
REVOLVING CREDIT AGREEMENT

dated as of July 1, 2021

between

CITY OF DALLAS, TEXAS,

and

BANK OF AMERICA, N.A.

relating to

CITY OF DALLAS, TEXAS

WATERWORKS AND SEWER SYSTEM

COMMERCIAL PAPER NOTES, SERIES F, SUB-SERIES F-2

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REVOLVING CREDIT AGREEMENT

This REVOLVING CREDIT AGREEMENT is dated as of July 1, 2021, between the CITY OF DALLAS, TEXAS (the “City”) and BANK OF AMERICA, N.A. (the “Bank”).

RECITALS:

WHEREAS, pursuant to Chapter 1371, Texas Government Code (the “Act”), the City is authorized to issue commercial paper notes and to execute and deliver one or more credit agreements with respect to such commercial paper notes; and

WHEREAS, pursuant to Ordinance No. 27486, adopted on February 11, 2009 (the “*Original Ordinance*”), as amended and restated by Ordinance No. [____], adopted on **[June 9, 2021]** (the “*Amended Ordinance*” and together with the Original Ordinance, collectively referred to herein as the “*Ordinance*”), the City authorized the issuance, in two sub-series, of its Waterworks and Sewer System Commercial Paper Notes, Series F (the “*Commercial Paper Notes*”) in an aggregate principal amount not to exceed \$75,000,000, with respect to the Sub-Series F-2 Notes to provide interim financing for additions, improvements and extensions to the System (as defined herein) pursuant to the authority of the Act; and

WHEREAS, the City has requested the Bank to provide, and the Bank is willing to provide to the City, liquidity to support such Commercial Paper Notes by making available a revolving line of credit, initially in an aggregate principal amount not to exceed \$80,547,946 (said amount calculated to provide liquidity for the maximum aggregate principal amount of Commercial Paper Notes outstanding at any time, together with interest thereon for a period of 270 days at the rate of 10% per annum) at any time outstanding;

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. In addition to other terms defined herein, unless the context shall indicate a contrary meaning or intent, the following terms shall have the respective meanings indicated below, such meanings to be applicable equally to both the singular and plural forms of such terms:

“Act” has the meaning set forth in the recitals hereto.

“Affiliate” means, with respect to any Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

“Agreement” shall mean this Revolving Credit Agreement, as amended, supplemented or otherwise modified from time to time.

“Anti-Corruption Laws” means all laws, rules and regulations of any jurisdiction applicable to the City from time to time concerning or relating to bribery or corruption.

“Audited Financial Statements” means the audited Comprehensive Annual Financial Report and any related basic financial statements for the City for each Fiscal Year, commencing with the Fiscal Year ended September 30, 2020.

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

“Available Commitment” shall mean, at any date, the sum of the Available Principal Commitment and the Available Interest Commitment then in effect.

“Available Interest Commitment” shall mean, and in no event shall it exceed, \$5,547,946, which constitutes two hundred seventy (270) days of interest at ten percent (10%) on the maximum Available Principal Commitment calculated on the basis of actual number of days and a 365-day year, such initial amount adjusted from time to time as follows: (a) downward in an amount equal to the Interest Component of any Loan; (b) upward in an amount equal to the Interest Component of any Loan that is repaid, pursuant to the terms of Section 2.03 or 2.07; and (c) downward by an amount that bears the same proportion to the Available Interest Commitment immediately prior to such reduction as the amount of any reduction in the Commitment bears to the Commitment immediately prior to such reduction; *provided, however*, that after giving effect to any such adjustment the Available Interest Commitment shall never exceed \$5,547,946. Any adjustments pursuant to clause (a), (b) or (c) above shall occur simultaneously with the event requiring such adjustment.

“Available Principal Commitment” shall mean, and in no event shall it exceed, \$75,000,000, such initial amount adjusted from time to time as follows: (a) downward in an amount equal to the Principal Component of any Loan; (b) upward in an amount equal to the Principal Component of any Loan that is repaid pursuant to the terms of Section 2.03 or 2.07; and (c) downward by an amount that bears the same proportion to the Available Principal Commitment immediately prior to such reduction as the amount of any reduction in the Commitment bears to the Commitment immediately prior to such reduction; *provided, that*, after giving effect to any such adjustment the Available Principal Commitment shall never exceed \$75,000,000. Any adjustments pursuant to clause (a), (b) or (c) above shall occur simultaneously with the event requiring such adjustment.

“Bank Note” shall mean the Liquidity Provider Note made by the City to the order of the Bank, evidencing Loans payable from Pledged Revenues, substantially in the form of Exhibit C attached hereto, with appropriate completions, and any and all renewals, extensions or modifications thereof.

“Bank Rate” means, for each day of determination with respect to any Loans, except as provided in Section 2.04 hereof, a rate per annum equal to (i) for the period from and including

the date such Loan is made to but not including the earlier to occur of (x) the Conversion Date and (y) the date which is ninety (90) calendar days immediately following the date such Loan is made, the Base Rate from time to time in effect and (ii) from and after the Conversion Date, 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; *provided further* that at no time shall the Bank Rate be less than the highest per annum rate of interest applicable to any Outstanding Commercial Paper Notes. Each change in any interest rate provided for herein resulting from a change in the Prime Rate or the Federal Funds Rate shall take effect at the time of such change in the Prime Rate or the Federal Funds Rate, respectively.

“*Base Rate*” shall mean, for any day, the greatest of (i) the Federal Funds Rate *plus* two percent (2.00%), (ii) the Prime Rate, *plus* one percent (1.00%) or (iii) seven percent (7.00%) per annum.

“*Business Day*” shall mean any day (i) when banks are not required or authorized by law or executive order to be closed in Dallas, Texas, New York, New York or the city in which the office of the Bank at which demands hereunder are to be honored is located and (ii) when the New York Stock Exchange is not required or authorized by law or executive order to be closed.

“*Change in Law*” means the occurrence, after the Effective Date, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline 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 Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (ii) all requests, rules, guidelines 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, in each case pursuant to Basel III, shall in each case be deemed to be a “*Change in Law*”, regardless of the date enacted, adopted or issued.

“*City*” shall mean the City of Dallas, Texas.

“*Co-Bond Counsel*” shall mean McCall, Parkhurst & Horton L.L.P. and Escamilla & Poneck, LLP, or any other firm or firms selected by the City whose opinion concerning bond matters is nationally recognized.

“*Code*” shall mean the Internal Revenue Code of 1986, as amended, and when reference is made to a particular section thereof, the applicable regulations from time to time promulgated or proposed thereunder by the United States Department of the Treasury.

“*Commercial Paper Notes*” has the meaning set forth in the recitals hereto.

“*Commitment*” shall mean an amount equal to \$80,547,946, as such amount may be terminated and reduced pursuant to Section 2.06 or 7.01 hereof.

“Commitment Termination Date” shall mean the earliest of:

- (a) July 8, 2024, or such later date as may be established pursuant to Section 2.09 hereof;
- (b) the date the Commitment is reduced to zero pursuant to Section 2.06 or Section 7.01 hereof; and
- (c) the Substitution Date.

“Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. *“Controlling”* and *“Controlled”* have meanings correlative thereto.

“Conversion Date” is defined in Section 2.03(a) hereof.

“Dealer” shall mean each dealer selected from time to time by the City to market the Commercial Paper Notes in accordance with the Ordinance. As of the Effective Date, the Dealer is J.P. Morgan Securities LLC.

“Dealer Agreement” has the meaning set forth in the Ordinance.

“Debt” of any Person means, at any date and without duplication, (i) all obligations of such Person for borrowed money, including without limitation, obligations secured by any of the revenues or assets of such Person and all obligations of such Person evidenced by bonds (including revenue bonds), debentures, notes or other similar instruments, (ii) 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 (including, without limitation, accounts payable to construction contractors and other professionals for services rendered), (iii) all obligations of such Person as lessee under capital leases, (iv) all indebtedness of others secured by a Lien on any asset of such Person, whether or not such indebtedness is assumed by such Person, (v) all indebtedness of others guaranteed by, or secured by any of the revenues or assets of, such Person and (vi) net payment obligations of such Person under any Swap Contract.

“Debtor Relief Laws” means the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

“Default” shall mean any condition or event that constitutes an Event of Default or that, with the giving of notice or lapse of time or both, would constitute an Event of Default.

“Default Rate” shall mean a rate of interest per annum equal to the Base Rate, *plus* four percent (4.00%).

“Dodd-Frank Act” means the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, as enacted by the United States Congress, and signed into law on July 21, 2010, all statutes enacted thereunder, and all rules, guidelines or directives promulgated thereunder.

“Dollar,” “Dollars” and “\$” mean lawful money of the United States.

“Effective Date” means July 8, 2021, so long as the conditions precedent set forth in Section 4.01 hereof have been satisfied or waived.

“Eligible Assignee” means any Person that meets the requirements to be an assignee under Section 8.06 (subject to such consents, if any, as may be required under Section 8.06(c)(iii)).

“Employee Plan” shall mean an employee benefit plan covered by Title IV of ERISA and maintained for employees of the City.

“ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time, and, unless the context otherwise requires, the rules and regulations promulgated thereunder from time to time.

“Event of Default” is defined in Section 7.01 hereof.

“Excess Interest” is defined in Section 2.04(c) hereof.

“Excluded Tax” means, with respect to the Bank or any other recipient of any payment to be made by or on account of any obligation of the City hereunder, (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 such recipient is organized or in which its principal office is located or, in the case of the Bank, in which its Lending Office is located, (b) any branch profits taxes imposed by the United States or any similar tax imposed by any other jurisdiction in which the City is located, and (c) any backup withholding tax that is required by the Code to be withheld from amounts payable to the Bank that has failed to comply with clause (A) of Section 3.01(e)(ii).

“Facility Fee” has the meaning set forth in the Fee Letter.

“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, 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, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to the Bank on such day on such transactions as determined by the Bank.

“Fee Letter” means that certain Fee Letter Agreement dated July 8, 2021, between the City and the Bank, as the same may be amended, modified or restated in accordance with the terms thereof and hereof.

“Final Maturity Date” shall mean, with respect to any Term Loan, the earlier to occur of (i) the third (3rd) anniversary of the date the related Revolving Loan was made, (ii) the third (3rd) anniversary of the Commitment Termination Date, (iii) the Substitution Date that a substitute liquidity or credit facility replaces this facility, (iv) the date that the Available Commitment is permanently reduced to zero or this facility is otherwise terminated prior to the Commitment Termination Date, including the occurrence of an Event of Default, and (v) the date that the Commercial Paper Notes are redeemed, prepaid, cancelled or defeased.

“Fiscal Year” shall mean the period beginning on October 1 of each year and ending on the next succeeding September 30, or any other twelve month period hereafter designated as the official fiscal year period of the City, which designation shall be provided to the Bank in a certificate executed by an Authorized Representative.

“GAAP” means generally accepted accounting principles in the United States set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board and all relevant pronouncements of the Governmental Accounting Standards Board or such other principles as may be approved by a significant segment of the accounting profession in the United States, that are applicable to the circumstances as of the date of determination, consistently applied to government entities such as the City. If any pronouncements of the Financial Accounting Standards Board or the Accounting Principles Board conflicts with or contradicts Governmental Accounting Standards Board pronouncements, Governmental Accounting Standards Board pronouncements will prevail.

“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 of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

“Guarantees” means, as to any Person, all guarantees, endorsements (other than for collection or deposit in the ordinary course of business) and other contingent obligations of such Person to purchase, to provide funds for payment, to supply funds to invest in any other Person or otherwise to assure a creditor of another Person against loss.

“Holder” shall mean the Bank and any other holder of a Bank Note or any Person to which the Bank or any such other holder sells a participation in a Bank Note (whether or not the City was

given notice of such sale and whether or not the Holder has an interest in a Bank Note at the time amounts are payable to such Holder thereunder and under this Agreement).

“Indemnified Taxes” means Taxes other than Excluded Taxes.

“Interest Component” in respect of any Loan, shall mean the portion of such Loan determined pursuant to Section 2.01.

“Investment Policy” shall mean the City’s written investment policy adopted in accordance with Chapter 2256, Texas Government Code.

“Issuing and Paying Agent” shall mean the firm serving as issuing and paying agent for the Commercial Paper Notes pursuant to the terms of the Ordinance. As of the Effective Date, the Issuing and Paying Agent is U.S. Bank National Association, New York, New York.

“Issuing and Paying Agency Agreement” shall mean the Issuing and Paying Agent Agreement, dated as of July 1, 2021, between the City and the Issuing and Paying Agent, as amended, supplemented or otherwise modified from time to time.

“Laws” means, collectively, all international, foreign, federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

“Lending Office” means the office or offices of the Bank described as such on Schedule I attached hereto, or such other office or offices as the Bank may from time to time notify the City in writing.

“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).

“Liquidity Provider Note” has the meaning set forth in the Ordinance.

“Loan” shall mean a Revolving Loan or a Term Loan made by the Bank to the City pursuant to Article II hereof.

“Material Adverse Effect” shall mean a material adverse change in, or a material adverse effect on, any of (a) the operations, business, properties, liabilities (actual or contingent), or condition (financial or otherwise) of the System, (b) the ability of the City to perform any of its

other obligations under this Agreement or any of the other Related Documents, (c) the legality, validity or enforceability of this Agreement or any of the other Related Documents, (d) the rights and remedies of the Bank under this Agreement or any of the other Related Documents, or (e) the creation, perfection or priority of the lien on any collateral securing the payment of principal of, and interest on, the Loans, arising under the Ordinance.

“Maximum Interest Rate” shall mean the maximum net effective interest rate permitted by Chapter 1204, Texas Government Code, to be paid on obligations issued or incurred by the City in the exercise of its borrowing powers.

“Maximum Note Rate” shall mean ten percent (10%).

“Moody’s” shall mean Moody’s Investors Service, Inc., or, if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency as may be designated in writing by the City.

“Non-Issuance Instruction” has the meaning set forth in Section 4.04 hereof.

“Obligations” means all advances to, and debts, liabilities, obligations, covenants and duties of, the City arising under any Related Document or otherwise with respect to any Loan, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against the City of any proceeding under any Debtor Relief Laws naming the City as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding.

“OFAC” means the Office of Foreign Asset Control.

“Offering Memorandum” has the meaning set forth in the Ordinance.

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

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

“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” (i) with respect to the Commercial Paper Notes, shall have the meaning assigned to such term in the Ordinance and (ii) with respect to Loans, means all Loans made by the Bank pursuant hereto and not repaid by the City.

“Outstanding Prior Lien Bonds” has the meaning set forth in the Ordinance.

“Parity and Senior Debt” means (i) any bonds, notes, certificates, debentures or other evidence of similar indebtedness issued by or on behalf of the City secured by Pledged Revenues, the payment of which ranks senior to or on parity with the Commercial Paper Notes and the Bank Note, (ii) the obligations of the City under any Swap Contract (other than any termination payments under any Swap Contract) (the payment of which is secured by Pledged Revenues and which ranks senior to or on parity with the Commercial Paper Notes and the Bank Note) providing interest rate support with respect to any indebtedness issued by or on behalf of the City the payment of which is secured by Pledged Revenues and which ranks senior to or on parity with the Commercial Paper Notes and the Bank Note, (iii) any obligation of the City as lessee under a capital lease the payment of which is secured by Pledged Revenues and which ranks senior to or on parity with the Commercial Paper Notes and the Bank Note (x) which is not subject to appropriation or abatement or (y) which is rated by each Rating Agency then rating the Commercial Paper Notes at a level equal to or higher than the unenhanced debt rating assigned by each such Rating Agency to the Prior Lien Bonds, and (iv) any Guarantee by the City the payment of which ranks senior to or on parity with the Commercial Paper Notes and the Bank Note (*provided, however*, that the failure to pay any such Guarantee as a result of any set-off, recoupment, counterclaim or any other defense of the City shall not constitute a failure to pay Parity and Senior Debt for purposes of this Agreement).

“Parity Obligations” means any Debt of the City secured by a Lien on Pledged Revenues the payment of which ranks on parity with or is senior to the Obligations.

“Participant” shall mean any Person, which in accordance with Section 8.06(b) hereof, shall participate in the benefits and obligations of the Bank hereunder pursuant to a participation agreement between the Bank and such Person.

“Person” shall mean an individual, a corporation, a partnership, an association, a limited liability company, a partnership, a trust, or any other entity or organization, including a Governmental Authority.

