

May 9, 2013

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

Re: \$60,000,000 City of Austin, Texas Airport System Revenue Bonds,  
Series 2013, dated May 1, 2013

Ladies and Gentlemen:

Prosperity Bank (the "Purchaser") hereby offers to purchase from the City of Austin, Texas (the "City") the captioned Bonds (the "Bonds"), and, upon acceptance of this offer by the City, such offer will become a binding agreement between the Purchaser and the City. This offer must be accepted by 3:00 p.m., Austin time, May 9, 2013, and if not so accepted will be subject to withdrawal. Capitalized terms not otherwise defined herein shall have the meanings assigned such terms in the Ordinance (defined below).

1. Purchase Price: The purchase price for the Bonds is \$60,000,000, being the principal amount of the Bonds.
2. Terms of Bonds: The Bonds shall bear interest from the date of delivery at the interest rates per annum, and shall have the maturities and redemption provisions, all as set forth in Schedule I hereto. The Bonds shall have such other terms and conditions as are set forth in the Ordinance (the "Ordinance") adopted by the City Council on May 9, 2013, an unsigned copy of which has been provided to the Purchaser. The Bonds are Additional Revenue Bonds, to be issued on a parity with the outstanding Series 2005 Bonds. Pursuant to and as more fully described in the Ordinance, the Bonds shall be secured by a lien on and pledge of Net Revenues of the Airport System, with the lien on and pledge of the Net Revenues securing the Bonds being junior and subordinate to the lien on and pledge of the Net Revenues securing the Prior Lien Bonds. In the Ordinance, the City affirmed its covenant not to issue bonds or other obligations on a parity with the Prior Lien Bonds.
3. Representations, Warranties, and Covenants of the City: The City hereby represents, warrants to and covenants with the Purchaser that:
  - (a) The City is a political subdivision and municipal corporation of the State of Texas (the "State") and operates under the Constitution and general laws of the State, and has full legal right, power and authority under Chapter 22, Texas Transportation Code, as amended (the "Act"), and at the date of the Closing (defined below) will have full legal right, power and authority under the Act and the Ordinance (i) to enter into, execute and deliver this bond purchase agreement (this "Agreement") and the Ordinance, and all documents required hereunder and thereunder to be executed and delivered by the City (the Ordinance, this Agreement and the other documents referred to in this clause (i) are hereinafter referred to as the "City Documents"), (ii) to sell, issue and deliver the Bonds to the Purchaser as provided herein, and (iii) to carry out and consummate the transactions contemplated by the City Documents, and the City has complied, and will at the Closing be in compliance in all respects, with the terms of the Act and

the City Documents as they pertain to such transactions.

(b) By all necessary official action of the City prior to or concurrently with the acceptance hereof, the City 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 City of the obligations on its part, contained in the Bonds and the City Documents and (iii) the consummation by it of all other transactions described in the City Documents and any and all such other agreements and documents as may be required to be executed, delivered and/or received by the City in order to carry out, give effect to, and consummate the transactions described herein.

(c) The City Documents constitute legal, valid and binding obligations of the City, enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws 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 obligations of the City entitled to the benefits of the Ordinance and enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws 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 Ordinance will provide, for the benefit of the holders, from time to time, of the Bonds, for the fixing, charging, imposition and collection of rentals, rates, fees and other charges in order that in each Fiscal Year, Net Revenues will be collected in an amount sufficient for the payment of the Bonds, consistent with the terms of the Ordinance.

(d) As of the date hereof and as of the date of Closing, the City 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 City is a party or to which the City is or any of its property or assets are 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 City under any of the foregoing; and the execution and delivery of the Bonds and the City Documents and the adoption of the Ordinance and compliance with the provisions on the City's part contained therein, will not conflict with or constitute a breach of or default under any constitutional provision, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or to which the City 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 City 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 resolutions 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 due performance by the City of its obligations under the City Documents, and the Bonds, 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), which shall be obtained prior to the delivery of the Bonds to the Purchaser.

(f) There is no litigation or proceeding pending or, to the knowledge of the undersigned, threatened against the City in any court or administrative body which would (a) contest the right of the members or officials of the City to hold and exercise their respective positions, (b) contest the due organization and valid existence of the City, (c) contest the validity, due authorization and execution of the Bonds or (d) attempt to limit, enjoin or otherwise restrict or prevent the City from charging and collecting Net Revenues pledged or to be pledged to pay the principal of and interest on the Bonds, or the pledge thereof.

(g) The City 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 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.

(h) Prior to the delivery of the Bonds, the City will not offer or issue any bonds, notes or other obligations for borrowed money or incur any material liabilities, direct or contingent, payable from or secured by a pledge of the Net Revenues without the prior approval of the Purchaser.

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

(j) The City 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.

4. Closing: At the Closing the City shall deliver and the Purchaser shall purchase the Initial Bond. Upon payment of the purchase price therefor, the City shall deliver the Bonds to the Purchaser. Payment of the purchase price and delivery of the Bonds shall occur at 10:00 a.m. Austin time, on May 30, 2013, or at such other time as shall be mutually agreed upon (hereinafter referred to as the "Closing"). The Closing shall take place at the offices of McCall, Parkhurst & Horton L.L.P., Austin, Texas, or such other location as may be mutually agreed upon.
5. Conditions to Closing: The Purchaser shall not have any obligation to consummate the purchase of the Bonds unless the following requirements have been satisfied prior to Closing:
  - (a) The City shall have adopted the Ordinance authorizing the issuance of the Bonds.
  - (b) The Purchaser shall have received a certified copy of the Ordinance.
  - (c) McCall, Parkhurst & Horton L.L.P., Bond Counsel, shall have issued their approving legal opinion as to the due authorization, issuance and delivery of the Bonds and as to the exemption of the interest thereon from federal income taxation substantially in the form attached hereto as Exhibit A hereto, upon which the Purchaser shall be entitled to rely.

