

ORDINANCE NO. _____

AN ORDINANCE AUTHORIZING THE ISSUANCE AND SALE OF “CITY OF AUSTIN, TEXAS, ELECTRIC UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2010A” AND “CITY OF AUSTIN, TEXAS, ELECTRIC UTILITY SYSTEM REVENUE REFUNDING BONDS, TAXABLE SERIES 2010B (DIRECT SUBSIDY-BUILD AMERICA BONDS)”; AND RELATED DOCUMENTS.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:

SECTION 1: DEFINITIONS AND FINDINGS. The following terms shall have the meanings set forth below, unless the text specifically indicates otherwise:

“2010A Refunded Notes” means \$_____ in principal amount of the Series A Notes being refunded by the Series 2010A Bonds.

“2010B Refunded Notes” means \$107,000,000 in principal amount of the Series A Notes being refunded by the Series 2010B Bonds and more particularly described in Exhibit A.

“Bonds” means collectively the Series 2010A Bonds and the Series 2010B Bonds.

“Business Day” means a day other than a Sunday, Saturday, a legal holiday, or a day on which banking institutions in the city where the principal corporate trust office of the Paying Agent/Registrar is located are authorized by law or executive order to close.

“Holders” means the registered owners or holders of the Bonds.

“Master Ordinance” means Ordinance No. 010118-53A, passed by the City Council on January 18, 2001.

“Maximum Debt Service Requirement” means, as of the date of calculation, an amount equal to the greatest Annual Debt Service Requirement for the current or any future Fiscal Year for the Parity Electric Utility Obligations then outstanding at the time the calculation is made.

“Tenth Supplement” means Ordinance No. 20100610-____ authorizing the issuance of the Bonds and passed by the City Council on June 10, 2010.

30 “Paying Agent/Registrar” means the financial institution named in Section 4 of the
31 Tenth Supplement.

32 “Previously Issued Electric Utility Obligations” mean the outstanding “CITY OF
33 AUSTIN, TEXAS, ELECTRIC UTILITY SYSTEM REVENUE REFUNDING BONDS,
34 SERIES 2001”, dated January 1, 2001, “CITY OF AUSTIN, TEXAS, ELECTRIC
35 UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2002”, DATED
36 February 15, 2002, “CITY OF AUSTIN, TEXAS, ELECTRIC UTILITY SYSTEM
37 REVENUE REFUNDING BONDS, SERIES 2002A”, dated July 15, 2002, “CITY OF
38 AUSTIN, TEXAS, ELECTRIC UTILITY SYSTEM REVENUE REFUNDING BONDS,
39 SERIES 2003”, dated February 1, 2003, “CITY OF AUSTIN, TEXAS, ELECTRIC
40 UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2006”, dated May 15,
41 2006, “CITY OF AUSTIN, TEXAS, ELECTRIC UTILITY SYSTEM REVENUE
42 REFUNDING BONDS, SERIES 2006A”, dated October 15, 2006, “CITY OF AUSTIN,
43 TEXAS, ELECTRIC UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES
44 2007”, dated August 15, 2007, “CITY OF AUSTIN, TEXAS, ELECTRIC UTILITY
45 SYSTEM REVENUE REFUNDING BONDS, TAXABLE SERIES 2008”, dated March
46 1, 2008, and “CITY OF AUSTIN, TEXAS, ELECTRIC UTILITY SYSTEM REVENUE
47 REFUNDING BONDS, SERIES 2008A”, dated July 15, 2008.

48 “Prior Supplements” means Ordinances No. 010118-53B, 020228-13, 020718-17,
49 030206-34, 20060518-040, 20061019-055, 20070322-026, 20080228-078, and
50 20080724-100 authorizing the issuance of the Previously Issued Electric Utility
51 Obligations.

52 “Refunded Bonds” means the outstanding bonds of the City identified in Exhibit A
53 attached to the Tenth Supplement.

54 “Refunded Obligations” means collectively, the Refunded Bonds, the 2010A
55 Refunded Notes and the 2010B Refunded Notes.

56 “Required Reserve Amount” means the total amount to be accumulated and
57 maintained in the Reserve Fund pursuant to the provisions of Section 14 of the Tenth
58 Supplement and the provisions of any subsequent Supplement.

59 “Reserve Fund” means the “Electric Utility System Revenue Obligation Reserve
60 Fund” to be established and maintained pursuant to the Prior Supplements and Section 14
61 of the Tenth Supplement.

62 “Reserve Fund Obligations” means cash, Eligible Investments, any Credit Facility,
63 or any combination thereof.

64 “Security Register” shall have the meaning given said term in Section 4 of the
65 Tenth Supplement.

66 “Series 2010A Bonds” shall mean the "CITY OF AUSTIN, TEXAS, ELECTRIC
67 UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2010A" authorized for
68 issuance by the Tenth Supplement.

69 “Series 2010B Bonds” shall mean the “CITY OF AUSTIN, TEXAS, ELECTRIC
70 UTILITY SYSTEM REVENUE REFUNDING BONDS, TAXABLE SERIES 2010B
71 (Direct Subsidy-Build America Bonds) authorized for issuance by the Tenth Supplement.

72 “Series A Notes” means the City of Austin, Texas Combined Utility System
73 Commercial Paper Notes, Series A, up to an aggregate principal amount of \$350,000,000
74 to finance the costs of additions, improvements and extensions to the City’s water and
75 wastewater system and the City’s electric light and power system.

76 The terms used in the Tenth Supplement and not otherwise defined shall have the
77 meanings given in the Master Ordinance or the Prior Supplements.

78 The City has previously authorized the issuance of the Series A Notes and the
79 Refunded Bonds.

80 The best interest of the City is served by issuing the Bonds to refund the Refunded
81 Obligations.

82 The Refunded Notes should be refunded and refinanced into long term obligations
83 at this time to enable the City’s Electric Utility Department to continue utilizing its
84 allocated share of the commercial paper program and the manner in which the refunding
85 is executed does not make it practicable to make the determination required by V.T.C.A.,
86 Government Code, Section 1207.008(a)(2).

87 The Refunded Bonds should be refunded at this time to achieve a debt service
88 savings of approximately \$_____ and present value savings of approximately
89 \$_____.

90 The Bonds can and shall be on a parity with the outstanding “Parity Electric Utility
91 Obligations” issued in accordance with and under the terms and provisions of the Master
92 Ordinance and the Prior Supplements.

93 The Series 2010B Bonds are issued as and the City will irrevocably elect to apply
94 (i) section 54AA of the Code to each of the Series 2010B Bonds as a “build America
95 bond” and (ii) subsection 54AA(g) of the Code to each of the Series 2010B Bonds as a

“qualified bond”, and, accordingly, the Bonds herein authorized shall be issued as two separate and distinct series of bonds .

SECTION 2: AUTHORIZATION; DESIGNATION; PRINCIPAL AMOUNT; PURPOSE. Revenue bonds of the City shall be and are authorized to be issued (a) in the aggregate principal amount of _____ DOLLARS (\$_____) to be designated and bear the title "CITY OF AUSTIN, TEXAS, ELECTRIC UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2010A", for the purpose of refinancing and refunding the 2010A Refunded Notes and the Refunded Bonds and paying costs of issuance and (b) in the aggregate principal amount of _____ DOLLARS (\$_____) to be designated and bear the title "CITY OF AUSTIN, TEXAS, ELECTRIC UTILITY SYSTEM REVENUE REFUNDING BONDS, TAXABLE SERIES 2010B (DIRECT SUBSIDY-BUILD AMERICA BONDS)", for the purpose of refinancing and refunding the 2010B Refunded Notes and paying costs of issuance, in conformity with the Constitution and laws of the State of Texas, including V.T.C.A., Government Code, Chapters 1207.

SECTION 3: FULLY REGISTERED OBLIGATIONS; AUTHORIZED DENOMINATIONS; STATED MATURITIES; DATE. The Bonds shall be issued as fully registered obligations, without coupons, shall be dated June 1, 2010 (the “Bond Date”) and, other than the single fully registered Initial Bond of each series referenced in Section 9 of the Tenth Supplement, shall be in denominations of \$5,000 or any integral multiple thereof (within a stated maturity), shall be numbered consecutively from 1 upward and shall become due and payable on November 15 in each of the years (the “Stated Maturities”) and in principal amounts and bear interest at per annum rates in accordance with the following schedules:

120

SERIES 2010A Bonds:

Stated Maturity	Principal Amount (\$)	Interest Rate(s)	Stated Maturity	Principal Amount (\$)	Interest Rate(s)
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121

SERIES 2010B Bonds:

Stated Maturity	Principal Amount (\$)	Interest Rate(s)	Stated Maturity	Principal Amount (\$)	Interest Rate(s)
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The Bonds shall bear interest on the unpaid principal amounts from the Bond Date at the rate(s) per annum shown in the above schedule (calculated on the basis of a 360 day year of twelve 30 day months). Interest on the Bonds shall be payable on May 15 and November 15 in each year, commencing November 15, 2010, until maturity or prior redemption.

SECTION 4: TERMS OF PAYMENT; PAYING AGENT/ REGISTRAR.

The principal of, premium, if any, and the interest on the Bonds, due and payable by reason of maturity, redemption or otherwise, shall be payable only to the Holders appearing on the respective registration and transfer books maintained by the Paying Agent/Registrar and the payment shall be in any coin or currency of the United States of America, which at the time of payment is legal tender for the payment of public and private debts, and shall be without exchange or collection charges to the Holders.

The selection and appointment of Regions Bank, Houston, Texas to serve as Paying Agent/Registrar for the Bonds is approved and confirmed. Separate books and records relating to the registration, payment, transfer and exchange of the Series 2010A Bonds and the Series 2010B Bonds (the "Security Register") shall at all times be kept and maintained on behalf of the City by the Paying Agent/Registrar as provided in the Tenth Supplement and in accordance with the terms and provisions of a separate "Paying Agent/Registrar Agreement", substantially in the form attached hereto as **Exhibit B** (with respect to the Series 2010A Bonds) and **Exhibit C** (with respect to the Series 2010B Bonds), and the reasonable rules and regulations as the Paying Agent/Registrar and the City may prescribe. The Mayor or Mayor Pro Tem and City Clerk or Deputy City Clerk are authorized to execute and deliver separate Paying Agent/Registrar Agreements for the Series 2010A Bonds and the Series 2010B Bonds. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are paid and discharged, and any successor Paying Agent/Registrar shall be a bank, trust company, financial institution or other entity qualified and authorized to serve in the capacity and perform the duties and services of Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Series 2010A Bonds or the Series 2010B Bonds, the City agrees to promptly cause a written notice to be sent to each Holder by United States Mail, first class postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Principal of and premium, if any, on the Bonds shall be payable at the Stated Maturities or upon redemption, only upon presentation and surrender of the Bonds to the Paying Agent/Registrar at its designated offices in Homewood, Alabama, or, with respect

to a successor Paying Agent/Registrar, the offices so designated of the successor (the “Designated Payment/Transfer Office”). Interest on the Bonds shall be paid to the Holders whose names appear in the Security Register at the close of business on the Record Date (the last business day of the month next preceding each interest payment date), and interest shall be paid by the Paying Agent/Registrar (i) by check sent United States Mail, first class postage prepaid, to the address of the Holder recorded in the Security Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Holder. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for the payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

In the event of a non payment of interest on one or more maturities on a scheduled payment date, and for thirty (30) days thereafter, a new record date for the interest payment for the maturity or maturities (a “Special Record Date”) will be established by the Paying Agent/Registrar, if and when funds for the payment of the interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States Mail, first class postage prepaid, to the address of each Holder of the maturity or maturities appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of the notice.

SECTION 5: REDEMPTION.

(a) Optional Redemption. (i) The Series 2010A Bonds having Stated Maturities on and after November 15, 2021, shall be subject to redemption prior to maturity, at the option of the City, in whole or in part in principal amounts of \$5,000 or any integral multiple of \$5,000 (and if within a Stated Maturity by lot by the Paying Agent/Registrar), on November 15, 2020 or on any date thereafter at the redemption price of par plus accrued interest to the date of redemption.

(ii) If section 54AA or 6431 of the Internal Revenue Code of 1986, as amended, is modified, amended or interpreted in a manner so as to reduce or eliminate the City’s entitlement to 35% interest subsidy payments from the U.S. Treasury in respect of the Series 2010B Bonds, the City may (but is not obligated to) redeem the Series 2010B Bonds of any or all maturities in whole or in part, at its option, at a redemption price

equal to the greater of: (1) the principal amount of the Series 2010B Bonds to be redeemed; or (2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series 2010B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010B Bonds are to be redeemed, discounted to the date on which the Series 2010B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus 100 basis points, plus, in each case, accrued and unpaid interest on the Series 2010B Bonds to be redeemed from the most recent interest payment date to the redemption date.

(iii) The Series 2010B Bonds shall be subject to redemption prior to maturity, at the option of the City, in whole or in part in principal amounts of \$5,000 or any integral multiple of \$5,000 (and if within a Stated Maturity by lot by the Paying Agent/Registrar), on any date at the redemption price (“Make-Whole Optional Redemption Price”) equal to the greater of: (1) the issue price (but not less than 100%) of the principal amount of the Series 2010B Bonds to be redeemed; or (2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series 2010B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010B Bonds are to be redeemed, discounted to the date on which the Series 2010B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus 25 basis points, plus, in each case, accrued and unpaid interest on the Series 2010B Bonds to be redeemed from the most recent interest payment date to the redemption date.

