

EXHIBIT C
Form of Note Purchase Agreement

NOTE PURCHASE AGREEMENT

Dated as of April 1, 2013

City of Fort Worth, Texas
1000 Throckmorton
Fort Worth, Texas 76102

Ladies and Gentlemen:

The undersigned Wells Fargo Bank, National Association (the “*Bank*”) offers to enter into this Note Purchase Agreement (the “*Agreement*”) with the City of Fort Worth, Texas (the “*Issuer*”), for the purchase by the Bank and sale by the Issuer from time to time of the Notes specified below. This offer is made subject to the Issuer’s written acceptance on or before 11:00 p.m., Fort Worth, Texas time, on the Closing Date, and upon such acceptance this Agreement shall be in full force and effect in accordance with its terms and shall be binding upon the Issuer and the Bank.

Capitalized terms not otherwise defined herein shall have the same meanings as are set forth in the Ordinance (as defined herein). In addition to the terms defined elsewhere in this Agreement, the following terms shall have the indicated meanings:

“*1933 Act*” shall mean the Securities Act of 1933, as the same shall from time to time be supplemented or amended.

“*1939 Act*” shall mean the Trust Indenture Act of 1939, as the same shall from time to time be supplemented or amended.

“*Act*” has the meaning set forth in Section 1.1 hereof.

“*Affiliate*” means, with respect to any Person, any Person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such first Person. A Person shall be deemed to control another Person for the purposes of this definition if such first Person possesses, directly or indirectly, the power to direct, or cause the direction of, the management and policies of the second Person, whether through the ownership of voting securities, common directors, trustees or officers, by contract or otherwise.

“*Amortization End Date*” means, with respect to any Note, the earlier to occur of (i) the second (2nd) anniversary of the Maturity Date of such Note and (ii) the date on which the

principal amount of such Note is repaid in accordance with the terms of this Agreement and the Ordinance.

“*Amortization Period*” means, with respect to any Note, in the event such Note is not paid on the Maturity Date of such Note and all Amortization Requirements are satisfied, the period commencing on such Maturity Date and ending on the related Amortization End Date.

“*Amortization Principal Payment Date*” means, with respect to any Note, (a) the related Initial Amortization Principal Payment Date and the first Business Day of each sixth (6th) calendar month occurring thereafter which occurs prior to the Amortization End Date and (b) the Amortization End Date.

“*Amortization Requirements*” has the meaning given such term in Section 1.5 hereof.

“*Applicable Law*” means (i) all applicable common law and principles of equity and (ii) all applicable provisions of all (A) constitutions, statutes, rules, regulations and orders of all governmental and non-governmental bodies, (B) Governmental Approvals and (C) orders, decisions, judgments and decrees of all courts (whether at law or in equity) and arbitrators.

“*Applicable Spread*” means a rate per annum associated with the Level corresponding to the applicable Rating assigned by any of Moody’s, S&P or Fitch, as specified below.

LEVEL	MOODY’S RATING	S&P RATING	FITCH RATING	APPLICABLE SPREAD
Level 1	Aa1 or above	AA+ or above	AA+ or above	0.650%
Level 2	Aa2	AA	AA	0.725%
Level 3	Aa3	AA-	AA-	0.800%
Level 4	A1	A+	A+	0.950%
Level 5	A2	A	A	1.100%
Level 6	A3	A-	A-	1.250%
Level 7	Baa1	BBB+	BBB+	1.500%
Level 8	Baa2	BBB	BBB	1.850%
Level 9	Baa3 or below	BBB- or below	BBB- or below	2.350%

In the event of a split Rating (i.e., one of the Ratings is at a different Level than one or more of the other Ratings), the Applicable Spread will be based upon the Level in which the lower of the two highest Ratings appears in the pricing grid set forth above or, if two of such Ratings are equivalent, the Level in which the two equivalent Ratings appear (for the avoidance of doubt, Level 9 is the lowest Level and Level 1 is the highest Level); provided that in the event there are less than three Ratings, the Applicable Spread shall be based upon the Level in which the lower Rating appears in the pricing grid set forth above. Any change in the Applicable Spread 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, 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 that most closely approximates the applicable rating category as currently in effect. The Issuer acknowledges that as of the Closing Date the Applicable Spread is that specified above for Level 1.

“Authorized Representative” has the meaning set forth in the Ordinance.

“Available Commitment” means, on any date, an initial amount equal to \$100,000,000 and thereafter such initial amount adjusted from time to time as follows: (a) downward in an amount equal to the principal amount of any Note purchased by the Bank pursuant to the terms hereof; (b) upward in an amount equal to the principal amount of any Note paid by the Issuer pursuant to the terms of Section 1.5 hereof; and (c) downward to zero upon the expiration or termination of the Available Commitment in accordance with the terms hereof.

“Bank” or *“Bank”* shall have the meaning specified in the introductory paragraph hereof.

“Bank’s Counsel” shall mean the law firm of Chapman and Cutler LLP, or any successor to such firm selected by the Bank.

“Bank Rate” means, for each day of determination, a fluctuating rate per annum, with respect to any Term Loan, equal to the Base Rate from time to time in effect plus one percent (1.00%); *provided* that from and after the occurrence of an Event of Default, *“Bank Rate”* shall mean the Default Rate.

“Base Rate” shall mean, for any day, a fluctuating rate of interest per annum equal to the greatest of (i) the Prime Rate in effect at such time *plus* one percent (1.0%), (ii) the Federal Funds Rate in effect at such time *plus* two percent (2.0%) and (iii) seven percent (7.0%).

“Bond Counsel” shall mean the law firms of McCall, Parkhurst & Horton L.L.P. and Kelly Hart & Hallman LLP, or any nationally recognized bond counsel selected by the Issuer and acceptable to the Bank.

“Business Day” shall mean any day of the year other than (i) a Saturday, Sunday or legal holiday, (ii) a day on which banks located in the Paying Agent/Registrar’s designated corporate trust office or Fort Worth, Texas are required or authorized to close or (iii) a day on which banks can not deal in United States deposits in the interbank market in London, England.

“Change in Law” means the occurrence, after the Closing Date, of any of the following: (a) the adoption or taking effect of any Law, including, without limitation, any Risk-Based Capital Guidelines, (b) any change in any Law or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, ruling, guideline, regulation or directive (whether or not having the force of law) by any Governmental Authority; *provided* that notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, ruling, guidelines, regulations or directives thereunder or issued in connection therewith and (ii) all requests, rules, rulings, guidelines, regulations or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any

successor or similar authority) or the United States or foreign regulatory authorities shall in each case be deemed to be a “Change in Law,” regardless of the date enacted, adopted or issued.

“*Closing*” shall have the meaning specified in Section 1.2 hereof.

“*Closing Date*” means April __, 2013.

“*Code*” means the Internal Revenue Code of 1986, as amended, and, where appropriate any statutory predecessor or any successor thereto.

“*Commitment Expiration Date*” means March 31, 2018, unless extended as provided herein.

“*Commitment Fee*” has the meaning set forth in Section 1.9(a) hereof.

“*Computation Date*” means Wednesday of each week or, if any Wednesday is not a Business Day, the next preceding Business Day.

“*Debt*” of any Person means, without duplication, (i) all obligations of such Person evidenced by bonds, debentures, notes, securities or other similar instruments, (ii) all obligations of such Person for borrowed money, (iii) 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, (iv) obligations of such Person as lessee under any lease of property, real or personal, that, in accordance with GAAP, would be required to be capitalized on a balance sheet of the lessee thereof, (v) obligations of such Person to reimburse or repay any bank or other Person in respect of amounts paid or advanced under a letter of credit, credit agreement, liquidity facility or other instrument, (vi) all obligations of such Person to purchase securities (or other property) which arise out of or in connection with the sale of the same or substantially similar securities or property or obligations for the deferred purchase price of property or services (other than trade accounts payable occurring in the ordinary course of business), (vii) all Debt of others secured by a Lien on any asset of such Person whether or not such Debt is assumed by such Person, (viii) any obligation of such Person guaranteeing or in effect guaranteeing any other Debt, whether directly or indirectly, and (ix) all obligations arising under or pursuant to any Swap Contract, in each case payable from or secured by a pledge of Pledged Revenues.

“*Default*” means any event or condition, which, with notice, the passage of time or any combination of the foregoing, would constitute an Event of Default.

“*Default Rate*” shall mean, for any day, a rate of interest per annum equal to the sum of the Base Rate in effect on such day plus three percent (3.00%).

“*Determination of Taxability*” means and shall be deemed to have occurred on the first to occur of the following:

(i) on that date when the Issuer files any statement, supplemental statement or other tax schedule, return or document which discloses that an Event of Taxability shall have in fact occurred;

(ii) on the date when the Noteholder or any former Noteholder notifies the Issuer that it has received a written opinion by Bond Counsel or another nationally recognized attorney or firm of attorneys of substantial expertise on the subject of tax-exempt municipal finance, reasonably satisfactory to the Issuer and the Bank, to the effect that an Event of Taxability shall have occurred unless, within one hundred eighty (180) days after receipt by the Issuer of such notification from the Noteholder or any former Noteholder, the Issuer shall deliver to the Noteholder and any former Noteholder a ruling or determination letter issued to or on behalf of the Issuer or the Issuer by the Commissioner or any District Director of the Internal Revenue Service (or any other governmental official exercising the same or a substantially similar function from time to time) to the effect that, after taking into consideration such facts as form the basis for the opinion that an Event of Taxability has occurred, an Event of Taxability shall not have occurred;

(iii) on the date when the Issuer shall be advised in writing by the Commissioner or any District Director of the Internal Revenue Service (or any other government official or agent exercising the same or a substantially similar function from time to time) that, based upon filings of the Issuer, or upon any review or audit of the Issuer or upon any other ground whatsoever, an Event of Taxability shall have occurred; or

(iv) on that date when the Issuer shall receive notice from the Noteholder or any former Noteholder that the Internal Revenue Service (or any other government official or agency exercising the same or a substantially similar function from time to time) has assessed as includable in the gross income of such Noteholder or such former Noteholder the interest on the Notes due to the occurrence of an Event of Taxability;

provided, however, no Determination of Taxability shall occur under subparagraph (iii) or (iv) hereunder unless the Issuer has been afforded the opportunity, at its expense, to contest any such assessment, and, further, no Determination of Taxability shall occur until such contest, if made, has been finally determined; *provided further, however,* that upon demand from the Noteholder or former Noteholder, the Issuer shall promptly reimburse, but solely from payments made by the Issuer, such Noteholder or former Noteholder for any payments, including any taxes, interest, penalties or other charges, such Noteholder (or former Noteholder) shall be obligated to make as a result of the Determination of Taxability.

“*Direct Purchase Note*” has the meaning set forth in the Ordinance.

“Environmental Event” means (i) the presence, release, generation, handling, storage, disposal, removal, transportation or treatment of hazardous materials or hazardous substances (as defined in any applicable Environmental Laws, and including asbestos and materials containing asbestos and mold) in, under, on, at or from any real property comprising all or a part of the System owned, occupied or operated by the Issuer, or on any real property adjoining or in the vicinity of real property comprising all or a part of the System owned by, leased or operated by the Issuer, as a result of migration of hazardous substances from the Issuer’s real property comprising all or a part of the System under circumstances where such real property was the source thereof; *provided*, that in each case the same has resulted in a violation of Environmental Laws the liability of which could reasonably be expected to exceed \$100,000 or an impairment to property which materially reduces its value by an amount which could reasonably be expected to exceed \$100,000 or materially restricts its use for any lawful purpose or creates a threat to public or worker health or safety or constitutes waste; or (ii) the receipt by the Issuer of any written notice or claim of any violation of any Environmental Law or permit, nuisance, negligence or other tort or other theory alleging liability or responsibility in respect to System properties in an amount in excess of \$100,000 on the basis of any of the facts, conditions or circumstances described in the foregoing item (i).

“Environmental Laws” means any and all federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended, and any successor statute of similar import, and regulations thereunder, in each case as in effect from time to time. References to Sections of ERISA shall be construed also to refer to any successor Sections.

“Event of Default” with respect to this Agreement has the meaning set forth in Section 5.2 of this Agreement and, with respect to any Related Document, has the meaning assigned therein.

“Event of Taxability” means a (i) change in Law or fact or the interpretation thereof, or the occurrence or existence of any fact, event or circumstance (including, without limitation, the taking of any action by the Issuer, or the Issuer’s failure to take any such action, or the making by the Issuer of any misrepresentation herein or in any certificate required to be given in connection with the issuance, sale or delivery of the Notes) which has the effect of causing interest paid or payable on the Notes to become includable, in whole or in part, in the gross income of the Noteholder or any former Noteholder for federal income tax purposes or (ii) the entry of any decree or judgment by a court of competent jurisdiction, or the taking of any official action by the Internal Revenue Service or the Department of the Treasury, which decree, judgment or action shall be final under applicable procedural law, in either case, which has the effect of causing interest paid or payable on the Notes to become includable, in whole or in part,

in the gross income of the Noteholder or any former Noteholder for federal income tax purposes with respect to such Notes.

“Excluded Taxes” means, with respect to the Bank or any Noteholder, (a) taxes imposed on or measured by its overall net income (however denominated), and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the laws of which the Bank or such Noteholder is organized or in which its principal office is located, and (b) any branch profits taxes imposed by the United States or any similar tax imposed by any other jurisdiction in which the Issuer is located.

“Federal Funds Rate” means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; *provided* that: (a) if such day is not a Business Day, then the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day; and (b) if no such rate is so published on such next succeeding Business Day, then the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of one-hundredth of one percent) charged to the Bank on such day on such transactions as determined by the Bank.

“Fiscal Year” has the meaning set forth in the Ordinance.

“Fitch” shall mean Fitch, Inc. and its successors and assigns.

