

KUTAK ROCK LLP
DRAFT 05/27/10

SECOND AMENDED AND RESTATED LETTER AGREEMENT

June __, 2010

City of Austin, Texas
Suite 1510
700 Lavaca
Austin, TX 78701

\$132,475,000
City of Austin, Texas
Water and Wastewater System
Variable Rate Revenue Refunding Bonds, Series 2004

Ladies and Gentlemen:

Reference is hereby made to that certain Standby Bond Purchase Agreement, dated as of August 1, 2004 as amended by that First Amendment to Standby Bond Purchase Agreement dated as of June __, 2010 (collectively, the "Agreement") by and among the City of Austin, Texas (the "Issuer"), Deutsche Bank Trust Company Americas, as tender agent, and Landesbank Baden-Württemberg, acting through its New York Branch (the "Bank"). Terms used herein without definition shall have the meanings assigned in the Agreement.

Section 2.06 of the Agreement make reference to a Letter Agreement (the "Letter Agreement") containing an agreement as to certain fees payable by the Issuer to the Bank in consideration for the entrance into the Agreement by the Bank. The Issuer and the Bank have previously entered into that Letter Agreement dated as of August 27, 2004, as modified by that Notice of Adjustment of Facility Fee dated as of October 30, 2008 (the "Original Letter Agreement") which was amended and restated in its entirety pursuant to that Amended and Restated Letter Agreement dated November 7, 2008 (the "2008 Letter Agreement"). This Second Amended and Restated Letter Agreement hereby amends and restates the 2008 Letter Agreement in its entirety and is the Letter Agreement referenced in Section 2.06 of the Agreement. By countersigning this Second Amended and Restated Letter Agreement where indicated below, the Issuer agrees to pay the following:

(a) **Facility Fee.** The Issuer shall pay to the Bank a non-refundable facility fee (the "Facility Fee") equal to 0.45% per annum on the Available Commitment. Such Facility Fee shall be payable, without any requirement of notice or demand, in immediately available funds in arrears, quarterly on each October 1, January 1, April 1 and July 1 during the Purchase Period and on the Expiration Date. The Facility Fee shall

EXHIBIT B

be calculated on the basis of the average daily amount of the Available Commitment and on the basis of a 360-day year and the actual number of days elapsed. If the Available Commitment is terminated in its entirety, the accrued but unpaid Facility Fee shall be payable on the effective date of such termination. The Facility Fee shall be increased to the per annum percentage of the Available Commitment described in the chart below if (i) any of the ratings assigned by the Rating Agencies to the long-term claims-paying ability of the Insurer (the “Insurer Ratings”) fall to the corresponding levels specified below and/or (ii) any of the ratings assigned by the Rating Agencies to the Debt secured by a lien on Net Revenues (the “Water and Wastewater System Ratings”) fall to the corresponding levels specified below. The Facility Fee shall be the fee specified in the matrix below at the intersection the lowest Insurer Rating (left side columns) and the lowest Water and Wastewater System Rating (across the top):

Insurer Ratings (lowest rating to be used)		Water and Wastewater System Ratings (lowest rating to be used)					
S&P	Moody’s	A+, A+ and A1 or better	A, A or A2	A-, A- or A3	BBB+, BBB+ or Baa1	BBB, BBB, or Baa2	BBB-, BBB- or Baa3
AAA	Aaa	.45%	.50%	.55%	.60%	.65%	.70%
AA+	Aa1	.55%	.60%	.65%	.70%	.75%	.80%
AA	Aa2	.65%	.70%	.75%	.80%	.85%	.90%
AA-	Aa3	.75%	.80%	.85%	.90%	.95%	1.00%
A+	A1	.85%	.90%	.95%	1.00%	1.05%	1.10%
A	A2	.95%	1.00%	1.05%	1.10%	1.15%	1.20%
A-	A3	1.05%	1.10%	1.15%	1.20%	1.25%	1.30%
BBB+	Baa1	1.15%	1.20%	1.25%	1.30%	1.35%	1.40%
BBB	Baa2	1.25%	1.30%	1.35%	1.40%	1.45%	1.50%
BBB-	Baa3	1.35%	1.40%	1.45%	1.50%	1.55%	1.60%

In the event that either (1) the Insurer Ratings are withdrawn, suspended or fall below the lowest level specified above by either Moody’s or S&P or (2) the Water and Wastewater System Ratings are withdrawn, suspended or fall below the lowest level specified above by either Moody’s, Fitch or S&P, the Facility Fee shall be increased to 1.75% of the Available Commitment. The lowest Insurer Rating or Water and Wastewater System Rating, as applicable, assigned by any of the applicable Rating Agencies shall be used to determine the appropriate level of the Facility Fee. Upon the occurrence of an Event of Default, the Facility Fee shall be increased by an additional .50% of the Available Commitment, calculated as provided above.

(b) **Transfer/Amendment Fee.** Upon each transfer or amendment of the Agreement in accordance with its terms (other than an amendment caused by an action of the Bank) or appointment of a successor Tender Agent under the Ordinance, the Issuer agrees to pay the Bank the sum of \$2,500 plus the Bank’s actual costs and expenses (including reasonable legal fees) associated with such transfer, appointment or amendment (and interest on any overdue costs and expenses from the date due to the date reimbursed by the Issuer at the interest rate specified in Section 2.08(b) of the Agreement). Any such payment under this paragraph (b) shall be due 45 days after receipt by the Issuer of an invoice from the Bank for the appropriate charges.

(c) ***Purchase Fee.*** Upon each advance of funds to purchase Eligible Bonds pursuant to Section 2.02 of the Agreement, the Issuer agrees to pay to the Bank, a purchase fee of \$250 per Purchase Date, payable without any requirement of notice or demand by the Bank on the day on which such advance is paid by the Bank; provided, however, the sum total of all purchase fees paid by the Issuer under this paragraph (c) shall not exceed \$10,000 in any one calendar year.

This Second Amended and Restated Letter Agreement 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. This Second Amended and Restated Letter Agreement may be amended, terminated or otherwise modified only by a written instrument executed by both the Bank and the Issuer. This Second Amended and Restated Letter Agreement and the Agreement shall be construed as one agreement between the Issuer and the Bank and shall be governed by the laws set forth in Section 9.06 of the Agreement.

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EXHIBIT B

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

Very truly yours,

LANDESBANK BADEN-WÜRTTEMBERG,
Acting Through Its New York Branch

By: _____
Name: _____
Title: _____

By _____
Name: _____
Title: _____

Acknowledged and agreed
as of the _____ day of June, 2010.

CITY OF AUSTIN, TEXAS

By _____
Name _____
Title _____