

OFFICIAL ACTION OF THE DALLAS CITY COUNCIL

APRIL 23, 2008

08-1310

Addendum addition 12: Authorize **(1)** the issuance and sale of City of Dallas, Texas Combination Tax and Revenue Certificates of Obligation, Series 2008, in an amount not to exceed \$42,000,000; **(2)** approval of the Preliminary Official Statement; and **(3)** execution of the bond purchase agreement, and all other matters related thereto - Not to exceed \$211,400 - Financing: 2008 Certificates of Obligation

Councilmember Rasansky announced he had a conflict of interest and would abstain from voting or participating in any discussion. Councilmember Rasansky left the city council chamber.

Mayor Leppert announced this item does not need approval or vote.

Mayor Leppert read the following statement into the record:

At this time, as a result of having received an extension to the date under the land purchase agreement to exercise the city's right to purchase the land without occurring penalty, that on the date of the city council agenda authorizing issuances and sales of certificates of obligation shall be delayed until the next regular scheduled meeting of the city council which will be held on May 14, 2008. This agenda item shall be posted for consideration at the next regular scheduled meeting of the city council in accordance to applicable law.

The following individuals addressed the city council regarding the item:

Gina Norris, 3641 Mockingbird Lane, **Highland Park, TX.**, representing Crow Holdings

**ORDINANCE AUTHORIZING THE ISSUANCE AND SALE OF CITY OF DALLAS, TEXAS COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2008; PRESCRIBING THE FORM OF SAID CERTIFICATES; PROVIDING FOR THE SECURITY FOR AND PAYMENT OF SAID CERTIFICATES; AUTHORIZING THE EXECUTION AND DELIVERY OF A PURCHASE AGREEMENT RELATING TO THE SALE OF SAID CERTIFICATES; APPROVING THE OFFICIAL STATEMENT; ENACTING OTHER PROVISIONS RELATING TO THE SUBJECT; AND DECLARING AN IMMEDIATE EFFECTIVE DATE**

WHEREAS, on the 27th day of February, 2008, the City Council of the City of Dallas (the "City" or the "Issuer") authorized and directed that a notice of its intention to issue the herein authorized Certificates of Obligation be published in a newspaper as required by Section 271.049 of the Texas Local Government Code; and

WHEREAS, said notice was published in *The Dallas Morning News* on March 18, 2008 and March 25, 2008; and

WHEREAS, at the City Council meeting held April 23, 2008, it was announced that the sale of the Certificates of Obligation would be held at the regular meeting of the City Council of the City to be held on May 14, 2008, at 9:00 a.m. in the City Council chambers; and

WHEREAS, no petition, signed by 5% of the qualified electors of the City as permitted by Section 271.049 of the Texas Local Government Code protesting the issuance of such Certificates of Obligation, has been filed; and

WHEREAS, the Certificates of Obligation hereinafter authorized are to be issued and delivered pursuant to Subchapter C of Chapter 271 of the Texas Local Government Code; and

WHEREAS, the meeting at which this Ordinance is considered was open to the public as required by law, and the public notice of the time, place and purpose of said meeting was given as required by Chapter 551, Texas Government Code, as amended;

**THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF DALLAS, TEXAS;**

Section 1. **AUTHORIZATION OF CERTIFICATES OF OBLIGATION.** That the City's Certificates of Obligation, to be designated the "City of Dallas, Texas Combination Tax and Revenue Certificates of Obligation, Series 2008" (the "Certificates"), are hereby authorized to be issued and delivered in the principal amount of \$ \_\_\_\_\_, for the purpose of providing part of the funds for paying contractual obligations to be incurred by the City for the acquisition of approximately 8.4 acres of land located at the intersection of Lamar and Young Streets for authorized municipal purposes including, without limitation, as a site for the construction of a proposed convention center

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hotel, and the payment of fiscal, engineering and legal fees incurred in connection therewith. The term "Certificates" as used in this Ordinance shall mean and include collectively the Certificates of Obligation initially issued and delivered pursuant to this Ordinance and all substitute Certificates of Obligation exchanged therefor, as well as all other substitute Certificates of Obligation and replacement Certificates of Obligation issued pursuant hereto, and the term "Certificate" shall mean any of the Certificates.

Section 2. **DATE, DENOMINATIONS, NUMBERS AND MATURITIES.** That the Certificates shall initially be issued, sold and delivered hereunder as fully registered certificates, without interest coupons, dated April 15, 2008, in the respective denominations and principal amounts hereinafter stated, numbered consecutively from R-1 upward, payable to the respective initial registered owners thereof, or to the registered assignee or assignees of the Certificates or any portion or portions thereof (in each case, the "Registered Owner"), and the Certificates shall mature and be payable on February 15 in each of the years and in the principal amounts as follows:

MATURITY DATE: FEBRUARY 15

<u>YEARS</u>	<u>AMOUNTS (\$)</u>	<u>YEARS</u>	<u>AMOUNTS (\$)</u>
2009		2014	
2010		2015	
2011		2016	
2012		2017	
2013		2018	

The Certificates shall be issued in denominations of \$5,000 or any integral multiple thereof (an "Authorized Denomination").

Section 3. **REDEMPTION.** (a) *Optional Redemption.* That the City reserves the right to redeem the Certificates maturing on or after \_\_\_\_\_ 15, 20\_\_, in whole or in part in Authorized Denominations, on \_\_\_\_\_ 15, 20\_\_, or on any date thereafter, for the principal amount thereof plus accrued interest thereon, without premium, to the date fixed for redemption. The years of maturity of the Certificates called for redemption at the option of the City prior to stated maturity shall be selected by the City. The Certificates or portions thereof redeemed within a maturity shall be selected by lot or other method by the Paying Agent/Registrar (hereinafter defined); *provided*, that during any period in which ownership of the Certificates is determined only by a book entry at a securities depository for the Certificates, if fewer than all of the Certificates of the same maturity and bearing the same interest rate are to be redeemed, the particular Certificates of such maturity and bearing such interest rate shall be selected in accordance with the arrangements between the City and the securities depository.

(b) *Notice.* At least 30 days prior to the date fixed for any such redemption the City shall cause a written notice of such redemption to be deposited in the United States mail, first-class postage prepaid, addressed to each such registered owner at his address shown on the Registration Books (hereinafter defined) of the Paying Agent/Registrar. By the date fixed for any such

redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Certificates or the portions thereof which are to be so redeemed, plus accrued interest thereon to the date fixed for redemption. If such notice of redemption is given, and if due provision for such payment is made, all as provided above, the Certificates or the portions thereof which are to be so redeemed, thereby automatically shall be redeemed prior to their scheduled maturities, and shall not bear interest after the date fixed for their redemption, and shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price plus accrued interest to the date fixed for redemption from the Paying Agent/Registrar out of the funds provided for such payment. The Paying Agent/Registrar shall record in the Registration Books all such redemptions of principal of the Certificates or any portion thereof. If a portion of any Certificate shall be redeemed a substitute Certificate or Certificates having the same maturity date, bearing interest at the same rate, in any Authorized Denomination, at the written request of the registered owner, and in an aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon the surrender thereof for cancellation, at the expense of the City, all as provided in this Ordinance. In addition to the foregoing, the City shall cause the Paying Agent/Registrar to give notice of any such redemption in the manner set forth in Section 5(h) hereof. The failure to cause such notice to be given, however, or any defect therein, shall not affect the validity or effectiveness of such redemption.

Section 4. **INTEREST.** That the Certificates scheduled to mature during the years, respectively, set forth below shall bear interest at the following rates per annum:

maturities 2009, _____%	maturities 2014, _____%
maturities 2010, _____%	maturities 2015, _____%
maturities 2011, _____%	maturities 2016, _____%
maturities 2012, _____%	maturities 2017, _____%
maturities 2013, _____%	maturities 2018, _____%

Said interest shall be payable to the registered owner of any such Certificate in the manner provided and on the dates stated in the FORM OF CERTIFICATE. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Section 5. **CHARACTERISTICS OF THE CERTIFICATES.** (a) *Appointment of Paying Agent/Registrar; Duties as Registrar.* That the City shall keep or cause to be kept at the corporate trust office designated by U.S. Bank National Association, as its place of payment for the Certificates, or such other bank, trust company, financial institution, or other entity duly qualified and legally authorized to serve and perform duties of and services of paying agent and registrar, named in accordance with the provisions of (g) of this Section hereof (the "Paying Agent/Registrar"), books or records of the registration and transfer of the Certificates (the "Registration Books"), and the City hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep the Registration Books and make such transfers and registrations under such reasonable regulations as the City and the Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such transfers and registrations as herein provided. The place of payment so designated by the Paying Agent/Registrar shall be referred to herein as the "Designated Trust Office" of the Paying Agent/Registrar. It shall be the duty of the Paying Agent/Registrar to obtain from the registered

owner and record in the Registration Books the address of such registered owner of each Certificate to which payments with respect to the Certificates shall be mailed, as herein provided. The Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any entity other than the City. Registration of each Certificate may be transferred in the Registration Books only upon presentation and surrender of such Certificate for transfer of registration and cancellation to the Paying Agent/Registrar at its Designated Trust Office during normal business hours, together with proper written instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing the assignment of the Certificate, or any portion thereof in any Authorized Denomination, to the assignee or assignees thereof, and the right of such assignee or assignees to have the Certificate or any such portion thereof registered in the name of such assignee or assignees. Upon the assignment and transfer of any Certificate or any portion thereof, a new substitute certificate or certificates shall be issued in exchange therefor in the manner herein provided. As of the date this Ordinance is approved by the City, the Designated Trust Office is the Minneapolis, Minnesota corporate trust office of U.S. Bank National Association. U.S. Bank National Association is the successor entity to Wachovia Bank, National Association.

(b) *Ownership Established in Registration Books.* The entity in whose name any Certificate shall be registered in the Registration Books at any time shall be treated as the absolute owner thereof for all purposes of this Ordinance, whether such Certificate shall be overdue, and the City and the Paying Agent/Registrar shall not be affected by any notice to the contrary; and payment of, or on account of, the principal of, premium, if any, and interest on any such Certificate shall be made only to such registered owner. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Certificate to the extent of the sum or sums so paid.