“Treasury Rate” means, with respect to any redemption date for a particular Series 2010B Bond, the yield to maturity as of the redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least five (5) Business Days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Series 2010B Bonds to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

At the request of the Paying Agent/Registrar, the Make-Whole Optional Redemption Price of the Series 2010B Bonds to be redeemed shall be determined by an independent accounting firm, investment banking firm, or financial advisor retained by and at the expense of the City to calculate the redemption price. The Paying

Agent/Registrar and the City may conclusively rely on the determination of the redemption price by the independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

At least forty-five (45) days prior to a redemption date for the Bonds (unless a shorter notification period shall be satisfactory to the Paying Agent/Registrar), the City shall notify the Paying Agent/Registrar of the decision to redeem Bonds, the principal amount of each Stated Maturity to be redeemed, and the date of redemption. The decision of the City to exercise the right to redeem Bonds shall be entered in the minutes of the governing body of the City.

(b) Mandatory Redemption. The Series 2010A Bonds having Stated Maturities of November 15, 20__ and November 15, 20__(the "Term Bonds") shall be subject to mandatory redemption in part prior to maturity at the redemption price of par and accrued interest to the date of redemption on the respective dates and in principal amounts as follows:

Term Bonds due November 15, 20__		Term Bonds due November 15, 20__	
<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
November 15, 20__	\$,000	November 15, 20__	\$,000
November 15, 20__	\$,000	November 15, 20__	\$,000
November 15, 20__	\$,000	November 15, 20__*	\$,000
November 15, 20__	\$,000		
November 15, 20__	\$,000		
November 15, 20__*	\$,000		

*maturity

Approximately forty-five (45) days prior to each mandatory redemption date for the Term Bonds, the Paying Agent/Registrar shall select by lot the numbers of the Term Bonds within the applicable Stated Maturity to be redeemed on the next following November 15 from moneys set aside for that purpose in the Debt Service Fund. Any Term Bond not selected for prior redemption shall be paid on the date of their Stated Maturity.

The principal amount of the Term Bonds for a Stated Maturity required to be redeemed on a mandatory redemption date may be reduced, at the option of the City, by the principal amount of Term Bonds of like Stated Maturity which, at least 50 days prior to the mandatory redemption date, (1) shall have been acquired by the City at a price not exceeding the principal amount of the Term Bonds plus accrued interest to the date of

purchase thereof, and delivered to the Paying Agent/Registrar for cancellation or (2) shall have been redeemed pursuant to the optional redemption provisions set forth in paragraph(a) of this Section and not theretofore credited against a mandatory redemption requirement.

(c) Selection of Bonds for Redemption. If less than all Outstanding Bonds of the same series and of the Stated Maturity are to be redeemed on a redemption date, the Paying Agent/Registrar shall treat the Bonds as representing the number of Bonds Outstanding which is obtained by dividing the principal amount of the Bonds by \$5,000 and shall select the Bonds to be redeemed within the Stated Maturity by lot.

(d) Notice of Redemption. Not less than thirty (30) days prior to a redemption date for the Bonds, a notice of redemption shall be sent by United States Mail, first class postage prepaid, in the name of the City and at the City's expense, to each Holder of a Bond to be redeemed in whole or in part at the address of the Holder appearing on the Security Register at the close of business on the business day next preceding the date of mailing the notice, and any notice of redemption so mailed shall be conclusively presumed to have been given irrespective of whether received by the Holder.

All notices of redemption shall specify the date of redemption for the Bonds, identify the Bonds to be redeemed by series and, in the case of a portion of the principal amount to be redeemed, the principal amount to be redeemed, state the redemption price, state that the Bonds, or the portion of the principal amount to be redeemed, shall become due and payable on the redemption date specified, and the interest on such Bonds, or on the portion of the principal amount of such Bonds to be redeemed, shall cease to accrue from and after the redemption date, and specify that payment of the redemption price for the Bonds, or the principal amount of the Bonds to be redeemed, shall be made at the Designated Payment/Transfer Office of the Paying Agent/Registrar only upon presentation and surrender thereof by the Holder. If a Bond is subject to prior redemption and has been called for redemption and notice of redemption of such Bonds has been given or waived as provided in the Tenth Supplement, such Bond (or the principal amount of such Bonds to be redeemed) shall become due and payable, and interest on such Bond shall cease to accrue from and after the redemption date, provided moneys sufficient for the payment of such Bonds (or of the principal amount of such Bond to be redeemed) at the applicable redemption price are held for the purpose of such payment by the Paying Agent/Registrar.

(e) Conditional Notice of Redemption. With respect to any optional redemption of the Bonds, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, the notice may state that

redemption is conditional upon the receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon the satisfaction of any prerequisites set forth in the notice of redemption; and, if sufficient moneys are not received, such notice shall be of no force and effect, the City shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

SECTION 6: REGISTRATION, TRANSFER, EXCHANGE OF BONDS; PREDECESSOR BONDS. The Paying Agent/Registrar shall obtain, record, and maintain in the appropriate Security Register the name and address of each registered owner of the Bonds issued under and pursuant to the provisions of the Tenth Supplement. Any Bond may, in accordance with its terms and the terms of the Tenth Supplement, be transferred or exchanged for Bonds of other authorized denominations upon the Security Register by the Holder, in person or by the authorized agent of such person, upon surrender of the Bond to the Paying Agent/Registrar for cancellation, accompanied by a written instrument of transfer or request for exchange executed by the Holder or by the authorized agent of such person, in form satisfactory to the Paying Agent/Registrar.

Upon surrender for transfer of any Bond (other than the Initial Bond(s) authorized in Section 9 of the Tenth Supplement) at the Designated Payment/Transfer Office of the Paying Agent/Registrar, the Paying Agent/Registrar shall register and deliver, in the name of the designated transferee or transferees, one or more new Bonds, executed on behalf of, and furnished by, the City of the same series, of authorized denominations and having the same Stated Maturity and of a like aggregate principal amount as the Bond or Bonds surrendered for transfer.

At the option of the Holder, Bonds (other than the Initial Bond(s) authorized in Section 9 of the Tenth Supplement) may be exchanged for other Bonds of like series, of authorized denominations and having the same Stated Maturity, bearing the same rate of interest and of like aggregate principal amount as the Bonds surrendered for exchange, upon surrender of the Bonds to be exchanged at the Designated Payment/Transfer Office. Whenever any Bonds are surrendered for exchange, the Paying Agent/Registrar shall register and deliver new Bonds, executed on behalf of, and furnished by, the City, to the Holder requesting the exchange.

All Bonds issued upon any transfer or exchange of Bonds shall be delivered at the Designated Payment/Transfer Office, or sent by United States Mail, first class postage prepaid, to the Holder and, upon the delivery of such Bonds, the same shall be valid obligations of the City, evidencing the same obligation to pay, and entitled to the same benefits under the Tenth Supplement, as the Bonds surrendered in the transfer or exchange.

333 All transfers or exchanges of Bonds shall be made without expense or service
334 charge to the Holder, except as otherwise provided in the Tenth Supplement, except that
335 the Paying Agent/Registrar shall require payment by the Holder requesting the transfer or
336 exchange of any tax or other governmental charges required to be paid with respect to the
337 transfer or exchange.

338 Bonds canceled by reason of an exchange or transfer pursuant to the provisions of
339 the Tenth Supplement are defined to be "Predecessor Bonds," evidencing all or a portion,
340 as the case may be, of the same obligation to pay evidenced by the Bond or Bonds
341 registered and delivered in the exchange or transfer. Additionally, the term "Predecessor
342 Bonds" shall include any mutilated, lost, destroyed, or stolen Bond for which a
343 replacement Bond has been issued, registered and delivered in lieu of a mutilated, lost,
344 destroyed or stolen Bond pursuant to Section 20 of the Tenth Supplement and such new
345 replacement Bond shall be considered to evidence the same obligation as the mutilated,
346 lost, destroyed, or stolen Bond.

347 Neither the City nor the Paying Agent/Registrar shall be required to transfer or
348 exchange any Bond called for redemption, in whole or in part, within 45 days of the date
349 fixed for redemption of such Bond; provided, however, such limitation of transfer shall
350 not be applicable to an exchange by the Holder of the unredeemed balance of a Bond
351 called for redemption in part.

352 **SECTION 7: BOOK-ENTRY-ONLY TRANSFERS AND**
353 **TRANSACTIONS.** Notwithstanding the provisions contained in Sections 4, 5 and 6 of
354 the Tenth Supplement relating to the payment, and transfer/exchange of the Bonds, the
355 City approves and authorizes the use of "Book-Entry-Only" securities clearance,
356 settlement and transfer system provided by The Depository Trust Company (DTC), a
357 limited purpose trust company organized under the laws of the State of New York, in
358 accordance with the operational arrangements referenced in the Blanket Issuer Letter of
359 Representations, by and between the City and DTC (the "Depository Agreement").

360 Pursuant to the Depository Agreement and the rules of DTC, the Bonds shall be
361 deposited with DTC who shall hold said Bonds for its participants (the "DTC
362 Participants"). While the Bonds are held by DTC under the Depository Agreement, the
363 Holder of the Bonds on the Security Register for all purposes, including payment and
364 notices, shall be Cede & Co., as nominee of DTC, notwithstanding the ownership of each
365 actual purchaser or owner of each Bond (the "Beneficial Owners") being recorded in the
366 records of DTC and DTC Participants.

367 In the event DTC determines to discontinue serving as securities depository for the
368 Bonds or otherwise ceases to provide book entry clearance and settlement of securities

369 transactions in general or the City determines that DTC is incapable of properly
370 discharging its duties as securities depository for the Bonds, the City covenants and
371 agrees with the Holders of the Bonds to cause Bonds to be printed in definitive form and
372 provide for the Bond certificates to be issued and delivered to DTC Participants and
373 Beneficial Owners, as the case may be. Thereafter, the Bonds in definitive form shall be
374 assigned, transferred and exchanged on the Security Register maintained by the Paying
375 Agent/Registrar and payment of such Bonds shall be made in accordance with the
376 provisions of Sections 4, 5 and 6 of the Tenth Supplement.

377 **SECTION 8: EXECUTION; REGISTRATION.** The Bonds of each series
378 shall be executed on behalf of the City by the Mayor or Mayor Pro Tem under its seal
379 reproduced or impressed thereon and countersigned by the City Clerk or Deputy City
380 Clerk. The signature of said officers on the Bonds may be manual or facsimile. Bonds
381 bearing the manual or facsimile signatures of individuals who are or were the proper
382 officers of the City on the Bond Date shall be deemed to be executed on behalf of the
383 City, notwithstanding that such individuals or either of them shall cease to hold such
384 offices at the time of delivery of the Bonds to the initial purchaser(s) and with respect to
385 Bonds delivered in subsequent exchanges and transfers, all as authorized and provided in
386 V.T.C.A., Government Code, Chapter 1201.

387 No Bond shall be entitled to any right or benefit under the Tenth Supplement, or be
388 valid or obligatory for any purpose, unless there appears on such Bond either a certificate
389 of registration substantially in the form provided in Section 10(c), manually executed by
390 the Comptroller of Public Accounts of the State of Texas or his or her authorized agent,
391 or a certificate of registration substantially in the form provided in Section 10(d),
392 manually executed by an authorized officer, employee or representative of the Paying
393 Agent/Registrar, and either such certificate upon any Bond signed shall be conclusive
394 evidence, and the only evidence, that such Bond has been certified, registered and
395 delivered.

396 **SECTION 9: INITIAL BOND(S).** The Bonds of each series shall be initially
397 issued either (i) as a single fully registered bond in the total principal amount referenced
398 in Section 2 with principal installments to become due and payable as provided in Section
399 3 and each numbered T-1, or (ii) as multiple fully registered bonds, being one bond for
400 each year of maturity in the applicable principal amount and denomination and to be
401 numbered consecutively from T-1 and upward (the "Initial Bond(s)") and, in either case,
402 the Initial Bond(s) shall be registered in the name of the initial purchaser(s) or the initial
403 purchaser's designee. The Initial Bond(s) of each series shall be the Bonds submitted to
404 the Office of the Attorney General of the State of Texas for approval, certified and
405 registered by the Office of the Comptroller of Public Accounts of the State of Texas and
406 delivered to the initial purchaser(s). Any time after the delivery of the Initial Bond(s), the

Paying Agent/Registrar, pursuant to written instructions from the initial purchaser(s), or the initial purchaser's designee, shall cancel such delivered Initial Bond(s) and exchange for such Initial Bond(s) definitive Bonds of the same series, of authorized denominations, Stated Maturities, principal amounts and bearing applicable interest rates for transfer and delivery to the Holders named at the addresses provided; all pursuant to and in accordance with such written instructions from the initial purchaser(s), or the designee of the initial purchaser(s), and such other information and documentation as the Paying Agent/Registrar may reasonably require.

SECTION 10: FORMS.

(a) Forms Generally. The Bonds of each series, the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the Certificate of Registration, and the form of Assignment to be printed on each of the Bonds, shall be substantially in the forms set forth in this Section with such appropriate insertions, omissions, substitutions, and other variations as are permitted or required by the Tenth Supplement and may have such letters, numbers, or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and such legends and endorsements (including insurance legends if the Bonds, or any maturities of the Bonds, are purchased with insurance and any reproduction of an opinion of counsel) on such Bonds as may, consistently with the provisions of the Tenth Supplement, be established by the City or determined by the officers executing such Bonds as evidenced by their execution of such Bonds. Any portion of the text of any Bonds may be set forth on the reverse of the Bond, with an appropriate reference on the face of the Bond.

The definitive Bonds and the Initial Bond(s) of each series shall be printed, lithographed, or engraved, typewritten, photocopied or otherwise reproduced in any other similar manner, all as determined by the officers executing the Bonds as evidenced by their execution of the Bonds.

(b) Form of Definitive Bond.

SERIES 2010A BONDS

REGISTERED
NO. _____

REGISTERED
\$ _____

UNITED STATES OF AMERICA
STATE OF TEXAS
CITY OF AUSTIN, TEXAS,

ELECTRIC UTILITY SYSTEM REVENUE REFUNDING BOND,
SERIES 2010A

Bond Date: Interest Rate: Stated Maturity: CUSIP NO:
June 1, 2010 _____

Registered Owner:

Principal Amount: DOLLARS

The City of Austin (the "City"), a body corporate and municipal corporation in the Counties of Travis and Williamson, State of Texas, for value received, hereby promises to pay to the registered owner named above, or the registered assigns thereof (the "Registered Owner"), solely from the revenues identified in this Bond, on the Stated Maturity date shown above the Principal Amount stated above (or so much of such Principal Amount as shall not have been paid upon prior redemption), and to pay interest (computed on the basis of a 360 day year of twelve 30 day months) on the unpaid Principal Amount of this Bond from the interest payment date next preceding the "Registration Date" of this Bond appearing below (unless this Bond bears a "Registration Date" as of an interest payment date, in which case it shall bear interest from such date, or unless the "Registration Date" of this Bond is prior to the initial interest payment date in which case it shall bear interest from the Bond Date) at the per annum rate of interest specified above; such interest being payable on May 15 and November 15 of each year, commencing November 15, 2010. Principal of this Bond is payable at its Stated Maturity or redemption to the Registered Owner, upon presentation and surrender, at the Designated Payment/Transfer Office of the Paying Agent/Registrar executing the registration certificate appearing on this Bond, or its successor; provided, however, while this Bond is registered to Cede & Co., the payment of principal upon a partial redemption of the principal amount of this Bond may be accomplished without presentation and surrender of this Bond. Interest is payable to the registered owner of this Bond (or one or more Predecessor Bonds, as defined in the Tenth Supplement) whose name appears on the "Security Register" maintained by the Paying Agent/Registrar at the close of business on the "Record Date", which is the last business day of the month next preceding each interest payment date and interest shall be paid by the Paying Agent/Registrar by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the

Designated Payment/Transfer Office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. All payments of principal of, premium, if any, and interest on this Bond shall be without exchange or collection charges to the owner hereof and in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

This Bond is one of the series specified in its title issued in the aggregate principal amount of \$_____ (“Bonds”) for the purpose of refinancing and refunding the Series 2010A Refunded Bonds and the Refunded Bonds (identified and defined in the Tenth Supplement) and paying costs of issuance, in conformity with the Constitution and laws of the State of Texas, including V.T.C.A., Government Code, Chapter 1207, and pursuant to a Master Ordinance and Tenth Supplement adopted by the city council of the City (collectively referred to as the “Ordinances”).

The Bonds maturing on the dates identified below (the “Term Bonds”) are subject to mandatory redemption prior to maturity with funds on deposit in the Debt Service Fund established and maintained for the payment of such Bonds in the Tenth Supplement, and shall be redeemed in part prior to maturity at the price of par and accrued interest on such Bonds to the date of redemption, and without premium, on the dates and in the principal amounts as follows:

Term Bonds due November 15, 20__		Term Bonds due November 15, 20__	
<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
November 15, 20__	\$,000	November 15, 20__	\$,000
November 15, 20__	\$,000	November 15, 20__	\$,000
November 15, 20__	\$,000	November 15, 20__ *	\$,000
November 15, 20__	\$,000		
November 15, 20__	\$,000		
November 15, 20__ *	\$,000		

*maturity

The particular Term Bonds of a stated maturity to be redeemed on each redemption date shall be chosen by lot by the Paying Agent/Registrar; provided, however, that the principal amount of Term Bonds for a stated maturity required to be redeemed on a mandatory redemption date may be reduced, at the option of the City, by the principal

amount of Term Bonds of like stated maturity which, at least 50 days prior to the mandatory redemption date, (1) shall have been acquired by the City at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase, and delivered to the Paying Agent/Registrar for cancellation or (2) shall have been redeemed pursuant to the optional redemption provisions appearing below and not previously credited against a mandatory redemption requirement.

The Bonds maturing on and after November 15, 2021, may be redeemed prior to their Stated Maturities, at the option of the City, in whole or in part in principal amounts of \$5,000 or any integral multiple of \$5,000 (and if within a Stated Maturity by lot by the Paying Agent/Registrar), on November 15, 2020 or on any date thereafter at the redemption price of par plus accrued interest to the redemption date.

At least thirty days prior to the date fixed for any redemption of Bonds, the City shall cause a written notice of such redemption to be sent by United States Mail, first class postage prepaid, to the registered owners of each Bond to be redeemed at the address shown on the Security Register and subject to the terms and provisions contained in the Ordinances. If a Bond (or any portion of its principal sum) shall have been called for redemption and notice of such redemption given, then upon such redemption date such Bond (or the portion of its principal sum to be redeemed) shall become due and payable, and interest thereon shall cease to accrue from and after said redemption date, provided moneys for the payment of the redemption price and the interest on the principal amount to be redeemed to the date of redemption are held for the purpose of such payment by the Paying Agent/Registrar.

If a portion of the principal amount of a Bond is to be redeemed and the registered owner is someone other than Cede & Co., payment of the redemption price of such principal amount shall be made to the registered owner only upon presentation and surrender of such Bond to the Designated Payment/Transfer Office of the Paying Agent/Registrar, and a new Bond or Bonds of like maturity and interest rate in any authorized denominations provided by the Ordinances for the then unredeemed balance of the principal sum of such Bond or Bonds will be issued to the registered owner, without charge. If a Bond is selected for redemption, in whole or in part, the City and the Paying Agent/Registrar shall not be required to transfer such Bond to an assignee of the registered owner within 45 days of such redemption date; provided, however, such limitation on transferability shall not be applicable to an exchange by the registered owner of the unredeemed balance of a Bond redeemed in part.

With respect to any optional redemption of the Bonds, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of

535 redemption, such notice may state that redemption is conditional upon the receipt of such
536 moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption,
537 or upon the satisfaction of any prerequisites set forth in such notice of redemption; and, if
538 sufficient moneys are not received, such notice shall be of no force and effect, the City
539 shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the
540 manner in which the notice of redemption was given, to the effect that the Bonds have
541 not been redeemed.

542 The Bonds are special obligations of the City payable solely from and, together
543 with the Series 2010B Bonds, the Previously Issued Electric Utility Obligations and Prior
544 Subordinate Lien Obligations currently Outstanding, equally and ratably secured by a
545 parity lien on and pledge of, the Net Revenues of the Electric Utility System in the
546 manner provided in the Ordinances. Additionally, the Bonds, together with the
547 Previously Issued Electric Utility Obligations, shall be secured by a lien on the funds, if
548 any, deposited to the credit of the Debt Service Fund and Reserve Fund in accordance
549 with the terms of the Ordinances. The Bonds do not constitute a legal or equitable
550 pledge, charge, lien or encumbrance upon any property of the City or the Electric Utility
551 System, except with respect to the Net Revenues. The holder hereof shall never have the
552 right to demand payment of this obligation out of any funds raised or to be raised by
553 taxation.

554 Subject to satisfying the terms and conditions prescribed therefor, the City has
555 reserved the right to issue additional revenue obligations payable from and equally and
556 ratably secured by a parity lien on and pledge of the Net Revenues of the Electric Utility
557 System, in the same manner and to the same extent as the Previously Issued Electric
558 Utility Obligations and the Bonds.

559 Reference is made to the Ordinances, copies of which are on file with the Paying
560 Agent/Registrar, and to all of the provisions of which the Holder by the acceptance of this
561 Bond assents, for definitions of terms; the description of and the nature and extent of the
562 security for the Bonds; the properties constituting the Electric Utility System; the Net
563 Revenues pledged to the payment of the principal of and interest on the Bonds; the nature
564 and extent and manner of enforcement of the lien and pledge securing the payment of the
565 Bonds; the terms and conditions for the issuance of additional revenue obligations; the
566 terms and conditions relating to the transfer or exchange of this Bond; the conditions
567 upon which the Ordinances may be amended or supplemented with or without the
568 consent of the Holders; the rights, duties, and obligations of the City and the Paying
569 Agent/Registrar; the terms and provisions upon which the liens, pledges, charges and
570 covenants made therein may be discharged at or prior to the maturity of this Bond, and
571 this Bond deemed to be no longer Outstanding thereunder; and for the other terms and

provisions contained therein. Capitalized terms used in this Bond have the same meanings assigned in the Ordinances.

This Bond, subject to certain limitations contained in the Ordinances, may be transferred on the Security Register only upon its presentation and surrender at the Designated Payment/Transfer Office of the Paying Agent/Registrar, with the Assignment on this Bond endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Paying Agent/Registrar executed by, the Registered Owner, or the authorized agent of the Registered Owner. When a transfer on the Security Register occurs, one or more new fully registered Bonds of the same Stated Maturity, of authorized denominations, bearing the same rate of interest, and of the same aggregate principal amount will be issued by the Paying Agent/Registrar to the designated transferee or transferees.

The City and the Paying Agent/Registrar, and any agent of either, may treat the registered owner hereof whose name appears on the Security Register (i) on the Record Date as the owner entitled to payment of interest on this Bond, (ii) on the date of surrender of this Bond as the owner entitled to payment of principal of this Bond at its Stated Maturity or its redemption, in whole or in part, and (iii) on any other date as the owner for all other purposes, and neither the City nor the Paying Agent/Registrar, or any agent of either, shall be affected by notice to the contrary. In the event of non payment of interest on a scheduled payment date and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States Mail, first class postage prepaid, to the address of each Holder appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

It is hereby certified, recited, represented and covenanted that the City is an organized and legally existing municipal corporation under and by virtue of the Constitution and laws of the State of Texas; that the issuance of the Bonds is authorized by law; that all acts, conditions and things required to exist and be done precedent to and in the issuance of the Bonds to render the same lawful and valid obligations of the City have been properly done, have happened and have been performed in regular and due time, form and manner as required by the Constitution and laws of the State of Texas, and the Ordinances; that the Bonds do not exceed any constitutional or statutory limitation; and that due provision has been made for the payment of the Bonds by a pledge of the Net Revenues of the Electric Utility System. If any provision in this Bond or any

application thereof shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions and applications shall not in any way be affected or impaired by any such action. The terms and provisions of this Bond and the Ordinances shall be construed in accordance with and shall be governed by the laws of the State of Texas.

IN WITNESS WHEREOF, the city council of the City has caused this Bond to be executed under the official seal of the City as of the Bond Date.

CITY OF AUSTIN, TEXAS

Mayor

COUNTERSIGNED:

City Clerk

(SEAL)

SERIES 2010B BONDS

REGISTERED
NO. _____

REGISTERED
\$ _____

UNITED STATES OF AMERICA
STATE OF TEXAS
CITY OF AUSTIN, TEXAS,
ELECTRIC UTILITY SYSTEM REVENUE REFUNDING BOND,
TAX ABLE SERIES 2010B
(DIRECT SUBSIDY-BUILD AMERICA BOND)

Bond Date:
June 1, 2010

Interest Rate:

Stated Maturity:

CUSIP NO:

Registered Owner:

Principal Amount:

DOLLARS

634 The City of Austin (the "City"), a body corporate and municipal corporation in the
635 Counties of Travis and Williamson, State of Texas, for value received, hereby promises
636 to pay to the registered owner named above, or the registered assigns thereof (the
637 "Registered Owner"), solely from the revenues identified in this Bond, on the Stated
638 Maturity date shown above the Principal Amount stated above (or so much of such
639 Principal Amount as shall not have been paid upon prior redemption), and to pay interest
640 (computed on the basis of a 360 day year of twelve 30 day months) on the unpaid
641 Principal Amount of this Bond from the interest payment date next preceding the
642 "Registration Date" of this Bond appearing below (unless this Bond bears a "Registration
643 Date" as of an interest payment date, in which case it shall bear interest from such date,
644 or unless the "Registration Date" of this Bond is prior to the initial interest payment date
645 in which case it shall bear interest from the Bond Date) at the per annum rate of interest
646 specified above; such interest being payable on May 15 and November 15 of each year,
647 commencing November 15, 2010. Principal of this Bond is payable at its Stated Maturity
648 or redemption to the Registered Owner, upon presentation and surrender, at the
649 Designated Payment/Transfer Office of the Paying Agent/Registrar executing the
650 registration certificate appearing on this Bond, or its successor; provided, however, while
651 this Bond is registered to Cede & Co., the payment of principal upon a partial redemption
652 of the principal amount of this Bond may be accomplished without presentation and
653 surrender of this Bond. Interest is payable to the registered owner of this Bond (or one or
654 more Predecessor Bonds, as defined in the Tenth Supplement) whose name appears on
655 the "Security Register" maintained by the Paying Agent/Registrar at the close of business
656 on the "Record Date", which is the last business day of the month next preceding each
657 interest payment date and interest shall be paid by the Paying Agent/Registrar by check
658 sent United States Mail, first class postage prepaid, to the address of the registered owner
659 recorded in the Security Register or by such other method, acceptable to the Paying
660 Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the
661 date for the payment of the principal of or interest on the Bonds shall be a Saturday,
662 Sunday, a legal holiday, or a day when banking institutions in the city where the
663 Designated Payment/Transfer Office of the Paying Agent/Registrar is located are
664 authorized by law or executive order to close, then the date for such payment shall be the
665 next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when
666 banking institutions are authorized to close; and payment on such date shall have the
667 same force and effect as if made on the original date payment was due. All payments of
668 principal of, premium, if any, and interest on this Bond shall be without exchange or
669 collection charges to the owner hereof and in any coin or currency of the United States of
670 America which at the time of payment is legal tender for the payment of public and
671 private debts.

This Bond is one of the series specified in its title issued in the aggregate principal amount of \$_____ (“Bonds”) for the purpose of refinancing and refunding the 2010B Refunded Notes (identified and defined in the Tenth Supplement) and paying costs of issuance, in conformity with the Constitution and laws of the State of Texas, including V.T.C.A., Government Code, Chapter 1207, and pursuant to a Master Ordinance and Tenth Supplement adopted by the City Council of the City (collectively referred to as the “Ordinances”).

The Bonds maturing on the dates identified below (the “Term Bonds”) are subject to mandatory redemption prior to maturity with funds on deposit in the Debt Service Fund established and maintained for the payment of such Bonds in the Tenth Supplement, and shall be redeemed in part prior to maturity at the price of par and accrued interest on such Bonds to the date of redemption, and without premium, on the dates and in the principal amounts as follows:

Term Bonds due November 15, 20		Term Bonds due November 15, 20	
<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
November 15, 20	\$,000	November 15, 20	\$,000
November 15, 20	\$,000	November 15, 20	\$,000
November 15, 20	\$,000	November 15, 20*	\$,000
November 15, 20	\$,000		
November 15, 20	\$,000		
November 15, 20*	\$,000		

*maturity

The particular Term Bonds of a stated maturity to be redeemed on each redemption date shall be chosen by lot by the Paying Agent/Registrar; provided, however, that the principal amount of Term Bonds for a stated maturity required to be redeemed on a mandatory redemption date may be reduced, at the option of the City, by the principal amount of Term Bonds of like stated maturity which, at least 50 days prior to the mandatory redemption date, (1) shall have been acquired by the City at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase, and delivered to the Paying Agent/Registrar for cancellation or (2) shall have been redeemed pursuant to the optional redemption provisions appearing below and not previously credited against a mandatory redemption requirement.

If section 54AA or 6431 of the Internal Revenue Code of 1986, as amended, is modified, amended or interpreted in a manner so as to reduce or eliminate the City’s entitlement to 35% interest subsidy payments from the U.S. Treasury in respect of the

Bonds, the City may (but is not obligated to) redeem the Bonds of any or all maturities in whole or in part, at its option, at a redemption price equal to the greater of: (1) the principal amount of the Bonds to be redeemed; or (2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Bonds are to be redeemed, discounted to the date on which the Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus 100 basis points, plus, in each case, accrued and unpaid interest on the Bonds to be redeemed from the most recent interest payment date to the redemption date.

The Bonds shall be subject to redemption prior to maturity, at the option of the City, in whole or in part in principal amounts of \$5,000 or any integral multiple of \$5,000 (and if within a Stated Maturity by lot by the Paying Agent/Registrar), on any date at the redemption price ("Make-Whole Optional Redemption Price") equal to the greater of: (1) the issue price (but not less than 100%) of the principal amount of the Bonds to be redeemed; or (2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Bonds are to be redeemed, discounted to the date on which the Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus 25 basis points, plus, in each case, accrued and unpaid interest on the Bonds to be redeemed from the most recent interest payment date to the redemption date. .

"Treasury Rate" means, with respect to any redemption date for a particular Bonds, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least five (5) Business Days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Bonds to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

At the request of the Paying Agent/Registrar, the Make-Whole Optional Redemption Price of the Bonds to be redeemed shall be determined by an independent accounting firm, investment banking firm, or financial advisor retained by and at the expense of the City to calculate such redemption price. The Paying Agent/Registrar and

the City may conclusively rely on the determination of such redemption price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

At least thirty days prior to the date fixed for any redemption of Bonds, the City shall cause a written notice of such redemption to be sent by United States Mail, first class postage prepaid, to the registered owners of each Bond to be redeemed at the address shown on the Security Register and subject to the terms and provisions contained in the Ordinances. If a Bond (or any portion of its principal sum) shall have been called for redemption and notice of such redemption given, then upon such redemption date such Bond (or the portion of its principal sum to be redeemed) shall become due and payable, and interest thereon shall cease to accrue from and after said redemption date, provided moneys for the payment of the redemption price and the interest on the principal amount to be redeemed to the date of redemption are held for the purpose of such payment by the Paying Agent/Registrar.

If a portion of the principal amount of a Bond is to be redeemed and the registered owner is someone other than Cede & Co., payment of the redemption price of such principal amount shall be made to the registered owner only upon presentation and surrender of such Bond to the Designated Payment/Transfer Office of the Paying Agent/Registrar, and a new Bond or Bonds of like maturity and interest rate in any authorized denominations provided by the Ordinances for the then unredeemed balance of the principal sum of such Bond or Bonds will be issued to the registered owner, without charge. If a Bond is selected for redemption, in whole or in part, the City and the Paying Agent/Registrar shall not be required to transfer such Bond to an assignee of the registered owner within 45 days of such redemption date; provided, however, such limitation on transferability shall not be applicable to an exchange by the registered owner of the unredeemed balance of a Bond redeemed in part.

With respect to any optional redemption of the Bonds, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that redemption is conditional upon the receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon the satisfaction of any prerequisites set forth in such notice of redemption; and, if sufficient moneys are not received, such notice shall be of no force and effect, the City shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

774 The Bonds are special obligations of the City payable solely from and, together
775 with the Series 2010A Bonds, the Previously Issued Electric Utility Obligations and Prior
776 Subordinate Lien Obligations currently Outstanding, equally and ratably secured by a
777 parity lien on and pledge of, the Net Revenues of the Electric Utility System in the
778 manner provided in the Ordinances. Additionally, the Bonds, together with the
779 Previously Issued Electric Utility Obligations, shall be secured by a lien on the funds, if
780 any, deposited to the credit of the Debt Service Fund and Reserve Fund in accordance
781 with the terms of the Ordinances. The Bonds do not constitute a legal or equitable
782 pledge, charge, lien or encumbrance upon any property of the City or the Electric Utility
783 System, except with respect to the Net Revenues. The holder hereof shall never have the
784 right to demand payment of this obligation out of any funds raised or to be raised by
785 taxation.

786 Subject to satisfying the terms and conditions prescribed therefor, the City has
787 reserved the right to issue additional revenue obligations payable from and equally and
788 ratably secured by a parity lien on and pledge of the Net Revenues of the Electric Utility
789 System, in the same manner and to the same extent as the Previously Issued Electric
790 Utility Obligations and the Bonds.

791 Reference is made to the Ordinances, copies of which are on file with the Paying
792 Agent/Registrar, and to all of the provisions of which the Holder by the acceptance of this
793 Bond assents, for definitions of terms; the description of and the nature and extent of the
794 security for the Bonds; the properties constituting the Electric Utility System; the Net
795 Revenues pledged to the payment of the principal of and interest on the Bonds; the nature
796 and extent and manner of enforcement of the lien and pledge securing the payment of the
797 Bonds; the terms and conditions for the issuance of additional revenue obligations; the
798 terms and conditions relating to the transfer or exchange of this Bond; the conditions
799 upon which the Ordinances may be amended or supplemented with or without the
800 consent of the Holders; the rights, duties, and obligations of the City and the Paying
801 Agent/Registrar; the terms and provisions upon which the liens, pledges, charges and
802 covenants made therein may be discharged at or prior to the maturity of this Bond, and
803 this Bond deemed to be no longer Outstanding thereunder; and for the other terms and
804 provisions contained therein. Capitalized terms used in this Bond have the same
805 meanings assigned in the Ordinances.

806 This Bond, subject to certain limitations contained in the Ordinances, may be
807 transferred on the Security Register only upon its presentation and surrender at the
808 Designated Payment/Transfer Office of the Paying Agent/Registrar, with the Assignment
809 on this Bond endorsed by, or accompanied by a written instrument of transfer in form
810 satisfactory to the Paying Agent/Registrar executed by, the Registered Owner, or the
811 authorized agent of the Registered Owner. When a transfer on the Security Register

occurs, one or more new fully registered Bonds of the same Stated Maturity, of authorized denominations, bearing the same rate of interest, and of the same aggregate principal amount will be issued by the Paying Agent/Registrar to the designated transferee or transferees.

The City and the Paying Agent/Registrar, and any agent of either, may treat the registered owner hereof whose name appears on the Security Register (i) on the Record Date as the owner entitled to payment of interest on this Bond, (ii) on the date of surrender of this Bond as the owner entitled to payment of principal of this Bond at its Stated Maturity or its redemption, in whole or in part, and (iii) on any other date as the owner for all other purposes, and neither the City nor the Paying Agent/Registrar, or any agent of either, shall be affected by notice to the contrary. In the event of non payment of interest on a scheduled payment date and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States Mail, first class postage prepaid, to the address of each Holder appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

It is hereby certified, recited, represented and covenanted that the City is an organized and legally existing municipal corporation under and by virtue of the Constitution and laws of the State of Texas; that the issuance of the Bonds is authorized by law; that all acts, conditions and things required to exist and be done precedent to and in the issuance of the Bonds to render the same lawful and valid obligations of the City have been properly done, have happened and have been performed in regular and due time, form and manner as required by the Constitution and laws of the State of Texas, and the Ordinances; that the Bonds do not exceed any constitutional or statutory limitation; and that due provision has been made for the payment of the Bonds by a pledge of the Net Revenues of the Electric Utility System. If any provision in this Bond or any application thereof shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions and applications shall not in any way be affected or impaired by any such action. The terms and provisions of this Bond and the Ordinances shall be construed in accordance with and shall be governed by the laws of the State of Texas.

IN WITNESS WHEREOF, the City Council of the City has caused this Bond to be executed under the official seal of the City as of the Bond Date.

CITY OF AUSTIN, TEXAS

Mayor

COUNTERSIGNED:

City Clerk

(SEAL)

(c) Form of Registration Certificate of Comptroller of Public Accounts to
Appear on Initial Bond(s) only.

REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER)
OF PUBLIC ACCOUNTS) REGISTER NO. _____
THE STATE OF TEXAS)

I HEREBY CERTIFY that this Bond has been examined, certified as to validity
and approved by the Attorney General of the State of Texas, and registered by the
Comptroller of Public Accounts of the State of Texas.

WITNESS my signature and seal of office this _____.

Comptroller of Public Accounts
of the State of Texas

(SEAL)

(d) Form of Certificate of Paying Agent/Registrar to Appear on Definitive
Bonds only.

REGISTRATION CERTIFICATE OF PAYING AGENT/REGISTRAR

This Bond has been issued and registered in the name of the Registered Owner
shown above under the provisions of the within mentioned Ordinances; the bond or
bonds of the above entitled and designated series originally delivered having been
approved by the Attorney General of the State of Texas and registered by the Comptroller
of Public Accounts, as shown by the records of the Paying Agent/Registrar.

The designated offices of the Paying Agent/Registrar in Homewood, Alabama is
the Designated Payment/Transfer Office for this Bond.

Registration Date: REGIONS BANK, Houston, Texas,
as Paying Agent/Registrar

By _____
Authorized Signature

(e) Form of Assignment.

ASSIGNMENT

FOR VALUE RECEIVED the undersigned sells, assigns, and transfers unto (Print
or typewrite name, address, and zip code of
transferee):_____

(Social Security or other identifying number:_____) the
within Bond and all rights under this Bond, and irrevocably constitutes and
appoints_____ attorney to transfer the within Bond on the
books kept for registration thereof, with full power of substitution in the premises.

DATED: _____

Signature guaranteed: _____

NOTICE: The signature on this
assignment must correspond with
the name of the registered owner as
it appears on the face of the within
Bond in every particular.

(f) The Initial Bond(s) shall be in the form set forth in paragraph (b) of this
Section, except that the form of a single fully registered Initial Bond of each series shall
be modified as follows:

SERIES 2010A BONDS

REGISTERED
NO. T-1

REGISTERED
\$ _____

UNITED STATES OF AMERICA
STATE OF TEXAS
CITY OF AUSTIN, TEXAS,
ELECTRIC UTILITY SYSTEM REVENUE REFUNDING BOND,
SERIES 2010a

Bond Date:
June 1, 2010

Registered Owner:

Principal Amount:

The City of Austin (the "City"), a body corporate and municipal corporation in the Counties of Travis and Williamson, State of Texas, for value received, hereby promises to pay to the registered owner named above, or the registered assigns thereof (the "Registered Owner"), solely from the revenues identified in this Bond, the Principal Amount above stated on November 15 in each of the years and in principal installments in accordance with the following schedule:

<u>YEAR</u>	<u>PRINCIPAL INSTALLMENTS</u>	<u>INTEREST RATE</u>
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(Information to be inserted from schedule in Section 3).

(or so much thereof as shall not have been redeemed prior to maturity) and to pay interest, computed on the basis of a 360 day year of twelve 30 day months, on the unpaid principal amounts of this Bond from the Bond Date at the per annum rates of interest specified above; such interest being payable on May 15 and November 15 in each year, commencing November 15, 2010. Principal installments of this Bond are payable in the year of maturity to the Registered Owner by Regions Bank, Houston, Texas (the "Paying Agent/Registrar"), upon presentation and surrender, at its designated offices in Homewood, Alabama (the "Designated Payment/Transfer Office"). Interest is payable to the registered owner of this Bond whose name appears on the "Security Register" maintained by the Paying Agent/Registrar at the close of business on the "Record Date", which is the last business day of the month next preceding each interest payment date and interest shall be paid by the Paying Agent/Registrar by check sent United States Mail, first class postage prepaid, to the address of registered owner recorded in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/ Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. All payments of principal of, premium, if any, and interest on this Bond shall be without exchange or collection charges to the owner hereof and in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

939

SERIES 2010B BONDS

REGISTERED
NO. T-1

REGISTERED
\$_____

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UNITED STATES OF AMERICA
STATE OF TEXAS
CITY OF AUSTIN, TEXAS,
ELECTRIC UTILITY SYSTEM REVENUE REFUNDING BOND,
TAXABLE SERIES 2010B
(DIRECT SUBSIDY-BUILD AMERICA BOND)

Bond Date:
June 1, 2010

Registered Owner:

Principal Amount:

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The City of Austin (the “City”), a body corporate and municipal corporation in the Counties of Travis and Williamson, State of Texas, for value received, hereby promises to pay to the registered owner named above, or the registered assigns thereof (the “Registered Owner”), solely from the revenues identified in this Bond, the Principal Amount above stated on November 15 in each of the years and in principal installments in accordance with the following schedule:

<u>YEAR</u>	<u>PRINCIPAL INSTALLMENTS</u>	<u>INTEREST RATE</u>
-------------	-----------------------------------	--------------------------

(Information to be inserted from schedule in Section 3).

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(or so much thereof as shall not have been redeemed prior to maturity) and to pay interest, computed on the basis of a 360 day year of twelve 30 day months, on the unpaid principal amounts of this Bond from the Bond Date at the per annum rates of interest specified above; such interest being payable on May 15 and November 15 in each year, commencing November 15, 2010. Principal installments of this Bond are payable in the year of maturity to the Registered Owner by Regions Bank, Houston, Texas (the “Paying Agent/Registrar”), upon presentation and surrender, at its designated offices in Homewood, Alabama (the “Designated Payment/Transfer Office”). Interest is payable to the registered owner of this Bond whose name appears on the “Security Register” maintained by the Paying Agent/Registrar at the close of business on the “Record Date”,

which is the last business day of the month next preceding each interest payment date and interest shall be paid by the Paying Agent/Registrar by check sent United States Mail, first class postage prepaid, to the address of registered owner recorded in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/ Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. All payments of principal of, premium, if any, and interest on this Bond shall be without exchange or collection charges to the owner hereof and in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

SECTION 11: CRITERIA FOR ISSUANCE OF PARITY ELECTRIC UTILITY OBLIGATIONS. The City has provided certain criteria and established certain covenants and agreements in relation to the issuance of Parity Electric Utility Obligations of the Electric Utility System pursuant to the Master Ordinance. The Tenth Supplement provides for the authorization, issuance, sale, delivery, form, characteristics, provisions of payment and redemption, and security of the Bonds which are a series of Parity Electric Utility Obligations. The Master Ordinance is incorporated by reference and made a part of the Tenth Supplement for all purposes, except to the extent modified and supplemented by the Prior Supplements and the Tenth Supplement, and the Bonds are Parity Electric Utility Obligations under the Master Ordinance and the Prior Supplements. The City determines that it will have sufficient funds to meet the financial obligations of the Electric Utility System, including sufficient Net Revenues to pay the Annual Debt Service Requirements of the Bonds and to meet all financial obligations of the City relating to the Electric Utility System.

SECTION 12: PLEDGE. Subject to the prior claim on and lien on the Net Revenues of the Electric Utility System to the payment and security of the Prior First Lien Obligations currently Outstanding, including the funding and maintenance of the special funds established and maintained for the payment and security of such Prior First Lien Obligations, the Net Revenues of the Electric Utility System are pledged to the payment of the Bonds, and the Bonds, together with the Prior Subordinate Lien Obligations and the Previously Issued Electric Utility Obligations currently Outstanding, shall be equally and ratably secured by a parity lien on and pledge of the Net Revenues of the Electric Utility System in accordance with the terms of the Master Ordinance and the Tenth Supplement. Additionally, the Bonds and the Previously Issued Electric Utility

Obligations shall be secured by a lien on the funds, if any, deposited to the credit of the Debt Service Fund and the Reserve Fund in accordance with and to the extent required by the terms of the Master Ordinance, the Prior Supplements and the Tenth Supplement. The Bonds are and will be secured by and payable only from the Net Revenues of the Electric Utility System, and are not secured by or payable from a mortgage or deed of trust on any properties, whether real, personal, or mixed, of the Electric Utility System. It is ordained that the Parity Electric Utility Obligations, and the interest thereon, shall constitute a lien on the Net Revenues of the Electric Utility System and be valid and binding and fully perfected from and after the date of adoption of the Tenth Supplement without physical delivery or transfer or transfer of control of the Net Revenues, the filing of the Tenth Supplement or any other act; all as provided in Chapter 1208 of the Texas Government Code. The owners of the Parity Electric Utility Obligations shall never have the right to demand payment out of funds raised or to be raised by taxation, or from any source other than specified in the Master Ordinance, the Prior Supplements and the Tenth Supplement.

Section 1208, Government Code, applies to the issuance of the Bonds and the pledge of the Net Revenues of the Electric Utility System granted by the City under this Section 12, and such pledge is valid, effective and perfected. If Texas law is amended at any time while the Bonds are Outstanding such that the pledge of the Net Revenues of the Electric Utility System granted by the City under this Section 12 is to be subject to the filing requirements of Chapter 9, Business & Commerce Code, then to preserve to the Registered Owners the perfection of the security interest in said pledge, the City agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Business & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

SECTION 13: DEBT SERVICE FUND. By reason of the issuance of the Bonds, the City need not establish any special accounts within the Debt Service Fund and following the delivery of the Bonds, the City agrees and covenants to cause to be deposited to the credit of the Debt Service Fund an amount equal to one hundred per cent (100%) of the amount required to fully pay the interest on and principal of the Bonds falling due on or before each maturity, mandatory redemption date and interest payment date, and such deposits shall be made in substantially equal monthly amounts on or before the 14th day of each month beginning on or before the 14th day of the month next following the month the Bonds are delivered to the initial purchaser.

The required monthly deposits to the Debt Service Fund for the payment of principal of and interest on the Bonds shall continue to be made in the manner provided in the Tenth Supplement until such time as (i) the total amount on deposit in the Debt Service Fund is equal to the amount required to fully pay and discharge all Parity Electric

Utility Obligations then Outstanding or (ii) the Bonds are no longer outstanding, i.e., fully paid as to principal and interest or all the Bonds have been refunded.

Accrued interest received from the initial purchaser(s) of the Bonds shall be deposited in the Debt Service Fund, and shall be taken into consideration and reduce the amount of the monthly deposits that would otherwise be required to be deposited to the credit of such Debt Service Fund from the Net Revenues of the Electric Utility System.

SECTION 14: RESERVE FUND.

(a) Establishment. A Reserve Fund shall not be required to be established or maintained by the City for the payment of the Parity Electric Utility Obligations so long as the “Pledged Net Revenues” of the System for a Fiscal Year (the Net Revenues of the System in a Fiscal Year remaining after deducting the amounts, if any, expended to pay the annual debt service requirements for Prior First Lien Obligations and Prior Subordinate Lien Obligations in such Fiscal Year) equal or exceed one hundred fifty per cent (150%) of the Annual Debt Service Requirements of the Parity Electric Utility Obligations due and payable in such Fiscal Year. If for any Fiscal Year such “Pledged Net Revenues” do not exceed 150% of the Annual Debt Service Requirements of the Parity Electric Utility Obligations, the City shall be obligated to establish and maintain on the books of the City a separate fund or account designated as the “Electric Utility System Revenue Obligation Reserve Fund” (the “Reserve Fund”). Upon being established and except as provided in subsection (f) below, the amount on deposit to the credit of the Reserve Fund shall be maintained for the benefit of the owners of the Parity Electric Utility Obligations. There shall be deposited into the Reserve Fund any Reserve Fund Obligations so designated by the City. The amounts deposited to the credit of the Reserve Fund shall be in a special fund maintained at an official depository of City. Reserve Fund Obligations in the Reserve Fund shall be used for the purpose of retiring the last of the Parity Electric Utility Obligations as they become due or paying principal of and interest on the Parity Electric Utility Obligations when and to the extent the amounts in the Debt Service Fund are insufficient for such purpose.

When a Reserve Fund is required to be established as noted above and while the same is required to be maintained, the Required Reserve Amount to be accumulated and maintained in such Fund shall be determined and redetermined as follows:

(i) ten per cent (10%) of the Maximum Debt Service Requirement for all Parity Electric Utility Obligations then Outstanding if the Pledged Net Revenues for the previous Fiscal Year were less than 150% of the annual Debt Service Requirement for such Fiscal Year, but greater than or equal to 140% of the annual Debt Service Requirement for such Fiscal Year;

(ii) twenty per cent (20%) of the Maximum Debt Service Requirement for all Parity Electric Utility Obligations then Outstanding if the Pledged Net Revenues for the previous Fiscal Year were less than 140% of the annual Debt Service Requirement for such Fiscal Year, but greater than or equal to 130% of the annual Debt Service Requirement for such Fiscal Year;

(iii) thirty per cent (30%) of the Maximum Debt Service Requirement for all Parity Electric Utility Obligations then Outstanding if the Pledged Net Revenues for the previous Fiscal Year were less than 130% of the annual Debt Service Requirement for such Fiscal Year, but greater than or equal to 120% of the annual Debt Service Requirement for such Fiscal Year;

(iv) forty per cent (40%) of the Maximum Debt Service Requirement for all Parity Electric Utility Obligations then Outstanding if the Pledged Net Revenues for the previous Fiscal Year were less than 120% of the annual Debt Service Requirement for such Fiscal Year, but greater than or equal to 110% of the annual Debt Service Requirement for such Fiscal Year;

(v) fifty per cent (50%) of the Maximum Debt Service Requirement for all Parity Electric Utility Obligations then Outstanding if the Pledged Net Revenues for the previous Fiscal Year were less than 110% of the annual Debt Service Requirement for such Fiscal Year;

If at any time the City is required to fund the Required Reserve Amount, or to increase the Required Reserve Amount pursuant to a Supplement, the Required Reserve Amount or increase in the Required Reserve Amount, as applicable, may be funded in up to twelve (12) substantially equal consecutively monthly deposits commencing not later than the month following that receipt of audited financial statements for the System for the preceding Fiscal Year.

(b) Credit Facility. The City may initially fund the Reserve Fund or replace or substitute a Credit Facility for cash or Eligible Investments on deposit in the Reserve Fund or in substitution for or replacement of any existing Credit Facility. Upon such replacement or substitution, the cash or Eligible Investments on deposit in the Reserve Fund, taken together with the face amount of any existing Credit Facilities, in excess of the Required Reserve Amount may be withdrawn by the City, at its option, and transferred to the System Fund unless such excess was funded with the proceeds of sale of Parity Electric Utility Obligations in which case such excess shall be deposited to the credit of the Debt Service Fund; provided that the face amount of any Credit Facility may be reduced at the option of the City in lieu of such transfer.

1109 (c) Priority of Draws. If the City is required to make a withdrawal from the
1110 Reserve Fund for any of the purposes described in this Section, the City shall promptly
1111 notify the issuer of such Credit Facility of the necessity for a withdrawal from the
1112 Reserve Fund for any such purposes, and shall make such withdrawal FIRST from
1113 available moneys and cash resulting from the sale or liquidation of Eligible Investments
1114 then on deposit in the Reserve Fund, and NEXT from a drawing under any Credit Facility
1115 to the extent of such deficiency.

1116 In the event of a draw on a Credit Facility, the City shall reimburse the issuer of
1117 such Credit Facility for such draw, in accordance with the terms of any agreement
1118 pursuant to which the Credit Facility is issued, from Net Revenues, however, such
1119 reimbursement from Net Revenues shall be subject to the provisions of Section 14(d)
1120 below and shall be subordinate and junior in right of payment to the payment of principal
1121 of and premium, if any, and interest on the Parity Electric Utility Obligations.

1122 (d) Reserve Amount Deficiency. In the event of a deficiency in the Reserve
1123 Fund, or in the event that on the date of termination or expiration of any Credit Facility
1124 there is not on deposit in the Reserve Fund sufficient Reserve Fund Obligations, all in an
1125 aggregate amount at least equal to the Required Reserve Amount, then the City shall,
1126 subject to satisfying or making provision for the uses having a priority on the Gross
1127 Revenues before any deposits for the payment and security of the Parity Electric Utility
1128 Obligations and after making required deposits to the Debt Service Fund in accordance
1129 with the terms of the Tenth Supplement and any Supplement, cause the aggregate
1130 Required Reserve Amount then required to be on deposit in the Reserve Fund to be fully
1131 restored within 12 months from the date such deficiency, termination or expiration
1132 occurred by (i) making substantially equal cash deposits to the Reserve Fund on or before
1133 the last day of each month from the available Net Revenues, (ii) depositing Eligible
1134 Investments or Credit Facility to the credit of the Reserve Fund or (iii) a combination of
1135 (i) and (ii).

1136 (e) Excess Required Reserve. As Parity Electric Utility Obligations
1137 secured by the Reserve Fund are paid, redeemed or defeased and cease to be Outstanding
1138 under the terms of the Ordinance or a Supplement, the Required Reserve Amount may be
1139 recalculated and redetermined, and any Reserve Fund Obligations on deposit in the
1140 Reserve Fund in excess of the Required Reserve Amount may be withdrawn and
1141 transferred, at the option of the City, to (i) the System Fund, if an amount equal to such
1142 excess was funded with Net Revenues, or (ii) the Debt Service Fund.

1143 (f) Application to Commercial Paper/Credit Agreements. For the purpose of
1144 this Section, the Reserve Fund shall not secure Parity Electric Utility Obligations issued
1145 in the form of commercial paper, or any Credit Agreement issued in support of such

Parity Electric Utility Obligations issued in the form of commercial paper, except as otherwise may be provided in any Supplement.

SECTION 15: PAYMENT OF BONDS. On or before the first scheduled interest payment date, and on or before each interest payment date and principal payment date thereafter while any of the Bonds are Outstanding, the City shall cause an amount to be transferred to the Paying Agent/Registrar in immediately available funds from the Debt Service Fund sufficient to pay such interest on and such principal amount of the Bonds, as shall become due on such dates, respectively, at maturity or by redemption prior to maturity. The Paying Agent/Registrar shall destroy all paid Bonds and furnish the City with an appropriate certificate of cancellation or destruction.

SECTION 16: COVENANTS TO MAINTAIN TAX EXEMPT STATUS WITH RESPECT TO SERIES 2010A BONDS.

(a) Definitions. When used in this Section, the following terms have the following meanings:

“Closing Date” means the date on which the Series 2010A Bonds are first authenticated and delivered to the Underwriters against payment therefor.

“Code” means the Internal Revenue Code of 1986, as amended by all legislation, if any, effective on or before the Closing Date.

“Computation Date” has the meaning set forth in Section 1.148 1(b) of the Regulations.

