



OFFICIAL STATEMENT

Dated January 24, 2011

Ratings:
Moody's: "Aaa"
S&P: "AAA"
Fitch: "AAA"
(See "Other Information - Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law and the Bonds are not private activity bonds. See "Tax Matters" herein for a discussion of the opinion of Bond Counsel, including a description of alternative minimum tax consequences for corporations.

THE BONDS ARE NOT DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS



\$21,400,000
CITY OF PLANO, TEXAS
(Collin and Denton Counties)
GENERAL OBLIGATION BONDS, SERIES 2011

Dated Date: January 15, 2011

Due: September 1, as shown below

PAYMENT TERMS . . . Interest on the \$21,400,000 City of Plano, Texas, General Obligation Bonds, Series 2011 (the "Bonds") will accrue from January 15, 2011 (the "Dated Date"), will be payable September 1 and March 1 of each year, commencing September 1, 2011, until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "The Bonds - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "The Bonds - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapter 1331, Texas Government Code, as amended, and Section 9.22 of the City's Home Rule Charter, and are direct obligations of the City of Plano, Texas (the "City"), payable from a direct and continuing annual ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, as provided in the ordinance authorizing the issuance of the Bonds (the "Ordinance") (see "The Bonds - Authority for Issuance" and "The Bonds - Security and Source of Payment").

PURPOSE . . . Proceeds from the sale of the Bonds will be used for (i) various permanent public improvements and public purposes, including a recreation center, equipment, and street improvements, and (ii) payment of professional services of attorneys, financial advisors and other professionals in connection with the projects and the issuance of the Bonds.

MATURITY SCHEDULE

CUSIP Prefix (1): 727177

Table with 10 columns: Maturity (9/1), Principal Amount, Interest Rate, Initial Yield, CUSIP Suffix (1), Maturity (9/1), Principal Amount, Interest Rate, Initial Yield, CUSIP Suffix (1). Rows include years 2012 through 2020 with corresponding financial data.

\$3,055,000 4.75% TERM BOND DUE SEPTEMBER 1, 2031 PRICED TO YIELD 4.90% CUSIP #727177LP0

(Accrued Interest from January 15, 2011 to be added)

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by Standard and Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the City, the Financial Advisor nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after September 1, 2021, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on March 1, 2021, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. The Bonds maturing on September 1, 2031 (the "Term Bonds") are also subject to mandatory sinking fund redemption prior to maturity (see "The Bonds - Mandatory Redemption").

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Initial Purchaser and subject to the approving opinion of the Attorney General of Texas and the opinion of Vinson & Elkins L.L.P., Bond Counsel, Dallas, Texas (see Appendix B, "Form of Bond Counsel's Opinion").

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on March 2, 2011.

*This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation, or sale.*

*No dealer, broker, salesperson, or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.*

*The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the representation, promise, or guarantee of the Financial Advisor. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See " - Continuing Disclosure of Information" for a description of the City's undertaking to provide certain information on a continuing basis.*

*Neither the City nor its Financial Advisor make any representation as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.*

*THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES, AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE, AND ACHIEVEMENTS TO BE DIFFERENT FROM FUTURE RESULTS, PERFORMANCE, AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.*

*THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.*

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The cover page hereof, this page, the schedule and the appendices included herein and any addenda, supplement, or amendment hereto, are part of the Official Statement.

## OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

- THE CITY**..... The City of Plano is a political subdivision and home-rule municipal corporation of the State of Texas (the "State"), located in Collin and Denton Counties, Texas. The City covers approximately 72 square miles (see "Introduction - Description of the City").
- THE BONDS**..... The \$21,400,000 General Obligation Bonds, Series 2011 are being issued as serial bonds scheduled to mature on September 1 of each year in the years 2012 through 2029, and as a term bond scheduled to mature on September 1, 2031 (see "The Bonds - Description of the Bonds").
- PAYMENT OF INTEREST**..... Interest on the Bonds accrues from January 15, 2011, and is payable September 1, 2011, and each March 1 and September 1 thereafter until maturity or prior redemption (see "The Bonds - Description of the Bonds" and "The Bonds - Optional Redemption").
- AUTHORITY FOR ISSUANCE**..... The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Chapter 1331, Texas Government Code, as amended, the Ordinance passed by the City Council of the City and Section 9.22 of the City's Home Rule Charter (see "The Bonds - Authority for Issuance").
- SECURITY FOR THE BONDS**..... The Bonds constitute direct obligations of the City, payable from a direct and continuing annual ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City (see "The Bonds - Security and Source of Payment").
- REDEMPTION**..... The City reserves the right, at its option, to redeem Bonds having stated maturities on and after September 1, 2021, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on March 1, 2021, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Bonds - Optional Redemption"). The Term Bonds are also subject to mandatory redemption prior to maturity as described herein (see "The Bonds - Mandatory Redemption").
- TAX EXEMPTION**..... In the opinion of Bond Counsel, the interest on the Bonds is excludable from gross income for federal income tax purposes under existing law and the Bonds are not private activity bonds. See "Tax Matters" for a discussion of the opinion of Bond Counsel, including a description of the alternative minimum tax consequences for corporations.
- USE OF PROCEEDS**..... Proceeds from the sale of the Bonds will be used for (i) various permanent public improvements and public purposes, including a recreation center, equipment, and street improvements, and (ii) payment of professional services of attorneys, financial advisors and other professionals in connection with the projects and the issuance of the Bonds.
- RATINGS**..... The Bonds and the presently outstanding tax-supported debt of the City are rated "Aaa" by Moody's Investors Service, Inc. ("Moody's"), "AAA" by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies, Inc. ("S&P") and "AAA" by Fitch, Inc. ("Fitch"), in each case without regard to credit enhancement (see "Other Information - Ratings").
- BOOK-ENTRY-ONLY SYSTEM**..... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "The Bonds - Book-Entry-Only System").
- PAYMENT RECORD**..... The City has never defaulted on the payment of its tax-supported indebtedness.

**SELECTED FINANCIAL INFORMATION**

Fiscal Year Ended 9/30	Estimated City Population <sup>(1)</sup>	Taxable Assessed Valuation <sup>(2)</sup>	Per Capita Taxable Assessed Valuation	Total Tax Supported Debt	Per Capita Tax Supported Debt	Ratio Tax Supported Debt to Taxable Assessed Valuation	% of Total Tax Collections
2007	257,600	\$22,829,141,312	\$ 88,622	\$ 310,155,000	\$ 1,204	1.36%	99.86%
2008	261,500	24,511,500,675	93,734	342,735,000	1,311	1.40%	99.88%
2009	264,250	25,785,315,308	97,579	344,545,000	1,304	1.34%	99.72%
2010	265,000	25,507,218,156	96,254	337,240,000	1,273	1.32%	99.42%
2011	266,600	24,680,898,705	92,577	328,975,000 <sup>(4)</sup>	1,234	1.33%	N/A <sup>(4)</sup>

(1) Source: North Central Texas Council of Governments.

(2) As reported by the Collin and Denton Central Appraisal Districts.

(3) Source: City Officials.

(4) Projected, includes the Bonds.

(5) Payments are due upon the taxpayer's receipt of a tax statement and are delinquent if not paid prior to February 1, 2011.

For additional information regarding the City, please contact:

Denise Tacke Director of Finance City of Plano P.O. Box 860358 Plano, TX 75086 (972) 941-5233	or	David K. Medanich Laura Alexander First Southwest Company 777 Main Street, Suite 1200 Fort Worth, TX 76102 (817) 332-9710
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**CITY OFFICIALS, STAFF AND CONSULTANTS**

**ELECTED OFFICIALS**

<u>City Council</u>	<u>Term Expires</u>
Phil Dyer Mayor, Place 6	May, 2012
Lee Dunlap Mayor Pro Tem, Place 8	May, 2012
Pat Miner Deputy Mayor Pro Tem, Place 1	May, 2011
Ben Harris Councilmember, Place 2	May, 2012
Andre' Davidson Councilmember, Place 3	May, 2011
Lissa Smith Councilmember, Place 4	May, 2012
Harry LaRosiliere Councilmember, Place 5	May, 2011
Jean Callison Councilmember, Place 7	May, 2011

**SELECTED ADMINISTRATIVE STAFF**

<u>Name</u>	<u>Position</u>	<u>Length of Service</u>	<u>Total Governmental Service</u>
Thomas H. Muehlenbeck <sup>(1)</sup>	City Manager	23 Years	41 Years
Diane Zucco	City Secretary	4 Years	17 Years
Denise Tacke	Director of Finance	2 1/2 Years	11 Years
Diane C. Wetherbee	City Attorney	14 Years	26 Years

(1) Mr. Muehlenbeck has announced his retirement effective January 31, 2011. The City appointed Deputy City Manager, LaShon Ross, as interim City Manager at the City Council's meeting on January 24, 2011, effective February 1, 2011.