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

“Prime Rate” means on any day, the rate of interest in effect for such day as set by the Bank as its “prime rate.” The “*prime rate*” is a rate set by the Bank based upon various factors including the Bank’s costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in such rate announced by the Bank shall take effect at the opening of business on the day specified in the public announcement of such change.

“Principal Component” in respect of any Loan, shall mean the portion of such Loan equal to the principal amount of Commercial Paper Notes paid with the proceeds of such Loan.

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

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

“Project Notes” means, as appropriate, a Commercial Paper Note or all the Commercial Paper Notes other than any Bank Note.

“Rating Agencies” shall mean S&P and Moody’s.

“Related Documents” shall mean this Agreement, the Fee Letter, the Ordinance, the Offering Memorandum, the Issuing and Paying Agency Agreement, the Dealer Agreement, the Commercial Paper Notes, the Bank Note, any written direction to the Issuing and Paying Agent directing the issuance of Commercial Paper Notes or any exhibit or schedule to any of the foregoing.

“Related Party” means, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, employees, agents, trustees and advisors of such Person and of such Person’s Affiliates.

“Request for Loan” shall mean a written borrowing request from the City, in substantially the form of Exhibit B hereto, with appropriate completions, executed by the Issuing and Paying Agent, which requests a Revolving Loan from the Bank.

“Revolving Credit Period” shall mean the period commencing on the Effective Date and ending on the Commitment Termination Date.

“Revolving Loan” shall mean each revolving loan made by the Bank to the City pursuant to Section 2.01(b) hereof.

“S&P” shall mean S&P Global Ratings, or if such entity is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency as may be designated in writing by the City.

“Sanction(s)” means any international economic sanction administered or enforced by the United States Government (including, without limitation, OFAC), the United Nations Security Council, the European Union, Her Majesty’s Treasury or other relevant sanctions authority.

“Series G Bank Note” shall mean the Liquidity Provider Note made by the City to the order of State Street Bank and Trust Company in relation to the Series G Credit Agreement.

“Series G Credit Agreement” means that certain Credit Agreement dated as of July 1, 2021, between the City and State Street Bank and Trust Company, as amended and supplemented from time to time.

“Series G Notes” shall mean the commercial paper notes issued by the City under authority of the Series G Ordinance.

“Series G Ordinance” means Ordinance No. [_____] adopted on [June 9, 2021], as amended and supplemented.

“Special Events of Default” shall mean the Events of Default described in Section 7.01(a)(i), (e)(ii), (f)(i), (g), (h)(i), (i) and (j)(ii).

“Subordinated Obligations” shall have the same meaning herein as in the Ordinance.

“Sub-Series F-1 Bank Note” shall mean the Liquidity Provider Note made by the City to the order of JPMorgan Chase Bank, N.A. in relation to the Sub-Series F-1 Credit Agreement.

“Sub-Series F-1 Credit Agreement” means that certain Credit Agreement dated as of July 1, 2021, between the City and JPMorgan Chase Bank, N.A., as amended and supplemented from time to time.

“Sub-Series F-1 Notes” shall mean the commercial paper notes issued by the City under authority of the Ordinance.

“Subordinated Obligations” shall have the same meaning herein as in the Ordinance.

“Substitution Date” means the date of acceptance by the City of a substitute credit facility in accordance with the terms and provisions of the Ordinance.

“Supplement” shall mean any extension, renewal, modification, amendment, supplement and substitution.

“Suspension Event” shall mean the occurrence of an Event of Default pursuant to Section 7.01(h)(ii) hereof or a Default pursuant to Section 7.01(g)(ii) or (iii) hereof which causes the suspension of the obligations of the Bank hereunder.

“Swap Contract” means (a) any and all rate swap transactions, basis swaps, total return swaps, credit derivative transactions, forward rate transactions, 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, cap transactions, floor transactions, collar transactions, 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 pursuant to which the Pledged Revenues are pledged or encumbered.

“System” shall have the meaning set forth in the Ordinance.

“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, additions to tax or penalties applicable thereto.

“*Term Loan*” shall mean each term loan made by the Bank to the City pursuant to Section 2.01(b) hereof on a Conversion Date.

Section 1.02. Other Interpretive Provisions. With reference to this Agreement and each other Related Document, unless otherwise specified herein or in such other Related Document:

(a) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation.” The word “will” shall be construed to have the same meaning and effect as the word “shall.” Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or in any other Related Document), (ii) any reference herein to any Person shall be construed to include such Person’s successors and assigns, (iii) the words “herein,” “hereof” and “hereunder,” and words of similar import when used in any Related Document, shall be construed to refer to such Related Document in its entirety and not to any particular provision thereof, (iv) all references in a Related Document to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, the Related Document in which such references appear, (v) any reference to any law shall include all statutory and regulatory provisions consolidating, amending, replacing or interpreting such law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, and (vi) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

(b) In the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including;” the words “to” and “until” each mean “to but excluding;” and the word “through” means “to and including.”

(c) Section headings herein and in the other Related Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Related Document.

Section 1.03. Accounting Terms. All accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with GAAP.

Section 1.04. Interpretations. The table of contents and article and section headings of this Agreement are included herein for convenience of reference purposes only and shall not constitute a part of this Agreement or affect its interpretation in any respect. All references to time herein shall refer to local time in New York, New York.

Section 1.05. Rounding. Any financial ratios required to be maintained by the City pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

ARTICLE II

REVOLVING CREDIT; TERM LOANS

Section 2.01. Commitment to Lend. (a) *Generally.* The City hereby requests the Bank, and the Bank agrees, on the terms and conditions hereinafter set forth, to establish a revolving line of credit for the benefit of the City in an amount not to exceed the Commitment for the purpose of making Loans to fund the payment by the City of the principal of and interest on any Commercial Paper Notes at the stated maturity thereof in accordance with this Agreement and the Ordinance.

(b) *Revolving Loans.* The Bank agrees, on the terms and conditions hereinafter set forth, to make Revolving Loans available to the City during the Revolving Credit Period an amount at any one time outstanding not to exceed the amount of the Commitment. Each Revolving Loan under this Section 2.01(b) shall be made in such amount as may be requested by an Authorized Representative to enable the City to pay the principal of and interest on Commercial Paper Notes maturing on the date of such Revolving Loan. Notwithstanding anything herein to the contrary, the Bank shall have no obligation to make a Revolving Loan if the sum of such Revolving Loan plus the aggregate principal amount of the outstanding Revolving Loans and Term Loans would exceed the Commitment then in effect. Each Revolving Loan shall be in an aggregate principal amount equal to the Principal Component plus the Interest Component, if any, of such Revolving Loan. The aggregate Principal Component of all Revolving Loans made on any date shall not exceed the Available Principal Commitment on such date. The aggregate Interest Component of all Revolving Loans made on any date shall equal the lesser of (i) the Available Interest Commitment on such date and (ii) the actual aggregate amount of interest, if any, accrued on the Commercial Paper Notes to be paid with the proceeds of such Loan. The City may borrow under this Section 2.01(b), prepay under Section 2.07 hereof, and reborrow under this Section 2.01(b) at any time and from time to time during the Revolving Credit Period.

(c) *Term Loans.* The Bank agrees, on the terms and conditions hereinafter set forth, to make a Term Loan to the City on each Conversion Date in an amount equal to the outstanding principal amount of the related Revolving Loan that matures on such Conversion Date; *provided, however,* that the aggregate outstanding principal amount of all Loans by the Bank shall at no time exceed the amount of the Commitment.

Section 2.02. Method of Borrowing. (a) *Revolving Loans.* (i) Pursuant to the Ordinance and the Issuing and Paying Agency Agreement, the City has authorized and directed the Issuing and Paying Agent to act as its agent in the issuance, authentication, delivery and payment of Commercial Paper Notes and in effecting borrowings under this Agreement to pay the maturing principal of and interest on Commercial Paper Notes. Each Revolving Loan shall be made upon

the Issuing and Payment Agent's irrevocable notice, on behalf of the City, to the Bank, which may be given by telephone. If, on any Business Day prior to the Commitment Termination Date, the Bank receives not later than 11:30 a.m. a Request for Loan from the Issuing and Paying Agent, the Bank shall, subject to the terms of Section 2.01 and the satisfaction of the conditions set forth in Section 4.02, transfer to the Issuing and Paying Agent not later than 2:15 p.m., an amount equal to the amount requested in the related Request for Loan. A Request for Loan shall be irrevocable after receipt thereof by the Bank. With respect to any such Request for Loan received by the Bank after 11:30 a.m. on a Business Day, the Bank shall be required to make such loan by 2:00 p.m. on the immediately succeeding Business Day. Each telephonic notice by the Issuing and Paying Agent, on behalf of the City, pursuant to this Section 2.02(a)(i) must be confirmed promptly by delivery to the Bank of a Request for Loan appropriately completed and signed by the Issuing and Paying Agent. Each Request for Loan (whether telephonic or written) shall specify (i) the requested date of the Revolving Loan (which shall be a Business Day) and (ii) the principal amount of Revolving Loans to be borrowed and (iii) whether such Loan will be used to pay the principal of, or interest on, the Commercial Paper Notes. Subject to the conditions set forth in this Section and in Section 4.02 hereof, the Bank agrees to honor a Request for Loan received on any date it has delivered a Non-Issuance Instruction pursuant to Section 4.04 hereof that is also a date upon which Commercial Paper Notes are due and payable by making the Revolving Loan requested in accordance with this paragraph (a)(i). Any Request for Loan received by the Bank shall be irrevocable and binding upon the Issuing and Paying Agent and the City.

(ii) If the Bank is requested to make Revolving Loans hereunder on a day on which the City is to repay all or any part of the principal of outstanding Revolving Loans ("*Existing Revolving Loans*"), the Bank shall apply the proceeds of the requested Revolving Loans to repay such Existing Revolving Loans and only an amount equal to the excess (if any) of the principal amount of such Revolving Loans being borrowed over the outstanding principal of and accrued interest on such Existing Revolving Loans shall be made available by the Bank to the City.

(b) *Term Loans.* Subject to the satisfaction of the terms and conditions of Section 4.03 hereof, on each Conversion Date any unpaid principal amount of a Revolving Loan on such Conversion Date shall automatically convert into a Term Loan and the proceeds of such Term Loan shall be used to pay in full the related Revolving Loan.

Section 2.03. Repayment; Bank Note. (a) Each Revolving Loan shall be paid in full on the earliest of the following (the "*Conversion Date*"): (i) the date occurring 91 days after the date of such Revolving Loan, (ii) the Commitment Termination Date and (iii) the Business Day when Commercial Paper Notes are sold to fund such repayment pursuant to Section 6.25 hereof. Notwithstanding the foregoing, the Interest Component of each Revolving Loan, if any, shall be due and payable on the date that is two (2) Business Days after the date such Loan is made.

(b) The principal of each Term Loan shall be repaid in full no later than the Final Maturity Date. The principal amount of each Term Loan shall be payable in equal (or nearly equal), quarterly installments, commencing on the Conversion Date for such Term Loan and continuing on each three month anniversary of the Conversion Date to and including the Final Maturity Date for such Term Loan. Notwithstanding the foregoing, the aggregate principal amount of, and interest on, all Loans shall be repaid on or before the Final Maturity Date.

(c) Each Loan made by the Bank shall be evidenced by the Bank Note, payable to the order of the Bank and in the principal amount equal to its Commitment. The Bank Note shall bear interest and shall be due and payable on the dates, in the amounts, and under the circumstances set forth herein and in the Bank Note.

(d) The Bank shall record, and prior to any transfer of the Bank Note shall endorse on the schedules forming a part thereof, appropriate notations to evidence the date, amount, type and maturity of each Loan made by it and the date and amount of each payment of principal made by the City with respect thereto; *provided, however*, that the failure of the Bank to make any such recordation or endorsement shall not affect the obligations of the City hereunder or under the Bank Note. In any legal action or proceeding in respect of this Agreement or the Bank Note, the notations made on the Bank Note or as provided by the Bank's accounting records shall be presumptive evidence of the existence and amount due thereunder, absent of manifest error. The Bank is hereby authorized by the City so to endorse the Bank Note and to attach to and make a part of the Bank Note a continuation or substitution of any such schedule as and when required.

Section 2.04. Interest. (a) Subject to the provisions of subsection (b) below, the City shall pay interest on the unpaid principal amount of each Loan, from the date of such Loan until such principal amount shall be paid in full, at the Bank Rate, payable monthly in arrears on the first Business Day of each calendar month (commencing on the first such date to occur after the making of such Loan), on the Commitment Termination Date, on the Final Maturity Date and on the date any Loan shall be paid or prepaid.

(b) (i) During the continuance of an Event of Default and if any amount of principal of any Loan is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, such amount shall hereafter bear interest at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws.

(ii) If any amount (other than principal of any Loan) payable by the City under any Related Document is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, then upon the request of the Bank, such amount shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws.

(iii) Upon the request of the Bank, while any Event of Default exists, the City shall pay interest on the principal amount of all outstanding Obligations hereunder at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws.

(iv) Accrued and unpaid interest on past due amounts (including interest on past due interest, to the extent permitted by law) shall be due and payable upon demand.

(c) Anything in this Agreement to the contrary, in no event shall the rate of interest payable by the City on any Obligation incurred hereunder exceed the Maximum Interest Rate. If the rate of interest payable on any Obligation incurred by the City hereunder shall exceed the

Maximum Interest Rate for any period for which interest is payable, then (i) interest at the Maximum Interest Rate shall be due and payable with respect to such interest period and (ii) interest at the rate equal to the difference between (A) the rate of interest calculated in accordance with the terms hereof and (B) the Maximum Interest Rate (the "*Excess Interest*"), shall be deferred until such date as the rate of interest calculated in accordance with the terms hereof ceases to exceed the Maximum Interest Rate, at which time the City shall pay to the Bank with respect to amounts then payable to the Bank that are required to accrue interest hereunder, such portion of the deferred Excess Interest as will cause the rate of interest then paid to the Bank to equal the Maximum Interest Rate, which payments of deferred Excess Interest shall continue to apply to such unpaid amounts hereunder until all deferred Excess Interest is fully paid to the Bank. Upon the termination of the Commitment and this Agreement, in consideration for the limitation of the rate of interest otherwise payable hereunder, to the extent permitted by the Laws of the State of Texas, the City shall pay to the Bank a fee equal to any accrued and unpaid Excess Interest on such date; *provided* that such payment shall not cause interest to exceed the Maximum Interest Rate; *provided further* that in no event shall interest accrue and be payable after such date.

(d) All computations of interest hereunder shall be made by the Bank on the basis of a year of 365 or 366 days, as the case may be, and all computations of fees shall be made by the Bank, on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day in the case of interest) occurring in the period for which such interest or fee is payable. Interest shall accrue on each Loan for the day on which the Loan is made, and shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid, *provided* that any Loan that is repaid on the same day on which it is made shall bear interest for one day. Each determination by the Bank of an interest rate or fee hereunder shall be conclusive and binding on all parties for all purposes, absent demonstrable error. In addition, any calculation made pursuant to this Section 2.04(d) that would cause the interest paid, payable or accruing on the indebtedness of the City under this Agreement and the Bank Note to exceed the Maximum Interest Rate shall be adjusted so as to reduce the interest paid, payable and accruing hereunder to such Maximum Interest Rate, as more fully set forth in Section 2.04(c) hereof. All sums paid or agreed to be paid to the Bank for the use, forbearance or detention of the indebtedness evidenced by the Bank Note shall, to the extent permitted by law, be amortized, prorated, allocated and spread throughout the full term of such Bank Note. Each determination by the Bank of an interest rate or fee hereunder shall be conclusive and binding on all parties for all purposes, absent manifest error.

Section 2.05. Fees. The City hereby agrees to perform the obligations provided for in the Fee Letter, including, without limitation, the payment of any and all fees provided for therein. The terms of the Fee Letter are incorporated herein by reference.

Section 2.06. Termination or Reduction of Commitment. Notwithstanding any provisions of this Agreement to the contrary, the City agrees not to terminate this Agreement or reduce the Commitment prior to the Commitment Termination Date, except upon (i) the payment by the City to the Bank of the Termination Fee or Reduction Fee, as applicable, in the amount set forth in the Fee Letter, (ii) the payment to the Bank of all Obligations payable hereunder and (iii) the City providing the Bank with 30 days prior written notice of its intent to terminate this Agreement or reduce the Commitment; *provided* that all payments to the Bank referred to in clauses (i) and (ii)

above shall be made in immediately available funds; *provided, however*, that any such termination of this Agreement shall be in compliance with the terms and conditions of the Ordinance. The City agrees that any termination of this Agreement as a result of the provision of any substitute facility pursuant to the terms of the Ordinance will require, as a condition thereto, that the City or the issuer of such facility will provide funds on the date of such termination or provision in an amount sufficient to pay in full at the time of termination all Obligations due and owing to the Bank hereunder.

