

Late Backup

Draft to
#74
EXHIBIT E

CITY OF AUSTIN, TEXAS
(Travis, Williamson and Hays Counties, Texas)

**Water and Wastewater System
Revenue Refunding Bonds
Series 2010A**

**Water and Wastewater System
Revenue Refunding Bonds
Taxable Series 2010B
(Direct Subsidy-Build America Bonds)**

BOND PURCHASE AGREEMENT

November 18, 2010

The Honorable Mayor and Members
of the City Council
City of Austin, Texas
700 Lavaca, Suite 1510
Austin, Texas 78701

Ladies and Gentlemen:

The undersigned, Barclays Capital Inc. (hereinafter sometimes called the "Representative"), acting on its own behalf and on behalf of the other underwriters listed on Schedule I hereto (the Representative and such other underwriters being collectively called the "Underwriters"), and not acting as a 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 the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriters upon written 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, jointly and severally, 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 Water and Wastewater System Revenue Refunding Bonds, Series 2010A (the "Series 2010A Bonds") and the Issuer's Water and Wastewater System Revenue Refunding Bonds, Taxable Series 2010B (Direct Subsidy-Build America Bonds) (the "Series 2010B Bonds" and, together with the Series 2010A Bonds, the "Bonds"). The Issuer acknowledges that in connection with the purchase and sale of the Bonds pursuant to this Agreement and the offering of the Bonds for sale

and the discussions and negotiations relating to the terms of the Bonds set forth in this Agreement: (a) the Underwriters have acted at arms length, are acting solely as principals for their own account and are not agents of or advisors to, and owe no fiduciary duties to, the Issuer or any other person, (b) the Underwriters' duties and obligations to the Issuer shall be limited to those contractual duties and obligations set forth in this Agreement, (c) the Underwriters may have interests that differ from those of the Issuer and (d) the Issuer has consulted its own legal and financial advisors to the extent it deemed appropriate in connection with the offering of the Bonds. The Representative represents and warrants to the Issuer that it has been duly authorized to act on behalf of itself and the other Underwriters to enter into this Agreement and to take all actions, on behalf of the Underwriters, required or contemplated to be performed by the Underwriters under this Agreement.

The principal amount of the Bonds to be issued, the maturities and interest rates per annum are set forth in Schedule II hereto. The Bonds will be dated November 1, 2010. The Bonds shall be as described in, and shall be issued and secured under and pursuant to the provisions of Ordinance No. 000608-56A adopted by the City Council of the Issuer on June 8, 2000 (the "Master Ordinance"), and a Nineteenth Supplemental Ordinance, including all appendices and exhibits thereto, adopted by the City Council of the Issuer on November 18, 2010 (the "Nineteenth Supplement" and, together with the Master Ordinance, the "Ordinance").

The purchase price for the Series 2010A Bonds shall be \$77,856,330.08 (representing \$76,855,000 original principal amount thereof, plus a net original issue premium of \$1,415,842.85, less an underwriting discount of \$414,512.77) plus interest accrued on the Bonds to Closing (as defined herein).

The purchase price for the Series 2010B Bonds shall be \$100,348,024.08 (representing \$100,970,000 original principal amount thereof, less an underwriting discount of \$621,975.92) plus interest accrued on the Bonds to Closing.

On the date of the execution of this Agreement, the Representative must wire \$1,718,900 in immediately available funds by federal funds wire transfer to or for the account of the Issuer, to be held by the Issuer pending the delivery of the Bonds. Failure of the Issuer to receive such funds on the date of this Agreement shall result in a termination of this Agreement, notwithstanding anything in this Agreement to the contrary. It is the intent of the parties that such funds will be applied to the purchase price of the Bonds payable at the Closing, as herein provided, and the amount to be paid by the Underwriters at the Closing for the purchase of the Bonds shall be reduced by \$1,718,900. In the event of the failure by the Issuer to deliver the Bonds at Closing, or if the Issuer is 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 Issuer will wire \$1,718,900 promptly to the Representative. In the event that the Underwriters fail (other than for a permitted reason hereunder) to accept and pay for the Bonds upon the proper tender thereof by the Issuer at the Closing, as herein provided, the Issuer shall be entitled to retain such funds 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 and receipt of such funds shall constitute a waiver of any right the Issuer may have to additional damages from the Underwriters.

