

FEE LETTER

May ____, 2011

City of Austin, Texas
Suite 1510
700 Lavaca
Austin, TX 78701
Attention: Treasurer

\$160,740,000
City of Austin, Texas
Water and Wastewater System
Variable Rate Revenue Refunding Bonds
Series 2008

Ladies and Gentlemen:

Reference is hereby made to that certain Letter of Credit Reimbursement Agreement, dated as of May 1, 2011 (together with any subsequent amendments thereto, the "Agreement"), among City of Austin, Texas (together with any successors and permitted assigns, the "Issuer"), Sumitomo Mitsui Banking Corporation, as Agent (the "Agent") Sumitomo Mitsui Banking Corporation, as Bank ("SMBC") and The Bank of Tokyo-Mitsubishi UBJ, Ltd., as Bank ("BTMU," and, together with SMBC, the "Banks"), relating to the above captioned bonds (the "Bonds"). Capitalized terms used herein without definition shall have the meanings assigned thereto in the Agreement.

Section 2.05 of the Agreement makes reference to a Fee Letter containing an agreement as to certain fees payable by the Issuer to the Agent and the Banks in consideration for the issuance and maintenance by the Banks of the Letters of Credit. This is the Fee Letter referenced in Section 2.05 of the Agreement. By countersigning this Fee Letter where indicated below, the Issuer agrees to pay the Agent and the Banks the following:

1. **Facility Fee.** The Issuer hereby agrees to pay to each Bank a facility fee (the "Facility Fee"), payable upon presentation of an invoice, in immediately available funds, quarterly in arrears on the last day of each March, June, September and December (commencing on June 30, 2011, for the period from and including the Closing Date to but not including June

30, 2011) occurring prior to the Termination Date and on the Termination Date; provided, however, that if any such day is not a Business Day, then such payment shall be due on the next succeeding Business Day, and such extension of time shall, in such case, be included in the computation of the payment due hereunder. The Facility Fee payable to each Bank shall be calculated at the rate per annum stated below with regard to the Level (the “Facility Fee Rate”) associated with the applicable Obligor Rating (determined below) on the Stated Amount of the Applicable Letter of Credit (without regard to reductions of the Stated Amount subject to reinstatement) on the basis of a year of 360 days and the actual number of days elapsed. Any failure of a Bank to present an invoice for the Facility Fee shall not be construed as a waiver by such Bank of its right to receive such Facility Fee or as a waiver by such Bank of the right to present an invoice on a future date.

Obligor Rating
(lowest rating to be used)

<u>Level</u>	<u>Moody's</u>	<u>S&P</u>	<u>Fitch</u>	<u>Facility Fee Rate</u>
Level 1	Aa3 or higher	AA- or higher	AA- or higher	0.85%
Level 2	A1	A+	A+	1.05%
Level 3	A2 or A3	A or A-	A or A-	1.35% %
Level 4	Baa1	BBB+	BBB+	1.75%
Level 5	Baa2	BBB	BBB	2.00%
Level 6	Baa3	BBB-	BBB-	2.25%

In the event of a split rating (i.e., one of the Rating Agencies has assigned an Obligor Rating that is at a different Level than the Obligor Rating assigned by the other Rating Agency), the Facility Fee Rate shall be based upon the Level in which the lowest of the three Obligor Ratings appears. In addition, upon the earlier of (i) the date on which any Event of Default has occurred and (ii) the the date on which the Obligor Rating shall be suspended, withdrawn or fall below Baa3 by Moody's, BBB- by S&P or BBB- by Fitch, the Facility Fee Rate shall be increased immediately and automatically by to 3.00% per annum.

Each change in the Facility Fee Rate resulting from a change in the Obligor Rating shall become effective on the date of announcement or publication by the respective Rating Agency of a change in such Obligor Rating, or in the absence of such announcement or publication, on the effective date of such changed Obligor Rating. References to ratings above are references to rating categories as determined by the Rating Agencies as of the Closing Date and in the event of adoption of any new or changed rating system by any such Rating Agency, including, without limitation, any recalibration or realignment of the Obligor Rating in connection with the adoption of a “global” rating scale, 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 in effect on the Closing Date.

2. **Costs and Expenses.**

(a) The Issuer agrees to pay on demand all necessary and reasonable costs and expenses incurred by the Agent, the Banks and counsel thereto in connection with the preparation, negotiation, execution and delivery of this Fee Letter, the Agreement, the other Related Documents and any other documents and certificates which may be delivered in connection with this Fee Letter, the Agreement and the other Related Documents; provided that the legal fees of counsel to the Agent and the Banks shall not exceed \$45,000. In addition, the Issuer shall pay or cause to be paid on demand, upon not less than fifteen (15) days' prior written notice to the Issuer, the actual out-of-pocket expenses and disbursements of the Agent, the Banks and the actual fees, expenses and disbursements of counsel to the Agent and the Banks in connection with (i) the administration of this Fee Letter or the Agreement including any waiver or consent under this Fee Letter, the Agreement or any other Related Document or other document or certificate delivered in connection with the Transactions or any amendment or requested amendment hereof or thereof (whether or not the transactions contemplated thereby shall be consummated) or any Default or Event of Default (or alleged Default or Event of Default) under the Agreement, (ii) the preparation, execution, delivery, administration and enforcement or preservation of rights in connection with a workout, refinancing, restructuring or waiver with respect to this Fee Letter, the Agreement or any of the other Related Documents and (iii) the occurrence of an Event of Default and collection and other enforcement proceedings resulting therefrom.