“Floating Rate” shall mean a rate per annum equal to the product of (i) the Margin Rate Factor and (ii) sum of (A) the SIFMA Index and (B) the Applicable Spread; *provided* that during the Amortization Period, if any, with respect to any Note, *“Floating Rate”* shall mean the Bank Rate; *provided* further that, from and after the occurrence of an Event of Default, *“Floating Rate”* shall mean the Default Rate.

“GAAP” means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or any successor authority) that are applicable to governmental entities such as the Issuer as of the date of determination, consistently applied.

“Governmental Approval” means an authorization, consent, approval, license, or exemption of, registration or filing with, or report to any Governmental Authority.

“Governmental Authority” means the government of the United States or any other nation or any political subdivision thereof or any governmental or quasi-governmental entity, including any court, department, commission, board, bureau, agency, administration, central bank, service, district or other instrumentality of any governmental entity or other entity exercising executive, legislative, judicial, taxing, regulatory, fiscal, monetary or administrative

powers or functions of or pertaining to government, or any arbitrator, mediator or other Person with authority to bind a party at law.

“Indemnified Taxes” means Taxes other than Excluded Taxes.

“Initial Amortization Principal Payment Date” means, with respect to any Note, the first Business Day of the sixth (6th) month immediately following the related Maturity Date.

“Initial Note” means the Direct Purchase Note issued on the Closing Date in the principal amount of \$250,000, with a Maturity Date of September 30, 2013.

“Investment Grade” means a rating of “Baa3” (or its equivalent) or better by Moody’s and “BBB-” (or its equivalent) or better by S&P and by Fitch.

“Law” means any treaty or any federal, regional, state and local law, statute, rule, ordinance, regulation, code, license, authorization, decision, injunction, interpretation, order or decree of any court or other Governmental Authority.

“Lien” means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or preference, priority or other security interest or preferential arrangement in the nature of a security interest of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any easement, right of way or other encumbrance on title to real property, and any financing lease having substantially the same economic effect as any of the foregoing).

“Margin Rate Factor” means the greater of (i) 1.0, and (ii) the product of (a) one minus the Maximum Federal Corporate Tax Rate multiplied by (b) 1.54. The effective date of any change in the Margin Rate Factor shall be the effective date of the decrease or increase (as applicable) in the Maximum Federal Corporate Tax Rate resulting in such change.

“Master Ordinance” has the meaning set forth in the Ordinance.

“Material Adverse Effect” means: (a) a material adverse change in, or a material adverse effect upon, the operations, business, properties, liabilities (actual or contingent), condition (financial or otherwise) or prospects of the Issuer; (b) a material impairment of the ability of the Issuer to perform its obligations under any Related Document to which it is a party; (c) a material adverse effect upon the legality, validity, binding effect or enforceability against the Issuer of any Related Document to which it is a party; or (d) a material adverse effect on the rights, interests, security or remedies of the Bank under this Agreement or any other Related Document.

“Maturity Date” means, with respect to any Note, the date that such Note is scheduled to mature in accordance with the terms of this Agreement and the Ordinance; provided that in no event shall the *“Maturity Date”* be later than the Commitment Expiration Date in effect on the related Settlement Date for such Note or the Maximum Maturity Date.

“*Maximum Federal Corporate Tax Rate*” means the maximum rate of income taxation imposed on corporations pursuant to Section 11(b) of the Code, as in effect from time to time (or, if as a result of a change in the Code, the rate of income taxation imposed on corporations generally shall not be applicable to the Bank, the maximum statutory rate of federal income taxation which could apply to the Bank).

“*Maximum Interest Rate*” has the meaning set forth in the Ordinance.

“*Maximum Maturity Date*” has the meaning set forth in the Ordinance.

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

“*Net Revenues*” has the meaning set forth in the Master Ordinance.

“*Note*” or “*Notes*” shall have the meaning specified in Section 1.1 hereof.

“*Note Payment Fund*” has the meaning set forth in the Ordinance.

“*Noteholder*” means the Bank and each Bank Transferee or Non-Bank Transferee pursuant to Section 7.2 hereof so long as such Bank Transferee or Non-Bank Transferee is an owner of Notes.

“*Obligations*” means all amounts payable by the Issuer (including, without limitation, the principal of and interest on Notes) and all other obligations to be performed by the Issuer pursuant to this Agreement and the other Related Documents (including any amounts to reimburse the Bank for any advances or expenditures by it under any of such documents).

“*Operating Expenses*” has the meaning set forth in the Master Ordinance.

“*Ordinance*” shall mean the Ordinance No. ___ - ___ 2013 adopted by the City Council of the City of Fort Worth, Texas on March 26, 2013, as amended in accordance with the terms hereof and thereof.

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

“*Outstanding*” has the meaning set forth in the Ordinance

“*Parity Debt*” means Debt of the Issuer that is payable from or secured by Pledged Revenues on a parity with the Issuer's obligation to pay the principal of and interest on the Notes.

“*Patriot Act*” means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Title III of Pub. L. 107-56 (signed into law October 26, 2001).

“*Paying Agent/Registrar*” means _____, and its successors and assigns.

“*Paying Agent/Registrar Agreement*” means that certain Paying Agent/Registrar Agreement dated as of March __, 2013, between the Issuer and the Paying Agent/Registrar, as the same may be amended, modified or supplemented from time to time in accordance with its terms and the terms hereof.

“*PBGC*” means the Pension Benefit Guaranty Corporation or any successor thereto.

“*Person*” means any individual, corporation, not for profit corporation, partnership, limited liability company, joint venture, association, professional association, joint stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other form of entity.

“*Plan*” means, with respect to the Issuer and each Subsidiary at any time, an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code and either (i) is maintained by a member of the Controlled Group for employees of a member of the Controlled Group of which the Issuer or such Subsidiary is a part, (ii) is maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which a member of the Controlled Group of which the Issuer or such Subsidiary is a part is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions.

“*Pledged Revenues*” has the meaning set forth in the Ordinance.

“*Prime Rate*” means on any day, the rate of interest per annum then most recently established by the Bank as its “prime rate.” Any such rate is a general reference rate of interest, may not be related to any other rate, and may not be the lowest or best rate actually charged by the Bank to any customer or a favored rate and may not correspond with future increases or decreases in interest rates charged by other lenders or market rates in general, and that the Bank may make various business or other loans at rates of interest having no relationship to such rate. If the Bank ceases to establish or publish a prime rate from which the Prime Rate is then determined, the applicable variable rate from which the Prime Rate is determined thereafter shall be instead the prime rate reported in *The Wall Street Journal* (or the average prime rate if a high and a low prime rate are therein reported), and the Prime Rate shall change without notice with each change in such prime rate as of the date such change is reported.

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

“*Property*” means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, whether now owned or hereafter acquired.

“*Rate Reset Date*” means Thursday of each week.

“*Rating*” means the long-term unenhanced debt rating assigned by any of Moody’s, Fitch or S&P to any Prior Lien Obligation.

“*Rating Agency*” means Moody’s, Fitch or S&P.

“*Related Documents*” means this Agreement, the Ordinance, the Master Ordinance, the Paying Agent/Registrar Agreement and the Notes, and any and all future renewals and extensions or restatements of, or amendments or supplements to, any of the foregoing.

“*Request for Purchase*” shall mean the request for a purchase of a Note by the Bank, in the form of Exhibit A hereto.

“*Risk-Based Capital Guidelines*” means (i) the risk-based capital guidelines in effect in the United States on the date of this Agreement, including transition rules, and (ii) the corresponding capital regulations promulgated by regulatory authorities outside the United States including transition rules, and any amendments to such regulations adopted prior to the Effective Date.

“*S&P*” shall mean Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, its successors and assigns.

“*Security*” has the meaning set forth in Section 2.17 hereof.

“*Settlement*” shall mean each Settlement described in Section 1.3 hereof.

“*Settlement Date*” shall mean each date on which a Settlement occurs.

“*SIFMA Index*” shall mean, on any Rate Reset Date, the level of the index which is issued weekly and which is compiled from the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by Municipal Market Data which meet specific criteria established from time to time by the Securities Industry and Financial Markets Association and issued on the next preceding Computation Date. If the SIFMA Index is no longer published, then “*SIFMA Index*” shall mean the S&P Weekly High Grade Index. If the S&P Weekly High Grade Index is no longer published, then “*SIFMA Index*” shall mean the prevailing rate determined by the Bank for tax-exempt state and local government bonds meeting criteria determined in good faith by the Bank to be comparable under the circumstances to the criteria used by the Securities Industry and Financial Markets Association to determine the SIFMA Index immediately prior to the date on which the Securities and Financial Markets Association ceased publication of the SIFMA Index.

“*State*” shall mean the State of Texas.

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

“*Subsidiary*” of a Person means a corporation, partnership, joint venture, limited liability company or other business entity of which a majority of the shares of securities or other interests

having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time beneficially owned, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise specified, all references herein to a “*Subsidiary*” or to “*Subsidiaries*” shall refer to a Subsidiary or Subsidiaries of the Issuer.

“*Swap Contract*” means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a “*Master Agreement*”), including any such obligations or liabilities under any Master Agreement, in each case payable from or secured by a pledge of Pledged Revenues.

“*System*” has the meaning set forth in the Ordinance.

“*System Fund*” has the meaning set forth in the Master Ordinance.

“*System Obligations*” has the meaning set forth in Section 2.09 of the Ordinance.

“*Taxable Date*” means the date on which interest on the Notes is first includable in gross income of the Noteholder (including, without limitation, any previous Noteholder) thereof as a result of an Event of Taxability as such a date is established pursuant to a Determination of Taxability.

“*Taxable Period*” has the meaning set forth in Section 1.8 hereof.

“*Taxable Rate*” means, with respect to a Taxable Period, the product of (i) the average interest rate on the applicable Tax-Exempt Notes during such period and (ii) 1.54.

“*Taxes*” means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, fines, additions to tax or penalties applicable thereto.

“*Termination Date*” means the earlier of (i) the Commitment Expiration Date, as such date may be extended pursuant to Section 1.11 hereof, and (ii) the date the Available Commitment terminates by its terms in accordance with Article V hereof.

“*Unfunded Vested Liabilities*” means, with respect to any Plan at any time, the amount (if any) by which (i) the present value of all vested nonforfeitable accrued benefits under such Plan exceeds (ii) the fair market value of all Plan assets allocable to such benefits, all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the Controlled Group to the PBGC or such Plan under Title IV of ERISA.

“*Welfare Plan*” means a “*welfare plan*,” as such term is defined in Section 3(1) of ERISA.

ARTICLE I

SALE AND PURCHASE; CLOSING; SETTLEMENT

Section 1.1. Purchase and Sale of Notes. (a) From the Closing Date through the Termination Date, and upon and subject to the terms and conditions and on the basis of the representations, warranties and agreements contained herein, the Bank hereby agrees, when requested by the Issuer pursuant to this Agreement, to purchase from the Issuer from time to time in an aggregate principal amount at any one time outstanding not to exceed the Available Commitment, and the Issuer hereby agrees to sell and deliver to the Bank from time to time the “City of Fort Worth, Texas Water and Sewer System Direct Purchase Notes, Series WF” (constituting Direct Purchase Notes under the Ordinance and referred to herein as the “Notes”), upon issuance thereof in accordance with and under the terms and conditions of the Ordinance, in one or more installments on each Settlement Date. The Notes are authorized pursuant to the provisions of Chapters 1371 and 1502, Texas Government Code, as amended (collectively, the “Act”), the Issuer’s home rule charter and the Ordinance, and are to be issued only for the purposes authorized under the Ordinance. The Notes are issued as Direct Purchase Notes under the Ordinance and, pursuant to the Ordinance and the Master Ordinance, the principal of and interest on the Notes are payable from and secured by a lien on and pledge of the Pledged Revenues, subordinate solely to the lien on and pledge of the Pledged Revenues securing the Prior Lien Obligations and otherwise subject to the terms and conditions of the Master Ordinance and the Ordinance.

(b) Pursuant to and subject to the terms of this Agreement, each Note shall be sold to the Bank at a purchase price equal to the principal amount of each Note and no accrued interest and the Bank shall pay such purchase price to the Issuer upon delivery of such Note to the Bank on the related Settlement Date.

(c) In regard to the periodic sale of Notes by the Issuer to the Bank pursuant to private placement governed by the terms of this Agreement, the Bank acknowledges that the Issuer has furnished the Bank with all information necessary and requested by the Bank to permit the Bank to make an informed decision concerning its periodic purchase of Notes throughout the term of

this Agreement, and the Bank has made such inspections and investigations as it has deemed necessary to determine the investment quality of the Issuer and its ability to perform under the Ordinance and to assess all risk factors associated with the Bank's purchase of Notes as herein described. The Notes are being purchased for the account of the Bank as evidence of a loan to the Issuer.

(d) The Bank hereby acknowledges and represents that it has an on-going business relationship with the Issuer and that it is familiar with the financial condition of the Issuer and the ability of the Issuer to timely pay the principal of and interest on the Notes. The Bank has been furnished with such financial information relating to the Issuer as it has requested for the purposes of making its assessment of the prospects and value of the Notes. The Bank has had a reasonable opportunity to request and review such other information as it needs from the Issuer in order to enable it to make the decision to purchase the Notes. The Bank is not relying on the Issuer or Bond Counsel as to the completeness or accuracy of any financial information provided to the Bank by the Issuer in connection with its determination to purchase the Notes.

(e) Each Note shall (i) be dated the date such Note is delivered to the Bank, (ii) be payable from and secured by the Pledged Revenues in the manner described in Section 1.1(a) hereof, (iii) have a Maturity Date as specified in the related Request for Purchase but in no event later than the Commitment Expiration Date or Maximum Maturity Date, with principal thereof and interest thereon payable as specified in this Agreement, and (iv) bear interest at the Floating Rate. Interest on the Notes shall be calculated on the basis of a year of 360 days and actual days elapsed from the Settlement Date.