2. ***Establishment of Issue Price; Underwriters' Acknowledgements and Agreements to Provide Information in Connection with EMMA Review of Series 2010B Bonds.*** (a) The term "public," as used herein, does not include bondhouses, brokers, dealers, and similar persons or organizations acting in the capacity of underwriters or wholesalers with respect to the Bonds. The Underwriters agree to complete a bona fide public offering of all of the Bonds of all maturities pursuant to which the Underwriters will (i) offer each of the Bonds of each maturity to the public at the initial offering price for the applicable maturity that will be set forth on the inside cover of the Official Statement (each, an "Initial Offering Price") and (ii) reasonably expect to sell the Bonds at a price no higher than the applicable Initial Offering Price. The Underwriters reserve the right to lower such Initial Offering Price(s) as they deem necessary in connection with the marketing of the Bonds. The Underwriters may offer and sell the Bonds to the public (including dealers depositing the Bonds into investment trusts) at prices lower than the Initial Offering Price(s) set forth in the Official Statement. The Underwriters also reserve the right to: (i) over-allot or effect transactions which stabilize or maintain the market price of the Bonds at levels above those that might otherwise prevail in the open market and (ii) discontinue such stabilizing, if commenced, at any time without prior notice. The aggregate of the Initial Offering Prices is the price that the Underwriters will certify is the "issue price" of each series of the Bonds (the "Certified Issue Price") by executing and delivering to the Issuer and Bond Counsel, on the date of delivery of the Bonds (i) with respect to the Series 2010A Bonds, a certificate substantially in the form attached hereto as Exhibit A, and (ii) with respect to the Series 2010B Bonds, a certificate substantially in the form attached hereto as Exhibit B (each, an "Issue Price Certificate").

(b) The Underwriters acknowledge that they have been advised of the following:

(1) that the Issuer intends to make an irrevocable election (the "BAB Election") to elect to treat the Series 2010B Bonds as "build America bonds" ("BABs") under section 54AA of the Internal Revenue Code of 1986, as amended (the "Code") in order to receive payments from the federal government equal to 35% of the interest payments on the Series 2010B Bonds (the "Interest Subsidy Payments");

(2) that the Issuer's BAB Election and attendant receipt of the Interest Subsidy Payments is legally dependent on (a) the amount of original issue premium at which the Series 2010B Bonds are sold not exceeding a de minimus amount (0.25% for each complete year to stated maturity or earlier optional call date), and (b) the costs of issuing the bonds, including the compensation paid to the Underwriters, not exceeding 2% of the sales proceeds of the Series 2010B Bonds (collectively, the "Limits");

(3) that the Issuer's determination of its compliance with the Limits and Bond Counsel's opinion to the Issuer that the Series 2010B Bonds qualify for the BAB Election and attendant receipt of the Interest Subsidy Payment will rely on, among other things, a properly executed Issue Price Certificate, and that such opinion of Bond Counsel shall include an opinion that the Series 2010B Bonds qualify as BABs under Section 54AA of

the Code and as “qualified bonds” (“Qualified Build America Bonds”) under Section 54AA(g) of the Code; and

(4) that documents published by the Internal Revenue Service (the “IRS”) and public statements made by IRS personnel indicate that issuers of BABs will be asked (in questionnaires and/or in possible audit of their bonds) whether, prior to delivery of the bonds (a) the issuers reviewed data with respect to sales of their bonds available on the Electronic Municipal Market Access (“EMMA”) system maintained by the Municipal Securities Rulemaking Board (an “EMMA Review”); and (b) the issuers asked for and received explanations of sales of their bonds at prices higher than the issue price certified by the underwriters.

In connection with the Issuer’s EMMA Review, the Underwriters agree to:

(1) no later than three days prior to closing of the Series 2010B Bonds, provide the Issuer with EMMA data (to the extent reasonably available) evidencing any trading activity of the Series 2010B Bonds occurring on or after the date hereof and on or prior to the date that is five days prior to the closing of the Bonds (the “Review Period”); and

(2) with respect to any sale of Series 2010B Bonds during the Review Period that the Issuer identifies, in writing, as having been made at a price higher than the Certified Issue Price (an “Identified Sale”), the Underwriters will use their best efforts, to the extent available from EMMA or other reliable market sources, to provide such information about the Identified Sale as the Issuer may reasonably request, including the following:

(i) whether the Identified Sale was a sale of Series 2010B Bonds by the Underwriters and persons controlling, controlled by or under common control with an Underwriter or having a contractual relationship with respect to the sale of the Bonds with an Underwriter (each, a “Syndicate Person”); and

(ii) if the Identified Sale is a sale of Series 2010B Bonds by a Syndicate Person, an explanation from such Syndicate Person of the circumstances which gave rise to such sale, including, to the extent available, why the Identified Sale was at a price higher than the Certified Issue Price.

[The obligation to provide the Issuer with EMMA data rests with each Underwriter individually and not jointly.]

3. **The Official Statement.** (a) The Issuer previously has delivered copies of the Preliminary Official Statement dated October 28, 2010 (the “Preliminary Official Statement”), to the Underwriters 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 or cause to be prepared a final Official Statement relating to the Bonds, which will be (1) dated the date of this Agreement, (2) complete within the meaning of the United States Securities and Exchange Commission’s Rule 15c2-12, as amended (the “Rule”), (3) substantially in the form of the most recent version of the Preliminary Official Statement provided to the Underwriters before the