(b) In addition, the Issuer shall pay or cause to be paid on demand, upon not less than fifteen (15) days' prior written notice to the Issuer, any present or future stamp, recording, or Other Taxes and fees payable or determined to be payable under Applicable Law in connection with the execution, delivery, filing and recording of this Fee Letter, the Agreement, the other Related Documents and such other documents and certificates delivered in connection with the Transactions and agrees to defend, indemnify and hold the Banks harmless from and against any and all liabilities with respect to or resulting from any failure to pay, or any delay in paying, such taxes and fees.

3. **Transfer Fee; Amendment Fee.** Upon each transfer of a Letter of Credit in accordance with its terms and any amendment of a Letter of Credit requested by the Issuer, the Issuer agrees to pay to the Applicable Bank the sum of \$2,500 plus the Applicable Bank's actual costs and expenses associated with such transfer or amendment, payable without any requirement of notice or demand on the date of such transfer or amendment. Upon each amendment of the Agreement or this Fee Letter requested by the Issuer, the Issuer agrees to pay each Bank the sum of \$2,500 plus the Bank's actual costs and expenses associated with such amendment, payable without any requirement of notice or demand on the date of such amendment.

4. **Drawing Fee.** Upon each drawing under a Letter of Credit, the Issuer agrees to pay to the Applicable Bank a Letter of Credit drawing fee of \$250, payable without any requirement of notice or demand on the day on which such drawing is paid by the Applicable Bank.

5. **Audit Confirmation Fee.** Upon any request by or on behalf of the Issuer that a Bank provide a letter or other documentation to the Issuer's auditors, the Issuer shall pay an audit confirmation fee of \$50 per Bank, payable without any requirement of notice or demand on the day such request is submitted by or on behalf of the Issuer.

6. **Termination Fee.** In the event that the Letters of Credit are terminated or replaced or the Stated Amounts thereof are reduced (other than as a result of reductions thereto required pursuant to the Supplemental Ordinance) prior to the Stated Expiration Date, the Issuer shall pay to each Bank a termination fee (the "Termination Fee") equal to the Facility Fee that would have been payable to such Bank with respect to the Applicable Letter of Credit if the Applicable Letter of Credit had remained in place (or the Stated Amount had not been reduced) until the Stated Expiration Date, less the amount of Facility Fee theretofore received by such Bank with respect to the Applicable Letter of Credit. In computing the Termination Fee, the Level shall be deemed to be Level I, and the Stated Amount of the Letter of Credit shall be deemed to be the Stated Amount in effect with respect to such Letter of Credit as of the Closing Date without giving effect to any reductions thereto except those required pursuant to the Supplemental Ordinance. Notwithstanding the foregoing, no Termination Fee shall be payable to a Bank if (a) one of the short-term ratings assigned to such Bank by Moody's, S&P or Fitch shall have been reduced below P-1, A-1 or F-1, respectively, or (b) such Bank shall have made a claim for any amounts pursuant to Section 2.06 of the Agreement.

7. **Agent Closing Fee.** The Issuer shall pay to the Agent, on the Closing Date, an agent closing fee equal to of \$10,000.

8. **Payments to Bank's Account.** All payments hereunder shall be made in immediately available funds and by wire transfer of funds to the account specified on the applicable signature page of the Agreement (or to such other address as the Agent or the Banks, as applicable, may specify in writing from time to time).

9. **Counterparts.** This Fee Letter may be executed in any number of counterparts, all of which taken together shall constitute one and the same document, and each of which shall for all purposes be deemed to be an original.

10. **Modifications to this Fee Letter.** This Fee Letter may be amended, terminated or otherwise modified only by written instrument executed by the Issuer, the Agent and the Banks.

11. **Fees Nonrefundable.** All fees paid shall be fully earned when due and nonrefundable when paid.

12. **Governing Law.** This Fee Letter and the Agreement shall be construed as one agreement between the Issuer and the Bank and shall be governed as described in Section 11.06 of the Agreement.

[Remainder of page intentionally left blank]

[Signature page to Fee Letter]

If the foregoing accurately reflects our agreement, please indicate the same by signing in the space provided below.

Very truly yours,

SUMITOMO MITSUI BANKING
CORPORATION, as Agent and as Bank

By _____
Name _____
Title _____

BANK OF TOKYO-MITSUBISHI UFJ, LTD.,
as Bank

By _____
Name _____
Title _____

Acknowledged and agreed
as of the first date written above:

CITY OF AUSTIN, TEXAS, ISSUER

By _____
Name:
Title:

By _____
Name:
Title: