OFFICIAL STATEMENT
Dated August 18, 2009

Ratings: Moody's: "A2"
S&P: "A+"
(See "Other Information – Ratings" herein)

NEW ISSUE - Book-Entry-Only

Delivery of the Series 2009A Bonds *is* subject to the opinion of Co-Bond Counsel that under statutes, regulations, published rulings and court decisions existing on the date thereof, interest on the Series 2009A Bonds is excludable from gross income for federal income tax purposes and the Series 2009A Bonds are obligations described in section 1503 of The American Recovery and Reinvestment Act of 2009 and accordingly, the interest on the Series 2009A Bonds will not be included in the owner's alternative minimum taxable income under section 55 of the Internal Revenue Code of 1986. The Series 2009B Bonds and the Series 2009C Bonds, (collectively, the "Taxable Bonds") are not obligations described in Section 103(a) of the Internal Revenue Code of 1986, as amended. See "TAX MATTERS" for a discussion of the opinion of Co-Bond Counsel, including a description of alternative minimum tax consequences for corporations.

DALLAS CONVENTION CENTER HOTEL DEVELOPMENT CORPORATION
(a Texas nonprofit local government corporation acting on behalf of the City of Dallas, Texas)

$74,411,197.20 HOTEL REVENUE BONDS SERIES 2009A	**$388,175,000 HOTEL REVENUE BONDS TAXABLE SERIES 2009B (BUILD AMERICA BONDS-DIRECT PAYMENT)**	**$17,235,000 HOTEL REVENUE BONDS TAXABLE SERIES 2009C**

$62,530,000 (Current Interest Bonds)	**$11,881,197.20 (Capital Appreciation Bonds)**

Dated: Date of Delivery **Due: January 1, as shown on inside cover**

The Dallas Convention Center Hotel Development Corporation (the "Issuer"), a Texas nonprofit local government corporation created by the City of Dallas, Texas (the "City"), is issuing its $74,411,197.20 Hotel Revenue Bonds, Series 2009A (the "Series 2009A Bonds"), $388,175,000 Hotel Revenue Bonds, Taxable Series 2009B (Build America Bonds – Direct Payment) (the "Series 2009B Bonds"), and $17,235,000 Hotel Revenue Bonds, Taxable Series 2009C (the "Series 2009C Bonds" and, together with the Series 2009A Bonds and the Series 2009B Bonds, the "Series 2009 Bonds"). The Series 2009 Bonds are being issued pursuant to the provisions of Texas law described herein. All of the Series 2009 Bonds will be issued pursuant to an Indenture of Trust (the "Indenture") between the Issuer and U.S. Bank National Association as trustee (the "Trustee"). The Series 2009A Bonds will be issued as current interest bonds, in the aggregate principal amount of $62,530,000, that pay interest on the dates hereinafter described (the "Current Interest Bonds"), and as capital appreciation bonds, in the original principal amount of $11,881,197.20, upon which interest shall compound semiannually and be payable only at maturity (the "Capital Appreciation Bonds").

The proceeds of the Series 2009 Bonds, together with other sources of funds, will be used to (a) acquire approximately six acres of land from the City as the site for the hereinafter described Hotel Project; (b) finance the costs required to design, acquire, construct, equip, furnish and open a four-star full-service convention center headquarters hotel having approximately 1,016 rooms, at least 80,000 square feet of meeting space, including approximately 33,500 square feet of grand ballroom and approximately 16,500 square feet of junior ballroom space and structured parking containing no less than 720 parking spaces, subject to the terms of certain project documents described herein (the "Hotel Project"); (c) fund approximately 34 months of net capitalized interest (which is intended to cover the period commencing with the date of issuance of the Series 2009 Bonds through six months following substantial completion of construction of the Hotel Project); (d) fund a debt service reserve fund for the Series 2009 Bonds; (e) fund an initial deposit to the Operating Expense Reserve Fund (defined herein); and (f) pay certain costs of issuing the Series 2009 Bonds. A portion of the Series 2009C Bond proceeds also shall be used to fund a portion of the July 1, 2012 interest payment due on the Series 2009B Bonds. See "PLAN OF FINANCE – Sources and Uses of Funds".

The Hotel Project will be planned, designed and constructed pursuant to a "Developer Agreement" between the Issuer and Matthews Holdings Southwest Inc. (the "Developer") and a "Design/Build Guaranteed Maximum Price Contract" between the Issuer and Balfour/Russell/Pegasus, a joint venture (the "Design/Builder"). The Hotel Project will be prepared for opening by Omni Hotels Management Corporation (the "Operator") pursuant to a "Technical and Pre-Opening Services Agreement" among the Issuer, the Operator and the Developer, and, after opening, managed and operated by the Operator pursuant to a "Hotel Operating Agreement" between the Issuer and the Operator and a "Room Block and Meeting Space Agreement" between the Issuer and the Operator.

The Series 2009 Bonds will be registered and offered in denominations (or Maturity Amounts, in the case of the Capital Appreciation Bonds) of $5,000 and integral multiples thereof. Interest on the Series 2009 Bonds (other than the Capital Appreciation Bonds) will be payable semiannually on each January 1 and July 1 commencing January 1, 2010. Interest on the Capital Appreciation Bonds will accrete from their date of delivery and will compound semiannually on January 1 and July 1 of each year, commencing January 1, 2010, and will be payable only at maturity (see APPENDIX I – Accreted Value Table). The Series 2009 Bonds are subject to optional, mandatory sinking fund, and extraordinary optional and mandatory redemption as described herein, and are limited special obligations of the Issuer, equally and ratably secured by the assets in the Trust Estate (defined herein) pledged under the Indenture, except that interest on the Series 2009B Bonds also is payable from direct payments if and when received by the Issuer from the federal government in accordance with the "Build America Bonds" program, as further described herein.

The Series 2009 Bonds initially will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2009 Bonds. The Series 2009 Bonds will be issued in book-entry only form and holders of the Series 2009 Bonds will not receive physical delivery of bonds except as described herein. During any period in which ownership of any of the Series 2009 Bonds is determined only by a book-entry at DTC, the Trustee will make payments on such Series 2009 Bonds to DTC or DTC's nominee in accordance with arrangements between the Trustee and DTC.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY. IT IS NOT INTENDED AS A SUMMARY OF THE TERMS OF AND SECURITY FOR THE SERIES 2009 BONDS. SEE "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 BONDS" AND "RISK FACTORS" HEREIN FOR A DISCUSSION OF CERTAIN RISK FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE SERIES 2009 BONDS.

THE SERIES 2009 BONDS WILL NOT CONSTITUTE AN INDEBTEDNESS OR GENERAL OBLIGATION OF THE ISSUER, THE CITY, DALLAS COUNTY, THE STATE OF TEXAS, OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF TEXAS, WITHIN THE MEANING OF ANY CONSTITUTIONAL PROVISIONS OR STATUTORY LIMITATIONS WHATSOEVER, BUT THE SERIES 2009 BONDS WILL BE LIMITED SPECIAL OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR AS PROVIDED IN THE INDENTURE. NEITHER THE FAITH NOR CREDIT OF THE CITY (OTHER THAN CERTAIN CITY TAX REVENUES AND, IF MADE, APPROPRIATED GRANT PAYMENTS DESCRIBED HEREIN), DALLAS COUNTY, THE STATE OF TEXAS, OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF TEXAS IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF THE SERIES 2009 BONDS OR THE INTEREST OR ANY PREMIUM THEREON OR OTHER COST INCIDENT THERETO. NEITHER THE MEMBERS OF THE GOVERNING BODY OF THE ISSUER NOR ANY PERSON EXECUTING THE SERIES 2009 BONDS WILL BE LIABLE PERSONALLY ON THE SERIES 2009 BONDS BY REASON OF THE ISSUANCE THEREOF. THE ISSUER HAS NO TAXING POWER.

The Series 2009 Bonds are offered for delivery when, as, and if issued, subject to the approving opinion of the Attorney General of the State of Texas and the legal opinion of McCall, Parkhurst & Horton L.L.P. and Escamilla & Poneck, Inc., Dallas, Texas, Co-Bond Counsel. Certain legal matters will be passed on for the Issuer by its special counsel, Jeffer, Mangels, Butler & Marmaro L.L.P.; for the City by the Dallas City Attorney; for the Underwriters by their counsel, Locke Lord Bissell & Liddell LLP, Dallas, Texas and Adorno Yoss White & Wiggins, LLP, Dallas, Texas; for the Design/Builder by its counsel, Rodney Moss, Esq., Division and Chief Legal Officer and Division Senior Vice President, Balfour Beatty Construction; for the Developer by its counsel, Hunton & Williams LLP, Dallas, Texas; and for the Operator by its counsel, Winstead PC and Kutak Rock LLP. The Series 2009 Bonds will be available for delivery through DTC on or about September 1, 2009.

CITI **GOLDMAN, SACHS & CO.** **SIEBERT BRANDFORD SHANK & CO., LLC**
JACKSON SECURITIES, LLC **RBC CAPITAL MARKETS** **SOUTHWEST SECURITIES, INC.**

MATURITY SCHEDULE **Cusip Prefix: 235417** [1]

$62,530,000
HOTEL REVENUE BONDS
SERIES 2009A
(Current Interest Bonds)

Principal Amount	Maturity (January 1)	Interest Rate	Yield	CUSIP[1] Suffix	Principal Amount	Maturity (January 1)	Interest Rate	Yield	CUSIP[1] Suffix
$ 365,000	2018	4.250%	4.280%	AF9	$ 2,905,000	2021	4.750%	4.870%	AL6
3,235,000	2019	4.250%	4.520%	AG7	6,985,000	2021	5.250%	4.870%	AM4
5,200,000	2019	5.000%	4.520%	AH5	10,690,000	2022	5.250%	5.000%	AN2
2,225,000	2020	4.500%	4.720%	AJ1	11,555,000	2023	5.250%	5.110%	AP7
6,900,000	2020	5.250%	4.720%	AK8	12,470,000	2024	5.000%	5.210%	AQ5

$11,881,197.20
HOTEL REVENUE BONDS
SERIES 2009A
(Capital Appreciation Bonds)

Initial Principal Amount	Maturity (January 1)	Initial Reoffering Price per $5,000 Maturity Amount	Approximate Yield to Maturity	CUSIP[1] Suffix
$ 4,741,511.80	2018	$3,199.40	5.430%	AR3
5,132,506.40	2025	1,914.40	6.360%	AS1
2,007,180.00	2026	1,770.00	6.460%	AT9

$388,175,000
HOTEL REVENUE BONDS
TAXABLE SERIES 2009B
(BUILD AMERICA BONDS – DIRECT PAYMENT)

$388,175,000 7.088% Term Bond Maturing January 1, 2042, priced at 100%, CUSIP 235417AA0

$17,235,000
HOTEL REVENUE BONDS
TAXABLE SERIES 2009C

Principal Amount	Maturity (January 1)	Interest Rate	Price	CUSIP[1] Suffix
$ 3,700,000	2015	4.990%	100%	AB8
5,790,000	2016	5.390%	100%	AC6
7,415,000	2017	5.480%	100%	AD4
330,000	2018	5.580%	100%	AE2

[1] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein are provided by Standard and Poor's CUSIP Service Bureau, a Division of the McGraw-Hill Companies, Inc. These data are not intended to create a database and do not serve in any way as a substitute for the CUSIP Services.

ARTIST'S RENDERINGS OF THE HOTEL PROJECT

NOTICE TO INVESTORS

This Official Statement contains, in part, estimates, assumptions, and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions, or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein will not, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or other matters described herein since the date hereof. For the period beginning on the date of the award of the sale of the Series 2009 Bonds by the Underwriters and ending on the 25th day after the "end of the underwriting period" (as defined in Rule 15c2-12 promulgated by the United States Securities and Exchange Commission (the "SEC")) if any event will occur of which the Issuer has knowledge and as a result of which it is necessary to amend or supplement this Official Statement in order to make the statements therein, in light of the circumstances when this Official Statement is delivered to a prospective purchaser, not misleading, the Issuer will promptly notify the Underwriters of the occurrence of such event and will cooperate in the preparation of a revised Official Statement, or amendments or supplements hereto, so that the statements in this Official Statement, as revised, amended or supplemented, will not, in light of the circumstances when such Official Statement is delivered to a prospective purchaser, be misleading. Except as may be required by law, the Issuer assumes no responsibility for supplementing this Official Statement thereafter.

THE SERIES 2009 BONDS HAVE NOT BEEN REGISTERED WITH THE SEC BY REASON OF CERTAIN EXEMPTIONS CONTAINED IN THE SECURITIES ACT OF 1933, AS AMENDED. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE CITY, THE ISSUER, THE DEVELOPER, THE DESIGN/BUILDER, THE OPERATOR, THE SERIES 2009 BONDS, AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY, NOR HAVE SUCH AUTHORITIES CONFIRMED THE ACCURACY OR DETERMINED THE ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE THE MARKET PRICE OF THE SERIES 2009 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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, in connection with the offering of the Series 2009 Bonds, and, if given or made, such information or representation must not be relied upon as having been authorized by the City, the Issuer, the Developer, the Design/Builder, the Operator, the Underwriters, or their respective consultants and attorneys. The information in this Official Statement is subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the City, the Issuer, the Developer, the Design/Builder, or the Operator since the date hereof. This Official Statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized, or in which any person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation. The information set forth herein has been obtained from the City, the Issuer, the Developer, the Design/Builder, and the Operator and other sources which are believed to be reliable, but is it not guaranteed as to accuracy or completeness by, and it not to be construed as a representation by, the Underwriters.

All summaries herein of documents and agreements are qualified in their entirety by reference to such documents and agreements, and all summaries herein of the Series 2009 Bonds are qualified in their entirety by reference to the form thereof included in the Indenture, and the provisions with respect thereto included in the aforementioned documents and agreements.

The information and expressions of opinions contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the City, the Issuer, the Developer, the Design/Builder, or the Operator since the date hereof.

This Official Statement is not to be construed as a contract with the purchaser of the Series 2009 Bonds. Statements contained in this Official Statement which involves estimates, forecasts, or matters of opinion, whether or not expressly so described herein, are intended solely as such, and are not to be construed as a representation of fact.

NOTWITHSTANDING ANY PROVISION OR INFERENCE CONTAINED IN THE INDENTURE OR IN ANY OTHER BOND DOCUMENT OR TRANSACTION DOCUMENT, NEITHER THE SERIES 2009 BONDS NOR ANY OTHER AMOUNTS SECURED BY THE TRUST ESTATE WILL EVER CONSTITUTE AN INDEBTEDNESS OR GENERAL OBLIGATION OF THE CITY, DALLAS COUNTY, STATE OF TEXAS, OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF TEXAS, WITHIN THE MEANING OF ANY CONSTITUTIONAL PROVISIONS OR STATUTORY LIMITATION WHATSOEVER, BUT THE SERIES 2009 BONDS AND ANY OTHER AMOUNTS SECURED BY THE TRUST ESTATE WILL BE LIMITED SPECIAL OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM THE FUNDS AVAILABLE THEREFOR AS PROVIDED IN THE INDENTURE. WITHOUT

LIMITING AND IN ADDITION TO THE FOREGOING, THE TRUSTEE AND BONDHOLDERS UNDERSTAND THAT THE ISSUER IS AN ENTITY ENTIRELY SEPARATE AND APART FROM THE CITY, AND THAT NO FUNDS OR OTHER ASSETS OR RESOURCES OF THE CITY, OTHER THAN THE "CITY TAX REVENUES" (WHICH ARE DERIVED FROM CERTAIN STATE AND LOCAL HOTEL OCCUPANCY TAXES AND CERTAIN STATE SALES TAXES) AND, IF MADE, APPROPRIATED GRANT PAYMENTS ARE SUBJECT TO THE INDENTURE OR ANY OF ITS OBLIGATIONS OR PROVISIONS. THE CITY IS DISTINCT FROM THE ISSUER AND WILL HAVE ABSOLUTELY NO LIABILITY, OBLIGATION, OR RESPONSIBILITY HEREUNDER (EXCEPT FOR THE PAYMENT OF SUCH CITY TAX REVENUES PURSUANT TO THE ECONOMIC DEVELOPMENT AGREEMENT). NEITHER THE STATE, THE CITY, NOR ANY POLITICAL SUBDIVISION OR AGENCY OF THE STATE WILL BE OBLIGATED TO PAY THE PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2009 BONDS, ANY OBLIGATIONS, OR ANY OTHER AMOUNTS SECURED BY THE TRUST ESTATE, OTHER THAN THE LIMITED SPECIAL OBLIGATIONS OF THE CITY TO TRANSFER CERTAIN CITY TAX REVENUES AND, IF MADE, APPROPRIATED GRANT PAYMENTS, BUT SOLELY IN ACCORDANCE WITH THE ECONOMIC DEVELOPMENT AGREEMENT, THE INDENTURE AND ANY APPLICABLE SUPPLEMENTAL INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, THE CITY (EXCEPT TO THE LIMITED EXTENT IMMEDIATELY HEREIN BEFORE DESCRIBED WITH RESPECT TO CITY TAX REVENUES AND, IF MADE, APPROPRIATED GRANT PAYMENTS), NOR ANY OTHER POLITICAL SUBDIVISION OR AGENCY OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR PREMIUM, IF ANY, OR THE INTEREST ON SUCH BONDS, OR ANY OTHER AMOUNTS SECURED BY THE TRUST ESTATE. THE OBLIGATIONS OF THE ISSUER TO THE BONDHOLDERS ARE LIMITED SOLELY TO THE TRUST ESTATE AS DESCRIBED IN THE INDENTURE. THE ISSUER HAS NO TAXING POWER.

THIS OFFICIAL STATEMENT IS INTENDED TO REFLECT MATERIAL FACTS AND CIRCUMSTANCES AS THEY EXIST ON THE DATE OF THIS OFFICIAL STATEMENT OR ON SUCH OTHER DATE OR AT SUCH OTHER TIME AS INDENTIFIED HEREIN. NO ASSURANCE CAN BE GIVEN THAT SUCH INFORMATION WILL NOT BE MISLEADING AT A LATER DATE. CONSEQUENTLY, RELIANCE ON THIS OFFICIAL STATEMENT AT TIMES SUBSEQUENT TO THE ISSUANCE OF THE SERIES 2009 BONDS SHOULD NOT BE MADE ON THE ASSUMPTION THAT ANY SUCH FACTS OR CIRCUMSTANCES ARE UNCHANGED.

THE TRUSTEE ASSUMES NO RESPONSIBILITY FOR THIS OFFICIAL STATEMENT AND HAS NOT REVIEWED OR UNDERTAKEN TO VERIFY ANY INFORMATION CONTAINED HEREIN.

NEITHER THE DEVELOPER, THE DESIGN/BUILDER, THE OPERATOR, NOR ANY OF THEIR AFFILIATES OR THEIR RESPECTIVE OFFICERS, DIRECTORS, AGENTS, OR EMPLOYEES WILL IN ANY WAY BE DEEMED AN ISSUER OR UNDERWRITER OF THE SERIES 2009 BONDS AND WILL HAVE NO LIABILITY WHATSOEVER ARISING OUT OF OR RELATING TO ANY FINANCIAL STATEMENTS, PROSPECTUSES, OR OTHER FINANCIAL INFORMATION CONTAINED IN ANY DISCLOSURE DOCUMENT OR SIMILAR WRITTEN OR ORAL COMMUNICATIONS OTHER THAN THAT WHICH SPECIFICALLY PERTAINS TO THE DEVELOPER, THE DESIGN/BUILDER, THE OPERATOR, AND/OR THEIR OPERATIONS, RESPECTIVELY. ALL TERMS USED IN THIS PARAGRAPH HAVE THE MEANING AS DEFINED IN THE SECURITIES ACT OF 1933, AS AMENDED.

THE CO-FINANCIAL ADVISORS HAVE BEEN EMPLOYED BY THE CITY AND THE ISSUER TO ADVISE THEM WITH RESPECT TO CERTAIN MATTERS RELATING TO THE PROPOSED STRUCTURE OF THE SERIES 2009 BONDS. THE CO-FINANCIAL ADVISORS HAVE NOT BEEN EMPLOYED AND ASSUME NO DUTY OR OBLIGATION TO ADVISE ANY OTHER PARTY AS TO ANY ASPECT OF THE TRANSACTION, INCLUDING THE HOLDERS OF THE SERIES 2009 BONDS.

THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, THEIR RESPECTIVE RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURANCY OR COMPLETENESS OF SUCH INFORMATION.

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.***

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APPENDICES

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

ISSUER BOARD OF DIRECTORS AND OFFICERS

Name	Office	Term Expires
Ryan Evans(1)	President	September 30, 2014
Frank Poe(1)	Vice President/Secretary	September 30, 2014
Shelia Robinson(1)	Treasurer	September 30, 2014
Mary Suhm	Executive Director	

(1) Member of Board of Directors

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Term Expires	Length of Service as of July 1, 2009	Occupation
Tom Leppert Mayor - Place 15 (At Large)	June, 2011	2 Years, 1 month	Construction (Former Chairman and CEO)
Delia Jasso Councilmember - Place 1	June, 2011	Newly Elected	Small Business Owner
Pauline Medrano Councilmember - Place 2	June, 2011	4 Years, 1 month	Civic Leader
Dave Neumann Councilmember - Place 3	June, 2011	2 Years, 1 month	Small Business Owner
Dwaine Caraway Councilmember - Place 4	June, 2011	2 Years, 1 month	Civic Leader
Vonciel Jones Hill Councilmember - Place 5	June, 2011	2 Years, 1 month	Attorney
Steve Salazar Councilmember - Place 6	June, 2011	6 Years, 1 month	Attorney
Carolyn Davis Councilmember - Place 7	June, 2011	2 Years, 1 month	Civic Leader
Tennell Atkins Councilmember - Place 8	June, 2011	2 Years, 1 month	Entrepreneur
Sheffield Kadane Jr. Councilmember - Place 9	June, 2011	2 Years, 1 month	Investor and Real Estate Broker
Jerry Allen Councilmember - Place 10	June, 2011	2 Years, 1 month	Banker
Linda Koop Councilmember - Place 11	June, 2011	4 Years, 1 month	Civic Leader
Ron Natinsky Councilmember - Place 12	June, 2011	4 Years, 1 month	Businessman and Entrepreneur
Ann Margolin Councilmember - Place 13	June, 2011	Newly Elected	Investor
Angela Hunt Councilmember - Place 14	June, 2011	4 Years, 1 month	Attorney

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Time in This Position as of July 1, 2009	Tenure with City of Dallas as of July 1, 2009
Mary K. Suhm	City Manager	4 Years	31 Years, 1 Month
Ryan S. Evans	First Assistant City Manager	2 Years, 8 Months	23 Years, 2 Months
A.C. Gonzalez	Assistant City Manager	2 Years, 7 Months	9 Years, 8 Months (1)
Jill A. Jordan	Assistant City Manager	10 Years, 5 Months	17 Years, 5 Months
Forest Turner	Assistant City Manager	Appointed 7/1/2009	16 Years, 9 Months
David Cook	Chief Financial Officer	8 Years, 9 Months	26 Years, 6 Months
Thomas P. Perkins, Jr.	City Attorney	4 Years, 1 Month	10 Years, 1 Month
Deborah Watkins	City Secretary	3 Years, 2 Months	35 Years
Craig Kinton	City Auditor	2 Years, 9 Months	2 Years, 9 Months
Frank Poe	Director, Convention & Event Svcs.	4 Years, 7 Months	21 Years, 11 Months (2)

(1) A.C. Gonzalez previously served as Assistant City Manager from September 1988 until August 1995.
(2) Frank Poe previously served as Director of Convention & Event Svs. From January 1991 to August 1997.

CONSULTANTS AND ADVISORS

Auditors .... Grant Thornton L.L.P.
Dallas, Texas

Daniel T. Serna & Company, P.C.
Arlington, Texas

Hopkins & Associates
Dallas, Texas

Logan & Associates, P.C.
Cedar Hill, Texas

Owens & Thurman, P.C.
Dallas, Texas

Co-Bond Counsel.. McCall, Parkhurst & Horton, L.L.P.
Dallas, Texas

Escamilla & Poneck, Inc.
Dallas, Texas

Co-Financial Advisors .... First Southwest Company
Dallas, Texas

Estrada Hinojosa & Company, Inc.
Dallas, Texas

For additional information regarding the City and the Issuer, please contact:

Mr. David Cook City of Dallas 1500 Marilla Street, 4DN Dallas, Texas 75201 (214) 670-7804	or	Mr. Wayne Placide Mr. Steve Johnson First Southwest Company 325 N. St. Paul, Suite 800 Dallas, Texas 75201 (214) 953-4000	or	Mr. Noe Hinojosa, Jr. Mr. U.S. Williams, Jr. Estrada Hinojosa & Company, Inc. 1717 Main Street, 47th Floor Dallas, Texas 75201 (214) 658-1670

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OFFICIAL STATEMENT

RELATING TO

DALLAS CONVENTION CENTER HOTEL DEVELOPMENT CORPORATION
(a Texas nonprofit local government corporation acting on behalf of the City of Dallas, Texas)

$74,411,197.20
HOTEL REVENUE BONDS,
SERIES 2009A
consisting of

$62,530,000
(Current Interest Bonds)
and
$11,881,197.20
(Capital Appreciation Bonds)

and

$388,175,000
HOTEL REVENUE BONDS,
TAXABLE SERIES 2009B
(BUILD AMERICA BONDS – DIRECT PAYMENT)

and

$17,235,000
HOTEL REVENUE BONDS,
TAXABLE SERIES 2009C

INTRODUCTION

GENERAL

The Dallas Convention Center Hotel Development Corporation (the "Issuer"), a Texas nonprofit local government corporation organized under Chapter 431, Texas Transportation Code, specifically Subchapter D thereof, and acting on behalf of the City of Dallas, Texas (the "City"), is issuing its $74,411,197.20 Hotel Revenue Bonds, Series 2009A (the "Series 2009A Bonds"), $388,175,000 Hotel Revenue Bonds, Taxable Series 2009B (Build America Bonds – Direct Payment) (the "Series 2009B Bonds") and $17,235,000 Hotel Revenue Bonds, Taxable Series 2009C (the "Series 2009C Bonds", and, together with the Series 2009A Bonds and the Series 2009B Bonds, the "Series 2009 Bonds"). The Series 2009A Bonds will be issued as current interest bonds, in the aggregate principal amount of $62,530,000, that pay interest on the dates hereinafter described (the "Current Interest Bonds"), and as capital appreciation bonds in the aggregate principal amount of $11,881,197.20, upon which interest shall compound semiannually and be payable only at maturity (the "Capital Appreciation Bonds"). The Series 2009 Bonds are issued pursuant to that certain "Indenture of Trust" (the "Indenture"), dated as of August 1, 2009, by and between the Issuer and U.S. Bank National Association as trustee (the "Trustee"). For the definition of certain capitalized terms used in this Official Statement and not otherwise defined herein, see "APPENDIX C - Master Glossary." The Series 2009B Bonds and the Series 2009C Bonds are sometimes referred to herein as the "Taxable Bonds".

PURPOSE

The proceeds of the Series 2009 Bonds, together with other sources of funds, will be used to (a) acquire approximately six acres of land from the City as the site for the hereinafter described Hotel Project; (b) finance the costs required to design, acquire, construct, equip, furnish and open a four-star full-service convention center headquarters hotel having approximately 1,016 rooms, at least 80,000 square feet of meeting space, including approximately 33,500 square feet of grand ballroom and approximately 16,500 square feet of junior ballroom space and structured parking containing no less than 720 parking spaces, subject to the terms of certain project documents described herein (the "Hotel Project"); (c) fund approximately 34 months of net capitalized interest (which is intended to cover the period commencing with the date of issuance of the Series 2009 Bonds through six months following completion of substantial construction of the Hotel Project); (d) fund a debt service reserve fund for the Series 2009 Bonds; (e) fund an initial deposit to the Operating Expense Reserve Fund; and (f) pay certain costs of issuing the Series 2009 Bonds. In addition, a portion of the proceeds of the Series 2009C Bonds will be held in escrow by the Trustee, as escrow agent, and used for the sole purpose of paying the July 1, 2012 interest payment due and payable on the Series 2009B Bonds. See "PLAN OF FINANCE – Sources and Uses of Funds".