execution hereof, and (4) in both a “designated electronic format” consistent with the requirements of Rule G-32 and in a printed format. 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 Underwriters sufficient quantities of the Preliminary Official Statement (which may be in electronic format, as described above) as the Underwriters reasonably deem 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 by the Issuer 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 was “deemed final” by the Issuer as of its date for purposes of the Rule, 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 represents that it has reviewed and approved the information in the Official Statement and the Issuer hereby authorizes the distribution and use of the Official Statement, and the information therein contained, by the Underwriters in connection with the public offering and the sale of the Bonds. The Issuer ratifies and consents to the distribution and use by the Underwriters prior to the date hereof of the Preliminary Official Statement in connection with the public offering and sale 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 business days after the Issuer’s acceptance of this Agreement and in sufficient time to accompany any confirmation that requests payment from any customer) copies of the Official Statement which is complete as of the date of its delivery to the Underwriters (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 reasonably request in order for the Underwriters to comply with Section (b)(4) of the Rule and the rules of the MSRB. The Issuer hereby confirms that it does not object to the distribution of the Preliminary Official Statement or the Official Statement in electronic form.

(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) 90 days from the “end of the underwriting period” (as defined in Rule) and (ii) the time when the Official Statement is available to any person from the MSRB, but in no case less than 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 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 Representative (and for the purposes of this clause provide the Representative with such information as it may from time to time request), and if, in the reasonable judgment 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), a reasonable number of copies of either amendments or supplements 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 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 representation, warranty or covenant made herein, or 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 ("DTC"), 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 reasonably 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, (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 reasonably request in order for the Underwriters to comply with Section (b)(4) of the Rule and the rules of the MSRB.

(e) The Representative hereby agrees to timely file, or cause to be filed, the Official Statement (and any amendment or supplement to the Official Statement prepared in accordance with Section 3(d) above) with (i) the MSRB or its designee (including EMMA) or (ii) other repositories approved from time to time by the United States Securities and Exchange Commission (either in addition to or in lieu of the filing referred to in clause (i) above). 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.

(f) To the knowledge and belief of the Issuer, the Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Bonds. Except as otherwise provided in the Preliminary Official Statement and the Official Statement, during the last five years the Issuer has complied with all continuing disclosure agreements made by it in accordance with the Rule.

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 incorporated home rule city, created, operating and existing under the Constitution and general laws of the State of Texas (the "State") and its home rule charter. The Issuer has full legal right, power and authority under its home rule charter, and the Constitution and general laws of the State, including Chapters 1207 and 1502, Texas Government Code, as amended (the "Acts"), and at the date of the Closing will have full legal right, power and authority under the Acts and the Ordinance (i) to enter into, execute and deliver this Agreement, the Ordinance (which contains the Undertaking defined in Section 6(j)(3) hereof) and all documents required hereunder and thereunder to be executed and delivered by the Issuer (this Agreement, the Ordinance, and the Undertaking and the other documents referred to

in this clause are hereinafter referred to as the "Issuer Documents"), (ii) to sell, issue and deliver the Bonds to the Underwriters as provided herein, (iii) to own and operate the Water and Wastewater System (the "System"), (iv) secure the payment of the Bonds as provided in the Ordinance, and (v) to carry out and consummate the transactions described in the Issuer Documents and the Official Statement, and the Issuer has complied, and will at the Closing be in compliance in all respects, with the terms of the Acts and the Issuer Documents 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 on the terms set forth herein, (ii) the approval, execution and delivery of, and the performance by the Issuer of the obligations on its part, contained in the Bonds and the Issuer Documents, (iii) the approval, distribution and use of the Preliminary Official Statement and the approval, execution, distribution and use of the Official Statement for use by the Underwriters in connection with the public offering of the Bonds and (iv) the consummation by it of all other transactions described in the Official Statement, the Issuer Documents 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 described herein and in the Official Statement.

(c) This Agreement constitutes a legal, valid and binding obligation of the Issuer, enforceable in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium, sovereign immunity of political subdivisions and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights; the other Issuer Documents, when duly executed and delivered, 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 (as defined in the Ordinance and described in the Official Statement) of the System, enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium, sovereign immunity of political subdivisions and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights; 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 entitled to the benefits of the Ordinance and enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium, sovereign immunity of political subdivisions and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights; upon the issuance, authentication and delivery of the Bonds as aforesaid, 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 relating to the issuance of the Bonds 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 or any of its property or assets is otherwise subject, and no event which would have a material and adverse effect upon the business or financial condition of the Issuer 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 and the Issuer Documents 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, applicable law, 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 nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Issuer to be pledged to secure the Bonds 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 matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the approval or adoption, as applicable, of the Issuer Documents, the issuance of the Bonds or the due performance by the Issuer of its obligations under the Issuer Documents and the Bonds, or which would have a material adverse effect of the ability of the Issuer to carry on the operation of the System, have been duly obtained, except for the approval of the Bonds by the Attorney General of the State of Texas and the registration of the Bonds by the Comptroller of Public Accounts of the State of Texas and such approvals, consents and orders as may be required under the Blue Sky or securities laws of any jurisdiction in connection with the offering and sale of the Bonds.