Section 1.2. Closing. At such date and time as shall have been mutually agreed upon by the Issuer and the Bank, the certificates, opinions and other documents required by Section 3.2 below shall be executed and delivered (all of the foregoing actions are herein referred to collectively as the "*Closing*"). Assuming the Closing is completed in accordance with the provisions of this Agreement then, subject to the provisions of this Agreement and the conditions set forth in Section 3.3 hereof, the Bank shall purchase each Note and pay the purchase price therefor specified in Section 1.1(b) hereof (and the Issuer shall issue and deliver such Note) at each Settlement.

Section 1.3. Purchase Request and Settlement. In order to request the purchase of a Note by the Bank, the Issuer shall deliver a Request for Purchase to the Bank in the form of Exhibit A hereto, and deliver or cause to be delivered to the Bank the other documents required by Section 3.3 hereof, not later than 10:00 A.M. (Fort Worth, Texas time) on the second (2nd) Business Day prior to the proposed Settlement Date. The Bank will, subject to the terms and conditions hereof, accept such delivery and pay or cause to be paid the purchase price of the Note or Notes by wire transfer in immediately available funds to the Issuer (all of the foregoing described transactions are herein referred to collectively as the "*Settlement*"); *provided*, that if so directed by the Issuer, the Bank shall pay or cause to be paid the purchase price of the Note or Notes by wire transfer in immediately available funds to the Paying Agent/Registrar for deposit into the Note Payment Fund.

Section 1.4. Interest Rate. (a) Each Note shall bear interest at a rate per annum equal to the lesser of (1) the Maximum Interest Rate or (2) the Floating Rate. The Floating Rate shall be rounded upward to the second decimal place.

(b) Any principal of, and to the extent permitted by applicable law, any interest on the Notes and any other sum payable hereunder, which is not paid when due shall bear interest, from the date due and payable until paid, payable on demand, at a rate per annum equal to the lesser of (i) the Default Rate and (ii) subject to Section 1.4(c) hereof, the Maximum Interest Rate.

(c) Upon the occurrence of an Event of Default, the Notes and all other Obligations payable hereunder shall bear interest, payable on demand (excluding interest on outstanding Notes, which will remain payable in accordance with their terms until their respective maturity dates), at a rate per annum equal to the lesser of (i) the Default Rate and (ii) subject to Section 1.4(c) hereof, the Maximum Interest Rate.

(d) Anything in Section 1.4(a), 1.4(b) or 1.4(c) to the contrary notwithstanding, if at any time the interest rate which would otherwise be payable on a Note exceeds the Maximum Interest Rate, the rate of interest to accrue on the aggregate unpaid outstanding principal balance of the Note during that time shall be limited to the Maximum Interest Rate, but any subsequent reductions in the interest rate applicable to the Note shall not become effective to reduce the interest rate below the Maximum Interest Rate until the total amount of interest accrued on the aggregate unpaid outstanding principal balance of the Note equals the total amount of interest which would have accrued if the applicable interest rate on the Note as provided hereunder had at all times been in effect. Notwithstanding the foregoing, on the date on which no principal amount with respect to the Notes remains unpaid, the Issuer shall pay to each Noteholder a fee equal to any accrued and unpaid excess interest pursuant to this Section 1.4(d).

Section 1.5. Payment. (a) Accrued but unpaid interest on each Note shall be due and payable on the first day of every calendar month and on the Maturity Date of each such Note. Interest due and payable on a Note shall be equal to the amount accrued to, but excluding the related payment date. If the payment date for the principal of or interest on a Note is a day other than a Business Day, the date for payment thereof shall be extended, without penalty, to the next succeeding Business Day, and such extended period of time shall be included in the computation of interest; *provided, however*, the payment of interest on a Note on such extended date shall have the same force and effect as if made on the original payment date.

(b) All outstanding principal of any Note shall be due and payable on the related Maturity Date of such Note; *provided* that if all conditions precedent to the Amortization Period set forth in Section 3.5 hereof are satisfied (the “*Amortization Requirements*”), then the principal of the Note shall be payable on the following terms: (i) such Note shall bear interest at the Bank Rate, (ii) interest on such Note shall be payable in arrears on the first on the first Business Day of each calendar month and on the Amortization End Date, and (iii) the principal amount of such Note shall be payable on each Amortization Principal Payment Date. The Issuer acknowledges that the foregoing payment schedule may result in a final payment substantially higher than the preceding payments.

(c) The Issuer may prepay any Note, in full at any time or in part from time to time on any Business Day, *provided*, that (i) the Bank shall have received from the Issuer fifteen (15) days prior written notice of the intention to prepay, the amount to be prepaid, and the date on which the prepayment will be made; (ii) each prepayment shall be in the amount of \$250,000 or integral multiple of \$10,000 in excess thereof (unless the prepayment is in full); and (iii) each prepayment shall be in the amount of 100% of the principal to be prepaid, plus accrued unpaid interest thereon to the date of prepayment, plus any other sums which have become due to the Bank and for which the Bank has delivered an invoice to the Issuer, on or before the date of prepayment but have not been paid. Notwithstanding the foregoing, during the Amortization Period with respect to any Note, the Issuer may prepay such Note in whole or in part, on any Business Day, without cost, penalty or premium, provided at least three (3) days' written notice is provided by the Issuer to the Bank. Each such notice of optional prepayment shall be irrevocable and shall bind the Issuer to make such prepayment in accordance with such notice.

(d) The Issuer shall issue the Initial Note on the Closing Date, and subject to satisfaction of the conditions set forth in Section 3.2 hereof, the Bank agrees to purchase the Initial Note, at a price of par and no accrued interest.

Section 1.6. Increased Costs and Reduced Return.

(a) *Increased Costs Generally.* If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, liquidity ratio, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or advances, loans or other credit extended or participated in by, the Bank or any Noteholder;

(ii) subject the Bank or any Noteholder to any Tax of any kind whatsoever with respect to this Agreement or the Notes, or change the basis of taxation of payments to the Bank or such Noteholder in respect thereof (except for Indemnified Taxes or Other Taxes covered by Section 1.7 and the imposition of, or any change in the rate of any Excluded Tax payable by the Bank or such Noteholder); or

(iii) impose on the Bank or any Noteholder any other condition, cost or expense affecting this Agreement or the Notes;

and the result of any of the foregoing shall be to increase the cost to the Bank or such Noteholder of owning the Notes (or of maintaining its obligation to purchase the Notes), or to reduce the amount of any sum received or receivable by the Bank or such Noteholder hereunder or under the Notes (whether of principal, interest or any other amount) then, upon written request of the Bank or such Noteholder as set forth in clause (c) of this Section, the Issuer shall promptly pay to the Bank or such Noteholder, as the case may be, such additional amount or amounts as will compensate the Bank or such Noteholder, as the case may be, for such additional costs incurred or reduction suffered.

(b) *Capital Requirements.* If the Bank or any Noteholder determines that any Change in Law affecting the Bank or such Noteholder or the Bank's or such Noteholder's parent or holding company, if any, regarding capital requirements, has or would have the effect of reducing the rate of return on the Bank's or such Noteholder's or the Bank's or such Noteholder's parent or holding company holding, if any, as a consequence of this Agreement, or ownership of the Notes, to a level below that which the Bank or such Noteholder or the Bank's or such Noteholder's parent or holding company could have achieved but for such Change in Law (taking into consideration the Bank's or such Noteholder's policies and the policies of the Bank's or such Noteholder's parent or holding company with respect to capital adequacy), then from time to time upon written request of the Bank or such Noteholder as set forth in clause (c) of this Section, the Issuer shall promptly pay to the Bank or such Noteholder, as the case may be, such additional amount or amounts as will compensate the Bank or such Noteholder or the Bank's or such Noteholder's parent or holding company for any such reduction suffered.

(c) *Certificates for Reimbursement.* A certificate of the Bank or any Noteholder setting forth in reasonable detail the amount or amounts necessary to compensate the Bank or any such Noteholder or the Bank's or any such Noteholder's parent or holding company, as the case may be, as specified in paragraph (a) or (b) of this Section and delivered to the Issuer, shall be conclusive absent manifest error. The Issuer shall pay the Bank or any such Noteholder, as the case may be, the amount shown as due on any such certificate within ten (10) days after receipt thereof.

(d) *Delay in Requests.* Failure or delay on the part of the Bank or any such Noteholder to demand compensation pursuant to this Section shall not constitute a waiver of the Bank's or any such Noteholder's right to demand such compensation.

(e) *Survival.* Without prejudice to the survival of any other agreement of the Issuer hereunder, the agreements and obligations of the Issuer contained in this Section shall survive the termination of this Agreement and the payment in full of the Notes and the obligations of the Issuer thereunder and hereunder for a period of one (1) year.

Section 1.7. Taxes.

(a) *Payments Free of Taxes.* Any and all payments by or on account of any obligation of the Issuer hereunder or under the Notes shall be made free and clear of and without reduction or withholding for any Indemnified Taxes or Other Taxes; provided that if the Issuer shall be required by Applicable Law to deduct any Indemnified Taxes (including any Other Taxes) from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Bank or such Noteholder receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Issuer shall make such deductions and (iii) the Issuer shall timely pay the full amount deducted to the relevant Governmental Authority in accordance with Applicable Law.

(b) *Payment of Other Taxes by the Borrower.* Without limiting the provisions of paragraph (a) above, the Issuer shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with Applicable Law.

(c) *Indemnification by the Borrower.* To the fullest extent permitted by applicable State law, the Issuer shall indemnify the Bank and each other Noteholder, within ten (10) days after demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by the Bank or such Noteholder and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority; *provided* that the Issuer shall not be obligated to reimburse the Bank or any Noteholder for any penalties, interest or expenses relating to Indemnified Taxes and Other Taxes arising from such indemnified party's own negligence or willful misconduct. A certificate stating the amount of such payment or liability delivered to the Issuer by the Bank or such Noteholder shall be conclusive absent manifest error. In addition, the Issuer shall indemnify the Bank and the other Noteholders, within ten (10) days after demand therefor, for any incremental Taxes that may become payable by Bank or any Noteholder as a result of any failure of the Issuer to pay any Taxes when due to the appropriate Governmental Authority or to deliver to the Bank and the other Noteholders, pursuant to clause (d), documentation evidencing the payment of Taxes.

(d) *Evidence of Payments.* As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Issuer to a Governmental Authority, the Issuer shall deliver to the Bank or such other Noteholder, as applicable, the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Bank or such Noteholder, as applicable.

(e) *Treatment of Certain Refunds.* If the Bank or any other Noteholder determines, in its sole discretion, that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified pursuant to this Section (including additional amounts paid by the Issuer pursuant to this Section), it shall promptly pay to the applicable indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, under this Section with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Bank or such Noteholder, as applicable, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund); *provided* that the applicable indemnifying party, upon the request of the Bank or such Noteholder, as applicable, agrees to repay the amount paid over pursuant to this Section (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Bank or such Noteholder, as applicable, in the event the Bank or such Noteholder, as applicable, is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this paragraph (e), in no event will the Bank or such Noteholder, as applicable, be required to pay any amount to an indemnifying party pursuant to this paragraph (e) the payment of which would place the Bank or such Noteholder, as applicable, in a less favorable net after-tax position than the Bank or such Noteholder, as applicable, would have been in if the

indemnification payments or additional amounts giving rise to such refund had never been paid. This paragraph shall not be construed to require the Bank or such Noteholder, as applicable, to make available its tax returns (or any other information relating to its taxes which it deems confidential) to the Issuer or any other Person.

(f) *Survival.* Without prejudice to the survival of any other agreement of the Issuer hereunder, the agreements and obligations of the Issuer contained in this Section shall survive the termination of this Agreement and the payment in full of the Notes and the obligations of the Issuer thereunder and hereunder for a period of one (1) year.

Section 1.8. Determination of Taxability. (i) In the event a Determination of Taxability occurs with respect to any Notes, to the extent not payable to each Noteholder (or to the Bank for the period that it was the Noteholder of any of the Notes) under the terms of the Ordinance and the Notes, the Issuer hereby agrees to pay to each Noteholder (or, if applicable, the Bank) on demand therefor (1) an amount equal to the difference between (A) the amount of interest that would have been paid to such Noteholder (or, if applicable, the Bank) on such Notes during the period for which interest on such Notes is included in the gross income of such Noteholder (or, if applicable, the Bank) if such Notes had borne interest at the Taxable Rate, beginning on the Taxable Date (the “*Taxable Period*”), and (B) the amount of interest actually paid to the Noteholder (or, if applicable, the Bank) during the Taxable Period, and (2) an amount equal to any interest, penalties or charges owed by such Noteholder (or, if applicable, the Bank) as a result of interest on such Notes becoming included in the gross income of such Noteholder (or, if applicable, the Bank), together with any and all attorneys’ fees, court costs, or other out-of-pocket costs incurred by such Noteholder (or, if applicable, the Bank) in connection therewith; *provided*, that, subject to the provisions of Section 1.4(d) hereof, in no event shall the interest rate borne by the Notes exceed the Maximum Interest Rate.

(ii) Subject to the provisions of clauses (iii) and (iv) below, such Noteholder (or, if applicable, the Bank) shall afford the Issuer the opportunity, at the Issuer’s sole cost and expense, to contest (1) the validity of any amendment to the Code which causes the interest on such Notes to be included in the gross income of such Noteholder (or, if applicable, the Bank) or (2) any challenge to the validity of the tax exemption with respect to the interest on such Notes, including the right to direct the necessary litigation contesting such challenge (including administrative audit appeals).

(iii) As a condition precedent to the exercise by the Issuer of its right to contest set forth in clause (ii) above, the Issuer shall, on demand, immediately reimburse such Noteholder for any and all expenses (including attorneys’ fees for services that may be required or desirable, as determined by such Noteholder (or, if applicable, the Bank) in its sole discretion) that may be incurred by the Bank in connection with any such contest, and shall, on demand, immediately reimburse the Bank for any and all penalties or other charges payable by such Noteholder (or, if applicable, the Bank) for failure to include such interest in its gross income; and

(iv) The obligations of the Issuer under this Section 1.8 shall survive the termination of this Agreement, the termination of any of the other Related Documents, and the redemption or other payment in full of the Notes.

