

**CITY OF AUSTIN, TEXAS**  
**(A political subdivision of the State of Texas**  
**located in Travis and Williamson Counties)**

\$ \_\_\_\_\_  
**Electric Utility System**  
**Revenue Refunding Bonds**  
**Series 2010A**

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**BOND PURCHASE AGREEMENT**

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June 10, 2010

Honorable Mayor and City Council  
City of Austin, Texas  
301 W. 2nd Street  
Austin, Texas 78701

Ladies and Gentlemen:

The undersigned, Citigroup Global Markets, Inc. (the “*Representative*”), acting on its own behalf and on behalf of the other underwriters listed on Schedule I hereto (collectively, the “*Underwriters*”), and not acting as fiduciary or agent for you, offers to enter into the following agreement (this “*Agreement*”) with the City of Austin, Texas (the “*Issuer*”), which, upon the Issuer’s written acceptance of this offer, will be binding upon the Issuer and upon the Underwriters. This offer is made subject to the Issuer’s written acceptance hereof on or before 10:00 p.m., Austin, Texas time, on June 10, 2010, and, if not so accepted, will be subject to withdrawal by the Underwriters upon notice delivered to the Issuer at any time prior to the acceptance hereof by the Issuer. Terms not otherwise defined in this Agreement shall have the same meanings set forth in the Ordinance (as defined herein) or in the Official Statement (as defined herein).

**1. Purchase and Sale of the Bonds.** Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriters hereby agree to purchase from the Issuer, and the Issuer hereby agrees to sell and deliver to the Underwriters, all, but not less than all, of the Issuer’s \$ \_\_\_\_\_ Electric Utility System Revenue Refunding Bonds, Series 2010A (the “*Bonds*”). Inasmuch as this purchase and sale represents a negotiated transaction, the Issuer understands, and hereby confirms, that the Underwriters are not acting as fiduciaries of the Issuer, but rather are acting solely in their capacity as underwriters for their own accounts. The Representative has been duly authorized by the Underwriters to execute this Agreement and to act hereunder.

The principal amount of the Bonds to be issued, the dated date therefor, the maturities, redemption provisions and interest rates per annum are set forth in Schedule II

hereto. The Bonds shall be as described in, and shall be issued and secured under and pursuant to the provisions of Ordinance No. 010118-53A adopted by the Issuer on January 18, 2001 (the “*Master Ordinance*”), and a tenth supplemental ordinance to the Master Ordinance (Ordinance No. \_\_\_\_\_-\_\_\_\_), including all appendices and exhibits thereto, adopted by the Issuer on June 10, 2010 (the “*Tenth Supplement*” and, together with the Master Ordinance, the “*Ordinance*”).

The purchase price for the Bonds shall be \$\_\_\_\_\_ (representing the par amount of the Bonds, less a net original issue discount of \$\_\_\_\_\_ and less an underwriters’ discount of \$\_\_\_\_\_), plus accrued interest on the Bonds calculated on the basis of a 360-day year of twelve 30-day months from the dated date of the Bonds to the date of the Closing (as hereinafter defined).

Delivered to the Issuer herewith is the Representative’s good-faith corporate check payable to the order of the Issuer in the amount of \$1,188,200.00 (the “*Check*”). In the event the Issuer does not accept this offer, the Check shall be promptly returned to the Representative. Upon the Issuer’s acceptance and countersignature of this offer, the Check (i) shall not be cashed or negotiated but shall be held and retained in safekeeping by the Issuer as security for the performance by the Underwriters of their obligation, subject to the terms and conditions herein set forth, to purchase and accept delivery of the Bonds at the Closing, and (ii) shall be applied and disposed of by the Issuer solely as provided in this Agreement. In the event of the Underwriters’ compliance with such obligation to purchase and accept delivery of the Bonds at the Closing, the Check shall be returned to the Representative at the Closing. In the event of the failure by the Issuer to deliver the Bonds at the Closing, or if the Issuer shall be unable to satisfy the conditions to the obligation of the Underwriters contained in this Agreement, or if the obligation of the Underwriters shall be terminated for any reason permitted by this Agreement, the Check shall be returned promptly to the Representative. In the event that the Underwriters fail (other than for a reason permitted hereunder) to purchase and accept delivery of the Bonds at the Closing, the Issuer shall become entitled to cash or negotiate the Check, and the proceeds thereof shall be retained by the Issuer as and for fully liquidated damages for such failure and for any and all defaults on the part of the Underwriters, and except as set forth in Sections 8 and 10 hereof, no party shall have any further rights against the other hereunder. The Underwriters and the Issuer understand that in such event the Issuer’s actual damages may be greater or may be less than such amount. Accordingly, the Underwriters hereby waive any right to claim that the Issuer’s actual damages are less than such amount, and the Issuer’s acceptance of this offer shall constitute a waiver of any right the Issuer may have to additional damages from the Underwriters. The Representative hereby agrees not to stop or cause payment on the Check to be stopped unless the City has breached any of the terms of this Agreement.