(c) *Paying Agent.* The City hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Certificates, and to act as its agent to exchange or replace Certificates, all as provided in this Ordinance. The Paying Agent/Registrar shall keep proper records of all payments made by the City and the Paying Agent/Registrar with respect to the Certificates, and of all exchanges thereof, and all replacements thereof, as provided in this Ordinance.

(d) *Exchange of Certificates.* Each Certificate may be exchanged for fully registered bonds in the manner set forth herein. Each Certificate issued and delivered pursuant to this Ordinance, to the extent of the unredeemed principal amount thereof, may, upon surrender thereof at the Designated Payment/Transfer Office of the Paying Agent/Registrar, together with a written request therefor duly executed by the registered owner or the assignee or assignees thereof, or its or their duly authorized attorneys or representatives, with guarantee of signatures satisfactory to the Paying Agent/Registrar, at the option of the registered owner or such assignee or assignees, as appropriate, be exchanged for fully registered bonds, without interest coupons, in the form prescribed in the FORM OF CERTIFICATE, in an Authorized Denomination (subject to the requirement hereinafter stated that each substitute Certificate shall have a single stated maturity date), as requested in writing by such registered owner or such assignee or assignees, in an aggregate principal amount equal to the unredeemed principal amount of any Certificate or Certificates so surrendered, and payable to the appropriate registered owner, assignee, or assignees, as the case may be. If a portion of any Certificate shall be redeemed prior to its scheduled maturity as provided herein, a substitute Certificate or

Certificates having the same maturity date, bearing interest at the same rate, in an Authorized Denomination at the request of the registered owner, and in an aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon surrender thereof for cancellation. If any Certificate or portion thereof is assigned and transferred, each Certificate issued in exchange therefor shall have the same principal maturity date and bear interest at the same rate as the Certificate for which it is being exchanged. Each substitute Certificate shall bear a letter and/or number to distinguish it from each other Certificate. The Paying Agent/Registrar shall exchange or replace Certificates as provided herein, and each fully registered Certificate or Certificates delivered in exchange for or replacement of any Certificate or portion thereof as permitted or required by any provision of this Ordinance shall constitute one of the Certificates for all purposes of this Ordinance, and may again be exchanged or replaced. It is specifically provided that any Certificate delivered in exchange for or replacement of another Certificate prior to the first scheduled interest payment date on the Certificates (as stated on the face thereof) shall be dated the same date as such Certificate, but each substitute Certificate so delivered on or after such first scheduled interest payment date shall be dated as of the interest payment date preceding the date on which such substitute Certificate is delivered, unless such substitute Certificate is delivered on an interest payment date, in which case it shall be dated as of such date of delivery; *provided, however*, that if at the time of delivery of any substitute Certificate the interest on the Certificate for which it is being exchanged has not been paid, then such substitute Certificate shall be dated as of the date to which such interest has been paid in full. On each substitute Certificate issued in exchange for or replacement of any Certificate or Certificates issued under this Ordinance there shall be printed thereon a Paying Agent/Registrar's Authentication Certificate, in the form hereinafter set forth in the FORM OF CERTIFICATE (the "Authentication Certificate"). An authorized representative of the Paying Agent/Registrar shall, before the delivery of any such substitute Certificate, date such substitute Certificate in the manner set forth above, and manually sign and date the Authentication Certificate, and no such substitute Certificate shall be deemed to be issued or outstanding unless the Authentication Certificate is so executed. The Paying Agent/Registrar promptly shall cancel all Certificates surrendered for exchange or replacement. No additional ordinances, orders, or resolutions need be passed or adopted by the City Council or any other body or person so as to accomplish the foregoing exchange or replacement of any Certificate or portion hereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Certificates in the manner prescribed herein. Pursuant to Chapter 1206, Texas Government Code, the duty of exchange or replacement of any Certificate as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of the Authentication Certificate, the exchanged or replaced Certificate shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Certificates which originally were delivered pursuant to this Ordinance, approved by the Attorney General, and registered by the Comptroller of Public Accounts. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate so selected for redemption, in whole or in part, within 45 calendar days of the date fixed for redemption; *provided, however*, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled principal of a Certificate.

(e) *Characteristics of the Certificates.* All Certificates issued in exchange or replacement of any other Certificate or portion thereof, (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Certificates to be payable only to the registered owners thereof, (ii) may be redeemed prior to their scheduled maturities, (iii) may be transferred and

assigned, (iv) may be exchanged for other Certificates, (v) shall have the characteristics, (vi) shall be signed and sealed, and (vii) the principal of and interest on the Certificates shall be payable, all as provided, and in the manner required or indicated, in the FORM OF CERTIFICATE.

(f) *Fees of Paying Agent/Registrar.* The City shall pay the Paying Agent/Registrar's reasonable and customary fees and charges for making transfers of Certificates, but the registered owner of any Certificate requesting such transfer shall pay any taxes or other governmental charges required to be paid with respect thereto. The registered owner of any Certificate requesting any exchange shall pay the Paying Agent/Registrar's reasonable and standard or customary fees and charges for exchanging any such Certificate or portion thereof, together with any taxes or governmental charges required to be paid with respect thereto, all as a condition precedent to the exercise of such privilege of exchange, except, however, that in the case of the exchange of an assigned and transferred Certificate or Certificates or any portion or portions thereof in any Authorized Denomination, and in the case of the exchange of the unredeemed portion of a Certificate which has been redeemed in part prior to maturity, as provided in this Ordinance, such fees and charges will be paid by the City. In addition, the City hereby covenants with the registered owners of the Certificates that it will (i) pay the reasonable and standard or customary fees and charges of the Paying Agent/Registrar for its services with respect to the payment of the principal of and interest on the Certificates, when due, and (ii) pay the fees and charges of the Paying Agent/Registrar for services with respect to the transfer or registration of Certificates solely to the extent above provided, and with respect to the exchange of Certificates solely to the extent above provided.

(g) *Change in Paying Agent/Registrar.* The City covenants with the registered owners of the Certificates that at all times while the Certificates are outstanding the City will provide a competent and legally qualified bank, trust company, or other entity duly qualified and legally authorized to act as and perform the services of Paying Agent/Registrar for the Certificates under this Ordinance, and that the Paying Agent/Registrar will be one entity. The City reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 60 days written notice to the Paying Agent/Registrar. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the City covenants that promptly it will appoint a competent and legally qualified national or state banking institution which shall be an entity organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, subject to supervision or examination by federal or state authority, and whose qualifications substantially are similar to the previous Paying Agent/Registrar to act as Paying Agent/Registrar under this Ordinance. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Certificates, to the new Paying Agent/Registrar designated and appointed by the City. Upon any change in the Paying Agent/Registrar, the City promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each registered owner of the Certificates, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Ordinance, and a certified copy of this Ordinance shall be delivered to each Paying Agent/Registrar.

(h) *Additional Notice of Redemption.* (i) In addition to the manner of providing notice of redemption of Certificates as set forth in Section 3(b) hereof, the Paying Agent/Registrar shall give notice of redemption of Certificates by United States mail, first-class postage prepaid, at least 30 days prior to a redemption date to each NRMSIR (as defined in Section 7 hereof) and the SID (as defined in Section 7 hereof). In addition, in the event of a redemption caused by an advance refunding of the Certificates, the Paying Agent/Registrar shall send a second notice of redemption to the persons specified in the immediately preceding sentence at least 30 days but not more than 90 days prior to the actual redemption date. Any notice sent to the NRMSIRs or the SID shall be sent so that they are received at least two days prior to the general mailing or publication date of such notice. The Paying Agent/Registrar shall also send a notice of prepayment or redemption to the owner of any Certificate who has not sent the Certificates in for redemption 60 days after the redemption date.

(ii) Each redemption notice, whether required in the FORM OF CERTIFICATE or otherwise by this Ordinance, shall contain a description of the Certificates to be redeemed, including the complete name of the Certificates, the series, the interest rate, the maturity date, the CUSIP number, if any, the amounts called of each Certificate, the publication and mailing date for the notice (in the manner as provided in the FORM OF CERTIFICATE), the date of redemption, the redemption price, the name of the Paying Agent/Registrar and the address at which the Certificate may be redeemed, including contact information and telephone number.

(iii) All redemption payments made by the Paying Agent/Registrar to the registered owners of the Certificates shall include CUSIP numbers relating to each amount paid to such registered owner.

Section 6. **FORM OF CERTIFICATES.** That the form of all Certificates, including the form of the Authentication Certificate, the form of Assignment, and the form of the Comptroller's Registration Certificate to accompany the Certificates on the initial delivery thereof, shall be, respectively, substantially in the form set forth in Exhibit A to this Ordinance, with such appropriate variations, omissions, or insertions as are permitted or required by this Ordinance. An appropriate statement of insurance furnished by a municipal bond insurance company providing municipal bond insurance, if any, covering all or any part of the Certificates is authorized to be printed thereon.

Section 7. **DEFINITIONS.** That as used in this Ordinance, the term "MAC" shall mean the Municipal Advisory Council of Texas; the term "MSRB" shall mean the Municipal Securities Rulemaking Board; the term "NRMSIR" shall mean each person whom the SEC or its staff has determined to be a nationally recognized municipal securities information repository within the meaning of the Rule from time to time; the term "Rule" shall mean SEC Rule 15c2-12, as amended from time to time; the term "SEC" means the United States Securities and Exchange Commission; the term "SID" means any person designated by the State of Texas or an authorized department, officer, or agency thereof as, and determined by the SEC or its staff to be, a state information depository within the meaning of the Rule from time to time; and the term "Surplus Revenues" shall mean those revenues from the operation of the City's drainage utility system remaining after payment of all operation and maintenance expenses thereof and other obligations heretofore or hereafter incurred to which such revenues have been or shall be encumbered by a lien on and pledge of such revenues superior to the lien on and pledge of such revenues to the Certificates.

Section 8. **INTEREST AND SINKING FUND.** That a special fund or account, to be designated the "City of Dallas, Texas Series 2008 Certificate of Obligation Interest and Sinking Fund" (the "Interest and Sinking Fund") is hereby created and shall be established and maintained by the City. The Interest and Sinking Fund shall be kept separate and apart from all other funds and accounts of the City, and shall be used only for paying the interest on and principal of the Certificates. All ad valorem taxes levied and collected for and on account of the Certificates shall be deposited, as collected, to the credit of the Interest and Sinking Fund. During each year while any of the Certificates are outstanding and unpaid, the governing body of the City shall compute and ascertain the rate and amount of ad valorem tax, based on the latest approved tax rolls of the City, with full allowances being made for tax delinquencies and the cost of tax collections, which will be sufficient to raise and produce the money required to pay the interest on the Certificates as such interest comes due, and to provide a sinking fund to pay the principal of the Certificates as such principal matures, but never less than 2% of the original amount of the Certificates as a sinking fund each year. Said rate and amount of ad valorem tax is hereby ordered to be levied against all taxable property in the City for each year while any of the Certificates are outstanding and unpaid, and said ad valorem tax shall be assessed and collected each such year and deposited to the credit of the Interest and Sinking Fund. Said ad valorem taxes necessary to pay the interest on and principal of the Certificates, as such interest and principal matures or comes due, are hereby pledged for such payment, within the limit prescribed by law.

Section 9. **REVENUES.** That the Certificates of Obligation are additionally secured by and shall be payable from the Surplus Revenues. The Surplus Revenues are pledged by the City pursuant to authority of Chapter 402, Texas Local Government Code, specifically Subchapter C thereof. The City shall promptly deposit the Surplus Revenues upon their receipt to the credit of the Interest and Sinking Fund created pursuant to Section 8, to pay the principal and interest on the Certificates of Obligation. The amount of Surplus Revenues pledged to the payment of the Certificates of Obligation shall not exceed \$1,000. Notwithstanding the foregoing, if the City deposits or budgets to be deposited in the Interest and Sinking Fund any other revenues, income or resources, including, without limitation, Surplus Revenues (the "Available Revenues"), in advance of the time when ad valorem taxes are scheduled to be levied for any year, then the amount of ad valorem taxes which otherwise would have been required to be levied may be reduced to the extent and by the amount of the Available Revenues then on deposit or budgeted to be deposited in the Interest and Sinking Fund.

Chapter 1208, Texas Government Code, applies to the issuance of the Certificates and the pledge of ad valorem taxes and the Surplus Revenues granted by the City under Sections 8 and 9, and such pledge is therefore valid, effective, and perfected. If Texas law is amended at any time while the Certificates are outstanding and unpaid such that the pledge of the ad valorem taxes and Surplus Revenues granted by the City is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the registered owners of the Certificates the perfection of the security interest in said pledge, the City agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

Section 10. **TRANSFER.** That the City shall do any and all things necessary to accomplish the transfer of monies to the Interest and Sinking Fund in ample time to pay the principal and interest due on the Certificates.

Section 11. **SECURITY FOR FUNDS.** That the Interest and Sinking Fund created by this Ordinance shall be secured in the manner and to the fullest extent permitted or required by law for the security of public funds, and the Interest and Sinking Fund shall be used only for the purposes and in the manner permitted or required by this Ordinance.

Section 12. **DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED CERTIFICATES.** (a) *Replacement Certificates.* That in the event any outstanding Certificate is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new certificate of the same principal amount, maturity, and interest rate, as the damaged, mutilated, lost, stolen, or destroyed Certificate, in replacement for such Certificate in the manner hereinafter provided.

(b) *Application for Replacement Certificates.* Application for replacement of damaged, mutilated, lost, stolen, or destroyed Certificates shall be made by the registered owner thereof to the Paying Agent/Registrar. In every case of loss, theft, or destruction of a Certificate, the registered owner applying for a replacement certificate shall furnish to the City and to the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless from any loss or damage with respect thereto. Also, in every case of loss, theft, or destruction of a Certificate, the registered owner shall furnish to the City and to the Paying Agent/Registrar evidence to their satisfaction of the loss, theft, or destruction of such Certificate, as the case may be. In every case of damage or mutilation of a Certificate, the registered owner shall surrender to the Paying Agent/Registrar for cancellation the Certificate so damaged or mutilated.

(c) *No Default Occurred.* Notwithstanding the foregoing provisions of this Section, in the event any such Certificate shall have matured, and no default has occurred which is then continuing in the payment of the principal of, premium, if any, or interest on the Certificate, the City may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Certificate) instead of issuing a replacement certificate, provided security or indemnity is furnished as above provided in this Section.

(d) *Charge for Issuing Replacement Certificates.* Prior to the issuance of any replacement certificate, the Paying Agent/Registrar shall charge the registered owner of such Certificate with all legal, printing, and other expenses in connection therewith. Every replacement certificate issued pursuant to the provisions of this Section by virtue of the fact that any Certificate is damaged, mutilated, lost, stolen, or destroyed shall constitute a contractual obligation of the City whether the damaged, mutilated, lost, stolen, or destroyed Certificate shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of this Ordinance equally and proportionately with any and all other Certificates duly issued under this Ordinance.

(e) *Authority for Issuing Replacement Certificates.* In accordance with Chapter 1206, Texas Government Code, this Section of this Ordinance shall constitute authority for the issuance of any such replacement certificate without necessity of further action by the City or any other body or

person, and the duty of the replacement of such certificates is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Certificates in the form and manner and with the effect, as provided in Section 5(a) of this Ordinance for Certificates issued in conversion and exchange of other Certificates.

Section 13. **FEDERAL INCOME TAX MATTERS.** That the City covenants to refrain from any action which would adversely affect, or to take such action as to ensure, the treatment of the Certificates as obligations described in Section 103 of the Code, the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the City covenants as follows:

(a) to take any action to assure that no more than 10 percent of the proceeds of the Certificates (less amounts deposited to a reserve fund, if any) are used for any "private business use," as defined in section 141(b)(6) of the Code or, if more than 10 percent of the proceeds are so used, that amounts, whether received by the City, with respect to such private business use, do not, under the terms of this Ordinance or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Certificates, in contravention of Section 141(b)(2) of the Code;

(b) to take any action to assure that in the event that the "private business use" described in subsection (a) hereof exceeds 5 percent of the proceeds of the Certificates (less amount deposited into a reserve fund, if any) then the amount in excess of 5 percent is used for a "private business use" which is "related" and not "disproportionate", within the meaning of Section 141(b)(3) of the Code, to the governmental use;

(c) to take any action to assure that no amount which is greater than the lesser of \$5,000,000, or five percent of the proceeds of the Certificates (less amounts deposited into a reserve fund, if any) is directly or indirectly used to finance loans to persons, other than state or local governmental units, in contravention of Section 141(c) of the Code;

(d) to refrain from taking any action which would otherwise result in the Certificates being treated as "private activity bonds" within the meaning of Section 141(b) of the Code;

(e) to refrain from taking any action that would result in the Certificates being "federally guaranteed" within the meaning of Section 149(b) of the Code;

(f) to refrain from using any portion of the proceeds of the Certificates, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire investment property (as defined in Section 148(b)(2) of the Code) which produces a materially higher yield over the term of the Certificates, other than investment property acquired with –

(1) proceeds of the Certificates invested for a reasonable temporary period of three years or less until such proceeds are needed for the purpose for which the Certificates are issued,

(2) amounts invested in a bona fide debt service fund, within the meaning of Section 1.148-1(b) of the Treasury Regulations, and

(3) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed 10 percent of the proceeds of the Certificates;

(g) to otherwise restrict the use of the proceeds of the Certificates or amounts treated as proceeds of the Certificates, as may be necessary, so that the Certificates do not otherwise contravene the requirements of Section 148 of the Code (relating to arbitrage) and, to the extent applicable, Section 149(d) of the Code (relating to advance refundings); and

(h) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Certificates) an amount that is at least equal to 90 percent of the "Excess Earnings," within the meaning of Section 148(f) of the Code and to pay to the United States of America, not later than 60 days after the Certificates have been paid in full, 100 percent of the amount then required to be paid as a result of Excess Earnings under Section 148(f) of the Code.

For purposes of the foregoing (a) and (b), the City understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of issuance of the Certificates. It is the understanding of the City that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or ruling are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Certificates, the City will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally-recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Certificates under Section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Certificates, the City agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally-recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Certificates under Section 103 of the Code. In furtherance of such intention, the City hereby authorizes and directs the Mayor, the City Manager, any Assistant City Manager, the Chief Financial Officer of the City and the Deputy Chief Financial Officer of the City to execute any documents, certificates or reports required by the Code, and to make such elections on behalf of the City which may be permitted by the Code as are consistent with the purpose for the issuance of the Certificates.

In order to facilitate compliance with clause (h) above, a "Rebate Fund" is hereby established and held by the City for the sole benefit of the United States of America, and such Fund shall not be subject to the claim of any other person, including without limitation the holders of the Certificates. The Rebate Fund is established for the additional purpose of compliance with Section 148 of the Code.

Section 14. **ALLOCATION OF, AND LIMITATION ON, EXPENDITURES FOR THE PROJECT.** That the City covenants to account for the expenditure of proceeds from the sale of the Certificates and any investment earnings thereon to be used for the purposes described in Section 1 hereof (each such purpose shall be referred to herein and Section 15 hereof as the "Project") on its books and records in accordance with the requirements of the Code. The City recognizes that in order for the proceeds to be considered used for the reimbursement of costs, the proceeds must be allocated to expenditures within 18 months of the later of the date that (a) the expenditure on the Project is made or (b) the Project is completed; but in no event later than three years after the date on which the original expenditure is paid. The foregoing notwithstanding, the City recognizes that in order for the proceeds to be expended under the Code, the sale proceeds or investment earnings must be expended no more than 60 days after the later of (a) the fifth anniversary of the date of delivery of the Certificates or (b) the date the Certificates are retired. The City agrees to obtain the advise of nationally-recognized bond counsel if such expenditure fails to comply with the foregoing to assure that such expenditure will not adversely affect the tax-exempt status of the Certificates. For purposes hereof, the City shall not be obligated to comply with this covenant if it obtains an opinion from nationally-recognized bond counsel to the effect that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

Section 15. **DISPOSITION OF PROJECT.** That the City covenants that the property constituting the Project will not be sold or otherwise disposed in a transaction resulting in the receipt by the City of cash or other compensation, unless the City obtains an opinion of nationally-recognized bond counsel substantially to the effect that such sale or other disposition will not adversely affect the tax-exempt status of the Certificates. For purposes of this Section, the portion of the property comprising personal property and disposed of in the ordinary course of business shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes of this Section, the City shall not be obligated to comply with this covenant if it obtains an opinion of a nationally-recognized bond counsel to the effect that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

Section 16. **CUSTODY, APPROVAL, AND REGISTRATION OF CERTIFICATES.** That the City Manager or the designee thereof is hereby authorized to have control of the Certificates and all necessary records and proceedings pertaining to the Certificates pending their delivery and their investigation, examination and approval by the Attorney General of the State of Texas, and their registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Certificates, said Comptroller (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate accompanying the Certificates, and the seal of said Comptroller shall be impressed, or placed in facsimile, on each such certificate. After registration by said Comptroller, delivery of the Certificates shall be made to the Underwriters, as defined in Section 19 below, under and subject to the general supervision and direction of the City Manager, against receipt by the City of all amounts due to the City under the terms of sale.

Section 17. **DTC REGISTRATION.** That the Certificates initially shall be issued and delivered in such manner that no physical distribution of the Certificates will be made to the public, and The Depository Trust Company ("DTC"), New York, New York, initially will act as depository for the Certificates. DTC has represented that it is a limited purpose trust company incorporated

under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered under Section 17A of the Securities Exchange Act of 1934, as amended, and the City accepts, but in no way verifies, such representations. The Certificates initially authorized by this Ordinance shall be delivered to and registered in the name of CEDE & CO., the nominee of DTC. It is expected that DTC will hold the Certificates on behalf of the Underwriters and their respective participants. So long as each Certificate is registered in the name of CEDE & CO., the Paying Agent/Registrar shall treat and deal with DTC the same in all respects as if it were the actual and beneficial owner thereof. It is expected that DTC will maintain a book-entry system which will identify ownership of the Certificates in integral amounts of \$5,000, with transfers of ownership being effected on the records of DTC and its participants pursuant to rules and regulations established by them, and that the Certificates initially deposited with DTC shall be immobilized and not be further exchanged for substitute Certificates except as hereinafter provided. The City and the Paying Agent/Registrar are not responsible or liable for any functions of DTC, will not be responsible or liable for paying any fees or charges with respect to its services, will not be responsible or liable for maintaining, supervising, or reviewing the records of DTC or its participants, or protecting any interests or rights of the beneficial owners of the Certificates. It shall be the duty of the DTC Participants, as defined in the Official Statement herein approved, to make all arrangements with DTC to establish this book-entry system, the beneficial ownership of the Certificates, and the method of paying the fees and charges of DTC. The City does not represent, nor does it in any way covenant that the initial book-entry system established with DTC will be maintained in the future. Notwithstanding the initial establishment of the foregoing book-entry system with DTC, if for any reason any of the originally delivered Certificates is duly filed with the Paying Agent/Registrar with proper request for transfer and substitution, as provided for in this Ordinance, substitute Certificates will be duly delivered as provided in this Ordinance, and there will be no assurance or representation that any book-entry system will be maintained for such Certificates. In connection with the initial establishment of the foregoing book-entry system with DTC, the City heretofore has executed a "Blanket Letter of Representations" prepared by DTC in order to implement the book-entry system described above.

Section 18. **CONTINUING DISCLOSURE OBLIGATION.** (a) *Annual Reports.* (i) The City shall provide annually to each NRMSIR and any SID, within six months after the end of each fiscal year ending in or after 2007, financial information and operating data with respect to the City of the general type included in the final Official Statement authorized by Section 19 of this Ordinance, being the information described in Exhibit B hereto. Any financial statements so to be provided shall be (1) prepared in accordance with the accounting principles described in Exhibit B hereto, or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation, and (2) audited, if the City commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the City shall provide unaudited financial statements by the required time, and shall provide audited financial statements for the applicable fiscal year to each NRMSIR and any SID, when and if the audit report on such statements becomes available.

(ii) If the City changes its fiscal year, it will notify each NRMSIR and any SID of the change (and of the date of the new fiscal year end) prior to the next date by which the City otherwise would be required to provide financial information and operating data pursuant to this Section. The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to each NRMSIR and any SID or filed with the SEC.

(b) *Material Event Notices.* The City shall notify any SID and either each NRMSIR or the MSRB, in a timely manner, of any of the following events with respect to the Certificates of Obligation, if such event is material within the meaning of the federal securities laws:

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

The City shall notify any SID and either each NRMSIR or the MSRB, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with subsection (a) of this Section by the time required by such subsection. Any filing under this Section may be made solely by transmitting such filing to the MAC as provided at <http://www.disclosureusa.org>, unless the SEC has withdrawn the interpretive advice stated in its letter to the MAC dated September 7, 2004.

(c) *Limitations, Disclaimers, and Amendments.* (i) The City shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the City remains an "obligated person" with respect to the Certificates within the meaning of the Rule, except that the City in any event will give written notice of any deposit made in accordance with this Ordinance or applicable law that causes Certificates no longer to be outstanding.

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

financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The City does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Certificates at any future date.

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

(iv) No default by the City in observing or performing its obligations under this Section shall comprise a breach of or default under the Ordinance for purposes of any other provision of this Ordinance. Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of the City under federal and state securities laws.

(v) The provisions of this Section may be amended by the City from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Certificates in the primary offering of the Certificates in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of this Ordinance that authorizes such an amendment) of the outstanding Certificates consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Certificates. If the City so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with subsection (b) of this Section an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates.

Section 19. **SALE.** (a) *Sale of Certificates.* That the sale of the Certificates to Citigroup Global Markets Inc., acting on its behalf and on behalf of the investment banking firms (collectively, the "Underwriters"), named in the hereinafter defined Purchase Agreement, at the purchase price set forth in the hereinafter defined Purchase Agreement, is hereby authorized, ratified and confirmed.

It is hereby officially found, determined and declared that the Certificates were sold at terms that were the most advantageous reasonably obtained.

(b) *Purchase Agreement.* The Certificates are to be sold to the Underwriters pursuant to the terms of a Certificate Purchase Agreement between the City and the Underwriters (the "Purchase Agreement"), in substantially the form attached to this Ordinance as Exhibit C. The City Manager is authorized to execute the Purchase Agreement on behalf of the City.

(c) *Offering Documents.* The use of the "Preliminary Official Statement" prepared in connection with the sale of the Certificates, a true and correct copy of which is attached to this Ordinance as Exhibit D, is hereby ratified and approved. The City Manager and the Chief Financial Officer of the City are hereby authorized and directed to provide for and oversee the preparation of the final official statement in connection with the issuance of the Certificates, and to approve such final official statement in compliance with the Rule and to provide it to the Underwriters in compliance with the Rule.

Section 20. **INTEREST EARNINGS.** That the interest earnings derived from the investment of proceeds from the sale of the Certificates may be used along with other proceeds for the purposes set forth in Section 1 hereof for which the Certificates are issued; *provided*, that after completion of such projects, if any of such interest earnings remain on hand, such interest earnings shall be deposited in the Interest and Sinking Fund. It is further provided, however, that any interest earnings on proceeds which are required to be rebated to the United States of America pursuant to this Ordinance hereof in order to prevent the Certificates from being arbitrage bonds shall be so rebated and not considered as interest earnings for the purposes of this Section.

Section 21. **DEFEASANCE.** (a) *Defeased Certificates.* That any Certificate and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Certificate") within the meaning of this Ordinance, except to the extent provided in subsection (d) of this Section, when payment of the principal of such Certificate, plus interest thereon to the due date (whether such due date be by reason of maturity or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar in accordance with an escrow agreement or other instrument (the "Future Escrow Agreement") for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will insure the availability, until the payment, of sufficient money to provide for such payment, and when proper arrangements have been made by the City with the Paying Agent/Registrar for the payment of its services until a Defeased Certificate shall have become due and payable. There shall be delivered to the Paying Agent/Registrar a certificate from a firm of certified public accountants certifying as to the sufficiency of the deposit made pursuant to clause (ii) above. The Paying Agent/Registrar shall also receive an opinion of bond counsel acceptable to the City that reflects such payment does not adversely affect the exclusion under the Code of interest on the Defeased Certificates from the gross income of the holders thereof for federal income taxation purposes. At such time as a Certificate shall be deemed to be a Defeased Certificate hereunder, as

aforesaid, such Certificate and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes or revenues herein levied and pledged as provided in this Ordinance, and such principal and interest shall be payable solely from such money or Defeasance Securities. Notwithstanding any other provision of this Ordinance to the contrary, it is hereby provided that any determination not to redeem Defeased Certificates that is made in conjunction with the payment arrangements specified in subsection 21(a)(i) or (ii) shall not be irrevocable, provided that: (1) in the proceedings providing for such payment arrangements, the City expressly reserves the right to call the Defeased Certificates for redemption; (2) gives notice of the reservation of that right to the owners of the Defeased Certificates immediately following the making of the payment arrangements; and (3) directs that notice of the reservation be included in any redemption notices that it authorizes.