Section 1.9. Fees.

(a) *Commitment Fees.* The Issuer agrees to pay to the Bank a nonrefundable fee (the “*Commitment Fee*”) accruing at a rate of 35 basis points (0.35%) per annum on the daily Available Commitment, which is subject to maintenance of the Rating in effect. In the event of a change in the Rating, the Commitment Fee shall be the number of basis points associated with such new rating as set forth in the following schedule:

LEVEL	MOODY’S RATING	S&P RATING	FITCH RATING	COMMITMENT FEE
Level 1	Aa1 or above	AA+ or above	AA+ or above	0.350%
Level 2	Aa2	AA	AA	0.425%
Level 3	Aa3	AA-	AA-	0.500%
Level 4	A1	A+	A+	0.650%
Level 5	A2	A	A	0.800%
Level 6	A3	A-	A-	0.950%
Level 7	Baa1	BBB+	BBB+	1.200%
Level 8	Baa2	BBB	BBB	1.550%
Level 9	Baa3 or below	BBB- or below	BBB- or below	2.050%

In the event of a split Rating (i.e., one of the Ratings is at a different Level than one or more of the other Ratings), the Commitment Fee will be based upon the Level in which the lower of the two highest Ratings appears in the pricing grid set forth above or, if two of such Ratings are equivalent, the Level in which the two equivalent Ratings appear (for the avoidance of doubt, Level 9 is the lowest Level and Level 1 is the highest Level); provided that in the event there are less than three Ratings, the Commitment Fee shall be based upon the Level in which the lower Rating appears in the pricing grid set forth above. Any change in the Commitment Fee 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, 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 that most closely approximates the applicable rating category as currently in effect. The Issuer acknowledges that as of the Closing Date the Commitment Fee is that specified above for Level 1.

The Commitment Fee shall be payable quarterly in arrears on the first Business Day of each June, September, December and March (commencing on June 3, 2013, for the period from and including the Closing Date to and including June 2, 2013), and on the Termination Date. The Commitment Fee shall be calculated on the basis of a 360-day year and actual days elapsed.

(b) *Amendment, Consent or Waiver Fee.* Upon each amendment hereof, consent or waiver hereunder or under any Related Document, the Issuer shall pay or cause to be paid attorneys' fees and expenses, if any, incurred by the Bank in processing such amendment, consent or waiver and a fee to the Bank in a minimum amount of \$2,500 for each such amendment, consent or waiver.

(c) If the Issuer shall fail to pay any amount payable under this Section 1.9 as and when due, each such unpaid amount shall bear interest for each day from and including the date it was due until paid in full at the applicable Default Rate.

(d) The Issuer shall pay within thirty (30) days after demand:

(i) if an Event of Default shall have occurred, all costs and expenses of the Bank in connection with the enforcement (whether by means of legal proceedings or otherwise) of any of its rights under this Agreement, the other Related Documents and such other documents which may be delivered in connection therewith;

(ii) the reasonable fees and out-of-pocket expenses for counsel or other reasonably required consultants to the Bank in connection with advising the Bank as to its rights and responsibilities under this Agreement and the other Related Documents or in connection with responding to requests from the Issuer for approvals, consents and waivers; and

(iii) any amounts advanced by or on behalf of the Bank to the extent required to cure any Default, Event of Default or event of nonperformance hereunder or any Related Document, together with interest at the Default Rate.

Section 1.10. Funding Indemnity. In the event the Bank shall incur any loss, cost, or expense (including, without limitation, any loss, cost, or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired or contracted to be acquired by the Bank to purchase or hold the Notes or the relending or reinvesting of such deposits or other funds or amounts paid or prepaid to the Bank) as a result of any prepayment of any Note on a date other than a Rate Reset Date for any reason, whether before or after default, and whether or not such payment is required by any indemnity provision of this Agreement or the Ordinance, then upon the demand of the Bank, the Issuer shall, to the extent permitted by applicable State law, pay to the Bank a prepayment premium in such amount as will reimburse the Bank for such loss, cost, or expense. If the Bank requests such prepayment premium, it shall provide to the Issuer a certificate setting forth the computation of the loss, cost, or expense giving rise to the request for such prepayment premium in reasonable detail and such certificate shall be conclusive if reasonably determined.

Section 1.11. Extension of Commitment Expiration Date. The Issuer may request an extension of the Commitment Expiration Date in writing in the form of Exhibit B hereto not more than 180 days prior to the then current Commitment Expiration Date and not less than 120 days prior to the then current Commitment Expiration Date. The Bank will make reasonable efforts to respond to such request within 45 days after receipt of all information necessary, in the

Bank's judgment, to permit the Bank to make an informed credit decision. If the Bank fails to definitively respond to such request within such 45-day period, 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 in the form of Exhibit C hereto or otherwise. The Bank's consent, if granted, shall be conditioned upon the preparation, execution and delivery of documentation in form and substance satisfactory to the Bank.

ARTICLE II

REPRESENTATIONS, WARRANTIES AND AGREEMENTS OF THE ISSUER

The Issuer hereby represents and warrants to and covenants with the Bank that:

Section 2.1. Organization and Powers. The Issuer is a home rule city, operating as such under the Constitution and laws of the State of Texas (the "State"), and is a political subdivision of the State, duly created, organized and existing under the Constitution and laws of the State and has, and (except as may result from a Change in Law) at each Settlement Date will have, full legal right, power and authority under the Act, the Issuer's home rule charter, the Master Ordinance, and the Ordinance to: (a) execute, deliver and perform this Agreement; (b) issue, sell and deliver the Notes to the Bank, as provided herein; (c) pledge and, (if applicable) collect, the Security pledged to the payment of the principal of and interest on the Notes and the fees identified in Section 1.9 hereof pursuant to the Ordinance; (d) to operate the System; and (e) carry out and consummate the transactions described in this Agreement and the Ordinance.

Section 2.2. Authorization; Contravention. The Issuer has complied and will, at each Settlement Date, be in compliance (except as may result from a Change in Law) in all respects with the obligations on its part contained in the Ordinance and this Agreement and the laws of the State, including the Act and the execution, delivery, and performance of the Related Documents do not contravene, or result in the violation of, or constitute a default under, any provision of applicable law or regulation, or any order, rule, or regulation of any Governmental Authority, or instrumentality or any agreement, resolution, or instrument to which the Issuer is a party or by which it or any of its property is bound.

Section 2.3. Binding Effect. (a) By official action of the Issuer on or prior to the date hereof, the Issuer has (i) duly adopted the Ordinance and the Master Ordinance, (ii) duly authorized and approved the execution and delivery of, and the performance by the Issuer of the obligations on its part contained in, the Notes, the Ordinance and this Agreement and (iii) duly authorized and approved the consummation by it of all other transactions described in this Agreement; and the Ordinance, the Notes (when issued from time to time) and this Agreement constitute the legal, valid and binding obligations of the Issuer, enforceable in accordance with their respective terms, subject to principles of sovereign immunity and applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and subject, as to enforceability,

to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(b) The Notes, if and when issued, authenticated and delivered in accordance with the Ordinance and sold to the Bank as provided herein, will be validly issued and outstanding System Obligations of the Issuer, entitled to the benefits of the Ordinance; and upon such issuance, authentication and delivery the Ordinance will provide, for the benefit of the owners from time to time of the Notes, a legally valid and binding lien on and pledge of the Security pledged under the Ordinance, subject only to the provisions of the Ordinance permitting the application thereof on the terms and conditions set forth in the Ordinance.

Section 2.4. Default. The Issuer is not in breach of or default under any applicable constitutional provision, law or administrative regulation of the State (or any agency thereof) or the United States (or any agency thereof) or of any applicable judgment or decree or any loan agreement, note, resolution, ordinance, agreement or other instrument to which the Issuer is a party or to which it or any of its property is otherwise subject, and no event has occurred and is continuing which with the passage of time or the giving of notice or both could reasonably be expected to constitute a default or event of default under any such instrument; and the execution and delivery of this Agreement and the Notes and the adoption of the Ordinance, and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, note, resolution, ordinance, agreement or other instrument to which the Issuer is a party or to which the Issuer or any of its property is otherwise subject; nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Issuer or under the terms of any such law, regulation or instrument, except as provided by the Notes, the Ordinance and this Agreement.

Section 2.5. Governmental Consent or Approval. All authorizations, approvals, licenses, permits, consents and orders of any Governmental Authority, having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the Issuer of, its obligations in connection with the issuance, sale and delivery of the Notes under this Agreement and the Ordinance have been duly obtained, including the approval of the transactions described herein and in the Related Documents by the Attorney General of the State of Texas.

Section 2.6. Legislation. There is no legislation, including any amendment or, to the knowledge of the Issuer, proposed amendment to the constitution of the State of Texas or any administrative interpretation of the constitution of the State of Texas, or any legislation that has passed either house of the legislature of the State of Texas, or any judicial decision interpreting any of the foregoing, law action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending or, to the best knowledge of the Issuer, after due inquiry, threatened against the Issuer, the System, or relating to other applicable laws or regulations, or this Agreement or the other Related Documents, or others (a) affecting the Issuer or the corporate existence of the Issuer or the titles of its officers to their respective offices,

(b) seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Notes or the pledge, and (if applicable) collection, of the Security for the payment of the principal of and interest on the Notes, or the pledge thereof, (c) in any way contesting or affecting the transactions described herein or the validity or enforceability of the Notes, the Ordinance, or this Agreement, or (d) contesting the powers or authority of the Issuer for the issuance of the Notes, the adoption of the Ordinance or the execution and delivery of this Agreement.

Section 2.7. Reliance on Representations. Any certificate signed by an authorized officer of the Issuer and delivered to the Bank at or prior to the Closing and each Settlement Date shall be deemed a representation and warranty by the Issuer in connection with this Agreement to the Bank as to the statements made therein upon which the Bank shall be entitled to rely.

Section 2.8. Complete and Correct Information. All information, reports, and other papers and data with respect to the Issuer and the System furnished by the Issuer to the Bank in connection with this Agreement were, 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 document furnished or statement made by the Issuer in connection with the negotiations, preparation, or execution of this Agreement contains any untrue statement of a fact material to its creditworthiness or omits to state a material fact necessary in order to make the statements contained therein not misleading. Since the effective date of the financial information provided by the Issuer to the Bank in connection with this Agreement, there has been no material adverse change in the business, properties, condition (financial or otherwise), or operations, present or prospective, of the System.

Section. 2.9. Tax Returns and Payments. (i) All federal, state and other tax returns of the Issuer and each of its Affiliates required by law to be filed have been duly filed, (ii) all federal, state and other taxes, assessments and other governmental charges or levies upon the Issuer, each of its Affiliates and the respective Properties, income, profits and assets of the Issuer and each of its Affiliates that are due and payable have been paid and (iii) the charges, accruals and reserves on the books of the Issuer and each of its Affiliates in respect of such taxes and charges that are not yet due and payable are adequate to pay such taxes and charges when such taxes and charges become due and payable, and the Issuer knows of no reason to anticipate any additional assessments for which adequate reserves have not been established.

Section 2.10. ERISA. The Issuer does not maintain or contribute to, and has not maintained or contributed to, any employee pension benefit plan that is subject to Title IV of ERISA or that is subject to the minimum funding standards under Section 412 of the Code.

Section 2.11. Environmental Law. The Issuer has not received any notice to the effect that the System's operations are not in material compliance with any Environmental Law.

Section 2.12. Title. The Issuer has good and marketable title to the System assets except where the failure to have good and marketable title to any of its assets would not have a Material Adverse Effect. None of the System assets is subject to any Lien other than Liens permitted by Section 4.10 hereof.

Section 2.13. Insurance. The Issuer either self-insures or currently maintains insurance coverage with insurance companies believed by it to be capable of performing its obligations under the respective insurance policies issued by such insurance companies to the Issuer (as determined in its reasonable discretion) and in full compliance with Section 4(j) of the Master Ordinance.

Section 2.14. Incorporation by Reference. The Issuer hereby makes to the Bank the same representations and warranties as are set forth by it in the Related Documents to which the Issuer is a party, which representations and warranties, as well as the related defined terms contained therein, are hereby incorporated by reference herein. All representations and warranties made herein to the Bank or incorporated hereby for the benefit of the Bank are made with the understanding that the Bank is relying upon the accuracy of such representations and warranties. Notwithstanding that the Bank may conduct its own investigation as to some or all of the matters covered by the representations and warranties in the Related Documents, and any certificates, information, opinions or documents delivered in connection therewith, the Bank is entitled to rely on all representations and warranties as a material inducement to the Bank's commitment to purchase Notes pursuant to terms of this Agreement.

Section 2.15. Tax-Exempt Status. The Issuer has not taken any action or omitted to take any action, and has no actual knowledge of any action taken or omitted to be taken by any other Person, which action, if taken or omitted, would adversely affect the exclusion of interest on the Notes from gross income for federal income tax purposes or the exemption of interest on the Notes from state personal income taxes.

Section 2.16. Usury. None of the Related Documents provide for any payments that would violate any applicable law regarding permissible maximum rates of interest.

Section 2.17. Security. The Notes and all other amounts due under this Agreement are special obligations of the Issuer, constituting System Obligations, payable from and secured solely by the funds pledged therefor pursuant to the Ordinance and this Agreement, as authorized thereby. To provide security for the payment of the principal of and interest on the Notes and all other amounts payable under this Agreement, as the same shall become payable, pursuant to the Ordinance, the Issuer has pledged and granted, under and pursuant to Section 2.09 of the Ordinance, a lien on and pledge of the Pledged Revenues, such lien on and pledge of Pledged Revenues to secure the Notes and all other amounts payable under this Agreement, such lien and pledge, being subordinate only to the lien on and pledge of the Pledged Revenues securing the payment of the Prior Lien Obligations now or hereafter outstanding and prior to the lien on and pledge of Pledged Revenues securing Subordinated Obligations. The Obligations, being secured by and payable from the lien on and pledge of the Pledged Revenues as described in the preceding sentence, are issued as System Obligations under the Ordinance. The Ordinance creates the valid lien and pledge which it purports to create on the Pledged Revenues for the benefit of the holders of the Notes and the payment of the Obligations. All of such sources and pledges are herein called the "Security."