(b) The Commitment shall terminate on the Commitment Termination Date. All Revolving Loans then outstanding (together with accrued interest thereon) shall be due and payable on the Commitment Termination Date, unless such Loans have been converted into Term Loans pursuant to the provisions of this Agreement.

(c) If the Commitment is terminated in its entirety, all accrued Facility Fees shall be payable on the effective date of such termination. If the amount of the Commitment is reduced, the Commitment Fee that has accrued on the amount by which the Commitment has been reduced shall be payable on the effective date of such reduction.

(d) In the event where the Dealer is selling new Commercial Paper Notes in order to pay off maturing Commercial Paper Notes and the City directs the Issuing and Paying Agent not to issue such Commercial Paper Notes up to the Maximum Note Rate, or otherwise limits the interest rate on an issuance of such Commercial Paper Notes to a rate of interest less than the Maximum Note Rate and, as a result of these actions, the Commercial Paper Notes are not sold, a Loan is incurred and thus the Bank is not reimbursed for a Loan the proceeds of which were used to pay the maturing Commercial Paper Notes, then the Commitment shall be permanently reduced by such principal amount and the City shall repay the related Loan within 30 days.

Section 2.07. Prepayments.

(a) *Optional Prepayments.* The City may, upon notice to the Bank, voluntarily prepay any Loan in whole or in part at any time, without penalty or premium, each such prepayment to be accompanied by the payment of accrued interest to the date of such prepayment on the amount prepaid, *provided* that (i) each partial prepayment shall be in a principal amount equal to at least \$1,000,000 and any integral multiple of \$100,000 in excess of \$1,000,000, and (ii) the City shall give the Bank written notice of prepayment at least one (1) Business Day prior to the date of the prepayment of a Loan. Each notice of prepayment shall be irrevocable and shall specify the date and the amount of the prepayment and identify the Loan to be prepaid.

(b) *Mandatory Prepayments.* If on any date (A) the sum of the aggregate principal amount of outstanding Loans exceeds the amount of the Commitment, the City shall immediately prepay the Loans in an amount equal to such excess, (B) the aggregate principal amount of outstanding Commercial Paper Notes exceeds the amount of the Available Commitment, the City shall immediately prepay the Loans in an amount equal to such excess, or (C) any Commercial Paper Notes are sold to finance the repayment of a Loan, the City shall immediately prepay any outstanding Loans (if any) in an amount equal to the sum of the proceeds from such sale. Each

such prepayment shall be accompanied by the payment of accrued interest to the date of such prepayment on the amount prepaid.

(c) *Application.* Any amount of principal of a Revolving Loan prepaid may be reborrowed in accordance with Section 2.01 hereof. Any amount of principal of a Term Loan prepaid shall be applied to reduce the installments of principal due and payable hereunder with respect to such Term Loan in the inverse order of maturity.

Section 2.08. General Provisions as to Payment. The following general provisions shall apply to all payments of Facility Fees, payments on the Loans and the Bank Note and all other payment Obligations under this Agreement:

(a) the Bank shall calculate and notify the City in writing of the amounts payable by the City hereunder; *provided, however*, that the failure of the Bank to provide such notice shall not affect the obligations of the City to make any payments owed to the Bank hereunder. All payments to be made by the City shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff. Except as otherwise expressly provided herein, all payments by the City hereunder shall be made to the Bank to which such payment is owed, at the Lending Office in Dollars and in immediately available funds not later than 2:00 p.m. on the date specified herein. All payments received by the Bank after 2:00 p.m. shall be deemed received on the next succeeding Business Day and any applicable interest or fee shall continue to accrue. If any payment to be made by the City shall come due on a day other than a Business Day, payment shall be made on the next following Business Day, and such extension of time shall be reflected in computing interest or fees, as the case may be.

(b) *Funding Source.* Nothing herein shall be deemed to obligate the Bank to obtain the funds for any Loan in any particular place or manner or to constitute a representation by the Bank that it has obtained or will obtain the funds for any Loan in any particular place or manner.

Section 2.09. Extension of Revolving Credit Period. No more than 120 days prior to the Commitment Termination Date (the “Deadline”), the City may request in writing to the Bank (each such request being irrevocable) an extension of the Commitment Termination Date. If the City shall make such a request prior to the Deadline, the Bank shall, within 45 days of such request, notify the City in writing whether or not it consents to such request and the terms and conditions upon which it will consent to such request (including conditions relating to pricing and legal documentation). The Bank shall have no obligation whatsoever to consent to any request for an extension of the Commitment Termination Date, and any such extension shall be subject to approval by the Bank. If the Bank shall not notify the City of its consent to such extension, the Bank shall be deemed to have rejected the City’s request for an extension. If the Bank (in its sole and absolute discretion) shall agree to extend the Commitment Termination Date, then the Bank and the City shall enter into an amendment of this Agreement and deliver a copy of any such amendment, executed by the parties thereto, to the Issuing and Paying Agent, the Dealer and each Rating Agency then rating the Commercial Paper Notes.

Section 2.10. Obligations Absolute. The obligations of the City under this Agreement shall be absolute, unconditional and irrevocable and shall be paid or performed strictly in accordance with the terms of this Agreement, under all circumstances whatsoever, including, without limitation, the following circumstances: (i) any lack of validity, legality or enforceability of this Agreement, the Bank Note or any other Related Document, or any other instrument, agreement or other document executed and delivered by the City in connection with any of the foregoing; (ii) any amendment or waiver of or any consent to departure from all or any of the Related Documents, or any other instrument, agreement or other document executed and delivered by the City in connection with any of the foregoing; (iii) any statement or other document presented under this Agreement proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever; (iv) the making of a Loan after the delivery of a Request for Loan that does not comply with the terms of this Agreement; (v) the existence of any claim, set-off, defense or other rights which the City may have at any time against the Issuing and Paying Agent (or any Person for whom the Issuing and Paying Agent may be acting), any Holder, the Dealer, the Bank or any other Person, whether in connection with this Agreement, the transactions contemplated herein or in the Related Documents or any unrelated transaction; or (vi) any other circumstance which might constitute a legal or equitable discharge of any obligations hereunder (whether or not similar to any of the foregoing), it being agreed that the obligations hereunder shall not be discharged except by the performance thereof strictly in accordance with the terms of this Agreement including, without limitation, the payment in full as herein provided of all amounts owing hereunder.

ARTICLE III

TAXES, YIELD PROTECTION AND ILLEGALITY

Section 3.01. Taxes.

(a) *Payments Free of Taxes; Obligation to Withhold; Payments on Account of Taxes.*
(i) Any and all payments by or on account of any obligation of the City hereunder or under any other Related Document shall to the extent permitted by applicable Laws be made free and clear of and without reduction or withholding for any Taxes. If, however, applicable Laws require the City or the Bank to withhold or deduct any Tax, such Tax shall be withheld or deducted in accordance with such Laws as determined by the City or the Bank, as the case may be, upon the basis of the information and documentation to be delivered pursuant to subsection (e) below.

(ii) If the City or the Bank shall be required by the Code to withhold or deduct any Taxes, including both United States Federal backup withholding and withholding taxes, from any payment, then (A) the Bank shall withhold or make such deductions as it shall determine to be required based upon the information and documentation it has received pursuant to subsection (e) below, (B) the Bank shall timely pay the full amount withheld or deducted to the relevant Governmental Authority in accordance with the Code, and (C) to the extent that the withholding or deduction is made on account of Indemnified Taxes or Other Taxes, the sum payable by the City shall be increased as necessary so that after any required withholding or the making of all required deductions (including deductions applicable to additional sums payable under this

Section) the Bank receives an amount equal to the sum it would have received had no such withholding or deduction been made.

(b) *Payment of Other Taxes by the City.* Without limiting the provisions of subsection (a) above, the City shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with applicable Laws.

(c) *Tax Indemnifications.* (i) Without limiting the provisions of subsection (a) or (b) above, the City shall, and does hereby, to the extent permitted by the Laws of the State of Texas, indemnify the Bank and shall make payment in respect thereof within ten (10) days after written 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) withheld or deducted by the City or the Bank, 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. A certificate as to the amount of any such payment or liability delivered to the City by the Bank shall be conclusive absent manifest error.

(ii) Without limiting the provisions of subsection (a) or (b) above, the Bank shall, and does hereby, indemnify the City, and shall make payment in respect thereof within ten (10) days after written demand therefor, against any and all Taxes and any and all related losses, claims, liabilities, penalties, interest and expenses (including the fees, charges and disbursements of any counsel for the City) incurred by or asserted against the City by any Governmental Authority as a result of the failure by the Bank to deliver, or as a result of the inaccuracy, inadequacy or deficiency of, any documentation required to be delivered by the Bank to the City pursuant to subsection (e). The agreements in this clause (ii) shall survive the replacement of the Bank, the termination of the Commitment and the repayment, satisfaction or discharge of all other Obligations.

(d) *Evidence of Payments.* Upon request by the City or the Bank, as the case may be, after any payment of Taxes by the City or by the Bank to a Governmental Authority as provided in this Section 3.01, the City shall deliver to the Bank or the Bank shall deliver to the City, as the case may be, the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of any return required by Laws to report such payment or other evidence of such payment reasonably satisfactory to the City or the Bank, as the case may be.

(e) *Status of the Bank; Tax Documentation.* (i) The Bank shall deliver to the City, at the time or times prescribed by applicable Laws or when reasonably requested by the City, such properly completed and executed documentation prescribed by applicable Laws or by the taxing authorities of any jurisdiction and such other reasonably requested information as will permit the City to determine (A) whether or not payments made hereunder or under any other Related Document are subject to Taxes, (B) if applicable, the required rate of withholding or deduction, and (C) the Bank's entitlement to any available exemption from, or reduction of, applicable Taxes in respect of all payments to be made to the Bank by the City pursuant to this Agreement or otherwise to establish the Bank's status for withholding tax purposes in the applicable jurisdiction.

(ii) Without limiting the generality of the foregoing, if the City is resident for tax purposes in the United States, the Bank shall deliver to the City executed originals of Internal Revenue Service Form W-9 or such other documentation or information prescribed by applicable Laws or reasonably requested by the City as will enable the City to determine whether or not the Bank is subject to backup withholding or information reporting requirements.

(iii) The Bank shall promptly (A) notify the City of any change in circumstances which would modify or render invalid any claimed exemption or reduction, and (B) take such steps as shall not be materially disadvantageous to it, in the reasonable judgment of the Bank, and as may be reasonably necessary (including the re-designation of its Lending Office) to avoid any requirement of applicable Laws of any jurisdiction that the City make any withholding or deduction for taxes from amounts payable to the Bank.

Section 3.02. Increased Costs.

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

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

(ii) subject the Bank or any Participant to any taxes on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or

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

and the result of any of the foregoing shall be to increase the cost to the Bank or any such Participant with respect to this Agreement or to reduce the amount of any sum received or receivable by the Bank or any such Participant hereunder (whether of principal, interest or any other amount) then, upon request of the Bank or any such Participant, the City will pay to the Bank or any such Participant, such additional amount or amounts as will compensate the Bank or any such Participant, for such additional costs incurred or reduction suffered.

(b) *Capital Requirements.* If the Bank or any Participant determines that any Change in Law affecting the Bank or any such Participant or the Bank's any such Participant's holding company, if any, regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on the Bank's or any such Participant's capital or liquidity or on the capital or liquidity of the Bank's or any such Participant's holding company, if any, as a consequence of this Agreement to a level below that which the Participant or any such Participant or the Bank's or any such Participant's holding company could have achieved but for such Change in Law (taking into consideration the Bank's or any such Participant's policies and the policies of the Bank's or any such Participant's holding company with respect to capital adequacy), then from time to time the City will pay to the Bank or any such Participant, such additional amount or

amounts as will compensate the Bank or any such Participant or the Bank's or any such Participant's holding company for any such reduction suffered.

(c) *Certificates for Reimbursement.* A certificate of the Bank setting forth the amount or amounts necessary to compensate the Bank or any such Participant or its holding company, as the case may be, as specified in subsection (a) or (b) of this Section and delivered to the City shall be conclusive absent manifest error. The City shall pay the Bank or any such Participant the amount shown as due on any such certificate within ten (10) days after receipt thereof and any amount outstanding after such due date shall accrue interest at the Default Rate.

(d) *Delay in Requests.* Failure or delay on the part of the Bank to demand compensation pursuant to the foregoing provisions of this Section shall not constitute a waiver of the Bank's right to demand such compensation; *provided* that the City shall not be required to compensate the Bank pursuant to the foregoing provisions of this Section for any increased costs incurred or reductions suffered more than nine (9) months prior to the date that the Bank notifies the City of the Change in Law giving rise to such increased costs or reductions and of the Bank's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the nine (9) month period referred to above shall be extended to include the period of retroactive effect thereof).

Section 3.03. Mitigation Obligations. If the Bank requests compensation under Section 3.02, or the City is required to pay any additional amount to the Bank or any Governmental Authority for the account of the Bank pursuant to Section 3.01, or if the Bank gives a notice pursuant to Section 3.02, then the Bank shall, as applicable, use reasonable efforts to designate a different Lending Office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of the Bank, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 3.01 or 3.02, as the case may be, in the future, or eliminate the need for the notice pursuant to Section 3.02, as applicable, and (ii) in each case, would not subject the Bank, as the case may be, to any unreimbursed cost or expense and would not otherwise be disadvantageous to the Bank, as the case may be. The City hereby agrees to pay all reasonable costs and expenses incurred by the Bank in connection with any such designation or assignment.

Section 3.04. Survival. All of the City's obligations under this Article III shall survive termination of the Commitment and repayment of all other Obligations hereunder.

ARTICLE IV

CONDITIONS

Section 4.01. Conditions to Closing and Effectiveness of this Agreement. The Bank's obligation to make Loans in accordance with Section 2.01 hereof shall become effective on the Effective Date subject to the satisfaction of conditions in this Section 4.01.

(a) The Bank shall have received on or before the Effective Date the following, each in form and substance satisfactory to the Bank and its counsel and, unless otherwise indicated, dated the Effective Date:

(i) a certified copy of the Ordinance authorizing the City's commercial paper program, the terms and conditions of the Commercial Paper Notes, authorizing the issuance of the Commercial Paper Notes and the City's execution, delivery and performance of this Agreement and the other Related Documents, which certificate shall state that the Ordinance have not been amended, repealed or rescinded, and is in full force and effect on the Effective Date;

(ii) the annual financial statements of the City for fiscal years ended September 30, 2020 and the annual financial statement of the City's Water Utility Fund for September 30, 2020;

(iii) the approving opinion of the Attorney General of Texas with respect to the proceedings relating to this Agreement;

(iv) a counterpart of this Agreement, duly executed by the City and the Bank;

(v) a duly executed original of the Bank Note, complying with the provisions of Section 2.03 hereof and substantially in the form of Exhibit C hereto;

(vi) executed copies of the Related Documents;

(vii) a certificate of an Authorized Representative, certifying that all conditions precedent set forth in the Ordinance with respect to issuance of the Commercial Paper Notes shall have been satisfied;

(viii) a certificate of the Chief Financial Officer of the City, which shall certify, among other things, (A) as to the matters described in paragraph (b) below and (B) that all conditions in this Section 4.01 have been satisfied (with the exception of 4.01(a)(xiii) and 4.01(d) hereof);

(ix) (A) opinions of Co-Bond Counsel, addressed to the Bank in form and substance satisfactory to the Bank and its counsel and (B) an opinion of the City Attorney, on which the Bank may rely, substantially in the form of Exhibit D hereto, with such changes, modifications, deletions, or additions as may be acceptable to the City Attorney and counsel for the recipients thereof;

(x) certified copies of the Issuing and Paying Agency Agreement and the Dealer Agreement;

(xi) certified copies of all approvals or authorizations by, or consents of, or notices to or registrations with, any Governmental Authority required for the City to enter into this Agreement and the Related Documents and of all such approvals, authorizations,

consents, notices, or registrations required to be obtained or made prior to the Effective Date in connection with the transactions contemplated hereby and by the Related Documents;

(xii) a certificate of an Authorized Representative, certifying the names and true signatures of the officers of the City authorized to sign this Agreement, the Bank Note and the other Related Documents;

(xiii) such financial information, budgets, projections, investment policies and guidelines for permitted investments of the City as the Bank may reasonably request;

(xiv) such other documents, opinions, or certificates reasonably requested by the Bank; and

(xv) written confirmation that the Prior Lien Bonds have been rated “Aa2” by Moody’s and “AAA” by S&P.