DEVELOPMENT, CONSTRUCTION AND OPERATION OF THE HOTEL PROJECT

The Hotel Project will be planned, designed and constructed pursuant to a "Developer Agreement" between the Issuer and Matthews Holdings Southwest Inc. (the "Developer" or "MSW") and a "Design/Build Guaranteed Maximum Price Contract" between the Issuer and Balfour/Russell/Pegasus, a joint venture (the "Design/Builder"). The Hotel Project will be prepared for opening by Omni Hotels Management Corporation (the "Omni", "Omni Hotels" or the "Operator") pursuant to a "Technical and Pre-Opening Services Agreement" among the Issuer, the Operator and the Developer, and, after opening, managed and operated by the Operator pursuant to a "Hotel Operating Agreement" between the Issuer and the Operator and a "Room Block and Meeting Space Agreement" between the Issuer and the Operator.

See Appendices D, E, and F for a description of the agreements.

SERIES 2009 BONDS

The Series 2009 Bonds are payable from the trust estate (the "Trust Estate") pledged under the Indenture. The Trust Estate consists primarily of the rights, title, and interest of the Issuer under the Indenture (including, but not limited to, the right to enforce any of the terms thereof) in: (a) the Gross Operating Revenues (defined herein) on deposit from time to time in the Lockbox Fund (defined herein) subject to the rights of the Operator to use such revenues in accordance with, and subject to, the terms of the Indenture and the Cash Management Agreement (defined herein); (b) amounts that constitute Net Operating Revenues and all amounts on deposit in or required from time to time to be deposited in or credited to the funds and accounts to be held by the Trustee under the Indenture (other than the Rebate Fund); (c) direct payments received from the federal government in support of the Series 2009B Bonds, issued as "Build America Bonds" (see TAX MATTERS below); (d) all of the Issuer's right, title and interest in and to, the Economic Development Agreement (including the right to receive certain City Tax Revenues and Appropriated Grant Payments, if any), but excluding the Unassigned Rights; (e) the Cash Management Agreement, the Developer Agreement, the Design/Build Guaranteed Maximum Price Contract, the Hotel Operating Agreement, the Room Block Agreement, the Guaranty and the Technical and Pre-Opening Services Agreement, any right to bring actions and proceedings under such Agreements for the enforcement thereof, and the right to do all things the Issuer is entitled to do under such Agreements, but excluding the Unassigned Rights; and (f) any and all property (other than the land and the Hotel Project, and amounts in or required to be deposited in the Rebate Fund) of every kind of description now or hereafter owned by the Issuer, or which may now or hereafter be sold, transferred, conveyed, assigned, hypothecated, endorsed, deposited, pledged, mortgaged, granted or delivered to or deposited with, the Trustee by or on behalf of the Issuer or the City as additional security under the Indenture, or which pursuant to any of the provisions of the Financing Documents may come into the possession or control of the Trustee or the Depository Bank, or a receiver lawfully appointed pursuant to the Indenture, as such additional security, including, without limitation, any payment and performance bonds and completion guarantees obtained by the Developer, the Design/Builder, or any other Person in favor of the Trustee; and the Trustee is authorized to receive all such property as additional security for the payment of the Series 2009 Bonds, and to hold and apply all such property subject to the terms of the Indenture, the Economic Development Agreement and the Cash Management Agreement.

ECONOMIC DEVELOPMENT AGREEMENT

The Issuer and the City will enter into that certain Economic Development Agreement dated as of August 1, 2009, whereby the City will agree to pledge or grant to the Issuer the "City Tax Revenues" (defined below). The City Tax Revenues will consist of (a) revenues derived from the 6% state hotel occupancy tax (the "Convention Center Hotel State HOT Revenues", collected at the Hotel Project during the first ten years after the Hotel Project is open for initial occupancy; (b) revenues derived from the 6.25% state sales and use tax (the "Convention Center Hotel State Sales Tax Revenues") collected at the Hotel Project, including from all businesses located in the Hotel Project, during the first ten years after the Hotel Project is open for initial occupancy; and (c) revenues derived from the 7% local hotel occupancy tax (the "Convention Center Hotel 7% Local HOT Revenues") collected at the Hotel Project as long as any Series 2009 Bonds (or Additional Bonds) are outstanding. The Convention Center Hotel State HOT Revenues and the Convention Center Hotel State Sales Tax Revenues shall be available only for the first ten years of the operation of the Hotel Project. The City will grant to the Issuer a first priority security interest in the Convention Center Hotel State HOT Revenues, the Convention Center Hotel State Sales Tax Revenues and the Convention Center Hotel 7% Local HOT Revenues. The City will separately account for the three components of the City Tax Revenues in separate accounts maintained by the City. See "ECONOMIC DEVELOPMENT AGREEMENT."

In addition, under the terms of the Economic Development Agreement, the City, at the request of the Issuer, may appropriate funds to the Issuer (the "Appropriated Grant Payments") for the payment of debt service on the Series 2009 Bonds should Net Operating Revenues, City Tax Revenues, and reserves held under the Indenture be insufficient to make the Senior Debt Service Payments in accordance with the terms of the Indenture. See "ECONOMIC DEVELOPMENT AGREEMENT."

MARKET STUDY

In connection with the issuance of the Series 2009 Bonds, HVS Consulting and Valuation Services ("HVS") prepared the Market Study (as defined herein) to review the projected financial operations of the Hotel Project. An executive summary of the Market Study appears below under "PLAN OF FINANCE - Market Study" and the full Market Study is presented in "APPENDIX H – MARKET STUDY." The Market Study describes key factors that affect demand for the Hotel Project, estimates net income for the Hotel Project, and sets forth assumptions on which such estimates are based. There is no assurance that actual events will correspond with the assumptions on which such estimates are based. Consequently, no guarantee can be made that the estimated operating results will correspond with the results actually achieved in the future. The Market Study should be read in its entirety for an understanding of the estimated operating results and the underlying assumptions.

RISK FACTORS

An investment in the Series 2009 Bonds involves significant risks. The Series 2009 Bonds are limited special obligations of the Issuer. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 BONDS" and "RISK FACTORS" herein.

ADDITIONAL INFORMATION

The Series 2009 Bonds will initially be issued in book-entry only form and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchases of the Series 2009 Bonds will be made in book-entry form through DTC Participants (defined below). No physical delivery of the Series 2009 Bonds will be made to purchasers of the Series 2009 Bonds unless the book-entry only system of registration is discontinued. Payment on the Series 2009 Bonds will be made to Bondholders by DTC through DTC Participants. See "THE SERIES 2009 BONDS-Book-Entry Only System."

Definitions of certain words and terms used in this Official Statement are set forth in "APPENDIX C - Master Glossary." Such definitions do not purport to be comprehensive or definitive. All references herein to the specified documents are qualified in their entirety by reference to the definitive forms of such documents, including the Indenture, the Economic Development Agreement, the Cash Management Agreement, the Continuing Disclosure Agreement, the Developer Agreement, the Design/Build Guaranteed Maximum Price Contract, the Technical and Pre-Opening Services Agreement, the Hotel Operating Agreement and any other Transaction Documents. Copies of such documents may be obtained from the City from the Director of Budget and Management Services, 1500 Marilla Street, Room 4FN, Dallas, Texas 75201 by electronic mail or by copy upon payment of reasonable copying, mailing, and handling charges.

THE ISSUER

GENERAL

The Issuer is a nonprofit local government corporation created and organized by the City pursuant to Subchapter D of Chapter 431, Texas Transportation Code, as amended ("Chapter 431"), to accomplish certain governmental purposes of the City, namely the financing of the costs required to acquire land and thereon to develop, construct, furnish, and equip the Hotel Project to be located on land that is within 1,000 feet of the City's Convention Center in order to promote economic development and to stimulate business and commercial activity in the City, all at the request of the City Council of the City. The creation of the Issuer, approval of its Articles of Incorporation and Bylaws, and appointment of its board members, have been authorized by the City pursuant to a resolution adopted by the City Council of the City (the "City Council"). Among other things, the Issuer is authorized by Chapter 431 to issue bonds on behalf of the City and use the proceeds derived from the sale of such bonds to accomplish the governmental purpose of the City to finance the cost required to acquire land and thereon to construct, furnish, and equip the Hotel Project, as authorized by Section 1504.001(b), Texas Government Code, and Section 351.102(b), Texas Tax Code.

For purposes of federal income tax law, it is intended that the Issuer will be an instrumentality of the City and that the activities of the Issuer will lessen the burden of government of the City. See "TAX MATTERS."

The Issuer was formed to serve as a conduit financing entity for the purpose of issuing the Series 2009 Bonds and otherwise facilitating the transactions described herein, and as such, has no significant assets (other than the Hotel Project and related agreements) and no independent operations or expertise with respect to constructing or operating a hotel. The Issuer currently has no employees. The Issuer has retained and is expected to retain outside services in connection with the development of the Hotel Project.

On June 19, 2009, the City Council approved by ordinance the issuance of the Series 2009 Bonds by the Issuer and all agreements to which the City is a party. On August 18, 2009, the Issuer authorized by resolution the issuance and sale of the Series 2009 Bonds.

BOARD OF DIRECTORS

All powers of the Issuer shall be vested in its Board of Directors (the "Board") consisting of three (3) persons who shall be appointed by the City Council, upon recommendation of the City Manager. To be eligible to serve as a Director, a person must be a resident and qualified elector of the City. All Directors with voting rights shall be employees of the City. If a Director with voting rights ceases to be an employee of the City, he or she shall be disqualified from serving as a Director.

The initial Board members are identified earlier in this Official Statement and shall serve for the term expiring on the date set forth thereon. Subsequent Board members shall serve for a term of two (2) years or until his or her successor is appointed by the City Council, unless such Board member has been appointed to fill an unexpired term, in which case the term of such Board member shall expire on the expiration date of the term of the Board member who he or she was appointed to replace. Subsequent Board members shall be eligible for reappointment; provided however that no Director may serve for longer than six (6) years consecutively, unless such service is required to complete an unexpired term. Any Board member may be removed from office at any time, with or without cause, by the City Council of the City.

All other matters pertaining to the internal affairs of the Issuer shall be governed by the bylaws of the Issuer, so long as such bylaws are not inconsistent with the Issuer's Articles of Incorporation or the laws of the State of Texas.

THE CITY

LOCATION

The City is located in north central Texas approximately 300 miles north of the Gulf of Mexico. It is among the three largest cities in Texas and among the ten largest cities in the United States. The City is the county seat of Dallas County.

Dallas County encompasses an area of 880 square miles while the City contains approximately 378 square miles. The City's corporate land extends into Collin, Denton and Rockwall Counties.

POPULATION

	2009 Estimate	2008 Estimate	2007 Estimate	2006 Estimate	2005 Estimate	2004 Estimate
City	1,306,350	1,300,350	1,280,500	1,272,850	1,250,650	1,224,000
County	2,471,000	2,456,050	2,417,650	2,397,350	2,358,850	2,305,850
Urban Area*	6,293,700	6,207,100	6,075,400	5,946,350	5,761,800	5,867,400

* Urban Area is a nine-county area which includes Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Rockwall, and Tarrant Counties
Source: North Central Texas Council of Governments, April 2009

ESTIMATED PER CAPITA INCOME

	2007	2006	2005	2004	2003	2002
Dallas Metro Div*	$ 43,495	$ 41,769	$ 39,990	$ 37,560	$ 35,817	$ 35,651
Dallas County	45,131	43,488	41,354	39,202	36,957	36,458
Texas	37,083	35,162	33,249	30,948	29,404	28,835
U.S.	38,615	36,794	34,690	33,157	31,530	30,838

* Dallas-Plano-Irving Metropolitan Division is an eight-county area which includes Collin, Dallas, Delta, Denton, Ellis, Hunt, Kaufman and Rockwall Counties.
Source: U.S. Department of Commerce, Bureau of Economic Analysis, June 2009

Government Organization

The City operates under a Council-Manager form of government. There are fourteen single-district council members and a mayor elected at large. The Mayor and Council appoint the City Manager, City Attorney, City Auditor, City Secretary, and the Municipal Court Judges. The City Manager appoints all other department directors, except two appointed by the Civil Service Board and the Park and Recreation Board. The Mayor is elected to a four-year term and is limited to two consecutive four-year terms. Council members are elected for two-year terms and can serve up to four consecutive two-year terms.

The Mayor and City Council set the public agenda and adopt policy and laws. The City Manager acts as chief executive and is responsible for implementing council policy. The City Manager oversees City operations with an executive team of assistant city managers, each of whom has responsibility for various departments.

As of July 2, 2009, the City organization had approximately 13,592 full-time employees.

City Services and Facilities

The City provides the full range of municipal services contemplated by statute or charter. This includes public safety (police and fire), streets, sanitation, health and human services, culture and recreation, public improvements, planning and zoning, and general administrative services. In addition to general government activities, the Dallas Water Utilities, Municipal Airport (Love Field), Convention Center, Municipal Radio and several other enterprise and internal service fund activities are a part of the City's legal entity.

Economy

The City supports a favorable business environment and economic diversification which is represented by various industries, including domestic and international trade, convention and tourism, medicine and health care, government employment, agribusiness, manufacturing, financial business, telecommunications, telemarketing, and insurance. Support for these economic activities is demonstrated by the City's commitment to its on-going infrastructure improvements and development and its dedicated work force. Total nonagricultural employment in the Dallas MSA for November 2008 was 2,116,900, which is 4,100 or 0.2% more jobs than the November 2007 total of 2,112,800. Service, trade, and government represent the largest employment sectors in the Dallas MSA.

The City Manager presented a proposed budget for fiscal year 2010 to the City Council on August 10, 2009. In response to declining revenues as a result of the economic downturn, the proposed budget includes service and staff reductions, including an estimated 840 civilian employee layoffs. The proposed budget is balanced, as required by state law, and includes several fee adjustments but does not increase the City's ad valorem tax rate. A copy of the proposed budget is posted on the City's website (http://www.dallascityhall.com). The City Council is required to adopt the budget for the 2010 fiscal year prior to October 1, 2009.

Tourism

According to the Dallas Convention and Visitors Bureau, the City ranks among the top convention cities in the nation. It has the largest convention center of its kind in Texas with over 2.1 million square feet of total space. There are 98 meeting rooms and over 1.1 million square feet of exhibit space. The convention center also boasts the world's largest column-free exhibit hall and a fully equipped theater along with catering capabilities and a cafeteria. The convention center has both open and covered parking and the facilities include a Heliport/Vertiport. The City attracts nearly four million convention delegates a year who contribute in excess of $4 billion to the local economy while attending more than 3,600 conventions a year.

The City is the number one visitor and leisure destination in Texas. Annually, more than 14.2 million people visit metropolitan Dallas. The Dallas area annually receives $7.4 billion from visitors. The Dallas area has approximately 65,000 hotel rooms.

Source: Greater Dallas Chamber, The Dallas Facts; Fast Facts; Dallas Convention Center; Dallas Convention and Visitors Bureau

Additional Information

Additional information about the City can be found in APPENDIX A – General Information Regarding the City.

Excerpts from the City's "Comprehensive Annual Financial Report" (the "CAFR"), which includes audited financial statements for the fiscal year ending September 30, 2008, are attached hereto as APPENDIX B – Excerpts From the FY 2008 Comprehensive Annual Financial Report. No other portion of the CAFR is incorporated herein. The complete CAFR is available electronically by accessing the City's website at (http://www.dallascityhall.com/controller/financial_report.html).

OVERVIEW OF THE CONVENTION CENTER FACILITIES

GENERAL

The Civic Center Convention Complex consists of the Dallas Convention Center ("DCC"), Union Station and the Park Plaza Parking Garage. No portion of the Series 2009 Bond proceeds will be used to fund improvements to the DCC.

The DCC is located downtown in Dallas' primary business district. Owned and operated by the City, the facility features 2.1 million gross square feet of exhibit, ballroom, and meeting space and, at 203,000 square feet, the largest column free exhibit hall in the United States. Part of the DCC is within walking distance to Dallas City Hall, Pioneer Plaza, and Union Station. DCC events and activities include conventions, trade shows and meetings, which draw attendees from the area, region, and nation, in addition to concerts, cultural events, entertainment events, graduation ceremonies, and other special activities which typically draw attendees from the local area only.

All personnel connected with the operation of the Civic Center Convention Complex are City employees, with the exception of a temporary labor force hired from time to time as needed. The Director of the Civic Center Convention Complex, who is appointed by the City Manager, is responsible for the overall operation, is assisted by staff personnel responsible for fulfilling convention needs, drafting facility policy and budgeting tasks, and is specifically responsible for the maintenance and operation of the Civic Center Convention Complex, which includes preparation of all facilities utilized by tenants, including floor areas, playing surfaces, concourses and seating areas. A trade division is responsible for all building, electrical, plumbing and carpentry repair and maintenance. A small permanent staff, supplemented as needed by temporary labor, is retained to perform daily routine housekeeping and maintain housekeeping inventories.

The Convention and Visitors Bureau (the "Convention Bureau"), a Texas nonprofit corporation, solicits convention activities on a national basis for the DCC on behalf of the City pursuant to a contract with the City with a current expiration date of September 30, 2011. The Convention Bureau sales staff prepares and presents convention packages to various associations and businesses around the country. Emphasis is placed on functions which will use not only the Civic Center Convention Complex, but will also utilize the City's hotels, restaurants and transportation. The Civic Center Convention Complex personnel work closely with the Convention Bureau to achieve convention bookings several years in advance. Convention Bureau operations are financed in part by the City under its contract with the Convention Bureau providing for payment of a percentage of the hotel occupancy tax. Under the present contract, the Convention Bureau is paid 32.6% of actual hotel occupancy tax receipts based on a local hotel occupancy tax rate not to exceed 7.0%, which equates to an approximate hotel occupancy tax rate of 2.282%. Any renewal of the contract with the Convention Bureau will exclude the hotel occupancy taxes generated at the Hotel Project from the calculation of amounts to be paid to the Convention Bureau. The Convention Bureau is governed by a 41-person board of directors.

PROPOSED HOTEL PROJECT

The City has determined that the construction of the Hotel Project will provide necessary hotel rooms to serve the DCC, allowing the DCC to compete for large-scale events and conventions, which will result in increased economic benefits to the City, including coordinating of event bookings at the DCC and the generation of additional tax revenues, employment opportunities, and economic activity related to the construction and operation of the Hotel Project. See "PLAN OF FINANCE – Executive Summary of Market Study" and "APPENDIX H – Market Study" for a more detailed discussion regarding the feasibility of the Hotel Project and its projected operations.

DALLAS CONVENTION CENTER

The DCC is currently ranked the ninth largest in the nation in prime exhibit space. It covers approximately 2.1 million square feet of total space and includes the following:

- Six exhibit halls (Exhibit Halls A, B, C, D, E and F) with a total of 724,526 square feet of contiguous exhibit space
- Ninety meeting rooms with a total of 100,758 square feet
- One ballroom with 26,992 square feet
- One ballroom with 19,134 square feet
- Arena Hall with a seating capacity of 9,816 persons
- Arena Theater with a seating capacity of 1,770 persons
- Exhibit Hall Parking Garage with Level 1 parking capacity of 584 autos and Level 2 parking capacity of 523 autos or 225,000 square feet of exhibit space
- Support facilities including kitchen facilities with service docks, café with 584 seating capacity, exhibitor and show offices, registration areas, convenient service areas, adequate storage areas, audio and acoustical systems, and truck dock areas.

The original DCC structure was completed in 1957 and consisted of the Arena Hall and Arena Theater. There have been four additions to the DCC: Exhibit Halls A and B, a ballroom and administrative offices were added in 1973; Exhibit Hall C was completed in 1984; Exhibit Halls D and E, meeting rooms and a heliport were added in 1994; and Exhibit Hall F, the largest column free exhibit hall in the United States, was added in 2002.

A portion of the proceeds from the previously issued City of Dallas, Texas, Civic Center Convention Complex Revenue Refunding and Improvement Bonds, Series 2009, will be used to fund construction costs associated with certain planned improvements to the DCC.

PENDING DCC IMPROVEMENTS

- Finish the Area D ballroom (20,000 square feet of additional meeting space)
- Upgrade meeting rooms in A100's, A200's, A300's and C100's
- Roof repair in the A&B area
- Arena upgrades – dressing rooms, concessions and restrooms
- Upgrade restrooms in A, B and C buildings
- Upgrade CCTV Security
- Renovate A, B lobby entrances to include floor/walls
- Upgrade Halls A/B/C exhibit electrical services

CONVENTION ACTIVITY

The City is one of the top convention cities in the country, and the ongoing expansion of the DCC has enabled the City to compete for more conventions and larger conventions. The City is proactive in attracting convention business through its management practices and marketing efforts.

The following information was prepared by the Convention Bureau and is based on a variety of sources. While the City and the Issuer have no reason to believe that such information is inaccurate, neither the City nor the Issuer has undertaken to verify such information. The following table shows overall City performance, as well as convention activity booked by the Convention Bureau, for the years indicated.

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Table 1- Historical Convention Activity and Booking Summary

	Fiscal Year				
Number of Events	**2009**	**2008**	**2007**	**2006**	**2005**
Conferences	18	11	13	15	13
Conventions/Tradeshows	29	29	34	29	28
Consumer Shows	24	21	22	22	14
Meetings	16	13	15	12	10
Assemblies	59	55	42	35	56
Banquets	5	9	8	5	5
Sports	7	11	9	9	9
Other	29	25	30	21	11
	187	174	173	148	146
Average Attendance					
Conferences	988	2,144	1,765	4,418	5,102
Conventions/Tradeshows	10,509	9,486	8,574	9,614	7,176
Consumer Shows	22,181	37,000	23,061	22,940	35,402
Meetings	543	543	471	914	383
Assemblies	689	918	1,521	2,266	1,493
Banquets	1,635	5,750	1,216	608	999
Sports	11,343	13,273	4,490	1,510	5,286
Other	1,840	3,612	2,141	1,569	3,841
Average Event Length (days)					
Conferences	2.1	1.6	1.9	1.7	2.9
Conventions/Tradeshows	3.3	2.4	3.1	2.8	2.4
Consumer Shows	2.0	1.9	2.2	1.9	1.9
Meetings	1.0	1.0	1.9	1.4	3.9
Assemblies	1.1	1.2	1.1	1.4	1.1
Banquets	1.6	1.1	1.1	1.0	1.0
Sports	3.3	3.1	1.6	2.1	1.8
Other	3.2	3.5	1.8	1.2	1.3
Total Attendance					
Conferences	17,775	23,580	22,946	66,268	66,327
Conventions/Tradeshows	304,775	275,082	291,511	278,804	200,931
Consumer Shows	532,350	777,000	507,350	504,681	495,625
Meetings	8,685	7,055	7,065	10,968	3,830
Assemblies	40,670	50,510	63,875	79,315	83,600
Banquets	8,175	51,750	9,730	3,040	4,994
Sports	79,400	146,000	40,410	13,587	47,575
Other	53,350	90,289	64,226	32,958	42,250
	1,045,180	1,421,266	1,007,113	989,621	945,132

PARK PLAZA PARKING GARAGE

In addition to the parking available in the Exhibit Hall Parking Garage, DCC event parking is also available in the Park Plaza Parking Garage. This two-level underground parking facility contains 1,369 parking spaces. It is located under Park Plaza and City Hall, across Akard Street to the east of the DCC. This facility is joined to the Exhibit Hall Parking Garage by a tunnel under Akard Street. During weekdays, the facility is utilized primarily by City employees. During nights and weekends, the facility is available for use by persons attending events at the DCC.

UNION STATION

Union Station is the main transportation terminal for AMTRAK in the City of Dallas. It also serves as a station for the light rail system and the commuter train service operated by the Dallas Area Rapid Transit Authority. Union Station contains office space for lease, a restaurant and a ballroom used for special events.

THE HOTEL PROJECT

THE HOTEL PROJECT SITE

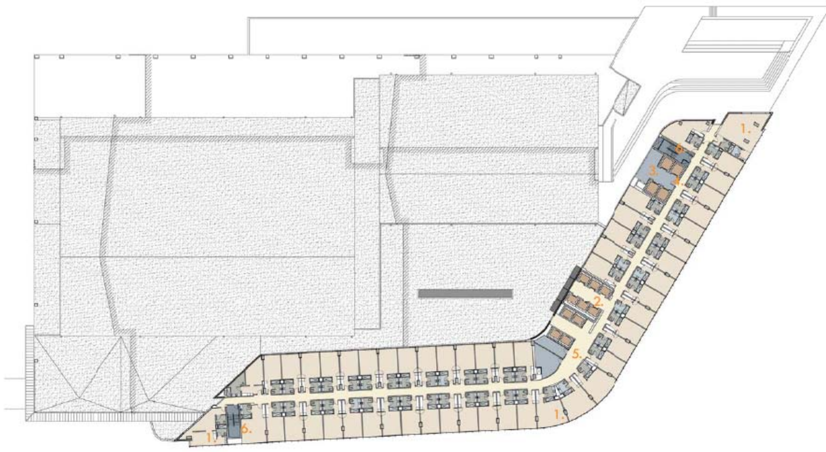
In June 2008, the City purchased approximately eight acres of land (the "City Land") located within 1,000 feet of the Dallas Convention Center for use as the site of the Hotel Project. The Issuer will use a portion of the proceeds from the sale of the Series 2009 Bonds to purchase approximately six acres of the City Land from the City for use as the site of the Hotel Project (the "Hotel Site"). The balance of the City Land still owned by the City may be used for ancillary development to the Hotel Project. The City intends to use the proceeds from the sale of the Hotel Site to redeem a portion of the debt it incurred to finance its purchase of the City Land.

LOCATION MAP OF THE HOTEL SITE

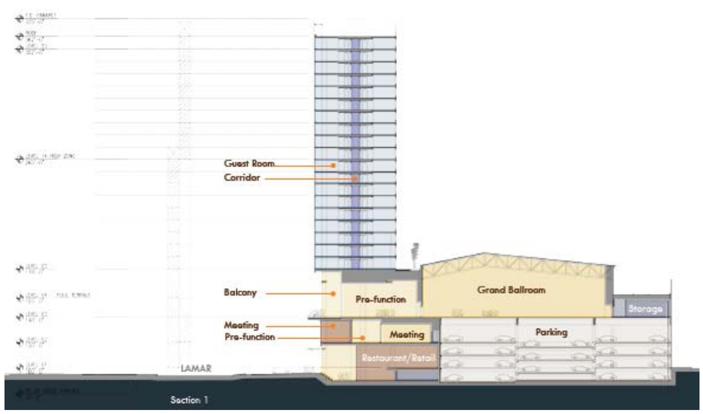
THE HOTEL

The hotel (the "Hotel") will be a four-star, full-service, convention center headquarters hotel consisting of approximately 1,016 rooms and located in downtown Dallas, Texas, bounded by Lamar Street, Young Street, Jefferson Boulevard and the DCC. The Hotel will be within 1,000 feet of, and connected to, the DCC. The interior of the Hotel will include approximately 80,000 square feet of meeting space, including approximately 33,500 square feet of grand ballroom, and approximately 16,500 square feet of junior ballroom space, all in accordance with the requirements of the Hotel Operating Agreement, including Omni Brand Standards (as defined in the Hotel Operating Agreement). Located beneath the Hotel will be a parking garage with approximately 720 parking spaces.

TOP VIEW



ELEVATION



STREET VIEW

DEVELOPMENT ACTIVITIES TO DATE

The Issuer and the Developer entered into a Pre-Development Agreement on September 10, 2008 that was amended on February 12, 2009. Since that time, the Developer has performed the following services on behalf of the Issuer:

- Developed options for program/schedule/process for Hotel Project development;
- Identified parameters for budget and schedule;
- Assembled design team including Design / Builder, architects, consultants;
- Facilitated design to examine options for site utilization, building height/configuration, etc.;
- Implemented schedule for schematic design development; price estimating, value engineering;
- Facilitated integration of Hotel Operator into design/pricing process;
- Finalized overall design program/price in concert with the City, Design/Builder and Operator; and
- Secured the Design/Build Guaranteed Maximum Price

DESIGN AND CONSTRUCTION ACTIVITIES TO DATE

The Design/Builder's activities on the Hotel Project commenced in September 2008. In December 2008 and January 2009, initial designs and budgets were presented to the Issuer and Developer. Since February 2009 the Design/Builder has:

- Performed demolition and abatement of the site and duct bank relocation;
- Completed further design development;
- Solicited subcontractors for market driven savings; and
- Refined the program, incorporated Operator comments and updated the Design/Build Guaranteed Maximum Price Contract

HOTEL PROJECT PARTICIPANTS

DEVELOPER

The Developer is a full-service private real estate development company headquartered in Lewisville, Texas with additional offices in Dallas, Texas; Calgary, Alberta; and Mississauga, Ontario. Since 1988, the Developer has acquired, built and managed the development of hotel, office, mixed-use retail, residential, and industrial developments in select areas in Canada, the United States and Mexico. From conception to completion, MSW brings together financial resources and an experienced management team to form profitable partnerships focused on creating projects of lasting excellence.