In accordance with the provisions of the Ordinance and the Master Ordinance and the respective documentation governing the Prior Lien Obligations that are now Outstanding and

that will remain Outstanding subsequent hereto, the Notes represent System Obligations. As such (and as stated above), debt service on the Notes and the Obligations are payable from available revenues of the System disbursed from the System Fund. The Pledged Revenues shall be deposited into the Note Payment Fund, for further deposit into the appropriate account therein, from time to time in amounts necessary to pay the principal of and/or interest on the Notes and the other Obligations to the extent not paid from the proceeds of or replaced with other Notes or obligations of the Issuer issued for such purpose. Subject to the provisions of Section 4.21 hereof, the Bank acknowledges that Section 2.09 of the Ordinance expresses the Issuer's intent to pay the principal of the Direct Purchase Notes from the issuance of Notes or other obligations of the Issuer, and that the Issuer will not set System rates sufficient to pay the principal of the Direct Purchase Notes on their stated Maturity Date.

Chapter 1208, Texas Government Code, applies to the Notes and the pledge of Pledged Revenues made under the Ordinance and confirmed in this Section 2.18, and such pledge is therefore valid, effective, and perfected. If Texas law is amended at any time while this Agreement remains valid and in effect (and Notes purchased hereunder are outstanding and unpaid) such that the aforementioned pledge made by the Issuer is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the Noteholders and the Bank, as applicable, the perfection of the security interest in said pledge, the Issuer agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

Section 2.18. Anti-Terrorism Laws. Neither the Issuer nor any of its Affiliates is in violation of any Laws relating to terrorism or money laundering ("*Anti-Terrorism Laws*"), including Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001 (the "*Executive Order*"), and the Patriot Act;

(a) Neither the Issuer nor any of its Affiliates is any of the following:

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

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

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

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

(v) a Person that is named as a "specially designated national and blocked person" on the most current list published by the Office of Foreign Asset Control ("*OFAC*") or any list of Persons issued by OFAC pursuant to the Executive Order at its

official website or any replacement website or other replacement official publication of such list;

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

Section 2.19. Outstanding Debt. Other than Prior Lien Obligations, there is no outstanding Debt of the Issuer payable from or secured by Pledged Revenues that is senior in priority of payment or security to the principal of or interest of the Notes and all other Obligations hereunder.

ARTICLE III

CONDITIONS

Section 3.1. Certain Conditions to Bank's Obligations. The Bank has entered into this Agreement in reliance upon the representations and warranties of the Issuer contained herein and to be contained in the documents and instruments to be delivered at the Closing and at each Settlement, and upon the performance by the Issuer of its obligations hereunder, as of the date hereof and as of the Closing Date and each Settlement Date. Accordingly, the Bank's obligations under this Agreement to purchase, to accept delivery of and to pay for the Notes shall be subject to performance by the Issuer of its obligations to be performed hereunder and the delivery of the documents and instruments required to be delivered hereby at or prior to the Closing and at each Settlement, and shall also be subject to the following additional conditions:

(a) The representations and warranties of the Issuer contained herein shall be true, complete and correct on the date hereof, on the Closing Date and on each Settlement Date;

(b) Both at the time of the conditions to Section 3.1 and 3.2 hereof are satisfied and at the time of each Settlement, this Agreement and the Ordinance shall be in full force and effect in accordance with their respective terms and shall not have been amended, modified or supplemented in any manner which will adversely affect (i) the ability of the Issuer to issue the Notes or perform its obligations thereunder or under this Agreement or (ii) the security for the Notes;

(c) Both at the time of the Closing and at the time of each Settlement, all official action of the Issuer relating to this Agreement, the Notes and the Ordinance shall have been taken and shall be in full force and effect in accordance with their respective

terms and shall not have been amended, modified or supplemented in any material adverse respect;

(d) At the time of each Settlement, there shall have been no material adverse change in the financial position, results of operations or condition, financial or otherwise, of the Issuer;

(e) With the exception of the Initial Note, the Issuer shall not request that the Bank purchase more than one (1) Note in each calendar month. Each Note requested to be purchased by the Bank pursuant to the terms hereof shall be in a principal amount not less than \$1,000,000;

(f) The Bank will have no obligation to purchase any Note if, because of a Change in Law, such request to purchase Notes made by the Issuer would be illegal. In such event, the Issuer will have no liability whatsoever with respect to such request for purchase and the Bank will have no liability for its failure to so purchase if such failure is due to a Change in Law; and

(g) At the time of each Settlement, no Default or Event of Default shall have occurred and be continuing.

Section 3.2. Closing Conditions. (a) The Bank's obligations under this Agreement shall be conditioned upon the performance by the Issuer of its obligations to be performed hereunder, and the applicable conditions of Section 3.3 hereof having been satisfied, and the tender by the Issuer of its performance at the Closing as described in this Section, which Closing shall not be completed unless the Bank shall receive at the time of the Closing the following:

(i) The Ordinance certified as having been duly adopted by the Issuer and as being in full force and effect, with such supplements or amendments as may have been agreed to by the Bank;

(ii) An opinion of Bond Counsel, dated the Closing Date and addressed to the Bank, to the effect that as of the Closing Date: (A) the Ordinance has been duly adopted and is in full force and effect; (B) this Agreement has been duly authorized, executed and delivered by, and constitutes a legal, valid and binding special obligation of, the Issuer in accordance with its terms; (C) assuming no change in applicable law from the laws in effect on the date of such opinion, the Notes, if issued, will not be subject to the registration requirements of the 1933 Act and the Ordinance, on such date of issuance, will be exempt from qualification pursuant to the 1939 Act; and (D) interest on the Notes is excludable from gross income of the owners thereof for federal income tax purposes under existing law and is not subject to the alternative minimum tax;

(iii) A certificate, dated the date of the Closing, of an Authorized Representative to the effect that: (A) the representations and warranties of the Issuer contained herein are true and correct in all material respects on and as of the Closing Date, as if made on the Closing Date; (B) no action, suit, proceeding, inquiry or

investigation, at law or in equity, before or by any court, public board or body, is pending or, to the best of his or her knowledge, threatened, affecting the corporate existence of the Issuer or the titles of its officers to their respective offices, or seeking to prohibit, restrain or enjoin the issuance, delivery or sale of the Notes or the collection of Pledged Revenues pledged or to be pledged to pay the principal of and interest on the Notes, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Notes, the Ordinance, this Agreement, or contesting the powers of the Issuer or any authority for the issuance of the Notes, the pledge of the Pledged Revenues pursuant to the Ordinance, the adoption of the Ordinance or the execution of this Agreement, wherein an unfavorable decision, ruling or finding would could be reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect; (C) the Ordinance has been duly passed and adopted by the governing body of the Issuer, has not been modified, amended or repealed since its passage and adoption and is in full force and effect as of the Closing Date; (D) the Issuer has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to the Closing; and (E) that, with respect to the System and except as previously disclosed to the Bank in writing, there has been no event or circumstance since September 30, 2012, that has had or could be reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect, (B) that the representations and warranties contained in Article II hereof and the other Related Documents are true and correct in all material respects on the Closing Date and (C) no event has occurred and is continuing, or would result from entry into this Agreement, which would constitute a Default or Event of Default;

(iv) Any out of pocket costs and expenses of the Bank and the Bank's Counsel's fees (in an amount not to exceed \$_____) plus disbursements and any other accrued fees and expenses, if any, shall have been paid;

(v) The final approving opinion of the Texas Attorney General in respect of the transactions described by this Agreement and the other Related Documents;

(vi) Evidence that the Notes shall have been assigned a rating of “___” (or its equivalent) by Moody's, Fitch and S&P;

(vii) Evidence that the unenhanced long-term credit rating assigned to the Prior Lien Obligations from Moody's, Fitch and S&P shall be at least “Aa1,” “AA+” and “AA,” respectively;

(viii) The audited annual financial statements of the Issuer and the System, together with internally prepared financial statements of the Issuer and the System for the fiscal quarter(s) ended since the end of such Fiscal Year and a copy of the Issuer's investment policy in effect as of the Closing Date;

(ix) The Bank shall have received a written description of all actions, suits or proceedings pending or threatened against the Issuer or any of its Affiliates in any court or before any arbitrator of any kind or before or by any governmental or non-governmental body which could reasonably be expected to result in a Material

Adverse Effect, if any, and such other statements, certificates, agreements, documents and information with respect thereto as the Bank may reasonably request; and

(x) Such additional legal opinions, certificates, instruments and other documents as the Bank may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Closing Date, of the Issuer's representations and warranties contained herein and the due performance or satisfaction by the Issuer on or prior to the Closing Date of all the agreements then to be performed and conditions then to be satisfied by it.

(b) All the opinions, letters, certificates, instruments and other documents mentioned above shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Bank.

Section 3.3. Settlement Conditions. The Bank's obligations under this Agreement to purchase, to accept delivery of and to pay the purchase price of a Note on each Settlement Date shall be conditioned upon the performance by the Issuer of its obligations to be performed hereunder, including, without limitation, the Closing having been completed, and the Issuer having tendered performance of its obligations under this Section 3.3 hereof with respect to each Settlement, which Settlement shall not be completed unless the Bank shall receive at the time of each Settlement the following:

(i) A Request for Purchase executed by an Authorized Representative;

(ii) A certificate, dated each Settlement Date, signed by an Authorized Representative in substantially the form of the certificate of the Issuer delivered at the Closing pursuant to Section 3.2(a)(iii), with such modifications thereto as are necessary to refer to each Settlement Date and each Settlement (rather than the Closing Date) and to cover the financial reporting period from the System's most recently completed Fiscal Year for which it has delivered audited financial statements;

(iii) Such additional legal opinions, certificates, instruments and other documents as the Bank may reasonably request to evidence the truth and accuracy, as of the date hereof and as of each Settlement Date, of the Issuer's representations and warranties contained herein and the due performance or satisfaction by the Issuer on or prior to each Settlement Date of all the agreements then to be performed and conditions then to be satisfied by it;

(iv) Evidence satisfactory to the Bank that all conditions set forth in Section 3.1 hereof have been satisfied; and

(v) An opinion of Bond Counsel, addressed to the Bank, that (A) the Notes, when authenticated and delivered to and paid for by the Bank in accordance with this Agreement, will be valid and legally binding special obligations of the Issuer, and (B) in the case of the issuance of any the Notes, that interest on such Notes is excludable from

gross income of the owners thereof for federal income tax purposes under existing law and is not subject to the alternate minimum tax.

Section 3.4. Satisfaction or Waiver of Conditions. All the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Bank, and the Bank shall have the right to waive any condition set forth in this Article III.

Section 3.5. Conditions Precedent to Amortization Period. The commencement of an Amortization Period with respect to any Note as provided for herein shall be subject to the fulfillment of each of the following conditions precedent on or before the related Maturity Date in a manner satisfactory to the Bank:

(a) The following statements shall be true and correct on the related Maturity Date, and the Bank shall have received a certificate incorporating by reference the definitions of the capitalized terms defined in this Agreement, signed by an Authorized Representative and dated as of such Maturity Date, stating that:

(i) the representations and warranties of the Issuer contained herein and in each of the other Related Documents and each certificate, letter, other writing or instrument delivered by the Issuer to the Bank pursuant hereto or thereto are true and correct in all material respects on and as of such Maturity Date as though made on and as of such date; and

(ii) no Default or Event of Default has occurred and is continuing or would result from the commencement of the Amortization Period.

ARTICLE IV

COVENANTS OF THE ISSUER

Section 4.1. Financial Reports. (a) For so long as the Notes are outstanding and held by the Bank, the Issuer shall furnish or cause to be furnished to the Bank the following:

(a) as soon as reasonably available after the end of each Fiscal Year, and in any event within 210 days after the end of such Fiscal Year, a copy of the annual report of the Issuer and the System prepared in accordance with GAAP, consistently applied, and audited by independent certified public accountants of recognized standing, including a balance sheet of the Issuer and the System as of the end of such Fiscal Year and related statements of revenues, expenses, and changes in retained earnings and cash flows for the Fiscal Year ended;

(b) as soon as available, and in any event within forty-five (45) days after the close of the first, second and third fiscal quarters of each Fiscal Year, a copy of the consolidated statement of financial position as of the close of such period and statements

of activities of the Issuer and the System for such period, all in reasonable detail showing in comparative form the figures for the corresponding date and period in the previous Fiscal Year together with a comparison of the Issuer's and the System's budget compared to actual financial results through the end of such fiscal quarter, prepared by the Issuer on behalf of the System in accordance with GAAP but without notes and subject to ordinary year-end adjustments;

(c) as soon as available and in any event within 90 days after the close of each Fiscal Year and forty-five (45) days after the close of each fiscal quarter of the Issuer, a certificate of an Authorized Representative (i) to the effect that as of the date of such certificate no Default or Event of Default has occurred, or (ii) if a Default or Event of Default has occurred specifying the nature of such Default or Event of Default, the period of its existence, and the action which the Issuer on behalf of the System is taking or proposes to take with respect thereto;

(d) as soon as available and in any event within 60 days after the close of each Fiscal Year, a copy of the Issuer's and the System's adopted budget; and

(e) upon written request of the Bank, information relating to the Pledged Revenues or any other financial information relating to the Issuer or the System reasonably requested.

Section 4.2. Access to Records. The Issuer will furnish to the Bank such information regarding the financial condition, results of operations, or business of the System as the Bank may reasonably request and will permit any officers, employees, or agents of the Bank to visit and inspect during the regular operating hours of the Issuer any of the properties of the System or the Issuer relating to the System and to discuss matters reasonably pertinent to an evaluation of the credit of the System, all at such reasonable times as the Bank may reasonably request. All information received by or provided to the Bank pursuant to this Agreement, unless otherwise made public by the Issuer, will be held as confidential information by the Bank.