**2. Public Offering.** The Underwriters agree to make a bona fide public offering of all of the Bonds at prices not to exceed the public offering prices set forth on the inside front cover of the Official Statement and, subsequently, may change such offering prices without any requirement of prior notice. The Underwriters may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the public offering prices stated on the inside front cover

of the Official Statement; provided that on or before the Closing, the Representative shall execute and deliver to Bond Counsel an issue price certificate for each series of Bonds prepared by Bond Counsel (the "*Issue Price Certificate*") which, with respect to the Bonds, will be in substantially the form attached hereto as Exhibit A.

**3. The Official Statement.**

(a) The Issuer previously has delivered, or caused to be delivered, to the Underwriters the Preliminary Official Statement dated June 2, 2010 (the "Preliminary Official Statement") in a "designated electronic format," as defined in the Municipal Securities Rulemaking Board's ("*MSRB*") Rule G-32 ("*Rule G-32*"). The Issuer will prepare a final Official Statement relating to the Bonds, which will be (i) dated the date of this Agreement, (ii) complete within the meaning of the United States Securities and Exchange Commission's Rule 15c2-12, as amended (the "Rule"), (iii) in a "designated electronic format" and (iv) substantially in the form of the most recent version of the Preliminary Official Statement provided to the Underwriters before the execution hereof. Such final Official Statement, including the cover page thereto, all exhibits, schedules, appendices, maps, charts, pictures, diagrams, reports, and statements included or incorporated therein or attached thereto, and all amendments and supplements thereto that may be authorized for use with respect to the Bonds, is herein referred to as the "Official Statement." Until the Official Statement has been prepared and is available for distribution, the Issuer shall provide to the Underwriter sufficient quantities (which may be in electronic format) of the Preliminary Official Statement as the Representative deems necessary to satisfy the obligation of the Underwriters under the Rule with respect to distribution to each potential customer, upon request, of a copy of the Preliminary Official Statement.

(b) The Preliminary Official Statement has been prepared for use by the Underwriters in connection with the public offering, sale and distribution of the Bonds. The Issuer hereby represents and warrants that the Preliminary Official Statement has been deemed final by the Issuer as of its date, except for the omission of such information which is dependent upon the final pricing of the Bonds for completion, all as permitted to be excluded by Section (b)(1) of the Rule.

(c) The Issuer hereby authorizes the Official Statement and the information therein contained to be used by the Underwriters in connection with the public offering and the sale of the Bonds. The Issuer consents to the use by the Underwriters prior to the date hereof of the Preliminary Official Statement in connection with the public offering of the Bonds. The Issuer shall provide, or cause to be provided, to the Underwriters as soon as practicable after the date of the Issuer's acceptance of this Agreement (but, in any event, not later than within seven (7) business days after the Issuer's acceptance of this Agreement and in sufficient time to accompany any confirmation that requests payment from any customer) the Official Statement which is complete as of the date of its delivery to the Underwriter. The Issuer shall provide the Official Statement, or cause the

Official Statement to be provided, (i) in a “designated electronic format” consistent with the requirements of Rule G-32 and (ii) in a printed format in such quantity as the Representative shall request in order for the Underwriters to comply with Section (b)(4) of the Rule and the rules of the MSRB.

(d) If, after the date of this Agreement to and including the date the Underwriters are no longer required to provide an Official Statement to potential customers who request the same pursuant to the Rule (the earlier of (i) ninety (90) days from the “end of the underwriting period” (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from the MSRB, but in no case less than twenty-five (25) days after the “end of the underwriting period” for the Bonds), the Issuer becomes aware of any fact or event which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein, in light of the circumstances under which they were made, or necessary to make the statements therein not misleading, or if it is necessary to amend or supplement the Official Statement to comply with law, the Issuer will notify the Underwriters (and for the purposes of this clause provide the Underwriters with such information as they may from time to time request), and if, in the reasonable opinion of the Representative, such fact or event requires preparation and publication of a supplement or amendment to the Official Statement, the Issuer will forthwith prepare and furnish, at the Issuer’s own expense (in a form and manner approved by the Representative), either an amendment or a supplement to the Official Statement so that the statements in the Official Statement as so amended and supplemented will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein, in light of the circumstances under which they were made, or necessary to make the statements therein not misleading or so that the Official Statement will comply with law; provided, however, that for all purposes of this Agreement and any certificate delivered by the Issuer in accordance herewith, the Issuer makes no representations with respect to the descriptions in the Preliminary Official Statement or the Official Statement of The Depository Trust Company, New York, New York, or its book-entry-only system. If such notification shall be subsequent to the Closing, the Issuer shall furnish such legal opinions, certificates, instruments and other documents as the Representative may deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement. The Issuer shall provide any such amendment or supplement, or cause any such amendment or supplement to be provided, in a “designated electronic format” consistent with the requirements of Rule G-32.

(e) The Representative hereby agrees to file the Official Statement with the MSRB through its Electronic Municipal Market Access (“EMMA”) system on or before the date of the Closing. Unless otherwise notified in writing by the Representative, the Issuer can assume that the “end of the underwriting period” for purposes of the Rule is the date of the Closing.