(b) *Investment in Defeasance Securities.* Any moneys so deposited with the Paying Agent/Registrar may at the written direction of the City be invested in Defeasance Securities, maturing in the amounts and times as hereinbefore set forth, and all income from such Defeasance Securities received by the Paying Agent/Registrar that is not required for the payment of the Certificates and interest thereon, with respect to which such money has been so deposited, shall be turned over to the City, or deposited as directed in writing by the City. Any Future Escrow Agreement pursuant to which the money and/or Defeasance Securities are held for the payment of Defeased Certificates may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of the requirements specified in subsection 21(a)(i) or (ii). All income from such Defeasance Securities received by the Paying Agent/Registrar which is not required for the payment of the Defeased Certificates, with respect to which such money has been so deposited, shall be remitted to the City or deposited as directed in writing by the City. The Paying Agent/Registrar shall not be liable for any loss pertaining to an investment executed in accordance with written instructions from the City.

(c) *Defeasance Securities Defined.* The term "Defeasance Securities" means (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date on the date the governing body of the City adopts or approves the proceedings authorizing the financial arrangements are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent.

(d) *Paying Agent/Registrar Services.* Until all Defeased Certificates shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Certificates the same as if they had not been defeased, and the City shall make proper arrangements to provide and pay for such services as required by this Ordinance.

Section 22. **DEFAULT AND REMEDIES.**

(a) *Events of Default.* Each of the following occurrences or events for the purpose of this Ordinance is hereby declared to be an Event of Default:

(i) the failure to make payment of the principal of or interest on any of the Certificates when the same becomes due and payable; or

(ii) default in the performance or observance of any other covenant, agreement or obligation of the City, the failure to perform which materially, adversely affects the rights of the registered owners of the Certificates, including, but not limited to, their prospect or ability to be repaid in accordance with this Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any registered owner to the City.

(b) *Remedies for Default.*

(i) Upon the happening of any Event of Default, then and in every case, any registered owner or an authorized representative thereof, including, but not limited to, a trustee or trustees therefor, may proceed against the City, or any official, officer or employee of the City in their official capacity, for the purpose of protecting and enforcing the rights of the registered owners under this Ordinance, by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant or agreement contained herein, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the registered owners hereunder or any combination of such remedies.

(ii) It is provided that all such proceedings shall be instituted and maintained for the equal benefit of all registered owners of Certificates then outstanding.

(c) *Remedies Not Exclusive.*

(i) No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Certificates or now or hereafter existing at law or in equity; *provided, however*, that notwithstanding any other provision of this Ordinance, the right to accelerate the debt evidenced by the Certificates shall not be available as a remedy under this Ordinance.

(ii) The exercise of any remedy herein conferred or reserved shall not be deemed a waiver of any other available remedy.

(iii) By accepting the delivery of a Certificate authorized under this Ordinance, such registered owner agrees that the certifications required to effectuate any covenants or representations contained in this Ordinance do not and shall never constitute or give rise to a personal or pecuniary liability or charge against the officers, employees or trustees of the City or the City Council.

(iv) None of the members of the City Council, nor any other official or officer, agent, or employee of the City, shall be charged personally by the registered owners with any liability, or be held personally liable to the registered owners under any term or provision of this Ordinance, or because of any Event of Default or alleged Event of Default under this Ordinance.

Section 23. **OFFICIALS AUTHORIZED TO ACT ON BEHALF OF THE CITY.** That the City Manager, the Chief Financial Officer of the City, any Assistant City Manager, and all other officers, employees, and agents of the City, and each of them, shall be and they are hereby expressly authorized, empowered, and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge, and deliver in the name and under the corporate seal and on behalf of the City all such instruments, whether herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Ordinance, and the sale and delivery of the Bonds and fixing all details in connection therewith. In case any officer whose signature appears on any Certificate shall cease to be such officer before the delivery of such Certificate, such signature shall nevertheless be valid and sufficient for all purposes the same as if he or she had remained in office until such delivery. The City Council hereby authorizes the payment of the fee of the Office of the Attorney General of the State of Texas for the examination of the proceedings relating to the issuance of the Certificates, in the amount determined in accordance with the provisions of Section 1202.004, Texas Government Code.

Section 24. **PREAMBLE.** That the findings set forth in the preamble to this Ordinance are hereby incorporated into the body of this Ordinance and made a part hereof for all purposes.

Section 25. **RULES OF CONSTRUCTION.** That for all purposes of this Ordinance, unless the context requires otherwise, all references to designated Sections and other subdivisions are to the Sections and other subdivisions of this Ordinance. The words "herein", "hereof" and "hereunder" and other words of similar import refer to this Ordinance as a whole and not to any particular Section or other subdivision. Except where the context otherwise requires, terms defined in this Ordinance to impart the singular number shall be considered to include the plural number and vice versa. References to any named person means that party and its successors and assigns. References to any constitutional, statutory or regulatory provision means such provision as it exists on the date this Ordinance is adopted by the City and any future amendments thereto or successor provisions thereof. Any reference to the payment of principal in this Ordinance shall be deemed to include the payment of any mandatory sinking fund redemption payments as described herein. Any reference to "FORM OF CERTIFICATE" shall refer to the form of the Certificates set forth in Exhibit A to this Ordinance. The titles and headings of the Sections and subsections of this Ordinance have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof.

Section 26. **CONFLICTING ORDINANCES REPEALED.** That all ordinances and resolutions or parts thereof in conflict herewith are hereby repealed.

Section 27. **USE OF PROCEEDS.** That the proceeds representing accrued interest, if any, on the Certificates shall be deposited to the credit of the Interest and Sinking Fund. Proceeds representing premium, if any, paid by the Underwriters in connection with the sale of the Certificates may be used for any purpose authorized by Section 1201.042(d), Texas Government Code; provided, that in no event shall proceeds from the sale of the Certificates in excess of \$42,000,000 be used to acquire the property described in Section 1 of this Ordinance. Resolution No. 08-0712 approved by the City Council on February 27, 2008, is hereby amended to provide that the costs of issuance of the Certificates are revised as shown on Attachment 1 to be paid from the proceeds of the Certificates.

Section 28. **IMMEDIATE EFFECT.** That in accordance with the provisions of V.T.C.A., Government Code, Section 1201.028, this Ordinance shall be effective immediately upon its adoption by the City Council.

PASSED AND APPROVED the 14th day of May, 2008.

APPROVED AS TO FORM:  
Thomas P. Perkins, Jr., City Attorney

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**DEFERRED  
UNTIL  
NEXT  
VOTING  
AGENDA**



tered owner hereof as shown by the "Registration Books" kept by the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined) by check drawn by the Paying Agent/Registrar on, and payable solely from, funds of the City required to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class, postage prepaid, on each such interest payment date, to the registered owner hereof at its address as it appears on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described, or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The record date ("Record Date") for the interest payable on any interest payment date means the last business day of the month preceding such interest payment date. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first-class, postage prepaid, to the address of each registered owner of a Certificate appearing on the books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice. Any accrued interest due at maturity as provided herein shall be paid to the registered owner upon presentation and surrender of this Certificate for payment at the Designated Payment/Transfer Office of the Paying Agent/Registrar. The City covenants with the registered owner of this Certificate that on or before each principal and interest payment date for this Certificate it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" created by the ordinance authorizing the issuance of this Certificate (the "Certificate Ordinance"), the amounts required to provide for the payment, in immediately available funds, of all principal of, premium, if any, and interest on the Certificates, when due. All Certificates of this Series are issuable solely as fully registered certificates, without interest coupons, in any integral multiple of \$5,000 (an "Authorized Denomination").

IF THE DATE for the payment of the principal of, premium, if any, or interest on this Certificate shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS CERTIFICATE is one of a Series of Certificates dated as of April 15, 2008, authorized in accordance with the Constitution and laws of the State of Texas in the principal amount of \$\_\_\_\_\_, FOR THE PURPOSE OF PROVIDING PART OF THE FUNDS FOR PAYING CONTRACTUAL OBLIGATIONS TO BE INCURRED BY THE CITY, TO-WIT, THE ACQUISITION OF APPROXIMATELY 8.4 ACRES OF LAND LOCATED AT THE INTERSECTION OF LAMAR AND YOUNG STREETS FOR AUTHORIZED MUNICIPAL PURPOSES INCLUDING, WITHOUT LIMITATION, AS A SITE FOR THE CONSTRUCTION OF A PROPOSED CONVENTION CENTER HOTEL, AS DESCRIBED

IN THE CERTIFICATE ORDINANCE, AND THE PAYMENT OF FISCAL, ENGINEERING AND LEGAL FEES INCURRED IN CONNECTION THEREWITH.

ON \_\_\_\_\_, 20\_\_, or on any date thereafter, the Certificates of this Series maturing on February 15, 20\_\_ and thereafter may be redeemed prior to their scheduled maturities, at the option of the City, in whole, or in part, at par and accrued interest to the date fixed for redemption. The years of maturity of the Certificates called for redemption at the option of the City prior to stated maturity shall be selected by the City. The Certificates or portions thereof redeemed within a maturity shall be selected by lot or other method by the Paying Agent/Registrar; *provided*, that during any period in which ownership of the Certificates is determined only by a book entry at a securities depository for the Certificates, if fewer than all of the Certificates of the same maturity and bearing the same interest rate are to be redeemed, the particular Certificates of such maturity and bearing such interest rate shall be selected in accordance with the arrangements between the City and the securities depository.

AT LEAST 30 days prior to the date fixed for any such redemption a written notice of such redemption shall be given to the registered owner of each Certificate or a portion thereof being called for redemption by depositing such notice in the United States mail, first-class postage prepaid, addressed to each such registered owner at his address shown on the Registration Books of the Paying Agent/Registrar, and to major securities depositories, national bond rating agencies and bond information services. By the date fixed for any such redemption due provision shall be made by the City with the Paying Agent/Registrar for the payment of the required redemption price for this Certificate or the portion hereof which is to be so redeemed, plus accrued interest thereon to the date fixed for redemption. If such notice of redemption is given, and if due provision for such payment is made, all as provided above, this Certificate, or the portion hereof which is to be so redeemed, thereby automatically shall be redeemed prior to its scheduled maturity, and shall not bear interest after the date fixed for its redemption, and shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price plus accrued interest to the date fixed for redemption from the Paying Agent/Registrar out of the funds provided for such payment. The Paying Agent/Registrar shall record in the Registration Books all such redemptions of principal of this Certificate or any portion hereof. If a portion of any Certificate shall be redeemed a substitute Certificate or Certificates having the same maturity date, bearing interest at the same rate, in any Authorized Denomination, at the written request of the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon the surrender thereof for cancellation, at the expense of the City, all as provided in the Certificate Ordinance.