Section 4.3. Limitation on Debt. The Issuer will not issue any additional Debt except in accordance with the Ordinance and the Master Ordinance. Notwithstanding the foregoing, the Issuer will not issue any Debt, other than Prior Lien Obligations, that is senior in priority of payment or security to the System Obligations.

Section 4.4. Use of Proceeds. The Issuer will not take or omit to take any action that will in any way cause the proceeds from the sale of the Notes and other money of the Issuer to be transferred on the date of issuance of the Notes, to be applied, or result in such proceeds and other money being applied in a manner other than as provided in or permitted by the Ordinance, the Master Ordinance, the Issuer's home rule charter and the Act.

Section 4.5. No Amendment of Certain Contracts or Ordinances. The Issuer will not consent to any amendment to or modification or waiver of any of the provisions of the Ordinance or the other Related Documents without the prior written consent of the Bank. The Issuer will give the Bank notice as promptly as practicable (but in no event less than ten (10) Business

Days) of any proposed amendments to or modifications or waivers of any provisions of any Related Document and of any meeting of the City Council of the Issuer at which any of the foregoing will be discussed or considered.

Section 4.6. Supplemental Ordinances and Further Assurances. The Issuer shall not issue any Prior Lien Obligations in violation of Section 8 of the Master Ordinance. The Issuer will at any and all times, insofar as it may be authorized so to do by law, pass, make, do, execute, acknowledge, and deliver all and every such further resolutions, acts, assignments, recordings, filings, transfers, and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning, and confirming all and singular the rights, revenues, and other funds and the Security pledged in the Ordinance or assigned to the payment of the Notes, or intended so to be, of which the Issuer may become bound to pledge or assign.

Section 4.7. Incorporation by Reference. From and after the date hereof and so long as this Agreement is in effect, except to the extent compliance in any case or cases is waived in writing by the Bank pursuant to the terms hereof, the Issuer agrees that it will, for the benefit of the Bank, comply with, abide by, and be restricted by all of the agreements, covenants, obligations and undertakings of the Issuer contained in the Ordinance and the other Related Documents, which provisions, together with the related definitions, and ancillary provisions, are hereby incorporated herein by reference, and made a part hereof to the same extent and with the same force and effect as if the same had been herein set forth in their entirety and it will be deemed to continue in effect for the benefit of the Bank, without regard or giving effect to any amendment or modification of such provisions or any waiver of compliance therewith, no such amendment, modification or waiver are to any manner constitute an amendment, modification or waiver of the provisions thereof as incorporated herein.

Section 4.8. Compliance with Rules and Regulations. The Issuer shall comply with all laws, ordinances, orders, rules, and regulations (including, without limitation, any applicable environmental law, ordinance, order, rule or regulation) of duly constituted Governmental Authority having jurisdiction which if not complied with would have a materially adverse effect on the Issuer's ability to perform its obligations hereunder and under the other Related Documents.

Section 4.9. Investments Generally. The Issuer shall comply with the provisions of the Texas Public Funds Investment Act (Chapter 2256, as amended, Texas Government Code) and, in addition, shall not:

- (a) borrow money (by, without limitation, obtaining loans, issuing debt, purchasing securities on margin, entering into repurchase agreements or similar agreements) solely for the purpose of investment, in an amount at any time greater than 20% of the total of the Issuer's unleveraged investment portfolio; or
- (b) knowingly maintain any of the Issuer's investment portfolio in a pool of investments managed by another person whose investment practices would result in the indirect violation of the limitation set forth in Subsection (a) above; or

(c) invest in any instrument or execute any agreement commonly known as a derivative (such as, by way of example, an inverse floater or any other variable rate or floating rate security the interest rate on which is not determined on a basis designed to result in a value of the security approximately equal to par) or invest in any other security with a derivative embedded in it (such as by way of example a structured note), except to the extent that any such investments or agreements do not exceed 20% of the Issuer's unleveraged investment portfolio and except that for the purposes of this subsection the term "derivative" shall not include principal or interest strips of direct obligations of the United States which, if held to maturity, would yield to the Issuer the face amount of such security; *provided, however,* notwithstanding the foregoing provision, the Issuer shall have the right to enter into transactions, agreements or investments without regard to the limitations set forth in this Subsection (c) for legitimate hedging purposes with respect to the Issuer's investment portfolio, consistent with sound investment practices for investors similarly situated.

In determining whether the Issuer's investment in a pool of investments described in Subsection (b) above would cause a violation of Subsection (a) above, the amount of the Issuer's investment in the pool will be considered borrowed money for the purposes of Subsection (a) above in an amount equal to the product of the amount of such investment times the percentage by which such pool is leveraged.

Section 4.10. Lien. The Issuer shall not create or suffer to exist any lien upon or with respect to any of the funds or accounts created under the Ordinance except these liens specifically permitted under the Ordinance, and will cause the lien created under the Ordinance for the benefit of the payment of the principal of and interest on the Notes and all other amounts due under this Agreement to remain in full force and effect.

Section 4.11. Further Assurances. The Issuer shall execute, acknowledge where appropriate, and deliver, and cause to be executed, acknowledged where appropriate, and delivered, from time to time promptly at the reasonable request of the Bank all such instruments and documents as in the reasonable judgment of the Bank are necessary or advisable to carry out the intent and purpose of this Agreement and the other Related Documents.

Section 4.12. Credit Facilities. In the event that the Issuer shall, directly or indirectly, enter into or otherwise consent to any credit agreement, bond purchase agreement or standby bond purchase agreement, liquidity agreement or other agreement or instrument (or any amendment, supplement or modification thereto) (each such agreement referred to herein as a "Bank Agreement") under which, directly or indirectly, any Person or Persons undertakes to directly purchase or to make or provide credit enhancement or liquidity in support of Debt of the Issuer payable from or secured by a pledge of Pledged Revenues, which Bank Agreement (or amendment, supplement or modification thereto) provides such Person with different or more restrictive covenants, events of default and/or greater rights and remedies (including, without limitation, the right to accelerate the payment of the principal of or interest on any Debt of the Issuer secured by a lien on and pledge of the Pledged Revenues) than are provided to the Bank in this Agreement (each an "Incorporated Provision"), the Issuer shall provide the Bank with a copy of each such Bank Agreement (or amendment thereto) and such Incorporated Provisions

shall automatically be deemed to be incorporated into this Agreement and the Bank shall have the benefits of such Incorporated Provision as if specifically set forth herein, and to the extent applicable, then the Bank shall have the right, upon the occurrence of an Event of Default, to 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 Issuer, and to accelerate the payment of the principal of and interest on the Notes; *provided* that upon the occurrence of an Event of Default under Section 6.2(vi) or (vii) hereof, such Obligations shall automatically become due and payable without any notice. The Issuer shall promptly (with the Bank's understanding that such amendment will require approval of the City Council of the Issuer) enter into an amendment to this Agreement to include such Incorporated Provisions (*provided* that the Bank shall maintain the benefit of such Incorporated Provisions even if the Issuer fails to provide such amendment).

Section 4.13. Litigation; Default Material Change. The Issuer shall promptly notify the Bank of (i) the existence and status of any litigation which individually or in the aggregate could, in the event of an unfavorable outcome, reasonably expected to have a Material Adverse Effect, (ii) any change in any material fact or circumstance represented or warranted in this Agreement or in any of the Related Documents, or (iii) the occurrence of any Default or Event of Default.

Section 4.14. Sale. During the term of this Agreement the Issuer will not sell, dispose of or, except as permitted hereunder or under the Ordinance, further encumber the System; *provided, however,* that this provision shall not prevent the Issuer from disposing of any portion of the System which is being replaced or is deemed by the Issuer to be obsolete, worn out, surplus or no longer needed for the proper operation of the System. Net proceeds from any such disposition shall be used only for System purposes (to the extent permitted by applicable law).

Section 4.15. No Changes in Fiscal Year. The Issuer shall not change its Fiscal Year from its present basis without the prior written consent of the Bank, which consent shall not be unreasonably withheld, conditioned or delayed.

Section 4.16. Disclosure to Participants. The Issuer shall permit the Bank to disclose the financial information received by it pursuant to this Agreement to any participants of the Bank in this Agreement, subject to confidentiality restrictions and use restrictions customary for financial institutions.

Section 4.17. Compliance with ERISA. To the extent it is legally required to do so, the Issuer shall (i) remain at all times in compliance with all applicable Laws (including any legally available grace periods) with respect to any Plan of the Issuer or its Affiliates, (ii) at no time maintain any Unfunded Vested Liabilities, and (iii) maintain each Plan as to which it may have any liability and compliance in all material respects with the applicable provisions of ERISA and the regulations and published interpretations thereunder, the failure to comply with which could subject the Issuer to any tax or penalty which tax or penalty, taken together with all other taxes and penalties which could be assessed against the Issuer by reason of all other non-compliances, would have a Materially Adverse Effect.

Section 4.18. Swap Contract. To the extent obligations thereunder are secured by and payable from any revenues or assets of the System, the Issuer shall not enter into a Swap Contract with any counterparty without the prior written consent of the Bank.

Section 4.19. Environmental Law. The Issuer shall comply with all applicable Environmental Laws, cure any Environmental Event (or cause other Persons to effect any such cure) to the extent necessary to bring such real property owned, occupied or operated by the Issuer back into compliance with Environmental Laws and to comply with any cleanup orders issued by a Governmental Authority having jurisdiction thereover. The Issuer shall at all times use commercially reasonable efforts to render or maintain any real property owned, occupied or operated by the Issuer, by and through the System, safe and fit for its intended uses. The Issuer shall also immediately notify the Bank of any actual or alleged material failure to so comply with or perform, or any material breach, violation or default under any such Environmental Law or the occurrence of any material Environmental Event.

Section 4.20. Margin Stock. No part of the proceeds of any Notes will be used for the purpose, whether immediate, incidental, or ultimate, to purchase or carry any margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System, as amended from time to time), or to extend credit to others for the purpose of purchasing or carrying any margin stock, or for any other purpose which would violate any of the regulations of said Board of Governors. Neither the Issuer nor any of its Affiliates is 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.

Section 4.21. Rate Covenant. In the event that the principal amount of or interest on any Note remains unpaid after its Maturity Date, and funds are not available from other sources including, without limitation, the proceeds of obligations issued by the Issuer to pay the principal of any Note on its Maturity Date, the Issuer shall establish, maintain and collect such rates, fees and charges for the use and services furnished by or through the System as will produce Net Revenues sufficient to (a) pay all Operation Expenses, (b) make all required payments of principal of and interest on all Obligations (including, without limitation, with respect to the Notes) at the time Outstanding as and when the same become due, and (c) make all other payments and perform all other obligations required by this Agreement, the Ordinance and the Master Ordinance. In the event that any Note remains unpaid on its respective Maturity Date, the Issuer shall require the prompt payment of accounts for service rendered by or through the System and will promptly take whatever action is legally permissible to enforce and collect delinquent charges and to promptly pay all Obligations at the time Outstanding (including, without limitation, with respect to the Notes).

Section 4.22. Sovereign Immunity. Pursuant to Section 1371.059, Texas Government Code, as amended, the Issuer hereby agrees to waive sovereign immunity from suit and liability for the purposes of adjudicating a claim to enforce its duties and obligations under this Agreement or the Notes or damages for breach of this Agreement.

Section 4.23. Ratings. The Issuer shall give written notice to the Bank as soon as practicable of the increase, decrease, withdrawal or suspension of any rating maintained by the

Issuer at Moody's, Fitch or S&P in respect of the Prior Lien Obligations; and (ii) the Issuer shall cause to be maintained at least two long-term unenhanced ratings on the Prior Lien Obligations by Moody's, Fitch or S&P.

ARTICLE V

EXPENSES AND INDEMNIFICATION

Section 5.1. Issuer's Obligation. The Issuer shall pay any expenses incident to the performance of the Issuer's obligations hereunder including, but not limited to: (a) the cost of preparation of the Ordinance and the Notes; (b) the fees and disbursements of Note Counsel and Bank Counsel; and (c) the costs of collection or the enforcement of the Notes or the exercise of any right or remedy of the Bank with respect thereto.