The Developer has built, or is in the process of developing, in excess of eight million square feet of office, residential and mixed use developments throughout North America. Most recently, the Developer was selected as the developer by EnCana Corporation, North America's largest independent oil and gas company, to project manage the design, development and construction of their new office tower headquarters in Calgary, Alberta, estimated to be in excess of two million square feet of mixed use, hotel, and commercial development. This $1.4 billion high density complex is the largest single tenant office project in North America currently under construction.

Selected hotel projects developed by the Developer, its affiliates, and/or its principals include (i) the Ritz-Carlton Toronto, a $300,000,000, 267 room, 5-star hotel and condominium, currently under construction and scheduled for completion in Spring 2012; (ii) Sussex Center Novotel Hotel, a 312 room, 4-star project developed as part of the Sussex Center development (1.6 million square foot, mixed use development in one of Canada's largest cities); and, (iii) Renaissance Hotel Skydome, an $80,000,000, 348 room, 4-star hotel integrated into the 60,000 seat Skydome in Toronto, Ontario.

Dallas, Texas projects include the South Side Area Redevelopment, located adjacent to the DCC. This 45 acre transit-oriented development is anchored by the South Side on Lamar (457 unit Loft apartment complex containing 25 Artists Lofts, 120,000 square feet of office commercial and retail, and over 1.2 million total square feet) and the City of Dallas Police Headquarters ($60 million project containing 350,000 square feet). Upon completion, the Developer will have developed an estimated 4,000,000 square feet of residential, commercial, office, and hotel space, with a final build out value of approximately $1.3 billion, of which approximately 30% has been completed to date. Other Dallas projects include the Beat Condos, a ten story, 75 unit condominium completed in 2008 and currently occupied, and Gilley's Dallas/Palladium Ballroom, a 91,000 square foot entertainment development comprising venues for concerts, special events and group meetings, located two blocks from the DCC.

In addition, the Developer is currently developing 1,500 acres in a mixed-use, master-planned resort on Lake Lewisville in The Colony, Texas, with an estimated final build-out value of over $1.0 billion. Adjacent to the existing Tribute Golf Links and Guest House, the first phase features 455 high-end residential lots. The second course, called The Old American Golf Club, designed by Justin Leonard and Tripp Davis, is almost complete and scheduled to open in fall 2009. Subsequent phases will include a 300 room hotel, an additional 2,000 single family homes and approximately 1,200 golf-villa, high-end town homes, mid-rise condominiums, a marina, and over 200 acres of open space and hiking trails.

DESIGN/BUILDER

The Design/Builder is a formal joint venture between Balfour Beatty Construction, H.J. Russell & Company and Pegasus Texas Construction, formed for the purpose of providing design/build services for the Hotel Project. This team represents a combination of large and small minority businesses, with appropriate qualifications and resources to provide management for the design and construction of a complex hospitality project such as the Dallas Convention Center Hotel.

Balfour Beatty Construction ("Balfour Beatty") has been a leader in the U.S. commercial construction industry for 76 years. Headquartered in Dallas, Texas, Balfour Beatty provides general contracting, at-risk construction management, design/build, preconstruction, public/private and turnkey services for clients nationwide. The company employs 1,600 professionals and is part of London-based Balfour Beatty plc, a leading international engineering, construction, and investment business exceeding $16 billion in annual revenues. From hotels and luxury resorts to business conference centers, Balfour Beatty builds world-class hospitality facilities.

Current relevant projects under construction include Disney's Vacation Club at Animal Kingdom ($164 million), The Peabody Orlando Expansion (750 room, $250 million expansion), and the new $62 million Ritz-Carlton at Bank of America in Charlotte. Recently completed relevant projects include Hilton's Buffalo Thunder Resort in Santa Fe ($180 million, 390 rooms), The Joule Hotel in Dallas ($50 million, 129 rooms), The Westin Alexandria in Virginia ($72 million, 319 rooms), Inn of the Mountain Gods in New Mexico (273 rooms), Disney's Animal Kingdom Lodge ($155 million, 1,074 rooms), and the Gaylord Texan Resort and Convention Center in Grapevine, Texas ($340 million, 1,511 rooms). Balfour Beatty's vast portfolio of projects includes over 35,000 rooms and 1.8 million square feet of conference space in 60 hotels and resorts nationwide.

Since its founding in 1952 as the H.J. Russell Plastering Company, H.J. Russell & Company ("Russell") has grown to over $300 million in annual revenues, ranking the organization as the fourth largest minority-owned business in the United States. During this time, the firm has emerged as the nation's single largest MBE construction firm. Russell is headquartered in Atlanta with regional offices in Dallas and Charlotte. Russell's recently completed and relevant projects include participation in the Phoenix Convention Center (2 million square foot expansion, $571 million project completed in March 2009), the Georgia World Congress Center (expansion #4 for $260 million, 1.5 million square feet in Atlanta), the Richmond Convention Center ($135 million, 600,000 square feet), and a number of smaller boutique hotels in and around Atlanta for a total of 500 rooms.

Pegasus Texas Construction ("Pegasus") is a Texas based minority owned company with offices in Dallas and Fort Worth. Pegasus is a full service firm concentrating on providing construction and program management services for commercial construction projects. Pegasus is one of three managers overseeing the $1.3 billion Dallas Independent School District expansion and is in the midst of a forty-five month professional services contract with the City of Dallas for program management services consisting of pre-design, design, bidding and award, construction and post-construction phases and coordination within the Dallas Park and Recreation Capital bond program.

The Balfour/Russell/Pegasus team established a successful working relationship while working together on Dallas-Fort Worth Airport projects between 2002 and 2007.

OPERATOR

Overview of the Operator

The following information described under this heading has been provided by Omni Hotels Management Corporation ("Omni", "Omni Hotels" or the "Operator") for use in this Official Statement in connection with the offering of the Series 2009 Bonds. No representation is made by the Issuer, the City, the Developer, or the Underwriters as to the accuracy or completeness of the information set forth herein concerning Omni, and Omni makes no representation as to the accuracy or completeness of the other information not related to Omni set forth herein.

Omni intends to contract with the Issuer and the Developer for opening the Hotel pursuant to that certain Technical and Pre-Opening Services Agreement and, after the opening, to manage and operate the Hotel pursuant to that certain Hotel Operating Agreement by and between Issuer and Omni. In addition, the Developer and the Operator have entered into that certain Pre-Closing Services and Reimbursement Agreement providing for payment by the Developer to the Operator for certain pre-closing consulting and review services provided by the Operator to the Developer.

Omni, headquartered in Irving, Texas, is a Delaware corporation. Omni directly or through management agreements manages substantially all Omni properties located in the United States, Canada and Mexico. Omni can trace its roots to Dunfey Hotels, which was founded in 1958. Dunfey Hotels acquired Omni International Hotels in 1983, with the first Omni Hotels location in Atlanta. Omni is positioned as a brand just below ultra-luxury brands, such as the Peninsula, Mandarin Oriental, Ritz Carlton and Four Seasons, and ahead of the usually standardized upper-upscale brands, such as the Westin, Hyatt, Marriott and Hilton. Currently, 75% of Operator-managed Omni Hotels are AAA four-diamond rated, making it one of the most consistent brands.

As of July 1, 2009, there were 40 Omni hotels and resorts in North America with approximately 14,000 rooms in the United States, Canada and Mexico. Including the Omni Dallas Convention Center Hotel, an additional three properties are under development. Omni operates hotel properties in leading business and convention locales as well as secondary convention markets in the United States. These markets include New York, Chicago, Los Angeles, San Diego, San Francisco, Houston, Atlanta, New Orleans, Dallas, Washington, DC, Orlando and Tucson. Omni has extensive experience as an operator of convention hotels in Atlanta, Orlando, Fort Worth, Washington, DC and San Diego. Further, approximately 47% of Omni's room revenue is generated by group/convention business, 36% from transient business travel and 17% from the leisure travel segment.

In recent history, Omni has been focused on expanding its group and convention business. In 2003, Omni completed a $100 million expansion of Omni Hotel at CNN Center adjacent to the Georgia World Congress Center in Atlanta. Omni opened a 511-room hotel in San Diego located across from the convention center and connected by a skybridge to PETCO Park, home of the San Diego Padres, in 2004. That year, Omni also unveiled the Orlando Resort at ChampionsGate, a 720-room property with approximately 70,000 square feet of meeting space. In early 2009, the Omni Fort Worth opened across from the city's convention center; the hotel is also the exclusive caterer for the center.

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The following is a list of all Omni hotels and resorts in North America:

Location	Rooms	Location	Rooms
Omni Tucson National Resort	128	Omni William Penn Hotel	596
Omni Los Angeles Hotel at California Plaza	453	Omni Austin Hotel Downtown	375
Omni San Diego Hotel*	511	Omni Austin Hotel Southpark	312
Omni San Francisco Hotel	362	Omni Corpus Christi Hotel – Bayfront Tower*	475
Omni Interlocken Resort	390	Omni Corpus Christi Hotel – Marina Tower*	346
Omni New Haven Hotel at Yale	306	Omni Dallas Hotel at Park West	337
Omni Jacksonville Hotel	354	Omni Mandalay Hotel at Las Colinas	421
Omni Orlando Resort and Villas at Championsgate	762	Omni Fort Worth Hotel*	614
Omni Hotel at CNN Center*	1070	Omni Houston Hotel	378
Omni Chicago Hotel	347	Omni Houston Hotel at Westside	400
Omni Severin Hotel	424	Omni San Antonio at the Colonnade	326
Omni Royal Crescent Hotel	98	Omni La Mansion del Rio	338
Omni Royal Orleans	346	Watermark Hotel & Spa	98
Omni Parker House	551	Omni Charlottesville Hotel	208
Omni Detroit Hotel at River Place	108	Omni Newport News Hotel+	182
Omni Majestic Hotel	91	Omni Richmond Hotel	361
Omni Berkshire Place	396	Omni Shoreham Hotel	834
Omni Charlotte Hotel	371	Omni Mont-Royal	299
Omni Bedford Springs Resort	216	Omni Cancun+	341
Omni Hotel at Independence Park+	150	Omni Puerto Aventuras+	30

*Supports Convention Center
+Franchise location

Omni's business model enables the company to not only provide very consistent customer service, but also to have great speed-to-market and to be innovative. Omni has numerous industry "firsts" and signature programs which are well recognized in the industry and designed to distinguish the brand, serve customer needs, and enhance loyalty, demand and revenue, including:

- Select Guest – a loyalty program based on personalization, not points
- First to offer both complimentary Wi-Fi and in-room fitness options
- Enhanced spa experiences with embedded Mokara Salon & Spas brand
- Authentic "Flavors of the World" food and wine offerings and signature restaurants which strengthen Omni's culinary reputation
- Iconic Sensational Meetings program which customizes meeting environments to deliver a greater degree of success
- Select Rewards, offering a broad list of rewards for meeting professionals
- Global Hotel Alliance - expanding Omni's reach worldwide
- Elimination of adult video selections in rooms

Each Omni property has an experienced sales team responsible for its own business development and maintenance. Hotel and resort sales staffing consists of a Director of Sales & Marketing and Sales Managers deployed against specific business segments or regions for key markets such as the travel industry, conventions, small meetings, corporate business and incentive sales based on the ideal business mix for the destination, particular location, facility and competitive environment. Omni's hotels and resorts are further supported by a full corporate sales & marketing team, including e-commerce, public relations, advertising, field marketing, loyalty marketing, sales development and revenue management experts.

In addition to the property team and corporate sales and marketing leaders, there are seven global sales offices in cities throughout the United States which target new business in specific regions and/or for specific industries in order to generate sales for the overall brand. Major domestic sales offices are located in Atlanta, Chicago, Dallas, Los Angeles, New York, Washington, DC and Omaha, Nebraska. Omni has invested in its global sales network to build a sales force with nearly a 2:1 ratio of global sales associates to hotels. Consequently, the global sales team is able to contribute approximately 52% of total annual sales production revenue. In addition to Omni's sales force, approximately 500 additional sales associates are available through Omni's participation in the Global Hotel Alliance to drive business across the network. Omni is a founding member of the Global Hotel Alliance, the world's largest alliance of independent hotel brands.

Omni's group sales associates specifically market services for meetings and conventions. They are involved in professional meeting and other appropriate trade organizations, including trade shows. The group sales team also has branded meeting programs which help to differentiate the Omni brand and entice business, including the *Select Rewards* meeting rewards program and Sensational Meetings. The *Select Rewards* program goes further than typical points programs to give more choices to planners including airline miles, complimentary room nights, spa and golf experiences, industry education or charitable contributions which they can use, or, give to their company or another designate. *Sensational Meetings* is a customized program, which upgrades and enhances the meeting space based on the specific agenda to help drive success for the event. Omni is also an active meetings trade publication advertiser and has a website with information and other tools specifically designed for meeting planners.

Omni Hotels maintains a worldwide reservations center in Omaha which operates 365 days a year to provide immediate confirmation of reservations at any Omni hotel or resort. Omni has a group desk at the Omaha reservations center to locate and book new group business. The Omaha group desk and telemarketing office provides the ability to book multiple meetings in a single call. Omaha also serves as a telemarketing center soliciting thousands of short-term potential group accounts and producing leads for the entire brand. Over the past 24 months, the Omni Hotels Reservations Center (OHRS) has averaged approximately 4,182 calls per day. During that same period, 44.2% of Omni's reservations generated from phone calls were booked through the OHRS.

Omni started its *Select Guest* loyalty program in 1989, basing it on the goal of delivering a heightened level of personalized service and recognition. Today, there are over 550,000 members worldwide. *Select Guest* members represent Omni's most active guests, accounting for approximately 24% of all Omni room nights and approximately 26% of revenue. *Select Guest* was recently expanded to include three membership tiers with added base benefits such as complimentary shoe shine, complimentary pressing (for two items), eco-friendly housekeeping options, complimentary bottled water and a complimentary night's stay for every ten nights consumed, in additional to existing *Select Guest* member favorites, such as complimentary Wi-Fi and morning beverage delivery to the guest room. Based on early results from the re-launch, the *Select Guest* program is projected to have approximately 700,000 members by the end of 2009.

Omni has received numerous awards and accolades, including being the top-ranked hotel chain by J.D. Power and Associates in its "Upscale" category twice in the last four years. The brand and individual properties have also received awards and accolades from Consumer Reports, Entrepreneur, Travel+Leisure, Condé Nast Traveler and meeting publications. In the August 2009 edition of Travel+Leisure, six hotels in the Omni portfolio were named to the World's Best list.

Operator Activities to Date

Recognizing the importance of the Omni Dallas Convention Center Hotel and subject to the terms, conditions, and limitations set forth in the Technical and Pre-Opening Services Agreement, Omni has participated with the Issuer, the Developer and the Design/Builder in reviewing the Hotel Project's initial plans and specifications. In addition, Omni has begun to assemble a sales and marketing team for the hotel and has initiated several sales and marketing strategies to gain awareness and prospective business. Some of the early efforts include dedicated pages on the Omni Hotels website (www.omnihotels.com), electronic communications with national associations and meeting planners and an aggressive public relations effort celebrating each important milestone for the development, including the upcoming ground-breaking ceremony. Local, regional and national publications, with a particular focus on meeting news outlets, will showcase the hotel in Omni's new advertising campaign and it will be featured at important industry tradeshows and other venues.

DESIGN ARCHITECT

The design architect, 5Gstudio ("5G"), is a design collaborative based in Dallas, Texas, with additional offices in San Antonio, Texas, and Ho Chi Minh City, Vietnam. 5G exercises its role as process leaders throughout a project's entire life cycle, conducting creative process activities with the mindset of a real estate developer, the creativity of designer, and the jobsite knowhow of a contractor. 5G designs with the objective of implementation in mind.

Since its inception in 2003, 5G has taken on a wide range of projects including boutique luxury hotels, healthcare facilities, worship spaces, mixed-use hi-rise developments, academic institutions, and eco-friendly mega resorts. 5G has been engaged in projects throughout North America, Asia, the Pacific Rim, and the Middle East. Recently, Vincom (one of Vietnam's largest private development companies) selected 5G from an international pool of a eleven firms to award the project "Royal City", a 15 million square feet mixed-use development in Ha Noi, Vietnam, which carries a total project cost of over USD$1 billion. The development consists of five residential towers, an office building, a three story shopping mall, a hotel, and a private school campus.

Selected hotel projects designed by 5G, its affiliates, and/or its principals include (i) the Ritz-Carlton in Bintan, Indonesia, a $45 million 5-star hotel with 120 luxury villas and a 160-room main building that is scheduled to be completed in 2010 (ii) the Novotel Hotel in Phu Quoc, Vietnam, a $22 million 4-star hotel boasting over 300 rooms which is only the third of its kind in the world, it will also be completed in 2010, (iii) the Mandarin Oriental in Jakarta, Indonesia, a 5-star, 300-room hotel which was completed in 2009 with a budget of $ 35 million, (iv) the Jakarta's 5-star Pacific Place, a $180 million Ritz Carlton development which was completed in 2008 and contains 320 hotel rooms and 80 unit condos, (v) the Pullman Sapa Resort Hotel in Sapa, Vietnam, a Pullman (Accor) 5-star hotel which features 200 guest rooms and will be completed in 2012 at an estimated cost of $40 million, (vi) the 4-star Tran Vu Hotel in Ha Noi, Vietnam, a $20 million project with 220 rooms that will be completed in 2011, (viii) the Pullman Legion Nirwana Resort in Bali, Indonesia, a 5-star Pullman Resort (Accor) which was completed in 2008 for $40 million and features 450 guest rooms, (ix) the Park Lane Hotel & Residence in Jakarta, Indonesia, a $65 million, 5-star hotel by Park Lane with 270 rooms and 20 units condos, (x) the 5-star Ritz Carlton Hotel & Residence, a $65 million project also located in Jakarta which features 250 guest rooms and 40 condominiums, (xi) the Hotel Surya in Kediri, Indonesia, a 4-star boutique hotel composed of 166 rooms for $12 million, (xii) the Mercure Hado in Ha Noi, Vietnam, a $14 million, 3-star, Mercure (Accor) hotel with 280 rooms, (xiii) the Quoc Te Hotel in Nha Trang, Vietnam, also a 3-star Mercure (Accor) property, which has 254 guest rooms, (xiv) the 5-star Renaissance Resort in Nusa Dua Bali, Indonesia, a 180- room, $32 million hotel project, and (xv) the Novotel Bandung in Bandung, Indonesia, a $11 million, 4-star hotel with 160 rooms.

5G is also currently working on several other projects, including student housing complexes for Arizona State University (a 263, 286 sf, 21 story high-rise), Michigan State University (a 151, 063 sf, 14 story structure), and Texas A&M University (a 3 phase development which totals 800,000 sf).

5G's design philosophy maintains sensitivity to established design integrity and translates existing aesthetics into appropriate and executable technical solutions. 5G is client-focused with a distinct design sensibility and a production mentality.

ARCHITECT OF RECORD

The architect, BOKA Powell, LLC ("BOKA Powell"), is a full-service architecture, planning, and interior design firm headquartered in Dallas. Founded in 1975, the firm provides design services across the United States, Mexico and China. Over the past 34 years, BOKA Powell has built its practice around a philosophy of design innovation, excellence in project delivery and advances in construction technology and proven building systems. Under the leadership of Chris Barnes, John Orefield, Michael Kennedy and Donald Powell, the firm was reformed and became BOKA Powell in 2000. Their clients come from diverse professional industries, allowing BOKA Powell to provide services to a wide variety of project types including master planning, corporate/office, hospitality, residential, university housing and facilities, medical offices and facilities, industrial facilities and government/non-profit establishments. BOKA Powell currently has offices in Austin, Dallas, and Fort Worth, Texas; and Kansas City, Missouri.

BOKA Powell has extensive hospitality experience that traces back to designing hotel projects in the early 1980's. One of BOKA Powell's first completed hotel projects was the Marriott Hotel at the DFW Airport (429 keys, $77 million construction cost, completed 1984) which was closely followed by Marriott Hotel Quorum in Dallas, Texas (567 rooms, $113 million construction cost, completed 1986).

BOKA Powell is currently designing the St. Regis Dallas (150 rooms, $52.5 million construction cost, estimated completion 2012). BOKA Powell is very proud of their office and their projects in office, Block 21 and Four Season Residences to name a few. The Block 21 project includes a 225 key W Hotel, 100 condominiums, music venue, children's museum, retail and event parking. Four Seasons Residences is adjacent to the Four Seasons Hotel with 251 rent apartment units and 72 condos for sale, 6,000 square feet of restaurant and retail at the street level and a 636 space garage.

BOKA Powell also designs hotels outside of the United States as they have completed many hotels internationally. BOKA Powell has worked considerably in China completing design for four different hotels in Macau, Sheraton (1200 rooms), St. Regis (300 rooms), Shangri La (500 rooms) and Traders (1000 rooms). These hotels will be completed in 2010 with a total construction cost of over $3 billion. BOKA Powell also has great experience in Mexico as well as Mexican hotel projects. They completed the Hyatt Regency Guadalajara in 1993 (400 rooms, $20 million construction cost).

DEVELOPMENT OF THE HOTEL PROJECT

DEVELOPER AGREEMENT

Under the Developer Agreement, the Developer will act as the project developer for the benefit of the Issuer to coordinate, supervise, manage and monitor the design, development, construction, equipping, furnishing, and completion by the Design/Builder and occupancy and opening by the Operator of the Hotel. The term of the Developer Agreement runs until the later of the expiration of the one-year warranty period that begins upon final completion or compliance with all obligations in the Developer Agreement. See "Appendix D".

DEVELOPER SERVICES

Specific services to be provided by the Developer include (i) coordinating, supervising, managing and monitoring the Design/Builder so as to cause substantial completion to be achieved on or before 28 months, subject to force majeure, following commencement of construction (the "Hotel Completion Deadline"), (ii) supervising the day-to-day management, administration and accounting of all aspects of the Hotel Project, (iii) coordinating approvals for zoning permissions, site plans, elevations and landscaping plans, (iv) formulating cost control, accounting, audit and reporting systems and updating cost estimates, (v) directing Design/Builder to coordinate and supervise the activities of all consultants, contractors and suppliers providing services for development, construction and completion of the Hotel, (vi) reporting to the Issuer at least monthly as to the progress of design, construction compliance with plans and specifications, project budget and schedule, (vii) verifying, approving or disapproving, and processing all requests for payment made by the Design/Builder, (viii) monitoring and coordinating pre-opening activities of the Operator, and (ix) upon substantial completion and final completion, providing certification as to achieving such milestones, full payment or satisfaction of all amounts then due and payable, sufficiency of FF&E and OS&E provided and installed and regarding all appropriate permits, licenses and approvals required for occupancy and operation of the Hotel. In addition, the Developer will develop a plan for ancillary development on City-owned property proximate to the Hotel Site.

DEVELOPER FEES AND INCENTIVES

Pursuant to the Developer Agreement, the Developer is entitled to a developer fee of 2.58% (the "Developer Fee") of the Hotel Project Improvements Budget, capped at $15 million. For purposes of calculating the Developer Fee, the Hotel Project Improvements Budget shall not include the Developer Fee, any incentives payable to the Developer or the Design/Builder or any portions of construction contingency or owner contingency accounts that have not been used for Hotel improvements upon final completion. The Developer Fee will be earned and payable monthly, with accrual of the Developer Fee having commenced upon pre-development activities on September 10, 2008. In addition, the Developer may earn an early completion incentive. The early completion incentive will be earned if the Developer has caused substantial completion and commencement of Hotel operations to occur on or before the Hotel Completion Deadline (without extension for force majeure), in which case the Developer will be entitled to an amount equal to 1/4th of the product of (i) the number of days up to 60 that substantial completion occurs before the Hotel Completion Deadline, and (ii) the net effective interest rate (as defined in accordance with the provisions of Chapter 1204, Texas Government Code) on the Series 2009 Bonds, net of Direct Payments relating to the Series 2009B Bonds. Further, under certain conditions, the Developer may earn a successful completion incentive of up to $2.1 million.

HOTEL PROJECT IMPROVEMENTS BUDGET

The Developer Agreement provides for the Hotel Project Improvements Budget as follows:

Design/Build Guaranteed Maximum Price	
Cost of Design Services	$ 23,270,973
Cost of Construction Work	
Pre-Construction Services	972,775
Total Cost of Work	202,982,698
General Conditions	14,252,029
FF&E	28,277,417
OS&E	8,437,526
CCIP	8,488,534
Builders Risk / Subguard	3,637,978
Performance Bond	4,878,468
Construction Contingency	14,711,281
Site Conditions Contingency	3,000,000
Total Cost of Construction Work	289,638,706
Management Fee	12,321,508
Total Design/Build Guaranteed Maximum Price	325,231,187
Developer's Costs and Fees, and Permit Costs	
Developer Fee	8,454,473
Legal and Accounting Fees	1,987,500
Building Permit Costs	474,075
	10,916,048
Owner's (Issuer) Contingency	9,852,765
Total Hotel Project Improvements Budget	$ 346,000,000

ENVIRONMENTAL MATTERS

In preparation for the Hotel Project, the abatement of asbestos in the two story parking garage structure that had been on the Hotel Site was performed prior to demolition and was completed on March 9, 2009.

In addition, phase one and phase two environmental assessments were performed on the Hotel Site to determine if any contaminated materials existed and needed to be removed prior to the commencement of construction. The remediation of the Hotel Site itself was started on March 16, 2009. The identified contaminated materials have been excavated and disposed of by licensed environmental contractors. These activities were completed June 2, 2009. On July 2, 2009, the environmental consultant monitoring the contractors' work, Resource Environmental Consultants, delivered their final analysis report affirming that the identified contaminants from the site have been properly removed and disposed of in an approved landfill.

TECHNICAL AND PRE-OPENING SERVICES AGREEMENT

Pursuant to the Technical and Pre-Opening Services Agreement, the Operator will (i) advise the Issuer and the Developer in the preparation and completion of the design documents for the Hotel Project and review and comment on the design documents, (ii) advise the Issuer and the Developer in the procurement and installation of FF&E and OS&E, (iii) provide other services during the design, construction and equipping of the Hotel. The Issuer, the Developer and the Operator agree that the Hotel will be designed, constructed, engineered, furnished and completed in accordance with Physical Standards (as defined in the Technical and Pre-Opening Services Agreement). During the period before substantial completion, the Operator will also commence the marketing of the Hotel and booking of reservations for the Hotel, based upon a pre-opening budget that the Operator has agreed will not exceed $4.5 million except for (i) increases in costs caused primarily by a force majeure event, as defined in the Technical and Pre-Opening Services Agreement, (ii) increases in the cost of performance of pre-opening services caused by any change in the anticipated Required Opening Date to an earlier or a later date, and (iii) other costs which are attributable to or caused by any breach by Design/Builder of its obligations under the Design/Build Guaranteed Maximum Price Contract or unless otherwise agreed by the Issuer in the Issuer's sole discretion. Further, the Operator will develop an initial proposed operating plan and budget and a pre-opening marketing schedule and plan. During the pre-opening period, the Operator will include the Hotel in its corporate marketing program and sales program and will implement an individual marketing program for the Hotel.

The Operator will receive a fee of $350,000 for its services under the Technical and Pre-Opening Services Agreement with $125,000 of the fee payable upon delivery of the Series 2009 Bonds, and the remainder of the fee payable in 24 equal monthly installments.