(b) (i) The representations and warranties contained in Article V of this Agreement and in each other Related Document and certificate or other writing delivered to the Bank pursuant hereto on or prior to the Effective Date shall be true and correct in all material respects on and as of the Effective Date as though made on and as of such date, except to the extent a representation or warranty relates specifically to an earlier date (in which case such representation or warranty shall be true and correct in all material respects as of such date); (ii) no Event of Default or event which, with the giving of notice or the lapse of time or both, would constitute an Event of Default shall have occurred and be continuing on the Effective Date; (iii) since September 30, 2020, there has been no material adverse change in the business, properties, condition (financial or otherwise), or operations, present or prospective, of the City; and (iv) all conditions precedent in this Article IV have been satisfied.

(c) The effectiveness of this Agreement, the making of a Loan and the consummation of the other transactions contemplated by this Agreement and the Ordinance shall not contravene any law, rule or regulation applicable to the City or the Bank or any request, guideline or directive (or the interpretation or administration of any of the foregoing) of any Governmental Authority with jurisdiction over either the City or the Bank.

(d) All proceedings in connection with this Agreement, and all documents incidental thereto, shall be satisfactory to the Bank and its counsel.

Section 4.02. Conditions to Revolving Loans. The obligation of the Bank to make any Revolving Loan is subject to the satisfaction of each condition in Section 4.01 hereof on or prior to the Effective Date, receipt by the Bank of a Request for Loan in accordance with Section 2.02(a) hereof and the satisfaction of the further condition that no Special Event of Default or Suspension Event shall have occurred and be continuing. In addition, the Bank shall have no obligation to make a Revolving Loan to the City to pay the principal of or interest on any Commercial Paper Note that was issued by the City after receipt by the Issuing and Paying Agent and the City of a Non-Issuance Instruction. The making of each Loan hereunder shall be deemed to be a

representation and warranty by the City on the date of such borrowing that no Special Event of Default or Suspension Event shall have occurred or be continuing.

Section 4.03. Conditions to Term Loan. The obligation of the Bank to make any Term Loan is subject to: (i) the representations and warranties contained in Article V hereof and in each other Related Document and certificate or other writing delivered to the Bank pursuant hereto on or prior to the applicable Conversion Date shall be true and correct in all material respects on and as of the applicable Conversion Date as though made on and as of such date, except to the extent a representation or warranty relates specifically to an earlier date (in which case such representation or warranty shall be true and correct in all material respects as of such date); (ii) no Default or Event of Default shall have occurred and be continuing on the applicable Conversion Date; and (iii) the Bank shall have received a certificate, signed by an Authorized Representative and dated the applicable Conversion Date, confirming that all of the foregoing conditions have been satisfied.

Section 4.04. Conditions Precedent to Each Note Issuance; Non-Issuance Instruction. No Commercial Paper Note shall be issued unless on the date of such issuance, each of the following conditions precedent shall have been fulfilled in a manner satisfactory to the Bank (or waived by the Bank in writing):

(a) *Representations and Warranties, No Event of Default.* The representations and warranties of the City contained herein, each other Related Document and each certificate or other writing delivered to the Bank pursuant hereto or thereto on or prior to the date of such issuance shall be true and correct in all material respects on and as of such date as though made on and as of such date, except to the extent a representation or warranty relates specifically to an earlier date (in which case such representation or warranty shall be true and correct in all material respects as of such date), and no Event of Default or Default shall have occurred and be continuing on such date or would result from such issuance.

(b) *Commercial Paper Notes.* All conditions precedent for the issuance of the Commercial Paper Notes hereunder and under the Ordinance shall have been satisfied.

(c) *Ordinance.* The Ordinance shall be in full force and effect.

(d) *Governmental Approvals.* No registration, notice, qualification or other filing is required to be made with any Governmental Authority in connection with the issuance of the Commercial Paper Notes or, if required to be made, has been or will be made prior to the date of such issuance.

(e) *Non-Issuance Instruction.* The Bank shall not have given a Non-Issuance Instruction.

(f) *Available Commitment.* After the issuance of the Commercial Paper Notes, the aggregate principal amount of all Commercial Paper Notes that will be outstanding

immediately after such issuance together with the interest that will accrue thereon will not exceed the amount of the Available Commitment.

Unless the City shall have previously advised the Bank in writing that one or more conditions set forth in subsections (a), (b), (c), (d) and (f) of this Section 4.04 have not been satisfied, the City shall be deemed to have represented and warranted that on the date of such issuance or authentication of any Commercial Paper Note the above conditions have been satisfied. The Bank may deliver a notice to the Issuing and Paying Agent and to the City, in the form of Exhibit A attached hereto directing the City not to issue and the Issuing and Paying Agent not to authenticate any Commercial Paper Note (a "*Non-Issuance Instruction*"), at any time that the Bank shall have determined that any condition to the issuance of any Commercial Paper Note has not been satisfied. The Non-Issuance Instruction may be delivered by telecopy, by mail or by messenger, and may also be given by telephone if promptly confirmed in writing, *provided* that the failure to confirm such Non-Issuance Instruction promptly in writing shall not render any telephonic notice ineffective or invalid in any respect. Upon receipt of such Non-Issuance Instruction, the City shall not issue and the Issuing and Paying Agent shall not authenticate any Commercial Paper Note, in each case unless and until the Bank rescinds in writing such Non-Issuance Instruction. The City shall use its best efforts to cause the Issuing and Paying Agent to comply immediately with any such Non-Issuance Instruction. The Bank shall not incur any liability as a result of the Bank's giving any Non-Issuance Instruction that, in its good faith judgment, the Bank determines to be in accordance with this Section 4.04. The Bank agrees that if, after the delivery of a Non-Issuance Instruction, the Bank determines that the conditions to the issuance of any Commercial Paper Note have been satisfied and the Bank has received a notice from an Authorized Representative to such effect, then the Bank shall promptly deliver a notice (a copy of which shall be delivered by the Bank to the City and the Dealer) to the Issuing and Paying Agent, rescinding such Non-Issuance Instruction.

Notwithstanding the foregoing, the City shall provide no fewer than ninety (90) days' written notice to the Bank of its intention to increase the amount of the Commercial Paper Notes outstanding; provided, that the failure of the City to provide such written notice, or the issuance of Commercial Paper Notes in excess of the amount reflected in the notice, shall not result, in and of itself, in the Bank having the ability to issue a Non-Issuance Instruction. Failure to provide notice as provided above shall not constitute a Default or an Event of Default hereunder.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

To induce the Bank to enter into this Agreement, extend the Commitment and make Revolving Loans and Term Loans, the City represents and warrants to the Bank on the Effective Date and on the date of each Revolving Loan and Term Loan that:

Section 5.01. Authorization; No Conflict. The execution and delivery of this Agreement, the execution and delivery of the Bank Note, the authorization and issuance of the Commercial Paper Notes, the execution and delivery of the other Related Documents, any borrowings

represented by the Revolving Loans and Term Loans hereunder and the performance by the City of its obligations under this Agreement, the Bank Note and the other Related Documents, are within the City's powers, have been duly authorized by all necessary governmental action, have received all necessary approval (if any shall be required), and do not and will not contravene or conflict with any provision of law or of the Constitution of the State of Texas or of any agreement binding upon the City.

Section 5.02. Validity and Binding Nature; Commercial Paper Notes and Bank Note Special Obligations of City. This Agreement, the Bank Note (to the extent Revolving Loans and Term Loans are made thereunder), and the other Related Documents are, and the Commercial Paper Notes when issued will be, legal, valid, and binding obligations of the City enforceable against the City in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, or other similar laws affecting the enforceability of the rights of creditors generally. The Bank Note (to the extent Revolving Loans or Term Loans are made hereunder) are, and the Commercial Paper Notes when issued will be, the special obligations of the City payable from and secured solely by the funds pledged therefor pursuant to the Ordinance. To provide for the payment of the principal of and interest on the Notes, the Bank Note and any other amounts due under this Agreement and the Fee Letter as the same shall become due and payable, the Ordinance grants a lien on and pledge of, subject only to the provisions of the Ordinance permitting the application thereof for purposes and on the terms and conditions set forth therein, (i) the proceeds from (A) the sale of Prior Lien Bonds or Subordinated Obligations of the City issued for such purpose and (B) the sale of Commercial Paper Notes issued pursuant to the Ordinance for such purpose, (ii) Loans, (iii) the amounts held in the Sub-Series F-2 Note Payment Account (created under Section 2.09 of the Ordinance) until the amounts deposited therein are used for authorized purposes, *provided, however*, amounts in the Sub-Series F-2 Note Payment Account attributable to and derived from Loans shall be used only to pay, prior to any application to the payment of the Bank Note, the principal of and interest on the Project Notes in full, and (iv) the amounts remaining on deposit in the Series F Note Construction Account (created under Section 2.11 of the Ordinance) after payment of all Project Costs (as defined in the Ordinance). Additionally, to provide security for the payment of the principal of and interest on any obligation incurred under this Agreement and the Fee Letter that results in the delivery of the Bank Note and any other amounts due under this Agreement and the Fee Letter as the same shall become due and payable, the Ordinance grant a lien on and pledge of the Pledged Revenues, subject only to the provisions of the Ordinance permitting the application thereof for purposes and on terms and conditions set forth therein, such lien on and pledge of Pledged Revenues to the Bank Note and other amounts due under this Agreement and the Fee Letter, however, being subordinate only to the lien and pledge of the Pledged Revenues securing the payment of the Prior Lien Bonds and the debt service and reserve funds relating thereto.

Section 5.03. Litigation and Continuing Liabilities. No litigation, arbitration proceedings, or governmental proceedings are pending or threatened against the City or the System which question or seek to limit the right, power, or authority of the City to operate the System, to enter into this Agreement, to issue the Bank Note, to issue the Commercial Paper Notes, to enter into the other Related Documents or to perform any of its obligations under this Agreement, the Bank Note or the other Related Documents or that would, if adversely determined, materially and adversely affect the financial condition of the System.

Section 5.04. Governmental Approval. No approval, permit, consent or authorization of, or registration or filing with, any governmental or public agency, authority or Person not already obtained or made is required on the part of the City in connection with the execution and delivery by the City or the performance of any of its obligations under this Agreement, the Bank Note or the other Related Documents.

Section 5.05. Lien in Favor of the Bank. The obligations of the City to the Bank under this Agreement, the Fee Letter and the Bank Note are secured by a valid lien on and pledge of the Pledged Revenues in favor of the Bank, which lien thereon shall be subordinate only to the Prior Lien Bonds and the debt service and reserve funds relating thereto. The lien on and pledge of the Pledged Revenues in favor of the Bank shall be for the equal and proportionate benefit of the Bank Note, all obligations and amounts payable to the Bank under (i) this Agreement, (ii) the Fee Letter and (iii) the Bank Note, and the obligations of the City under the Sub-Series F-1 Bank Note and the Series G Bank Note, all of which shall be of equal rank without preference, priority or distinction, as to the lien or otherwise. Chapter 1208, Texas Government Code provides that no filing, registering, recording or publication of the Ordinance or any other instrument is required to establish a pledge of Pledged Revenues under the Ordinance or to perfect, protect or maintain the lien created thereby on the Pledged Revenues. In the event Chapter 1208, Texas Government Code is amended at any time while any obligations remain outstanding under the Agreement, the Fee Letter or the Bank Note, such that the lien on the Pledged Revenues is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, the City agrees to take such action to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code, to maintain perfection of the lien on the Pledged Revenues.

Section 5.06. Defaults. The City is not in default under (i) any order, writ, injunction or decree of any court or governmental body, agency or other instrumentality applicable to it, or (ii) any law or regulation applicable to it, or (iii) any of its Debt secured by Pledged Revenues, or (iv) any contract, agreement or instrument to which it, acting on behalf of the System, is a party or by which it or the property of the System is bound, in each case, which default could have a material adverse effect on the properties, business, revenues, condition (financial or other), or results of operations of the System or an adverse effect on the validity or enforceability of, or the authority or ability of the City to perform its obligations under, this Agreement and the Related Documents; and no event has occurred which with the giving of notice or the passage of time or both would constitute such a default. No Default or Event of Default has occurred or is continuing hereunder.

Section 5.07. Financial Statements. The Audited Financial Statements all examined and reported by nationally recognized independent certified public accountants or the auditor general of the State of Texas, as heretofore delivered to the Bank, fairly present the financial condition of the City, in all material respects, as of said dates and the results of the operations of the City for each such periods, respectively, and have been prepared in accordance with GAAP except as stated in the notes thereto. As of the date hereof, the City has no contingent liabilities, which are material to it other than as indicated on such financial statements or as otherwise disclosed to the Bank in writing. Since the date of the Audited Financial Statements, there have been no material adverse changes in the financial condition of the City nor has any event occurred which could reasonably be expected to result in a Material Adverse Effect.

Section 5.08. Complete and Correct Information. All information, reports, and other papers and data with respect to the System furnished by the City 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 City 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.

Section 5.09. Other Documents. The representations and warranties made by the City in each of the Related Documents to which it is a party are hereby incorporated herein by this reference and are hereby reaffirmed and restated by the City for the benefit of the Bank as if such representations and warranties were fully set forth herein. Except as otherwise provided herein, no amendment, modification, termination or replacement of any such representations, warranties, covenants and definitions contained in the Related Documents to which it is a party shall be effective to amend, modify, terminate or replace the representations, warranties, covenants and definitions incorporated herein by this reference, without the prior written consent of the Bank.

Section 5.10. Regulation U. The City is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System), and will not use the proceeds of the Commercial Paper Notes or any Loans made hereunder so as to violate Regulation U as it may be amended or interpreted from time to time by the Board of Governors of the Federal Reserve System.

Section 5.11. Legislation. No legislation has been enacted which in any way materially adversely affects or which prohibits (i) the issuance or delivery of the Commercial Paper Notes, (ii) the execution and delivery of this Agreement or any of the other Related Documents to which the City is a party, (iii) the creation, organization or existence of the City or the titles to office of any officers thereof, or (iv) the power of the City to perform its obligations under the Act, or under this Agreement or any of the other Related Documents to which the City is a party.

Section 5.12. Issuance of Commercial Paper Notes. Each issuance of Commercial Paper Notes by the City shall be deemed a representation by the City that (a) the City has complied in all material respects with all of the terms and provisions of this Agreement, (b) on such date, and after giving effect to the issuance of the Commercial Paper Notes, no Default or Event of Default has occurred or is continuing, (c) the representations and warranties of the City contained in this Agreement are true and correct in all material respects on and as of the date of issuance of the Commercial Paper Notes in question as though made on and as of such date, and (d) the aggregate amount of Commercial Paper Notes Outstanding, together with accrued interest thereon to maturity, after issuance of the Commercial Paper Notes will not exceed the Available Commitment.

Section 5.13. Tax-Exempt Status. The City has not taken any action or omitted to take any action, and knows of no 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 Commercial Paper Notes from gross income for Federal income tax purposes.

Section 5.14. Environmental Matters. The City has not received notice to the effect that the System is not in compliance with any of the requirements of applicable federal, state or local environmental, health and safety statutes and regulations or are the subject of any governmental investigation evaluating whether any remedial action is needed to respond to a release of any toxic or hazardous waste or substance into the environment, which non-compliance or remedial action could have a material adverse effect on the assets, financial condition, or operations of the City or its ability to perform its obligations under the Related Documents.

Section 5.15. Usury. The terms of this Agreement and the other Related Documents regarding the calculation and payment of interest and fees (except the fee described in Section 2.04(c), relating to the categorization of unpaid deferred Excess Interest as a fee, to which no representation is made) do not violate any applicable usury laws.

Section 5.16. ERISA. The City does not maintain or contribute to, and has not maintained or contributed to, any Employee Plan that is subject to Title IV of ERISA.

Section 5.17. Solvency. The City is solvent and able to pay its debts as they become due.