(f) The Bonds and the Ordinance conform to the descriptions thereof contained in the Preliminary Official Statement and 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 Preliminary Official Statement and the Official Statement under the captions "PLAN OF FINANCING" and "SOURCES AND USES OF FUNDS" and the Undertaking conforms to the description thereof contained in the Preliminary Official Statement and the Official Statement under the caption "CONTINUING DISCLOSURE OF INFORMATION."

(g) Except to the extent disclosed in the Preliminary Official Statement and the Official Statement, 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 knowledge of the Issuer, threatened against the Issuer: (i) affecting the existence of the Issuer or the titles of its officers to their respective offices, (ii) affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the collection of Net Revenues of the System pledged to the payment of principal of and interest on the Bonds pursuant to the Ordinance, (iii) in any way contesting or affecting the validity or enforceability of the Bonds or the Issuer Documents, (iv) contesting the exclusion from gross income of interest on the Series 2010A Bonds for federal income tax purposes or the treatment of the Series 2010B Bonds as Qualified Build America Bonds, (v) contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto, or (vi) 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 Issuer Documents, nor, to the 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 or the Issuer Documents; provided, however, that for all purposes of this Agreement, including, without limitation, for purposes subparagraphs (h), (i) and (j) below, 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 DTC or its book-entry-only system.

(h) The Preliminary Official Statement, as supplemented and amended through the date hereof, did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(i) 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 necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(j) 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.

(k) The Issuer has the legal authority to apply and 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 Series 2010A Bonds or, prior to Closing, the treatment of the Series 2010B Bonds as Qualified Build America Bonds.

(l) 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 at no expense to the Issuer, (A) to (y) 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 (z) determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions and (B) 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 Representative 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.

(m) The financial statements of, and other financial information regarding the Issuer, in the Preliminary Official Statement and in the Official Statement fairly present the financial position and results of the Issuer as of the dates and for the periods therein set forth. The financial statements of the Issuer have been prepared in accordance with generally accepted accounting principles consistently applied, and except as noted in the Preliminary Official Statement and in the Official Statement, the other historical financial information set forth in the Preliminary Official Statement and in the Official Statement has been presented on a basis consistent with that of the Issuer's audited financial statements included in the Preliminary Official Statement and in the Official Statement. Prior to the Closing, the Issuer will not take any action within or under its control that will cause any adverse change of a material nature in such financial position, results of operations or condition, financial or otherwise, of the Issuer. 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 financial condition of the Issuer.

(n) Prior to the Closing, the Issuer will not offer or issue any bonds, notes or other obligations for borrowed money or incur any material liabilities (except in the ordinary course of business), direct or contingent, payable from or secured by the Net Revenues of the System which will secure the Bonds without the prior approval of the Representative.

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

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

(q) The Issuer, to the extent heretofore requested by the Representative, has delivered to the Representative 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 Bonds and, in each instance, true, correct, complete, and legible copies of all correspondence or other communications relating, directly or indirectly, thereto.

(r) The Issuer is taking, and prior to the date of Closing will take, all action required as of the Closing Date to designate the Series 2010B Bonds as BABs under Section 54AA(d) of the Code and as Qualified Build America Bonds under Section 54AA(g) of the Code; the Interest Subsidy Payments will be payable to the Issuer; and the Issuer covenants to comply with the applicable procedures for claiming such credit.

5. **Closing.** (1) At 10:00 a.m. Austin, Texas time, on December 16, 2010, or at such other time and date as shall have been mutually agreed upon by the Issuer and the Representative, the Issuer will, subject to the terms and conditions hereof, deliver to the Representative the initial Bonds registered in the name of the Representative, in temporary form, together with the other documents hereinafter mentioned, and will have available for immediate exchange definitive Bonds duly executed and authenticated in the form and manner described

below, 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, in immediately available funds by federal funds wire transfer to or for the account of the Issuer (such events being referred to herein as the "Closing"). Payment for the Bonds as aforesaid shall be made at the offices of the Paying Agent/Registrar, or such other place as shall have been mutually agreed upon by the Issuer and the Underwriters.

Delivery of the Bonds in definitive form shall be made through the facilities of DTC's book-entry-only system. The definitive Bonds shall be delivered in fully registered form, bearing CUSIP numbers without coupons, with one Bond for each maturity of the Bonds and registered in the name of Cede & Co., as nominee of DTC, all as provided in the Ordinance, and shall be made available to the Representative at least one business day before the Closing for purposes of inspection. Unless otherwise agreed to by the Representative, the Bonds will be delivered under DTC's FAST delivery system.

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 accuracy of 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' obligations 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, unless waived in writing by the Representative on behalf of the Underwriters:

(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) the Issuer Documents and the Bonds shall have been duly executed, delivered and authenticated, as applicable, shall be in full force and effect and shall not have been amended, modified or supplemented, and the Official Statement shall have been duly executed and delivered and shall not have been supplemented or amended, except in any such case as may have been agreed to by the Representative; and (ii) 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 and the Issuer Documents 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 executed and delivered by the Issuer and the Issuer shall have duly executed and delivered and the Paying Agent/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 reasonable judgment of the Representative, is material and adverse and that makes it, in the reasonable 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 been in default with respect to the timely payment of principal or interest when due on any of its outstanding obligations for borrowed money.