**CONSULTANTS, ADVISORS AND INDEPENDENT AUDITORS**

Auditors .....	Grant Thornton LLP Dallas, Texas
Bond Counsel .....	Vinson & Elkins L.L.P. Dallas, Texas
Financial Advisor .....	First Southwest Company Fort Worth, Texas

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**OFFICIAL STATEMENT**

**RELATING TO**

**\$21,400,000**

**CITY OF PLANO, TEXAS**

**GENERAL OBLIGATION BONDS, SERIES 2011**

**INTRODUCTION**

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$21,400,000 City of Plano, Texas, General Obligation Bonds, Series 2011 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance (the "Ordinance") adopted on the date of sale of the Bonds which authorized the issuance of the Bonds, except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Bonds and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, First Southwest Company, Dallas, Texas.

**DESCRIPTION OF THE CITY . . .** The City is a political subdivision and home rule municipal corporation of the State of Texas, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City first adopted its Charter on June 10, 1961, and operates under the Council/Manager form of government with a City Council comprised of the Mayor and seven Councilmembers. The term of office is three years. Elections occur on a three year cycle with the terms of the Mayor and three Councilmembers expiring in the same year, the terms of the remaining four Councilmembers expiring the next year and no elections held in the third year of the cycle. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: police, fire and emergency medical services, including all facilities, equipment and personnel, highways and streets, water and sanitary sewer utilities, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. The 2000 Census population for the City was 222,030 and the estimated 2011 population is 266,600. The City covers approximately 72 square miles.

**THE BONDS**

**DESCRIPTION OF THE BONDS . . .** The Bonds are dated January 15, 2011 (the "Dated Date"), and mature on September 1 in each of the years and in the amounts shown on the cover page hereof. Interest on the Bonds will accrue from the Dated Date, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on March 1 and September 1 of each year, commencing September 1, 2011, until maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "The Bonds - Book-Entry-Only System" herein.

**AUTHORITY FOR ISSUANCE . . .** The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Chapter 1331, Texas Government Code, as amended; Section 9.22 of the City's Home Rule Charter; an election held and passed by a majority of the participating voters; and the Ordinance. See "Table 11 – Authorized But Unissued General Obligation Bonds."

**SECURITY AND SOURCE OF PAYMENT . . .** The Bonds constitute direct obligations of the City and the principal thereof and interest thereon are payable from a direct and continuing annual ad valorem tax levied by the City, within the limits prescribed by law, upon all taxable property in the City, as provided in the Ordinance.

**TAX RATE LIMITATION . . .** All taxable property within the City is subject to the assessment, levy and collection by the City of a direct and continuing annual ad valorem tax to provide for the operations of the City, including the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of \$2.50 per \$100 Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all General Obligation debt service, as calculated at the time of issuance based on a 90% collection rate.

**OPTIONAL REDEMPTION . . .** The City reserves the right, at its option, to redeem the Bonds having stated maturities on and after September 1, 2021 in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on March 1, 2021 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If any Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

**MANDATORY REDEMPTION . . .** The Bonds maturing on September 1, 2031 (the "Term Bonds"), are subject to mandatory redemption in part prior to their schedule maturities, and will be redeemed by the City at a redemption price equal to the principal amounts thereof, plus accrued interest to the dates of redemption, on the dates and in the principal amounts as follows:

Term Bonds Due September 1, 2031	
Redemption Date	Principal Amount
September 1, 2030	\$ 1,495,000
September 1, 2031*	1,560,000

\* Maturity.

The Term Bonds to be redeemed shall be selected by lot or other customary random method of the Paying Agent/Registrar (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). Any Term Bonds not selected for prior redemption shall be paid on the date of their stated maturity.

The principal amount of the Term Bonds of a maturity to be redeemed on each mandatory redemption date may be reduced, at the option of the City, by the principal amount of the Term Bonds of such maturity which, at least 45 days prior to the mandatory redemption date, (1) shall have been acquired by the City at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, or (2) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory sinking fund redemption requirement.

**NOTICE OF REDEMPTION . . .** Not less than 30 days prior to a redemption date for the Bonds, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN NOTWITHSTANDING WHETHER ONE OR MORE REGISTERED OWNERS MAY HAVE FAILED TO RECEIVE SUCH NOTICE.

In the Ordinance the City reserves the right in the case of an optional redemption to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date or (ii) the City retains the right to rescind such notice at any time prior to the scheduled redemption date if the City delivers a certificate of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption where redemption has been rescinded shall remain Outstanding, and the rescission shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the City to make moneys and/or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

**BOOK-ENTRY-ONLY SYSTEM . . .** *This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City and the Initial Purchaser believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.*

*The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.*

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, 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 pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of redemption proceeds and principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Paying Agent/Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

**Use of Certain Terms in Other Sections of this Official Statement.** In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City or the Initial Purchaser.

**Effect of Termination of Book-Entry-Only System.** In the event the Book-Entry-Only System with respect to the Bonds is discontinued by DTC, or the use of the Book-Entry-Only System with respect to the Bonds is discontinued by the City, printed certificates will be issued to the respective holders of the Bonds, as the case may be, and the respective Bonds will be subject to transfer, exchange, and registration provisions as set forth in the Ordinance, summarized under "The Bonds - Transfer, Exchange, and Registration" below.

**PAYING AGENT/REGISTRAR . . .** The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. In the Ordinance the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

**PAYMENT . . .** Interest on the Bonds shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (defined below), and such interest shall be paid (i) by check sent United States Mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Bonds will be paid to the registered owner at their stated maturity or earlier redemption upon presentation to the designated payment/transfer office of the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/ Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

**TRANSFER, EXCHANGE AND REGISTRATION . . .** In the event the Book-Entry-Only System should be discontinued, printed Bond certificates will be delivered to the registered owners and thereafter the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the

Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "The Bonds - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 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 balance of an Bond.

**RECORD DATE FOR INTEREST PAYMENT . . .** The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the 15<sup>th</sup> day of the preceding month.

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 ("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 Holder of an Bond appearing on the registration 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.

**AMENDMENTS . . .** The City, may, without the consent of or notice to any Owners, from time to time and at any time, amend the Ordinance in any manner not detrimental to the interests of the Owners, to cure any ambiguity, inconsistency, or formal defect or omission therein and to provide additional security for the payment of the Bond, as applicable. In addition, the City may, with the written consent from the owners holding a majority in aggregate principal amount of the Bond, as applicable, then Outstanding (excluding Bond acquired by or held for the account of the City) affected thereby, amend, add to, or rescind any of the provisions of the Ordinance; provided that, without the written consent of all Owners of Bond, as applicable, then Outstanding, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the Bond, reduce the principal amount thereof, the redemption price therefor, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Bond, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bond required to be held for consent to any such amendment, addition, or rescission.

**DEFESANCE . . .** The Ordinance provides that the City may discharge its obligations to the registered owners of any or all of the Bonds, as applicable, to pay principal and interest thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Paying Agent/Registrar or other lawfully authorized entity a sum of money equal to the principal of and all interest to accrue on such Bonds to maturity or redemption or (ii) by depositing with the Paying Agent/Registrar or other lawfully authorized entity amounts sufficient, together with the investments earnings thereon, to provide for the payment and/or redemption of such Bonds; provided that such deposits may be invested and reinvested only in (a) direct non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding obligations, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (c) 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 the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding obligations to refund the Bonds, as applicable, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent. The foregoing obligations may be in book-entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds, as the case may be. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for the payment to the registered owners of such Bonds at the date of maturity or prior redemption of the full amount to which such owner would be entitled and for giving notice of redemption as provided in the Ordinance.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of Bonds have been made as described above, all rights of the City to initiate proceedings to call such Bonds for redemption or take any other action amending the terms of such Bonds are extinguished; provided, however, that the right to call such Bonds for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call such Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of such Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Ordinance does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law.

**BONDHOLDERS' REMEDIES** . . . The Ordinance establishes as "events of default" (i) the failure to make payment of principal of or interest on any of the Bonds when due and payable; or (ii) default in the performance or observance of any other covenant, agreement or obligation of the City, which default materially and adversely affects the rights of the Owners, including but not limited to their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of sixty days after notice of such default is given by any Owner to the City. Under State law there is no right to the acceleration of maturity of the Bonds upon the failure of the City to observe any covenant under the Ordinance. Although a registered owner of Bonds could presumably obtain a judgment against the City if a default occurred in the payment of principal of or interest on any such Bonds, such judgment could not be satisfied by execution against any property of the City. Such registered owner's only practical remedy, if a default occurs, is to seek to enforce the covenants of the City through an action for specific performance or mandamus. The enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis.

On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) ("*Tooke*") that a waiver of sovereign immunity must be provided for by statute in "clear and unambiguous" language. In so ruling, the Court declared that statutory language such as "sue and be sued," in and of itself, did not constitute a clear and unambiguous waiver of sovereign immunity. Because it is not clear that the Texas Legislature has effectively waived the City's immunity from suit for money damages, a Bondholder may not be able to bring such a suit against the City for breach of the Bonds or the Ordinance. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151-.160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities in certain circumstances." The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods or services to cities. The City is not aware of any Texas court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings of local governments that relate to their borrowing powers are contracts covered by the Act. As noted above, the Ordinance provides that Bondholders may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally-imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract).

The Ordinance does not provide for the appointment of a trustee to represent the interests of the bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code. Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, and also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

## AD VALOREM TAX INFORMATION

**AD VALOREM TAX LAW.** . . Reference is made to Title I of the Texas Tax Code (the "Property Tax Code") for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes. The appraisal of property within the City is the responsibility of the Collin and Denton Central Appraisal Districts (jointly, the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under the Property Tax Code to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios.

