), which has been established by the Bank (as defined in the Letter or Credit) in favor of \_\_\_\_\_.

The undersigned, a duly authorized officer or agent of [Name of Transferor], has transferred and assigned (and hereby confirms to you said transfer and assignment) all of its rights in and under said Letter of Credit to [Name of Transferee] and confirms that [Name of Transferor] no longer has any rights under or interest in said Letter of Credit.

Transferor and Transferee have indicated on the face of said Letter of Credit that it has been transferred and assigned to Transferee.

The undersigned, a duly authorized officer or agent of the Transferee, hereby certifies that the Transferee is a duly authorized Transferee under the terms of said Letter of Credit and is accordingly entitled, upon presentation of the documents called for therein, to receive payment thereunder.

[TRANSFEROR]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT J**  
**TO**  
**LETTER OF CREDIT DCL #\_\_\_\_\_**

**NOTICE OF EXTENSION**

[PAYING AGENT/REGISTRAR]

Attention:  
Ladies and Gentlemen:

Reference is hereby made to that certain Irrevocable Transferable Direct-Pay Letter of Credit DCL #\_\_\_\_\_ dated August 14, 2008 (the "*Letter of Credit*"), established by us in your favor as Beneficiary. We hereby notify you that, in accordance with the terms of the Letter of Credit and that certain Reimbursement Agreement dated as of May 1, 2008, by and between the City (as defined in the Letter of Credit) and the Bank (as defined in the Letter of Credit), the Stated Expiration Date, as defined in the Letter of Credit, has been extended to \_\_\_\_\_.

This letter should be attached to the Letter of Credit and made a part thereof.

DEXIA CREDIT LOCAL, acting through its New York  
Branch

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

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

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