4. **Representations, Warranties, and Covenants of the Issuer.** The Issuer hereby represents and warrants to and covenants with the Underwriters that:

(a) The Issuer is a duly organized municipal corporation and a political subdivision of the State of Texas (the “*State*”), duly created, validly existing, and acting under the provisions of the Constitution and the laws of the State (including the Issuer’s home rule charter); and the Issuer has full legal right, power and authority pursuant to the Constitution and the laws of the State, including particularly Chapter 1207, Texas Government Code, as amended (the “*Act*”), and its home rule charter, and at the date of the Closing will have full legal right, power and authority (i) to enter into, execute and deliver this Agreement, the Ordinance, the Continuing Disclosure Undertaking (as defined in Section 6(i)(2) hereof) and all documents required hereunder and thereunder to be executed and delivered by the Issuer, (ii) to sell, issue and deliver the Bonds to the Underwriters as provided herein, (iii) to own and operate the Electric Utility System (the “*System*”) and (iv) to carry out and consummate the transactions contemplated by this Agreement, the Continuing Disclosure Undertaking, the Ordinance and the Official Statement; and the Issuer has complied, and will at the Closing be in compliance in all respects with the terms of its home rule charter, applicable State law (including the Act), this Agreement and the Ordinance as they pertain to such transactions;

(b) By all necessary official action of the Issuer prior to or concurrently with the acceptance hereof, the Issuer has duly authorized all necessary action to be taken by it for (i) the adoption of the Ordinance and the issuance and sale of the Bonds, (ii) the approval, execution and delivery of, and the performance by the Issuer of the obligations on its part, contained in the Bonds, this Agreement, the Continuing Disclosure Undertaking and the Ordinance and (iii) the consummation by it of all other transactions contemplated by the Official Statement, this Agreement, the Continuing Disclosure Undertaking and the Ordinance and any and all such other agreements and documents as may be required to be executed, delivered and/or received by the Issuer in order to carry out, give effect to, and consummate the transactions contemplated herein and in the Official Statement;

(c) This Agreement and the Ordinance constitute legal, valid and binding agreements of the Issuer enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors’ rights, and the exercise of judicial discretion in accordance with general principles of equity; the Bonds, when issued, delivered and paid for, in accordance with the Ordinance and this Agreement, will constitute legal, valid and binding limited obligations of the Issuer payable from and secured by a lien on and pledge of the Net Revenues of the System (as described in the Official Statement), entitled to the benefits of the Ordinance and enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting

the enforcement of creditors' rights, and the exercise of judicial discretion in accordance with general principles of equity; upon the issuance, authentication and delivery of the Bonds as aforesaid, the terms set forth in the Ordinance will be valid and binding upon the Issuer and the Ordinance will provide, for the benefit of the holders, from time to time, of the Bonds, the legally valid and binding pledge of and lien it purports to create as set forth in the Ordinance;

(d) The Issuer is not in breach of or default in any material respect under any applicable constitutional provision, law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Issuer is a party or to which the Issuer is otherwise subject; and no event has occurred and is continuing which constitutes or with the passage of time or the giving of notice, or both, would constitute a default or event of default by the Issuer under any of the foregoing; and the execution and delivery of the Bonds, this Agreement and the Continuing Disclosure Undertaking and the adoption of the Ordinance and compliance with the provisions on the Issuer's part contained therein, will not conflict with or constitute a breach of or default under any constitutional provision, law or administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Issuer is a party or to which the Issuer is or to which any of its property or assets are otherwise subject, or under the terms of any such law, regulation or instrument, except as provided by the Bonds and the Ordinance;

(e) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matters which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the Issuer of its obligations under, this Agreement, the Continuing Disclosure Undertaking, the Ordinance and the Bonds have been duly obtained or will be obtained prior to the Closing;

(f) The Bonds and the Ordinance conform to the descriptions thereof contained in the Official Statement under the captions "SECURITY FOR THE BONDS" and "DESCRIPTION OF THE BONDS"; the proceeds of the sale of the Bonds will be applied generally as described in the Official Statement under the captions "PLAN OF FINANCING" and "SOURCES AND USES OF FUNDS"; and the Continuing Disclosure Undertaking contained in the Ordinance conforms to the description thereof contained in the Official Statement under the caption "CONTINUING DISCLOSURE OF INFORMATION";

(g) Except as otherwise provided in the Official Statement under the caption "CONTINUING DISCLOSURE OF INFORMATION – Compliance with Prior Undertakings", during the last five (5) years the Issuer has complied in all material respects with its previous Continuing Disclosure Undertakings made by it in accordance with the Rule;

(h) There is no litigation, action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or, to the best knowledge of the Issuer, threatened against the Issuer, affecting the existence of the Issuer or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the pledge or collection of Net Revenues pledged to the payment of the principal of and interest on the Bonds pursuant to the Ordinance or in any way contesting or affecting the validity or enforceability of the Bonds, this Agreement, the Continuing Disclosure Undertaking or the Ordinance, or contesting the exclusion from gross income of interest on the Bonds for federal income tax purposes, or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto, or contesting the powers of the Issuer or any authority for the issuance of the Bonds, the adoption of the Ordinance or the execution and delivery of the Agreement or the Continuing Disclosure Undertaking, nor, to the best knowledge of the Issuer, is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Bonds, this Agreement, the Continuing Disclosure Undertaking or the Ordinance;

(i) As of the date thereof, the Preliminary Official Statement did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(j) At the time of the Issuer's acceptance hereof and (unless the Official Statement is amended or supplemented pursuant to paragraph (d) of Section 3 of this Agreement) at all times subsequent thereto during the period up to and including the twenty-fifth (25th) day subsequent to the "end of the underwriting period," the Official Statement does not and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(k) If the Official Statement is supplemented or amended pursuant to paragraph (d) of Section 3 of this Agreement, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto during the period up to and including the twenty-fifth (25th) day subsequent to the "end of the underwriting period," the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which made, not misleading;

(l) The Issuer will apply, or cause to be applied, the proceeds from the sale of the Bonds as provided in and subject to all of the terms and provisions of the Ordinance and will not take or omit to take any action which action or

omission will adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds;

(m) The Issuer will furnish such information and execute such instruments and take such action in cooperation with the Underwriters as the Representative may reasonably request (1) to (i) qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions in the United States as the Representative may designate and (ii) determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions and (2) to continue such qualifications in effect so long as required for the distribution of the Bonds (provided, however, that the Issuer will not be required to qualify as a foreign corporation or to file any general or special consents to service of process under the laws of any jurisdiction) and will advise the Underwriters immediately of receipt by the Issuer of any notification with respect to the suspension of the qualification of the Bonds for sale in any jurisdiction or the initiation or threat of any proceeding for that purpose;

(n) The Issuer's financial statements and the other information regarding the Issuer's financial condition and operations set forth in the Official Statement fairly present the financial position, results of operations and condition of the Issuer as of the dates and for the periods therein set forth; and there has been no adverse change of a material nature in the financial position, results of operations or condition, financial or otherwise, of the Issuer since the dates of such statements and information;

(o) The Issuer is not a party to any litigation or other proceeding pending or, to its knowledge, threatened which, if decided adversely to the Issuer, would have a materially adverse effect on the Issuer's financial condition or operations;

(p) Prior to the Closing, the Issuer will not offer or issue any bonds, notes or other obligations for borrowed money (other than the Issuer's Electric Utility System Revenue Refunding Bonds, Taxable Series 2010B (Direct Subsidy - Build America Bonds), scheduled for delivery on approximately the same date as the Bonds) or incur any material liabilities, direct or contingent, payable from or secured by any of the revenues or assets which will secure the Bonds without the prior approval of the Representative;

(q) The Issuer, to the extent heretofore requested by the Representative, has delivered to the Underwriters true, correct, complete, and legible copies of all information, applications, reports, or other documents of any nature whatsoever submitted to any rating agency for the purpose of obtaining a rating for the Bond or to any municipal bond insurance company to obtain a municipal bond insurance policy on the Bonds and, in each instance, true, correct, complete, and legible copies of all correspondence or other communications relating, directly or indirectly, thereto



(r) Any certificate, signed by any official of the Issuer authorized to do so in connection with the transactions contemplated by this Agreement, shall be deemed a representation and warranty by the Issuer to the Underwriters as to the statements made therein; and

(s) The Issuer covenants that between the date hereof and the date of the Closing it will take no action within its control which will cause the representations and warranties made in this Section to be untrue as of the Closing.

By delivering the Official Statement to the Representative, the Issuer shall be deemed to have reaffirmed, with respect to the Official Statement, the representations, warranties and covenants set forth above with respect to the Preliminary Official Statement.

**5. Closing.**

(a) At 10:00 a.m., Austin, Texas time, on July 8, 2010, or at such other time and date as shall have been mutually agreed upon by the Issuer and the Representative (the “*Closing*”), the Issuer will, subject to the terms and conditions hereof, deliver the Bonds to the Underwriters, duly executed and authenticated, together with the other documents hereinafter mentioned, and the Underwriters will, subject to the terms and conditions hereof, accept such delivery and pay the purchase price of the Bonds, as set forth in Section 1 of this Agreement, by wire transfer payable in immediately available funds to the order of the Issuer. Payment for the Bonds as aforesaid shall be made at the offices of Regions Bank, Houston, Texas (the “*Registrar*”), or such other place as shall have been mutually agreed upon by the Issuer and the Representative.

(b) Delivery of the Bonds in definitive form shall be made through The Depository Trust Company, New York, New York (“*DTC*”). The Bonds shall be delivered in definitive fully registered form, bearing CUSIP numbers without coupons, registered in the name of Cede & Co., all as provided in the Ordinance, and shall be made available to the Representative before Closing for the purpose of inspection.

**6. Closing Conditions.** The Underwriters have entered into this Agreement in reliance upon the representations, warranties and agreements of the Issuer contained herein, and in reliance upon the representations, warranties and agreements to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Issuer of its obligations hereunder, both as of the date hereof and as of the date of the Closing. Accordingly, the Underwriters’ obligation under this Agreement to purchase, to accept delivery of and to pay for the Bonds shall be conditioned upon the performance by the Issuer of its obligations to be performed hereunder and under such documents and instruments at or prior to the Closing, and shall also be subject to the following additional conditions, including the delivery by the Issuer of such documents as are enumerated herein, in form and substance reasonably satisfactory to the Representative:

(a) The representations and warranties of the Issuer contained herein shall be true, complete and correct on the date hereof and on and as of the date of the Closing, as if made on the date of the Closing;

(b) The Issuer shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing;

(c) At the time of the Closing, (i) this Agreement, the Continuing Disclosure Undertaking, the Ordinance and the Bonds shall be in full force and effect in the form heretofore approved by the Representative and shall not have been amended, modified or supplemented, and the Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to by the Representative; (ii) the net proceeds of the sale of the Bonds and any funds to be provided by the Issuer shall be deposited and applied as described in the Official Statement and in the Ordinance; and (iii) all actions of the Issuer required to be taken by the Issuer shall be performed in order for Bond Counsel and counsel to the Underwriters to deliver their respective opinions referred to hereafter;

(d) At the time of the Closing, all official action of the Issuer relating to the Bonds, this Agreement, the Continuing Disclosure Undertaking and the Ordinance shall be in full force and effect and shall not have been amended, modified or supplemented;

(e) At or prior to the Closing, the Ordinance shall have been duly adopted by the Issuer and the Issuer shall have duly executed and delivered and the Registrar shall have duly authenticated the definitive Bonds;

(f) At the time of the Closing, there shall not have occurred any change or any development involving a prospective change in the condition, financial or otherwise, or in the revenues or operations of the Issuer, from that set forth in the Official Statement that in the judgment of the Representative, reasonably exercised, is material and adverse and that makes it, in such judgment of the Representative, impracticable to market the Bonds on the terms and in the manner contemplated in the Official Statement;

(g) The Issuer shall not have failed to pay principal or interest when due on any of its outstanding obligations for borrowed money;

(h) All steps to be taken and all instruments and other documents to be executed, and all other legal matters in connection with the transactions contemplated by this Agreement shall be reasonably satisfactory in legal form and effect to the Representative;

(i) At or prior to the Closing, the Representative shall have received a copy of each of the following documents:

(1) The Official Statement, and each supplement or amendment thereto, if any, as may have been agreed to by the Representative;

(2) A copy of the Ordinance, which shall contain the undertaking of the Issuer which satisfies the requirements of section (b)(5)(i) of the Rule (the “*Continuing Disclosure Undertaking*”), certified by the City Clerk as having been duly adopted by the Issuer and in full force and effect, with such supplements or amendments as may have been agreed to by the Representative;

(3) The approving opinion of Fulbright & Jaworski L.L.P. (“*Bond Counsel*”) with respect to the Bonds, in substantially the form attached to the Official Statement;

(4) A supplemental opinion of Bond Counsel addressed to the Issuer and the Underwriters, substantially to the effect that:

(i) the Ordinance has been duly adopted and is in full force and effect;

(ii) the Bonds are exempted securities under the Securities Act of 1933, as amended (the “*1933 Act*”), and the Trust Indenture Act of 1939, as amended (the “*Trust Indenture Act*”), and it is not necessary, in connection with the offering and sale of the Bonds, to register the Bonds under the 1933 Act or to qualify the Ordinance under the Trust Indenture Act; and

(iii) the statements and information in the Official Statement under the captions “PLAN OF FINANCING,” “SECURITY FOR THE BONDS,” “DESCRIPTION OF THE BONDS,” “REDEMPTION,” “TAX MATTERS - SERIES 2010A BONDS,” “CONTINUING DISCLOSURE OF INFORMATION” (except for information under the subsection captioned “Compliance With Prior Undertakings”), “OTHER RELEVANT INFORMATION – Registration and Qualification of Bonds,” “OTHER RELEVANT INFORMATION – Legal Investments and Eligibility to Secure Public Funds in Texas” and “OTHER RELEVANT INFORMATION – Legal Opinions” and in APPENDIX C and APPENDIX D accurately and fairly describe the provisions of the Bonds and the Ordinance and are correct as to matters of law;

(5) An opinion, dated the date of the Closing and addressed to the Underwriters, of counsel for the Underwriters, to the effect that:

(i) the Bonds are exempted securities under the 1933 Act and the Trust Indenture Act and it is not necessary, in

connection with the offering and sale of the Bonds, to register any securities under the 1933 Act and the Ordinance need not be qualified under the Trust Indenture Act; and

(ii) based upon their participation in the preparation of the Official Statement as counsel for the Underwriters and their participation at conferences at which the Official Statement was discussed, but without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement, such counsel has no reason to believe that the Official Statement contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (except for any financial, forecast, technical and statistical statements and data included in the Official Statement and the information regarding DTC and its book-entry system, in each case as to which no view need be expressed);

(6) A certificate, dated the date of Closing, of an appropriate official of the Issuer to the effect that (i) the representations and warranties of the Issuer contained herein or in any certificate or document delivered by the Issuer pursuant to the provisions hereof are true and correct in all material respects on and as of the date of Closing as if made on the date of Closing; (ii) no litigation or proceeding against the Issuer is pending or, to the best of his or her knowledge, threatened in any court or administrative body which would (a) contest the right of the council members, officers or officials of the Issuer to hold and exercise their respective positions, (b) contest the due organization and valid existence of the Issuer, (c) attempt to restrain or enjoin the issuance or delivery of the Bonds or the Issuer's operation of the System, or contest the validity, due authorization and execution of the Bonds or the approval, execution or delivery of this Agreement, the Continuing Disclosure Undertaking or the Ordinance or (d) attempt to limit, enjoin or otherwise restrict or prevent the Issuer from functioning and collecting revenues (or making payments on the Bonds) pursuant to the Ordinance or other income, or the assessment or collection of the Net Revenues pledged or to be pledged to pay the principal of and interest on the Bonds, or the pledge thereof; (iii) all official action of the Issuer relating to the Official Statement, the Bonds, this Agreement, the Continuing Disclosure Undertaking and the Ordinance have been duly taken by the Issuer, are in full force and effect and have not been modified, amended, supplemented or repealed; (iv) to the best of his or her knowledge, no event affecting the Issuer has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein, in light of the circumstances under which made, not misleading in any material

respect as of the time of Closing, and the information contained in the Official Statement is correct in all material respects and, as of the date of the Official Statement did not, and as of the date of the Closing does not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading; (v) there has not been any material adverse change in the financial condition of the Issuer since September 30, 2009, the latest date as of which audited financial information is available; and (vi) Deloitte & Touche, LLP, has consented to the inclusion in the Official Statement of certain excerpts of (or the complete) audited financial statements of the Issuer, and their report thereon, for the Issuer's fiscal year ended September 30, 2009;

(7) A certificate of the Issuer, dated the date of the Closing, of an appropriate official of the Issuer in form and substance satisfactory to Bond Counsel and counsel to the Underwriters (a) setting forth the facts, estimates and circumstances in existence on the date of the Closing, which establish that it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and any applicable regulations (whether final, temporary or proposed), issued pursuant to the Code, and (b) certifying that to the best of the knowledge and belief of the Issuer there are no other facts, estimates or circumstances that would materially change the conclusions, representations and expectations contained in such certificate;

(8) The approving opinion of the Attorney General of the State of Texas and the registration certificate of the Comptroller of Public Accounts of the State of Texas in respect of the Bonds;

(9) Evidence of ratings assigned to the Bonds of "A+" by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, "AA-" by Fitch Ratings, and "A1" by Moody's Investors Service, Inc., and that such ratings are in effect as of the date of the Closing;

(10) A certificate of the paying agent for the Refunded Notes (or other evidence satisfactory to the Representative) to the effect that the funds and/or securities scheduled to be deposited with the paying agent will be set aside and held for the purpose of and will be sufficient to pay the remaining principal, premium, if any, and interest on the Refunded Notes from date of the Closing to the date of maturity or prior redemption; and

(11) Such additional legal opinions, certificates, instruments and other documents as are required by the Ordinance for the issuance

thereunder of the Bonds or as the Representative or counsel to the Underwriters may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the date of the Closing, of the Issuer's representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the Issuer on or prior to the date of the Closing of all the respective agreements then to be performed and conditions then to be satisfied by the Issuer.

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Underwriters.

If the Issuer shall be unable to satisfy the conditions to the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds contained in this Agreement, or if the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Agreement, this Agreement shall terminate and neither the Underwriters nor the Issuer shall be under any further obligation hereunder, except that the respective obligations of the Issuer and the Underwriters set forth in Sections 1 (with respect to the Check), 4 and 8 hereof shall continue in full force and effect.

**7. Termination.** The Underwriters shall have the right to cancel their obligation to purchase the Bonds if, between the date of this Agreement and the Closing, the market price or marketability of the Bonds shall be materially adversely affected, in the sole reasonable judgment of the Representative, by the occurrence of any of the following:

(a) legislation shall be enacted by or introduced in the Congress of the United States or recommended to the Congress for passage by the President of the United States, or the Treasury Department of the United States or the Internal Revenue Service or any member of the Congress or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, a decision by a court of the United States or of the State or the United States Tax Court shall be rendered, or an order, ruling, regulation (final, temporary or proposed), press release, statement or other form of notice by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made or proposed, the effect of any or all of which would be to impose, directly or indirectly, federal income taxation upon interest received on obligations of the general character of the Bonds of the interest on the Bonds as described in the Official Statement, or other action or events shall have transpired which may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences of any of the transactions contemplated herein;

(b) legislation introduced in or enacted (or resolution passed) by the Congress or an order, decree, or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary, or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds, including any or all underlying arrangements, are not exempt from registration under or other requirements of the 1933 Act, or that the Ordinance is not exempt from qualification under or other requirements of the Trust Indenture Act, or that the issuance, offering, or sale of obligations of the general character of the Bonds, including any or all underlying arrangements, as contemplated hereby or by the Official Statement or otherwise, is or would be in violation of the federal securities laws (as amended and then in effect) or any rule or regulation promulgated thereunder;

(c) any state blue sky or securities commission or other governmental agency or body in any state in which more than 15% of the Bonds have been offered and sold shall have withheld registration, exemption or clearance of the offering of the Bonds as described herein, or issued a stop order or similar ruling relating thereto;

(d) there shall be in force a general suspension of trading, minimum or maximum prices for trading shall have been fixed and be in force or maximum ranges or prices for securities shall have been required and be in force on the New York Stock Exchange or other national stock exchange whether by virtue of a determination by such exchange or by order of the Securities and Exchange Commission or any other governmental authority having jurisdiction;

(e) additional material restrictions upon trading in securities generally not in force as of the date hereof shall have been imposed by the New York Stock Exchange or by any other national securities exchange or any governmental authority having jurisdiction; or the New York Stock Exchange, any other national securities exchange or any governmental authority having jurisdiction, shall have imposed, as to the Bonds or similar obligations, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of Underwriters or broker-dealers;

(f) a major financial crisis or a material disruption in commercial banking or securities settlement or clearance services shall have occurred which in the judgment of the Representative, reasonably exercised, would make the marketing of the Bonds generally impractical;

(g) a general banking moratorium declared by federal, State of New York, or State officials authorized to do so;

(h) any amendment to the federal or state Constitution or action by any federal or state court, legislative body, regulatory body, or other authority materially adversely affecting the tax status of the Issuer, its property, income securities (or interest thereon), or the validity or enforceability of the assessments or the collection of Net Revenues of the System to pay the Issuer's obligations secured by and payable from the Net Revenues of the System (including principal of and interest on the Bonds);

(i) any fact or event shall exist or have existed, or information shall become known which, in the reasonable judgment of the Representative, makes untrue in any material respect any material statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(j) there shall have occurred since the date of this Agreement any materially adverse change in the operations or financial condition of the Issuer;

(k) the United States shall have either become engaged in hostilities that did not exist prior to the date hereof or issued a declaration of war or a national emergency, or there shall have occurred a new material outbreak or escalation of hostilities or a national or international calamity or crisis, financial or otherwise;

(l) any fact or event shall exist or have existed that, in the Representative's reasonable judgment, requires or has required an amendment of or supplement to the Official Statement;

(m) there shall have occurred any downgrading, or any notice shall have been given of (i) any intended or potential downgrading or (ii) any review, possible negative change or possible change that does not indicate the direction of a possible change, in the rating accorded any of the Issuer's obligations that are secured in a like manner as the Bonds (including the Bonds); and

(n) the purchase of and payment for the Bonds by the Underwriters, or the resale of the Bonds by the Underwriters, on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission, and such prohibition is not the result of the Underwriters' action or non-action.

## **8. Expenses.**

(a) The Underwriters shall be under no obligation to pay, and the Issuer shall pay, any expenses incident to the performance of the Issuer's obligations hereunder, including, but not limited to (i) the cost of preparation and printing of the Bonds; (ii) the fees and disbursements of Bond Counsel and the Issuer's Financial Advisor; (iii) the fees and disbursements of any other attorneys,



engineers, accountants, and other experts, consultants or advisers retained by the Issuer; (iv) the fees for bond ratings and municipal bond insurance, if any; (v) the costs of preparing, printing and mailing the Preliminary Official Statement and the Official Statement; (vi) the fees and expenses of the Registrar and the paying agents, if any, for the Refunded Notes; (vii) publication expenses, if any, in connection with the redemption of the Refunded Notes; (viii) advertising expenses (except any advertising expenses of the Underwriters as set forth below); (ix) the out-of-pocket, miscellaneous and closing expenses, including the cost of travel, of the officers and officials of the Issuer; (x) the Attorney General's review fee; and (xi) any other expenses mutually agreed to by the Issuer and the Representative to be reasonably considered expenses of the Issuer which are incident to the transactions contemplated hereby.

(b) The Underwriters shall pay (i) the cost of preparation and printing of this Agreement, the Blue Sky Survey and Legal Investment Memorandum, if any; (ii) all advertising expenses in connection with the public offering of the Bonds; and (iii) all other expenses incurred by them in connection with the public offering of the Bonds, including the fees and disbursements of counsel retained by the Underwriters.

**9. Notices.** Any notice or other communication to be given to the Issuer under this Agreement may be given by delivering the same in writing to City of Austin, Texas, 700 Lavaca, Suite 1510, Austin, Texas 78701, Attention: Treasurer; and, any notice or other communication to be given to the Underwriters under this Agreement may be given by delivering the same in writing to Citigroup Global Markets, Inc., 2000 W. Sam Houston Parkway South, Suite 600, Houston, Texas 77042, Attention: Anderson Bynam.

**10. Parties in Interest.** This Agreement as heretofore specified shall constitute the entire agreement between us and is made solely for the benefit of the Issuer and the Underwriters (including successors or assigns of the Underwriters) and no other person shall acquire or have any right hereunder or by virtue hereof. This Agreement may not be assigned by the Issuer. All of the Issuer's representations, warranties and agreements contained in this Agreement shall remain operative and in full force and effect, regardless of (i) any investigations made by or on behalf of any of the Underwriters; (ii) delivery of and payment for the Bonds pursuant to this Agreement; and (iii) any termination of this Agreement.

**11. Effectiveness.** This Agreement shall become effective upon the acceptance hereof by the Issuer and shall be valid and enforceable at the time of such acceptance.

**12. Choice of Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Texas.

**13. Severability.** If any provision of this Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular

case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provision or provisions of any Constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatever.

**14. Business Day.** For purposes of this Agreement, “business day” means any day on which (a) the New York Stock Exchange is open for trading and (b) the payment system of the Federal Reserve System is operational.

**15. Section Headings.** Section headings have been inserted in this Agreement as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this Agreement and will not be used in the interpretation of any provisions of this Agreement.

**16. Counterparts.** This Agreement may be executed in several counterparts each of which shall be regarded as an original (with the same effect as if the signatures thereto and hereto were upon the same document) and all of which shall constitute one and the same document.

*[Execution Page Follows.]*

If you agree with the foregoing, please sign the enclosed counterpart of this Agreement and return it to the Representative. This Agreement shall become a binding agreement between the Issuer and the Underwriters when at least the counterpart of this letter shall have been signed by or on behalf of each of the parties hereto.

Respectfully submitted,

CITIGROUP GLOBAL MARKETS, INC.,  
as Representative of the Underwriters

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ACCEPTED at \_\_\_\_\_ [a.m./p.m.] central time this \_\_\_\_\_ day of \_\_\_\_\_, 2010.

CITY OF AUSTIN, TEXAS

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Schedule I - List of Underwriters  
Schedule II - Schedule of Terms

Execution Page

City of Austin, Texas, Electric Utility System Revenue Refunding Bonds, Series 2010A

**SCHEDULE I**

**List of Underwriters**

Citigroup Global Markets, LLC

Barclays Capital Inc.

Cabrera Capital Markets, LLC

Morgan Keegan & Company, Inc.

Morgan Stanley & Co. Incorporated

Rice Financial Products Company

Siebert Brandford Shank & Co., LLC

Southwest Securities, Inc.

## SCHEDULE II

\$ \_\_\_\_\_  
**City of Austin, Texas**  
**Electric Utility System**  
**Revenue Refunding Bonds**  
**Series 2010A**

Interest Accrues From: June 1, 2010

\$ \_\_\_\_\_ **Serial Bonds**

<u>Maturity</u> <u>(November 15)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Initial</u> <u>Reoffering</u> <u>Price/Yield</u> <sup>(a)</sup>
20__ <sup>(b)</sup>	\$	%	%
20__ <sup>(b)</sup>			
20__ <sup>(b)</sup>			
20__ <sup>(b)</sup>			
20__ <sup>(b)</sup>			

\$ \_\_\_\_\_ % **Term Bonds, Due November 15, 20\_\_**, Yield \_\_\_\_\_ %<sup>(a) (b) (c)</sup>

\$ \_\_\_\_\_ % **Term Bonds, Due November 15, 20\_\_**, Yield \_\_\_\_\_ %<sup>(a) (b) (c)</sup>

\$ \_\_\_\_\_ % **Term Bonds, Due November 15, 20\_\_**, Yield \_\_\_\_\_ %<sup>(a) (b) (c)</sup>

(a) The initial reoffering prices or yields of the Bonds are furnished by the Underwriters and represent the initial offering prices or yields to the public, which may be changed by the Underwriters at any time.

(b) The Issuer reserves the right, at its option, to redeem Bonds at any time on the terms set forth in the Official Statement under the caption "DESCRIPTION OF THE BONDS – Optional Redemption."

(c) The Term Bonds scheduled to mature on November 15 in the years 20\_\_, 20\_\_ and 20\_\_ are also subject to mandatory sinking fund redemption on the dates and in the amounts set forth in the following schedule:

<u>Mandatory</u> <u>Redemption Date</u>	<u>Principal</u> <u>Amount</u>	<u>Mandatory</u> <u>Redemption Date</u>	<u>Principal</u> <u>Amount</u>	<u>Mandatory</u> <u>Redemption Date</u>	<u>Principal</u> <u>Amount</u>
November 15, 20__	\$	November 15, 20__	\$	November 15, 20__	\$
November 15, 20__		November 15, 20__*		November 15, 20__	
November 15, 20__				November 15, 20__	
November 15, 20__*				November 15, 20__	
				November 15, 20__*	

\* Stated maturity.

**EXHIBIT A**  
**ISSUE PRICE CERTIFICATE**