CONSTRUCTION OF THE HOTEL PROJECT

DESIGN/BUILD GUARANTEED MAXIMUM PRICE CONTRACT

Pursuant to the Design/Build Guaranteed Maximum Price Contract, the Design/Builder will design the Hotel Project in accordance with the project requirements and design scope specifications, including the Omni Design Standards, within the project budget. The Design/Builder will be responsible for the professional quality, completeness, accuracy and coordination of all design documents, and provide design services that meet all environmental and regulatory requirements as of the date of the Design/Build Guaranteed Maximum Price Contract. Further, the Design/Builder will construct, provision and furnish the Hotel so as to achieve substantial completion within 28 months, subject to force majeure following commencement of the work, and final completion 30 days thereafter for a Design/Build Guaranteed Maximum Price of $325,231,187. See "APPENDIX E".

DESIGN/BUILDER REPRESENTATIONS AND COVENANTS

The Design/Builder will warrant that all labor furnished to perform the Construction Work under the Design/Build Guaranteed Maximum Price Contract will be competent to perform the tasks undertaken and performed in a good and workmanlike manner in accordance with best practices for construction of four star hotel projects similar to the Hotel Project, that the labor will yield results in strict compliance with the Design/Build Guaranteed Maximum Price Contract, that materials and equipment furnished will be of high quality and new unless otherwise permitted by the Design/Build Guaranteed Maximum Price Contract, and that the Construction Work will be of high quality, free from faults and defects and in strict conformance with the Design/Build Guaranteed Maximum Price Contract.

The Design/Build Guaranteed Maximum Price Contract provides that the Design/Builder will provide payment and performance bonds for 100% of the Design/Build Guaranteed Maximum Price, from sureties and in form acceptable to the Issuer.

PERMITS AND APPROVALS

The Design/Builder has obtained pre-approval of the necessary permits to commence construction, subject only to delivering the appropriate fees upon sale of the Series 2009 Bonds.

MANAGEMENT FEE

The Design/Builder will earn a management fee, included in the Design/Build Guaranteed Maximum Price, of 3.95% of the cost of construction work. In addition, if the Design/Builder achieves substantial completion within the original 28-month scheduled completion date, it shall earn an early substantial completion incentive of $35,000 per day for each calendar day up to 60 days that it is earlier than so scheduled. The Design/Builder is also entitled to 30% of amounts remaining from the budgeted construction contingency account following final completion of the Hotel Project.

LIQUIDATED DAMAGES

For each day of inexcusable delay in meeting the deadline for substantial completion, the Design/Builder shall pay to the Issuer liquidated damages, during the first 30 days at the rate of $12,500 per day, during the second 30 days at the rate of $17,500 per day and thereafter at the rate of $20,000 per day; provided that a portion of the liquidated damages amount may be paid from the construction contingency account to the extent funds are available. For each day of inexcusable delay in meeting the 30 day deadline for achieving final completion following substantial completion, the Design/Builder shall pay to the Issuer liquidated damages at the rate of $5,000 per day.

INSURANCE

Within the Design/Build Guaranteed Maximum Price, the Design/Builder is required to obtain and maintain liability insurance, professional liability insurance, and all-risk builder's risk insurance, in each case in amounts required by the Issuer, for the benefit of the Issuer, the City, the Developer and the Operator, and providing that the Design/Builder waives its subrogation rights as to the Issuer, the City, the Developer and the Operator.

CONSTRUCTION MONITORING

The Issuer has engaged the Director of the City's Department of Public Works and Transportation as the construction monitor for the Hotel Project.

OPERATION OF THE HOTEL PROJECT

HOTEL OPERATING AGREEMENT

The Issuer and the Operator shall enter into the Hotel Operating Agreement, which sets forth the duties and responsibilities of the parties with respect to the operation and management of the Hotel Project. See "APPENDIX F".

Under the Hotel Operating Agreement, the Operator will act as the manager and operator of the Hotel, as agent of the Issuer. The Hotel will be operated under the name "Omni Dallas Convention Center Hotel," under a license granted by the Operator during the term of the Hotel Operating Agreement. The Hotel is required to be designed, constructed and operated in a manner consistent with the Operator's brand standards as described in the Hotel Operating Agreement.

TERM

The Hotel Operating Agreement is for a term of fifteen years, with an option exercisable by the Issuer (subject to Operator's approval) for an additional five year term. The Operating Agreement has been structured as a "qualified management agreement" in compliance with the applicable requirements of Section 141 of the Internal Revenue Code for projects financed by tax-exempt bonds. The Operator will have the authority to establish all rental rates and other charges for the Hotel, to market and sell all rooms and event services and facilities at the Hotel, and to enter into concession agreements, leases and service contracts with third party vendors and servicers at the Hotel. The Operator will prepare an annual operating budget, which will be subject to review and approval by the Issuer, and the Operator will have the authority to incur expenses on behalf of the Hotel consistent with the approved operating budget.

MANAGEMENT FEE

The Operator will be entitled to receive annual management fees equal to the following specified dollar amounts for each of the first six twelve month periods of Hotel operation: $1,631,263, $1,909,199, $2,121,957, $2,276,064, $2,392,731 and $2,473,775, and thereafter the total annual management fee will be increased or decreased by a percentage equal to the percentage change in the consumer price index annually. The management fees are divided into base management fees, which equal 75.5% of the total annual management fee and are paid monthly in equal installments, and subordinate management fees, which equal 24.5% of the total annual management fee and are paid semi-annually only to the extent that funds are available for the payment after payment of all amounts owed for taxes, insurance, a reserve for periodic furniture, fixtures and equipment replacements and refurbishment, administrative expenses, Debt Service on the Series 2009 Bonds, Debt Service Reserves, an operating expense reserve fund, and certain amounts that may become due in the future to the Operator and the City in accordance with the Hotel Operating Agreement. The Operator is also entitled to be reimbursed for all expenses incurred in connection with the operation of the Hotel. In addition, the Operator is entitled to receive centralized services fees in connection with providing certain centralized services to the Hotel, such as marketing, reservations, accounting, and administrative services. Centralized services fees are equal to the following specified dollar amounts for each of the first five twelve month periods of Hotel operation: $1,360,207, $1,609,830, $1,822,742, $1,962,496 and $2,061,078, and thereafter the centralized services fee will be increased or decreased by a percentage change in the consumer price index annually. In addition, (i) for the year in which the Opening Date occurs, and for the year the Hotel Operating Agreement terminates, the Operator is entitled to receive $1,877,618 as increased or decreased by changes in the Consumer Price Index, and (ii) commencing with the first full calendar year following the year the Opening Date occurs, the Operator is entitled to receive an additional annual payment of $1,968,089, increasing annually by the increase in the Consumer Price Index, to be used by the Operator for the payment of compensation to the Hotel's executive personnel.

KEY MONEY

The Operator is obligated to contribute "key money" of $6,000,000 to an operating expense reserve fund thirty days prior to completion of the Hotel, of which $1,000,000 shall be set aside as working capital. Beginning in the sixty-first month after the opening date of the Hotel, the key money will be amortized in equal monthly installments between the sixty-first and the 121st months of the term of the Hotel Operating Agreement. Any key money that has not been amortized as of the date of any termination of the Hotel Operating Agreement is required to be repaid by the Issuer to the Operator upon the effective date of termination, up to the amount of funds held in a special reserve account for that purpose, with any remaining amount owed to the Operator to be repaid from future revenues of the Hotel. If the Hotel Operating Agreement is terminated during the first four operating years of the Hotel, the full amount of the unamortized key money must be repaid immediately to the Operator as a condition of termination.

TERMINATION

The Hotel Operating Agreement may be terminated upon certain events of default by the Operator or the Issuer, including failure to make payments as required, failure to perform covenants, a default by the Operator under the Room Block Agreement, failure by the Operator to use good faith efforts to meet certain goals for participation by small, minority and woman-owned business enterprises in the business of the Hotel, and events of insolvency or bankruptcy. Upon an event of default by either the Operator or the Issuer, the non-defaulting party has rights to terminate the Hotel Operating Agreement, subject to the Issuer's obligation to repay any unamortized key money, as described in the paragraph above. In addition, subject to certain exceptions set forth in the Hotel Operating Agreement, the Issuer has an additional right to terminate the Operator if, after the fifth operating year of the Hotel, either of the following two performance tests is not met: (i) the net operating income of the Hotel is not sufficient to satisfy the debt service on the Bonds for two consecutive operating years, or (ii) the revenue per available room of the Hotel is less than 80% of the revenue per available room of other comparable hotels identified in the Hotel Operating Agreement as the Hotel's competitive set. The Operator has the right to cure a performance test failure by advancing the amount of the shortfall necessary to meet the performance test for the second applicable operating year.

The Hotel Operating Agreement may also be terminated if, at any time following the seventh operating year of the Hotel, the Issuer sells the Hotel to a third party. In that event, a termination fee is payable to the Operator equal to a maximum of two times the last twelve months' management fees plus a maximum of one times the last twelve months' centralized services fees. The Hotel Operating Agreement may also be terminated upon certain events of destruction or condemnation of the Hotel.

CASH MANAGEMENT

The Issuer, the Operator, the Trustee and U.S. Bank National Association acting as depository bank (the "Depository Bank") will enter into a Cash Management and Lockbox Agreement (the "Cash Management Agreement"), which governs the receipt and distribution of Gross Operating Revenues generated at the Hotel. Not less than seven days prior to the Opening Date, the Issuer, the Trustee and the Operator shall cause the Depository Bank to establish and maintain an interest bearing deposit account, which shall be entitled "Dallas Convention Center Hotel Lockbox Fund" (the "Lockbox Fund"). As part of the process of depositing all Gross Operating Revenues into the Lockbox Fund, the Operator may also establish one or more segregated deposit accounts (collectively, the "Clearing Bank Accounts") in order to obtain for the Hotel Project the most favorable terms available for settling electronic transactions effected with bank and non-bank credit cards or for other purposes customary in the upscale hotel industry.

The Operator shall immediately instruct all Persons maintaining open accounts with the Operator, or from whom the Operator receives or will receive payment on an "accounts receivable" basis, the payments on which open accounts or accounts receivable constitute or will constitute Gross Operating Revenues, to deliver all such payments when due under such accounts to the Operator for deposit in a Clearing Bank Account or the Lockbox Fund whether in the form of checks, drafts, cash, money orders or any other type of payment whatsoever.

On and after the Opening Date, the Depository Bank shall periodically distribute amounts deposited in the Lockbox Fund to the Operator as periodically requested by the Operator pursuant to either written instructions provided by the Operator specifying the amount to be transferred by the Depository Bank to the Operator for Operating Expenses or by check or draft drawn by the Operator directly against such Lockbox Fund for (i) budgeted Operating Expenses, (ii) with the prior written consent of the Issuer, which consent shall not be unreasonably withheld, conditioned or delayed, unbudgeted Operating Expenses; (iii) unbudgeted Emergency Expenses and expenses necessary to comply with Legal Requirements (as set forth in the Hotel Operating Agreement); and (iv) costs of utilities and insurance premiums in excess of amounts budgeted as Operating Expenses (however, the Operator shall promptly notify the Issuer in writing of the variance). After the Opening Date, the Depository Bank shall disburse to the Trustee on each Lockbox Fund Transfer Date all amounts in the Lockbox Fund in excess of the Operating Costs Set Aside Amount and the Check Clearing Amount (which amount shall be determined by the Operator (with the approval of the Issuer, such approval not to be unreasonably withheld, conditioned or delayed) and provided in writing to the Depository Bank and the Trustee prior to making such disbursement) for deposit into the Revenue Fund pursuant to the Indenture.

ROOM BLOCK AGREEMENT

Under the Room Block Agreement between the Issuer and the Operator, the Issuer, on behalf of the City, may require that the Operator make the following percentage of the total rooms in the Hotel available for potential Convention Center customers: (i) for bookings from 0 to 23 months in advance, 0%; (ii) for bookings 24 to 35 months in advance, 40%; and (iii) for bookings 36 months and greater in advance, 80%. The Operator will be allowed up to 12 booking exceptions in each calendar year from the date of the receipt of booking inquiries for the period from 24 to 35 months, allowing the Operator to confirm a group of more than 60% of the available rooms to any given event or group. The Operator and the director of the Convention Center will confer annually with respect to any exceptions for booking inquiries for the period between 36 and 48 months. All booking periods will be measured on a daily rolling basis.

Upon request by the Issuer for a group booking, the Operator is required to make an offer to the potential customer at rates established in good faith by the Operator, and if the potential customer accepts the offer, to negotiate and enter into a binding contract with such customer upon customary terms offered by the Operator to other groups. The Issuer, on behalf of the City, and the Operator agree to cooperate with each other in booking events in, and scheduling renovations at, the Convention Center and the Hotel. The Room Block Agreement will remain in effect for so long as the Operating Agreement remains in effect.

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PLAN OF FINANCE

SOURCES AND USES OF FUNDS

The table below sets forth the sources and uses of funds to finance the costs associated with the Hotel Project described in "DEVELOPMENT OF THE HOTEL PROJECT" and to fund certain other requirements related to the Hotel Project and the Series 2009 Bonds.

Table 2 - Sources and Uses of Funds

	Series 2009A	Series 2009B	Series 2009C	Operator Key Money	Total
SOURCES					
Par Amount (Current Interest Bonds)	$ 62,530,000.00	$ 388,175,000.00	$ 17,235,000.00	$ -	$ 467,940,000.00
Par Amount (Capital Appreciation Bonds)	11,881,197.20	-	-	-	11,881,197.20
Net Original Issue Premium	572,164.85	-	-	-	572,164.85
Key Money (1)	-	-	-	6,000,000.00	6,000,000.00
Total Sources	**$ 74,983,362.05**	**$ 388,175,000.00**	**$ 17,235,000.00**	**$ 6,000,000.00**	**$ 486,393,362.05**
USES					
Land Acquisition Cost	$ 30,280,000.00	$ -	$ -	$ -	$ 30,280,000.00
Total Hotel Project Improvements Budget	25,014,046.00	316,248,428.00	4,737,526.00	-	346,000,000.00
Less Interest Earnings (2)	(317,081.39)	(4,008,807.38)	(60,053.51)	-	(4,385,942.28)
Deposit to Project Account	24,696,964.61	312,239,620.62	4,677,472.49	-	341,614,057.72
Pre-Opening Expenses	4,500,000.00	-	-	-	4,500,000.00
Technical Services Fee	350,000.00	-	-	-	350,000.00
Less: Interest Earnings (2)	(79,545.41)	-	-	-	(79,545.41)
Deposit to Technical and Pre-Opening Services Account	4,770,454.59	-	-	-	4,770,454.59
Deposit to Capitalized Interest Account (3)	8,348,079.70	39,056,826.75	2,454,454.00	-	49,859,360.45
Deposit to Series 2009B Capitalized Interest Account (3)	-	-	8,498,898.62	-	8,498,898.62
Deposit to Senior Debt Service Reserve Fund	5,783,330.95	29,939,234.94	1,329,304.35	-	37,051,870.24
Deposit to Operating Expense Reserve Fund (4)	-	-	-	6,000,000.00	6,000,000.00
Costs of Issuance (5)	1,104,532.20	6,939,317.69	274,870.54	-	8,318,720.43
Total Uses	**$ 74,983,362.05**	**$ 388,175,000.00**	**$ 17,235,000.00**	**$ 6,000,000.00**	**$ 486,393,362.05**

(1) To be deposited no later than 30 days prior to Substantial Completion of Hotel construction
(2) Assumes interest earnings of 1.02% from moneys on deposit in the Project Account and the Technical and Pre-Opening Services Account
(3) Assumes interest earnings of 1.10% from moneys on deposit in the Capitalized Interest Account and 2..96% from moneys on deposit in the Senior Debt Service Reserve Fund to July 1, 2012
(4) Initial deposit; $1,000,000 to be transferred to the Working Capital Account
(5) Includes underwriters' discount and other costs of issuance of the Series 2009 Bonds

DEBT SERVICE REQUIREMENTS

The following table provides the annual Debt Service requirements for the Series 2009A Bonds, the Series 2009B Bonds, and the Series 2009C Bonds and the projected Direct Payments associated with the Series 2009B Bonds.

Table 3- Debt Service Requirements (1)

Period Ending (Jan 1)	Series 2009A Bonds (Current Interest Bonds) Principal	Interest (2)	Series 2009A Bonds (Capital Appreciation Bonds) Principal	Compounded Interest	Series 2009B Bonds (Build America Bonds – Direct Payment) Principal	Interest (2)	Direct Payments (3)	Series 2009C Bonds Principal	Interest (2)	Total Debt Service	Total Debt Service Less: Direct Payments (4)
2010	$ -	$ 1,057,146	$ -	$ -	$ -	$ 9,171,281	$ 3,209,948	$ -	$ 307,156	$ 10,535,583	$ 7,325,634
2011	-	3,171,438	-	-	-	27,513,844	9,629,845	-	921,467	31,606,749	21,976,903
2012	-	3,171,438	-	-	-	27,513,844	9,629,845	-	921,467	31,606,749	21,976,903
2013	-	3,171,438	-	-	-	27,513,844	9,629,845	-	921,467	31,606,749	21,976,903
2014	-	3,171,438	-	-	-	27,513,844	9,629,845	-	921,467	31,606,749	21,976,903
2015	-	3,171,438	-	-	-	27,513,844	9,629,845	3,700,000	921,467	35,306,749	25,676,903
2016	-	3,171,438	-	-	-	27,513,844	9,629,845	5,790,000	736,837	37,212,119	27,582,273
2017	-	3,171,438	-	-	-	27,513,844	9,629,845	7,415,000	424,756	38,525,038	28,895,192
2018	365,000	3,171,438	4,741,511	2,668,489	-	27,513,844	9,629,845	330,000	18,414	38,808,696	29,178,850
2019	8,435,000	3,155,925	-	-	-	27,513,844	9,629,845	-	-	39,104,769	29,474,924
2020	9,125,000	2,758,438	-	-	-	27,513,844	9,629,845	-	-	39,397,282	29,767,436
2021	9,890,000	2,296,063	-	-	-	27,513,844	9,629,845	-	-	39,699,907	30,070,061
2022	10,690,000	1,791,363	-	-	-	27,513,844	9,629,845	-	-	39,995,207	30,365,361
2023	11,555,000	1,230,138	-	-	-	27,513,844	9,629,845	-	-	40,298,982	30,669,136
2024	12,470,000	623,500	-	-	-	27,513,844	9,629,845	-	-	40,607,344	30,977,499
2025	-	-	5,132,506	8,272,494	-	27,513,844	9,629,845	-	-	40,918,844	31,288,999
2026	-	-	2,007,180	3,662,820	8,045,000	27,513,844	9,629,845	-	-	41,228,844	31,598,999
2027	-	-	-	-	14,400,000	26,943,614	9,430,265	-	-	41,343,614	31,913,349
2028	-	-	-	-	15,385,000	25,922,942	9,073,030	-	-	41,307,942	32,234,913
2029	-	-	-	-	16,420,000	24,832,454	8,691,359	-	-	41,252,454	32,561,095
2030	-	-	-	-	17,495,000	23,668,604	8,284,011	-	-	41,163,604	32,879,593
2031	-	-	-	-	18,635,000	22,428,558	7,849,995	-	-	41,063,558	33,213,563
2032	-	-	-	-	19,825,000	21,107,710	7,387,698	-	-	40,932,710	33,545,011
2033	-	-	-	-	21,075,000	19,702,514	6,895,880	-	-	40,777,514	33,881,634
2034	-	-	-	-	22,380,000	18,208,718	6,373,051	-	-	40,588,718	34,215,666
2035	-	-	-	-	23,755,000	16,622,423	5,817,848	-	-	40,377,423	34,559,575
2036	-	-	-	-	25,195,000	14,938,669	5,228,534	-	-	40,133,669	34,905,135
2037	-	-	-	-	26,710,000	13,152,847	4,603,497	-	-	39,862,847	35,259,351
2038	-	-	-	-	28,285,000	11,259,642	3,940,875	-	-	39,544,642	35,603,768
2039	-	-	-	-	29,950,000	9,254,802	3,239,181	-	-	39,204,802	35,965,621
2040	-	-	-	-	31,690,000	7,131,946	2,496,181	-	-	38,821,946	36,325,765
2041	-	-	-	-	33,510,000	4,885,758	1,710,015	-	-	38,395,758	36,685,743
2042	-	-	-	-	35,420,000	2,510,570	878,699	-	-	37,930,570	37,051,870
Total	$ 62,530,000	$ 38,284,071	$ 11,881,197	$ 14,603,803	$ 388,175,000	$ 711,964,556	$ 249,187,595	$ 17,235,000	$ 6,094,498	$ 1,250,768,124	$ 1,001,580,530

Notes

(1) Rounded to nearest dollar
(2) Interest is capitalized to July 1, 2012
(3) Equal to 35% of Series 2009B Interest
(4) Net of projected Direct Payments

MARKET STUDY

Market Study Provider

In connection with the issuance of the Series 2009 Bonds, HVS has prepared a report entitled "Market Study, Proposed Omni Convention Center Hotel, Dallas, Texas" dated June 8, 2009 (the "Market Study"), setting forth current and projected operations of the Hotel Project.

Hospitality Valuation Services was founded in 1980 to satisfy the demand for strong consultation services and valuation needs. In 1990, the name of the firm was changed to HVS International to combine the historic ties to hospitality valuation services to its global outlook on the hospitality industry. Over the years, the scope of the firm's professional services has expanded to include a wide range of consulting activities. With a staff of more than 150 professionals, HVS has provided valuation services for more than 10,000 hotels in all 50 states and 60 countries.

The firm's database of hotel information, combined with broad insight and extensive experience, enables HVS Consulting & Valuation Services to produce well-documented appraisal and market study reports that contain fully supported conclusions. The firm's consultants and appraisers understand the hotel business. Most have degrees in hotel management from top hotel schools, and each has actual hotel operating experience. The firm's staff has extensive training in real estate and valuation techniques.

Executive Summary of the Market Study

The following executive summary of the Market Study was provided solely by HVS. The complete Market Study is presented in "APPENDIX H –MARKET STUDY." The Market Study describes key factors that affect demand for the Hotel Project, estimates net income for the Hotel, and sets forth assumptions on which such estimates are based. There is no assurance that actual events will correspond with the assumptions on which such estimates are based. Consequently, no guarantee can be made that the estimated operating results will correspond with the results actually achieved in the future. The Market Study should be read in its entirety for an understanding of the estimated operating results and the underlying assumptions.

The Omni Convention Center Hotel will be a notable addition to Downtown Dallas. Omni hotels are well known for their urban architecture, spacious guestrooms, and high-end finishes. The addition of a new, state-of-the-art, convention headquarters Omni Hotel in Dallas is expected to attract large groups, events, and meetings from throughout the U.S.

Spurred by several major capital investments, and a renewed Uptown district, Dallas is experiencing its strongest economic cycle in recent history. Visionaries and important Dallas developers have incited over $6 billion in new investments.

The market remained resilient through 2008, despite the accelerating national recession. The amount of office space occupied in the Dallas Central Business District increased considerably in 2008, with just over 20,500,000 square feet occupied as of the fourth quarter 2008, representing an increase of over 1,100,000 square feet since the fourth quarter of 2007, according to CB Richard Ellis.

Along with this relatively strong office environment, the development of other complementary uses has expanded considerably in recent years, with multiple high-density residential projects, retail and restaurant additions, and entertainment venues throughout the downtown and uptown areas.

Room revenues for Dallas rose 2.7% in 2008 (versus the 0.7% growth rate for the nation as a whole), slowing from the 5.7% growth rate in 2007, according to Smith Travel Research. Although citywide occupancy declined by just over one point to 58.9% in 2008 (due in part to new supply), rates managed to increase by just over $2.00. Market conditions in the hotel sector began to deteriorate in the fourth quarter of 2008, and in January of 2009, occupancy levels fell just over seven points and rates fell by roughly $3.00, contributing to a RevPAR decline of 18.9% for the month.

The outlook for the industry and local hotel market is not favorable for the near term, with similar declines expected through at least the first two quarters of 2009. While some normalization may occur in the second half of the year, net gains in RevPAR are not expected.

HVS anticipates that the local hotel market will recover in the period of 2010 through 2012, with a primary acceleration of recovery in 2011 and 2012. This expectation is reflected in the HVS forecasts. This forecast recovery of the downtown Dallas hotel industry through the next decade will be dependent on the development of a headquarters hotel, which will enable the full salability of the Dallas Convention Center on the national stage. A vibrant, highly-utilized convention center typically serves as a vital component to a major city's downtown visitation and downtown hotel utilization levels. The Dallas Convention Center remains underutilized due largely to the lack of an adjacent headquarters hotel, a requirement high on the priority list of today's convention meeting planners. As a result of the opening of Fort Worth's Omni in January of 2009, Dallas is the only major Texas city without a hotel connected or adjacent to its convention center.

Once Dallas' headquarters hotel opens, and with Downtown Dallas' 1,840-room Adam's Mark Hotel re-branded as a Sheraton, the City's competitive position should be significantly enhanced in relation to capturing major conventions.

Despite the current economic downturn that is impacting the hotel industry rather significantly in 2009, Dallas continues to transform. City leadership remains focused on maintaining growth and revitalization within the City. This leadership, together with local developers and committed residents, deserves substantial credit for the City's rebirth. The current phase of evolution, anchored by such hotel projects as the W, the Joule, the Ritz-Carlton, and the anticipated convention headquarters hotel, will help redefine the City's position on the world stage by 2012.

As of May 2009, 13 major conventions have been secured in the "definite" category contingent on the addition of the headquarters hotel. These groups represent over 360,000 room nights and over $532 million dollars of economic impact, according to the Dallas Convention Bureau. Over 600,000 additional room nights have been booked on a tentative basis.

Chapter Nine of the Market Study details HVS's income and expense projection, which is based on HVS's review of comparable operations and local market revenue and expense factors. The tables presented in the Market Study pages present HVS's projection: first, a detailed forecast through the fifth projection year, including amounts per available room (PAR) and per occupied room (POR); and second, a summary forecast through the tenth projection year. The forecasts pertain to calendar operating years beginning January 1, 2012, and are expressed in inflated dollars for each year.

As illustrated in the Market Study, the Hotel is expected to stabilize at a profitable level. HVS's positioning of each revenue and expense level is supported by comparable operations or trends specific to this market or this type of convention headquarters property.

FINANCIAL PROJECTIONS, DEBT SERVICE COVERAGE AND RESERVE FUNDS

This portion of the Official Statement contains financial data taken from or based upon the information contained in the Market Study attached hereto as APPENDIX H.

The table set forth below summarizes the Net Income and the City Tax Revenues projections, as provided by HVS, the estimated annual Debt Service requirements for the Series 2009 Bonds (net of Direct Payments in support of the Series 2009B Bonds, capitalized interest and interest earnings on the Senior Debt Service Reserve Fund), the projected Debt Service Coverage Amount for each series of the Series 2009 Bonds, and projected balances of certain funds held by the Trustee. Since all projections are based on estimates and assumptions which are inherently subject to uncertainty and variations depending on future events, there are likely to be differences between the projections and actual results and the differences may be material. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2009 BONDS – Flow of Funds" and "OTHER INFORMATION -Forward Looking Statements."

The Net Income and City Tax Revenues projections in Table 4 are identical to, and were copied from; the Market Study attached as APPENDIX H. While HVS believes such assumptions are reasonable, the achievement of such assumptions cannot be guaranteed and actual results could vary significantly. Investors are advised to review carefully the Market Study in its entirety. See "APPENDIX H - Market Study."

In addition to the assumptions set forth in the Market Study, the following table assumes (i) the first Operating Year beginning January 1, 2012 and (ii) interest income generated by the accounts within the Senior Debt Service Reserve Fund at a rate of 2.96% per annum. There can be no assurance that amounts on deposit in such funds and accounts can be invested at such assumed rates. The table details the projected payment of revenues into the various funds, in accordance with the priority of deposits set forth in the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 BONDS – Flow of Funds" and "OTHER INFORMATION - Forward Looking Statements."