In determining the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law further limits the appraised value of a residence homestead for a tax year to an amount that would not exceed the lesser of (1) the property's market value in the most recent tax year in which the market value was determined by the appraisal district or (2) the sum of (a) 10% of the property's appraised value in the preceding tax year, plus (b) the property's appraised value the preceding tax year, plus (c) the market value of all new improvements to the property. The value placed upon property within each respective Appraisal District is subject to review by each respective Appraisal Review Board, each consisting of members appointed by the Board of Directors of each respective Appraisal District. Each respective Appraisal District is required to review the value of property within each respective Appraisal District at least every three years. The City may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the City by petition filed with the appropriate Appraisal Review Board.

Article VIII of the State Constitution ("Article VIII") and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value, and the exemption of certain personal property from ad valorem taxation.

Under Article VIII, Section 1-b, and State law, the governing body of a political subdivision, at its option, may grant an exemption of not less than \$3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision. Once authorized, such exemption may be repealed or decreased or increased in amount (i) by the governing body of the political subdivision or (ii) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than \$3,000 of the market value.

The surviving spouse of an individual who qualifies for the foregoing exemption for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

In addition to any other exemptions provided by the Property Tax Code, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of \$5,000.

In the case of residence homestead exemptions granted under Article VIII, Section 1-b, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created. Homeowners who turn 65 during a tax year qualify immediately for the over-65 homestead exemption.

State law and Article VIII, Section 2, mandate an additional property tax exemption for disabled veterans or the surviving spouse (for so long as the surviving spouse remains unmarried) or children (under 18 years of age) of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from \$5,000 to a maximum of \$12,000; provided, however, that beginning in the 2009 tax year, a disabled veteran who receives from the from the United States Department of Veterans Affairs or its successor 100 percent disability compensation due to a service-connected disability and a rating of 100 percent disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead.

Under Article VIII and State law, the governing body of a county, municipality or junior college district, may freeze the total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older to the amount of taxes imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, such freeze on ad valorem taxes is transferable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual's spouse.

If improvements (other than repairs or improvements required to comply with governmental requirements) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established, the tax rate limitation may not be repealed or rescinded. The City has authorized the tax freeze on homesteads of taxpayers 65 years of age or older and disabled persons. For additional information, see "Ad Valorem Tax Information - City Application of Tax Code."

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Sections 1-d and 1-d-1.

Nonbusiness personal property, such as automobiles or light trucks, are exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as nonbusiness property are exempt from ad valorem taxation.

Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

Article VIII, Section 1-1, provides for the exemption from ad valorem taxation of certain property used to control the pollution of air, water or land. A person is entitled to an exemption from taxation of all or part of real and personal property that the person owns and that is used wholly or partly as a facility, device or method for the control of air, water or land pollution.

Under Section 11.25 of the Property Tax Code, the governing body of a taxing may exempt from taxation part or all of the assessed value of a structure or archeological site and the land necessary for access to and use of the structure or archeological site, if the structure or archeological site is: (1) designated as a Recorded Texas Historic Landmark under Chapter 442, Texas Government Code, or a state archeological landmark under Chapter 191, Texas Natural Resources Code, by the Texas Historical Commission; or (2) designated as a historically or archeologically significant site in need of tax relief to encourage its preservation pursuant to an ordinance or other law adopted by the governing body of the unit.

Under Section 11.253 of the Property Tax Code, "goods-in-transit" are exempt from taxation unless a taxing unit opts out of the exemption. Goods-in-transit are defined as tangible personal property that: (i) is acquired in or imported into the state to be forwarded to another location in the State or outside of the State; (ii) is detained at a location in the State in which the owner of the property does not have a direct or indirect ownership interest for assembling, storing, manufacturing, processing, or fabricating purposes by the person who acquired or imported the property; (iii) is transported to another location in the State or outside the State not later than 175 days after the date the person acquired the property in or imported the property into the State; and (iv) does not include oil, natural gas, petroleum products, aircraft, dealer's motor vehicle inventory, dealer's vessel and outboard motor inventory, dealer's heavy equipment inventory, or retail manufactured housing inventory.

A city may utilize tax increment financing ("TIF"), pursuant to the Tax Increment Financing Act, Texas Tax Code, Chapter 311, to encourage development and redevelopment within a designated reinvestment zone. Taxes collected from increases in valuation above the base value (the "captured appraised value") by each taxing unit that levies ad valorem taxes on real property in the reinvestment zone may be used to pay costs of infrastructure or other public improvements in the reinvestment zone and to supplement or act as a catalyst for private development in the defined area of the reinvestment zone. The tax increment base value for a taxing unit is the total appraised value of all real property taxable by the taxing unit and located in the reinvestment zone as of January 1 of the year in which the city created the reinvestment zone. Each taxing unit can choose to dedicate all, any portion or none of its taxes collected from the captured appraised value to the costs of improvements in the reinvestment zone. The amount of a taxing unit's tax increment for a year is the amount of property taxes levied by the taxing unit for that year on the captured appraised value of real property taxable by the taxing unit and located in the reinvestment zone, multiplied by the taxing unit's percentage level of participation. The City also may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The City in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. The City has active reinvestment zones for tax abatements and 2 tax increment financing zones for tax increment financing purposes. See "Ad Valorem Tax Information - Economic Development Incentives" and "Table 1 - Valuation, Exemptions and General Obligation Debt."

The City is authorized, pursuant to Chapter 380, Texas Local Government Code, as amended ("Chapter 380"), to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grants of public funds for economic development purposes, however no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the City. The City may contract with the federal government, the State, another political subdivision, a nonprofit organization or any other entity, including private entities, for the administration of such a program.

**EFFECTIVE TAX RATE AND ROLLBACK TAX RATE . . .** The City Council is required to adopt the annual tax rate per \$100 taxable value for the City before the later of September 30 or the 60<sup>th</sup> day after the date the certified appraisal roll is received by the City. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for

debt service. If the City Council does not adopt a tax rate by such required date, the tax rate for that tax year is the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the City for the preceding tax year.

Under the Property Tax Code, the City must annually calculate and publicize its "effective tax rate" and "rollback tax rate." The City Council may not adopt a tax rate that exceeds the lower of the rollback tax rate or the effective tax rate until two public hearings are held on the proposed tax rate following a notice of such public hearing (including the requirement that notice be posted on the City's website if the City owns, operates or controls an internet website and public notice be given by television if the City has free access to a television channel) and the City Council has otherwise complied with the legal requirements for the adoption of such tax rate. If the adopted tax rate exceeds the rollback tax rate, the qualified voters of the City by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

"Effective tax rate" means the rate that will produce last year's total tax levy (adjusted) from this year's total taxable values (adjusted). "Adjusted" means lost values are not included in the calculation of last year's taxes and new values are not included in this year's taxable values. "Rollback tax rate" means the rate that will produce last year's maintenance and operation tax levy (adjusted) from this year's values (adjusted) multiplied by 1.08 plus a rate that will produce this year's debt service from this year's values (unadjusted) divided by the anticipated tax collection rate.

The Property Tax Code provides that certain cities and counties in the State may submit a proposition to the voters to authorize an additional one-half cent sales tax on retail sales of taxable items. If the additional tax is levied, the effective tax rate and the rollback tax rate calculations are required to be offset by the revenue that will be generated by the sales tax in the current year.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

**PROPERTY ASSESSMENT AND TAX PAYMENT . . .** Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

**PENALTIES AND INTEREST . . .** Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Cumulative Penalty	Cumulative Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, penalty remains at 12%, and interest accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to accrue interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest is to compensate the taxing unit for revenue lost because of the delinquency. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% may be added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

**CITY APPLICATION OF TAX CODE . . .** The City grants a \$40,000 exemption to the market value of all residence homesteads of persons 65 years of age or older or who are disabled.

The City has granted an additional exemption of 20% of the market value of all other declared homesteads. The constitutional amendment provides that taxes may continue to be levied against the value of the exempted homestead where ad valorem taxes have previously been pledged for the payment of debt, if cessation of the levy would impact the obligation of the contract by which the debt was created.

See Table 1 for a listing of the amounts of the exemptions described above.

The City has adopted the tax freeze for citizens who are 65 years of age or older or disabled, which became a local option and subject to local referendum on January 1, 2004. The act of the City Council to provide a tax freeze on homesteads of the disabled and of persons 65 and older occurred in May 2004. As a result of the adoption of the freeze, total City taxes on the residence homestead of a disabled person or persons 65 years of age or older residing in the City are frozen at the level of taxes billed for the 2004-05 fiscal year, or to the amount of taxes imposed in the year such residence qualified for such exemption. In order to qualify for the exemption, a taxpayer must make application to the Appraisal District. The City has not made a comprehensive study regarding the impact that the freeze will have on the taxable assessed value of the City in future years.

The City does not qualify under state law to collect the additional one-half cent sales tax for reduction of ad valorem taxes.

Ad valorem taxes are not levied by the City against the exempt value of residence homesteads for the payment of debt.

The City does not tax nonbusiness personal property

The Collin and Denton County Tax Assessor/Collectors collect the taxes for the City.