AS PROVIDED IN THE CERTIFICATE ORDINANCE, this Certificate may, at the request of the registered owner or the assignee or assignees hereof, be assigned, transferred, and exchanged for a like aggregate principal amount of fully registered certificates, without interest coupons, payable to the appropriate registered owner, assignee, or assignees, as the case may be, having the same maturity date, and bearing interest at the same rate, in any Authorized Denomination as requested in writing by the appropriate registered owner, assignee, or assignees, as the case may be, upon surrender of this Certificate to the Paying Agent/Registrar at its

Designated Payment/Transfer Office for cancellation, all in accordance with the form and procedures set forth in the Certificate Ordinance. Among other requirements for such assignment and transfer, this Certificate must be presented and surrendered to the Paying Agent/Registrar at its Designated Payment/Transfer Office, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Certificate or any portion or portions hereof in any Authorized Denomination to the assignee or assignees in whose name or names this Certificate or any such portion or portions hereof is or are to be transferred and registered. The form of Assignment printed or endorsed on this Certificate may be executed by the registered owner to evidence the assignment hereof, but such method is not exclusive, and other instruments of assignment satisfactory to the Paying Agent/Registrar may be used to evidence the assignment of this Certificate or any portion or portions hereof from time to time by the registered owner. The foregoing notwithstanding, in the case of the exchange of an assigned and transferred Certificate or Certificates or any portion or portions thereof, such fees and charges of the Paying Agent/Registrar will be paid by the City. The one requesting such exchange shall pay the Paying Agent/Registrar's reasonable standard or customary fees and charges for exchanging any Certificate or portion thereof. In any circumstance, any taxes or governmental charges required to be paid with respect thereto shall be paid by the one requesting such assignment, transfer, or exchange as a condition precedent to the exercise of such privilege. In any circumstance, neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate so selected for redemption, in whole or in part, within 45 calendar days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled principal of a Certificate.

WHENEVER the beneficial ownership of this Certificate is determined by a book entry at a securities depository for the Certificates, the foregoing requirements of holding, delivering or transferring this Certificate shall be modified to require the appropriate person or entity to meet the requirements of the securities depository as to registering or transferring the book entry to produce the same effect.

IN THE EVENT any Paying Agent/Registrar for the Certificates is changed by the City, resigns, or otherwise ceases to act as such, the City has covenanted in the Certificate Ordinance that it promptly will appoint a competent and legally qualified substitute therefor, and promptly will cause written notice thereof to be mailed to the registered owners of the Certificates.

IT IS HEREBY certified, recited and covenanted that this Certificate has been duly and validly authorized, issued, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Certificate have been performed, existed, and been done in accordance with law; that this Certificate is a direct obligation of said City, issued on the full faith and credit thereof, that annual ad valorem taxes sufficient to provide for the payment of the interest on and principal of this Certificate, as such interest comes due and such principal matures, have been levied and ordered to be levied against all taxable property in said City, and have been pledged for such payment, within the limits prescribed by law, and that a limited pledge (not to exceed \$1,000) of the surplus revenues from the operation of the City's drainage utility system remaining after payment of all operation and maintenance expenses thereof and any other obligations heretofore or hereafter incurred to which such revenues have been or shall be encumbered by a lien on and pledge of such

revenues superior to the lien on and pledge of such revenues to the Certificates, have been pledged as additional security for the Certificates.

BY BECOMING the registered owner of this Certificate, the registered owner thereby acknowledges all of the terms and provisions of the Certificate Ordinance, agrees to be bound by such terms and provisions, acknowledges that the Certificate Ordinance is duly recorded and available for inspection in the official minutes and records of the City, and agrees that the terms and provisions of this Certificate and the Certificate Ordinance constitute a contract between each registered owner hereof and the City.

IN TESTIMONY WHEREOF, the City Council has caused the seal of the City to be duly impressed or placed in facsimile hereon, and this Bond to be signed with the imprinted facsimile signature of the Mayor and countersigned by the facsimile signatures of the City Manager and the City Secretary.

COUNTERSIGNED:

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City Manager,  
City of Dallas

---

Mayor, City of Dallas

---

City Secretary,  
City of Dallas

**DEFERRED  
(SEAL)  
UNTIL  
NEXT  
VOTING  
AGENDA**

FORM OF PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE:

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

It is hereby certified that this Certificate of Obligation has been issued under the provisions of the proceedings adopted by the City as described in the text of this Certificate of Obligation; and that this Certificate of Obligation has been issued in exchange for or replacement of a certificate of obligation, certificates of obligation, or a portion of a certificate of obligation or certificates of obligation of an issue which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

Dated \_\_\_\_\_

U.S. BANK NATIONAL ASSOCIATION,  
Paying Agent/Registrar

By \_\_\_\_\_  
Authorized Representative

**DEFERRED  
UNTIL  
NEXT  
VOTING  
AGENDA**

\*FORM OF COMPTROLLER'S CERTIFICATE ATTACHED TO  
THE CERTIFICATES UPON INITIAL DELIVERY THEREOF:

OFFICE OF COMPTROLLER : REGISTER NO. \_\_\_\_\_  
STATE OF TEXAS :

It is hereby certified that this Certificate has been issued under the provisions of the proceedings adopted by the City as described in the text of this Certificate; and that this Certificate has been issued in exchange for or replacement of a Certificate, Certificates, or a portion of a Certificate or Certificates of an issue which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

WITNESS MY HAND and seal of office at Austin, Texas this \_\_\_\_\_.

\_\_\_\_\_  
Comptroller of Public Accounts of  
the State of Texas

(SEAL)

NOTE:

\*¶ to accompany initial certificates only

**DEFERRED  
UNTIL  
NEXT  
VOTING  
AGENDA**

FORM OF ASSIGNMENT:

\_\_\_\_\_ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

\_\_\_\_\_  
(Please insert Social Security or Taxpayer Identification Number of Transferee)

\_\_\_\_\_

/ \_\_\_\_\_ /

\_\_\_\_\_  
(Please print or typewrite name and address, including zip code of Transferee)

\_\_\_\_\_

the within Certificate of Obligation and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to register the transfer of the within Certificate of Obligation on books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed: \_\_\_\_\_

\_\_\_\_\_  
NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

\_\_\_\_\_  
NOTICE: The signature above must correspond with the name of the Registered Owner as it appears upon the front of this Certificate in every particular, without alteration or enlargement or any change whatsoever.

DEFERRED  
UNTIL  
NEXT  
VOTING  
AGENDA

**Exhibit B  
to  
Ordinance**

**DESCRIPTION OF ANNUAL FINANCIAL INFORMATION**

The following information is referred to in Section 18 of this Ordinance.

**Annual Financial Statements and Operating Data**

The financial information and operating data with respect to the City to be provided annually in accordance with such Section are as specified (and included in the Appendix or under the headings of the Official Statement referred to) below:

Tables 1 through 13 as set forth in the Official Statement relating to the sale of the Certificates.

The portions of the financial statements of the City appended to the Official Statement as Appendix B, but for the most recently concluded fiscal year.

**Accounting Principles**

The accounting principles referred to in such Section are the accounting principles described in the notes to the financial statements referred to in the third paragraph under the heading "Annual Financial Statements and Operating Data" above.

**DEFERRED  
UNTIL  
NEXT  
VOTING  
AGENDA**

081310

EXHIBIT C  
PURCHASE AGREEMENT

**DEFERRED  
UNTIL  
NEXT  
VOTING  
AGENDA**

081310

EXHIBIT D

PRELIMINARY OFFICIAL STATEMENT

**DEFERRED  
UNTIL  
NEXT  
VOTING  
AGENDA**

081310

THE STATE OF TEXAS :  
COUNTIES OF DALLAS, DENTON, COLLIN AND ROCKWALL :  
CITY OF DALLAS :

I, DEBORAH WATKINS, City Secretary of the City of Dallas, Texas, do hereby certify that the above and foregoing is a true and correct copy of an excerpt from the minutes of the City Council of the City of Dallas, had in Regular Meeting on the 23rd day of April, 2008, and an Ordinance authorizing the issuance and sale of City of Dallas, Texas Combination Tax and Revenue Certificates of Obligation, Series 2008, which Ordinance is duly of record in the minutes of said City Council; and that said meeting was open to the public, and public notice of the time, place and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code, as amended.

WITNESS MY HAND and seal of the City of Dallas, Texas, this the 23rd day of April, 2008.

**DEFERRED  
UNTIL  
NEXT  
VOTING  
AGENDA**

\_\_\_\_\_  
Deborah Watkins, City Secretary  
City of Dallas, Texas

(SEAL)

081310

LLB&L and AYWW  
Draft 4-7-08

**\$41,065,000\***  
**CITY OF DALLAS, TEXAS**  
**(DALLAS, DENTON, COLLIN AND ROCKWALL COUNTIES)**  
**COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATIONS,**  
**SERIES 2008**

**CERTIFICATE PURCHASE AGREEMENT**

April 23, 2008

THE HONORABLE MAYOR AND CITY COUNCIL  
City of Dallas, Texas  
1500 Marilla Street  
Dallas, Texas 75201

Ladies and Gentlemen:

The undersigned, Citigroup Global Markets Inc. ("*Citigroup*"), 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 this certificate purchase agreement (this "*Agreement*") with the City of Dallas, 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 11:00 p.m., Dallas, Texas time, on April 23, 2008, 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 Certificates.* 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 \$41,065,000\* Combination Tax and Revenue Certificates of Obligations, Series 2008 (the "*Certificates*"). Inasmuch as this purchase and sale represents a negotiated transaction, the Issuer understands, and hereby confirms, that the Underwriters are not acting as a fiduciary of the Issuer, but rather are acting solely in their capacity as Underwriters for their own account. Citigroup has been duly authorized by the Underwriters to execute this Agreement on their behalf and to act hereunder.