Table 4 - Financial Projection Summary
(000's)

Year Ending December 31	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
NET INCOME (1)	$ 15,221	$ 19,547	$ 23,743	$ 25,979	$ 27,939	$ 28,977	$ 30,055	$ 30,986	$ 31,946	$ 32,938	$ 33,926	$ 34,944	$ 35,992	$ 37,072	$ 38,184
CITY TAX REVENUES															
Convention Center Hotel State HOT Revenues (1)(2)	2,148	2,542	2,878	3,099	3,254	3,352	3,453	3,556	3,663	3,773	-	-	-	-	-
Convention Center Hotel State Sales Tax Revenues (1)(3)	1,610	1,855	2,007	2,140	2,253	2,343	2,436	2,511	2,588	2,668	-	-	-	-	-
Convention Center Hotel 7% Local HOT Tax Revenues (1)(4)	2,506	2,965	3,358	3,615	3,797	3,911	4,028	4,149	4,273	4,401	4,534	4,670	4,810	4,954	5,102
TOTAL CITY TAX REVENUES	6,263	7,362	8,242	8,854	9,304	9,605	9,916	10,216	10,524	10,842	4,534	4,670	4,810	4,954	5,102
ADMINISTRATIVE EXPENSES (5)	350	361	371	382	394	406	418	430	443	457	470	484	499	514	529
NET OPERATING INCOME	21,134	26,549	31,614	34,451	36,849	38,176	39,553	40,771	42,027	43,323	37,989	39,129	40,303	41,512	42,757
AMOUNTS TRANSFERRED FOR DEBT SERVICE															
Draw on Various Indenture Funds and Accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Appropriated Grant Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FUNDS AVAILABLE FOR DEBT SERVICE	21,134	26,549	31,614	34,451	36,849	38,176	39,553	40,771	42,027	43,323	37,989	39,129	40,303	41,512	42,757
Series 2009 Bonds Net Debt Service (6)	10,440	20,880	24,580	26,486	27,798	28,082	28,378	28,671	28,973	29,269	29,572	29,881	30,192	30,502	30,817
FUNDS AVAILABLE AFTER DEBT SERVICE	10,694	5,669	7,034	7,965	9,051	10,094	11,175	12,100	13,054	14,055	8,417	9,248	10,110	11,009	11,940
AMOUNTS TRANSFERRED AFTER DEBT SERVICE															
Deposit to Senior Debt Service Reserve Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposit to Operating Expense Reserve Fund	5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposit to Manager Advance Repayment Fund (7)	1,500	1,500	1,500	1,500	-	(1,200)	(1,200)	(1,200)	(1,200)	(1,200)	-	-	-	-	-
Deposit to City Advance Repayment Fund (7)	1,500	1,500	1,500	1,500	-	(1,200)	(1,200)	(1,200)	(1,200)	(1,200)	-	-	-	-	-
Deposit to Subordinated Management Fee Fund	400	468	520	558	587	607	627	646	666	686	707	728	750	772	795
Deposit to Subordinated FF&E Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DEPOSIT TO SURPLUS REVENUE FUND	2,294	2,201	3,514	4,407	8,464	11,888	12,947	13,854	14,788	15,768	7,710	8,520	9,360	10,237	11,145
DEBT SERVICE COVERAGE AMOUNT (8)	2.02	1.27	1.29	1.30	1.33	1.36	1.39	1.42	1.45	1.48	1.28	1.31	1.33	1.36	1.39
RESERVE FUND BALANCES															
Senior Debt Service Reserve Fund	37,052	37,052	37,052	37,052	37,052	37,052	37,052	37,052	37,052	37,052	37,052	37,052	37,052	37,052	37,052
Operating Expense Reserve Fund	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Manager Advance Repayment Fund	1,500	3,000	4,500	6,000	6,000	4,800	3,600	2,400	1,200	-	-	-	-	-	-
City Advance Repayment Fund	1,500	3,000	4,500	6,000	6,000	4,800	3,600	2,400	1,200	-	-	-	-	-	-
Surplus Revenue Fund	2,294	4,494	8,008	12,415	20,879	32,767	45,714	59,568	74,356	90,125	97,834	106,354	115,715	125,952	137,097

(1) As provided by HVS through 2021; 3% growth thereafter
(2) Convention Center Hotel State HOT Revenues at 6% of Room Revenues
(3) Convention Center Hotel State Sales Tax Revenues at 6.25% of Non-Room Revenues
(4) Convention Center Hotel 7% Local HOT Tax Revenues at 7% of Room Revenues
(5) As currently estimated by the City
(6) Net of Direct Payments, capitalized interest and interest earnings on the Senior Debt Service Reserve Fund
(7) Deposits to the Manager Advance Repayment Fund and the City Advance Repayment Fund are in parity
(8) Calculated as the ratio of Net Operating Income / Series 2009 Bonds Net Debt Service

TABLE 4 (CONT.) FINANCIAL PROJECT SUMMARY
(000's)

Year Ending December 31	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
NET INCOME (1)	$ 39,329	$ 40,509	$ 41,725	$ 42,976	$ 44,266	$ 45,593	$ 46,961	$ 48,370	$ 49,821	$ 51,316	$ 52,855	$ 54,441	$ 56,074	$ 57,756	$ 59,489
CITY TAX REVENUES															
Convention Center Hotel State HOT Revenues (1)(2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Convention Center Hotel State Sales Tax Revenues (1)(3)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Convention Center Hotel 7% Local HOT Tax Revenues (1)(4)	5,256	5,413	5,576	5,743	5,915	6,093	6,275	6,464	6,658	6,857	7,063	7,275	7,493	7,718	7,950
TOTAL CITY TAX REVENUES	5,256	5,413	5,576	5,743	5,915	6,093	6,275	6,464	6,658	6,857	7,063	7,275	7,493	7,718	7,950
ADMINISTRATIVE EXPENSES (5)	545	562	578	596	614	632	651	671	691	711	733	755	777	801	825
NET OPERATING INCOME	44,040	45,361	46,722	48,123	49,567	51,054	52,586	54,163	55,788	57,462	59,186	60,961	62,790	64,674	66,614
AMOUNTS TRANSFERRED FOR DEBT SERVICE															
Draw on Various Indenture Funds and Accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Appropriated Grant Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FUNDS AVAILABLE FOR DEBT SERVICE	44,040	45,361	46,722	48,123	49,567	51,054	52,586	54,163	55,788	57,462	59,186	60,961	62,790	64,674	66,614
Series 2009 Bonds Net Debt Service (6)	31,138	31,464	31,783	32,117	32,448	32,785	33,119	33,463	33,808	34,163	34,507	34,869	35,229	35,589	(1,097)
FUNDS AVAILABLE AFTER DEBT SERVICE	12,901	13,896	14,939	16,006	17,119	18,269	19,467	20,700	21,980	23,299	24,679	26,092	27,561	29,085	67,711
AMOUNTS TRANSFERRED AFTER DEBT SERVICE															
Deposit to Senior Debt Service Reserve Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposit to Operating Expense Reserve Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposit to Manager Advance Repayment Fund (7)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposit to City Advance Repayment Fund (7)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposit to Subordinated Management Fee Fund	819	844	869	895	922	950	978	1,008	1,038	1,069	1,101	1,134	1,168	1,203	1,239
Deposit to Subordinated FF&E Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DEPOSIT TO SURPLUS REVENUE FUND	12,082	13,053	14,070	15,111	16,197	17,319	18,488	19,693	20,942	22,230	23,577	24,958	26,393	27,881	66,471
DEBT SERVICE COVERAGE AMOUNT (8)	1.41	1.44	1.47	1.50	1.53	1.56	1.59	1.62	1.65	1.68	1.72	1.75	1.78	1.82	N/A
RESERVE FUND BALANCES															
Senior Debt Service Reserve Fund	37,052	37,052	37,052	37,052	37,052	37,052	37,052	37,052	37,052	37,052	37,052	37,052	37,052	37,052	-
Operating Expense Reserve Fund	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Manager Advance Repayment Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
City Advance Repayment Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Revenue Fund	149,179	162,231	176,301	191,412	207,609	224,928	243,416	263,109	284,051	306,281	329,858	354,816	381,209	409,090	475,562

(1) As provided by HVS through 2021; 3% growth thereafter
(2) Convention Center Hotel State HOT Revenues at 6% of Room Revenues
(3) Convention Center Hotel State Sales Tax Revenues at 6.25% of Non-Room Revenues
(4) Convention Center Hotel 7% Local HOT Tax Revenues at 7% of Room Revenues
(5) As currently estimated by the City
(6) Net of Direct Payments, capitalized interest and interest earnings or the Senior Debt Service Reserve Fund
(7) Deposits to the Manager Advance Repayment Fund and the City Advance Repayment Fund are in parity
(8) Calculated as the ratio of Net Operating Income / Series 2009 Bonds Net Debt Service

THE SERIES 2009 BONDS

AUTHORIZATION

The Series 2009 Bonds will be issued by the Issuer pursuant to the laws of the State of Texas, particularly Subchapter A of Chapter 1504, Texas Government Code; Subchapter B of Chapter 351, Texas Tax Code; Subchapter D of Chapter 431, Texas Transportation Code (collectively, the "Act"), the Indenture and a resolution of the Issuer authorizing the issuance of the Series 2009 Bonds and an ordinance of the City consenting to and approving the issuance of the Series 2009 Bonds. Proceeds of the Series 2009 Bonds will be used as set forth in "PLAN OF FINANCE –Sources and Uses of Funds."

DESCRIPTION

The Series 2009 Bonds are limited special obligations of the Issuer payable from the Trust Estate in accordance with the Indenture. The Series 2009 Bonds are payable by the Issuer primarily from the Net Operating Revenues generated from the Hotel Project, the City Tax Revenues, and from certain amounts held by the Trustee under the Indenture. Interest on the Series 2009B Bonds also is payable from Direct Payments. In addition, under the terms of the Economic Development Agreement, the City, at the request of the Issuer, may appropriate funds to the Issuer (the "Appropriated Grant Payments") for the payment of debt service on the Series 2009 Bonds should Net Operating Revenues, City Tax Revenues, Direct Payments and reserves held under the Indenture be insufficient to make the Senior Debt Service Payments in accordance with the terms of the Indenture. See "ECONOMIC DEVELOPMENT AGREEMENT."

The Series 2009 Bonds will be dated the Date of Delivery, and will be issued in fully registered form in denominations of $5,000 or integral multiples thereof. Interest due and payable on the Series 2009 Bonds on any Debt Service Payment Date will be paid to the person who is the Registered Owner as of the Record Date. Each Series 2009 Bond will bear or accrue interest from the Debt Service Payment Date that is, or immediately precedes, the date of authentication thereof unless such date of authentication is on or before January 1, 2010, in which event such Series 2009 Bonds will bear or accrue interest from the Date of Delivery of the Series 2009 Bonds. In no event will the interest rate borne by the Series 2009 Bonds exceed the maximum "net effective interest rate," as defined and calculated in accordance with the terms of Chapter 1204, Texas Government Code.

The Series 2009 Bonds will initially be issued in book-entry only form and will be registered in the name of Cede & Co., as nominee DTC. Purchasers of the Series 2009 Bonds will be made in book-entry form through DTC Participants (defined below). No physical delivery of Series 2009 Bonds will be made to purchasers of the Series 2009 Bonds unless the book-entry only system of registration is discontinued. Payments on the Series 2009 Bonds will be made to Bondholders by DTC through DTC Participants. See "Book-Entry-Only System".

The Series 2009 Bonds will bear or accrue interest at the interest rates as set forth on the inside front cover pages hereof for each series. Interest on the Current Interest Bonds, the Series 2009B Bonds and the Series 2009C Bonds will be payable semiannually on January 1 and July 1 of each year, commencing January 1, 2010 (each a "Debt Service Payment Date"). Interest on the Capital Appreciation Bonds will accrete from the Date of Delivery and will compound semiannually on January 1 and July 1 of each year, commencing January 1, 2010, and will be payable only at maturity which is also a Debt Service Payment Date (see APPENDIX I – Accreted Value Table). If interest on the Series 2009 Bonds is in default, Series 2009 Bonds issued in exchange for Series 2009 Bonds surrendered for transfer or exchange will bear interest from the Debt Service Payment Date to which interest has been paid. Interest on the Series 2009 Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

BUILD AMERICA BONDS

General Description

In February 2009, as part of the American Recovery and Reinvestment Act of 2009, Congress added Sections 54AA and 6431 to the Code, which permit state or local governments to obtain certain tax advantages when issuing taxable obligations that meet certain requirements of the Code and the related Treasury regulations. Such bonds are referred to as Build America Bonds. A Build America Bond is a qualified bond under Section 54AA(g) of the Code (a "Build America Bond") if it meets certain requirements of the Code and the related Treasury Regulations and the issuer has made an irrevocable election to have the special rule for qualified bonds apply. Interest on Build America Bonds is not excluded from gross income for purposes of the federal income tax, and beneficial owners of Build America Bonds comprising the Series 2009B Bonds will not receive any tax credits as a result of ownership of such Build America Bonds of the Issuer, since the Issuer will elect to receive the Direct Payment if the Series 2009B Bonds are issued.

Direct Payment

Under Section 6431 of the Code, an issuer of a Build America Bond may apply to receive payments (the "Direct Payment") directly from the Secretary of the United States Treasury (the "Secretary"). The amount of a Direct Payment is set in Section 6431 of the Code at thirty-five percent (35%) of the corresponding interest payable on the related Series 2009B Bonds on any Debt Service Payment Date. To receive a Direct Payment, under currently existing procedures, the Issuer will have to file a tax return (now designated as Form 8038 CP) between 90 and 45 days prior to the corresponding Debt Service Payment Date. The Issuer expects to receive the Direct Payment contemporaneously with the interest payment date with respect to the Series 2009B Bonds. Depending on the timing of the filing and other factors, the Direct Payment may be received before or after the corresponding interest payment date.

The Series 2009B Bonds as Build America Bonds

In the Indenture, the Issuer has made an irrevocable election to treat the Series 2009B Bonds as Build America Bonds. As a result of this election, interest on Series 2009B Bonds will be includable in gross income of the beneficial owners thereof for federal income tax purposes and the owners of the Series 2009B Bonds will not be entitled to any tax credits as a result of either ownership of the Series 2009B Bonds or receipt of any interest payments on the Series 2009B Bonds. Beneficial owners of the Series 2009B Bonds should consult their tax advisors with respect to the inclusion of interest on the Series 2009B Bonds in gross income for federal income tax purposes.

The Issuer intends to apply for Direct Payments from the Secretary pursuant to Section 6431 of the Code. Such Direct Payments, if received by the Issuer, will be deposited directly to the Series 2009B Account of the Senior Debt Service Fund.

No assurances are provided that the Issuer will receive the Direct Payment. The amount of any Direct Payment is subject to legislative changes by Congress. Direct Payments will only be paid if the Series 2009B Bonds are Build America Bonds. For the Series 2009B Bonds to be and remain Build America Bonds, the Issuer must comply with certain covenants and the Issuer must establish certain facts and expectations with respect to the Series 2009B Bonds, the use and investment of proceeds thereof and the use of property financed thereby. There are currently no procedures for requesting a Debt Payment after the 45th day prior to a Debt Service Payment Date; therefore, if the Issuer fails to file the necessary tax return in a timely fashion, it is possible that the Issuer will never receive such Direct Payment. Also, the Direct Payments are subject to offset against certain amounts that may, for unrelated reasons, be owed by the Issuer to an agency of the United States of America.

OPTIONAL REDEMPTION PROVISIONS

Optional Redemption of the Series 2009A Bonds

The Current Interest Bonds of the Series 2009A Bonds maturing on and after January 1, 2020 are subject to redemption at the option of the Issuer, but only with the City’s prior written consent, in whole or in part on January 1, 2019, or any date thereafter from any legally available funds, at a Redemption Price equal to the principal amount of Series 2009A Bonds called for redemption, plus accrued interest with respect thereto to the date fixed for redemption.

The Capital Appreciation Bonds of the Series 2009A Bonds are not subject to redemption at the option of the Issuer prior to maturity.

Optional Redemption of the Series 2009B Bonds

The Series 2009B Bonds are subject to redemption at the option of the Issuer, but only with the City’s written consent, on any date, in whole or in part, at a redemption price equal to the greater of:

(i) 100% of the principal amount of the Series 2009B Bonds to be redeemed; or

(ii) the sum of the present values of the remaining scheduled payments of principal and interest on the Series 2009B Bonds to be redeemed (exclusive of interest accrued to the date fixed for redemption) discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 50 basis points,

plus accrued and unpaid interest on the Series 2009B Bonds being redeemed to the date fixed for redemption. For purpose of determining the Treasury Rate, the following definitions will apply:

“Comparable Treasury Issue” means, with respect to any redemption date for a particular Series 2009B Bonds, the United States Treasury security or securities selected by the Designated Investment Banker which has an actual or interpolated maturity comparable to the remaining average life of the applicable Series 2009B Bonds to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the Series 2009B Bonds to be redeemed.

"Comparable Treasury Price" means, with respect to any redemption date for a particular Series 2009B Bond, (a) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations, the average of such quotations for such redemption date, after excluding the highest and lowest Reference Treasury Deal Quotations, or (b) if the Designated Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Designated Investment Banker" means one of the Reference Treasury Dealers appointed by the Issuer.

"Reference Treasury Dealer" means Citigroup Global Markets Inc. and its successors and three other firms, specified by the Issuer from time to time, that are primary U.S. Government securities dealers in the City of New York (each a "Primary Treasury Dealer"); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the Issuer shall substitute another Primary Treasury Dealer.

"Reference Treasury Deal Quotations" means, with respect to each Reference Treasury Dealer and any redemption date for a particular Series 2009B Bond, the average, as determined by the Designated Investment Banker, of the bid and ask prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the fifteenth business day preceding such redemption date.

"Remaining Scheduled Payments" means, with respect to the Series 2009B Bonds of each maturity to be redeemed, the remaining scheduled payments of the principal thereof and interest thereon that would be due assuming such Series 2009B Bonds were not so optionally redeemed but, however, giving effect to any mandatory sinking fund installments applicable to such Series 2009B Bonds; provided, however, that, if such redemption date is not an interest payment date with respect to the Series 2009B Bonds, the amount of the next succeeding scheduled interest payment thereon will be deemed to be reduced by the amount of interest accrued thereon to such redemption date.

"Treasury Rate" means, with respect to any redemption date for a particular Series 2009B Bond, the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price, as calculated by the Designated Investment Banker.

If less than all of the Series 2009B Bonds are to be redeemed pursuant to an optional redemption, the Issuer will determine the maturity or maturities and the amounts thereof to be redeemed and will direct the Paying Agent/Registrar to call by lot Series 2009B Bonds, or portions thereof with such maturity or maturities and in such amounts, for redemption.

Optional Redemption of the Series 2009C Bonds

The Series 2009C Bonds are not subject to redemption at the option of the Issuer prior to maturity.

Extraordinary Optional Redemption

Because the Series 2009B Bonds are issued as Build America Bonds, the Series 2009B Bonds will be subject to extraordinary optional redemption prior to their stated maturities, at the option of the Issuer with the prior consent of the City, upon the occurrence of an Extraordinary Event (defined below) from any source of available funds, as a whole or in part, by lot, at the "Extraordinary Redemption Price." The Extraordinary Redemption Price is equal to the greater of (i) the issue price of the Series 2009B Bonds set forth on the inside cover page hereof (but not less than 100%) of the principal amount of the Series 2009B Bonds to be redeemed or (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the Series 2009B Bonds to be redeemed to the maturity date of such Series 2009B Bonds, not including any portion of those payments of and unpaid as of the date on which the Series 2009B Bonds are to be redeemed, discounted to the date on which the Series 2009B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year containing twelve 30-day months, at the Treasury Rate plus one hundred (100) basis points, plus accrued interest on the Series 2009B Bonds to be redeemed to the redemption date.

An "Extraordinary Event" will have occurred if the Issuer determines that a material adverse change has occurred to section 54AA or section 6431 of the Code (as such sections were added by Section 1531 of the American Recovery and Reinvestment Act of 2009, pertaining to Build America Bonds) or there is any guidance published by the Internal Revenue Service or the Department of the Treasury with respect to such Sections or any other determination by the Internal Revenue Service or the Department of the Treasury, which determination is not the result of an act or omission by the Issuer to satisfy the requirements to receive the Direct Payments, pursuant to which the Direct Payments are reduced or eliminated.

MANDATORY REDEMPTION OF BONDS

Mandatory Sinking Fund Redemption of Series 2009B Bonds

The Series 2009B Bonds are subject to mandatory redemption prior to maturity in part on a pro rata basis as further described below, at a price equal to the principal amount thereof plus accrued interest to the date of redemption, on the dates and in the respective principal amounts shown below.

Series 2009B Bonds

Redemption Date	Principal Amount
January 1, 2026	$8,045,000
January 1, 2027	14,400,000
January 1, 2028	15,385,000
January 1, 2029	16,420,000
January 1, 2030	17,495,000
January 1, 2031	18,635,000
January 1, 2032	19,825,000
January 1, 2033	21,075,000
January 1, 2034	22,380,000
January 1, 2035	23,755,000
January 1, 2036	25,195,000
January 1, 2037	26,710,000
January 1, 2038	28,285,000
January 1, 2039	29,950,000
January 1, 2040	31,690,000
January 1, 2041	33,510,000
January 1, 2042	35,420,000*

* Final Maturity

The principal amount of the Series 2009B Bonds required to be redeemed pursuant to the operation of such mandatory redemption requirements shall be reduced by the principal amount of any such Series 2009B Bonds which, prior to the date of the mailing of notice of such mandatory redemption, (i) shall have been acquired by the Issuer and delivered to the Trustee for cancellation, (ii) shall have been purchased and canceled by the Trustee at the request of the Issuer, or (iii) shall have been redeemed pursuant to the optional redemption provisions described in the Indenture or any extraordinary mandatory redemption set forth in the Indenture and not theretofore credited against a mandatory redemption requirement.

The Series 2009B Bonds shall be called for redemption on a pro rata basis determined by (i) dividing the principal amount of the Series 2009B Bonds of the maturity to be redeemed on a mandatory sinking fund redemption date by the total principal amount of such maturity on the Series 2009B Bonds then Outstanding, and (ii) multiplying such quotient by the Principal Amount of such maturity of Series 2009B Bonds held by each Registered Owner, or as long as the Series 2009B Bonds are held in a book-entry-only system, by each Beneficial Owner.

So long as the Series 2009B Bonds are held in a book-entry-only system, the Trustee shall only be responsible for sending a notice, which notice may be the telecopy, five (5) business days prior to the date of such Registered Owner. The notice shall specify the dollar amount of such Series 2009B Bonds to be redeemed on a pro rata basis, along with the current pool factor or ratio and Trustee's contact person's name and telephone number. The Trustee shall have no responsibility or liability for the redemption, including the calculation of the amount of any Beneficial Owner's redemption payment and ensuring that all Owners own Series 2009B Bonds in Authorized Denominations, other than delivery of such notice and the funds necessary to accomplish the redemption

Extraordinary Mandatory Redemption

The Series 2009 Bonds shall be subject to extraordinary mandatory redemption in whole or in part on the earliest date following the date for which notice of redemption can be given as provided in this Indenture, at a price equal to the principal amount of Bonds to be redeemed plus interest accrued thereon to the date fixed for redemption, without premium, upon the occurrence of the following events:

(i) Mandatory Redemption with Excess Series 2009A Bond Proceeds. Upon receipt by the Trustee of the completion certificate of the Design/Builder as described in the Design/Build Guaranteed Maximum Price Contract, to the extent the amount remaining in the Series 2009A Project Account is at least $100,000, the Trustee shall transfer the amount remaining in the Series 2009A Project Account to the Senior Debt Service Fund, which funds shall be used to redeem Series 2009A Bonds at a Redemption Price equal to the principal amount of Current Interest Bonds called for redemption, plus accrued interest with respect thereto to the date fixed for redemption and at a Redemption Price, in the case of the Capital Appreciation Bonds, equal to the Accreted Value of Capital Appreciation Bonds called for redemption to the date fixed for redemption.

(ii) Mandatory Redemption with Excess Series 2009B Bond Proceeds. Upon receipt by the Trustee of the completion certificate of the Design/Builder as described in the Design/Build Guaranteed Maximum Price Contract, to the extent the amount remaining in the Series 2009B Project Account is at least $100,000, the Trustee shall transfer the amount remaining in the Series 2009B Project Account to the Senior Debt Service Fund, which funds shall be used to redeem Series 2009B Bonds at a Redemption Price, equal to the principal amount of Series 2009B Bonds called for redemption, plus accrued interest with respect thereto to the date fixed for redemption.

(iii) Mandatory Redemption with Excess Series 2009C Bond Proceeds. Upon receipt by the Trustee of the completion certificate of the Design/Builder as described in the Design/Build Guaranteed Maximum Price Contract, to the extent the amount remaining in the Series 2009C Project Account is at least $100,000, the Trustee shall transfer the amount remaining in the Series 2009C Project Account to the Senior Debt Service Fund, which funds shall be used to redeem Series 2009C Bonds at a Redemption Price equal to the principal amount of Series 2009C Bonds called for redemption, plus accrued interest with respect thereto to the date fixed for redemption.

(iv) Mandatory Redemption From Funds on Deposit in Insurance and Condemnation Proceeds Fund. The Series 2009 Bonds (and any Outstanding Additional Bonds) are subject to mandatory redemption, in whole or in part, in authorized denominations and pro rata by Series, at a redemption price equal to the principal amount thereof plus accrued interest to, but not including, the redemption price equal to the principal amount thereof plus accrued interest to, but not including, the redemption date (which shall be a Business Day) determined by the Trustee which will permit the Trustee to provide notice of redemption in accordance with the Indenture hereof and which occurs no later than 60 days after funds are deposited into the Insurance and Condemnation Proceeds Fund in accordance with the Indenture with funds on deposit in the Insurance and Condemnation Proceeds Fund.

NOTICE TO TRUSTEE; REDEMPTION FUNDS REQUIRED TO BE ON DEPOSIT

In the case of any redemption of the Series 2009 Bonds of any Series at the option of the Issuer, an Authorized Issuer Representative will give written notice to the Trustee of its election or direction so to redeem, of the Redemption Date of the Series 2009 Bonds, and of the principal amounts or Accreted Values, as the case may be, of the Series 2009 Bonds of each maturity of such Series to be redeemed (which Series, maturities, and principal amounts thereof to be redeemed will be determined by the Issuer and approved in writing by the City and the Operator, subject to any limitations with respect thereto as are contained in the Indenture). Such notice will be given at least ten Business Days prior to the date on which notice of redemption is required to be given to the Registered Owners of the Series 2009 Bonds to be redeemed. Prior to any notice of redemption being given as described below under "-Notice of Redemption," there will be paid to the Trustee for deposit into the appropriate Account of the Senior Debt Service Fund an amount which, in addition to other money, if any, available therefor held by the Trustee, will be sufficient to redeem on the Redemption Date at the Redemption Price, plus interest accrued and unpaid to the Redemption Date, all of the Series 2009 Bonds of a Series called for redemption.

SELECTION OF BONDS TO BE REDEEMED

The Series 2009A Bonds subject to redemption shall be selected in such order of as the Issuer, with the prior written consent of the City, may direct. If less than all of the Series 2009A Bonds of a single maturity are to be redeemed, the Series 2009A Bonds to be redeemed will be selected by lot or other random method by the Trustee in such a manner as the Trustee may determine; provided, however, that the portion of any Series 2009A Bond of a denomination greater than the minimum Authorized Denomination for the Series 2009A Bonds to be redeemed shall be redeemed in part only in Authorized Denomination and that, in selecting portions of Series 2009A Bonds for redemption, the Trustee shall treat each Series 2009A Bond as representing that number of Series 2009A Bonds of the minimum Authorized Denominations for such Series which is obtained by dividing the principal amount of such Series 2009A Bond to be redeemed in part by the minimum Authorized Denomination for such Series. In case of any partial redemption during the continuance of an Event of Default, such redemption shall be applied on a pro rata basis to all Outstanding Series 2009A Bonds called for redemption, without differentiation by maturity or within a maturity.

The Series 2009B Bonds and the Series 2009C Bonds subject to redemption shall be selected on a pro-rata basis. Pro-rata basis is determined in connection with any partial optional redemption of a Series 2009B Bond or a Series 2009C Bond by multiplying the principal amount of such maturity to be redeemed on the applicable Redemption Date by a fraction, the numerator of which is equal to the principal amount of such maturity owned by a Registered Owner, and the denominator of which is equal to the principal amount of such maturity then Outstanding immediately prior to such Redemption Date, and then rounding the product down to the next lower integral of $5,000, provided that the portions being redeemed are required to be in multiples of $5,000, and all the Series 2009B Bonds or the Series 2009C Bonds of a maturity to remain outstanding following any redemption are required to be in multiples of $5,000.