(h) No suit, action, investigation, or legal or administrative proceeding shall be threatened or pending before any court or governmental agency which is likely to result in the restraint, prohibition, or the obtaining of damages or other relief in connection with the issuance of the Bonds or the consummation of the transactions described herein, or which, in the reasonable opinion of the Representative, would have a materially adverse effect on the transactions described herein.

(i) 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, Bond Counsel and counsel to the Underwriters.

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

(1) The Official Statement, and each supplement or amendment thereto, if any, in (i) a "designated electronic format" that meets the requirements of Rule G-32 and (ii) in a printed format;

(2) The Ordinance certified by the City Clerk under the Issuer's seal as having been duly adopted by the Issuer and as being in effect, with such supplements or amendments as may have been agreed to by the Representative;

(3) The Continuing Disclosure Undertaking (the "Undertaking") of the Issuer which satisfies the requirements of section (b)(5)(i) of the Rule, which Undertaking is included in the Nineteenth Supplement;

(4) A copy of an opinion or certificate, dated on or prior to the date of Closing, of the Attorney General of the State of Texas approving the Bonds as required by law and a copy of the registration certificate of the Comptroller of Public Accounts of the State of Texas;

(5) The approving opinions of Bond Counsel with the respect to the Bonds, in substantially the forms attached to the Official Statement;

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

(i) the Issuer has duly adopted and enacted the Ordinance, and the Ordinance 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) except to the extent noted therein, said firm has not verified and is not passing upon, and does not assume any responsibility for, the accuracy, completeness or fairness of the statements and information contained in the Preliminary Official Statement and the Official Statement but that said firm has reviewed the statements and information contained under the headings, "PLAN OF FINANCING", "SECURITY FOR THE BONDS" (except for the information under the subheading "Financial Guaranty Disclosure"), "DESCRIPTION OF THE BONDS" (except for the information under the subheading "Bondholders Remedies"), "TAX MATTERS – SERIES 2010A BONDS", "TAX MATTERS – SERIES 2010B BONDS", "CONTINUING DISCLOSURE OF INFORMATION" (except for the information under the subheading "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", "APPENDIX D" and "APPENDIX E" and is of the opinion that the information relating to the Bonds and legal matters contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the provisions of the Ordinance;

(7) An opinion, dated the date of the Closing and addressed to the Underwriters, of counsel for the Underwriters in substantially the form set forth in Exhibit C;

(8) A certificate, dated the date of Closing, signed by the Issuer's City Manager and Chief Financial Officer 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 on and as of the date of Closing as if made on the date of Closing; (ii) except to the extent disclosed in the Preliminary Official Statement and the Official Statement, no litigation, action, suit or proceeding or tax challenge against it is pending or, to their knowledge, threatened in any court or administrative body nor, to their knowledge, is there a basis for litigation which would (a) contest the right of the members of the City Council 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 Issuer's operation of the System, or contest the validity, due authorization and execution of the Bonds or the Issuer Documents 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, and other income or the assessment or collection of the Net Revenues of the System pledged or to be pledged to pay the principal of and interest on the Bonds, or the pledge thereof; (iii) the official actions of the Issuer authorizing the execution, delivery and/or performance of the Official Statement, the Bonds and Issuer Documents have been duly adopted by the Issuer, are in full force and effect and have not been modified, amended or repealed; (iv) to their 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 respect as of the time of Closing, and the information contained in the Preliminary Official Statement, as of its date and through the date of this Agreement and the Official Statement, as of its date and as of the date of Closing, was and is correct in all material respects and, does not and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading; (v) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the Issuer, and their activities contained in the Preliminary Official Statement and the Official Statement are concerned, such statements and data have been obtained from sources which the Issuer believes to be reliable and the Issuer has no reason to believe that they are untrue in any material respect; and (vi) there has not been any materially adverse change in the financial condition of the Issuer since September 30, 2009, the latest date as of which audited financial information is available;

(9) A certificate of the Issuer in form and substance satisfactory to Bond Counsel and counsel to the Underwriters 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 Series 2010A Bonds will be used in a manner that would cause the Series 2010A Bonds to be "arbitrage bonds" or "private activity bonds" within the meaning of Sections 148 and 141, respectively, of the Code, and any applicable regulations (whether final, temporary or proposed), issued pursuant to the Code;

(10) Evidence in a form acceptable to the Representative that Standard & Poor's, a Standard & Poor's Financial Services LLC business, Moody's Investors Service and Fitch Ratings, Inc. have assigned ratings of "AA", "Aa2", and "AA-", respectively, to the Bonds, and that all such ratings are in effect as of the date of Closing; and

(11) Such additional legal opinions, certificates, instruments and other documents as the Representative, Bond Counsel 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 reasonably satisfactory to the Underwriters.

The Representative acknowledges, on behalf of the Underwriters, that it has received a copy of the Nineteenth Supplement, and has reviewed the Undertaking set forth therein.