Section 5.18. Existence, Qualification and Power; Compliance with Laws. The City (a) is duly organized and validly existing under the provisions of the Constitution and laws of the State of Texas, and (b) has all requisite power and authority and all requisite governmental licenses, authorizations, consents and approvals to (i) own or lease its assets and carry on its governmental purposes and (ii) execute, deliver and perform its obligations under the Related Documents to which it is a party.

Section 5.19. Compliance with Laws. The City is in compliance in all Laws, ordinances, orders, rules and regulations applicable to it (including environmental laws and ERISA), except to the extent noncompliance could not reasonably be expected to result in a Material Adverse Effect.

Section 5.20. Paying Agent/Registrar; Dealer. U.S. Bank National Association (or a successor or assign approved in writing by the Bank, provided that written approval shall not be required in circumstances of succession or assignment due to merger, consolidation or other similar action) is the duly appointed and acting Issuing and Paying Agent, and J.P. Morgan Securities LLC (or a successor or assign approved in writing by the Bank, provided that written approval shall not be required in circumstances of succession or assignment due to merger, consolidation or other similar action) is the duly appointed and acting Dealer.

Section 5.21. Anti-Corruption Laws and Sanctions. To the best knowledge of the City, the City and its councilmembers, officers and employees are in compliance with Anti-Corruption Laws and applicable Sanctions in all material respects. To the best knowledge of the City, no Revolving Loan, Term Loan, use of proceeds or other transaction contemplated by this Agreement will be used in a manner that would violate Anti-Corruption Laws or applicable Sanctions.

ARTICLE VI

COVENANTS OF THE CITY

From the Effective Date and so long as the Bank is obligated to make Revolving Loans or Term Loans hereunder and under the Bank Note and until the payment in full of all of the obligations of the City under this Agreement and the Bank Note, the City shall, unless the Bank otherwise consents in writing:

Section 6.01. Maintenance of Existence. Take all steps within its control to maintain and preserve its existence as a public body corporate and politic and not merge or consolidate into any other Person.

Section 6.02. Maintenance of Rating. Use its best efforts to cause the Prior Lien Bonds to be continuously rated by at least one nationally recognized municipal bond rating agency.

Section 6.03. Use of Proceeds. Expend the proceeds of each Revolving Loan and Term Loan solely for the purposes permitted by this Agreement and the Ordinance and as stated in the Request for Loan with respect thereto. The City shall adhere to the terms of the Investment Policy in effect as of the date hereof and will promptly notify the Bank in writing of any changes thereto. The City shall not use the proceeds of any credit extension, whether directly or indirectly, and whether immediately, incidentally or ultimately, to purchase or carry margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System) or to extend credit to others for the purpose of purchasing or carrying margin stock or to refund indebtedness originally incurred for such purpose, in each case in violation of, or for a purpose which violates, or would be inconsistent with, Regulation T, U or X of the Board of Governors of the Federal Reserve System. The City shall not use the proceeds of the Commercial Paper Notes for any purpose other than as provided for in the Ordinance and not in contravention of applicable Law. The City shall not request a Revolving Loan or Term Loan hereunder, and the City shall not use, and shall procure that the Issuing and Paying Agent and its respective directors, officers, employees and agents shall not use, the proceeds of any proceed from the Revolving Loan or Term Loan (a) in violation of any Anti-Corruption Laws or (b) in any manner that would result in the violation of any Sanctions applicable to the City.

Section 6.04. Other Obligations. Perform and comply in all material respects with each and every obligation, covenant and agreement required to be performed or observed by it in or pursuant to the Related Documents, which provisions, as well as the related defined terms contained therein, are hereby incorporated by reference herein with the same effect as if each and every such provision were set forth herein in its entirety, *provided, however*, the Bank shall have no greater rights or remedies than the other parties to such Related Documents with respect to any such incorporated provisions than the rights or remedies expressly provided to such other parties, if any, as the same may be further limited, qualified, excluded or excepted by the terms of this Agreement, and such incorporated provisions in all respects shall be additionally subject to such limitations, qualifications, exclusions and exceptions provided for in any such Related Documents. To the extent any such incorporated provision permits the owners of one or more Commercial Paper Notes or any other Person or Persons to waive compliance with such provision or requires

that a document, opinion or other instrument or any event or condition be acceptable or satisfactory to the owners of one or more Commercial Paper Notes or any other Person or Persons, for purposes of this Agreement, such provision shall be complied with only if it is waived by the Bank and such document, opinion or other instrument and such event or condition shall be acceptable or satisfactory only if it is acceptable or satisfactory to the Bank. No amendment to such obligations, covenants and agreements or defined terms made pursuant to any of the Related Documents shall be effective to amend such obligations, covenants and agreements and defined terms as incorporated by reference herein without the consent of the Bank. The City shall give prior notice to the Bank or any action referred to in this Section.

Section 6.05. Limitation on Issuance of Additional Debt. (i) Not issue additional Prior Lien Bonds unless the City satisfies all of the requirements for such issuance contained in the Prior Lien Bond Ordinance and the Chief Financial Officer of the City shall certify to the Bank that for the most recent Fiscal Year ending prior to the date of issuance of the then proposed Prior Lien Bonds, the Net Revenues were equal to at least 125% of the average annual principal and interest requirements on all Prior Lien Bonds and the then proposed Prior Lien Bonds and (ii) not issue any additional Subordinated Obligations (other than the Commercial Paper Notes, the Sub-Series F-1 Notes and the Series G Notes) unless the Chief Financial Officer of the City shall certify to the Bank that for the most recent Fiscal Year ending prior to the date of issuance of such proposed Subordinated Obligations, the Net Revenues were equal to at least 110% of the average annual principal and interest requirements on all outstanding Prior Lien Bonds and Subordinated Obligations (including the Commercial Paper Notes, the Sub-Series F-1 Notes and the Series G Notes amortized at the rate of 5.00% per annum over 30 years) and the then proposed Subordinated Obligations.

Section 6.06. Rate Covenant. Establish, maintain and collect such rates, charges and fees for the use and availability of the System at all times as are necessary (i) to produce Net Revenues for each Fiscal Year of the System at least equal to 125% of the maximum annual principal and interest requirements of all then outstanding Prior Lien Bonds and (ii) to produce Net Revenues for each Fiscal Year of the System at least equal to 110% of the maximum annual principal and interest requirements of all then outstanding Debt (including the Commercial Paper Notes, the Sub-Series F-1 Notes and the Series G Notes amortized at rate of 5.00% per annum over 30 years).

Section 6.07. Operation of System. At all times continuously and efficiently operate the System, and maintain the System in good condition, repair and working order, all at reasonable cost. No free service of the System shall be allowed, and should the City or any of its agencies or instrumentalities make use of the services and facilities of the System, payment of the reasonable value shall be made by the City out of funds from sources other than the revenues of the System, unless made from surplus or excess Pledged Revenues as permitted in Section 16(b) of the Prior Lien Bond Ordinance.

Section 6.08. Maintenance of Insurance. Cause to be insured such parts of the System as would usually be insured by corporations operating like properties, with a responsible insurance company or companies, against risks, accidents or casualties against which and to the extent insurance is usually carried by corporations operating like properties, including, to the extent reasonably obtainable, fire and extended coverage insurance, against damage by floods, and use

and occupancy insurance. Public liability and property damage insurance shall also be carried with respect to the System unless the City's counsel gives a written opinion to the effect that the City is not liable for claims which would be protected by such insurance. The foregoing provisions notwithstanding, the City shall have authority to enter into coinsurance or similar plans where risk of loss is shared in whole or in part by the City. At any time while any contractor engaged in construction work on the System shall be fully responsible therefor, the City shall not be required to carry insurance on the work being constructed if the contractor is required to carry appropriate insurance.

Section 6.09. Inspection of Books. Keep adequate records and books of account, in which complete entries will be made, reflecting all financial transactions of the City; and at any reasonable time and from time to time, permit the Bank or any agents or representatives thereof to examine and make copies of and abstracts from the records and books of account of and visit the properties of, the City and to discuss the affairs, finances and accounts of the City with any of the City's officers, trustees and independent auditors (and by this provision, the City authorizes said auditors to discuss with the Bank or its agents or representatives, the affairs, finances and accounts of the City) in each case at the expense of the Bank; *provided, however*, that upon the occurrence and continuance of an Event of Default such expenses shall be borne by the City.

Section 6.10. Notice of Certain Events. Promptly notify the Bank of (i) the occurrence of any Default or Event of Default known to the City or which, with the exercise of reasonable diligence by the City, should have become known to the City, specifying the details of such Default or Event of Default and the action that the City proposes to take with respect thereto; (ii) the failure by the Issuing and Paying Agent or by the Dealer to perform in any material respect any of their respective obligations under the Issuing and Paying Agency Agreement or the Dealer Agreement; (iii) the (x) existence and status of any litigation which individually or in the aggregate could, in the event of any unfavorable outcome, have a material adverse effect on or (y) passage of any state or local ordinance, law or rule not of general applicability to all Persons, either of which could reasonably be expected to have a material adverse effect on (A) the financial condition or operations of the System, (B) the Commercial Paper Notes or (C) the enforceability or validity of any of this Agreement or the Related Documents, and, if any of the following is reasonably likely to materially and adversely affect the rights of the Bank under this Agreement, the City will promptly notify the Bank; (iv) any change in any material fact or circumstance represented or warranted in this Agreement or in any of the other Related Documents; (v) any communications, reports or financial statements delivered or received by it from any taxing authority or rating agency with respect to the transactions contemplated hereby (together with a copy of such communication, report, or statement); and (vi) notice of any proposed substitution of this Agreement.

Section 6.11. Maintenance of Issuing and Paying Agent. Maintain in place an Issuing and Paying Agent under the Issuing and Paying Agency Agreement for the Commercial Paper Notes, and obtain the prior written consent of the Bank (which consent shall not be unreasonably withheld) to any change in the Person acting as Issuing and Paying Agent.

Section 6.12. Legislation. Promptly deliver to the Bank copies of all newly enacted State of Texas legislation of which the City has actual knowledge, which materially adversely affects or

impacts this Agreement, the Bank Note or the Commercial Paper Notes or the ability of the City to perform its obligations in connection herewith or therewith.

Section 6.13. Additional Liens. Not incur, create or permit to exist any lien on the Pledged Revenues other than (i) the Prior Lien Bonds, (ii) the lien created pursuant to the Ordinance and (iii) any liens which are in all respects junior and subordinate to the lien created pursuant to the Ordinance. The City shall at all times keep the Pledged Revenues and every part thereof free and clear of all pledges and security interests except the pledges granted in or permitted by the Ordinance or permitted under the Related Documents and shall maintain the pledge of the Pledged Revenues to the Bank as a pledge of all right, title and interest of the City in the Pledged Revenues and all rights of the City to receive any amount of the Pledged Revenues, subject only to the rights of the owners of the Prior Lien Bonds and the owners of the Commercial Paper Notes, the Sub-Series F-1 Notes and any Series G Notes.

Section 6.14. Amendments to Related Documents. Not enter into or consent to any amendments of or supplements to any Related Document or any waiver of the requirements thereof. Notwithstanding the foregoing, the City may enter into or consent to any amendments or supplements to the Related Documents that are reasonably necessary to extend the terms of the Issuing and Paying Agency Agreement or the Dealer Agreement, to provide for the payment of consideration for services rendered thereunder, and to attend to non-substantive administrative matters such as notice provisions and delivery instructions; *provided, however*, that the City delivers a copy of any such amendment or supplement to the Bank.

Section 6.15. Total Outstanding. Not permit the aggregate maturity value of all Notes Outstanding, and Revolving Loans and Term Loans outstanding at any time to exceed the Commitment in effect at such time.

Section 6.16. Tax Exemption. Not take any action, or omit to take any action, under present or future laws, rules, regulations, or official interpretations thereof which, if omitted or taken, would cause interest on the Commercial Paper Notes to be includable in the gross income of the owners thereof for federal tax purposes.

Section 6.17. Offering Memorandum. Other than as expressly consented to in writing by the Bank, not refer to the Bank in the Offering Memorandum or any other offering or reoffering document with respect to the Commercial Paper Notes or make any changes in reference to the Bank in any revision of such Offering Memorandum or any such offering or reoffering document without the Bank's prior written consent thereto, which consent shall not be unreasonably withheld.

Section 6.18. Compliance with Laws. Comply with the requirements of all applicable Laws of the United States and of the State of Texas, the noncompliance with which would, singly or in the aggregate, have a materially adverse effect on the ability of the City to operate the System or to perform its obligations pursuant to this Agreement, the Bank Note or the Related Documents.

Section 6.19. Efforts to Pay. In the event that any Loan is not paid at maturity, as quickly as possible take all action, to the extent market conditions permit, reasonably necessary to allow payment from any available System funds including proceeds from Prior Lien Bonds.

Section 6.20. Investments Generally. Promptly notify:

(a) the Bank in writing of any changes proposed to the Investment Policy, a copy of which has been delivered by the City to the Bank prior to the Effective Date, if the proposed change would increase the types of investments permitted by the Investment Policy;

(b) the Bank in writing, after the adoption thereof by the City, of any change in the Investment Policy, which change increases the types of investments permitted by the Investment Policy and of which change the Bank was not previously notified pursuant to clause (a) above; and

(c) the Bank in writing after the adoption by the City of any amendments to the City's Financial Management Performance Criteria, a copy of which has been delivered by the City to the Bank prior to the Effective Date.

Section 6.21. Maintenance of Approvals; Filings, Etc. At all times maintain in effect, renew and comply with all the terms and conditions of all consents, licenses, approvals and authorizations as may be necessary or appropriate under any applicable Law or regulation for its execution, delivery and performance of this Agreement and the other Related Documents.

Section 6.22. Accuracy of Information. Cause all data, certificates, reports, opinions of counsel, documents and other information furnished to the Bank, whether pursuant to this Agreement, or in connection with or pursuant to an amendment or modification of, or waiver under, this Agreement to, at the time the same are so furnished, (i) be complete and correct in all material respects to the extent necessary to give the Bank true and accurate knowledge of the subject matter thereof, and (ii) not contain any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading, and the furnishing of the same to the Bank shall constitute a representation and warranty by the City to that effect. Each financial statement furnished to the Bank, whether pursuant to this Agreement, or in connection with or pursuant to an amendment or modification of, or waiver under, this Agreement, shall, at the time the same is so furnished, fairly present the financial condition and results of operations of the City.

Section 6.23. Additional Documents. Furnish to the Bank from time to time at the City's expense, all further instruments and documents, duly executed and delivered by the City, and take all further action that may be reasonably necessary, or that the Bank may reasonably request, in order to (i) protect any security interest or other right or interest assigned, or purported to be assigned, to the Bank under or in connection with this Agreement, the Ordinance or any other Related Document, or (ii) enable the Bank to exercise or enforce its rights or remedies under or in connection with this Agreement, the Ordinance, or any other Related Document.

Section 6.24. Financial and Other Reports. Furnish the following reports (in an electronic or paper copy form) to the Bank:

(a) as soon as available and in any event not later than April 15 of the year following the end of each Fiscal Year, a copy of the City's annual unaudited financial statement with respect to the System for such Fiscal Year;

(b) as soon as available and in any event not later than July 1 of the year following the end of each Fiscal Year, a copy of the City's annual audited financial statement with respect to the System for such Fiscal Year, and a certificate of an officer of the City certifying as to the City's compliance with the covenants established in Section 6.06 hereof and that no Event of Default has occurred and is continuing or, if an Event of Default has occurred and is continuing, describing the nature thereof and the action the City proposes to take with respect thereto;

(c) as soon as available and in any event not later than 45 days after the end of each calendar quarter, a copy of a report showing the aggregate amount and maturities of Commercial Paper Notes outstanding at the end of such quarter and a summary of the aggregate principal amount of Commercial Paper Notes issued, rolled over and retired in such period;

(d) as soon as available but in any event not later than 40 days after the issuance thereof, copies of any prospectus, official statement, offering circular, placement memorandum, or similar corresponding document, and any supplements thereto and updates and amendments thereof that the City makes available in connection with the offering for sale of any securities issued by the City secured by the Pledged Revenues;

(e) copies of the most current Investment Policy of the City as approved by the City Council as well as any amendment thereto;

(f) within 90 days of approval thereof and in any event no later than December 31 of each year, a copy of the annual budget; and

(g) promptly after a request therefor, such other information as is then available respecting the condition or operations, financial or otherwise, of the System as the Bank may reasonably request.