Section 5.2. INDEMNIFICATION. IN ADDITION TO ANY AND ALL RIGHTS OF REIMBURSEMENT, INDEMNIFICATION, SUBROGATION, OR ANY OTHER RIGHTS PURSUANT HERETO OR UNDER LAW OR EQUITY, THE ISSUER HEREBY AGREES, TO THE FULLEST EXTENT PERMITTED BY STATE LAW, TO INDEMNIFY AND HOLD HARMLESS THE BANK AND ITS OFFICERS, DIRECTORS, AND AGENTS (THE "INDEMNIFIED PARTIES") FROM AND AGAINST ANY AND ALL CLAIMS, DAMAGES, LOSSES, LIABILITIES, REASONABLE COSTS, OR REASONABLE EXPENSES WHATSOEVER (INCLUDING REASONABLE ATTORNEYS' FEES) WHICH THEY MAY INCUR (OR WHICH MAY BE CLAIMED AGAINST THEM BY ANY PERSON OR ENTITY WHATSOEVER) BY REASON OF OR IN CONNECTION WITH (A) ANY UNTRUE STATEMENT OR ALLEGED UNTRUE STATEMENT OF ANY MATERIAL FACT CONTAINED OR INCORPORATED BY REFERENCE IN THE INFORMATION SUPPLIED BY THE ISSUER TO THE BANK; OR (B) THE EXECUTION AND DELIVERY OF THIS AGREEMENT AND THE NOTES AND THE TRANSACTIONS DESCRIBED HEREIN OR THEREIN; PROVIDED, HOWEVER, THAT THE ISSUER SHALL NOT BE REQUIRED TO INDEMNIFY ANY INDEMNIFIED PARTY FOR ANY CLAIMS, DAMAGES, LOSSES, LIABILITIES, COSTS, OR EXPENSES TO THE EXTENT, BUT ONLY TO THE EXTENT, CAUSED BY SUCH INDEMNIFIED PARTY'S NEGLIGENCE OR WILLFUL MISCONDUCT. IF ANY PROCEEDING SHALL BE BROUGHT OR THREATENED AGAINST ANY INDEMNIFIED PARTY BY REASON OF OR IN CONNECTION WITH THE EVENTS DESCRIBED IN CLAUSE (A) OR (B), SUCH INDEMNIFIED PARTY SHALL PROMPTLY NOTIFY THE ISSUER IN WRITING AND THE ISSUER SHALL ASSUME THE DEFENSE THEREOF, INCLUDING THE EMPLOYMENT OF COUNSEL SATISFACTORY TO SUCH INDEMNIFIED PARTY AND THE PAYMENT OF ALL COSTS OF LITIGATION. NOTWITHSTANDING THE PRECEDING SENTENCE, SUCH INDEMNIFIED PARTY SHALL HAVE THE RIGHT TO EMPLOY ITS OWN COUNSEL AND TO DETERMINE ITS OWN DEFENSE OF SUCH ACTION IN ANY SUCH CASE, BUT THE FEES AND EXPENSES OF SUCH COUNSEL SHALL BE AT THE EXPENSE OF SUCH INDEMNIFIED PARTY UNLESS (I) THE EMPLOYMENT OF SUCH COUNSEL SHALL HAVE BEEN AUTHORIZED IN WRITING BY THE ISSUER OR (II) THE ISSUER, AFTER DUE NOTICE OF THE ACTION SHALL NOT HAVE EMPLOYED COUNSEL TO HAVE CHARGE OF SUCH DEFENSE, IN EITHER OF WHICH EVENTS THE REASONABLE FEES AND EXPENSES OF COUNSEL FOR SUCH INDEMNIFIED PARTY SHALL BE BORNE BY THE ISSUER. THE ISSUER SHALL NOT BE LIABLE FOR ANY SETTLEMENT OF ANY SUCH ACTION EFFECTED WITHOUT ITS CONSENT. NOTHING UNDER THIS SECTION IS INTENDED TO LIMIT THE ISSUER'S PAYMENT OBLIGATIONS CONTAINED ELSEWHERE IN THIS AGREEMENT.

Section 5.3. Survival. Without prejudice to the survival of any other agreement of the Issuer hereunder, the agreements and obligations of the Issuer contained in this Article V shall survive the termination of this Agreement and the payment in full of the Notes and the obligations of the Issuer thereunder and hereunder.

ARTICLE VI

TERMINATION AND EFFECT; EVENTS OF DEFAULT

Section 6.1. Issuer's Right of Termination; General Limitation on Bank's Right to Terminate. (a) Subject to clause (b) below, the Issuer shall have the ability to terminate this Agreement and the Available Commitment hereunder, at any time in advance of the Commitment Expiration Date, by delivering to the Bank written notice of its intent to terminate not less than five (5) Business Days prior to the effective date of such termination. Upon the Issuer's exercise of its right to terminate this Agreement, neither the Issuer nor the Bank shall have any further obligation or liability to, or any rights against, the other except as otherwise provided in this Agreement

(b) (i) Notwithstanding any provision of this Agreement to the contrary, the Issuer agrees not to terminate or permanently reduce the Available Commitment prior to the one (1) year anniversary of the Closing Date, except upon (A) the payment by the Issuer to the Bank of the Termination Fee or a Reduction Fee, as described in subclauses (ii) through (v) below, (B) with respect to the termination or permanent reduction in full of the Available Commitment, the payment by the Issuer to the Bank of all Obligations payable under this Agreement (but specifically excluding principal of and interest on outstanding Notes, which will remain payable in accordance with their terms) and (C) the Issuer providing the Bank with thirty (30) days prior written notice of its intent to terminate or reduce the Available Commitment.

(ii) The Issuer agrees that all payments to the Bank referred to in the preceding paragraph shall be made in immediately available funds.

(iii) The Issuer hereby agrees to pay to the Bank a Termination Fee in connection with the termination of the Available Commitment by the Issuer as set forth in Section 6.1(b)(i) hereof in an amount equal to the difference between (x) the product of (A) the Commitment Fee in effect pursuant to Section 1.9 hereof on the date of termination, (B) the Available Commitment as of the Closing Date, and (C) a fraction, the numerator of which is equal to the number of days from and including the date of such termination to and including the one (1) year anniversary of the Closing Date and the denominator of which is 360 and (y) any amounts previously paid pursuant to Section 1.9(a) hereof (the "*Termination Fee*"), payable on the date the Available Commitment is terminated.

(iv) The Issuer hereby agrees to pay to the Bank a Reduction Fee in connection with each and every permanent reduction of the Available Commitment by the Issuer as set forth in Section 6.2(b)(i) hereof in an amount equal to the product of (A) the Commitment Fee in effect pursuant to Section 1.9 hereof on the date of such permanent reduction, (B) the difference

between the Available Commitment (without regard to any reductions thereof that may be reinstated pursuant to the terms of this Agreement) prior to such permanent reduction and the Available Commitment (without regard to any reductions thereof that may be reinstated pursuant to the terms of this Agreement) after such permanent reduction, and (C) a fraction, the numerator of which is equal to the number of days from and including the date of such permanent reduction to and including the one (1) year anniversary of the Closing Date and the denominator of which is 360 (the “*Reduction Fee*”), payable on the date the Available Commitment is permanently reduced.

(c) Except as specified otherwise under Section 6.3 hereof, the Bank shall not be permitted to terminate this Agreement, or otherwise suspend, limit, or adversely impact the Available Commitment, prior to the Commitment Expiration Date.

Section 6.2. Events of Default. The occurrence of any of the following events (whatever the reason for such event and whether voluntary, involuntary, or effected by operation of Law) shall be an “Event of Default” hereunder, unless waived in writing by the Bank:

(i) the Issuer shall fail to pay the principal of or interest on any Note when due;

(ii) the Issuer shall fail to pay any Obligation (other than the obligation to pay the principal of or interest on the Notes) and such failure shall continue for three (3) Business Days;

(iii) any representation or warranty made by or on behalf of the Issuer in this Agreement or in any other Related Document or in any certificate or statement delivered hereunder or thereunder shall be incorrect or untrue in any material respect when made or deemed to have been made or delivered;

(iv) the Issuer shall default in the due performance or observance of any of the covenants set forth in Section 4.1, 4.2, 4.3, 4.4, 4.5, 4.6, 4.10, 4.13, 4.14, 4.15, 4.18, 4.20, 4.21, 4.22 or 4.23 hereof; or

(v) the Issuer shall default in the due performance or observance of any other term, covenant or agreement contained in this Agreement or any other Related Document and such default shall remain unremedied for a period of thirty (30) days after the occurrence thereof;

(vi) the Issuer shall (i) have entered involuntarily against it an order for relief under the United States Bankruptcy Code, as amended, (ii) become insolvent or shall not pay, or be unable to pay, or admit in writing its inability to pay, its debts generally as they become due, (iii) make an assignment for the benefit of creditors, (iv) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any substantial part of its Property, (v) institute any proceeding seeking to have entered against it an order for relief under the United States Bankruptcy Code, as amended, to adjudicate it insolvent, or seeking dissolution, winding

up, liquidation, reorganization, arrangement, marshalling of assets, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (vi) take any corporate action in furtherance of any matter described in parts (i) through (v) above, or (vii) fail to contest in good faith any appointment or proceeding described in Section 6.2(vii) of this Agreement;

(vii) a custodian, receiver, trustee, examiner, liquidator or similar official shall be appointed for the Issuer or any substantial part of its Property, or a proceeding described in Section 6.2(vi)(i) shall be instituted against the Issuer and such proceeding continues undischarged or any such proceeding continues undismissed or unstayed for a period of thirty (30) or more days;

(viii) (i) any provision of this Agreement or any Related Document related to (A) payment of principal of or interest on the Notes or any Parity Debt or (B) the validity or enforceability of the lien on and pledge of the Pledged Revenues or any other pledge or security interest created by the Ordinance shall at any time for any reason cease to be valid and binding on the Issuer as a result of a finding or ruling by a court or Governmental Authority with competent jurisdiction, or shall be declared, in a final nonappealable judgment by any court of competent jurisdiction, to be null and void, invalid or unenforceable; or

(ii) the validity or enforceability of any material provision of this Agreement or any Related Document related to (A) payment of principal of or interest on the Notes or any Parity Debt, or (B) the validity or enforceability of the lien on and pledge of the Pledged Revenues or any other pledge or security interest created by the Ordinance shall be publicly contested by the Issuer; or

(iii) any other material provision of this Agreement or any other Related Document, other than a provision described in clause (i) above, shall at any time for any reason cease to be valid and binding on the Issuer as a result of a ruling or finding by a court or a Governmental Authority with competent jurisdiction or shall be declared in a final non-appealable judgment by any court with competent jurisdiction to be null and void, invalid, or unenforceable, or the validity or enforceability thereof shall be publicly contested by the Issuer;

(ix) dissolution or termination of the existence of the Issuer or the System;

(x) the Issuer shall (i) default on the payment of the principal of or interest on any Parity Debt, beyond the period of grace, if any, provided in the instrument or agreement under which such Parity Debt was created or incurred or relates; or (ii) default in the observance or performance of any agreement or condition relating to any Parity Debt or contained in any instrument or agreement evidencing, securing or relating thereto, or any other default, event of default or similar event shall occur or condition exist, the effect of which default, event of default or similar event or condition is to cause

(determined without regard to whether any notice is required) any such Parity Debt to become immediately due and payable in full as the result of the acceleration, mandatory redemption or mandatory tender of such Parity Debt;

(xi) the Issuer shall (i) default on the payment of the principal of or interest on any Debt (other than Parity Debt) aggregating in excess of \$10,000,000, beyond the period of grace, if any, provided in the instrument or agreement under which Parity Debt was created or incurred; or (ii) default in the observance or performance of any agreement or condition relating to any Debt (other than Parity Debt) aggregating in excess of \$10,000,000, or contained in any instrument or agreement evidencing, securing or relating thereto, or any other default, event of default or similar event shall occur or condition exist, the effect of which default, event of default or similar event or condition is to permit (determined without regard to whether any notice is required) any such Debt to become immediately due and payable in full as the result of the acceleration, mandatory redemption or mandatory tender of such Debt;

(xii) (i) a final unappealable judgment or order for the payment of money in excess of \$10,000,000 payable from the Pledged Revenues shall be rendered against the Issuer and such judgment or order shall continue unsatisfied and unstayed for a period of 60 days, or (ii) the Issuer shall have failed promptly to lift any execution, garnishment, or attachment pursuant to such judgment or order as, in the written opinion of the Engineer of Record, will impair the System's ability to carry on the System business;

(xiii) any "event of default" under any Related Document (as defined respectively therein) shall have occurred;

(xiv) (i) any of S&P, Fitch or Moody's shall have downgraded their respective Rating or their respective rating on the Notes to a rating below Investment Grade, or shall suspend or withdraw their respective Rating or their respective rating on the Notes for any reason; or

(xv) a debt moratorium, debt restructuring, debt adjustment or comparable restriction is imposed on the repayment when due and payable of the principal of or interest on any Debt of the Issuer by any Governmental Authority with appropriate jurisdiction.

Section 6.3. Consequences of an Event of Default. If an Event of Default specified in Section 6.2 hereof shall occur and be continuing, the Bank may take one or more of the following actions at any time and from time to time (regardless of whether the actions are taken at the same or different times):

(i) by written notice to the Issuer terminate the Available Commitment;

(ii) by written notice to the Issuer, declare the outstanding amount of the Obligations (other than the principal of or interest on the Notes) under this Agreement to be immediately due and payable without presentment, demand, protest or further notice

of any kind, all of which are hereby expressly waived, and an action therefor shall immediately accrue;

(iii) either personally or by attorney or agent without bringing any action or proceeding, or by a receiver to be appointed by a court in any appropriate action or proceeding, take whatever action at law or in equity may appear necessary or desirable to collect the amounts due and payable under the Related Documents or to enforce performance or observance of any obligation, agreement or covenant of the Issuer under the Related Documents, including, without limitation, for specific performance of any agreement or covenant of the Issuer or in aid of the execution of any power granted to the Bank in the Related Documents, injunctive relief or the seeking of a writ of mandamus;

(iv) cure any Default, Event of Default or event of nonperformance hereunder or under any Related Document; *provided, however*, that the Bank shall have no obligation to effect such a cure; and

(v) exercise, or cause to be exercised, any and all remedies as it may have under the Related Documents (other than as provided for in clause (iii) of this Section 6.3(a)) and as otherwise available at law and at equity.

Section 6.4. Remedies Cumulative; Solely for the Benefit of Bank. To the extent permitted by, and subject to the mandatory requirements of, applicable Law, each and every right, power and remedy herein specifically given to the Bank in the Related Documents shall be cumulative, concurrent and nonexclusive and shall be in addition to every other right, power and remedy herein specifically given or now or hereafter existing at law, in equity or by statute, and each and every right, power and remedy (whether specifically herein given or otherwise existing) may be exercised from time to time and as often and in such order as may be deemed expedient by the Bank, and the exercise or the beginning of the exercise of any power or remedy shall not be construed to be a waiver of the right to exercise at the same time or thereafter any other right, power or remedy.

The rights and remedies of the Bank specified herein are for the sole and exclusive benefit, use and protection of the Bank, and the Bank is entitled, but shall have no duty or obligation to the Issuer, the Paying Agent/Registrar or any other Person or otherwise, to exercise or to refrain from exercising any right or remedy reserved to the Bank hereunder or under any of the other Related Documents.

Section 6.5. Waivers or Omissions. No delay or omission by the Bank in the exercise of any right, remedy or power or in the pursuit of any remedy shall impair any such right remedy or power or be construed to be a waiver of any default on the part of the Bank or to be acquiescence therein. No express or implied waiver by the Bank of any Event of Default shall in any way be a waiver of any future or subsequent Event of Default.