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 obligation of the Issuer to return the amount wired by the Representative to the Issuer on the date of execution of this Agreement to the Representative as described in Section 1 and the respective obligations of the Issuer and the Underwriters set forth in Sections 4, 8 and 10 hereof shall continue in full force and effect.

7. **Termination.** The Representative shall have the right to terminate the Underwriters' obligation under this Agreement (as evidenced by a written notice to the Issuer terminating the obligation of the Underwriters to accept delivery of and pay for the Bonds) to purchase, to accept delivery of and to pay for the Bonds if, after the execution hereof and prior to the Closing, the market price or marketability of the Bonds or the ability of the Underwriters to enforce contracts for the sale of the Bonds shall be materially adversely affected in the 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 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 Series 2010A Bonds, or the interest on the Series 2010A 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, including but not limited to, the status of the Series 2010B Bonds as BABs or as Qualified Build America Bonds.

(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, no-action letter, 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 Federal Securities laws, including the 1933 Act, or that the Ordinance or any document relating to the issuance, offering or sale of the Bonds, 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 any federal securities laws, including the 1933 Act, the Securities Exchange Act of 1934 and the Trust Indenture Act, as amended and then in effect.

(c) Any state blue sky or securities commission or other governmental agency or body in a state in which fifteen percent (15%) or more of the Bonds have been 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, provided that such withholding or stop order is not due to the malfeasance, misfeasance or nonfeasance of the Underwriters.

(d) A general suspension of trading in securities on the New York Stock Exchange, the American Stock Exchange or any other major exchange, the establishment of minimum or maximum prices on any such exchange, the establishment of material restrictions (not in force as of the date hereof) upon trading securities generally by any governmental authority or any national securities exchange, a general banking moratorium declared by federal, State of New York, or State officials authorized to do so.

(e) The New York Stock Exchange or other national securities exchange or any governmental authority, shall impose, as to the Bonds or as to obligations of the general character of the Bonds, 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, the Underwriters.

(f) Any amendment to the federal or Texas 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 rates and charges for the System 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 to pay principal of and interest on the Bonds).

(g) Any event occurring, or information becoming known which, in the reasonable judgment of the Representative, makes untrue in any material respect any 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 necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(h) There shall have occurred since the date of this Agreement any materially adverse change in the affairs or financial condition of the Issuer, except for changes which the Official Statement discloses are expected to occur.

(i) There shall have occurred any (i) new material outbreak of hostilities (including, without limitation, an act of terrorism) or (ii) new material other national or international calamity or crisis, or any material adverse change in the financial, political or economic conditions affecting the United States, including, but not limited to, an escalation of hostilities that existed prior to the date hereof and the effect of any such event on the financial markets of the United States, shall be such as would make it impracticable, in the reasonable judgment of the Representative, for the Underwriters to sell the Bonds on the terms and in the manner contemplated by the Official Statement.

(j) 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.

(k) There shall have occurred any downgrading or published negative credit watch or similar published information from a rating agency that at the date of this Agreement has published a rating (or has been asked to furnish a rating on the Bonds) on any of the Issuer's debt obligations that are secured in a like manner as the Bonds, which action reflects a downgrade or possible downgrade, in the ratings accorded any such obligations of the Issuer (including any rating to be accorded the Bonds).

(l) 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 shall occur subsequent to the date hereof, and is not the result of the malfeasance, misfeasance or nonfeasance of the Underwriters'.

With respect to the condition described in subparagraph (l) above, the Representative is not aware of any current, pending or proposed law or government inquiry or investigation as of the date of execution of this Agreement which would permit the Underwriters to invoke their termination rights hereunder.

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 Financial Advisor to the Issuer; (iii) the fees and disbursements of any other engineers, attorneys, accountants, and other experts, consultants or advisers retained by the Issuer; (iv) the fees for bond ratings; (v) the costs of preparing, printing and mailing the Preliminary Official Statement and the Official Statement; (vi) the fees and expenses of the Paying Agent/Registrar; (vii) advertising expenses (except any advertising expenses of the Underwriters as set forth below); (viii) the out-of-pocket, miscellaneous and closing expenses, including the cost of travel, of the officers and trustees of the Issuer; and (ix) 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 and 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 the City of Austin, Texas, 700 Lavaca, Suite 1510, Austin, Texas 78701, Attention: Chief Financial Officer, 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 Barclays Capital Inc., 745 7th Avenue, 19 Floor, New York, NY 10019, Attention: Mr. John Daniel.

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 and warranties 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 the New York Stock Exchange is open for trading.

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.

17. ***No Personal Liability.*** None of the members of the City Council, nor any officer, agent, or employee of the Issuer, shall be charged personally by the Underwriters with any liability, or be held liable to the Underwriters under any term or provision of this Agreement, or because of execution or attempted executing, or because of any breach or attempted or alleged breach, of the Agreement.

[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 you 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.