Section 6.25. Remarketing. Issue and sell Commercial Paper Notes as promptly as practicable after the making of a Loan evidenced by the Bank Note and use the proceeds of sale solely for the repayment of the Loan (and such proceeds of sale shall be deemed to be proceeds of Commercial Paper Notes for all the purposes of the Ordinance, this Agreement and the Bank Note).

Section 6.26. Commercial Paper Dealer. Appoint, or cause to be appointed, at all times, a Dealer, which is acceptable to the Bank. The Dealer in place on the Effective Date is acceptable to the Bank. The City agrees to cause the Dealer to use its best efforts to sell Commercial Paper Notes at par, up to the maximum rate applicable to Commercial Paper Notes, in order to repay

maturing Commercial Paper Notes. If the Dealer fails to perform its duties under the Dealer Agreement (including, without limitation, an inability or failure to sell Commercial Paper Notes to pay maturing Commercial Paper Notes), then the City agrees, at the written request of the Bank, to cause the Dealer to be replaced with a Dealer satisfactory to the Bank. The City agrees to obtain the written consent of the Bank (which consent shall not be unreasonably withheld) prior to the appointment of a successor Dealer. If any Loan remains outstanding for a period of 60 consecutive calendar days (so long as such Loan remaining outstanding is not a result of the Bank's senior unsecured short-term or long-term rating being reduced by Moody's or S&P), at the written direction of the Bank cause the related Dealer (that has been unable to sell rollover Commercial Paper Notes) to be replaced with a Dealer reasonably satisfactory to the Bank. The City shall at all times exercise commercially reasonable efforts to cause each dealer agreement entered into after the date hereof, to contain satisfactory third-party beneficiary provisions in favor of the Bank. Any dealer agreement shall provide that such dealer may resign upon at least 60 days prior written notice to the City and the Bank.

Section 6.27. Liquidity; Bonding Capacity. (i) In the event that the Bank shall decide not to extend the Commitment Termination Date, use its commercially reasonable best efforts to obtain an alternate facility to replace this Agreement or shall take such other action as will result in the payment of all amounts owed to the Bank upon termination of this Agreement.

(ii) Agrees that any alternate facility will require, as a condition to the effectiveness of the alternate facility, that the provider of the alternate facility will provide funds, on the date the alternate facility becomes effective, for the payment of all principal and accrued interest (at the applicable rate pursuant to Article II hereof) on all Loans then outstanding. On such date, any and all amounts due hereunder and under the Bank Note, the Ordinance or the Commercial Paper Notes due to the Bank shall be payable in full to the Bank.

(iii) At all times maintain the ability to issue Prior Lien Bonds, other Parity and Senior Debt, or Subordinated Obligations in an amount at least equal to the sum of (i) the aggregate principal amount of the Commercial Paper Notes, plus (ii) the aggregate amount of accrued interest to maturity on all Commercial Paper Notes, plus (iii) any other obligations owing to any credit enhancer or liquidity provider on the Commercial Paper Notes.

Section 6.28. CUSIP. Upon the request of the Bank, immediately use its best efforts to cause (i) a CUSIP number to be obtained from Standard & Poor's CUSIP Service for the Bank Note and (ii) the Bank Note (and its related CUSIP Number) to be assigned a long term rating of at least "Baa3" or "BBB-," respectively, from one of Moody's or S&P.

Section 6.29. Swap Termination Payments. In no event permit any Lien on the Security securing any swap termination payments payable from Pledged Revenues be first in priority to or *pari passu* with the Lien granted in support of the Parity Obligations and the Prior Lien Bonds and the Obligations under the Ordinance.

Section 6.30. Other Documents. Not enter into any agreement containing any provision which would be violated or breached by the performance by the City of its obligations hereunder or under the Related Documents. In the event that the City shall enter into, or otherwise consent

to any amendment, supplement or other modification of, any credit agreement, standby bond purchase agreement, reimbursement agreement or other agreement, direct purchase agreement or instrument relating to any Parity Obligations (each a “*Bank Agreement*”) under which, directly or indirectly, any Person or Persons undertake to make or provide funds to make payment of, or to purchase or provide credit enhancement for Parity Obligations and which includes different or more restrictive financial covenants or additional or more favorable rights and remedies (but subject to any applicable cure periods related thereto) granted to any such Person or Persons (excluding any additional or more restrictive (i) events of default under any agreement the remedy for which is an immediate termination or suspension of the obligations of the related liquidity provider and (ii) conditions to funding thereunder) than those contained in this Agreement, this Agreement shall be deemed to be amended to include such different or more restrictive financial covenants and additional or more favorable rights and remedies so long as such different or more restrictive financial covenants or additional or more favorable rights and remedies remain in effect under the other agreement or instrument. Notwithstanding anything to the contrary set forth in this Agreement, the obligations of the Bank hereunder may not be immediately terminated or suspended other than as a result of an Special Event of Default or a Suspension Event (in each case, as such terms are defined as of the Effective Date or as amended pursuant to any amendment hereto and, in connection with such amendment, the then-current ratings on the Commercial Paper Notes have been confirmed by each Rating Agency then rating the Commercial Paper Notes).

Section 6.31. Sale or Encumbrance of System. During the term of this Agreement, and as long as any Prior Lien Bonds, the Bank Note, or any interest thereon, remain Outstanding, not sell, dispose of or, except as permitted hereunder or under the Prior Lien Bond Ordinance, further encumber the System; *provided, however*, that this provision shall not prevent the City from disposing of any portion of the System which is being replaced or is deemed by the City 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. Any agreement pursuant to which the City contracts with a person, corporation, municipal corporation or political subdivision to operate the System or to lease and/or operate all or part of the System shall not be considered as an encumbrance of the System.

Section 6.32. Sovereign Immunity. Pursuant to Section 1371.059, Texas Government Code, as amended, the City 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 Bank Note for damages for breach of this Agreement.

ARTICLE VII

DEFAULTS AND REMEDIES

Section 7.01. Events of Default. If one or more of the following events (“*Events of Default*”) shall have occurred and be continuing:

- (a) the City shall fail to pay (i) any principal of or interest on any Loan (including without limitation, the Interest Component of any Revolving Loan) or the Bank Note when due (whether by scheduled maturity, required prepayment, acceleration,

demand or otherwise) (other than payments on Loans or the Bank Note due solely as a result of acceleration caused by the Bank pursuant to this Section 7.01), or (ii) any Facility Fee or any other amount payable hereunder and, in the case of such Facility Fee or other amount, such failure shall continue for a period of three (3) Business Days from the date such obligation was due;

(b) any representation, warranty, certification, or statement made by the City in this Agreement, any other Related Document or in any certificate, financial statement, or other document delivered pursuant to this Agreement or any Related Documents shall have been incorrect or untrue in any material respect when made or demand to have been made;

(c) the City shall fail to perform or observe any covenant, agreement or condition contained in Section 6.03, 6.05, 6.06, 6.07, 6.08, 6.09, 6.10, 6.11, 6.12, 6.13, 6.14, 6.15, 6.16, 6.17, 6.24, 6.25, 6.26, 6.27, 6.28, 6.29, 6.31 or 6.32 hereof;

(d) the City shall fail to perform or observe any other covenant, agreement, or condition (other than those referred to or contained in clause (a), (b), or (c) above) contained in this Agreement, the Bank Note or any other Related Document and such failure, if capable of being remedied, shall remain unremedied for thirty (30) days after written notice thereof shall have been given to the City by the Bank;

(e) (i) one or more final unappealable judgments or orders, issued or rendered by a Governmental Authority of competent jurisdiction, for the payment of money in excess of \$10,000,000, individually or in the aggregate, shall be issued or rendered against the City, and such judgment or order shall continue unsatisfied, unbonded, undismissed and unstayed for a period of 60 days; or (ii) one or more final unappealable judgments or orders, issued or rendered by a Governmental Authority of competent jurisdiction, for the payment of money in excess of \$10,000,000, individually or in the aggregate, shall be issued or rendered against the System, and such judgment or order shall continue unsatisfied, unbonded, undismissed and unstayed for a period of 60 days

(f) the City shall fail to pay when due and payable (i) any principal of or interest on any Prior Lien Bonds or any other Parity and Senior Debt (including, in each case, without limitation, any principal or sinking fund installments), and such failure shall continue beyond any applicable period of grace specified in any underlying indenture, contract or instrument providing for the creation of or concerning the Prior Lien Bonds or any other Parity and Senior Debt; or any failure to pay principal or interest on any Prior Lien Bonds or any other Parity and Senior Debt under any indenture, contract or instrument providing for the creation of or concerning such Prior Lien Bonds, any other Parity and Senior Debt shall occur and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such failure to pay principal or interest on any Prior Lien Bonds or any other Parity and Senior Debt is to accelerate, or to permit the acceleration of, the maturity of such Prior Lien Bonds or any other Parity and Senior Debt or (ii) any principal of or interest on any other Debt of the City having a principal amount in excess of \$5,000,000 and such failure shall continue beyond any applicable period of grace specified in any underlying indenture, contract or instrument

providing for the creation thereof or any other default under any indenture, contract or instrument providing for the creation of or concerning such other Debt, or any other event, shall occur and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such default or event is to accelerate, or to permit the acceleration of, the maturity of such other debt;

(g) (i) the City shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or the City shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against the City any case, proceeding or other action of a nature referred to in clause (i) above which (x) results in an order for such relief or in the appointment of a receiver or similar official or (y) remains undismissed, undischarged or unbonded for a period of 60 days; or (iii) there shall be commenced against the City, any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets, which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; or (iv) the City shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) or (iii) above; or (v) the City shall admit in writing its inability to pay its debts generally as they become due, or shall become insolvent within the meaning of Section 101(32) of the United States Bankruptcy Code;

(h) (i) any provision of this Agreement, the Commercial Paper Notes, the Bank Note, the Issuing and Paying Agency Agreement, or the Ordinance related to the payment of principal or interest on Commercial Paper Notes, the Bank Note or Loans or the pledge of and Lien on the Pledged Revenues shall at any time for any reason cease to be valid and binding or fully enforceable on the City as determined by any Governmental Authority of competent jurisdiction in a final nonappealable judgment, or (ii)(a) the validity or enforceability of any provision of this Agreement, the Commercial Paper Notes, the Bank Note, the Issuing and Paying Agency Agreement related to the payment of principal or interest on Commercial Paper Notes, the Bank Note or Loans or the pledge of and Lien on the Pledged Revenues shall be contested in writing or publicly by an authorized officer of the City or (b) any Governmental Authority having appropriate jurisdiction over the City shall make a finding or ruling or shall enact or adopt legislation or issue an executive order or enter a judgment or decree which contests the validity or enforceability of any material provision of this Agreement, the Commercial Paper Notes, the Bank Note, the Issuing and Paying Agency Agreement or the Ordinance related to the payment of principal or interest on the Commercial Paper Notes, the Bank Note or Loans or the pledge of and Lien on the Pledged Revenues, or (c) an authorized officer of the City shall deny in writing or publicly that it has any or further liability or obligation under this Agreement, Commercial Paper Notes, the Bank Note, the Issuing and Paying Agency Agreement, or the Ordinance or

(iii) any material provision of this Agreement, Commercial Paper Notes, the Bank Note, the Issuing and Paying Agency Agreement, or the Ordinance other than a provision described in clauses (i) and (ii) of this Section 7.01(h) shall at any time for any reason cease to be valid and binding on the City, or shall be declared in a final nonappealable judgment by any court having jurisdiction over the City to be null and void, invalid, or unenforceable, or the validity or enforceability thereof shall be publicly contested by the City;

(i) (i) the City shall impose a debt moratorium, debt restructuring, debt adjustment or comparable extraordinary restriction on the repayment when due and payable of the principal of or interest on any Prior Lien Bonds, or any Parity and Senior Debt or on all Parity Obligations or (ii) any Governmental Authority having appropriate jurisdiction over the City shall make a finding or ruling or shall enact or adopt legislation or issue an executive order or enter a judgment or decree which results in a debt moratorium, debt restructuring, debt adjustment or comparable extraordinary restriction on the repayment when due and payable of the principal of or interest on the Commercial Paper Notes and the Bank Note or on all indebtedness of the City;

(j) (i) the long-term unenhanced rating by Moody's or S&P on any long term unenhanced Prior Lien Bonds are reduced below "A1" (or its equivalent) or "A+" (or its equivalent), respectively, or (ii) (x) the long-term unenhanced rating by Moody's and S&P on any Prior Lien Bonds shall be withdrawn or suspended (for credit related reasons) or reduced below "Baa3" (or its equivalent) and "BBB-" (or its equivalent), respectively or (y) if at any time the Rating Agencies provide a long-term unenhanced rating on any Parity Obligations, such long-term unenhanced rating is reduced by Moody's and S&P below "Baa3" (or its equivalent) and "BBB-" (or its equivalent), respectively;

(k) an "*Event of Default*" as defined in the Ordinance or the Issuing and Paying Agency Agreement shall occur and be continuing or the City shall default in the due performance or observance of any material term, covenant or agreement contained in any other Related Document and the same shall not have been cured within any applicable cure period;

(l) the Texas Constitution, any law of the State of Texas, including but not limited to the Act, or the Ordinance is repealed, reenacted, amended, or otherwise modified (whether directly or indirectly, and including, without limitation, by legislative or judicial action) and in the event of a repeal, reenactment, amendment, or modification, such repeal, reenactment, amendment or modification may, in the reasonable judgment of the Bank, have a material adverse effect on the power or authority of the City to provide for the payment of the obligations of the City under this Agreement, the Commercial Paper Notes or the Bank Note; or

(m) an "Event of Default" as defined under (i) the Sub-Series F-1 Credit Agreement or (ii) the Series G Credit Agreement shall have occurred.

then, and in any such event, other than an Event of Default specified in paragraph (g) above, the Bank shall declare the Bank Note, all accrued interest thereon, and all other amounts payable under

this Agreement to be forthwith due and payable, whereupon the Bank Note and such interest and all such amounts shall become and be forthwith due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the City. If any Event of Default specified in paragraph (g) above shall occur, without any notice to the City or any other act by the Bank, the Bank Note, together with accrued interest thereon, and all other amounts payable under this Agreement, shall become forthwith due and payable, without presentment, demand, protest, or other notice of any kind, all of which are hereby waived by the City.

Upon the occurrence of any Special Event of Default, the Commitment shall automatically and immediately terminate with respect to all Commercial Paper Notes and the Bank shall have no obligation to make any Loan or to fund any outstanding Commercial Paper Note. Section 7.01(f)(i) will not qualify as a “Special Event of Default” hereunder (and instead will be an “Event of Default”) if (i) the failure by the City to pay when due and payable any principal of or interest on any Prior Lien Bonds or any other Parity and Senior Debt is solely due to an acceleration of bank-held bonds by the bank bondholder with respect thereto for any reason other than the failure of the City to pay the principal of, or interest on, such indebtedness or obligation or (ii) the failure by the City to pay any principal of Prior Lien Bonds or any other Parity and Senior Debt issued in the form of commercial paper notes, but only to the extent that the payment of such amounts is supported in whole by a third-party liquidity provider pursuant to a liquidity agreement.

Upon the occurrence of an Event of Default that is not a Special Event of Default, the Bank shall, by notice to the City, terminate the Commitment, if any (except as provided below), deliver a Non-Issuance Instruction to the Issuing and Paying Agent directing the Issuing and Paying Agent to cease issuing all Commercial Paper Notes, whereupon no additional Commercial Paper Notes shall be issued, the Available Commitment shall immediately be reduced to the then outstanding principal amount of Commercial Paper Notes, and the Available Commitment shall be further reduced in a similar manner as and when such Commercial Paper Notes mature; *provided* that the Commitment shall not terminate, and the right of the Bank to accelerate the maturity of the Bank Note shall not affect the obligation of the Bank to make Loans in an aggregate principal amount equal to the Commitment to the extent necessary for the City to make required payments of principal on the Commercial Paper Notes issued and sold prior to the date upon which the Non-Issuance Instruction is received by the Issuing and Paying Agent; *provided further* that if any Loans are made that would not have been made but for the application of the immediately preceding provision, such Loans shall be immediately due and payable on the date such Loans are made.