The City does not permit split payments of taxes, and discounts for the early payment of taxes are not allowed, although permitted on a local-option basis.

The City does not tax freeport property.

The City does not tax goods in transit.

With regard to historic properties, the City abates a percentage of taxes on the improvement only and that percentage depends on the qualification of the property and its classification, per City ordinance. The real property is not subject to abatement.

The City has adopted a tax abatement policy described below.

The City participates in two tax increment financing zones.

**ECONOMIC DEVELOPMENT INITIATIVES . . .** The City's five year financial forecast is based upon the fact that the City is transitioning from a fast growth municipality to a maturing community. As a result of this process, the City expects to continue to aggressively pursue business development to further diversify its revenue base. The economic development tools described below are among the incentives that the City has used, and expects to continue to use, in pursuit of this strategy.

**Tax Abatement Policy . . .** State law authorizes political subdivisions of the State to grant tax abatements to any person, organization or corporation in order to stimulate economic development within the State. The City Council has adopted a resolution establishing criteria whereby the City will, on a case-by-case basis, give consideration to providing tax abatement to any qualifying applicant. A tax abatement can be offered in either of two categories: (i) real property and/or (ii) business personal property. Real property abatements applicable to the value of improvements made can be offered to applicants that will pursue construction of new or expanded facilities. Business personal property abatements applicable to the value of new personal property brought into the taxing jurisdiction can be offered to applicants that will pursue the purchase or long-term lease of existing facilities, with the abatement. Under the City's current policies, tax abatement offers are made on a case-by-case basis, with the number of employees, value of the improvements, and location being used to determine the tax abatement amount offered. Notwithstanding the resolution adopted by the City Council and the criteria attendant thereto, the City is under no obligation to provide tax abatement to any applicant. To date, the City has granted a total of 124 tax abatements. The amount of property value entitled to tax abatement during fiscal year 2010-11 is \$468,898,607. State law limits the duration of tax abatement agreements to ten years. With a few exceptions, the tax abatements that have been granted by the City have abated 50% or less of the taxable value of a qualifying applicant.

**Tax Increment Financing . . .** The City has established two tax increment financing ("TIFs") zones for project improvements within the City. The first is an agreement by and between the City and the Taubman Realty Group Limited Partnership for the development of a regional mall. The second relates to financing for public improvements associated with the development of East Plano. Both projects were approved by the City Council in fiscal year 1999. TIF No. 1 expires in 2014 (but the City anticipates closing TIF No. 1 in 2011 based on completion of the originally adopted project plan and the expectation that funds collected to pay for these projects will be sufficient in 2011) and TIF No. 2 expires in 2014. See Table 1 for the incremental taxable assessed value for the TIFs.

**Other Economic Development Programs . . .** The City has entered into one Chapter 380 Economic Development Incentive Agreement with a business pursuant to which the City agrees to pay a grant to the business in an amount proportionate to the City's share of the sales taxes paid by the business to the State. The amount the City is required to pay under this Agreement does not have a material impact on the City's finances. Since Fiscal Year 2007 the City began another Chapter 380 Economic Development Incentive Program, whereby the City awards grants to qualifying businesses. Two cents of the general fund tax has been appropriated annually to the City's Grant Program which was implemented by the City Council in Fiscal Year 2007. The City has used those funds to make many Chapter 380 Economic Development Grants to qualifying businesses.

**TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT**

2010/11 Market Valuation Established by the Appraisal District <sup>(1)</sup>		\$ 30,756,884,945
Less Exemptions/Reductions at 100% Market Value:		
General Residential Homestead Exemptions and Exemptions to Taxpayers Over 65	\$ 3,305,586,847	
Disabled Persons/Veterans Exemptions	55,678,465	
Freeport Property Exemption	291,305,108	
Tax Abatement Reductions	468,898,607	
Agricultural and Open Space Land	622,892,016	
Pollution Control Exemption	1,238,244	
Homestead Cap Adjustment	6,864,114	
Lost to Prorated Absolute Valuation	7,534,619	
Freeze Adjustment	1,304,399,367	
Charitable Housing	4,797,923	
Low Income Housing	384,580	
Historical Properties	6,387,269	
Solar	19,081	<u>6,075,986,240</u>
2010/11 Taxable Assessed Valuation		\$ 24,680,898,705
2010/11 Incremental Taxable Assessed Value of Real Property within Reinvestment Zone Number One		224,887,815
2010/11 Incremental Taxable Assessed Value of Real Property within Reinvestment Zone Number Two		<u>151,516,807</u>
2010/11 Taxable Assessed Valuation available for General Fund Obligations and Debt of City		<u><u>\$ 24,304,494,083</u></u>
City Funded Debt Payable from Ad Valorem Taxes <sup>(2)</sup>		
General Obligation Debt (as of 12-1-10)	\$ 337,240,000	
The Bonds	<u>21,400,000</u>	
General Purpose Funded Debt Payable from Ad Valorem Taxes		\$ 358,640,000
Less Self-Supporting General Obligation Debt:		
Waterworks and Sewer System		<u>1,955,000</u>
Net Funded Debt Payable from Ad Valorem Taxes (as of 12-1-10)		\$ 356,685,000
Interest and Sinking Fund Balance (as of 12-1-10)		\$ 3,037,414
Ratio of Tax Supported Debt to Taxable Assessed Valuation		1.45%
	2011 Population - 266,600	
	Per Capita Taxable Assessed Valuation - \$92,577	
	Per Capita Funded Debt - \$1,345	
	Per Capita Net Funded Debt - \$1,338	

(1) As reported by the Appraisal District.

(2) Does not include Municipal Drainage Utility System Revenue Bonds which are currently outstanding. These are payable solely from the revenues of the Municipal Drainage Utility System, as defined in the ordinances authorizing such bonds.

**TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY**

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2011		2010		2009	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$17,810,262,732	57.91%	\$17,960,710,402	56.99%	\$17,928,833,760	56.44%
Real, Residential, Multi-Family	1,948,319,400	6.33%	2,079,846,384	6.60%	2,164,853,290	6.81%
Real, Vacant Platted Lots/Tracts	185,904,396	0.60%	195,375,943	0.62%	221,636,415	0.70%
Real, Acreage (Land Only)	832,564,401	2.71%	865,660,239	2.75%	927,336,925	2.92%
Real, Farm and Ranch Improvements	22,609,325	0.07%	22,397,272	0.07%	23,309,885	0.07%
Real, Commercial and Industrial	7,204,859,939	23.43%	7,628,191,338	24.20%	7,543,851,896	23.75%
Real and Intangible, Personal, Utilities	337,007,938	1.10%	360,951,739	1.15%	405,916,800	1.28%
Tangible Personal, Business	2,248,070,713	7.31%	2,204,155,902	6.99%	2,313,975,354	7.28%
Tangible Personal, Other	4,220,421	0.01%	4,323,878	0.01%	4,547,675	0.01%
Real Inventory	76,666,239	0.25%	95,892,100	0.30%	121,236,540	0.38%
Special Inventory	86,399,441	0.28%	100,555,082	0.32%	112,515,314	0.35%
Total Appraised Value Before Exemptions	\$30,756,884,945	100.00%	\$31,518,060,279	100.00%	\$31,768,013,854	100.00%
Less: Total Exemptions/Reductions	(6,075,986,240)		(6,010,842,123)		(5,982,698,546)	
Taxable Assessed Value	<u>\$24,680,898,705</u>		<u>\$25,507,218,156</u>		<u>\$25,785,315,308</u>	

  

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2008		2007	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$16,754,946,899	57.49%	\$15,997,560,942	58.54%
Real, Residential, Multi-Family	1,868,893,599	6.41%	1,655,985,993	6.06%
Real, Vacant Platted Lots/Tracts	189,231,995	0.65%	190,046,425	0.70%
Real, Acreage (Land Only)	859,233,055	2.95%	896,715,141	3.28%
Real, Farm and Ranch Improvements	9,705,813	0.03%	13,890,316	0.05%
Real, Commercial and Industrial	6,858,636,987	23.53%	6,063,058,991	22.19%
Real and Intangible, Personal, Utilities	403,626,173	1.38%	387,666,399	1.42%
Tangible Personal, Business	1,962,549,394	6.73%	1,850,369,672	6.77%
Tangible Personal, Other	4,724,302	0.02%	4,816,206	0.02%
Real Inventory	141,751,190	0.49%	133,444,832	0.49%
Special Inventory	92,048,627	0.32%	132,976,243	0.49%
Total Appraised Value Before Exemptions	\$29,145,348,034	100.00%	\$27,326,531,160	100.00%
Adjustments	209		-	
Less: Total Exemptions/Reductions	(4,633,847,568)		(4,497,389,848)	
Taxable Assessed Value	<u>\$24,511,500,675</u>		<u>\$22,829,141,312</u>	

NOTE: Valuations shown are certified taxable assessed values reported by the Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

**TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY**

Fiscal Year Ended 9/30	Estimated Population <sup>(1)</sup>	Taxable Assessed Valuation <sup>(2)</sup>	Taxable Assessed Valuation Per Capita	Tax Supported Debt Outstanding at End of Year	Ratio of Tax Supported Debt to Taxable Assessed Valuation	Tax Supported Debt Per Capita
2007	257,600	\$22,829,141,312	\$88,622	\$310,155,000	1.36%	\$1,204
2008	261,500	24,511,500,675	93,734	342,735,000	1.40%	1,311
2009	264,250	25,785,315,308	97,579	344,545,000	1.34%	1,304
2010	265,000	25,507,218,156	96,254	337,240,000	1.32%	1,273
2011	266,600	24,680,898,705	92,577	328,975,000 <sup>(4)</sup>	1.33%	1,234

(1) Source: North Central Texas Council of Governments.