Very truly yours,

BARCLAYS CAPITAL INC.,
as Representative for the Underwriters
Identified on Schedule I

By: _____
Authorized Officer

APPROVED AND ACCEPTED at _____ o'clock a.m./p.m. as of the date hereof:

CITY OF AUSTIN, TEXAS

By: _____

Title: _____

SCHEDULE I

UNDERWRITERS

Barclays Capital Inc.
Bank of America Merrill Lynch
First Southwest Company
RBC Capital Markets
Goldman, Sachs & Co.
Ramirez & Co.
JP Morgan Securities LLC
Estrada Hinojosa & Co. Inc.

SCHEDULE II

\$76,855,000

CITY OF AUSTIN, TEXAS

(Travis, Williamson and Hays Counties, Texas)

Water and Wastewater System Revenue Refunding Bonds

Series 2010A

Series 2010A Serial Bonds

<u>Stated Maturity (11/15)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Yield</u>
2013	\$1,320,000	4.000%	1.200%
2014	1,375,000	4.000%	1.600%
2015	1,430,000	4.000%	1.940%
2016	1,495,000	5.000%	2.300%
2017	1,570,000	5.000%	2.640%
2018	1,655,000	5.000%	3.030%
2019	1,740,000	5.000%	3.310%
2020	1,825,000	5.000%	3.550%
2021	1,920,000	5.000%	3.790%
2022	2,020,000	5.000%	3.980%
2023	2,125,000	5.000%	4.140%
2024	2,230,000	5.000%	4.260%
2025	2,345,000	5.000%	4.380%
2026	2,465,000	5.000%	4.490%
2027	2,590,000	5.000%	4.580%
2028	2,725,000	5.000%	4.670%
2029	2,865,000	5.000%	4.750%
2030	3,010,000	5.000%	4.830%

Series 2010A Term Bonds

\$17,545,000, 5.000% Term Bond due November 15, 2035, Yield 5.230%

\$22,605,000 5.125% Term Bond due November 15, 2040, Yield 5.310%

\$100,970,000
CITY OF AUSTIN, TEXAS
(Travis, Williamson and Hays Counties, Texas)
Water and Wastewater System Revenue Refunding Bonds
Taxable Series 2010B
(Direct Subsidy-Build America Bonds)

Series 2010B Serial Bonds

<u>Stated Maturity (11/15)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Yield</u>
2015	\$2,560,000	2.494%	2.494%
2016	2,605,000	2.911%	2.911%
2017	2,660,000	3.361%	3.361%
2018	2,720,000	3.899%	3.899%
2019	2,795,000	4.099%	4.099%
2020	2,870,000	4.249%	4.249%
2021	2,955,000	4.449%	4.449%
2022	3,040,000	4.649%	4.649%
2023	3,135,000	4.849%	4.849%
2024	3,240,000	5.049%	5.049%
2025	3,350,000	5.249%	5.249%

Series 2010B Term Bonds

\$18,740,000, 5.768% Term Bond due November 15, 2030, Yield 5.768%

\$50,300,000 6.018% Term Bond due November 15, 2040, Yield 6.018%

EXHIBIT A

Form of Issue Price Certificate (Series 2010A Bonds)

The undersigned hereby certifies as follows with respect to the sale and delivery of \$76,855,000 City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2010A (the "Series 2010A Bonds"):

1. The undersigned is the senior manager of a group that purchased the Series 2010A Bonds from the City of Austin, Texas (the "Issuer") by negotiated sale.
2. The undersigned and/or one or more members of the underwriting syndicate, if any, has made a bona fide offering of all of the Series 2010A Bonds of each maturity to the public at the initial offering prices set forth in the Issuer's Official Statement with respect to the Series 2010A Bonds, dated November 18, 2010 (the "Official Statement").
3. The initial offering price (expressed as a dollar amount, yield percentage, or percentage of principal amount and exclusive of accrued interest) at which a substantial amount (at least 10%) of the Series 2010A Bonds of each maturity was sold to the public (as defined in paragraph 4) is as set forth on the page ii of the Official Statement.
4. The term "public", as used herein, means persons other than bondhouses, brokers, dealers, and similar persons or organizations acting in the capacity of underwriters or wholesalers.
5. The undersigned believes that the offering prices of the Series 2010A Bonds, as set forth on page ii of the Official Statement, constituted fair market prices for the Series 2010A Bonds as of the sale date, based on then prevailing market conditions.
6. The undersigned understands that the statements made herein will be relied upon by the Issuer in its effort to comply with the conditions imposed by the Internal Revenue Code of 1986 on the exclusion of interest on the Series 2010A Bonds from the gross income of their owners.

[Execution page follows]

Exhibit A-1

EXECUTED as of this _____ day of _____, 2010.