NOTICE OF REDEMPTION

When the Trustee receives an amount sufficient, in addition to other money, if any, available therefor held by the Trustee to effect such redemption and the Trustee receives notice from the Issuer of its election or direction to redeem Series 2009 Bonds pursuant to the Indenture (together with the prior written consent of the City), and when redemption of the Series 2009 Bonds is authorized or required pursuant to the Indenture, the Trustee will give notice, in the name of the Issuer, of the redemption of such Series 2009 Bonds, which notice will specify the Series and maturities of the Series 2009 Bonds to be redeemed, the Redemption Date and the place or places where amounts due upon such Redemption Date will be payable and, if less than all of the Series 2009 Bonds of any like Series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed, and, in the case of the Series 2009 Bonds to be redeemed in part only, such notices will also specify the respective portions of the principal amounts thereof to be redeemed. Such notice will further state that on such Redemption Date there will become due and payable upon each Bond to be redeemed the Redemption Price, thereof, or the Redemption Price of the specified portions of the principal thereof, in the case of the Series 2009 Bonds to be redeemed in part only, together with interest accrued to the Redemption Date, and that from and after such date interest thereon will cease to accrued and be payable. The Trustee will mail a copy of such notice, first class mail postage prepaid, not less than 30 days nor more than 60 days before the Redemption Date, to the Registered Owners of any registered Series 2009 Bonds, or portions of registered Series 2009 Bonds which are to be redeemed, at their last addresses, if any, appearing upon the Register. The Trustee will give notice required by the Indenture for an optional redemption of Series 2009 Bonds and an extraordinary mandatory redemption of Series 2009 Bonds pursuant to the Indenture only upon the prior payment to the Trustee of funds sufficient to pay the Redemption Price on the Series 2009 Bonds to which such notice relates together with interest thereon to the Redemption Date.

In addition to the notice of redemption required pursuant to the preceding paragraph, if any of the Series 2009 Bonds are to be redeemed, then, upon the written request of an Authorized Issuer Representative received at least 40 days before the date fixed for redemption, the Trustee will also give redemption notice at least 30 days before the date fixed for redemption, by (i) registered or certified mail, return receipt requested, postage prepaid, (ii) telephonically confirmed facsimile transmission, or (iii) overnight delivery service, to the securities depositories and/or information services specified by the Issuer.

Failure to give the notices described in the Indenture, or any defects therein, will not in any manner affect the validity of any proceedings for redemption of any other Bonds for which such notice has been duly given.

PAYMENT OF REDEEMED BONDS

Notice having been given in the manner provided in the Indenture, the Series 2009 Bonds of any Series or portions thereof so called for redemption will become due and payable on the Redemption Date so designated at the Redemption Price, plus interest accrued and unpaid to the Redemption Date, and upon presentation and surrender thereof at the office specified in such notice. If there is called for redemption less than all of the principal of any Series 2009 Bond, the Issuer will execute and the Trustee will authenticate, upon the surrender of such Series 2009 Bonds, without charge to the Registered Owner thereof, for the unredeemed balance of the principal amount of the Series 2009 Bond so surrendered, Bonds of like Series and maturity in any Authorized Denomination. If, on the Redemption Date, money for the redemption of all the Series 2009 Bonds portions thereof of any like Series and maturity to be redeemed, together with interest to the Redemption Date, will be held by the Trustee so as to be available therefor on said date and if notice of redemption is given as aforesaid, then, from and after the Redemption Date interest on the Series 2009 Bonds or portions thereof of such Series and maturity so called for redemption will cease to accrued and become payable. If said money will not be so available on the Redemption Date, such Series 2009 Bonds or portions thereof will continue to bear or accrete interest until paid at the same rate as they would have borne or accreted interest at had they not been called for redemption.

ADDITIONAL BONDS

Subject to the written consent and approval of the City Council of the City, one or more Series of Additional Bonds may be issued, authenticated and delivered upon original issuance for the purpose of financing or refinancing (excluding Refunding Bonds) the construction, installation, and equipping of additions, renovations, betterments, extensions or improvements to the Hotel Project. Additional Bonds of a Series issued for such purposes shall be issued in a principal amount not to exceed, together with other moneys available therefore, the Issuer's estimate of the reasonable costs of the project to be financed or refinanced with the proceeds of the sale of such Series of Additional Bonds, including providing amounts for the costs incidental to or connected with any such Bonds and the making of any deposits into the applicable Debt Service Reserve Fund and any of the Funds and Accounts required by the provisions of the Supplemental Indenture authorizing such Series of Additional Bonds. Additional Bonds of each Series, which do not otherwise constitute Refunding Bonds under the terms of the Indenture, shall be authenticated and delivered by the Trustee only upon receipt by the Trustee (in addition to the opinions and instruments required by the Indenture) of the following items (upon which receipt the Trustee may conclusively rely in determining whether the conditions precedent for the issuance and authentication of such Series of Additional Bonds have been satisfied):

(i) a certificate of an Authorized Issuer Representative dated as of the date of issuance of such Series of Additional Bonds stating that there exists no Event of Default hereunder or event which would constitute an Event of Default upon notice and failure to cure pursuant to the Indenture;

(ii) if such Additional Bonds constitute Senior Lien Bonds, the delivery of an Accountant's Certificate that (A) the projected Senior Debt Service Coverage Amount for the Senior Lien Bonds, taking into account the Additional Bonds proposed to be issued and all Outstanding Bonds (other than the Bonds proposed to be refunded with proceeds of such Additional Bonds), is not less than 1.25:1.00 for each fiscal year of the Issuer succeeding the date of issuance of such Additional Bonds and (B) the projected Subordinate Debt Service Coverage Amount for the Senior Lien Bonds and the Subordinate Lien Bonds, taking into account the Additional Bonds proposed to be issued and all Outstanding Bonds (other than Bonds proposed to be refunded with proceeds of such Additional Bonds), is not less than 1.10:1.00 for each fiscal year of the Issuer succeeding the date of issuance of such Additional Bonds;

(iii) if such Additional Bonds constitute Subordinate Lien Bonds, the delivery of an Accountant's Certificate to the effect that (A) the projected Subordinate Lien Debt Service Coverage Amount for the Additional Bonds is not less than 1.10:1.00 for each fiscal year of the Issuer following the date of issuance of such Additional Bonds; and

(iv) such further opinions and instruments as are required by the provisions of the Indenture or by the provisions of any Supplemental Indenture.

For purposes of calculating Senior Debt Service Coverage Amount and Subordinate Debt Service Coverage Amount, Direct Payments to be received by the Issuer for payment of interest on Bonds issued as Build America Bonds shall be treated as a deduction from Debt Service.

COMPLETION BONDS

Notwithstanding any provision of the Indenture to the contrary, and subject to the written consent and approval of the City Council of the City, the Issuer may issue Additional Bonds on a parity with either the Senior Lien Bonds or any Subordinate Lien Bonds, the proceeds of which are required to complete the Hotel Project in the manner originally contemplated as of the Closing Date or to pay amounts reasonably determined by the Issuer to be required to be made to protect life, health or property from imminent danger or to comply with Legal Requirements so long as the aggregate principal amount of the Additional Bonds delivered for the purposes set forth in clause (ii) does not exceed ten percent (10%) of the original aggregate principal amount of the Series 2009 Bonds issued pursuant to this Indenture.

BOOK-ENTRY ONLY SYSTEM

This section describes how ownership of the Series 2009 Bonds is to be transferred and how the principal of, premium, if any, and interest on the Series 2009 Bonds are to be paid to and accredited by DTC while the Series 2009 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 Issuer believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The Issuer cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Series 2009 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 Series 2009 Bonds), or redemption or other notices, to the BeneficialOwners, 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 Series 2009 Bonds. The Series 2009 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee). One fully registered Series 2009 Bond will be issued for each maturity of the Series 2009 Bonds in the aggregate principal amount or Maturity Amount of each such maturity and will be deposited with DTC.

DTC, the world's largest 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, corporate and municipal debt issues, and money market instrument (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 of 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 and www.dtc.org.

Purchases of Series 2009 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2009 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2009 Bonds ("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, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interest in the Series 2009 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Series 2009 Bonds representing their ownership interests in the Series 2009 Bonds, except in the event that use of the book-entry system for the Series 2009 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2009 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 Series 2009 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 Series 2009 Bonds; DTC's records reflect only the identity of the Direct Participant to whose account such Series 2009 Bonds are credited, which may or may not be the Beneficial Owners. The 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.

Redemption notices shall be sent to DTC. If less than all of the Series 2009 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Series 2009 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer 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 the Series 2009 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal, interest, or Maturity Amount on the Series 2009 Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Issuer or the Trustee on payable dates 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 in 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, the Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2009 Bonds at any time by giving reasonable notice to the Issuer and the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2009 Bonds are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2009 Bonds 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 Series 2009 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 Series 2009 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 Indenture 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 Issuer, the Financial Advisor or the Underwriters.

Effect of Termination of Book-Entry-Only System

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the Issuer, printed Series 2009 Bonds will be issued to the holders and the Series 2009 Bonds will be subject to transfer, exchange and registration provisions as set forth in the Indenture and summarized under "Registration and Exchange of the Series 2009 Bonds" below.

REGISTRATION AND EXCHANGE OF THE SERIES 2009 BONDS

Exchange of Series 2009 Bonds

The Series 2009 Bonds, upon surrender thereof at the designated office of the Registrar (which shall, upon the delivery of the Series 2009 Bonds, be the Trustee and for purposes of this section of the Official Statement, the terms Trustee and Registrar shall be deemed one and the same), when surrendered with a written request satisfactory to the Trustee dully executed by the Registered Owner or the Registered Owner's duly authorized attorney, may, at the option of the Registered Owner thereof, and upon payment by such Registered Owner of any charges which the Registrar or the Issuer may make as provided in the Indenture, be exchanged for an equal aggregate principal amount of Series 2009 Bonds of the same Series and maturity and in any Authorized Denomination.

Negotiability, Transfer, and Registry

The Series 2009 Bonds will be transferable only by notation to that effect inscribed in the register, which will be kept for that purpose at the designated office of the Trustee, by the Registered Owner thereof, in person or by the Registered Owner's attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the Registered Owner or the Registered Owner's duly authorized attorney. The Trustee will keep, or cause to be kept, on behalf of the Issuer at the designated office of the Trustee or such other location, or locations as shall be provided in any Supplemental Indenture, the Register, in which, subject to such reasonable regulations as the Issuer and the Trustee may prescribe, the Trustee will cause the Series 2009 Bonds to be registered and will transfer the Series 2009 Bonds as provided in the Indenture. The Trustee will contain the name and address of the Registered Owner of each Series 2009 Bonds as well as the name and address of each Beneficial Owner to the extent such Beneficial Owner provides such information to the Trustee. Upon the transfer of any such Series 2009 Bond and payment of any required fees, the Trustee will issue in the name of the transferee a new fully registered Series 2009 Bond or Series 2009 Bonds of the same aggregate principal amount or Maturity Amount, Series and maturity as the surrendered Series 2009 Bond or Series 2009 Bonds. The Issuer and the Trustee may deem and treat the person in whose name any Series 2009 Bond will be registered in the Trustee as the absolute owner of such Series 2009 Bond, whether such Series 2009 Bond is overdue, for the purpose of receiving payment of, or on account of, the principal and Redemption Price of and interest on such Series 2009 Bond and for all other purposes, and all such payments so made to any such Registered Owner or upon the Registered Owner's order will be valid and effectual to satisfy and discharge the liability upon such Series 2009 Bond to the extent of the sum or sums so paid, and the Issuer and the Trustee will not be affected by any notice to the contrary.

Regulations with Respect to Exchanges and Transfers

In all cases in which the privilege of exchanging or transferring the Series 2009 Bonds is exercised, the Issuer will execute and the Trustee will authenticate and deliver the Series 2009 Bonds in accordance with the provisions of the Indenture. All registered Series 2009 Bonds surrendered in any exchange or transfer will forthwith be canceled by the Trustee. For every such transfer of Series 2009 Bonds as described above under "--Negotiability, Transfer, and Registry," whether temporary or definitive, the Issuer, the Trustee, and the Registrar may take a charge sufficient to reimburse it or them for any expense, tax, fee or other governmental charge required to be paid with respect to such transfer. In addition, for every exchange of Series 2009 Bonds (other than the exchange of temporary Series 2009 Bonds for definitive Series 2009 Bonds), the Issuer, the Trustee, and the

Registrar may make reasonable charges to cover the costs of printing the Series 2009 Bonds including any Trustee's or Registrar's charges in connection therewith. The payment of the sum or sums provided in this section will be made by the Registered Owner requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. The Registrar will not be required to transfer or exchange Series 2009 Bonds for a period from the fifteenth day of the month next preceding any Debt Service Payment Date of such Series 2009 Bond through such Debt Service Payment Date nor to transfer or exchange any Series 2009 Bond after the making of notice calling such Series 2009 Bond or portion thereof for redemption has been given as herein provided nor during the period of 15 days next preceding the giving of such notice. Initially, the Trustee and the Registrar are the same firm, U.S. Bank National Association.

Series 2009 Bonds Mutilated, Destroyed, Stolen or Lost

In case any Series 2009 Bond becomes mutilated or be destroyed, stolen, or lost, the Issuer will execute, and thereupon the Trustee will authenticate and deliver, a new Series 2009 Bond of like Series, maturity date, principal amount and interest rate as the Series 2009 Bond so mutilated, lost, stolen, or destroyed, provided that (a) in the case of any mutilated Series 2009 Bond, such Series 2009 Bond is first surrendered to the Trustee, (b) in the case of any lost, stolen or destroyed Series 2009 Bond, there is first furnished evidence of such loss, theft, or destruction satisfactory to the Trustee together with indemnity satisfactory to the Trustee, (c) all other reasonable requirements of the Issuer and the Trustee are complied with, and (d) expenses in connection with such transaction are paid by the Registered Owner. Except as described above under "-Regulations with Respect to Exchanges and Transfers," all Series 2009 Bonds so surrendered to the Trustee will be canceled by it. Any such new Series 2009 Bonds issued pursuant to this section in substitution for the Series 2009 Bonds alleged to be destroyed, stolen or lost will constitute original additional contractual obligations on the part of the Issuer, whether or not the Series 2009 Bonds alleged to be destroyed, stolen, or lost be at any time enforceable by anyone, and will be equally secured by and entitled to equal and proportionate benefits in the Trust Estate with all other Series 2009 Bonds issued under the Indenture, to the same extent provided in the Indenture. If, after the delivery of such new Series 2009 Bond, a bona fide purchaser of the original Series 2009 Bond in lieu of which such new Series 2009 Bond was issued presents for payment or registration such original Series 2009 Bond, the Trustee will be entitled to recover such new Series 2009 Bond from the Person to whom it was delivered or any person taking therefrom, except a bona fide purchaser, and will be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost, or expense incurred by the Issuer or the Trustee in connection therewith.

DISCHARGE AND DEFEASANCE

Discharge of the Indenture

If the Issuer, its successors or assigns, well and truly pays, or cause to be paid, all of the principal and Redemption Price of and interest on the Series 2009 Bonds, at the times and in the manner provided in the Series 2009 Bonds according to the true intent and meaning thereof, and causes the payments to be made into the Funds and Accounts established in the Indenture and in the amounts required in the Indenture, or provides, as permitted in the Indenture, for the payment thereof by depositing with or for the account of the Trustee an amount sufficient to provide for payment of the entire amount due or to become due thereon (including any amount due or to become due with respect to the Series 2009A Bonds under section 148 of the Code), and well and truly keeps, performs and observes all the covenants and conditions pursuant to the terms of the Indenture to be kept, performed and observed by it on or prior to the date such payments are made, and pays or causes to be paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions of the Indenture, then, upon such payment and performance, the Indenture and the rights and liens granted under the Indenture will cease, terminate and be void; otherwise, the Indenture is to be and will remain in full force and effect. In the event that the Indenture is discharged as therein provided, the Trustee will provide written notice thereof to the City and the Operator and will cause an accounting for such period or periods as is requested by the Issuer to be prepared and filed with the Issuer and, upon the request of the Issuer, will execute and deliver to the Issuer all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee will pay over or deliver to the Issuer or the Operator, as appropriate, or to the person directed in writing by the Issuer or the Operator, as appropriate, all money or securities held by them pursuant to the Indenture in respect of such Series which are not required for the payment of principal, Maturity Amount or Redemption Price, and interest on the Series 2009 Bonds of such Series not theretofore surrendered for such payment or redemption; provided, however, that Direct Payments shall be disbursed to the United States Department of the Treasury, to the extent any amounts attributable to Direct Payments remain on deposit in the Senior Debt Service Fund.

Defeasance

Any Outstanding Series 2009 Bonds, prior to the maturity or redemption date thereof, are deemed to have been paid within the meaning and with the effect described above under "-Discharge and Defeasance-Discharge of the Indenture" if (a) in case any of such Series 2009 Bonds are to be redeemed on any date prior to their maturity, the Issuer has given to the Trustee in form satisfactory to it (with a copy to the City and the Operator) written instructions containing irrevocable instructions to give notice of redemption of such Series 2009 Bonds on said date as described in this section above under "-Notice of Redemption," (b) there has been deposited with the Trustee, in trust, either money in an amount which is sufficient, or Permitted Investments described in the definition thereof in APPENDIX C hereto the principal of and interest on which without any reinvestment thereof when due will provide money which, together with the money, if any, deposited with the Trustee at the same time, is sufficient, in the opinion of an independent certified public accountant, to pay when due the principal, Maturity Amount or Redemption Price of, and interest due and to become due on, such Series 2009 Bonds on or prior to the redemption date or maturity date thereof, as the case may be, (c) in the event such Series 2009 Bonds are not to be redeemed within the next succeeding 60 days, the Issuer has given the Trustee in form satisfactory to it written instructions (with a copy to the City) containing irrevocable instructions to mail, as soon as practicable, notice to the Registered Owners of all such Series 2009 Bonds that the deposit required by clause (b) above has been made with the Trustee or an escrow agent and that such Series 2009 Bonds are deemed to have been paid in accordance with this section and stating such maturity or Redemption Date upon which money is to be made available for the payment of the principal, Maturity Amount or Redemption Price of and interest on such Series 2009 Bonds, and (d) there will be delivered to the Trustee a written opinion of Bond Counsel (with a copy to the City) to the effect that the provisions of this section have been complied with so that such Series 2009 Bonds are no longer entitled to the benefits of the Indenture and such defeasance will not adversely affect the exclusion of the interest on the Series 2009 Bonds from gross income for federal income tax purposes. Neither Permitted Investments nor money deposited with the Trustee or an escrow agent pursuant to the Indenture nor principal or interest payments on any such Permitted Investments will be withdrawn or used for any purpose other than, and will be held in trust for, the payment of the principal or Redemption Price of and interest on said Series 2009 Bonds; provided that any cash received from such principal or interest payment on such Permitted Investments, (i) to the extent such cash will not be required at any time for such purpose, will be paid over to the Issuer or, at the written direction of an Authorized Issuer Representative, the Design/Builder or the Operator, as received, free and clear of any trust, lien, security interest, pledge or assignment securing such Series 2009 Bonds or otherwise existing under the Indenture, if all Series 2009 Bonds have been redeemed or discharged, otherwise such cash will be deposited into the Revenue Fund, and (ii) to the extent such cash will be required for such purpose at a later date, will, to the extent practicable, be reinvested in the Permitted Investments maturing at the times and in amounts sufficient to pay when due the principal or Redemption Price of and interest to become due on such Series 2009 Bonds, on or prior to such Redemption Date or maturity date thereof, as the case may be, and interest earned from such reinvestment will be paid over to the Issuer or, at the written direction of an authorized Issuer Representative, the Design/Builder or the Operator, as received, free and clear of any trust, lien or pledge, if all Series 2009 Bonds have been redeemed or discharged, otherwise such cash will be deposited into the Revenue Fund. The Series 2009 Bonds defeased under the Indenture will no longer be subject to redemption at the option of the Issuer, except to the extent that such Series 2009 Bonds are called for redemption at the time provision is made for the defeasance thereof, as described herein.

BALANCES IN CERTAIN FUNDS AND ACCOUNTS

All amounts remaining on deposit in the Funds and Accounts after the principal or Redemption Price of and interest due or to become due on all Series 2009 Bonds has been paid or deemed to have been paid as described in this section "-Discharge and Defeasance" will be delivered to or upon the direction of the City or the Operator, as appropriate.

EVENTS OF DEFAULT

Each of the following events is an "Event of Default" under the Indenture:

(a) failure to make due and punctual payment of the Debt Service on any Series 2009 Bond when and as the same will become due and payable, whether at maturity or by call for redemption, or otherwise;

(b) other than as described elsewhere under this section "Events of Default," failure by the Issuer in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the Indenture or any Supplemental Indenture or in the Series 2009 Bonds, if such failure continues for a period of 120 days after written notice thereof to the Issuer by the Trustee; provided, however, if the failure stated in the notice was due to the failure of another Person in its performance or observance of one or more of its covenants, agreements or conditions on its part contained in another Transaction Document, then instead of such 120-day grace period, no Event of Default has occurred so long as corrective action is instituted by the Issuer after any applicable grace period permitted under such Transaction Document for such Person and diligently pursued until corrected for a maximum time period of 30 days following the applicable grace period for such Person;

(c) if (i) an involuntary petition or case under Title 11, United States Code, or a proceeding seeking arrangement, readjustment or composition of the Issuer's debts, or an assignment for the benefit of the Issuer's creditors, under any insolvency act or law, State or federal, now or hereafter existing, is filed or commenced against the Issuer, or (ii) a receiver or trustee is appointed by a court of competent jurisdiction for the Issuer or for all or a substantial part of the Issuer's property, and, if not commenced by the Issuer, such petition, case, proceeding or receivership is not dismissed or discharged within sixty (60) days from the date of the commencement of such case, proceeding or appointment, as the case may be, or shall result in an order for relief or adjudication of insolvency by a court of competent jurisdiction;

(d) any representation or warranty made by the Issuer in the Indenture or in any document, instrument or certificate furnished to the Trustee in connection with the issuance of any Series of Bonds at any time proves to have been incorrect in any material respect as of the time made; provided that if it can be corrected by the Issuer and such default was unintentional, the Issuer will have a 60-day period to make such correction prior to an Event of Default occurring;

(e) (i) an "Event of Default" occurs under the Developer Agreement or the Design/Build Guaranteed Maximum Price Contract, or (ii) an event of default, caused by the Developer or the Design/Builder, occurs in any other Transaction Document following the expiration of any applicable notice and cure periods, or (iii) any Transaction Document for any reason ceases to be in full force and effect or is declared to be null and void, or (iv) any Person who is a party thereto, denies that it has any further liability under any Transaction Document to which it is a party, or gives notice to such effect, and in each case under clauses (i), (ii), (iii) or (iv), a Material Adverse Effect on the Hotel or the Series 2009 Bonds occurs;

(f) (i) an "Event of Default" occurs under Section 4.4 of the Hotel Operating Agreement, and such event of default continues beyond all applicable notice and cure periods, or (ii) an event of default, caused by the Operator, occurs in any other Transaction Document following the expiration of any applicable notice and cure periods, or (iii) any Transaction Document for any reason ceases to be in full force and effect or is declared to be null and void, or (iv) any Person who is a party thereto, denies that is has any further liability under any Transaction Document to which it is a party, or gives notice to such effect, or (v) an event of default occurs under the Guaranty, in each case under clauses (i), (ii), (iii) (iv), or (v) a Material Adverse Effect on the Hotel Project or on the Series 2009 Bonds occurs; and

(g) (i) the Cash Management Agreement has not been executed and delivered or the Lockbox Fund has not been established as required by the Indenture, or (ii) the City fails to transfer City Tax Revenues to the Trustee as required by the Indenture, or (iii) the Operator fails to comply with the terms of the Cash Management Agreement which failure results in a Material Adverse Effect on the Hotel Project or the Series 2009 Bonds.

NOTICE OF DEFAULT

To the extent the Trustee is required to provide notice and opportunity to cure to the Issuer before triggering an Event of Default hereunder, the Trustee also shall provide concurrent notice and opportunity to cure to the City and the Operator. If any of the City, the Issuer or the Operator cures such default prior to the expiration of any applicable cure period, the Trustee shall recognize and accept such cure and an Event of Default shall not occur. Upon knowledge of the existence of any Event of Default, the Trustee will notify the Issuer, the City and the Operator in writing as soon as practicable, but in any event within two (2) Business Days; provided, however, that the Trustee need not provide notice of any Event of Default if prior to the second Business Day following such event the Issuer has expressly acknowledged the existence of such Event of Default in a writing delivered to the Trustee, and the City. The Trustee will recognize any cure of an Event of Default by the Design/Builder, the Operator, the Issuer, and the City.

REMEDIES

If an Event of Default occurs and is continuing, then the Trustee will take any or all or any combination of the following actions:

(a) unless such Event of Default is an Event of Default described above under subsections (b) or (d) of "-Events of Default" which does not have a Material Adverse Effect on the Hotel Project or the Series 2009 Bonds, accelerate the Series 2009 Bonds whereupon all principal of and interest on such Series 2009 Bonds will immediately become due;

(b) by mandamus or other suit, action or proceeding at law or in equity require the Issuer to perform its covenants, representations and duties with respect to the Series 2009 Bonds under the Indenture;

(c) by action or suit in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Series 2009 Bonds;

(d) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Registered Owners of the Series 2009 Bonds;

(e) prohibit withdrawal of money from any Funds or Accounts (except the Lockbox Fund in accordance with the provisions of the Indenture, the Property Tax Fund, the Senior F&E Reserve Fund, the Operating Expense Reserve Fund, and the Rebate Fund);

(f) request that a court of competent jurisdiction appoint, to the extent permitted by law, a receiver or receivers of the Trust Estate, and the income, revenues, profits and use thereof, it being the intent hereof that, to the extent permitted by law, the Trustee will be entitled to appointment of such a receiver as a matter of right;

(g) upon the occurrence of an Event of Default described above under subsection (a) of "-Events of Default," transfer money from any Funds or Accounts (other than amounts necessary to pay Operating Expenses and amounts on deposit in the Property Tax Fund, the Operating Reserve Fund, the Senior F&E Reserve Fund, and the Rebate Fund) to the Debt Service Fund as necessary and is permitted in the Indenture;

(h) enter into such agreements or other arrangements as the Trustee determines, in its discretion, to be necessary or appropriate either to retain the Developer under the existing Developer Agreement, the Design/Build under the existing Design/Build Guaranteed Maximum Price Contract or the Operator under the existing Hotel Operating Agreement, or make modifications to said Developer Agreement, Design/Build Guaranteed Maximum Price Contract or Hotel Operating Agreement; provided that the Issuer and the City consent to such agreements or other arrangements (unless such Event of Default is attributable to the Issuer or the City) and that there shall first be delivered an opinion of Bond Counsel to the effect that such agreements, arrangements or modifications will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any of the Tax-Exempt Bonds;

(i) take such actions, including the filing and prosecution of lawsuits, as may be required to enforce for the benefit of the Registered Owners the terms of any agreements or instruments relating to the Hotel Project or the Series 2009 Bonds, or any part thereof, which the Trustee, may be entitled to enforce, including without limitation (i) the Hotel Operating Agreement, the Developer Agreement, the Design/Build Guaranteed Maximum Price Contract, the Guaranty, and the Economic Development Agreement, (ii) any construction contracts, design contracts or consulting contracts or operating agreements, (iii) any insurance policies, completion guaranties or the payment and performance bonds, and (iv) any other agreements or instruments which the Trustee, may be entitled to enforce;

(j) exercise any right of the Issuer to give any consent or notice, to take any act or refrain from taking any act, and otherwise act in the full place and stead of the Issuer in any Transaction Document, either in its name, or the Issuer (and in order to do so, the Issuer hereby grants the Trustee an irrevocable power of attorney to sue the Issuer's name); provided that if the Event of Default is an Event of Default described above under subsections (b) or (d) of "Events of Default," then such right to exercise the remedy described in this clause (k) will be restricted to relate solely to curing such Event of Default unless such Event of Default results in a Material Adverse Effect with respect to the Hotel Project or the Series 2009 Bonds; or

(k) take such other steps to protect and enforce its rights and the rights of the Registered Owners of the Series 2009 Bonds, whether by action, suite or proceeding in aid of the execution of any power herein granted or for the enforcement of any other appropriate legal or equitable remedy, including, but not limited to, proceeding by suit or suits, at law or in equity or by any other appropriate legal or equitable remedy, to enforce payment of the principal and Redemption Price of and interest then due on the Series 2009 Bonds.