The principal amount of the Certificates to be issued, the dated date therefor, the maturities, sinking fund (if any) and optional redemption provisions and interest rates per annum are set forth in Schedule II attached hereto. The Certificates shall be issued and secured under and pursuant to the provisions of the Ordinance adopted by the City Council of the Issuer on April 23, 2008 (the "*Ordinance*").

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\* Preliminary, subject to change

The purchase price for the Certificates shall be \$ \_\_\_\_\_, plus accrued interest from the Closing Date (as hereinafter defined), representing the principal amount of the Certificates of \$ \_\_\_\_\_, less an underwriting discount of \$ \_\_\_\_\_, and less a net original issue discount of \$ \_\_\_\_\_.

Delivered to the Issuer herewith as a good faith deposit is a check payable to the order of the Issuer in clearing house funds in the amount of \$406,350. In the event you accept this offer, such check shall be held uncashed by you until the time of Closing, at which time such check shall be returned uncashed to Citigroup. In the event that the Issuer does not accept this Agreement, such check will be immediately returned to Citigroup. Should the Issuer fail to deliver the Certificates at the Closing, or should the Issuer be unable to satisfy the conditions of the obligations of the Underwriters to purchase, accept delivery of and pay for the Certificates, as set forth in this Agreement (unless waived by the Underwriters), or should such obligations of the Underwriters be terminated for any reason permitted by this Agreement, such check shall immediately be returned to Citigroup. In the event that the Underwriters fail (other than for a reason permitted hereunder) to purchase, accept delivery of and pay for the Certificates at the Closing as herein provided, such check shall be cashed and the amount thereof retained by the Issuer as and for fully liquidated damages for such failure 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 Underwriters agree not to stop payment on such good faith check unless the Issuer should fail to deliver the Certificates at the Closing.

The Issuer has agreed in the Ordinance to provide certain annual financial information and operating data, audited financial statements and timely notices of material events and non-compliance in accordance with the Rule (as defined herein) as described in the Preliminary Official Statement (as defined herein) under "CONTINUING DISCLOSURE OF INFORMATION". Citigroup, on behalf of the Underwriters, acknowledges receipt of a copy of the Ordinance and has reviewed the continuing disclosure undertaking of the Issuer therein set forth.

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

3. *The Official Statement.*

(a) Attached hereto as Exhibit A is a copy of the Preliminary Official Statement dated April \_\_, 2008 (the "*Preliminary Official Statement*"), including the cover page and Appendices thereto, of the Issuer relating to the Certificates.

(b) The Preliminary Official Statement has been prepared for use in connection with the public offering, sale and distribution of the Certificates by the Underwriters. The Issuer hereby represents and warrants that the Preliminary Official Statement was 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 Certificates for completion, all as permitted to be excluded by Section (b) (1) of Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule").

(c) The Issuer agrees (i) to provide the Underwriters with a final Official Statement in accordance with the requirements of the Rule and (ii) to update the final Official Statement prior to the delivery of the Certificates, as may be necessary in the reasonable judgment of Citigroup. Such final Official Statement, including any update thereof, is hereinafter called the "Official Statement."

(d) 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 Certificates. 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 Certificates. 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 in such quantity as Citigroup shall request in order for the Underwriters to comply with Section (b)(4) of the Rule and the rules of the Municipal Securities Rulemaking Board.

(e) 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 the Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized municipal securities repository, but in no case less than 25 days after the "end of the underwriting period" for the Certificates), 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, in light of the circumstances under which they were made, not misleading, or if it is necessary to amend or supplement the Official Statement to comply with law, the Issuer will notify Citigroup (and for the purposes of this clause provide Citigroup with such information as it may from time to time request), and if, in the reasonable opinion of Citigroup, 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 reasonably approved by Citigroup), 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, in light of the circumstances under which they were made, not misleading or so that the Official Statement will comply with law. If such notification shall be subsequent to the Closing, the Issuer shall furnish such legal opinions, certificates, instruments and other documents as Citigroup may reasonably deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement.

(f) Citigroup hereby agrees to file the Official Statement with a nationally recognized municipal securities information repository. Unless otherwise notified in writing by Citigroup, 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 created, organized and existing as a municipal corporation and a political subdivision of the State of Texas (the "State"), and a validly existing home rule city under the Constitution and laws of the State, and has full legal right, power and authority under the laws of the State of Texas, including, specifically, Subchapter C of Chapter 271, Texas Local Government Code, as amended (the "Act"), and at the date of the Closing will have full legal right, power and authority under the Act, the Issuer's home rule charter and the Ordinance (i) to enter into, execute and deliver this Agreement, the Ordinance and all documents required hereunder and thereunder to be executed and delivered by the Issuer (this Agreement, the Ordinance and the other documents referred to in this clause (i) are hereinafter referred to as the "Issuer Documents"), (ii) to sell, issue and deliver the Certificates to the Underwriters as provided herein, (iii) to carry out and consummate the transactions contemplated by the Issuer Documents and the Official Statement and (iv) to utilize the proceeds from the sale of the Certificates for the purposes described in the Official Statement, and the Issuer has complied, and will at the Closing be in compliance in all respects, with the terms of the Act 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 Certificates, (ii) the approval, execution and delivery of, and the performance by the Issuer of the obligations on its part, contained in the Certificates and the Issuer Documents and (iii) the consummation by it of all other transactions contemplated by 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 contemplated herein and in the Official Statement;

(c) The Issuer Documents constitute legal, valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws, and the exercise of judicial discretion in applying principles of equity, relating to or affecting

the enforcement of creditors' rights; the Certificates, when issued, delivered and paid for, in accordance with the Ordinance and this Agreement, will constitute legal, valid and binding obligations of the Issuer 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 the exercise of judicial discretion in applying principles of equity, relating to or affecting the enforcement of creditors' rights; and upon the issuance, authentication and delivery of the Certificates as aforesaid, the Ordinance will provide, for the benefit of the holders, from time to time, of the Certificates, 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 Certificates, 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, 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 otherwise subject or under the terms of any such law, regulation or instrument, except as provided by the Certificates 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 due performance by the Issuer of its obligations under the Issuer Documents, and the Certificates have been duly obtained, except for 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 Certificates;

(f) The Certificates and the Ordinance conform to the descriptions thereof contained in the Official Statement under the captions "SELECTED DATA FROM THE OFFICIAL STATEMENT" and "THE CERTIFICATES," excluding information under the caption "Book-Entry-Only System" thereunder, and the proceeds of the sale of the Certificates will be applied generally as described in the Official Statement under the captions "SELECTED DATA FROM THE OFFICIAL STATEMENT - Use of Proceeds" and "THE CERTIFICATES - Sources and Use of Funds."

(g) There is no legislation, 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 after due inquiry, threatened against the Issuer, affecting the existence of the Issuer or (except as may be disclosed in the Official

Statement) 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 Certificates, the collection of ad valorem taxes pursuant to the Ordinance or in any way contesting or affecting the validity or enforceability of the Certificates, the Issuer Documents, or contesting the exclusion from gross income of interest on the Certificates 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 Certificates, the adoption of the Ordinance or the execution and delivery of the Issuer Documents, 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 Certificates or the Issuer Documents;

(h) 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;

(i) At the time of the Issuer's acceptance hereof and (unless the Official Statement is amended or supplemented pursuant to paragraph (e) of Section 3 of this Agreement) at all times subsequent thereto during the period up to and including the date of Closing, 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;

(j) If the Official Statement is supplemented or amended pursuant to paragraph (e) 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 date of Closing, 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 will apply, or cause to be applied, the proceeds from the sale of the Certificates as provided in and subject to all of the terms and provisions of the Ordinance and this Agreement 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 Certificates;

(l) The Issuer will furnish such information, execute such instruments and take such action in cooperation with the Underwriters as Citigroup may reasonably request (i) to (A) qualify the Certificates 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 Citigroup may designate and (B) determine the eligibility of the Certificates for investment under the laws of such states and other jurisdictions and (ii) to continue such

qualifications in effect so long as required for the distribution of the Certificates (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 Citigroup immediately of receipt by the Issuer of any notification with respect to the suspension of the qualification of the Certificates 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 Official Statement fairly present the financial position and results of the Issuer as of the dates and for the periods therein set forth. Prior to the Closing, the Issuer will not take any action within or under its control that will cause an 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 material 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, direct or contingent, payable from or secured by ad valorem taxes, without the prior approval of Citigroup; and

(o) 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.

## 5. *Closing.*

(a) At 9:00 a.m. Dallas, Texas time, on May 22, 2008, or at such other time and date as shall have been mutually agreed upon by the Issuer and Citigroup (the "*Closing*"), the Issuer will, subject to the terms and conditions hereof, deliver the Certificates 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 Certificates as set forth in Section 1 of this Agreement by a certified or bank cashier's check or checks or wire transfer payable in immediately available funds to the order of the Issuer, as shall be determined by the Issuer. Payment for the Certificates as aforesaid shall be made at the offices of McCall, Parkhurst & Horton L.L.P., Co-Bond Counsel, or such other place as shall have been mutually agreed upon by the Issuer and Citigroup.