- (d) The Bonds shall have been approved by the Attorney General of the State of Texas and shall have been registered by the Comptroller of Public Accounts of the State of Texas.
  - (e) A certificate, dated the date of Closing, signed by the City Manager and the Chief Financial Officer of the City, to the effect that (i) the representations and warranties of the City 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) they are not aware of any litigation or proceeding pending or threatened against the City in any court or administrative body which would (a) contest the right of the members or officials of the City to hold and exercise their respective positions, (b) contest the due organization and valid existence of the City, (c) contest the validity, due authorization and execution of the Bonds or (d) attempt to limit, enjoin or otherwise restrict or prevent the City from charging and collecting Net Revenues, pledged or to be pledged to pay the principal of and interest on the Bonds, or the pledge thereof; and (iii) the Ordinance authorizing the execution and delivery of the Bonds, and the performance of its obligations thereunder has been duly adopted by the City, is in full force and effect and has not been modified, amended or repealed.
  - (f) A certificate or certificates evidencing compliance with the conditions for the issuance of Additional Revenue Bonds, as required by Section 6.01 of the Ordinance.
  - (g) A certificate of the City in form and substance satisfactory to Bond Counsel (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 City there are no facts, estimates or circumstances that would materially change the conclusions, representations and expectations contained in such certificate.
  - (h) Nothing shall have occurred prior to the Closing which in the reasonable judgment of the Purchaser has had or could reasonably be expected to have a materially adverse effect on the business, property or financial condition of the Airport System.
6. Nature of Purchase: The Purchaser acknowledges that no official statement or other disclosure or offering document has been prepared in connection with the issuance and sale of the Bonds. The Purchaser is a financial institution or other accredited investor as defined in the Securities Act of 1933, Regulation D, 17 C.F.R. §230.501(a) ("Regulation D"), accustomed to purchasing tax-exempt obligations such as the Bonds. McCall, Parkhurst & Horton L.L.P., Bond Counsel, and Public Financial Management, Inc., Financial Advisor to the City, have not undertaken steps to ascertain the accuracy or completeness of information furnished to the Purchaser with respect to the City, the Airport System or the Bonds, and the Purchaser has not looked to either firm for, nor has either firm made, any representations to the Purchaser with respect to that information. The Purchaser has satisfied itself that it may lawfully purchase the Bonds. The Bonds: (i) are not being registered under the Securities Act of 1933

and are not being registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any state; (ii) will not be listed on any stock or other securities exchange; and (iii) will not carry any rating from any rating service. The Purchaser is familiar with the financial condition and affairs of the Airport System, particularly with respect to the ability of the City to pay its obligations, such as the Bonds, secured by Net Revenues. The Purchaser has received from the City all information that it has requested in order for it to assess and evaluate the security and source of payment for the Bonds. The Purchaser is purchasing the Bonds for its own account or for that of an affiliate as evidence of a loan to the City and has no present intention to make a public distribution or sale of the Bonds. In no event will the Purchaser sell the Bonds to purchasers who are not accredited investors as defined in Regulation D unless an official statement or other disclosure document is prepared with respect to the sale of the Bonds.

7. Financial Statements: In consideration of the purchase of the Bonds by the Purchaser, the City agrees to provide the Purchaser with audited annual financial statements with respect to the Airport System and such other financial information that is provided in accordance with Section 12.01 of the Ordinance.
8. No Oral Agreements: To the extent allowed by law, the parties hereto agree to be bound by the terms of the following notice: THIS PURCHASE AGREEMENT, THE ORDINANCE OF THE CITY AUTHORIZING THE BONDS, THE ATTORNEY GENERAL OPINION, THE OPINION OF BOND COUNSEL AND THE BONDS TOGETHER REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES REGARDING THIS TRANSACTION AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES RELATING TO THIS TRANSACTION.

[Signatures begin on next page]

If this purchase agreement meets with the City's approval, please execute it in the place provided below.

PROSPERITY BANK

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

ACCEPTED:

CITY OF AUSTIN, TEXAS

\_\_\_\_\_  
Marc A. Ott, City Manager

ATTEST:

By: \_\_\_\_\_  
Jannette S. Goodall, City Clerk

(CITY SEAL)

## **SCHEDULE I**

The Bonds will bear interest from their date of delivery until maturity or prior redemption at the interest rate of 2.25% per annum. Interest will be payable on November 15, 2013, and on each May 15 and November 15 thereafter until maturity or prior redemption. Principal on the Bonds shall mature on May 15, 2028.

On any date, the Bonds are subject to redemption at the option of the City, in whole or in part, at the redemption price of par plus accrued interest to the date fixed for redemption, and without premium.

On the dates set forth below, the Bonds shall be subject to mandatory sinking fund redemption, in the amounts as set forth below:

<u>DATE</u>	<u>PRINCIPAL AMOUNT (\$)</u>
November 15, 2015	880,000
November 15, 2016	2,710,000
November 15, 2017	4,145,000
November 15, 2018	4,235,000
November 15, 2019	4,325,000
November 15, 2020	4,425,000
November 15, 2021	4,530,000
November 15, 2022	4,630,000
November 15, 2023	4,730,000
November 15, 2024	4,845,000
November 15, 2025	4,950,000
November 15, 2026	5,060,000
November 15, 2027	5,175,000
May 15, 2028*	5,350,000