Any declaration of acceleration, however, is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the money due will have been obtained or entered, the Issuer will deposit with the Trustee a sum sufficient to pay all the principal of and installments of interest on all Series 2009 Bonds the payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Series 2009 Bonds, and the reasonable charges and expenses of the Trustee, including reasonable fees and expenses, of its attorneys, and any and all other Events of Defaults known (other than in the payment of principal of and interest on the Series 2009 Bonds due and payable solely by reason of such declaration) have been made good or cured.

APPLICATION OF PROCEEDS

The proceeds received by the Trustee as a result of an Event of Default will, together with all securities and other moneys which may then be held by the Trustee as a part of the Trust Estate (except Direct Payments, which shall be applied solely to pay interest on the Series 2009B Bonds) be applied in order, as follows:

(a) *First*, to the payment of the reasonable charges, expenses and liabilities of the Trustee in accordance with the Indenture:

(b) *Second*,

(i) unless the principal of all Series 2009 Bonds shall have been declared due and payable, *First*, to the payment to the Registered Owners entitled thereto of all installments of interest (together with interest due on overdue installments of interest to the extent allowed by law) then due on the Senior Lien Bonds in the order of the maturity of such installment, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference;

Second, to the payment to the Registered Owners entitled thereto of the unpaid principal of or Redemption Price of the Senior Lien Bonds with respect to which such remedy was exercised which shall have become due, whether at maturity, by call for redemption, acceleration, or otherwise, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all the Senior Lien Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the Persons entitled thereto, without any discrimination or preference:

Third, to the payment to the Registered Owners entitled thereto of all installments of interest (together with interest due on overdue installments of interest to the extent allowed by law) then due on the Subordinate Lien Bonds in the order of the maturity of such installment, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the Persons entitled thereto, without any discrimination or preference; and

Fourth, to the payment to the Registered Owners entitled thereto of the unpaid principal or Maturity Amount of or Redemption Price of the Subordinate Lien Bonds with respect to which such remedy was exercised which shall have become due, whether at maturity, by call for redemption, acceleration, or otherwise, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all the Subordinate Lien Bonds due on any date, then to the payment thereof ratably, according to the amounts or principal or Redemption Price due on such date, to the Persons entitled thereto, without any discrimination or preference.

(ii) If the principal or Maturity Amount of all of the Senior Lien Bonds with respect to which such remedy was exercised shall have become or have been declared due and payable, to the payment of the principal, Maturity Amount and interest then due and unpaid upon the Senior Lien Bonds with interest on the overdue principal and interest (to the extent allowed by law) at the rate borne by the respective Senior Lien Bonds, and, if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest or Redemption Price, or of interest over principal or Redemption Price, or of Redemption Price over principal or interest, or of any installment of interest over any other installment of interest, or of any Senior Lien Bond over any other Senior Lien Bond, according to the amounts due respectively for principal, Redemption Price and interest, to the Registered Owners entitled thereto without any discrimination or preference;

(iii) Subject to the provisions of clause (ii) above, if the principal of all of the Subordinate Lien Bonds with respect to which such remedy was exercised shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid on the Subordinate Lien Bonds, with interest on the overdue principal and interest (to the extent allowed by law) at the rate borne by the respective Subordinate Lien Bonds, and, if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest or Redemption Price, or of interest over principal or Redemption Price, or of Redemption Price over principal or interest, or of any installment of interest over any other installment of interest, or of any Subordinate Lien Bonds over any other Subordinate Lien Bond, according to the amounts due respectively for principal, Redemption Price and interest, to the Registered Owners entitled thereto without discrimination or preference;

(c) *Third*, if the Hotel Operating Agreement has been terminated, to the payment to the Operator of all amounts then due and owing to the Operator under the Technical and Pre-Opening Services Agreement and the Hotel Operating Agreement.

(d) *Last*, to the payment to the City of all amounts then due and owing to the City under the Design/Build Guaranteed Maximum Price Contract and the Indenture and for any unreimbursed City Contributions.

SUPPLEMENTAL INDENTURES AND AMENDMENT OF FINANCING DOCUMENTS

Supplemental Indentures and Amendments of Financing Documents Effective Without Consent of Registered Owners

The Issuer and the Trustee may, as appropriate, from time to time and at any time, with the written consent of the City, and without the consent of, but with notice to Registered Owners, enter into Supplemental Indentures or any amendments to the Financing Documents as follows:

(a) to cure any formal defect, omission, inconsistency or ambiguity in the Indenture or in the applicable Financing Document;

(b) to insert such provisions clarifying matters or questions arising under the Indenture or in the applicable Financing Document as are necessary or desirable and are not contrary to or inconsistent with the Indenture or the applicable Financing Document;

(c) to grant to or confer upon the Trustee for the benefit of the Registered Owners any additional rights, remedies, powers, authority or security which may lawfully be granted or conferred and which are not contrary to or inconsistent with the Indenture or the Financing Documents as in effect;

(d) to authorize Additional Bonds of a Series and, in connection therewith, to specify and determine the matters and things relative to such Additional Bonds which are not in conflict with the Indenture, or to amend, modify, or rescind any such authorization, specifications, or determination at any time prior to the first delivery of such Additional Bonds, provided however that such supplement or amendment will be limited to the specific terms of such Additional Bonds and will not otherwise amend the Indenture;

(e) to provide limitations and restrictions in addition to the limitations and restrictions contained in the Indenture or the Financing Documents on the delivery of Additional Bonds or the issuance of other evidences of indebtedness;

(f) to add to the covenants and agreements of the Issuer in the Indenture or any Supplemental Indenture or the Financing Documents, other covenants and agreements to be observed by the Issuer or the other parties thereto which are not in conflict with the Indenture or the applicable Supplemental Indentures or in the applicable Financing Document as theretofor in effect;

(g) to add to the limitations and restrictions in the Indenture or any Supplemental Indenture or the Financing Documents other limitations and restrictions to be observed by the Issuer or the other parties thereto which are not in conflict with the Indenture or the applicable Supplemental Indenture as theretofor in effect;

(h) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Indenture or any Supplemental Indenture, of the Trust Estate or of any other moneys, securities or funds, or to subject to the lien or pledge of the Indenture additional revenues, properties or collateral;

(i) to provide for additional duties of the Trustee in connection with the Trust Estate or the Hotel Project;

(j) to modify, amend or supplement the Indenture or any Supplemental Indenture in such manner as to permit, if presented, the qualification hereof and thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or under any state blue sky law;

(k) to surrender any right, power or privilege reserved to or conferred upon the Issuer by the terms of the Indenture, provided that the surrender of such right, power or privilege is not in conflict with the covenants and agreements of the Issuer contained in the Indenture;

(l) to designate Registrars for the Bonds of any Series;

(m) to evidence the appointment of a succession of a new Trustee hereunder;

(n) to modify, amend or supplement the Indenture or any Supplemental Indenture in order to provide for or eliminate book-entry registration of all or any of the Series 2009 Bonds to the extent not inconsistent with the provisions hereof;

(o) to make any change (including changes to reflect any amendment to the Code or interpretations by the Internal Revenue Service of the Code) that does not materially adversely affect the rights of any Registered Owner; and

(p) to amend a prior Supplemental Indenture in accordance with the provisions thereof.

Supplemental Indentures and Amendments to Financing Documents Requiring Registered Owner Consent

Except as described above in the immediately preceding section, any modification or amendment of the Indenture or to any Bond Document and of the rights and obligations of the Issuer and of the Registered Owners of the Series 2009 Bonds thereunder, in any particular, may only be made by a Supplemental Indenture or an amendment to the applicable Financing Document in each instance with the written consent of the City and the written consent or deemed consent of the Registered Owners of a majority in aggregate principal amount and Maturity Amount of each Series 2009 Bond then Outstanding. No such modification or amendment will, without the written consent of the Registered Owner of each Bond affected thereby, and the City, permit (i) a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount, Maturity Amount, or the Redemption Price thereof or in the rate of interest thereon, (ii) creation of a lien upon or a pledge of or payment priority from the Gross Operating Revenues ranking prior to or on a parity with the lien or pledge created by the Indenture, (iii) a preference or priority of any Series 2009 Bond or Series 2009 Bonds over any other Series 2009 Bond or Series 2009 Bonds, (iv) a reduction in the percentages of Series 2009 Bonds of which the consent of the Registered Owners is required to effect any such modification or amendment, (v) an impairment of the exclusion from gross income for federal income tax purposes of interest on any Series 2009A Bond, (vi) a deprivation to any Registered Owners of the lien created by the Indenture, or (vii) a change or modification of any of the rights or obligations of the Trustee without its written consent thereto. For the purposes of this section, a Series will be deemed to be affected by a modification or amendment of the Indenture or an amendment to the applicable Bond Document if the same materially adversely affects or diminishes the rights of the Registered Owners of Series 2009 Bonds of such Series. The Trustee may in its discretion determine whether or not, in accordance with the foregoing powers of amendment, Bonds of any particular Series or maturity would be affected by any modification or amendment of the Indenture or an amendment to the applicable Bond Document and any such determination will be binding and conclusive on the Issuer and all Registered Owners.

Consent of Operator

Anything in the Indenture to the contrary, the Issuer will not enter into a Supplemental Indenture, specifically any Supplemental Indenture amending the provisions of the Indenture relating to the flow of funds and the purposes of the funds created under the Indenture, the effect of which would be to materially and adversely affect the rights of the Operator under the Hotel Operating Agreement, the Indenture or the Technical and Pre-Opening Services Agreement, without the prior written consent of the Operator, which consent shall not be unreasonably withheld, or qualified. The Issuer may enter into a Supplemental Indenture for the purpose of issuing Additional Bonds (including Bonds on a parity with the Series 2009 Bonds, Refunding Bonds or Subordinate Lien Bonds), without the prior written consent of the Operator, provided that such Supplemental Indenture contains only those terms and provisions necessary for the issuance of Additional Bonds under the Indenture.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 BONDS

LIMITED OBLIGATIONS

The Series 2009 Bonds, as well as any of the obligations of the Issuer arising under the Indenture, are limited special obligations of the Issuer payable from the Trust Estate in accordance with the Indenture. See "Trust Estate" below.

NOTWITHSTANDING ANY PROVISION OR INFERENCE CONTAINED IN THE INDENTURE OR IN ANY OTHER BOND DOCUMENT OR TRANSACTION DOCUMENT, NEITHER THE SERIES 2009 BONDS NOR ANY OTHER AMOUNTS SECURED BY THE TRUST ESTATE WILL EVER CONSTITUTE AN INDEBTEDNESS OR GENERAL OBLIGATION OF THE CITY, DALLAS COUNTY, STATE OF TEXAS OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF TEXAS, WITHIN THE MEANING OF ANY CONSTITUTIONAL PROVISIONS OR STATUTORY LIMITATION WHATSOEVER, BUT THE SERIES 2009 BONDS AND ANY OTHER AMOUNTS SECURED BY THE TRUST ESTATE WILL BE LIMITED SPECIAL OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM THE FUNDS AVAILABLE THEREFOR AS PROVIDED IN THE INDENTURE. WITHOUT LIMITING AND IN ADDITION TO THE FOREGOING, THE TRUSTEE AND BONDHOLDERS UNDERSTAND THAT THE ISSUER IS AN ENTITY ENTIRELY SEPARATE AND APART FROM THE CITY, AND THAT NO FUNDS OR OTHER ASSETS OR RESOURCES OF THE CITY, OTHER THAN THE "CITY TAX REVENUES" (WHICH ARE DERIVED FROM CERTAIN STATE AND LOCAL HOTEL OCCUPANCY TAXES AND CERTAIN STATE SALES TAXES) AND, IF MADE, APPROPRIATED GRANT PAYMENTS, ARE SUBJECT TO THE INDENTURE OR ANY OF ITS OBLIGATIONS OR PROVISIONS. THE CITY IS

DISTINCT FROM THE ISSUER AND WILL HAVE ABSOLUTELY NO LIABILITY, OBLIGATION, OR RESPONSIBILITY HEREUNDER (EXCEPT FOR THE PAYMENT OF SUCH CITY TAX REVENUES PURSUANT TO THE ECONOMIC DEVELOPMENT AGREEMENT). NEITHER THE STATE, THE CITY, NOR ANY POLITICAL SUBDIVISION, OR AGENCY OF THE STATE WILL BE OBLIGATED TO PAY THE PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2009 BONDS, ANY OBLIGATIONS, OR ANY OTHER AMOUNTS SECURED BY THE TRUST ESTATE, OTHER THAN THE LIMITED SPECIAL OBLIGATIONS OF THE CITY TO TRANSFER CERTAIN CITY TAX REVENUES AND, IF MADE, APPROPRIATED GRANT PAYMENTS, BUT SOLELY IN ACCORDANCE WITH THE ECONOMIC DEVELOPMENT AGREEMENT, THE INDENTURE AND ANY APPLICABLE SUPPLEMENTAL INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, THE CITY (EXCEPT TO THE LIMITED EXTENT IMMEDIATELY HEREIN BEFORE DESCRIBED WITH RESPECT TO CITY TAX REVENUES AND, IF MADE, APPROPRIATED GRANT PAYMENTS), NOR ANY OTHER POLITICAL SUBDIVISION OR AGENCY OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR PREMIUM, IF ANY, OR THE INTEREST ON SUCH BONDS, OR ANY OTHER AMOUNTS SECURED BY THE TRUST ESTATE. THE OBLIGATIONS OF THE ISSUER TO THE BONDHOLDERS ARE LIMITED SOLELY TO THE TRUST ESTATE AS DESCRIBED IN THE INDENTURE. THE ISSUER HAS NO TAXING POWER.

PLEDGE OF TRUST ESTATE

Pursuant to the Indenture, the Issuer will pledge, transfer, and assign to the Trustee all of its right, title and interest in and to the Trust Estate. The collateral and the covenants and agreements contained in the Indenture to be performed by the Issuer are for the benefit, protection, and security of the Trustee for the benefit of the holders of the Series 2009 Bonds.

The Trust Estate, as described in the Indenture, consists primarily of the rights, title, and interest of the Issuer (including, but not limited to, the right to enforce any of the terms thereof) in the following:

(a) the Gross Operating Revenues, on deposit in, or required from time to time to be deposited in or credited to the Lockbox Fund to be held under the Cash Management Agreement by the Depository Bank, together with any investments and reinvestments made with such amounts and the proceeds thereof, all in accordance with and subject to the terms of the Cash Management Agreement, the Hotel Operating Agreement (to the extent the Operator has the right to access Gross Operating Revenues for the purposes set forth in the Hotel Operating Agreement), and the Indenture;

(b) amounts that constitute Net Operating Revenues and all amounts on deposit in or required from time to time to be deposited in or credited to the Funds and Accounts to be held by the Trustee under the Indenture (other than the Rebate Fund), together with any investments and reinvestments made with such amounts and the proceeds thereof;

(c) the Direct Payments in support of the payment of a portion of the interest on the Series 2009B Bonds, with such Direct Payments to be deposited directly to the credit of the Series 2009B Account of the Senior Debt Service Fund for the sole purpose of paying interest due and owing on the Series 2009B Bonds;

(d) the Issuer's right, title and interest in and to the Economic Development Agreement (including the right to receive certain City Tax Revenues and Appropriated Grant Payments from the City thereunder);

(e) the Cash Management Agreement, the Developer Agreement, the Design/Build Guaranteed Maximum Price Contract, the Hotel Operating Agreement, the Guaranty and the Technical and Pre-Opening Services Agreement, any right to bring actions and proceedings under such Agreements for the enforcement thereof, and the right to do all things the Issuer is entitled to do under such agreements, but excluding the Unassigned Rights; and

(f) any and all property (other than the land, and the Hotel Project constructed on the land, amounts in or required to be deposited in, the Rebate Fund) of every kind or description now or hereafter owned by the Issuer, or which may now or hereafter be sold, transferred, conveyed, assigned, hypothecated, endorsed, deposited, pledged, mortgaged, granted or delivered to or deposited with, the Trustee by or on behalf of the Issuer or the City as additional security hereunder, or which pursuant to any of the provisions of the Financing Documents may come into the possession or control of the Trustee or the Depository Bank, or a receiver lawfully appointed pursuant to the Indenture, as such additional security, including, without limitation, any payment and performance bonds and completion guaranties obtained by the Developer, the Design/Builder, or any other Person in favor of the Trustee; and the Trustee is authorized to receive all such property excluding Hotel land as additional security for the payment of the Series 2009 Bonds, and to hold and apply all such property subject to the terms of the Indenture, the Economic Development Agreement, and the Cash Management Agreement.

The Trust Estate will be held in trust by the Trustee for the equal and proportionate benefit and security and the Registered Owners without preference of any Series 2009 Bond of a Series over any other (except with respect to Direct Payments, which are to be used solely to pay a portion of interest due and owing on the Series 2009B Bonds), but with such preferences, privileges, priorities, and distinctions among the Series 2009 Bonds, as provided in the Indenture, and for the enforcement of the payment of the Series 2009 Bonds in accordance with their terms, and the Indenture, and all other sums payable under the Indenture, on the Series 2009 Bonds.

PERFECTION OF LIEN ON TRUST ESTATE

Pursuant to Chapter 1208.002, Texas Government Code, as amended, any security interests created by the Indenture shall be automatically perfected from the time the Indenture is entered into or the Indenture was adopted, and shall remain perfected continuously through the termination of the Indenture in accordance with the terms set forth herein, all without physical delivery or transfer of control of the Trust Estate, filing of a document, or another act. Therefore, it shall not be necessary for the Trustee or the Issuer to file any financing statements or continuation statements or any supplemental instruments or documents or further assurance in any manner in order to perfect or maintain perfection of any security interests created by this Indenture. If Texas law is amended at any time while any Series 2009 Bonds are outstanding and unpaid such that the security interest created by this Indenture is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the registered owners of the Bonds the perfection of such security interest, the Issuer and the Trustee agree to take such measures as they determine are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code, and enable a filing to perfect the security interest created by this Indenture.

CASH MANAGEMENT AGREEMENT

The following summarizes certain limited provisions of the Cash Management Agreement. Reference is made to the Cash Management Agreement for the detailed provisions thereof. Further, capitalized terms to this summary of the Cash Management Agreement which are not defined herein will have the meaning assigned to such terms in the Cash Management Agreement, and in the event of any conflicts between any definitions used in this summary and the definitions in the Cash Management Agreement, the provisions of the Indenture will control.

The Issuer, the Operator, the Trustee, and U.S. Bank National Association in its capacity as depository bank (the "Depository Bank") will enter into that certain "Cash Management and Lockbox Agreement" (the "Cash Management Agreement"), pursuant to which the "Dallas Convention Center Hotel Lockbox Fund" (the "Lockbox Fund") will be created for the purposes of receiving deposits of all Gross Operating Revenues, paying therefrom Operating Expenses, and transferring remaining amounts to the Trustee for deposit into the Revenue Fund (as described in greater detail below). Under the Cash Management Agreement, the Operator has agreed to instruct all parties that are to pay the Operator any amounts owed thereto as a result of the operation of the Hotel Project to forward such payments, when due, by wire transfer or other electronic means, directly to the Depository Bank for deposit to the Lockbox Fund or to a Clearing Bank Account for immediate transfer to the Lockbox Fund. Additionally, the Issuer and the Operator have agreed to deposit promptly into the Lockbox Fund or a Clearing Bank Account any Gross Operating Revenues received directly or from any third party (less certain amounts properly retained pursuant to the Cash Management Agreement and to be paid in accordance with the Indenture).

During the course of a month and upon the written direction of the Operator, the Depository Bank is to transfer thereto amounts held in the Lockbox Fund for payment of budgeted Operating Expenses, unbudgeted Operating Expenses and costs of utilities and insurance premiums in excess of amounts budgeted as Operating Expenses. With respect to unbudgeted Operating Expenses only, such written direction of the Developer or the Operator to the Depository Bank must be accompanied by the Issuer's written consent to such withdrawal. On the Lockbox Fund Transfer Date, all funds on deposit in the Lockbox Fund (except for the Operating Cost Set Aside Amount and an amount required to clear all checks and other methods of payment of Operating Expenses previously committed to be paid prior to such date, called the "Check Clearing Amount") will be transferred by the Depository Bank to the Trustee for deposit to the Revenue Fund.

For the purpose of providing additional security for the repayment of amounts due and owing under the Indenture and with respect to the Series 2009 Bonds, the Trustee has been granted a first lien security interest in the Lockbox Fund, all Clearing Bank Accounts, and any deposits or proceeds from deposits held therein (including interest earnings on deposit or investments held therein).

LOCKBOX FUND TO REVENUE FUND

Pursuant to the Cash Management Agreement, a Lockbox Fund will be created and established at least seven days prior to the Opening Date with the initial Depository Bank which Depository Bank shall signify its acceptance of the obligations under the Cash Management Agreement by duly executing the Cash Management Agreement. The Depository Bank is authorized to periodically disburse amounts deposited in the Lockbox Fund to the Operator for the sole purpose of paying Operating Expenses as periodically requested by the Operator, pursuant to either check or draft drawn by the Operator directly against such Lockbox

Fund or by written instructions provided by the Operator specifying the amount to be transferred by the Depository Bank to the Operator for the payment of Operating Expenses. On each Lockbox Fund Transfer Date, the Depository Bank is required to transfer to the Trustee, for immediate deposit to the Revenue Fund from the Lockbox Fund in excess of the Operating Costs Set Aside Amount and the Check Clearing Amount such amount as specified in the Indenture and amounts in the Revenue Fund shall be used for the purposes and in the order of priority set forth in the Indenture. The Trustee, at the request of the Operator or the Issuer, may replace the Depository Bank with a new Depository Bank reasonably acceptable to the Operator upon five days notice to the other parties to the Cash Management Agreement. The Issuer consents to the payment of the reasonable fees and expenses of the Depository Bank by the Operator, and as an Operating Expense, in accordance with provisions of the Cash Management Agreement.

FLOW OF FUNDS

Except as otherwise provided in the Indenture, from and after the Opening Date, on or before 10:00 a.m., Dallas, Texas time, on each Lockbox Fund Transfer Date, after making the deposits required in the Indenture to the Revenue Fund, the Trustee shall make the deposits, transfers or payments indicated below from amounts then on deposit in the Revenue Fund in the priority listed below (including curing any deficiency in deposits, transfers or payments required in prior months), the requirements of each Fund, Account, deposit, transfer or payment to be fully satisfied, leaving no deficiencies, prior to any deposit, transfer or payment later in priority, unless as otherwise specifically provided below.

First, to the Property Tax Fund, an amount equal to one-twelfth of (or, during the first Year only which occurs during the Operating Term, such larger fraction as would be required to fully fund) the Estimated Property Tax Requirement, if any, for the current Year;

Second, to the Insurance Premium Fund, an amount equal to one-twelfth of (or, during the first Year only which occurs during the Operating Term, such larger fraction as would be required to fully fund) the Estimated Insurance Premium the current Year;

Third, to the Senior FF&E Reserve Fund, an amount equal to satisfy the Required Monthly Senior FF&E Deposit Percentage applicable for such Year (multiplied by Gross Operating Revenues generated during the preceding month);

Fourth, to the Administrative Expense Fund, an amount equal to one-twelfth of (or, during the first Year only which occurs during the Operating Term, such larger fraction as would be required to fully fund) the Estimated City Administrative Expense and Estimated Issuer Administrative Expenses for the current Year;

Fifth, to the Senior Debt Service Fund in the following amounts:

(a) such amount that, together with amounts then on deposit therein, will result in the deposit of the total amount of interest coming due on all Outstanding Senior Lien Bonds (including the Series 2009 Bonds) on the next Debt Service Payment Date after taking into account all available funds on deposit in the Series 2009A Capitalized Interest Account, the Series 2009B Capitalized Interest Account and the Series 2009C Capitalized Interest Account of the Senior Debt Service Fund, and Direct Payments received by the Issuer in support of the Series 2009B Bonds issued as Build America Bonds, which shall be used solely to pay interest on the Series 2009B Bonds to pay interest on such respective Series 2009 Bonds on such next Debt Service Payment Date; plus

(b) commencing with the twelfth (12^{th}) month prior to the first principal payment date for a Series of Senior Lien Bonds (or commending on the month immediately following the issuance of a Series of Additional Bonds that are Senior Lien Bonds if the delivery of such Series of Additional Bonds is made less than twelve months prior to the first principal payment date), such amount that together with amounts then on deposit therein, will result in the total amount of principal (including sinking fund installments) or Maturity Amount, as the case may be, coming due on all Outstanding Senior Lien Bonds on the next Debt Service Payment Date. All amounts transferred into the Senior Debt Service Fund shall be immediately allocated by the Trustee and transferred into the Series 2009A Account of the Senior Debt Service Fund, the Series 2009B Account of the Senior Debt Service Fund and the Series 2009C Account of the Senior Debt Service Fund in the appropriate amounts necessary to pay the Debt Service coming due on all Series 2009A Bonds, Series 2009B Bonds, and Series 2009C Bonds (and any Additional Bonds, as appropriate) on the next Debt Service Payment Date; provided, however, if moneys are not available to fund such Accounts within the Senior Debt Service Fund in full, the moneys available shall be deposited pro rata to such Accounts within the Senior Debt Service Fund.