(b) Delivery of the Certificates shall be made to The Depository Trust Company, New York, New York. The Certificates shall be delivered in definitive fully registered form, bearing CUSIP numbers without coupons, with one Certificate for each maturity of the Certificates, registered in the name of Cede & Co., all as provided in the Ordinance, and shall be made available to Citigroup at least one business day before the Closing for purposes 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' obligations under this Agreement to purchase, to accept delivery of and to pay for the Certificates 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 Citigroup:

(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 Certificates shall be in full force and effect in the form heretofore approved by Citigroup 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 Citigroup; and (ii) all actions of the Issuer required to be taken by the Issuer shall be performed in order for Co-Bond Counsel to deliver its opinions referred to hereafter;

(d) At the time of the Closing, all official action of the Issuer relating to the Certificates 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 Registrar shall have duly authenticated, the Certificates;

(f) At the time of the Closing, there shall not have occurred any change or any development involving a 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 Citigroup, is material and adverse and that makes it, in the reasonable judgment of Citigroup, impracticable to market the Certificates 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 Citigroup;

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

(1) the Official Statement, and each supplement or amendment thereto, if any, executed on behalf of the Issuer by its City Manager, or such other official as may have been agreed to by Citigroup, and the reports and audits referred to or appearing in the Official Statement;

(2) the Ordinance with such supplements or amendments as may have been agreed to by Citigroup;

(3) the approving opinion of Co-Bond Counsel with respect to the Certificates, in substantially the form attached to the Official Statement;

(4) a supplemental opinion of Co-Bond Counsel addressed to the Underwriters, substantially to the effect that:

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

(ii) the Certificates 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 Certificates, to register the Certificates under the 1933 Act or to qualify the Ordinance under the Trust Indenture Act;

(iii) this Agreement has been duly authorized, executed and delivered by the Issuer and, assuming due authorization, execution and delivery by the Underwriters, is a legal, valid and binding obligation of the Issuer, enforceable against the Issuer in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws, and the exercise of judicial direction in applying principles of equity; and

(iv) the statements and information contained in the Official Statement under the captions "THE CERTIFICATES" (except under the subcaptions "Book-Entry-Only System" and "Sources and Uses of Funds"), "CITY AD VALOREM TAX INFORMATION – Texas Tax Code," "CITY AD VALOREM TAX INFORMATION – The Property Tax Code As It Applies To the City," "CITY FINANCIAL INFORMATION – Investment Policy," "LEGAL AND TAX MATTERS – Tax Exemption," "LEGAL AND TAX MATTERS – Legal Investments and Eligibility to Secure Public Funds in Texas," "LEGAL AND TAX MATTERS – Legal Opinion and No-Litigation Certificate" and

“CONTINUING DISCLOSURE” (except for the subcaption “Compliance with Prior Undertakings”) fairly and accurately summarize the matters purported to be summarized therein;

(5) Opinions dated the date of the Closing and addressed to the Underwriters, of co-counsel for the Underwriters, to the effect that:

(i) the Certificates are exempt securities under the 1933 Act and the Trust Indenture Act and it is not necessary, in connection with the offering and sale of the Certificates, to register the Certificates under the 1933 Act and the Ordinance need not be qualified under the Trust Indenture Act;

(ii) based upon their participation in the preparation of the Official Statement as co-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 the Depository and its book-entry system in each case as to which no view need be expressed); and

(iii) based upon: (a) their understanding of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule") (and interpretive guidance published by the Securities and Exchange Commission relating thereto); (b) their review of the continuing disclosure undertaking of the Issuer contained in the Ordinance; and (c) the inclusion in the Official Statement of a description of the specifics of such undertakings and in reliance on the opinion of Co-Bond Counsel that the Ordinance has been duly adopted by the Issuer and is a valid and binding obligation of the Issuer, such counsel advise the Underwriters that such undertakings provide a suitable basis for the Underwriters, and any other broker, dealer, or municipal securities dealer acting as a Participating Underwriter (as defined in the Rule) in connection with the offering of the Certificates, to make a reasonable determination that the Issuer has met the qualifications of paragraph (b)(5)(i) of the Rule;

(6) A certificate, dated the date of Closing, of the Issuer to the effect that: (i) the representations and warranties of the Issuer contained herein 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 it is pending or, to the best of its knowledge after due inquiry, threatened in any court or administrative

body nor is there a basis for litigation which would (a) contest the right of the members or officials of the Issuer to hold and exercise their respective positions, (b) contest the due organization and valid existence of the Issuer, (c) contest the validity, due authorization and execution of the Certificates or the Issuer Documents or (d) attempt to limit, enjoin or otherwise restrict or prevent the Issuer from functioning and collecting revenues, including payments on the Certificates, pursuant to the Ordinance, and other income or the levy or collection of the taxes pledged or to be pledged to pay the principal of and interest on the Certificates, or the pledge thereof; (iii) the Ordinance has been duly adopted by the Issuer, is in full force and effect and has not been modified, amended or repealed; and (iv) to the best of its 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 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;

(7) A certificate of the Issuer in form and substance satisfactory to Co-Bond Counsel and co-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 Certificates will be used in a manner that would cause the Certificates 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) Any other certificates and opinions required by the Ordinance for the issuance thereunder of the Certificates;

(9) Evidence satisfactory to Citigroup that the Certificates have been rated "Aa1" and "AA+" by Moody's Investors Service, Inc. and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, respectively, and that both such ratings are in effect as of the date of Closing; and

(10) Such additional legal opinions, certificates, instruments and other documents as Citigroup, Co-Bond Counsel or co-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 Co-Bond Counsel and 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 Certificates contained in this Agreement, or if the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Certificates 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 4 and 8(c) hereof shall continue in full force and effect.

7. *Termination.* The Underwriters shall have the right to cancel their obligation to purchase the Certificates if, between the date of this Agreement and the Closing, the market price or marketability of the Certificates shall be materially adversely affected, in the sole judgment of Citigroup, reasonably exercised, 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 the State legislature 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 revenues or other income of the general character to be derived by the Issuer pursuant to the Ordinance, or upon interest received on obligations of the general character of the Certificates or upon the interest on the Certificates 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 Certificates, 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 Certificates, 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 law as amended and then in effect;

(c) any state blue sky or securities commission or other governmental agency or body shall have withheld registration, exemption or clearance of the offering of the Certificates as described herein, or issued a stop order or similar ruling relating thereto;

(d) a general suspension of trading in securities on the New York Stock Exchange or the American Stock Exchange, the establishment of minimum prices on either 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 Certificates or as to obligations of the general character of the Certificates, 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;

(f) any amendment to the federal or Texas Constitution or action by any federal or Texas 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 levy or pledge of ad valorem taxes to pay principal of and interest on the Certificates;

(g) any event occurring, or information becoming known which, in the reasonable judgment of Citigroup, 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 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;

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

(i) the United States shall have become engaged in hostilities which have resulted in a declaration of war or a national emergency or there shall have occurred any other outbreak or escalation of hostilities or a national or international calamity or crisis, financial or otherwise;

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

(l) there shall have occurred any downgrading, or any notice shall have been given of (A) any intended or potential downgrading or (B) any review or possible change that does not indicate a possible upgrade, in the rating accorded any of the Issuer's obligations (including the rating to be accorded the Certificates); and

(m) the purchase of and payment for the Certificates by the Underwriters, or the resale of the Certificates by the Underwriters, on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission.

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 Certificates; (ii) the fees and disbursements of Co-Bond Counsel; (iii) the fees and disbursements of the Co-Financial Advisor to the Issuer; (iv) the fees and disbursements of any other engineers, accountants, and other experts, consultants or advisers retained by the Issuer; and (v) the fees for bond ratings and bond insurance fees or premiums.

(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 Certificates; and (iii) all other expenses incurred by them in connection with the public offering of the Certificates, including the fees and disbursements of co-counsel retained by the Underwriters and expenses incurred on behalf of the Issuer's employees which are incidental to implementing this Agreement, including without limitation meals, transportation, lodging and entertainment of those employees.

(c) If this Agreement shall be terminated by the Underwriters because of any failure or refusal on the part of the Issuer to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason the Issuer shall be unable to perform its obligations under this Agreement, the Issuer will reimburse the Underwriters for all out-of-pocket expenses (including the fees and disbursements of co-counsel to the Underwriters) reasonably incurred by the Underwriters in connection with this Agreement or the offering contemplated hereunder.

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 at City of Dallas, Texas, 1500 Marilla Street, Dallas, Texas 75201, 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 Citigroup Global Markets Inc., 200 Crescent Court, Suite 900, Dallas, Texas 75201, 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. This Agreement may not be assigned by Citigroup without the prior written consent of 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 Certificates 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 law of the State.

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 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.

If you agree with the foregoing, please sign the enclosed counterpart of this Agreement and return it to the Underwriters. 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.

[Next page is Signature Page]

DEFERRED  
UNTIL  
NEXT  
VOTING  
AGENDA

081310

Very truly yours,

**CITIGROUP GLOBAL MARKETS INC.,**  
on its behalf and on behalf of the Underwriters  
listed in Schedule I

By: \_\_\_\_\_  
Anderson Bynam  
Director

Accepted and agreed to this 23rd day of April, 2008  
at \_\_\_\_: \_\_\_\_ .m.

**CITY OF DALLAS, TEXAS**

By: \_\_\_\_\_  
Mary K. Suhm  
City Manager

Approved as to Form:

**THOMAS P. PERKINS, JR.,**  
**CITY ATTORNEY**

By: \_\_\_\_\_  
Name:  
Title: Assistant City Attorney

**DEFERRED  
UNTIL  
NEXT  
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AGENDA**

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**SCHEDULE I**

Underwriters

Citigroup Global Markets Inc.  
UBS Securities LLC  
Siebert Brandford Shank & Co., LLC  
Jackson Securities, LLC  
RBC Capital Markets Corporation  
Southwest Securities, Inc.

**DEFERRED  
UNTIL  
NEXT  
VOTING  
AGENDA**

**SCHEDULE II\***

Amount	Maturity (February 15)	Rate	Initial Reoffering Yield
\$ 825,000	2009		
1,365,000	2010		
1,405,000	2011		
1,445,000	2012		
1,490,000	2013		
1,540,000	2014		
1,590,000	2015		
1,650,000	2016		
1,710,000	2017		
28,045,000	2018		

DATED DATE: April 15, 2008

INTEREST PAYMENT DATES: February 15 and August 15, commencing February 15, 2009

OPTIONAL REDEMPTION: The Issuer reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 20\_\_\_, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 20\_\_\_, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

**DEFERRED  
UNTIL  
NEXT  
VOTING  
AGENDA**

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\* Preliminary, subject to change

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**EXHIBIT A**

[Attach Official Statement]

**DEFERRED  
UNTIL  
NEXT  
VOTING  
AGENDA**