[REPRESENTATIVE]

By: _____

Title: _____

EXHIBIT B

Form of Issue Price Certificate (Series 2010B Bonds)

The undersigned hereby certifies as follows with respect to the sale and delivery of \$100,970,000 City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Taxable Series 2010B (Direct Subsidy-Build America Bonds) (the "Series 2010B Bonds"):

1. The undersigned is the senior manager of a group that purchased the Series 2010B Bonds from the City of Austin, Texas (the "Issuer") by negotiated sale.
2. The undersigned and/or one or more members of the underwriting syndicate, if any, has made a bona fide offering of all of the Series 2010B Bonds of each maturity to the public at the initial offering prices set forth in the Issuer's Official Statement with respect to the Series 2010B Bonds, dated November 18, 2010 (the "Official Statement").
3. The initial offering price (expressed as a dollar amount, yield percentage, or percentage of principal amount and exclusive of accrued interest) at which a substantial amount (at least 10%) of the Series 2010B Bonds of each maturity was sold to the public (as defined in paragraph 4) is as set forth on the page ii of the Official Statement.
4. The term "public", as used herein, means persons other than bondhouses, brokers, dealers, and similar persons or organizations acting in the capacity of underwriters or wholesalers.
5. The undersigned believes that the offering prices of the Series 2010B Bonds, as set forth on page ii of the Official Statement, constituted fair market prices for the Series 2010B Bonds as of the sale date, based on then prevailing market conditions.
6. The undersigned understands that the statements made herein will be relied upon by the Issuer in its effort to comply with the conditions imposed by the Internal Revenue Code of 1986, as amended, and by Bond Counsel in rendering their legal opinion concerning the qualification of the Series 2010B Bonds as build America bonds and qualified bonds.

[Execution page follows]

EXECUTED as of this _____ day of _____, 2010.

[REPRESENTATIVE]

By: _____

Title: _____

EXHIBIT C

December 16, 2010

Barclays Capital Inc.
Bank of America Merrill Lynch
First Southwest Company
RBC Capital Markets
Goldman, Sachs & Co.
Ramirez & Co.
JP Morgan Securities LLC
Estrada Hinojosa & Co. Inc.
c/o Barclays Capital Inc.
1301 McKinney, Suite 400
Houston, Texas 77010

Re: City of Austin, Texas Water and Wastewater System Revenue Refunding Bonds, Series 2010A (the "Series 2010A Bonds") and City of Austin, Texas Water and Wastewater System Revenue Refunding Bonds, Taxable Series 2010B (Direct Subsidy-Build America Bonds) (the "Series 2010B Bonds" and, together with the Series 2010A Bonds, the "Bonds")

Ladies and Gentlemen:

We have acted as counsel to you as Underwriters of \$76,855,000 aggregate principal amount of the captioned Series 2010A Bonds and \$100,970,000 aggregate principal amount of the captioned 2010B Bonds issued by the City of Austin, Texas (the "Issuer"), pursuant to the provisions of a master ordinance adopted by the City Council of the Issuer on June 8, 2000 (the "Master Ordinance") and a Nineteenth Supplemental Ordinance adopted by the City Council of the Issuer on November 18, 2010 (together with the Master Ordinance, the "Ordinance"). The Underwriters are purchasing the Bonds pursuant to the Bond Purchase Agreement (the "Bond Purchase Agreement") with respect thereto, dated November 18, 2010. Unless otherwise expressly provided herein, capitalized terms used in this opinion shall have the meanings ascribed to them in the Bond Purchase Agreement.

As your counsel, we have examined executed copies of the Ordinance, the Bond Purchase Agreement, the Preliminary Official Statement of the Issuer, dated October 28, 2010 (the "Preliminary Official Statement"), the Official Statement of the Issuer, dated November 12, 2010 (the "Official Statement") and the certificates and opinions referred to in Paragraph 6(j) of the Bond Purchase Agreement. In addition, we have examined the originals or copies, certified or otherwise identified to our satisfaction, of such records of the Issuer, agreements and other

instruments, certificates of public officials and representatives of the Issuer, and such other documents as we have deemed necessary or advisable as a basis for the opinions hereinafter expressed.

Based on the foregoing and in reliance on the matters described below, we are of the opinion that 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.

Because the primary purpose of our professional engagement was not to establish factual matters and because of the wholly or partially non-legal character of many determinations involved in the preparation of the Preliminary Official Statement and the Official Statement, we are not passing upon and do not assume any responsibility for the accuracy, completeness, or fairness of the statements contained in the Preliminary Official Statement or the Official Statement, and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. At your request, we have participated as your counsel in conferences with representatives of the Issuer, the bond counsel to the Issuer, the financial advisors to the Issuer and your representatives, at which conferences the contents of the Preliminary Official Statement and the Official Statement and related matters were discussed. Based on our participation in the above-mentioned conferences and in reliance thereon and on the certificates, opinions and other documents herein mentioned, we advise you that no facts have come to our attention that lead us to believe that the Preliminary Official Statement as of its date and as of the date of pricing, or the Official Statement as of its date and as of the date of Closing contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (except as to any financial, forecast, technical and statistical statements and data included in the Preliminary Official Statement, the Official Statement and the information regarding DTC and its book-entry system, in each case, as to which we are not called upon to express any opinion or belief).

The opinions expressed herein are expressed only insofar as the laws of the State of Texas and the United States of America may be applicable. This opinion may be relied upon only by the addressees hereof and may not be used or relied upon by any other person for any purpose whatsoever without, in each instance, our prior written consent.

Very truly yours,