“Gross Proceeds” means any proceeds as defined in Section 1.148 1(b) of the Regulations, and any replacement proceeds as defined in Section 1.148 1(c) of the Regulations, of the Series 2010A Bonds.

“Investment” has the meaning set forth in Section 1.148-1(b) of the Regulations.

“Nonpurpose Investment” means any investment property, as defined in section 148(b) of the Code, in which Gross Proceeds of the Series 2010A Bonds are invested and which is not acquired to carry out the governmental purposes of the Series 2010A Bonds.

“Rebate Amount” has the meaning set forth in Section 1.148 1(b) of the Regulations.

1178 “Regulations” means any proposed, temporary, or final Income Tax
1179 Regulations issued pursuant to Sections 103 and 141 through 150 of the
1180 Code, and 103 of the Internal Revenue Code of 1954, which are applicable
1181 to the Series 2010A Bonds. Any reference to any specific Regulation shall
1182 also mean, as appropriate, any proposed, temporary or final Income Tax
1183 Regulation designed to supplement, amend or replace the specific
1184 Regulation referenced.

1185 “Yield” of (1) any Investment has the meaning set forth in Section
1186 1.148-5 of the Regulations and (2) the Series 2010A Bonds has the meaning
1187 set forth in Section 1.148-4 of the Regulations.

1188 (b) Not to Cause Interest to Become Taxable. The City shall not use, permit
1189 the use of, or omit to use Gross Proceeds or any other amounts (or any property the
1190 acquisition, construction or improvement of which is to be financed directly or indirectly
1191 with Gross Proceeds) in a manner which if made or omitted, respectively, would cause
1192 the interest on any Series 2010A Bond to become includable in the gross income, as
1193 defined in section 61 of the Code, of the owner thereof for federal income tax purposes.
1194 Without limiting the generality of the preceding, unless and until the City receives a
1195 written opinion of counsel nationally recognized in the field of municipal bond law to the
1196 effect that failure to comply with such covenant will not adversely affect the exemption
1197 from federal income tax of the interest on any Series 2010A Bond, the City shall comply
1198 with each of the specific covenants in this Section.

1199 (c) No Private Use or Private Payments. Except as permitted by section 141 of
1200 the Code and the Regulations and rulings thereunder, the City shall at all times prior to
1201 the last Stated Maturity of Series 2010A Bonds:

1202 (1) exclusively own, operate and possess all property the
1203 acquisition, construction or improvement of which is to be financed or
1204 refinanced directly or indirectly with Gross Proceeds of the Series 2010A
1205 Bonds (including property financed with Gross Proceeds of the Refunded
1206 Obligations), and not use or permit the use of such Gross Proceeds
1207 (including all contractual arrangements with terms different than those
1208 applicable to the general public) or any property acquired, constructed or
1209 improved with such Gross Proceeds in any activity carried on by any person
1210 or entity (including the United States or any agency, department and
1211 instrumentality thereof) other than a state or local government, unless such
1212 use is solely as a member of the general public; and

(2) not directly or indirectly impose or accept any charge or other payment by any person or entity who is treated as using Gross Proceeds of the Series 2010A Bonds or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such Gross Proceeds (including property financed with Gross Proceeds of the Refunded Obligations), other than taxes of general application within the City or interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

(d) No Private Loan. Except to the extent permitted by section 141 of the Code and the Regulations and rulings thereunder, the City shall not use Gross Proceeds of the Series 2010A Bonds to make or finance loans to any person or entity other than a state or local government. For purposes of the preceding covenant, such Gross Proceeds are considered to be "loaned" to a person or entity if: (1) property acquired, constructed or improved with such Gross Proceeds is sold or leased to such person or entity in a transaction which creates a debt for federal income tax purposes; (2) capacity in or service from such property is committed to such person or entity under a take or pay, output or similar contract or arrangement; or (3) indirect benefits, or burdens and benefits of ownership, of such Gross Proceeds or any property acquired, constructed or improved with such Gross Proceeds are otherwise transferred in a transaction which is the economic equivalent of a loan.

(e) Not to Invest at Higher Yield. Except to the extent permitted by section 148 of the Code and the Regulations and rulings thereunder, the City shall not at any time prior to the final Stated Maturity of the Series 2010A Bonds directly or indirectly invest Gross Proceeds in any Investment (or use Gross Proceeds to replace money so invested), if as a result of such investment the Yield from the Closing Date of all Investments acquired with Gross Proceeds (or with money replaced thereby), whether then held or previously disposed of, exceeds the Yield of the Series 2010A Bonds.

(f) Not Federally Guaranteed. Except to the extent permitted by section 149(b) of the Code and the Regulations and rulings thereunder, the City shall not take or omit to take any action which would cause the Series 2010A Bonds to be federally guaranteed within the meaning of section 149(b) of the Code and the Regulations and rulings thereunder.

(g) Information Report. The City shall timely file the information required by section 149(e) of the Code with the Secretary of the Treasury on Form 8038 G or such other form and in such place as the Secretary may prescribe.

1248 (h) Rebate of Arbitrage Profits. Except to the extent otherwise provided in
1249 section 148(f) of the Code and the Regulations and rulings thereunder:

1250 (1) The City shall account for all Gross Proceeds (including all
1251 receipts, expenditures and investments thereof) on its books of account
1252 separately and apart from all other funds (and receipts, expenditures and
1253 investments thereof) and shall retain all records of accounting for at least six
1254 years after the day on which the last outstanding Series 2010A Bond is
1255 discharged. However, to the extent permitted by law, the City may
1256 commingle Gross Proceeds of the Series 2010A Bonds with other money of
1257 the City, provided that the City separately accounts for each receipt and
1258 expenditure of Gross Proceeds and the obligations acquired therewith.

1259 (2) Not less frequently than each Computation Date, the City shall
1260 calculate the Rebate Amount in accordance with rules set forth in section
1261 148(f) of the Code and the Regulations and rulings thereunder. The City
1262 shall maintain such calculations with its official transcript of proceedings
1263 relating to the issuance of the Series 2010A Bonds until six years after the
1264 final Computation Date.

1265 (3) As additional consideration for the purchase of the Series
1266 2010A Bonds by the Underwriters and the loan of the money represented
1267 thereby and to induce such purchase by measures designed to insure the
1268 excludability of the interest thereon from the gross income of the owners
1269 thereof for federal income tax purposes, the City shall pay to the United
1270 States out of the Debt Service Fund or its general fund, as permitted by
1271 applicable Texas statute, regulation or opinion of the Attorney General of
1272 the State of Texas, the amount that when added to the future value of
1273 previous rebate payments made for the Series 2010A Bonds equals (i) in the
1274 case of a Final Computation Date as defined in Section 1.148-3(e)(2) of the
1275 Regulations, one hundred percent (100%) of the Rebate Amount on such
1276 date; and (ii) in the case of any other Computation Date, ninety percent
1277 (90%) of the Rebate Amount on such date. In all cases, the rebate payments
1278 shall be made at the times, in the installments, to the place and in the manner
1279 as is or may be required by section 148(f) of the Code and the Regulations
1280 and rulings thereunder, and shall be accompanied by Form 8038-T or such
1281 other forms and information as is or may be required by Section 148(f) of
1282 the Code and the Regulations and rulings thereunder.

1283 (4) The City shall exercise reasonable diligence to assure that no
1284 errors are made in the calculations and payments required by paragraphs (2)

and (3), and if an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter (and in all events within one hundred eighty (180) days after discovery of the error), including payment to the United States of any additional Rebate Amount owed to it, interest thereon, and any penalty imposed under Section 1.148 3(h) of the Regulations.

(i) Not to Divert Arbitrage Profits. Except to the extent permitted by section 148 of the Code and the Regulations and rulings thereunder, the City shall not, at any time prior to the earlier of the Stated Maturity or final payment of the Series 2010A Bonds, enter into any transaction that reduces the amount required to be paid to the United States pursuant to Subsection (h) of this Section because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Yield of the Series 2010A Bonds not been relevant to either party.

(j) Elections. The City directs and authorizes the Mayor, Mayor Pro Tem, City Manager, Chief Financial Officer, Deputy Chief Financial Officer, or City Treasurer, individually or jointly, to make elections permitted or required pursuant to the provisions of the Code or the Regulations, as they deem necessary or appropriate in connection with the Series 2010A Bonds, in the Certificate as to Tax Exemption or similar or other appropriate certificate, form or document.

(k) Series 2010A Bonds Not Hedge Bonds. (1) At the time the original obligations refunded by the Series 2010A Bonds were issued, the City reasonably expected to spend at least 85% of the spendable proceeds of such original obligations within three years after such obligations were issued and (2) not more than 50% of the proceeds of the original obligations refunded by the Series 2010A Bonds were invested in Nonpurpose Investments having a substantially guaranteed Yield for a period of 4 years or more.

(l) Current Refunding. The payment and discharge of the 2010A Refunded Notes will occur within ninety (90) days after the issuance of the Series 2010A Bonds and, therefore, the portion of the Series 2010A Bonds issued to refund the 2009A Refunded Notes is a current refunding.

(m) Qualified Advance Refunding. The portion of the Series 2010A Bond issued to refund the Refunded Bonds will be issued more than 90 days before the redemption of the Refunded Bonds. The City represents as follows:

(1) The Series 2010A Bonds are the first advance refunding of the Refunded Bonds, within the meaning of section 149(d)(3) of the Code.

1321 (2) The Refunded Bonds are being called for redemption, and will
1322 be redeemed not later than the earliest date on which such bonds may be
1323 redeemed.

1324 (3) The initial temporary period under section 148(c) of the Code
1325 will end: (i) with respect to the proceeds of the Series 2010A Bonds not later
1326 than 30 days after the date of issue of such Series 2010A Bonds; and (ii)
1327 with respect to proceeds of the Refunded Bonds on the Closing Date if not
1328 ended prior thereto.

1329 (4) On and after the date of issue of the Series 2010A Bonds, no
1330 proceeds of the Refunded Bonds will be invested in Nonpurpose
1331 Investments having a Yield in excess of the Yield on such Refunded Bonds.

1332 (5) The Series 2010A Bonds are being issued for the purposes
1333 stated in the preamble of this Tenth Supplement. There is a present value
1334 savings associated with the refunding. In the issuance of the Series 2010A
1335 Bonds the City has neither: (i) overburdened the tax exempt bond market by
1336 issuing more bonds, issuing bonds earlier or allowing bonds to remain
1337 outstanding longer than reasonably necessary to accomplish the
1338 governmental purposes for which the Series 2010A Bonds were issued; (ii)
1339 employed on "abusive arbitrage device" within the meaning of Section
1340 1.148-10(a) of the Regulations; nor (iii) employed a "device" to obtain a
1341 material financial advantage based on arbitrage, within the meaning of
1342 section 149(d)(4) of the Code, apart from savings attributable to lower
1343 interest rates and reduced debt service payments in early years.

1344 **SECTION 17: SERIES 2010B BONDS DESIGNATED AS BUILD**
1345 **AMERICA BONDS.**

1346 (a) The City hereby irrevocably elects to apply (i) section 54AA of the Code to
1347 each of the Series 2010B Bonds as a "build America bond" and (ii) subsection 54AA(g)
1348 of the Code to each of the Series 2010B Bonds as a "qualified bond."

1349 (b) With respect to the Series 2010B Bonds which have been designated as
1350 "Build America Bonds," the City shall:

1351 (1) not permit the Issue Price of such Series 2010B Bonds to have
1352 original issue premium of more than one-quarter of one percent of the stated
1353 redemption price at maturity times the number of complete years to
1354 maturity;

1355 (2) not use more than two percent of the Issue Price of such Series
1356 2010B Bonds to pay or finance costs of issuance of the Series 2010B Bonds;
1357 and\

1358 (3) use 100% of the available project proceeds, as defined in
1359 Section 54A(e)(4) of the Code, of the issue which includes such Bonds less
1360 any amounts deposited to a reasonably required reserve or replacement fund
1361 (as defined in Section 1.148-2(f) of the Regulations, to pay or finance capital
1362 expenditures, as defined in Section 1.150-1(b) of the Regulations.

1363 (c) The City hereby directs and authorizes the Mayor, City Manager, Chief
1364 Financial Officer, Deputy Chief Financial Officer and/or the City Treasurer, either or any
1365 combination of the foregoing, to (i) make such elections permitted or required pursuant to
1366 the provisions of the Code, or Regulations as they deem necessary or appropriate in
1367 connection with the Series 2010B Bonds; (ii) enter into such agreements, provide such
1368 certificates and take such other action as Bond Counsel may require to enable such
1369 counsel to provide such federal income tax opinions to the City as they deem necessary
1370 or proper; (iii) authorize and direct to whom and which account any subsidy payable by
1371 the United States with respect to the Series 2010B Bonds under section 6431 of the Code,
1372 or any successor, similar or related provision may be deposited provided however, such
1373 deposit shall be made on a basis consistent with Section 17(f) hereof; (iv) apply for
1374 subsidies under section 6431 of the Code payable to the City or to the party or parties
1375 determined by the Council; and (v) take any related act or action as they deem necessary
1376 or advisable. Such elections shall be deemed to be made on the Closing Date.

1377 (d) The City Council hereby authorizes the Mayor, City Manager, Chief
1378 Financial Officer, Deputy Chief Financial Officer and/or the City Treasurer to review,
1379 approve, and execute the Tax Certificate with respect to the Series 2010B Bonds (the
1380 "Tax Certificate") in the form prepared by Bond Counsel for the purposes of complying
1381 with the applicable provisions of the Code, as necessary to maintain the validity of the
1382 elections made in Section 17.

1383 (e) Notwithstanding any other provision of this Ordinance, the City's
1384 obligations under the covenants and provisions of Section 17 shall survive the defeasance
1385 and discharge of the Series 2010B Bonds.

1386 (f) A separate account is hereby established with a depository of the City and
1387 the City will deposit all subsidy payments received from the United States Treasury with
1388 respect to the Series 2010B Bonds into such account. The subsidy payments received
1389 pursuant to section 6431 of the Code are not pledged to the payment of debt service on
1390 the Series 2010B Bonds.

1391 **SECTION 18: AMENDMENT OF TENTH SUPPLEMENT.**

1392 (a) Required Owner Consent for Amendments. The owners of a majority in
1393 Outstanding Principal Amount of the Bonds shall have the right from time to time to
1394 approve any amendment to the Tenth Supplement which may be deemed necessary or
1395 desirable by the City; provided, however, nothing contained in the Tenth Supplement
1396 shall permit or be construed to permit the amendment of the terms and conditions in the
1397 Tenth Supplement so as to:

- 1398 (1) Make any change in the maturity of any of the Outstanding Bonds;
1399 (2) Reduce the rate of interest borne by any of the Outstanding Bonds;
1400 (3) Reduce the amount of the principal payable on the Bonds;
1401 (4) Modify the terms of payment of principal of, premium, if any, or interest on
1402 the Outstanding Bonds or impose any conditions with respect to such payment;
1403 (5) Affect the rights of the owners of less than all of the Bonds then
1404 Outstanding;
1405 (6) Amend this subsection (a) of this Section; or
1406 (7) Change the minimum percentage of the principal amount of Bonds
1407 necessary for consent to any amendment;
1408

1409 unless such amendment or amendments be approved by the owners of all of the
1410 Bonds affected by the change or amendment then Outstanding.

1411 (b) Notice of Amendment Requiring Consent. If at any time the City shall
1412 desire to amend the Tenth Supplement under this Section, the City shall cause notice of
1413 the proposed amendment to be published in a financial newspaper or journal published in
1414 The City of New York, New York, and a newspaper of general circulation in the City,
1415 once during each calendar week for at least two successive calendar weeks. Such notice
1416 shall briefly set forth the nature of the proposed amendment and shall state that a copy is
1417 on file with the Paying Agent for the Bonds. Such publication is not required, however, if
1418 notice in writing is given by mail, first class postage prepaid, to each owner of the Bonds.

1419 (c) Time Period for Obtaining Consent. If within one year from (i) the date of
1420 the first publication of said notice or (ii) the date of the mailing by the Paying Agent of
1421 written notice to the owners of the Bonds, whichever date first occurs if both methods of
1422 giving notice are used, the City shall receive an instrument or instruments executed by
1423 the owners of at least a majority in Outstanding Principal Amount of the Bonds
1424 consenting to and approving such amendment in substantially the form of the copy on
1425 file with each Paying Agent, the governing body of the City may pass the amendatory
1426 ordinance in substantially the same form.

1427 (d) Revocation of Consent. Any consent given by the owner of a Bond
1428 pursuant to the provisions of this Section shall be irrevocable for a period of six months
1429 from the date for measuring the one year period to obtain consents noted in paragraph (c)
1430 above, and shall be conclusive and binding upon all future owners of the same Bonds
1431 during such period. At any time after six months from the date for measuring the one year
1432 period to obtain consents noted in paragraph (c) above, such consent may be revoked by
1433 the owner who gave such consent, or by a successor in title, by filing written notice of
1434 such revocation with the Paying Agent for such Bonds and the City, but such revocation
1435 shall not be effective if the owners of at least a majority in Outstanding Principal Amount
1436 of the then Outstanding Bonds as determined in accordance with this Section have, prior
1437 to the attempted revocation, consented to and approved the amendment.

1438 (e) Implementation of Amendment. Upon the passage of any amendatory
1439 ordinance pursuant to the provisions of this Section, the Tenth Supplement shall be
1440 deemed to be amended, and the respective rights, duties and obligations of the City under
1441 the Tenth Supplement and all the owners of then Outstanding Bonds shall thereafter be
1442 determined, exercised and enforced hereunder, subject in all respects to such amendment.

1443 (f) Amendment without Consent. The preceding provisions of this Section
1444 notwithstanding, the City by action of its governing body may amend the Tenth
1445 Supplement for any one or more of the following purposes:

1446 (1) To vest the management and control of the Electric Utility
1447 System in an independent board of trustees or similar board pursuant to
1448 authority conferred by V.T.C.A., Government Code, Section 1502.070 et
1449 seq. or other law now or hereafter enacted;

1450 (2) To add to the covenants and agreements of the City in the Tenth
1451 Supplement contained, other covenants and agreements thereafter to be
1452 observed, grant additional rights or remedies to the owners of the Bonds or
1453 to surrender, restrict or limit any right or power in the Tenth Supplement
1454 reserved to or conferred upon the City;

1455 (3) To make such provisions for the purpose of curing any
1456 ambiguity, or curing, correcting or supplementing any defective provision
1457 contained in the Tenth Supplement, or in regard to clarifying matters or
1458 questions arising under the Tenth Supplement, as are necessary or desirable
1459 and not contrary to or inconsistent with the Tenth Supplement and which
1460 shall not adversely affect the interests of the owners of the Bonds then
1461 outstanding;

(4) To modify any of the provisions of the Tenth Supplement in any other respect whatever, provided that such modification shall be, and be expressed to be, effective only after all the Bonds outstanding at the date of the adoption of such modification shall cease to be outstanding;

(5) To make such amendments to the Tenth Supplement as may be required, in the opinion of Bond Counsel, to ensure compliance with sections 103 and 141 through 150 of the Code and the regulations promulgated thereunder and applicable thereto;

(6) To make such changes, modifications or amendments as may be necessary or desirable to allow the owners of the Bonds to thereafter avail themselves of a book entry system for payments, transfers and other matters relating to the Bonds, which changes, modifications or amendments are not contrary to or inconsistent with other provisions of the Tenth Supplement and which shall not adversely affect the interests of the owners of the Bonds;

(7) To make such changes, modifications or amendments as may be necessary or desirable to obtain or maintain the granting of a rating on the Bonds by a Rating Agency or to obtain or maintain a Credit Agreement or a Credit Facility; and

(8) To make such changes, modifications or amendments as may be necessary or desirable, which shall not adversely affect the interests of the owners of the Bonds, in order, to the extent permitted by law, to facilitate the economic and practical utilization of interest rate swap agreements, foreign currency exchange agreements, or similar types of agreements with respect to the Bonds. Notice of any such amendment may be published by the City in the manner described in clause (b) of this Section; provided, however, that the publication of such notice shall not constitute a condition precedent to the adoption of such amendatory ordinance and the failure to publish such notice shall not adversely affect the implementation of such amendment as adopted pursuant to such amendatory ordinance.

(g) Ownership. For the purpose of this Section, the ownership and other matters relating to all Bonds shall be established by the Security Register maintained by the Paying Agent. Furthermore, the owner of any Bonds insured as to the payment of principal of and interest shall be deemed to be the insurance company providing the insurance coverage on such Bonds; provided such amendment to the Tenth Supplement is an amendment that can be made with the consent of a majority in Outstanding Principal

Amount of the Bonds and such insurance company is not in default with respect to its obligations under its insurance policy.

SECTION 19: FINAL DEPOSITS; GOVERNMENTAL OBLIGATIONS.

All or any of the Bonds shall be deemed to be paid, retired and no longer outstanding within the meaning of the Tenth Supplement when payment of the principal of such Bonds, redemption premium, if any, on such Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption), or (ii) shall have been provided by irrevocably depositing with, or making available to, the Paying Agent/Registrar, in trust and irrevocably set aside exclusively for such payment, (1) money sufficient to make such payment or (2) Government Obligations, certified by an independent public accounting firm of national reputation, to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the Paying Agent/Registrar with respect to which such deposit is made shall have been paid or the payment thereof provided for the satisfaction of the Paying Agent/Registrar. At such time as a Bond shall be deemed to be paid hereunder, as aforesaid, it shall no longer be secured by or entitled to the benefit of the Tenth Supplement, the Master Ordinance or a lien on and pledge of the Net Revenues of the Electric Utility System, and shall be entitled to payment solely from such money or Government Obligations.

Any moneys so deposited with the Paying Agent/Registrar, or an authorized escrow agent, may at the direction of the City also be invested in Government Obligations, maturing in the amounts and at the times as set forth in this Section, and all income from all Government Obligations not required for the payment of the Bonds, and interest on the Bonds, with respect to which such money has been so deposited, shall be turned over to the City or deposited as directed by the City. The City covenants that no deposit will be made or accepted under clause (ii) of this Section and no use made of any such deposit which would cause the Bonds to be treated as arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended.

Notwithstanding any other provisions of the Tenth Supplement, all money or Government Obligations set aside and held in trust pursuant to the provisions of this Section for the payment of the Bonds, the redemption premium, if any, and interest on the Bonds, shall be applied to and used for the payment of such Bonds, the redemption premium, if any, and interest thereon and the income on such money or Government Obligations shall not be considered to be "Gross Revenues" under the Tenth Supplement.

SECTION 20: DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED BONDS. If any Outstanding Bond is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new bond of the same principal amount, maturity, and interest rate, as the damaged, mutilated, lost, stolen, or destroyed Bond, in replacement for such Bond in the manner provided in this Section. An application for the replacement of damaged, mutilated, lost, stolen, or destroyed Bonds shall be made to the Paying Agent/Registrar. In every case of loss, theft, or destruction of a Bond, the applicant for a replacement bond shall furnish to the City and to the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless from any loss or damage with respect thereto. Also, in every case of loss, theft, or destruction of a Bond, the applicant shall furnish to the City and to the Paying Agent/Registrar evidence to their satisfaction of the loss, theft, or destruction of such Bond, as the case may be. In every case of damage or mutilation of a Bond, the applicant shall surrender to the Paying Agent/Registrar for cancellation the Bond so damaged or mutilated. Prior to the issuance of any replacement bond, the Paying Agent/Registrar shall charge the owner of such Bond with all legal, printing, and other expenses in connection therewith. Every replacement bond issued pursuant to the provisions of this Section by virtue of the fact that any Bond is lost, stolen, or destroyed shall constitute a contractual obligation of the City whether or not the lost, stolen, or destroyed Bond shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of the Tenth Supplement equally and proportionately with any and all other Bonds issued under the Tenth Supplement.

Notwithstanding the preceding provisions of this Section, if any such Bond shall have matured, and no default has occurred which is then continuing in the payment of the principal of, redemption premium, if any, or interest on the Bond, the City may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Bond) instead of issuing a replacement Bond, provided security or indemnity is furnished as above provided in this Section. Furthermore, in accordance with V.T.C.A., Government Code, Section 1206.022, this Section shall constitute authority for the issuance of any such replacement bond without necessity of further action by the governing body of the City or any other body or person, and the duty of the replacement of such bonds is authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such bonds in the form and manner and with the effect, as provided in Section 6 of the Tenth Supplement for Bonds issued in exchange for other Bonds.

SECTION 21: TENTH SUPPLEMENT TO CONSTITUTE A CONTRACT; EQUAL SECURITY. In consideration of the acceptance of the Bonds, the Tenth Supplement shall be deemed to be and shall constitute a contract between the City and the Holders from time to time of the Bonds and the pledge made in the Tenth Supplement

by the City and the covenants and agreements set forth in the Tenth Supplement to be performed by the City shall be for the equal and proportionate benefit, security, and protection of all Holders, without preference, priority, or distinction as to security or otherwise of any of the Bonds over any of the others by reason of time of issuance, sale, or maturity thereof or otherwise for any cause whatsoever, except as expressly provided in or permitted by the Tenth Supplement.

SECTION 22: CONTINUING DISCLOSURE UNDERTAKING.

(a) Definitions. As used in this Section, the following terms have the meanings ascribed to such terms below:

“MSRB” means the Municipal Securities Rulemaking Board.

“Rule” means SEC Rule 15c2 12.

“SEC” means the United States Securities and Exchange Commission.

(b) Annual Reports. The City shall provide annually to the MSRB, (1) within six months after the end of each fiscal year (beginning with the fiscal year ending September 30, 2010) financial information and operating data with respect to the City of the general type included in the final Official Statement approved by Section 25 of the Tenth Supplement, being the information described in **Exhibit D** hereto and (2) if not provided as part of such financial information and operating data, audited financial statements of the City, when and if available. Financial statements to be provided shall be (1) prepared in accordance with the accounting principles described in **Exhibit D** hereto and (2) audited, if the City commissions an audit of such statements and the audit is completed within the period during which they must be provided. If audited financial statements are not available at the time the financial information and operating data must be provided, then the City shall provide unaudited financial statements for the applicable fiscal year and shall provide audited financial statements, when and if the same becomes available.

If the City changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the City otherwise would be required to provide financial information and operating data pursuant to this Section.

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB’s Internet web site or filed with the SEC.

(c) Material Event Notices. The City shall notify the MSRB, in a timely manner, of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws:

- (1) Principal and interest payment delinquencies;
 - (2) Non-payment related defaults;
 - (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
 - (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
 - (5) Substitution of credit or liquidity providers, or their failure to perform;
 - (6) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
 - (7) Modifications to rights of holders of the Bonds;
 - (8) Bond calls;
 - (9) Defeasances;
 - (10) Release, substitution, or sale of property securing repayment of the Bonds;
- and
- (11) Rating changes.

The City shall notify the MSRB, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with subsection (b) of this Section by the time required by such Section.

(d) Filings with the MSRB. All financial information, operating data, financial statements, notices, and other documents provided to the MSRB in accordance with this Section shall be provided in an electronic format prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

(e) Limitations, Disclaimers, and Amendments. The City shall be obligated to observe and perform the covenants specified in this Section while, but only while, the City remains an “obligated person” with respect to the Bonds within the meaning of the Rule, except that the City in any event will give the notice required by subsection (c) of Section 22, any Bond calls and defeasance that cause the City to be no longer such an “obligated person.”