(2) As reported by the Appraisal District.

(3) Source: City staff.

(4) Projected, includes the Bonds.

**TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY <sup>(1)</sup>**

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2007	\$0.47350	\$0.30800	\$0.16550	\$108,186,053	99.20%	99.86%
2008	0.47350	0.32100	0.15250	116,214,292	99.30%	99.88%
2009	0.47350	0.32680	0.14670	121,434,014	99.37%	99.72%
2010	0.48860	0.32840	0.16020	123,231,506	99.42%	99.42%
2011	0.48860	0.31350	0.17510	120,590,871 <sup>(2)</sup>	In Process of Collection <sup>(3)</sup>	

(1) Source: City staff.

(2) Tax levy based on freeze adjusted taxable value.

(3) Payments are due upon the taxpayer's receipt of a tax statement and are delinquent if not paid prior to February 1, 2011.

**TABLE 5 - TEN LARGEST TAXPAYERS <sup>(1)</sup>**

Name of Taxpayer	Nature of Property	2010/11 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
JC Penney Company Inc.	Corporate Headquarters	\$161,877,423	0.66%
Oncor Electric Delivery Company	Electric Utility	160,712,118	0.65%
Willow Bend Assoc. LP	Property Development	110,000,000	0.45%
Electronic Data Systems Corp.	Corporate Headquarters and Computer Center	101,172,615	0.41%
The Shops at Legacy (Inland) LP	Retail	90,757,191	0.37%
Legacy Campus	Property Development	90,134,300	0.37%
United Dominion Realty LP	Real Estate	83,736,600	0.34%
Tollway/121 Partners Ltd	Property Development	82,024,204	0.33%
Collin Creek Mall LP	Retail	79,335,993	0.32%
HSP of Texas Inc.	Medical Center	71,099,041	0.29%
		<u>\$1,030,849,485</u>	<u>4.18%</u>

(1) As reported by the Appraisal District.

**GENERAL OBLIGATION DEBT LIMITATION . . .** No general obligation debt limitation is imposed on the City under current State law or the City's Home Rule Charter (see "The Bonds - Tax Rate Limitation").

**TABLE 6 - TAX ADEQUACY<sup>(1)</sup>**

2011 Principal and Interest Requirements	\$ 42,594,079
\$0.1726 Tax Rate at 100% Collection Produces	\$ 42,599,231
Average Annual Principal and Interest Requirements, 2011 - 2031	\$ 23,881,654
\$0.0968 Tax Rate at 100% Collection Produces	\$ 23,891,110
Maximum Principal and Interest Requirements, 2011	\$ 42,594,079
\$0.1726 Tax Rate at 100% Collection Produces	\$ 42,599,231

(1) Includes the Bonds. See Table 8 - General Obligation Debt Service Requirements herein. Preliminary, subject to change.

**TABLE 7 - ESTIMATED OVERLAPPING DEBT<sup>(1)</sup>**

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax debt ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional Tax Debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

Taxing Jurisdiction	2010/11 Taxable Assessed Value	2010/11 Tax Rate	Total Funded Debt	Estimated % Applicable	City's Overlapping Funded Debt As of 12-1-10	Authorized But Unissued Debt As Of 12-1-10 <sup>(3)</sup>
City of Plano	\$24,680,898,705	\$ 0.48860	\$ 356,685,000 <sup>(2)</sup>	100.00%	\$ 356,685,000 <sup>(2)</sup>	\$ 138,779,500 <sup>(3)</sup>
Allen Independent School District	7,305,906,571	1.54000	440,662,100	0.89%	3,921,893	186,825,000
Collin County	71,233,317,128	0.24250	381,765,000	34.77%	132,739,691	255,145,000
Collin County Community College District	73,668,207,466	0.00863	45,690,000	34.77%	15,886,413	0
Denton County	52,046,669,565	0.27390	496,900,000	1.72%	8,546,680	330,713,873
Frisco Independent School District	12,542,660,609	1.39000	1,178,137,972	13.41%	157,988,302	468,306,286
Lewisville Independent School District	21,284,986,590	1.42670	995,917,161	4.34%	43,222,805	434,509,475
Plano Independent School District	33,660,912,497	1.32840	1,034,322,383	72.82%	<u>753,193,559</u>	172,470,000
Total Direct and Overlapping Tax Supported Debt					\$ 1,472,184,342	
Ratio of Direct and Overlapping Tax Supported Debt to Taxable Assessed Valuation					5.96%	
Per Capita Overlapping Tax Supported Debt					\$ 5,522.07	

(1) Source: Municipal Advisory Council of Texas.

(2) Includes the Bonds, excludes self-supporting general obligation debt.

(3) Reflects remaining authorization after the issuance of the Bonds.

**DEBT INFORMATION**

**TABLE 8 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**

Fiscal Year Ending 9/30	Outstanding Debt		The Bonds <sup>(1)</sup>		Total Debt Service Requirements	Less: Self- Supporting GO Debt Service	Total Tax Supported Debt	% of Principal Retired
	Principal	Interest	Principal	Interest				
2011	\$ 29,665,000	\$ 13,766,579	\$ -	\$ 537,188	\$ 43,968,767	\$ 1,335,050	\$ 42,633,717	
2012	28,450,000	12,754,634	690,000	855,698	42,750,332	357,800	42,392,532	
2013	28,880,000	11,742,356	720,000	838,448	42,180,804	379,600	41,801,204	
2014	25,795,000	10,652,622	750,000	820,448	38,018,070	-	38,018,070	
2015	24,805,000	9,699,761	785,000	797,948	36,087,709	-	36,087,709	39.19%
2016	23,040,000	8,726,103	820,000	774,398	33,360,501	-	33,360,501	
2017	21,200,000	7,707,527	855,000	749,798	30,512,325	-	30,512,325	
2018	20,190,000	6,770,226	895,000	724,148	28,579,374	-	28,579,374	
2019	19,515,000	5,941,662	930,000	692,823	27,079,485	-	27,079,485	
2020	17,930,000	5,125,077	975,000	655,623	24,685,700	-	24,685,700	68.84%
2021	15,340,000	4,368,950	1,015,000	616,623	21,340,573	-	21,340,573	
2022	14,665,000	3,709,775	1,060,000	576,023	20,010,798	-	20,010,798	
2023	14,125,000	3,075,581	1,105,000	533,623	18,839,204	-	18,839,204	
2024	13,250,000	2,451,631	1,155,000	489,423	17,346,054	-	17,346,054	
2025	12,960,000	1,860,275	1,205,000	441,779	16,467,054	-	16,467,054	90.00%
2026	10,820,000	1,261,525	1,260,000	391,169	13,732,694	-	13,732,694	
2027	7,825,000	760,700	1,315,000	336,044	10,236,744	-	10,236,744	
2028	5,385,000	408,100	1,375,000	276,869	7,444,969	-	7,444,969	
2029	2,520,000	161,200	1,435,000	213,275	4,329,475	-	4,329,475	
2030	880,000	35,200	1,495,000	145,113	2,555,313	-	2,555,313	99.57%
2031	-	-	1,560,000	74,100	1,634,100	-	1,634,100	100.00%
	<u>\$ 337,240,000</u>	<u>\$ 110,979,484</u>	<u>\$ 21,400,000</u>	<u>\$ 11,540,553</u>	<u>\$ 481,160,037</u>	<u>\$ 2,072,450</u>	<u>\$ 479,087,587</u>	

(1) Average life of the issue – 12.410 years. Interest on the Bonds has been calculated at the rates illustrated on the cover page hereof.

**TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION <sup>(1)</sup>**

Budgeted Tax Supported Debt Service Requirements, Fiscal Year Ending, 9/30/11 . . . . .	\$ 42,594,079
Budgeted Interest and Sinking Fund Balance, 9/30/10 . . . . .	\$ 1,042,747
2010/11 Budgeted Interest and Sinking Fund Tax Levy . . . . .	41,829,232
Delinquent Taxes and Penalty Interest . . . . .	583,420
Budgeted Transfers and Reimbursements . . . . .	142,527
Investment Income . . . . .	<u>225,000</u>
Budgeted Balance, 9/30/11 . . . . .	<u>\$ 43,822,926</u>
	<u>\$ 1,228,847</u>

(1) Source: City's Annual Budget for Fiscal Year 2010/11.

**TABLE 10 – COMPUTATION OF SELF-SUPPORTING DEBT**

Net Revenues available from Waterworks and Sewer System, Fiscal Year 9-30-10 . . . . .	\$ 5,327,876 <sup>(1)</sup>
System General Obligation Bond Requirements, 2011 Fiscal Year . . . . .	<u>1,335,050</u>
Balance . . . . .	<u>\$ 3,992,826</u>
Percentage of Waterworks & Sewer System General Obligation Bonds Self-Supporting . . . . .	100.00%

(1) Source: City Officials.

**TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS <sup>(1)</sup>**

Purpose	Date Authorized	Amount Authorized	Amount Previously Issued	Amount Being Issued	Unissued Balance
Performing Arts Facilities	5/2/1998	\$ 19,402,000	\$ 5,210,000	\$ -	\$ 14,192,000
Park and Recreation Facilities	5/7/2005	57,775,000	45,520,000	10,275,000	1,980,000
Carpenter Park Recreation Center	5/7/2005	6,600,000	6,600,000	-	-
Street Improvements	5/7/2005	55,372,000	48,772,000	6,600,000	-
Technology	5/9/2009	8,000,000	1,000,000	-	7,000,000
Street Improvements	5/9/2009	34,754,500	-	2,500,000	32,254,500
Library Improvements	5/9/2009	1,750,000	-	-	1,750,000
Park and Recreation Facilities	5/9/2009	48,650,000	-	-	48,650,000
Recreation Center	5/9/2009	24,100,000	490,000	1,500,000	22,110,000
Public Safety	5/9/2009	11,368,000	-	525,000	10,843,000
		<u>\$ 267,771,500</u>	<u>\$ 107,592,000</u>	<u>\$ 21,400,000</u>	<u>\$ 138,779,500</u>

(1) Source: City Officials.

**ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT . . .** As shown in Table 11 above, after the issuance of the Bonds, the City will have approximately \$138,779,500 of voted but unissued debt remaining to be issued, of which \$1,980,000 was authorized by the voters at an election held on May 7, 2005. Current plans call for the City to issue the remaining 2005 authorization in fiscal year 2012 and to issue the remaining 2009 authorization over the next four years. The City anticipates the issuance of approximately \$20 million of general obligation debt the first quarter of 2012.

**THE COMMUNITY INVESTMENT PROGRAM . . .** The City Council annually adopts a five year Community Investment Program (the "CIP") to reflect the City's commitment to continually invest in the City's infrastructure. The CIP is made for planning purposes and may identify projects that will be deferred or omitted entirely in future years; only projects for the current fiscal year are included in the City's adopted budget. In addition, as conditions change, new projects may be added that are not currently identified. For the fiscal year ending September 30, 2010, the CIP included approximately \$99 million in total budgeted expenditures for all City capital projects, including general obligation, water, sewer, drainage and capital reserve projects. A large portion of the projects other than general obligation projects are funded from reserves or on a pay as you go basis. The total CIP for the five year period ending September 30, 2015 includes \$390 million of capital improvements, of which \$215 million are general obligation projects. See "Debt Information - Anticipated Issuance of General Obligation Debt," for a description of the City's plans to finance portions of the CIP through the issuance of general obligation bond issues.

**OTHER OBLIGATIONS . . .** The City has no unfunded debt outstanding as of September 30, 2010.

**PENSION PLAN . . .** The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the State-wide Texas Municipal Retirement System (the "TMRS"), one of over 833 currently administered by TMRS, an agent multiple-employer public employee retirement system. Benefits from the TMRS administered plan depend upon the sum of the employees' contributions to the plan, with interest, and the City-financed monetary credits, with interest. Members can retire at ages 60 and above with 5 or more years of service or with 20 or more years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the State statutes governing TMRS and within the actuarial constraints also in the statutes.

In 2007, TMRS adopted actuarial assumptions to be used in the actuarial valuation of benefit costs. A summary of actuarial assumptions and definitions can be found in the December 31, 2007 TMRS Comprehensive Annual Financial Report (the "TMRS CAFR"), which can be obtained from the TMRS website at [www.tmr.org](http://www.tmr.org). As a result of such change in actuarial

assumptions, the City's actuarial accrued liability has increased from \$369,388,605 as of December 31, 2006 to \$478,126,778 as of December 31, 2008. As of December 31, 2009, the City had actuarial value of assets of \$346,665,548, giving the City a "funded ratio" of 69.6%. The City has elected to fund its liability over an eight year phase-in period and expects to fully fund its actuarial accrued liability over the next 28 years. The City's employee contribution rate is currently 7% of gross earnings and the City provided a monthly contribution of 15.2% of covered payroll, with contributions of \$19,272,054 for fiscal year ending September 30, 2010. Beginning on January 1, 2011, the City's monthly contribution rate increased to 16.94% of covered payroll, and the City estimates that its total contribution for calendar year 2011 will be approximately \$22,329,504. Calendar year 2011 will be the third year of the eight year phase-in period. The City expects that its contribution rate at the end of phase-in period will be approximately 20% of covered payroll.

For more detailed information concerning the City's pension plan, see Appendix A, "Excerpts from the City's Annual Financial Report" - Note IV.5.

**RETIREMENT SECURITY PLAN . . .** On January 1, 1983, the City withdrew from the Federal Social Security system and created the Retirement Security Plan (the "RSP"), a single-employer, defined benefit pension trust fund, to provide retirement benefits for all full-time employees of the City. The plan is created by City ordinance and administered by a committee of five, which meets four times a year. Professional investment management is used and a custodial bank retains the assets and provides for administration of benefit payments. Members are eligible to receive full retirement benefits under the RSP upon attaining age 65 with 5 years of service. Early retirement benefits are paid upon completion of 20 years of vesting service (TMRS credited service) or upon attaining age 60 with 5 years of vesting service. At least 5 years of vesting service must be with the City. The plan issues a separate publicly available financial report that includes financial statements and required supplementary information. The financial report may be obtained by request to the City's Human Resources Department, 1520 Avenue K, Suite 130, Plano, Texas 75074.

As of the December 31, 2009 biennial actuarial valuation, the most recent actuarial valuation date, the City's actuarial accrued liability with respect to RSP was \$82,733,359, and the City's actuarial value of assets as of such date was \$75,217,522, giving the City a "funded ratio" of 90.9%.

As of December 31, 2009, there were 2,010 active members of whom 1,362 were vested and 648 were non-vested, and there were 416 terminated participants receiving benefits. In addition, there were 31 terminated employees entitled to benefits but were not yet receiving them. Contributions by the City are established as part of the City budget process. No employee contributions are required by the plan. The City contributed \$3,549,068 or 3.20% of the covered payroll for the year ended September 30, 2010, as compared to the December 31, 2009 biennial actuarial requirement of 3.64%.

For more detailed information concerning the RSP, see Appendix A, "Excerpts from the City's Annual Financial Report" - Note IV.5.

**OTHER POST-EMPLOYMENT BENEFITS . . .** The City offers its retired employees under age 65 health insurance coverage under the same plan as the active employees and Medicare supplementary insurance for retirees 65 and older. The number of retired participants receiving health insurance coverage for 2010 was 341, of which 201 were on the same plan as the active employees and 140 were on Medicare supplementary insurance. Premiums are paid by the retired employees and claims are processed by the City's agent and paid through the Health Claims Fund. Expenditures for postretirement health care benefits are recognized as retirees report claims. Claims paid for retired employees for 2010 were \$2,043,310.

On March 1, 2008, the City established a Section 115 Trust (the "Trust") to comply with the requirements of Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions ("OPEB"), for the purpose of funding and providing certain benefits to its eligible retirees. The plan was created by City ordinance and is administered by the Risk Pool Trustees, consisting of five City employees appointed by the City, who meet four times a year. The Trust issues a separate publicly available financial report that includes financial statements and required supplementary information at the Trust's fiscal year end which is December 31. Those financial reports may be obtained by request to the City's Human Resources Department, 1520 Avenue K, Suite 130, Plano, Texas 75074.

The City delivers to the Section 115 Trustee the amounts of money that are contributed to the Trust Fund by the City and, if applicable, by participants. Contributions by the City are established as part of the City budget process and are based on amounts determined in the actuarial study prepared biennially. For fiscal year ending September 30, 2010 the City contributed approximately \$5.5 million to the Trust which represents approximately 135.6% of the annual required contribution of the employer. In addition, retirees contributed approximately \$0.8 million to the Trust.

As of the October 1, 2009 biennial actuarial valuation, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$50,657,828, and the Trust's actuarial value of assets as of such date was \$27,256,812, giving the Trust a "funded ratio" of 53.8%. As of September 30, 2010 the City had a net OPEB asset in the amount of \$21,091,030 in the Trust.

For more detailed information concerning the City's Employee Benefit Plans, see Appendix A, "Excerpts from the City's Annual Financial Report" - Note IV.5.