Upon the occurrence of an Event of Default under Section 7.01(h)(ii) hereof, the obligation of the Bank to make Loans hereunder shall be suspended from the time of the occurrence of such Event of Default until a final, nonappealable judgment of a court having jurisdiction in the premises shall be entered declaring that all contested provisions of this Agreement, the Commercial Paper Notes, the Bank Note, the Issuing and Paying Agency Agreement, or the Ordinance relating to the payment of principal or interest on the Commercial Paper Notes, the Bank Note or any Loans or the validity or enforceability of the pledge of and lien on the Pledged Revenues are upheld in their entirety. In the event such judgment is entered declaring that all material contested provisions this Agreement, the Commercial Paper Notes, the Bank Note, the

Issuing and Paying Agency Agreement, or the Ordinance relating to the payment of principal or interest on the Commercial Paper Notes, the Bank Note or any Loans or the validity or enforceability of the pledge of and lien on the Pledged Revenues are upheld in their entirety, the obligation of the Bank to make Loans hereunder shall be automatically reinstated and the terms of this Agreement will continue in full force and effect (unless this Agreement shall have otherwise expired or terminated in accordance with the terms hereof or there has occurred a Special Event of Default) as if there had been no suspension. In the event any provision of this Agreement, the Commercial Paper Notes, the Bank Note, the Issuing and Paying Agency Agreement, or the Ordinance relating to the payment of principal or interest on the Commercial Paper Notes, the Bank Note or any Loans or the validity or enforceability of the pledge of and lien on the Pledged Revenues is declared to be null and void or unenforceable, or it is determined that the City has no liability or obligation under this Agreement, the Commercial Paper Notes, the Bank Note, the Issuing and Paying Agency Agreement, or the Ordinance, then the obligations of the Bank under this Agreement will terminate as set forth above. Notwithstanding the foregoing, if, upon the date which is the earlier of the Commitment Termination Date or three (3) years after the effective date of such suspension of the obligation of the Bank pursuant to this paragraph, litigation is still pending and a judgment regarding the validity and enforceability of this Agreement, the Commercial Paper Notes, the Bank Note, the Issuing and Paying Agency Agreement, or the Ordinance relating to the payment of principal or interest on the Commercial Paper Notes, the Bank Note or any Loans or the validity or enforceability of the pledge of and lien on the Pledged Revenues as is the subject of such Event of Default has not been obtained, then the Commitment and the obligation of the Bank to make Loans hereunder shall at such time terminate without notice or demand.

Upon the occurrence of a Default under Section 7.01(g)(ii) or Section 7.01(g)(iii) hereof, the obligation of the Bank to make Loans hereunder shall be suspended until the proceeding referred to therein is terminated prior to the court entering an order granting the relief sought in such proceeding. In the event such proceeding is terminated, the obligation of the Bank to make Loans hereunder shall be reinstated and the terms of this Agreement will continue in full force and effect (unless the obligation of the Bank to make Loans hereunder shall have otherwise expired or terminated in accordance with the terms hereof or there has occurred a Special Event of Default) as if there had been no such suspension.

Failure to take action in regard to one or more Events of Default shall not constitute a waiver of, or the right to take action in the future in regard to, such or subsequent Events of Default.

Section 7.02. Suits at Law or in Equity and Mandamus. If any Event of Default shall occur, then and in every such case the Bank shall be entitled to proceed to protect and enforce its rights by such appropriate judicial proceeding as it may deem most effectual to protect and enforce any such right, either by suit, in equity, or by action at law, whether for the specific performance of any covenant or agreement contained in this Agreement, in aid of the exercise of any power granted in this Agreement, or to enforce any other legal or equitable right vested in the Bank by this Agreement, the Bank Note or by law. The provisions of this Agreement shall be a contract with each and every Holder and the duties of the City shall be enforceable by any Holder by mandamus or other appropriate suit, action, or proceeding in any court of competent jurisdiction.

Section 7.03. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Holder is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised at any time or from time to time, and as often as may be necessary, by any Holder.

ARTICLE VIII

MISCELLANEOUS

Section 8.01. Amendments, Etc. No amendment or waiver of any provision of this Agreement or any other Related Document, and no consent to any departure by the City, shall be effective unless in writing signed by the Bank and the City, as the case may be, and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

Section 8.02. Notices; Effectiveness; Electronic Communication.

(a) *Notices Generally.* Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in subsection (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopier to the address, telecopier number, electronic mail address or telephone number specified for such Person on Schedule I, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, for such Person on Schedule I. Notices and other communications sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices and other communications sent by telecopier shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient). Notices and other communications delivered through electronic communications to the extent provided in subsection (b) below, shall be effective as provided in such subsection (b).

(b) *Electronic Communications.* Notices and other communications to be provided hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Bank and the City, *provided* that the foregoing shall not apply to notices to the Bank pursuant to Article II if the Bank has notified the City that it is incapable of receiving notices under such Article by electronic communication. The Bank or the City may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, *provided* that approval of such procedures may be limited to particular notices or communications.

Unless the Bank otherwise prescribes, (i) notices and other communications sent to the Bank to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function,

as available, return e-mail or other written acknowledgement), *provided* that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the Bank at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

(c) *Change of Address, Etc.* The City or the Bank may change its address, telecopier or telephone number for notices and other communications hereunder by notice to the other party hereto.

(d) *Reliance by the Bank.* The Bank shall be entitled to rely and act upon any notice or other communication (including any telephonic notice or communication) believed by it to be genuine and correct and to have been signed or sent by or on behalf of the proper Person or Persons. To the extent permitted by law, the City shall indemnify the Bank and the Related Parties of the Bank from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice given by or on behalf of the City.

Section 8.03. No Waiver; Cumulative Remedies; Enforcement. No failure by the Bank to exercise, and no delay by any such Person in exercising, any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by Law.

Notwithstanding anything to the contrary contained herein or in any other Related Document, the authority to enforce rights and remedies hereunder and under the other Related Documents against the parties thereto or any of them shall be vested exclusively in, and all actions and proceedings at law in connection with such enforcement shall be instituted and maintained exclusively by, the Bank; *provided, however*, that the foregoing shall not prohibit (a) the Bank from exercising on its own behalf the rights and remedies that inure to its benefit hereunder and under the other Related Documents or (b) the Bank from exercising setoff rights in accordance with Section 8.08 (subject to the terms of Section 2.11).

Section 8.04. Expenses; Indemnity; Damage Waiver. (a) The City agrees to pay to the Bank (i) within 30 days after receipt of an invoice after the Effective Date, all reasonable costs and expenses incurred by the Bank and its counsel in connection with the preparation, execution and delivery of this Agreement and any other documents and instruments that may be delivered or required in connection therewith (including fees and expenses in connection with this Agreement in an aggregate amount not to exceed \$[_____] plus disbursements for counsel for the Bank), (ii) all costs and expenses incurred by the Bank after the Effective Date, including reasonable fees and out-of-pocket expenses of counsel for the Bank, otherwise arising in connection with this Agreement and the Related Documents, including, without limitation, in connection with any amendment hereto or thereto, the enforcement hereof or thereof or the protection of the rights of

the Bank hereunder or thereunder, and (iii) any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution and delivery of this Agreement and any other documents or instruments that may be delivered in connection herewith.

(b) *Indemnification by the City; Limitation on Liability.* (i) To the extent permitted by the laws of the State of Texas, the City shall indemnify the Bank and each Related Party (each such Person being called an “Indemnitee”) against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the fees, charges and disbursements of any counsel for any Indemnitee), incurred by any Indemnitee or asserted against any Indemnitee by any third party or by the City arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Related Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder, the consummation of the transactions contemplated hereby or thereby, (ii) any Loan or the use or proposed use of the proceeds therefrom, or (iii) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the City, and regardless of whether any Indemnitee is a party thereto, IN ALL CASES, WHETHER OR NOT CAUSED BY OR ARISING, IN WHOLE OR IN PART, OUT OF THE COMPARATIVE, CONTRIBUTORY OR SOLE NEGLIGENCE OF THE INDEMNITEE; *provided* that the City shall not be required to indemnify an Indemnitee for any claims, damages, losses, liabilities, costs, or expenses to the extent, but only to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from (a) the negligence or willful misconduct of such Indemnitee or (b) by reason of any untrue statement or material omission with respect to information describing such Indemnitee and furnished in writing by such Indemnitee to the City expressly for use in the Offering Memorandum.

(ii) To the extent permitted by the laws of the State of Texas, the City assumes all risks of the acts or omissions of the Issuing and Paying Agent with respect to the use of the Commitment and the Loans made pursuant thereto; *provided* that this assumption with respect to the Bank is not intended to and shall not preclude the City from pursuing such rights and remedies as it may have against the Issuing and Paying Agent under any other agreements. The Bank nor any of its officers or directors shall be liable or responsible for (i) the use of the proceeds of the Loans or the Bank Note or the transactions contemplated hereby and by the Related Documents or for any acts or omissions of the Issuing and Paying Agent or the Dealer, (ii) the validity, sufficiency, or genuineness of any documents determined in good faith by the Bank to be valid, sufficient or genuine, even if such documents shall, in fact, prove to be in any or all respects invalid, fraudulent, forged or insufficient, (iii) payments by the Bank against presentation of requests for Loans for which the Bank in good faith has determined to be valid, sufficient or genuine and which subsequently are found not to comply with the terms of this Agreement, or (iv) any other circumstances whatsoever in making or failing to make payment hereunder; *provided* that the City shall not be required to indemnify the Bank for any claims, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by the negligence or willful misconduct of the Bank, as determined by a court of competent jurisdiction in a final and nonappealable judgment.

(c) *Waiver of Consequential Damages, Etc.* To the fullest extent permitted by applicable Law, the City shall not assert, and hereby waives, any claim against any Indemnitee, on any theory

of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Related Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, or the use of the proceeds thereof. No Indemnitee referred to in subsection (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed to such unintended recipients by such Indemnitee through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Related Documents or the transactions contemplated hereby or thereby other than for direct or actual damages resulting from the gross negligence or willful misconduct of such Indemnitee as determined by a final and nonappealable judgment of a court of competent jurisdiction.

(d) *Payments.* All amounts due under this Section shall be payable not later than thirty (30) days after receipt of an invoice.

(e) *Survival.* The agreements in this Section shall survive the termination of the Commitment and the repayment, satisfaction or discharge of all the other Obligations.

Section 8.05. Payments Set Aside. To the extent that any payment by or on behalf of the City is made to the Bank, and the Bank exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Bank in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred.

Section 8.06. Successors and Assigns.

(a) *Successors and Assigns Generally.* The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the City may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Bank and the Bank may not assign or otherwise transfer any of its rights or obligations hereunder except (i) to an assignee in accordance with the provisions of subsection (c) of this Section or as provided in subsection (e) of this Section, (ii) by way of participation in accordance with the provisions of subsection (d) of this Section, or (iii) by way of pledge or assignment of a security interest subject to the restrictions of subsection (e) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, and participants to the extent provided in subsection (b) of this Section) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) *Participations.* The Bank shall have the right to sell participations to one or more banking institutions (each a "*Participant*") in all or a portion of the Bank's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans

owing to it), and such Participant shall be entitled to the benefits of this Agreement, including, without limitation, Article III and Section 8.04 hereof, to the same extent as if they were a direct party hereto; *provided, however*, that no such participation by any such participant shall in any way affect the obligation of the Bank under this Agreement.

(c) *Assignments by the Bank.* The Bank may at any time assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided that any such assignment shall be subject to the following conditions: (i) the consent of the City shall be required unless an Event of Default has occurred and is continuing at the time of such assignment and (ii) the City shall have received written notice from each Rating Agency then rating the Commercial Paper Notes that such ratings will not be lowered or withdrawn as a result of such assignment.

(d) *Limitations upon Participant Rights.* A Participant shall not be entitled to receive any greater payment under Section 3.01 or 3.02 hereof than such Participant would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the City's prior written consent.

(e) *Assignments to Federal Reserve.* In addition to the rights of the Bank set forth above, the Bank may at any time assign, pledge or grant a security interest in all or any portion of its rights, interests and obligations owing to it under the Commercial Paper Notes, this Agreement and/or the Related Documents to secure obligations of the Bank or an Affiliate of the Bank, including any pledge or assignment to secure obligations to a Federal Reserve Bank or to any state or local governmental entity or with respect to public deposits; *provided*, that any payment in respect of such assigned obligations made by the City to the Bank in accordance with the terms of this Agreement shall satisfy the obligations of the City hereunder in respect of such assigned obligation to the extent of such payment. No such assignment shall release the Bank from its obligations hereunder. Any assignment under this clause (e) shall not require the consent of the City.

Section 8.07. Treatment of Certain Information; Confidentiality. The Bank agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its and its Affiliates' respective partners, directors, officers, employees, agents, trustees, advisors and representatives (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority purporting to have jurisdiction over it (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by applicable Laws or regulations or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under any other Related Document or any action or proceeding relating to this Agreement or any other Related Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the City and its obligations, (g) with the consent of the City or (h) to the

extent such Information (x) becomes publicly available other than as a result of a breach of this Section or (y) becomes available to the Bank or any of its Affiliates on a nonconfidential basis from a source other than the City.

For purposes of this Section, “*Information*” means all information received from the City relating to the City or the System, other than any such information that is available to the Bank on a nonconfidential basis prior to disclosure by the City, *provided* that, in the case of information received from the City after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

The Bank acknowledges that (a) the Information may include material non-public information concerning the City, (b) it has developed compliance procedures regarding the use of material non-public information and (c) it will handle such material non-public information in accordance with applicable Law, including United States Federal and state securities Laws.

Section 8.08. Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and the other Related Documents constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Delivery of an executed counterpart of a signature page of this Agreement by telecopy or other electronic imaging means shall be effective as delivery of a manually executed counterpart of this Agreement.

Section 8.09. Survival of Representations and Warranties. All representations and warranties made hereunder and in any other Related Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Bank, regardless of any investigation made thereby and notwithstanding that the Bank may have had notice or knowledge of any Event of Default or Default at the time of the making of any Loan, and shall continue in full force and effect as long as any Loan or any other Obligation hereunder shall remain unpaid or unsatisfied.

Section 8.10. Severability. If any provision of this Agreement or the other Related Documents is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Agreement and the other Related Documents shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 8.11. Governing Law; Jurisdiction; Etc.

(a) *GOVERNING LAW.* THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK; *PROVIDED*, THAT THE OBLIGATIONS OF THE CITY UNDER THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT GIVING EFFECT TO CONFLICT OF LAW PRINCIPLES.

(b) *SUBMISSION TO JURISDICTION.* EACH PARTY HERETO IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF ANY STATE OR FEDERAL COURT OF THE STATE OF TEXAS, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER RELATED DOCUMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH STATE COURTS OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAWS, IN SUCH FEDERAL COURTS. EACH PARTY HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW.

(c) *SERVICE OF PROCESS.* EACH PARTY HERETO IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 8.02. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF EITHER PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

Section 8.12. Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER RELATED DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY).

Section 8.13. No Advisory or Fiduciary Responsibility. In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Related Document), the City acknowledges and agrees that: (i) (A) the arranging and other services regarding this Agreement provided by the Bank are arm's-length commercial transactions between the City, on the one hand, and the Bank on the other hand, (B) the City has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (C) the City is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Related Documents; (ii) (A) the Bank has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor (including as a municipal advisor), agent or fiduciary for the City, or any other Person and (B) the Bank does not have any obligation to the City with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Related Documents; and (iii) the Bank and its respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the City, and the Bank does not have any obligation to disclose any of such interests to the City. To the fullest extent permitted by laws of the State of Texas, the

City hereby waives and releases any claims that it may have against the Bank with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby.