Section 6.6. Discontinuance of Proceedings. In case the Bank shall proceed to invoke any right, remedy or recourse permitted hereunder or under the Related Documents and shall thereafter elect to discontinue or abandon the same for any reason, the Bank shall have the

unqualified right so to do and, in such event, the Issuer and the Bank shall be restored to their former positions with respect to the Obligations, the Related Documents and otherwise, and the rights, remedies, recourse and powers of the Bank hereunder shall continue as if the same had never been invoked.

Section 6.7. Injunctive Relief. The Issuer recognizes that in the event an Event of Default occurs, any remedy of law may prove to be inadequate relief to the Bank; therefore, the Issuer agrees that the Bank, if the Bank so requests, shall be entitled to temporary and permanent relief in any such case.

Section 6.8. Right of Setoff. (a) Upon the occurrence of an Event of Default, the Bank may, at any time and from time to time, without notice to the Issuer or any other person (any such notice being expressly waived), set off and appropriate and apply against and on account of any Obligations under this Agreement, without regard to whether or not the Bank shall have made any demand therefor, and although such Obligations may be contingent or unmatured, any and all deposits (general or special, including but not limited to deposits made pursuant to this Agreement and Debt evidenced by certificates of deposit, whether matured or unmatured, but not including trust accounts, such as restricted donor accounts) and any other Debt at any time held or owing by the Bank to or for the credit or the account of any or all of the Issuer maintained, but only to the extent maintained, for the benefit of the System.

ARTICLE VII

GENERAL

Section 7.1. Notices. Any notice or other communication to be given to the Bank under this Agreement may be given by delivering the same in writing to Wells Fargo Bank, National Association Attn: Stephen F. Callahan, 1445 Ross Avenue, Suite 2314, Dallas, Texas 75202, or to such different address for the Bank as the Bank shall have notified the Issuer as aforesaid. Any notice or other communication to be given to the Issuer under this Agreement may be given by delivering the same in writing to City of Fort Worth, Texas, 1000 Throckmorton, Fort Worth, Texas 76102, Attention: Chief Financial Officer, or to such different address for the Issuer as the Issuer shall have notified the Bank as aforesaid. The approval or other action or exercise of judgment by the Bank shall be evidenced by a writing signed on behalf of the Bank and delivered to the Issuer.

Section 7.2. Successors and Assigns.

(a) *Successors and Assigns Generally.* This Agreement is a continuing obligation and shall be binding upon the Issuer, its successors, transferees and assigns and shall inure to the benefit of the Noteholders and their respective permitted successors, transferees and assigns. The Issuer may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Bank. Each Noteholder may, in its sole discretion and in accordance with applicable Law, from time to time assign, sell or transfer in whole or in part, this Agreement, its interest in the Notes and the Related Documents in accordance with the

provisions of paragraph (b) or (c) of this Section. Each Noteholder may at any time and from time to time enter into participation agreements in accordance with the provisions of paragraph (d) of this Section. Each Noteholder may at any time pledge or assign a security interest subject to the restrictions of paragraph (e) of this Section. Upon acceptance and notification thereof to the Issuer and the Paying Agent/Registrar, the successor to the Bank for such purposes shall thereupon succeed to and become vested with all of the rights, powers, privileges and responsibilities of the Bank, and Wells Fargo Bank, National Association or any other Person being replaced as the Bank shall be discharged from its duties and obligations as the Bank hereunder.

(b) *Sales and Transfers by Noteholder to a Bank Transferee.* Without limitation of the foregoing generality, a Noteholder may at any time sell or otherwise transfer to one or more transferees all or a portion of the Notes to a Person that is (i) a Bank Affiliate or (ii) a trust or other custodial arrangement established by the Bank or a Bank Affiliate, the owners of any beneficial interest in which are limited to “qualified institutional buyers” as defined in Rule 144A promulgated under the 1933 Act (each, a “*Bank Transferee*”). From and after the date of such sale or transfer, Wells Fargo Bank, National Association (and its successors) shall continue to have all of the rights of the Bank hereunder and under the other Related Documents as if no such transfer or sale had occurred; *provided, however*, that (A) no such sale or transfer referred to in clause (b)(i) or (b)(ii) hereof shall in any way affect the obligations of the Bank hereunder, (B) the Issuer and the Paying Agent/Registrar shall be required to deal only with the Bank with respect to any matters under this Agreement and (C) in the case of a sale or transfer referred to in clause (b)(i) or (b)(ii) hereof, only the Bank shall be entitled to enforce the provisions of this Agreement against the Issuer.

(c) *Sales and Transfers by Noteholder to a Non-Bank Transferee.* Without limitation of the foregoing generality, a Noteholder may at any time sell or otherwise transfer to one or more transferees which are not Bank Transferees but each of which constitutes (i) a “qualified institutional buyer” as defined in Rule 144A promulgated under the 1933 Act and (ii) a commercial bank organized under the laws of the United States, or any state thereof, or any other country which is a member of the Organization for Economic Cooperation and Development, or a political subdivision of any such country, and, in any such case, having a combined capital and surplus, determined as of the date of any transfer pursuant to this clause (c), of not less than \$5,000,000,000 (each a “*Non-Bank Transferee*”) all or a portion of the Notes if (A) written notice of such sale or transfer, including that such sale or transfer is to a Non-Bank Transferee, together with addresses and related information with respect to the Non-Bank Transferee, shall have been given to the Issuer, the Paying Agent/Registrar and the Bank (if different than the Noteholder) by such selling Noteholder and Non-Bank Transferee, and (B) the Non-Bank Transferee shall have delivered to the Issuer, the Paying Agent/Registrar and the selling Noteholder, an investment letter in substantially the form attached as Exhibit D to this Agreement (the “*Investor Letter*”).

From and after the date the Issuer, the Paying Agent/Registrar and the selling Noteholder have received written notice and an executed Investor Letter, (A) the Non-Bank Transferee thereunder shall be a party hereto and shall have the rights and obligations of a Noteholder hereunder and under the other Related Documents, and this Agreement shall be deemed to be

amended to the extent, but only to the extent, necessary to effect the addition of the Non-Bank Transferee, and any reference to the assigning Noteholder hereunder and under the other Related Documents shall thereafter refer to such transferring Noteholder and to the Non-Bank Transferee to the extent of their respective interests, and (B) if the transferring Noteholder no longer owns any Notes, then it shall relinquish its rights and be released from its obligations hereunder and under the Related Documents.

(d) *Participations.* The Bank shall have the right to grant participations in all or a portion of the Bank's interest in the Notes, this Agreement and the other Related Documents to one or more other banking institutions; *provided, however,* that (i) no such participation by any such participant shall in any way affect the obligations of the Bank hereunder and (ii) the Issuer and the Paying Agent/Registrar shall be required to deal only with the Bank, with respect to any matters under this Agreement, the Notes and the other Related Documents and no such participant shall be entitled to enforce any provision hereunder against the Borrower.

(e) *Certain Pledges.* The Bank may at any time pledge or grant a security interest in all or any portion of its rights under the Notes, this Agreement and the Related Documents to secure obligations of the Bank, including any pledge or assignment to secure obligations to a Federal Reserve Bank; *provided* that no such pledge or assignment shall release the Bank from any of its obligations hereunder or substitute any such pledgee or assignee for the Bank as a party hereto.

Section 7.3. Amendments. Any provision of this Agreement may be amended or modified if, but only if, such amendment or modification is in writing and is signed by the Issuer and the Bank.

Section 7.4. Governing Law; Consent to Jurisdiction and Venue; Service of Process.

(a) THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK; PROVIDED, HOWEVER, THAT THE POWER, CAPACITY AND AUTHORITY OF THE ISSUER TO ENTER INTO THE RELATED DOCUMENTS, AND ITS PERFORMANCE UNDER THE RELATED DOCUMENTS, SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS.

(b) TO THE EXTENT PERMITTED BY APPLICABLE LAWS, EACH OF THE PARTIES HERETO HEREBY WAIVES ITS RIGHT TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT, THE RELATED DOCUMENTS OR ANY OF THE TRANSACTIONS DESCRIBED HEREIN OR THEREIN, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS.

(c) The covenants and waivers made pursuant to this Section 7.4 shall be irrevocable and unmodifiable, whether in writing or orally, and shall be applicable to any subsequent amendments, renewals, supplements or modifications of this Agreement. In the event of litigation, this Agreement may be filed as a written consent to a trial by the court.

Section 7.5. Reserved.

Section 7.6. Duration. All representations and warranties of the Issuer contained herein or made in connection herewith shall survive the making of and shall not be waived by the execution and delivery of the Related Documents or any investigation by any party hereto. All covenants and agreements of the Issuer contained herein shall continue in full force and effect from and after the Closing Date until the later of the Termination Date and the date that the Obligations payable to the Bank have been indefeasibly paid in full and fully discharged at which time this Agreement shall terminate; provided, however, that the obligations of the Issuer under Sections 1.6, 1.7, 1.10 and 5.2 hereof and under each other provision of any Related Document granting a right of indemnity or reimbursement in favor of the Bank shall survive the termination of this Agreement.

Section 7.7. 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 7.8. Severability. If any provision of this Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatever.

Section 7.9. Effectiveness. This Agreement shall become effective upon the execution by the Bank and the acceptance hereof by the Issuer.

Section 7.10. Headings. The headings of the Sections of this Agreement are inserted for convenience only and shall not be deemed to be a part hereof.

Section 7.11. No Personal Liability. None of the Issuer's officers, employees, or agents (including, without limitation, any person executing this Agreement) shall be liable personally for any Obligation or be subject to any personal liability or accountability by reason of the Issuer's issuance of any Note or for entering into this Agreement.

Section 7.12. Notice of Final Agreement. THIS IS THE FINAL EXPRESSION OF THE AGREEMENT BETWEEN THE BANK AND THE ISSUER AND SUCH WRITTEN AGREEMENT MAY NOT BE CONTRADICTED BY EVIDENCE OF ANY PRIOR ORAL AGREEMENT OR OF A CONTEMPORANEOUS ORAL AGREEMENT BETWEEN THE BANK AND THE ISSUER.

Respectfully submitted,

WELLS FARGO BANK, NATIONAL
ASSOCIATION

By _____

Name: Stephen F. Callahan

Title: Vice President

ACCEPTED THIS _____ DAY OF _____, 2013

CITY OF FORT WORTH, TEXAS

By _____
Authorized Representative

APPROVED AS TO FORM:

By _____
City Attorney

EXHIBIT A

REQUEST FOR PURCHASE

[ATTENTION]

Re: _____ City of Fort Worth, Texas _____

Reference is hereby made to that certain Note Purchase Agreement dated as of April 1, 2013 (the “*Note Purchase Agreement*”) by and between Wells Fargo Bank, National Association and the City of Fort Worth, Texas. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in the Note Purchase Agreement.

This is request for purchase #_____ for a purchase of a Note in the principal amount of \$_____ on the Settlement Date of _____ which shall have a maturity date of _____.

I hereby certify:

1. No Default or Event of Default has occurred or is continuing as of the date of this request.
2. The representations and warranties of the Issuer made in the Note Purchase Agreement are true and correct in all material respects on and as of the date of this request.
3. All requirements to this request contained in the Note Purchase Agreement have been satisfied.

By: _____
Name: _____
Title: _____
Dated: _____

EXHIBIT B

[FORM OF REQUEST FOR EXTENSION]

REQUEST FOR EXTENSION

[Date]

Wells Fargo Bank, National Association

[Address]

Attention: _____

Ladies and Gentlemen:

Reference is made to the Note Purchase Agreement dated as of April 1, 2013 (together with any amendments or supplements thereto, the "*Agreement*") by and between the undersigned, the City of Fort Worth, Texas (the "*City*") and Wells Fargo Bank, National Association (the "*Bank*"). All terms defined in the Agreement are used herein as defined therein.

The City hereby requests, pursuant to Section 1.11 of the Agreement, that the Commitment Expiration Date with respect to the Available Commitment as of the date hereof be extended by [_____] to _____, _____. Pursuant to such Section 1.11, we have enclosed with this request the following information:

1. A reasonably detailed description of any and all Defaults that have occurred and are continuing;
2. Confirmation that all representations and warranties of the City as set forth in Article II of the Agreement are true and correct in all material respects as though made on the date hereof and that no Default or Event of Default has occurred and is continuing on the date hereof; and
3. Any other pertinent information previously requested by the Bank.

The Bank is required to notify the City of its decision with respect to this request within 45 days of the date of receipt hereof. If the Bank fails to notify the City of the Bank's decision within such 45-day period, the Bank shall be deemed to have rejected such request.

Very truly yours,

CITY OF FORT WORTH, TEXAS

By _____
Name: _____
Title: _____

EXHIBIT C

[FORM OF NOTICE OF EXTENSION]

NOTICE OF EXTENSION

[Date]

Honorable Mayor and City Council
City of Fort Worth, Texas
1000 Throckmorton
Fort Worth, Texas 76102

Ladies and Gentlemen:

We hereby notify you that pursuant to Section 1.11 of the Note Purchase Agreement, dated as of April 1, 2013, by and between the City of Fort Worth, Texas (the “*City*”) and the undersigned, Wells Fargo Bank, National Association (the “*Bank*”), the Commitment Expiration Date with respect to the Commitment as of the date hereof shall be extended [_____] to _____, _____. Your acknowledgment hereof shall be deemed to be your representation and warranty that all your representations and warranties contained in Article II of the Agreement are true and correct in all material respects and will be true and correct in all material respects as of the date hereof and that no Default or Event of Default has occurred and is continuing.

Very truly yours,

WELLS FARGO BANK, NATIONAL ASSOCIATION

By _____
Name: _____
Title: _____

Acknowledged as of _____, _____ by

CITY OF FORT WORTH, TEXAS

By _____

Name: _____

Title: _____

EXHIBIT D
INVESTOR LETTER