**FINANCIAL INFORMATION**

**TABLE 12 – CHANGES IN NET ASSETS <sup>(1)</sup>**

	Fiscal Year Ended September 30,				
	2010	2009	2008	2007	2006
Revenues:					
<u>Program Revenues</u>					
Charges for Services	\$ 33,707,611	\$ 32,374,343	\$ 31,045,640	\$ 28,407,175	\$ 30,853,374
Operating Grants and Contributions	6,858,965	7,430,737	4,773,881	4,592,308	9,695,987
Capital Grants and Contributions	20,765,810	10,939,098	9,654,400	13,499,864	16,672,181
<u>General Revenues</u>					
Property Taxes	129,741,125	127,265,332	123,054,998	114,157,316	104,809,088
Sales Taxes	58,652,787	56,064,538	62,122,119	61,573,210	65,320,897
Other Taxes	23,542,865	25,111,019	24,386,264	23,672,555	23,144,345
Other	14,486,847	17,939,953	23,900,174	13,985,970	9,914,048
Total Revenues	<u>\$287,756,010</u>	<u>\$277,125,020</u>	<u>\$278,937,476</u>	<u>\$259,888,398</u>	<u>\$260,409,920</u>
Expenses:					
General Government	\$ 18,468,819	\$ 14,360,212	\$ 9,052,498	\$ 12,820,474	\$ 12,869,160
Administrative Services	7,799,815	8,294,111	8,423,416	7,814,137	7,249,106
Police	66,061,326	65,225,173	68,433,179	60,136,573	52,661,945
Fire	43,654,787	44,279,959	44,201,284	39,368,057	40,171,670
Libraries	10,295,418	11,104,945	11,765,263	10,560,624	9,616,271
Development	18,995,171	19,929,365	20,447,190	19,508,839	18,482,899
Public Services and Operations	5,662,869	5,645,771	5,402,333	5,213,097	5,069,129
Parks and Recreation	27,219,522	26,170,315	26,134,622	22,645,606	20,491,397
Public Works	34,002,485	28,025,006	27,944,393	26,677,227	25,864,753
Information Services	13,806,148	14,008,840	13,686,048	12,951,258	11,113,407
Other	1,963,496	5,480,962	7,401,221	6,577,443	858,379
Interest on Long-term Debt	14,039,411	14,640,081	14,625,019	12,503,580	12,009,766
Unallocated Depreciation	111,959	96,934	102,199	100,907	93,337
Total Expenses	<u>\$262,081,226</u>	<u>\$257,261,674</u>	<u>\$257,618,665</u>	<u>\$236,877,822</u>	<u>\$216,551,219</u>
Increase in Net Assets before Transfers	\$ 25,674,784	\$ 19,863,346	\$ 21,318,811	\$ 23,010,576	\$ 43,858,701
Transfers	-	-	-	12,604,397	11,907,529
Increase in Net Assets	<u>\$ 25,674,784</u>	<u>\$ 19,863,346</u>	<u>\$ 21,318,811</u>	<u>\$ 35,614,973</u>	<u>\$ 55,766,230</u>
Net Assets - October 1	<u>804,457,281</u>	<u>784,593,935</u>	<u>763,275,124</u>	<u>727,660,151</u>	<u>671,893,921</u>
Net Assets - September 30	<u><u>\$830,132,065</u></u>	<u><u>\$804,457,281</u></u>	<u><u>\$784,593,935</u></u>	<u><u>\$763,275,124</u></u>	<u><u>\$727,660,151</u></u>

(1) Source: City's Comprehensive Annual Financial Reports.

It is the City's practice regarding the General Fund and Enterprise Funds that working capital resources should be maintained at 30 days of the Funds' operating expenses with the exception of the Environmental Waste Services Funds. This fund's working capital resources should be maintained at 14 days of the Fund's operating expenses. The fiscal year 2011 budget currently forecasts a \$10 million reduction in General Fund year end fund balance.

**TABLE 12A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY <sup>(1)</sup>**

	Fiscal Year Ended September 30,				
	2010	2009	2008	2007	2006
Fund Balance - Beginning of Year	\$ 42,744,130	\$ 44,741,546	\$ 45,683,660	\$ 48,804,662	\$ 39,224,186
<b>Revenues:</b>					
Taxes and Penalties	\$ 140,748,482	\$ 140,093,309	\$ 140,860,120	\$ 133,072,151	\$ 121,441,049
Franchise Fees	21,886,667	23,586,443	22,628,847	22,039,441	21,720,865
Fines and Forfeitures	7,767,903	8,317,559	7,268,269	7,484,453	8,556,731
Licenses and Permits	5,763,535	4,786,291	5,235,695	5,524,955	6,800,126
Intragovernmental	8,211,958	7,739,588	7,276,212	6,399,935	6,592,673
Intergovernmental	727,762	2,915,576	714,197	696,994	635,126
Fees for Services	10,847,217	10,967,653	10,723,589	8,473,801	8,856,128
Interest	822,854	1,270,999	2,244,622	3,392,086	2,378,463
Miscellaneous	927,312	794,039	1,577,363	962,120	1,199,451
Operating Transfers In	9,813,481	10,774,011	9,669,342	9,462,695	9,571,122
Total Revenues	\$ 207,517,171	\$ 211,245,468	\$ 208,198,256	\$ 197,508,631	\$ 187,751,734
<b>Expenditures:</b>					
General Government	\$ 52,891,935	\$ 55,025,722	\$ 54,221,352	\$ 52,804,233	\$ 43,001,658
Public Safety	103,374,114	103,705,465	100,477,133	96,124,929	87,581,769
Public Works	5,592,600	5,840,246	5,820,027	5,764,590	5,273,610
Community Services	34,390,423	36,401,317	35,434,960	33,233,626	29,932,639
Capital Outlay	1,511,225	1,636,365	2,377,311	2,142,144	1,641,834
Operating Transfers Out	11,100,430	10,633,769	10,809,587	10,560,111	10,739,748
Total Expenditures	\$ 208,860,727	\$ 213,242,884	\$ 209,140,370	\$ 200,629,633	\$ 178,171,258
Excess (Deficiency) of Revenues over Expenditures	(1,343,556)	(1,997,416)	(942,114)	(3,121,002)	9,580,476
Fund Balance - End of Year	\$ 41,400,574	\$ 42,744,130	\$ 44,741,546	\$ 45,683,660	\$ 48,804,662

(1) Source: City's Comprehensive Annual Financial Reports.

It is the City's practice regarding the General Fund and Enterprise Funds that working capital resources should be maintained at 30 days of the Funds' operating expenses with the exception of the Environmental Waste Services Funds. This fund's working capital resources should be maintained at 14 days of the Fund's operating expenses. The fiscal year 2011 budget currently forecasts a \$10 million reduction in General Fund year end fund balance.

**TABLE 13 - MUNICIPAL SALES TAX HISTORY <sup>(1)</sup>**

The City has adopted the Municipal Sales and Use Tax Act, Chapter 321, Texas Tax Code, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Bonds. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly.

Fiscal Year Ended 30-Sep	1% Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2006	\$ 65,320,897	66.26%	\$0.3017	\$ 257
2007	61,573,210	56.91%	0.2697	239
2008	62,122,119	53.45%	0.2534	238
2009	56,064,538	46.17%	0.2174	212
2010	58,652,787	47.60%	0.2299	221

(1) Source: City Officials.

The City is a member of Dallas Area Rapid Transit ("DART"), which collects a 1% sales and use tax within its service area, including the City. The total sales tax rate collected in the City is 8.25% (6.25% by the State of Texas, 1% by the City and 1% by DART). Under current State law, the total sales and use tax rate may not exceed 8.25% in any location.

#### **FINANCIAL POLICIES**

*Basis of Accounting* . . . The accounting policies of the City conform to generally accepted accounting principles for governmental entities as promulgated by the Government Accounting Standards Board. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and pension trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the combined balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All proprietary and trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the combined statement of net assets. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in total net assets.

The modified accrual basis of accounting is used by all governmental funds types, pension trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recorded when the related fund liability is incurred. However, principal of and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Major revenue sources which have been treated as susceptible to accrual under the modified basis of accounting include property taxes, charges for services, intergovernmental revenues, and investment of available funds.

The accrual basis of accounting is utilized by proprietary and trust funds. Under this method, revenue is recorded when earned and expenses are recorded at the time liabilities are incurred.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualified expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

*Fund Balances* . . . It is the City's practice regarding the General Fund and Enterprise Funds that working capital resources should be maintained at 30 days of the Funds' operating expenses. The City maintains its various debt service funds in accordance with the covenants of applicable bond ordinances.

*Budgetary Procedures* . . . The City Charter establishes the fiscal year as the twelve-month period beginning each October 1. Each year by the middle of June, the City Manager, after review, submits a budget of estimated revenues and expenditures to the City Council. Subsequently, the City Council will hold work sessions to discuss and amend the budget to coincide with their direction of the City. Various public hearings may be held to comply with state and local statutes. The City Council will adopt a budget prior to October 1 through passage of an ordinance. If the Council fails to adopt a budget then the prior year budget remains in effect.

During the fiscal year, budgetary control is maintained by the monthly review by department heads of departmental appropriation balances. Actual operations are compared to the amounts set forth in the budget. Departmental appropriations that have not been expended lapse at the end of the fiscal year. Therefore, funds that were budgeted and not used by the departments during the fiscal year are not available for their use unless appropriated in the ensuing fiscal year's budget.

## **INVESTMENTS**

The City invests its investable funds in investments authorized by State law in accordance with investment policies approved by the City Council. State law and the City investment policies are subject to change.