Section 8.14. Electronic Execution of Assignments and Certain Other Documents. This Agreement and any document, amendment, approval, consent, information, notice, certificate, request, statement, disclosure or authorization related to this Agreement (each a “Communication”), including Communications required to be in writing, may, if agreed by the Bank, be in the form of an Electronic Record and may be executed using Electronic Signatures, including, without limitation, facsimile and/or .pdf. The City agrees that any Electronic Signature (including, without limitation, facsimile or .pdf) on or associated with any Communication shall be valid and binding on the City to the same extent as a manual, original signature, and that any Communication entered into by Electronic Signature, will constitute the legal, valid and binding obligation of the City enforceable against the City in accordance with the terms thereof to the same extent as if a manually executed original signature was delivered to the Bank. Any Communication may be executed in as many counterparts as necessary or convenient, including both paper and electronic counterparts, but all such counterparts are one and the same Communication. For the avoidance of doubt, the authorization under this paragraph may include, without limitation, use or acceptance by the Bank of a manually signed paper Communication which has been converted into electronic form (such as scanned into PDF format), or an electronically signed Communication converted into another format, for transmission, delivery and/or retention. The Bank may, at its option, create one or more copies of any Communication in the form of an imaged Electronic Record (“*Electronic Copy*”), which shall be deemed created in the ordinary course of the Bank’s business, and destroy the original paper document. All Communications in the form of an Electronic Record, including an Electronic Copy, shall be considered an original for all purposes, and shall have the same legal effect, validity and enforceability as a paper record. Notwithstanding anything contained herein to the contrary, the Bank is under no obligation to accept an Electronic Signature in any form or in any format unless expressly agreed to by the Bank pursuant to procedures approved by it; provided, further, without limiting the foregoing, (a) to the extent the Bank has agreed to accept such Electronic Signature, the Bank shall be entitled to rely on any such Electronic Signature without further verification and (b) upon the request of the Bank any Electronic Signature shall be promptly followed by a manually executed, original counterpart. For purposes hereof, “*Electronic Record*” and “*Electronic Signature*” shall have the meanings assigned to them, respectively, by 15 USC §7006, as it may be amended from time to time.

Section 8.15. USA PATRIOT Act. The Bank hereby notifies the City that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the “*Patriot Act*”), it is required to obtain, verify and record information that identifies the City, which information includes the name and address of the City and other information that will allow the Bank to identify the City in accordance with the Patriot Act. The City shall, promptly following a request by the Bank, provide all documentation and other information that the Bank requests in order to comply with its ongoing obligations under applicable “know your customer” and anti-money laundering rules and regulations, including the Patriot Act.

Section 8.16. Time of the Essence. Time is of the essence in the performance of the Related Documents.

Section 8.17. Entire Agreement. THIS AGREEMENT AND THE OTHER RELATED DOCUMENTS REPRESENT THE FINAL AGREEMENT AMONG THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES.

Section 8.18. US QFC Stay Rules .

(a) *Recognition of U.S. Resolution Regimes.* In the event that any party that is a Covered Entity becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer of this Agreement (and any interest and obligation in or under this Agreement and any property securing this Agreement) from such Covered Entity will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if this Agreement (and any such interest, obligation and property) were governed by the laws of the United States or a state of the United States. In the event that any party that is a Covered Entity or a BHC Act Affiliate of such party becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights against such party with respect to this Agreement are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if this Agreement were governed by the laws of the United States or a state of the United States. The requirements of this paragraph (a) apply notwithstanding the provisions of paragraph (b).

(b) *Limitation on the Exercise of Certain Rights Related to Affiliate Insolvency Proceedings.* Notwithstanding anything to the contrary in this Agreement or any related agreement, but subject to the requirements of paragraph (a), no party to this Agreement shall be permitted to exercise any Default Right against a party that is a Covered Entity with respect to this Agreement that is related, directly or indirectly, to a BHC Act Affiliate of such Covered Entity becoming subject to Insolvency Proceedings, except to the extent the exercise of such Default Right would be permitted under 12 C.F.R. § 252.84, 12 C.F.R. § 47.5, or 12 C.F.R. § 382.4, as applicable. After a BHC Act Affiliate of a party that is a Covered Entity has become subject to Insolvency Proceedings, any party that seeks to exercise a Default Right against such Covered Entity with respect to this Agreement shall have the burden of proof, by clear and convincing evidence, that the exercise of such Default Right is permitted hereunder.

“BHC Act Affiliate” of a party means an “affiliate” (as such term is defined under, and interpreted in accordance with, 12 U.S.C. 1841(k)) of such party.

“Covered Entity” means any of the following:

(a) a “covered entity” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b);

(b) a “covered bank” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or

(c) a “covered FSI” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

“*Default Right*” has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

“*Insolvency Proceeding*” means a receivership, insolvency, liquidation, resolution, or similar proceeding.

“*U.S. Special Resolution Regime*” means each of (i) the Federal Deposit Insurance Act and the regulations promulgated thereunder and (ii) Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the regulations promulgated thereunder.

[Execution Pages to Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

CITY OF DALLAS, TEXAS

By: _____
Name: _____
Title: _____

APPROVED AS TO FORM

Christopher J. Caso
City Attorney

By: _____
Name: _____
Title: _____

BANK OF AMERICA, N.A.

By: _____

Name: Michael Feist

Title: Senior Vice President

EXHIBIT A

FORM OF NON-ISSUANCE INSTRUCTION

[Dated Date]

City of Dallas, Texas
1500 Marilla, Room 4CN Dallas,
Texas 75201
Attention: Chief Financial Officer

U.S. Bank National Association
as Issuing and Paying Agent

Attention: _____

Re: City of Dallas, Texas
Waterworks and Sewer System Commercial Paper Notes, Series F
Sub-Series F-2

Ladies and Gentlemen:

Pursuant to Section 4.04 of that certain Revolving Credit Agreement dated as of July 1, 2021 (together with all amendments, restatements, supplements and/or other modifications thereto, the “*Credit Agreement*”), between the City of Dallas, Texas and Bank of America, N.A., the undersigned hereby notifies you that (i) an Event of Default under of the Credit Agreement has occurred and is now continuing and (ii) upon receipt of this notice, no new Commercial Paper Notes (as defined in the Credit Agreement) and no additional Prior Lien Bonds or Subordinated Obligations (other than those Prior Lien Bonds or Subordinated Obligations the proceeds of which will be used to pay the Commercial Paper Notes) shall be issued or authenticated. This Non-Issuance Instruction shall remain in effect unless you have received written notification from us that this Non-Issuance Instruction has been rescinded.

Very truly yours,

BANK OF AMERICA, N.A.

By: _____
Title: _____

cc: [Dealer]
[Rating Agencies]

EXHIBIT B

FORM OF REQUEST FOR LOAN

[Dated Date]

To: Bank of America, N.A.
901 Main Street
Dallas, Texas 75202
Attention: Michael A. Feist
Telephone: (214) 209-3217
Fax: (972) 728-9590

Re City of Dallas, Texas
Waterworks and Sewer System Commercial Paper Notes, Series F
Sub-Series F-2

Ladies and Gentlemen:

Pursuant to Section 4.02 and 4.03 of that certain Revolving Credit Agreement, dated as of July 1, 2021 (together with all amendments, restatements, supplements and/or other modifications thereto, the "*Credit Agreement*"), between the City of Dallas, Texas (the "*City*") and Bank of America, N.A. ("the Bank"), the Issuing and Paying Agent hereby gives the Bank irrevocable notice that the City requests a Revolving Loan be made by the Bank as follows (capitalized terms used in this Request for Loan shall have the respective meanings assigned to such terms under the Credit Agreement):

The aggregate amount of the Revolving Loan hereby requested is \$ _____.

Principal Component \$ _____

Interest Component \$ _____

The Revolving Loan hereby requested is to be made, and will not exceed the amount presently available, under the Commitment.

Payment of the Revolving Loan hereby requested is to be made by not later than 2:15 p.m., New York City time, on _____, _____. Such date is a "Business Day" within the meaning of the Credit Agreement. All of the proceeds received from the Revolving Loan shall be used to pay the aggregate principal amount of the Commercial Paper Notes maturing on such date [plus accrued interest to such date]. The Revolving Loan hereby requested is necessary due to the inability or failure of the Dealer to secure purchasers for Notes on the aforesaid date.

On the date of making the Revolving Loan hereby requested, no Special Event of Default or Suspension Event under Section 7.01 of the Credit Agreement has occurred and is continuing.

The City certifies, represents and warrants that the conditions set forth in Section 4.02 of the Credit Agreement shall have been satisfied.

Payment of the Revolving Loan hereby requested shall be made in immediately available funds to account no. _____ at _____.

Very truly yours,

U.S. BANK NATIONAL ASSOCIATION

By: _____

Title: _____

EXHIBIT C

FORM OF BANK NOTE

CITY OF DALLAS, TEXAS WATERWORKS AND SEWER SYSTEM COMMERCIAL PAPER NOTES, SERIES F SUB-SERIES F-2

\$80,547,946

July 8, 2021

THE CITY OF DALLAS, TEXAS, acknowledges itself indebted and for value received promises to pay to the order of BANK OF AMERICA, N.A. (“the Bank”) in lawful money of the United States of America, the lesser of (i) \$80,547,946, as such amount may be permanently reduced pursuant to Section 2.06 of that certain Revolving Credit Agreement dated July 1, 2021 (together with all amendments, restatements, supplements and/or other modifications thereto, the “*Credit Agreement*”), between the City and the Bank, and (ii) the unpaid principal balance of each Loan under the Available Commitment made by the Bank to the City pursuant to Section 2.02 of the Credit Agreement, subject to prepayment and acceleration as provided in Section 2.07 of the Credit Agreement. The City promises to pay interest on the unpaid principal amount of each such Loan on the dates and at the rate or rates provided for in Section 2.03 of the Credit Agreement. Within the limits of and to the extent permitted by the Credit Agreement, the City may reborrow, repay and reborrow under the Credit Agreement with respect to Loan under the Available Commitment. All such payments of principal and interest shall be made in immediately available funds at the office of the Bank specified in Section 2.08 of the Credit Agreement and shall be computed in accordance with and subject to the terms and conditions of the Credit Agreement. All capitalized terms used herein but not defined in this Bank Note shall have the meanings ascribed to them in the Credit Agreement.

This Bank Note shall be construed under and governed by the laws of the State of Texas but Chapter 346, Texas Finance Code, except for Section 346.004 thereof, shall not apply.

This Bank Note is a special obligation of the City payable from and secured solely by the funds pledged therefor in the Ordinance. To provide for the payment of the principal of and interest on this Bank Note as the same shall become due and payable, the Ordinance grants a lien on and pledge of, subject only to the provisions of the applicable Ordinance permitting the application thereof for purposes and on terms and conditions set forth therein, (i) the proceeds from (A) the sale of Prior Lien Bonds or Subordinated Obligations issued by the City for such purpose and (B) the sale of Notes issued pursuant to the Ordinance for such purpose, (ii) Loans, (iii) the amounts held in the Sub-Series F-2 Note Payment Account, as applicable (created under Section 2.09 of the Ordinance) until the amounts deposited therein are used for authorized purposes; *provided, however*, amounts in the Subseries F-2 Note Payment Account attributable to and derived from Loans shall be used only to pay, prior to the application to the payment of the Bank Note, the principal of and interest on the Project Notes in full, and (iv) the amounts remaining on deposit in the Sub-Series F-2 Note Construction Account (created under Section 2.11 of the Ordinance) after the payment of all Project Costs. Additionally, to provide security for the payment of the principal of and interest on this Bank Note and any other amounts due under the

Credit Agreement as the same shall become due and payable, the Ordinance grants a lien on and pledge of the Pledged Revenues, subject only to the provisions of the Ordinance permitting the application thereof for purposes and on terms and conditions set forth in the Ordinance, such lien on and pledge of Pledged Revenues to the Notes and other amounts owing under the Credit Agreement, however, being subordinate only to the lien on and pledge of the Pledged Revenues securing the payment of the City's Prior Lien Bonds and the debt service and reserve funds relating thereto. It is hereby certified that every requirement of law relating to the issue hereof has been duly complied with and that this Bank Note is within every applicable debt or other limit.

IN WITNESS WHEREOF, the City Council has caused this Bank Note to be signed in its name by the City Manager and countersigned by the City Secretary, and sealed with the seal of the City, and this Bank Note to be dated the date and year first above written.

CITY OF DALLAS, TEXAS

(SEAL)

By: _____
City Manager

ATTEST

By: _____
City Secretary

SCHEDULE OF LOANS AND PAYMENTS OF PRINCIPAL

C-3

EXHIBIT D

FORM OF OPINION OF CITY ATTORNEY

To: Bank of America, N.A.

Re: City of Dallas, Texas
Waterworks and Sewer System Commercial Paper Notes,
Sub-Series F-2

Ladies and Gentlemen:

I am the duly appointed City Attorney of the City of Dallas, Texas (the “*City*”), and this opinion is rendered on behalf of the City pursuant to and in connection with the authorization of the Notes and the execution and delivery of a Credit Agreement, dated as of July 1, 2021 (together with all amendments, restatements, supplements and/or other modifications thereto, the “*Credit Agreement*”), by and among the City and Bank of America, N.A. (the “*Bank*”) and the Fee Letter dated July 8, 2021 (the “*Fee Letter*”), between the City and the Bank. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Credit Agreement.

I or my designated attorneys have examined originals or copies, certified or otherwise identified to our satisfaction, of such documents, corporate records, certificates of public officials, and other instruments, and we have conducted such other investigation of fact and law as I have found necessary or advisable for the purpose of this opinion.

Under Ordinance No. [____], adopted by the City on [June 9, 2021] (the “*Ordinance*”), authorizing the issuance of the Commercial Paper Notes and the execution and delivery to the Bank of the Credit Agreement, the Fee Letter, the proceeds of the Revolving Loans and Term Loans made under the Credit Agreement are to be applied to the payment of the principal of and interest on the Commercial Paper Notes.

I have also made such further investigation of the law and facts as I have deemed necessary or advisable for purposes of the opinions herein expressed.

Based upon the foregoing, I am of the opinion that:

1. The City (a) is an incorporated city operating under a home-rule charter adopted pursuant to Article XI, Section 5 of the Texas Constitution; (b) has full power and authority to execute, deliver, and perform the Credit Agreement, the Bank Note, the Ordinance, and the Commercial Paper Notes and to borrow under the Commercial Paper Notes, the Bank Note and the Credit Agreement; (c) has all the requisite power and authority to own and operate the System; and (d) has all the requisite power and authority to pledge and grant a lien on the Pledged Revenues

to the Bank to secure payment of the Revolving Loans and Term Loans and has lawfully exercised such power.

2. All authorizations, consents, approvals, licenses, permissions, and registrations, if any, of or with any Person, including any governmental authority, required in connection with (a) the execution, delivery, and performance of the Credit Agreement, the Fee Letter, the Bank Note and the Commercial Paper Notes and (b) the City's authorization of the execution, delivery and performance of the Credit Agreement, the Fee Letter, the Bank Note and the Commercial Paper Notes have, in each case, been obtained.

3. There is no litigation or legal or administrative proceeding pending, or to the best of my knowledge, threatened against, or any outstanding judgment, order, writ, injunction, decree, or award affecting the City before any court, governmental authority, or arbitral body (a) which prohibits or affects, or if adversely determined might prohibit or affect, the ability or authority of the City to execute, deliver, or perform any part of the Credit Agreement, the Fee Letter or the Bank Note or (b) which in the aggregate have, or if adversely determined would have, any material adverse effect on the financial condition of the City or the System. To the best of my knowledge, the City is not in default with respect to any order, writ, injunction, or decree of any court or other governmental authority which would adversely affect the City's ability to execute, deliver, or perform any part of the Credit Agreement, the Fee Letter, the Bank Note or the Ordinance.

The opinions expressed above are qualified to the extent that the enforceability of the rights and remedies set forth in the Ordinance and the Credit Agreement may be limited by bankruptcy, reorganization, or other similar laws of general application relating to or affecting the enforcement of creditors' rights. I express no opinion as to the extent to which any indemnification provision contained in the Credit Agreement or any other document used in connection with the issuance of the Commercial Paper Notes is enforceable under Texas law or as to the specific remedy that any court, governmental authority, or board of arbitration may grant, impose, or render in connection with the above-described instruments. I express no opinion as to the validity or enforceability of Section 8.04 of the Credit Agreement.

The opinions herein expressed and the statements herein made are limited in all respects to the laws of the State of Texas and applicable federal law. This opinion is solely for the benefit of and may be relied upon by the addressee. This opinion may not be relied upon by any other person, without my written consent.

Very truly yours,

SCHEDULE I

CERTAIN ADDRESSES FOR NOTICES

CITY:

City of Dallas, Texas
1500 Marilla, 4CN
Dallas, Texas 75201

Attention: Elizabeth Reich
Telephone: (214) 670-3390
Telecopier: (214) 670-4653
E-Mail: elizabeth.reich@dallascityhall.com

AND WITH A COPY TO:

Attention: Ileana Fernandez
Telephone: (214) 670-3477
Telecopier: (214) 670-0622
E-Mail: ileana.fernandez@dallascityhall.com

Bank:

Bank of America, N.A.
901 Main Street, 11th Floor
Dallas, Texas 75202

Attention: Michael A. Feist
Telephone: (214) 209-3217
Telecopier: (972) 728-9590
E-Mail: michael.feist@bofa.com