The provisions of this Section are for the sole benefit of the Holders and beneficial owners of the Bonds, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The City undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not undertake to provide any other information that may be relevant or material to a complete presentation of the City’s financial results, condition, or prospects or

undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided in the Tenth Supplement. The City does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE CITY BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE CITY, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by the City in observing or performing its obligations under this Section shall constitute a breach of or default under the Tenth Supplement for purposes of any other provision of the Tenth Supplement.

Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of the City under federal and state securities laws.

The provisions of this Section may be amended by the City from time to time to adapt to changed circumstances resulting from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City or the Electric Utility System, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the Holders of a majority in aggregate principal amount (or any greater amount required by any other provision of the Tenth Supplement that authorizes such an amendment) of the Outstanding Bonds consent to such amendment or (b) a Person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Holders and beneficial owners of the Bonds. The provisions of this Section may also be amended from time to time or repealed by the City if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid, but only if and to the extent that reservation of the City's right to do so would not prevent underwriters of the initial public offering of the Bonds from lawfully purchasing or selling Bonds in such offering. If the City so amends the provisions of this Section, it shall include with any amended financial information or operating data filed pursuant to subsection (b) of this Section 22 an explanation, in

narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

SECTION 23: REMEDY IN EVENT OF DEFAULT. In addition to all rights and remedies provided by the laws of the State of Texas, the City covenants and agrees particularly that if the City (a) defaults in payments to be made to the Debt Service Fund as required by the Tenth Supplement or the Master Ordinance, (b) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in the Tenth Supplement or the Master Ordinance or (c) the City declares bankruptcy, the Holders of any of the Bonds shall be entitled to a writ of mandamus issued by a court of proper jurisdiction, compelling and requiring the City and its officers to observe and perform any covenant, condition or obligation prescribed in the Tenth Supplement or the Master Ordinance. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power, or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

The specific remedy herein provided shall be cumulative of all other existing remedies and the specification of such remedy shall not be deemed to be exclusive.

SECTION 24: SALE OF BONDS. The Bonds are sold by the City to Citibank Global Markets, Inc., Barclays Capital Inc., Cabrera Capital Markets, LLC, Morgan Keegan & Company, Inc., Morgan Stanley & Co., Incorporated, Rice Financial Products Company, Siebert Brandford Shank & Co., and Southwest Securities, Inc. (collectively, the "Underwriters") in accordance with the Bond Purchase Agreement, dated June 10, 2010, attached hereto as **Exhibit E** and incorporated by reference as a part of the Tenth Supplement for all purposes. The Mayor is authorized and directed to execute said Bond Purchase Agreement for and on behalf of the City and as the act and deed of this Council, and in regard to the approval and execution of the Bond Purchase Agreement, the Council finds, determines and declares that the representations, warranties and agreements of the City contained in the Bond Purchase Agreement are true and correct in all material respects and shall be honored and performed by the City.

SECTION 25: OFFICIAL STATEMENT APPROVAL. The use of the Preliminary Official Statement, in the offering and sale of the Bonds is ratified, confirmed and approved in all respects, and the City Council finds that the information and data contained in said Preliminary Official Statement pertaining to the City and its financial affairs is true and correct in all material respects and no material facts have been omitted therefrom which are necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The final Official Statement, which reflects the terms of sale (together with such changes approved by the Mayor,

Mayor Pro Tem, City Manager, Chief Financial Officer, Deputy Chief Financial Officer or City Treasurer, one or more of said officials), shall be and is in all respects approved and the Underwriters are authorized to use and distribute said final Official Statement, dated June 10, 2010, in the offering, sale and delivery of the Bonds to the public.

SECTION 26: SPECIAL ESCROW AGREEMENT APPROVAL AND EXECUTION. The "Special Escrow Agreement" (the "Agreement") by and between the City and Regions Bank, Houston, Texas (the "Escrow Agent"), attached as **Exhibit F** and incorporated herein by reference as a part of this Tenth Supplement for all purposes, is approved as to form and content, and such Agreement in substantially the form and substance attached hereto, together with such changes or revisions as may be necessary to accomplish the refunding or benefit the City, is authorized to be executed by the Mayor or Mayor Pro Tem and City Clerk or Deputy City Clerk for and on behalf of the City and as the act and deed of this City Council; and such Agreement as executed by said officials shall be deemed approved by the City Council and constitute the Agreement approved in this Ordinance.

Furthermore, appropriate officials of the City in cooperation with the Escrow Agent are authorized and directed to make the necessary arrangements for the purchase of the Escrowed Securities referenced in the Agreement and their delivery to the Escrow Agent on the day of delivery of the Bonds to the Purchasers for deposit to the credit of the "SPECIAL 2010 CITY OF AUSTIN, TEXAS, REVENUE REFUNDING BOND ESCROW FUND" (the "Escrow Fund"), all as contemplated and provided in V.T.C.A., Government Code, Chapter 1207, this Tenth Supplement and the Agreement.

SECTION 27: PROCEEDS OF SALE.

(a) Series 2010A Bonds. Immediately following the delivery of the Series 2010A Bonds, proceeds of sale of the Series 2010A Bonds in the sum of (i) \$_____ shall be deposited to the credit of the Escrow Fund, (ii) \$_____ shall be deposited with the US Bank, National Association (the "Deposit Agent"), the paying agent for the Series A Notes, for the payment and discharge of the 2010A Refunded Notes, and (iii) \$_____ shall be deposited to the credit of the Debt Service Fund. The balance of the proceeds of sale of the Series 2010A Bonds shall be expended to pay costs of issuance and municipal bond insurance premium, if any, and any excess amount budgeted for such purpose shall be deposited to the credit of the Debt Service Fund.

(b) Series 2010B Bonds. Immediately following the delivery of the Series 2010B Bonds, proceeds of sale of the Series 2010B Bonds in the sum of (i) \$_____ shall be deposited with the US Bank, National Association (the "Deposit

Agent”), the paying agent for the Series A Notes, for the payment and discharge of the 2010B Refunded Notes, and (ii) \$_____ shall be deposited to the credit of the Debt Service Fund. The balance of the proceeds of sale of the Series 2010B Bonds shall be expended to pay costs of issuance and municipal bond insurance premium, if any, and any excess amount budgeted for such purpose shall be deposited to the credit of the Debt Service Fund.

(c) Accrued interest, if any, received from the Underwriters shall be deposited to the credit of the Debt Service Fund.

Furthermore, appropriate officials of the City in cooperation with the Deposit Agent are authorized and directed to make the necessary arrangements for the deposit of funds with the Deposit Agent for the payment of the 2010A Refunded Notes and the 2010B Refunded Notes; all as contemplated and provided in V.T.C.A., Government Code, Chapter 1207, the Tenth Supplement.

SECTION 28: REDEMPTION OF REFUNDED BONDS.

(a) The bonds of that series known as "City of Austin, Texas, Combined Utility System Revenue Refunding Bonds, Series 1993", dated January 15, 1993, maturing in the year 2013, and aggregating in principal amount \$5,190,000, shall be redeemed and the same are called for redemption on August 9, 2010, at the price of par and accrued interest to the date of redemption. The City Clerk is authorized and directed to file a copy of this Tenth Supplement, together with a suggested form of notice of redemption to be sent to bondholders, with The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (successor paying agent/registrar to Ameritrust Texas, National Association), in accordance with the redemption provisions applicable to such bonds; such suggested form of notice of redemption being attached hereto as **Exhibit G** and incorporated herein by reference as a part of this Tenth Supplement for all purposes.

(b) The bonds of that series known as "City of Austin, Texas, Electric Utility System Revenue Refunding Bonds, Series 2001", dated January 1, 2001, maturing in the years 2023 and 2030, and aggregating in principal amount \$69,200,000, shall be redeemed and the same are called for redemption on November 15, 2010, at the price of par and accrued interest to the date of redemption. The City Clerk is authorized and directed to file a copy of this Tenth Supplement, together with a suggested form of notice of redemption to be sent to bondholders, with UMB Bank, N.A., St. Louis, Missouri (successor paying agent/registrar to State Street Bank and Trust of Missouri, N.A., St. Louis, Missouri), in accordance with the redemption provisions applicable to such bonds; such suggested form of notice of redemption being attached hereto as **Exhibit H** and incorporated herein by reference as a part of this Tenth Supplement for all purposes.

The redemption of the bonds described above being associated with the refunding of the obligations, the approval, authorization and arrangements in this Section given and provided for the redemption of the bonds on the redemption dates designated therefor and in the manner provided shall be irrevocable upon the issuance and delivery of the Bonds; and the City Clerk is authorized and directed to make all arrangements necessary to notify the holders of such bonds of the City's decision to redeem such bonds on the dates and in the manner herein provided and in accordance with the ordinances authorizing the issuance of the obligations and the Tenth Supplement.

SECTION 29: CONTROL AND CUSTODY OF BONDS. The city Manager of the City shall be and is authorized to take and have charge of all necessary orders and records pending the delivery of the Bonds, and shall take and have charge and control of the Initial Bonds pending the approval by the Attorney General, the registration by the Comptroller of Public Accounts and the delivery to the Underwriters.

Furthermore, the Mayor, Mayor Pro Tem, City Manager, Chief Financial Officer, City Clerk, City Treasurer and City Attorney, any one or more of said officials, are authorized and directed to furnish and execute such documents relating to the City and its financial affairs as may be necessary for the issuance of the Bonds, the approval of the Attorney General and registration by the Comptroller of Public Accounts and, together with the City's financial advisor, bond counsel and the Paying Agent/Registrar, make the necessary arrangements for printing of definitive Bonds and the delivery of the Bonds to the Underwriters.

SECTION 30: LEGAL OPINION. The obligation of the Underwriters to accept delivery of the Bonds is subject to being furnished a final opinion of Fulbright & Jaworski L.L.P., Attorneys, approving the Bonds as to their validity, said opinion to be dated and delivered as of the date of delivery and payment for such Bonds. A true and correct reproduction of said opinion may be printed on the definitive Bonds or an executed counterpart of the opinion shall accompany the global Bonds deposited with The Depository Trust Company.

SECTION 31: CUSIP NUMBERS. CUSIP numbers may be printed or typed on the definitive Bonds. It is expressly provided, however, that the presence or absence of CUSIP numbers on the definitive Bonds shall be of no significance or effect as regards the legality of the Bonds and neither the City nor attorneys approving said Bonds as to legality are to be held responsible for CUSIP numbers incorrectly printed or typed on the definitive Bonds.

SECTION 32: PAYMENT AND PERFORMANCE ON BUSINESS DAYS. Whenever under the terms of the Tenth Supplement or the Bonds, the performance date

of any provision of the Tenth Supplement or the Bonds, including the payment of principal of or interest on the Bonds, shall occur on a day other than a Business Day, then the performance of such provision, including the payment of principal of and interest on the Bonds, need not be made on such day but may be performed or paid, as the case may be, on the next succeeding Business Day with the same force and effect as if made on the date of performance or payment.

SECTION 33: LIMITATION OF BENEFITS WITH RESPECT TO THE TENTH SUPPLEMENT. With the exception of the rights or benefits expressly conferred in the Tenth Supplement, nothing expressed or contained in the Tenth Supplement or implied from the provisions of the Tenth Supplement or the Bonds is intended or should be construed to confer upon or give to any person other than the City, the Holders, and the Paying Agent/Registrar, any legal or equitable right, remedy, or claim under or by reason of or in respect to the Tenth Supplement or any covenant, condition, stipulation, promise, agreement, or provision contained in the Tenth Supplement. The Tenth Supplement and all of the covenants, conditions, stipulations, promises, agreements, and provisions of the Tenth Supplement are intended to be and shall be for and inure to the sole and exclusive benefit of the City, the Holders, and the Paying Agent/Registrar as provided in the Tenth Supplement and in the Bonds.

SECTION 34: NOTICES TO HOLDERS WAIVER. Wherever the Tenth Supplement provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise expressly provided in the Tenth Supplement) if in writing and sent by United States Mail, first class postage prepaid, to the address of each Holder appearing in the Security Register at the close of business on the business day next preceding the mailing of such notice.

In any case where notice to Holders is given by mail, neither the failure to mail such notice to any particular Holders, nor any defect in any notice so mailed, shall affect the sufficiency of such notice with respect to all other Bonds. Where the Tenth Supplement provides for notice in any manner, such notice may be waived in writing by the Holder entitled to receive such notice, either before or after the event with respect to which such notice is given, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Paying Agent/Registrar, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 35: GOVERNING LAW. The Tenth Supplement shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

SECTION 36: EFFECT OF HEADINGS. The Section headings in the Tenth Supplement are for convenience only and shall not affect the construction of the Tenth Supplement.

SECTION 37: CONSTRUCTION OF TERMS. If appropriate in the context of the Tenth Supplement, words of the singular number shall be considered to include the plural, words of the plural number shall be considered to include the singular, and words of the masculine, feminine or neuter gender shall be considered to include the other genders.

SECTION 38: SEVERABILITY. If any provision or the application of any provision of the Tenth Supplement to any circumstance shall be held to be invalid, the remainder of the Tenth Supplement and the application of the Tenth Supplement to other circumstances shall nevertheless be valid, and the City Council declares that the Tenth Supplement would have been enacted without such invalid provision.

SECTION 39: PUBLIC MEETING. It is officially found, determined, and declared that the meeting at which the Tenth Supplement is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at the meeting, including the Tenth Supplement, was given; all as required by V.T.C.A., Government Code, Chapter 551.

SECTION 40: EFFECTIVE DATE. The Tenth Supplement is passed on one reading as authorized by V.T.C.A., Government Code, Section 1201.028, and shall be effective immediately upon its passage and adoption.

PASSED AND APPROVED

_____, 2010

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Lee Leffingwell
Mayor

APPROVED: _____
Karen M. Kennard
Acting City Attorney

ATTEST: _____
Shirley A. Gentry
City Clerk