**LEGAL INVESTMENTS** . . . Under Texas law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit and share certificates (i) issued by a depository institution that has its main office or a branch office in the State of Texas, that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor, or are secured by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits, or (ii) where: (a) the funds are invested by the City through a depository institution that has its main office or branch office in the State of Texas and that is selected by the City; (b) the depository institution selected by the City arranges for the deposit of funds in one or more federally insured depository institutions, wherever located; (c) the certificates of deposit are insured by the United States or an instrumentality of the United States; (d) the depository institution acts as a custodian for the City with respect to the certificates of deposit; and (e) at the same time that the certificates of deposit are issued, the depository institution selected by the City receives deposits from customers of other federally insured depository institutions, wherever located, that is equal to or greater than the funds invested by the City through the depository institution selected under clause (ii)(a) above, (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas; (9) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less; (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (11) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share; and (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term of up to two years, but the City retains ultimate responsibility as fiduciary of its assets.

The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

**INVESTMENT POLICIES . . .** Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, (6) yield and (7) legality.

Under Texas law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest City funds without express written authority from the City Council.

**ADDITIONAL PROVISIONS . . .** Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the make-up of the City's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the Treasurer, chief financial officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

**TABLE 14 - CURRENT INVESTMENTS <sup>(1)</sup>**

As of November 30, 2010, the City's investable funds were invested in the following categories:

Description	Percent	Book Value	Market Value
Agency Debt	68.66%	\$ 218,806,801	\$ 219,537,882
Local Government Investment Pools	10.53%	33,557,977	33,557,977
Certificates of Deposit	10.89%	34,687,595	34,687,595
NOW Account	9.92%	31,608,410	31,608,410
	<u>100.00%</u>	<u>\$ 318,660,783</u>	<u>\$ 319,391,864</u>

No funds of the City are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index or commodity.

(1) Source: City Officials.

## TAX MATTERS

### TAX EXEMPTION

In the opinion of Vinson & Elkins L.L.P., Bond Counsel, (i) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and (ii) the Bonds are not "private activity bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and, as such, interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except as described below in the discussion regarding the adjusted current earnings adjustment for corporations.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The City has covenanted in the Ordinance that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Ordinance pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the City, the City's Financial Advisor and the Initial Purchaser with respect to matters solely within the knowledge of the City, the City's Financial Advisor and the Initial Purchaser, respectively, which Bond Counsel has not independently verified. If the City should fail to comply with the covenants in the Ordinance or if the foregoing representations or report should be determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

The Code also imposes a 20% alternative minimum tax on the "alternative minimum taxable income" of a corporation if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. Generally, the alternative minimum taxable income of a corporation (other than any S corporation, regulated investment company, REIT or REMIC), includes 75% of the amount by which its "adjusted current earnings" exceeds its other "alternative minimum taxable income." Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation's "adjusted current earnings," ownership of the Bonds could subject a corporation to alternative minimum tax consequences.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations are includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures, the Service is likely to treat the City as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds regardless of the ultimate outcome of the audit.

### ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS

**Collateral Tax Consequences** . . . Prospective purchasers of the Bonds should be aware that the ownership of tax exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

**Tax Accounting Treatment of Original Issue Premium . . .** The issue price of all or a portion of the Bonds may exceed the stated redemption price payable at maturity of such Bonds. Such Bonds (the "Premium Bonds") are considered for federal income tax purposes to have "premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Bonds.

**Tax Accounting Treatment of Original Issue Discount Bonds . . .** The issue price of all or a portion of the Bonds may be less than the stated redemption price payable at maturity of such Bonds (the "Original Issue Discount Bonds"). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the captions "Additional Federal Income Tax Considerations - Collateral Tax Consequences" and "Tax Exemption" generally applies, and should be considered in connection with the discussion in this portion of the Official Statement.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

The foregoing discussion assumes that (i) the Initial Purchaser have purchased the Bonds for contemporaneous sale to the public and (ii) all of the Original Issue Discount Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the cover page of this Official Statement. Neither the City nor Bond Counsel has made any investigation or offers any comfort that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (i) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (ii) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Original Issue Discount Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

## CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The City is required to observe the agreement for so long as it remains an "obligated person" with respect to the Bonds, within the meaning of the Securities and Exchange Commission's Rule 15c2-12 (the "Rule"). Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB").

**ANNUAL REPORTS . . .** The City will provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 14 and in Appendix A. The City will update and provide this information within six months after the end of each fiscal year ending in or after 2011.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix A or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

The City's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

**MATERIAL EVENT NOTICES . . .** The City will also provide timely notices of certain events to the MSRB. The City will provide notice in a timely manner not in excess of ten business days after the occurrence of the event of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material. As used above, the phrase "bankruptcy, insolvency, receivership or similar event" means the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court of governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if jurisdiction has been assumed by leaving the Board and officials or officers of the City in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. (Neither the Bonds nor the Ordinance make any provision for debt service reserves, liquidity enhancement or credit enhancement). In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

**AVAILABILITY OF INFORMATION . . .** Effective July 1, 2009 (the "EMMA Effective Date"), the SEC implemented amendments to the Rule which approved the establishment by the MSRB of EMMA, which is now the sole national municipal securities information repository with respect to filings made in connection with undertakings made under the Rule after the EMMA Effective Date. Commencing with the EMMA Effective Date, all information and documentation filing required to be made by the City in accordance with its undertaking made for the Bonds will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB. The City will continue to make information filings, including material event notices, with the Texas state information repository (the "SID") so long as it is required to do so pursuant to the terms of any undertakings made under the Rule prior to the EMMA Effective Date.

**LIMITATIONS AND AMENDMENTS . . .** The City has agreed to update information and to provide notices of material events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The City disclaims any contractual or tort liability for

damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement 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, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the SEC Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of the SEC Rule 15c2-12 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 Bonds in the primary offering of the Bonds. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

**COMPLIANCE WITH PRIOR UNDERTAKINGS.** . . During the last five years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

## **OTHER INFORMATION**

### **RATINGS**

The Bonds and the outstanding tax-supported debt of the City are rated "Aaa" by Moody's, "AAA" by S&P and "AAA" by Fitch, in each case without regard to credit enhancement. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating companies, if in the judgment of any or all companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, by any rating company, may have an adverse effect on the market price of the Bonds.

### **LITIGATION**

The City Attorney has provided a list to the City Controller of the pending and threatened litigation matters of which she is aware. The City Attorney has consulted with the City Controller on those matters and based upon that consultation, there is no existing or threatened litigation that has a material adverse financial impact upon the City or its operations.

### **REGISTRATION AND QUALIFICATION OF BONDS FOR SALE**

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

### **LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS**

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. In addition, various provisions of the Texas Finance Code provide that, subject to a prudence standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations.

**General Considerations.** For political subdivisions in Texas that have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Bonds may have to be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing

purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The City has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

#### **LEGAL MATTERS**

The City will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Bonds and to the effect that the Bonds are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law and the Bonds are not private activity bonds, subject to the matters described under "Tax Matters – Tax Exemption" herein, including alternative minimum tax consequences for corporations. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Bonds will also be furnished. Bond Counsel was engaged by, and only represents, the City. Except as noted below, Bond Counsel did not take part in the preparation of the Notices of Sale and Bidding Instructions, the Official Bid Forms and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information under the captions "THE BONDS AND NOTES" (exclusive of the information under the subcaption "BOOK-ENTRY-ONLY SYSTEM") and "TAX MATTERS," and under the subcaptions "AD VALOREM TAX LAW" and "TAX RATE LIMITATION" under the caption "AD VALOREM TAX INFORMATION," and the subcaptions "REGISTRATION AND QUALIFICATION OF OBLIGATIONS FOR SALE," "LEGAL MATTERS," "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS" and "CONTINUING DISCLOSURE OF INFORMATION" (except for the subsection "Compliance with Prior Undertakings") under the caption "OTHER INFORMATION" and such firm is of the opinion that such descriptions present a fair and accurate summary of the provisions of the laws and instruments therein described and such information conforms to the Ordinance.

The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC, or its successor, or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System.

#### **AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION**

The financial data and other information contained herein have been obtained from City records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

#### **INITIAL PURCHASER OF THE BONDS**

After requesting competitive bids for the Bonds, the City accepted the bid of Robert W. Baird & Co., Inc. (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the cover page of the Official Statement at a price of par plus a cash premium of \$114,918.00. The Initial Purchaser can give no assurance that any trading market will be developed for the Bonds after their sale by the City to the Initial Purchaser. The City has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser.

#### **FINANCIAL ADVISOR**

First Southwest Company is employed as Financial Advisor to the City in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. First Southwest Company, in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

#### **FORWARD-LOOKING STATEMENTS DISCLAIMER**

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. The City's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

#### **CERTIFICATION OF THE OFFICIAL STATEMENT**

At the time of payment for and delivery of the Bonds, the City will furnish a certificate, executed by proper officers, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Bonds and the acceptance of the best bid therefore, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an 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; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

The Ordinance approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Bonds by the Initial Purchaser.

PHIL DYER  
Mayor  
City of Plano, Texas

ATTEST:

DIANE ZUCCO  
City Secretary

**APPENDIX A**

EXCERPTS FROM THE  
CITY OF PLANO, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2010

The information contained in this Appendix consists of excerpts from the City of Plano, Texas Comprehensive Annual Financial Report for the Year Ended September 30, 2010, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

**APPENDIX B**

FORM OF BOND COUNSEL'S OPINION