Sixth, if the Senior Debt Service Reserve Fund contains less than the Senior Reserve Fund Requirement, to the Senior Debt Service Reserve Fund, an amount equal to the amount required to replenish the Senior Reserve Fund Requirement all amounts so transferred into the Senior Debt Service Reserve Fund shall be immediately allocated by the Trustee and transferred pro rata into the Series 2009A Account of the Senior Debt Service Reserve Fund, the Series 2009B Account of the Senior Debt Service Reserve Fund, and the Series 2009C Account of the Senior Debt Service Reserve Fund;

Seventh, to the Subordinate Debt Service Fund, in the following amounts:

(a) equal installments of the total amount of interest coming due on all Outstanding Subordinate Lien Bonds on the next Debt Service Payment Date after taking into account all available funds on deposit in the Subordinate Debt Service Fund to pay interest on such respective Series of Subordinate Lien Bonds on such next Debt Service Payment; plus

(b) commencing with the twelfth (12^{th}) month prior to the first principal payment date for a Series of Subordinate Lien Bonds (or commending on the month immediately following the issuance of a Series of Additional Bonds that are Subordinate Lien Bonds if the delivery of such Series of Additional Bonds is made less than twelve months prior to the first principal payment date), equal installments of the total amount of principal (including sinking fund installments) coming due on all Outstanding Subordinate Lien Bonds on the next Debt Service Payment Date. All amounts transferred into the Subordinate Debt Service Fund shall be immediately allocated by the Trustee and transferred into the Subordinate Debt Service Fund in the appropriate amounts necessary to pay the Debt Service coming due on all Subordinate Lien Bonds (and any Additional Bonds, as appropriate) on the next Debt Service Payment Date; provided, however, if moneys are not available to fund such Accounts within the Subordinate Debt Service Fund in full, the moneys available shall be deposited pro rata to such Accounts within the Subordinate Debt Service Fund;

Eighth, if the Subordinate Debt Service Reserve Fund contains less than the Subordinate Reserve Fund Requirement, an amount equal to the amount required to replenish the Subordinate Reserve Fund Requirement. All amounts so transferred into the Subordinate Debt Service Reserve Fund shall be immediately allocated by the Trustee and transferred in the Subordinate Debt Service Reserve Fund;

Ninth, to the Rebate Fund, amounts which, when added to other amounts in the Rebate Fund, shall equal the amount required to be on deposit therein pursuant to the Tax Certificates delivered in connection with the issuance of each Series of Tax-Exempt Bonds;

Tenth, if the Operating Expense Reserve Fund contains less than the Operating Expense Reserve Requirement, to the Operating Expense Reserve Fund, an amount necessary to restore the amount on deposit therein to the Operating Expense Reserve Requirement in twelve (12) equal monthly installments;

Eleventh, an amount equal to the Manager Advance Maximum Monthly Amount, necessary for the total funds in the Manager Advance Repayment Fund to equal, in each of the first four Operating Years (as defined in the Hotel Operating Agreement), $1,500,000 per Operating Year, up to an aggregate amount of $6,000,000; provided, that at the end of the sixth Operating Year, should the amount on deposit in the Manager Advance Repayment Fund be no less than $4,800,000, no deposits shall be required to be made to the Manager Advance Repayment Fund, and amounts in excess of $4,800,000 shall be transferred from Manager Advance Repayment Fund to the Revenue Fund; that at the end of the seventh Operating Year, should the amount on deposit in the Manager Advance Repayment Fund be no less than $3,600,000, no deposits shall be required to be made to the Manager Advance Repayment Fund and amounts in excess of $3,600,000 shall be transferred from Manager Advance Repayment Fund to the Revenue Fund; that at the end of the eighth Operating Year, should the amount on deposit in the Manager Advance Repayment Fund be no less than $2,400,000, no deposits shall be required to be made to the Manager Advance Repayment Fund, and amounts in excess of $2,400,000 shall be transferred from Manager Advance Repayment Fund to the Revenue Fund; that at the end of the ninth Operating Year, should the amount on deposit in the Manager Advance Repayment Fund be no less than $1,200,000, no deposits shall be required to be made to the Manager Advance Repayment Fund, and amounts in excess of $1,200,000 shall be transferred from Manager Advance Repayment Fund to the Revenue Fund; and at the end of the tenth Operating Year and thereafter, no deposits shall be required to be made to the Manager Advance Repayment Fund and amounts on deposit therein shall be transferred from Manager Advance Repayment Fund to the Revenue Fund; and an amount equal to the amount deposited for such month to the Manager Advance Repayment Fund, in the manner described above, such deposits to be made to the Manager Advance Repayment Fund and the City Advance Repayment Fund, *pari passu* on a pro rata basis; provided, that if a Termination occurs under the terms of the Hotel Operating Agreement and the funds then on deposit in the Manager Advance Repayment Fund are insufficient to repay the entire Manager Advance Repayment Required Amount, no deposits shall be made to the City Advance Repayment Fund until the full Manager Advance Repayment Required Amount has been deposited to the credit of the Manager Advance Repayment Fund;

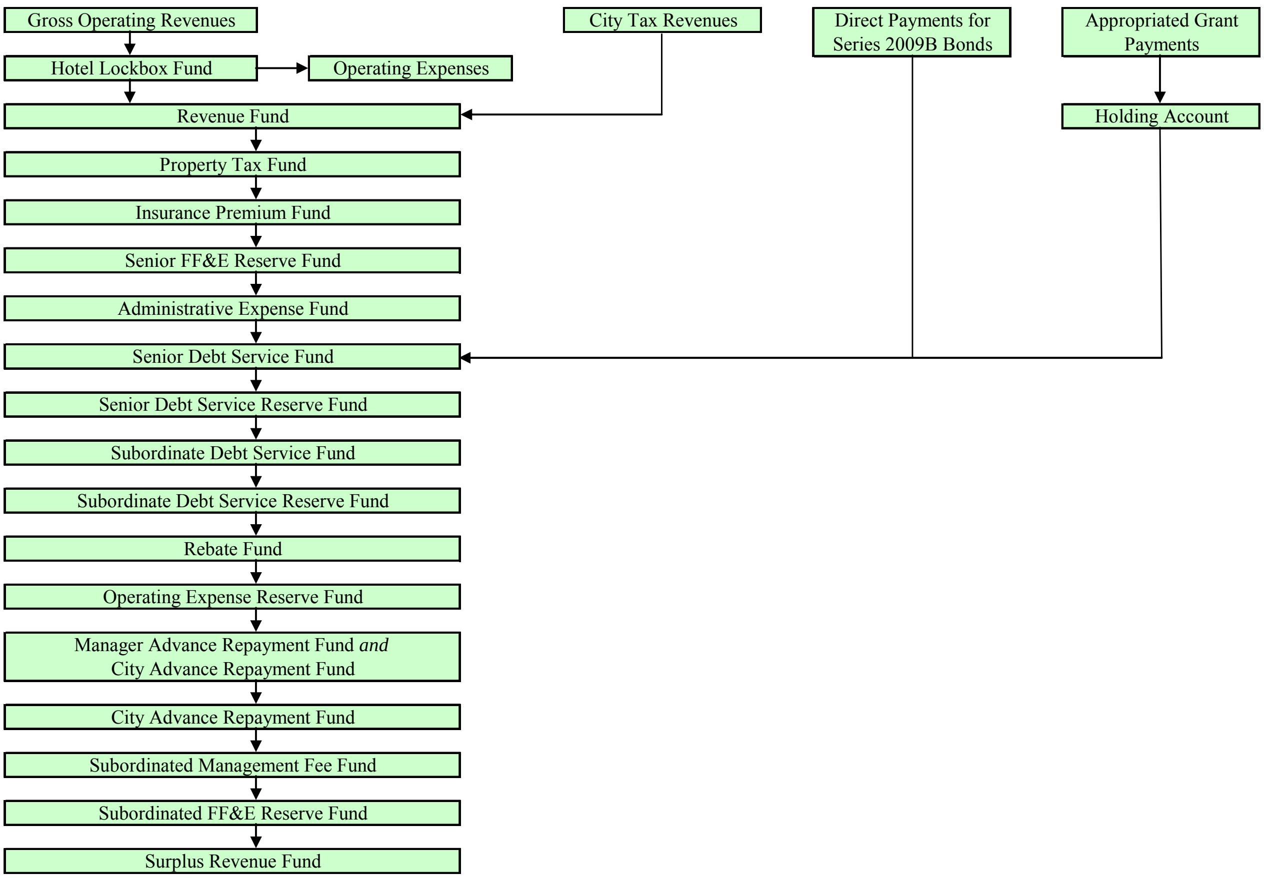
Twelfth, to the City Advance Repayment Fund, an amount equal to an aggregate amount necessary for the total funds on deposit in the City Advance Repayment Fund to repay the City for any Appropriated Grant Payments made by the City and deposited to the Senior Debt Service Fund.

Thirteenth, to the Subordinated Management Fees Fund, an amount equal to one-twelfth of (or, during the first Year only in which the Opening Date occurs, such larger fraction as would be required to fully fund) the payment of the Subordinated Management Fee for the current Year;

Fourteenth, to the Subordinate FF&E Reserve Fund, an amount equal to the Supplemental Monthly FF&E Deposit, as determined pursuant to the Hotel Operating Agreement; and

Last, to the Surplus Revenue Fund, the balance, if any, of moneys remaining in the Revenue Fund.

Table 5A - Flow of Funds Summary



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INSUFFICIENT MONEYS IN SENIOR DEBT SERVICE FUND; OTHER TRANSFERS

Notwithstanding anything in the Indenture, if on the Business Day immediately following any Lockbox Fund Transfer Date there are not sufficient moneys in the Senior Debt Service Fund on such date, after making the transfers from the Revenue Fund described in "Flow of Funds" *Fifth above*, to satisfy the amount then-required (pursuant to Section 5.05 *Fifth*) to be on deposit therein (after taking into account all funds on deposit in the Series 2009A Capitalized Interest Account of the Senior Debt Service Fund), the Series 2009B Capitalized Interest Account of the Senior Debt Service Fund, and the Series 2009C Capitalized Interest Account of the Senior Debt Service Fund, moneys shall be transferred by the Trustee to the Senior Debt Service Fund from the following sources in an amount which, together with the amount then on deposit in the Senior Debt Service Fund, will result in the Senior Debt Service Fund having the balance then-required to be on deposit therein in order to pay Debt Service to become due and payable on the next Debt Service Payment Date:

Table 5B - Priority of Cash Flow and other Funds and Accounts Available for Senior Debt Service

First	Amounts on deposit in the Surplus Revenue Fund
Second	Amounts on deposit in the Subordinated FF&E Fund
Third	Amounts on deposit in the Subordinated Management Fees Fund
Fourth	Amounts on deposit in the City Advance Repayment Fund *and* Amounts on deposit in the Manager Advance Repayment Fund on a Pro-Rata basis
Fifth	Amounts on deposit in the Operating Expense Reserve Fund
Sixth	Amounts on deposit in Senior Debt Service Reserve Fund
Seventh	Appropriated Grant Payments

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SENIOR DEBT SERVICE FUND

Transfers to Pay Debt Service

There shall be paid out of the appropriate Account of the Senior Debt Service Fund on or before each Debt Service Payment Date for any of the Senior Lien Bonds, the amount required to pay Debt Service coming due and payable on such date. Direct Payments received by the Issuer for the payment of interest on Build America Bonds (including the Series 2009B Bonds) shall be deposited to the appropriate Account of the Senior Debt Service Fund (in the case of the Series 2009B Bonds, into the Series 2009B Account) on or before each Debt Service Payment Date for the payment of interest on any Senior Lien Bonds issued as Build America Bonds. All funds on the deposit in the Series 2009A Capitalized Interest Account established for the Series 2009A Bonds shall be used to pay interest coming due on the Series 2009A Bonds, all funds on deposit in the Series 2009B Capitalized Interest Account established for the Series 2009B Bonds shall be used to pay interest coming due on the Series 2009B Bonds, and all funds on deposit in the Series 2009C Capitalized Interest Account established for the Series 2009C Bonds shall be used to pay interest coming due on the Series 2009C Bonds, prior to the use of any other amounts in the Senior Debt Service Fund for such purpose. On or before any Redemption Date for Senior Lien Bonds to be redeemed, there shall also be paid out of the appropriate Account of the Senior Debt Service Fund, from available amounts deposited therein from time to time, the Redemption Price of and interest on the Senior Lien Bonds then to be redeemed.

Sinking Fund Installments

Amounts in the appropriate Account of the Debt Service Fund with respect to any Sinking Fund Installment (together with amounts in the appropriate Account of the Debt Service Fund with respect to interest on the Senior Lien Bonds for which such Sinking Fund Installment was established) shall be applied to the redemption of Senior Lien Bonds of the Series and maturity for which such Sinking Fund Installment was established in an amount not exceeding that necessary to complete the retirement of such Sinking Fund Installment as hereinafter provided. Unless otherwise provided in any Supplemental Indenture, as soon as practicable after the 60th day preceding the due date of any such Sinking Fund Installment, the Trustee shall proceed to call for redemption, by giving notice as provided in the Indenture, on such due date Senior Lien Bonds of the Series and maturity for which such Sinking Fund Installment was established (except in the case of Senior Lien Bonds maturing on a Sinking Fund Installment Date) in such amount as shall be necessary to complete the retirement of such Sinking Fund Installment; provided that for this purpose the principal amount of Senior Lien Bonds of such Series and maturity delivered by the Issuer to the Trustee for cancellation not less than 60 days prior to such due date, if any, shall be credited against the amount of such Sinking Fund Installment. Such notice shall be given only to the extent that moneys therefor shall have been deposited in the appropriate Account of the Debt Service Fund and without any instructions from the Issuer.

Reduction of Sinking Fund Installments Upon Resulting From Earlier Redemptions

Upon a redemption pursuant to any redemption provision of this Indenture or any Supplemental Indenture, other than an anticipated sinking fund redemption provision, of Senior Lien Bonds of any Series and maturity for which Sinking Fund Installments have been established, the principal amount of such Senior Lien Bonds so purchased or redeemed shall be credited toward the next Sinking Fund Installment or Installments.

Allocations to Series 2009A Account, Series 2009B Account, and Series 2009C Account

All amounts deposited into the Senior Debt Service Fund from whatever source, including but not limited to amounts deposited in accordance with Indenture, excess deposits from the Senior Debt Reserve Fund pursuant to the Indenture, and any liquidated damages required to be paid by the Design/Builder for the payment of Debt Service in accordance with applicable provisions of the Design/Build Guaranteed Maximum Price Contract, shall be allocated immediately by the Trustee and transferred into the Series 2009A Account of the Senior Debt Service Fund, the Series 2009B Account of the Senior Debt Service Fund, and the Series 2009C Account of the Senior Debt Service Fund as to principal and interest coming due on all Series 2009A Bonds, Series 2009B Bonds, and Series 2009C Bonds on the next Debt Service Payment Date unless otherwise specifically directed by the Issuer.

SENIOR DEBT SERVICE RESERVE FUND

Initial Deposit in Senior Debt Service Reserve Fund

Simultaneously with the delivery of the Series 2009 Bonds to the initial purchasers thereof, the Issuer shall cause to be deposited in the Senior Debt Service Reserve Fund an amount equal to the Senior Reserve Fund Requirement.

Transfers to Senior Debt Service Fund

The Trustee shall apply amounts on deposit in the Senior Debt Service Reserve Fund to the extent necessary to make good the deficiency in the Senior Debt Service Fund pursuant to the Indenture. All cash and investments on deposit in the Debt Service

Reserve Fund shall be liquidated and withdrawn by the Trustee prior to drawing on any Reserve Fund Credit Facility which may, in the future, be on deposit in the Senior Debt Service Reserve Fund. Withdrawals of cash and investments on deposit in the Senior Debt Service Reserve Fund shall be made on a pro rata basis from amounts on deposit in the Series 2009A Account, the Series 2009B Account, the Series 2009C Account and any such other Account established for a Series of Senior Lien Bonds of the Senior Debt Service Reserve Fund, unless otherwise directed by the Issuer in writing, but any such withdrawals may be applied towards the payment of Senior Debt Service on any Senior Lien Bonds. Similarly, if more than one Reserve Fund Credit Facility is maintained in the Senior Debt Service Reserve Fund, any withdrawals on such Reserve Fund Credit Facilities shall be pro rata unless otherwise required by the terms of the Reserve Fund Credit Facilities). When the amount in the Senior Debt Service Reserve Fund (exclusive of any Reserve Fund Credit Facilities), together with the amount in the Senior Debt Service Fund, is sufficient to fully pay all Outstanding Senior Lien Bonds in accordance with their terms (including principal or Redemption Price and interest), the amount on deposit in the Senior Debt Service Fund may, at the direction of the Issuer, be transferred to the Senior Debt Service Fund and applied to pay the principal and Redemption Price of and interest on all Senior Lien Bonds.

Additional Deposits to Cure Deficiencies

When and so long as the money and investments in the Senior Debt Service Fund total not less than the Senior Reserve Fund Requirement (including the amount available to be drawn under all Reserve Fund Credit Facilities), no deposits need be made to the credit of the Debt Service Reserve Fund; but when and if the Senior Debt Service Reserve Fund at any time contains less than the Senior Reserve Fund Requirement, such deficiency in the Senior Reserve Fund Requirement shall be cured as promptly as possible from the date the deficiency first occurred by (i) making deposits from fund on deposit in the Revenue Fund in accordance with the Indenture in amounts required to (A) first, if a draw has been made on Reserve Fund Credit Facilities, pay reimbursement obligations related to such Reserve Fund Credit Facilities on a pro rata basis to restore the amount available to be drawn under such Reserve Fund Credit Facilities to their original amounts (and pay all other amounts required by such Reserve Fund Credit Facility) by the end of such 12-month period (or earlier as required in an agreement between the Issuer and the Person providing such Reserve Fund Credit Facilities), and (B) second, restore the balance in the Senior Debt Service Reserve Fund to the Senior Reserve Fund Requirement by the end of such 12-month period, (ii) providing a Reserve Fund Credit Facility (but only if all reimbursement obligations on any then-existing Reserve Fund Credit Facility has been paid in full), or (iii) providing a combination of (i) and (ii) above.

Computation of Senior Debt Service Reserve Fund

For the purpose of determining the amount on deposit to the credit of the Senior Debt Service Reserve Fund, investments in which money in such account shall have been invested shall be computed at cost, and any Reserve Fund Credit Facility shall be computed at the maximum amount available to be drawn thereunder. The amount on deposit to the credit of the Senior Debt Service Reserve Fund shall be computed by the Trustee at least annually, and shall be computed immediately upon any withdrawal from the Senior Debt Service Reserve Fund.

Transfers of Excess Funds

If on any Lockbox Fund Transfer Date the amount on deposit in the Senior Debt Service Reserve Fund exceeds the Senior Reserve Fund Requirement prior to making the transfers described under "FLOW OF FUNDS – *Sixth*" above on such date, such excess shall be applied to the reimbursement of each drawing on Reserve Fund Credit Facilities, if any, on a pro rata basis, and to the payment of interest or other amounts due with respect to such Reserve Fund Credit Facilities, and any remaining excess amounts shall be deposited into the Senior Debt Service Fund.

Replacement of Cash with Reserve Fund Credit Facility

In lieu of cash and investments which are then on deposit in the Senior Debt Service Reserve Fund to satisfy all or a portion of the Senior Reserve Fund Requirement, the Issuer may at any time, but only upon receiving the prior written consent of the City, cause to be deposited in the Senior Debt Service Reserve Fund a Reserve Fund Credit Facility in an amount equal to the difference between the Senior Reserve Fund Requirement and all or a portion of such cash and investments. If at any time a Reserve Fund Credit Facility is delivered pursuant to this subsection there shall be any amount in the Senior Debt Service Reserve Fund in excess of the Reserve Fund Requirement, such excess amount may be applied to the cost of acquiring such Reserve Fund Credit Facility and, to the extent not so applied, shall be transferred to the Senior Debt Service Fund and applied to pay Debt Service when due or to purchase or redeem Senior Lien Bonds as directed in writing by an Authorized Issuer Representative.

CONSTRUCTION FUND

Deposit to Construction Fund

There shall be deposited into the Construction Fund the amounts required to be so deposited by the provisions of this Indenture. There may also be deposited into the Construction Fund until the Date of Final Completion any moneys received by the Trustee from any source (including but not limited funds received from the Design/Builder for "Punch List Work" pursuant to the Design/Build Guaranteed Maximum Price Contract or otherwise) with the express written direction to deposit such moneys in an Account of the Construction Fund unless otherwise required by applied by the Indenture.

Payment of Issuance Costs

Except for the payment of Issuance Costs to be paid on the Closing Date of the Series 2009 Bonds in accordance with instructions contained in a closing memorandum provided by the Issuer to the Trustee, disbursements to pay or reimburse the payment of the Issuance Costs shall be made by the Trustee from the Series 2009A Costs of Issuance Account, the Series 2009B Costs of Issuance Account or the Series 2009C Costs of Issuance Account upon receipt of a Requisition Requesting Disbursement of Issuance Costs, approved and executed by an Authorized Issuer Representative. Upon the earlier to occur of (i) the delivery to the Trustee of a written certificate from an Authorized Issuer Representative stating that all Issuance Costs for the Series 2009 Bonds have been paid or duly provided for, or (ii) September 1, 2012, all funds remaining in the Series 2009A Costs of Issuance Account, the Series 2009B Costs of Issuance Account or the Series 2009C Costs of Issuance Account, respectively, shall be transferred to the Series 2009A Project Account and the Series 2009A Costs of Issuance Account, the Series 2009B Costs of Issuance Account, and the Series 2009C Costs of Issuance Account thereafter shall be closed. In no event, however, shall the Issuance Costs paid from the proceeds of the Series 2009B Bonds exceed 2% of the aggregate principal amount of the Series 2009B Bonds.

Disbursement Procedures for Payment of Hotel Project Improvement Costs

Funds on deposit in the Construction Fund (excluding the Series 2009A Costs of Issuance Account, and the Series 2009B Costs or Issuance Account, and the Series 2009C Costs of Issuance Account which shall be disbursed in accordance with the Indenture) shall be disbursed for the payment of Hotel Project Improvement Costs as follows:

(i) Upon the Trustee's receipt of written instructions signed by an Authorized Issuer Representative setting forth the purchase price of the land, the Trustee shall promptly pay the Issuer the amount requested, provided such amount does not exceed $30,280,000.

(ii) Upon the Trustee's receipt of a Requisition Requesting Disbursement of Hotel Project Improvement Costs, executed by the Developer and approved by the Construction Monitor, which are the subject of such Requisition from the Series 2009A Project Account (with respect to $250,000 to be paid to the Developer at the time of delivery of the Series 2009 Bonds) and the Series 2009B Project Account (for all requests thereafter), in accordance with the provisions of Article 8 of the Developer Agreement.

(iii) Upon the Trustee's receipt of a Requisition Requesting Disbursement of Hotel Project Improvements Costs, executed by the Developer and approved by the Construction Monitor, together with all riders and attachments, the Trustee shall, within three Business Days of such receipt, disburse money to pay the Hotel Project Improvements Costs (including, without hesitation, the acquisition of FF&E and operator supplies and equipment) which are the subject of such Requisition from the Series 2009A Project Account and the Series 2009B Project Account as follows (unless otherwise in writing by the City):

A. First, from the Series 2009B Project Account to pay capital costs; and

B. Once the Series 2009B Project Account is depleted, from the Series 2009A Project Account.

(iv) The Trustee shall not be required to accept more than four requisitions each month except for requisitions solely for Issuance Costs.

(v) The final disbursement from the Construction Fund for Hotel Project Improvements shall additionally require the certification of the Design/Builder described in the Design/Build Guaranteed Maximum Price Contract.

(vi) Notwithstanding anything to the contrary herein, in the event the Design/Build Guaranteed Maximum Price Contract has been terminated, the Issuer shall have all rights granted to the Design/Builder thereon, relating to requesting and authorizing the disbursement of funds from the Construction Fund to pay Hotel Project Improvements Costs.

(vii) Disbursements from the Series 2009C Project Account shall be made by a separate Requisition Requesting Disbursement of Hotel Project Improvements Costs, certified by the Issuer that the Hotel Project Improvement Costs requested cannot be paid from either the Series 2009A Project Account or the Series 2009B Project Account.

Trustee May Rely on Requisitions

Upon receipt of a fully executed and approved Requisition Requesting Disbursement of Issuance Costs or Requisition Requesting Disbursement of Issuance Costs or Requisition Requesting Disbursement of Hotel Project Improvement Costs and the required attachments, the Trustee may rely conclusively upon such Requisitions. The Trustee shall have no liability on account of any disbursement from the Construction Fund in accordance with such Requisitions provided that it has complied with the procedures required under the Payment of Issuance Costs and Disbursements Procedures for Payment of Hotel Project Improvement Costs paragraphs above with respect to such Requisitions.

Transfer of Excess Funds From Series 2009A Project Account

Upon the receipt by the Trustee of the Final Acceptance Certificate and receipt of the certificate of the Design/Builder as described in the Design/Build Guaranteed Maximum Price Contract, (i) to the extent the amount remaining in the Series 2009A Project Account of the Construction Fund is at least $100,000, the Trustee shall transfer the amount remaining in the Series 2009A Project Account of the Construction Fund to the Series 2009A Account of the Senior Debt Service Fund, which funds shall be used to redeem Series 2009A Bonds in accordance with the Indenture, and the Series 2009A Project Account of the Construction Fund shall thereafter be closed; and (ii) to the extent the amount remaining in the Series 2009A Project Account is less than $100,000, if any, the Trustee shall transfer the amount remaining in the Series 2009A Project Account of the Construction Fund to the Series 2009A Account of the Senior Debt Service Fund, and the Series 2009A Project Account of the Construction Fund shall thereafter be closed.

Transfer of Excess Funds From Series 2009B Project Account

Upon the receipt by the Trustee of the Final Acceptance Certificate and receipt of the certificate of the Design/Builder as described in the Design/Build Guaranteed Maximum Price Contract, (i) to the extent the amount remaining in the Series 2009B Project Account of the Construction Fund is at least $100,000, the Trustee shall transfer the amount remaining in the Series 2009B Project Account of the Construction Fund to the Series 2009B Account of the Senior Debt Service Fund, which funds shall be used to redeem Series 2009B Bonds in accordance with the Indenture, and the Series 2009B Project Account of the Construction Fund shall thereafter be closed; and (ii) to the extent the amount remaining in the Series 2009B Project Account is less than $100,000, if any, the Trustee shall transfer the amount remaining in the Series 2009B Project Account of the Construction Fund to the Series 2009B Account of the Senior Debt Service Fund, and the Series 2009B Project Account of the Construction Fund shall thereafter be closed.

Transfer of Excess Funds From Series 2009C Project Account

Upon the receipt by the Trustee of the Final Acceptance Certificate and receipt of the certificate of the Design/Builder as described in the Design/Build Guaranteed Maximum Price Contract, (i) to the extent the amount remaining in the Series 2009C Project Account of the Construction Fund is at least $100,000, the Trustee shall transfer the amount remaining in the Series 2009C Project Account of the Construction Fund to the Series 2009C Account of the Senior Debt Service Fund, which funds shall be used to redeem Series 2009C Bonds in accordance with the Indenture, and the Series 2009C Project Account of the Construction Fund shall thereafter be closed; and (ii) to the extent the amount remaining in the Series 2009C Project Account is less than $100,000, if any, the Trustee shall transfer the amount remaining in the Series 2009C Project Account of the Construction Fund to the Series 2009C Account of the Senior Debt Service Fund, and the Series 2009C Project Account of the Construction Fund shall thereafter be closed.

Transfer of Funds If Required to Satisfy Debt Service Fund

Prior to the Opening Date, amounts in the Series 2009A Project Account, the Series 2009B Project Account and the Series 2009C Project Account shall be transferred at the written direction of the Issuer, to the Series 2009A Account of the Senior Debt Service Fund, with respect to amounts in the Series 2009A Project Account, to the Series 2009B Account of the Senior Debt Service Fund, with respect to amounts in the Series 2009B Project Account, and to the Series 2009C Account of the Senior Debt Service Fund, with respect to amounts in the Series 2009C Project Account, and to be applied to the payment of Debt Service on the Series 2009 Bonds as required by the Indenture; provided, however, the Construction Monitor and the Design/Builder each first shall certify to the Trustee that the amounts remaining in the Series 2009A Project Account, the Series 2009B Project Account and the Series 2009C Project Account after such transfer are sufficient to pay all remaining Hotel Project Improvement Costs.

PROPERTY TAX FUND

Money on deposit in the Property Tax Fund will paid out from time to time by the Trustee to pay all Impositions (including, but not limited to personal property taxes) that become due and payable with respect to the ownership and operation of the Hotel Project, as directed by a Request of the Issuer, or if a Request of the Issuer has not been filed timely by the Developer in order to pay such Impositions when due, as directed by the Issuer or the City. Any Funds on deposit in the Property Tax Fund after all Impositions due and payable during a Year have been paid will be retained in the Property Tax Fund and used to offset required deposits therein during the following Year.

INSURANCE PREMIUM FUND

Money on deposit in the Insurance Premium Fund will be paid out from time to time by the Trustee to pay all insurance premiums, and costs of consultants and brokers in connection with the procurement by the Operator of the insurance required under the Hotel Operating Agreement, of the Operator, that become due and payable with respect to the ownership and operation of the Hotel Projects, as directed by a Request of the Operator, or if a Request of the Operator has not been filed timely by the Operator in order to pay such insurance premiums, and the costs of consultants and brokers in connection with the Operator's procurement of the insurance required under the Hotel Operating Agreement, when due, as directed by the Issuer or the City.

SENIOR FF&E RESERVE FUND

Purpose of and Deposits into FF&E Reserve Fund

The purpose of the Senior FF&E Reserve Fund is to deposit into the Revenue Fund moneys in the amounts permitted by the Hotel Operating Agreement (or any replacement Hotel Operating Agreement) during each Year. The Operator is obligated pursuant to the Cash Management Agreement to notify the Trustee, the Issuer, and the City in writing at least five Business Days prior to the commencement of each Year of the amount of the Required Monthly FF&E Fund Deposit Percentage for the ensuing Year calculated in accordance with the provisions of the Hotel Operating Agreement (which amount will be a percentage of Gross Operating Revenues). The Trustee is entitled to conclusively rely on such information provided by the Operator (unless such information is disputed in good faith and in writing by the City, in which event the Trustee shall rely on the provisions in the Indenture until such dispute is settled and agreed to by the Operator and the City) to determine the amounts that are required to be transferred from the Revenue Fund and deposited into the Senior FF&E Reserve Fund. In addition to depositing the amounts transferred pursuant to the Indenture, the Trustee shall also deposit into the Senior FF&E Reserve Fund all amounts required to be transferred thereto pursuant to any other provision of this Indenture, if any, and any other funds provided by any person which is accompanied with express written directions to deposit such funds into the Senior FF&E Reserve Fund.

Payments for FF&E and Capital Expenses

Unless an Event of Default (as defined in the Hotel Operating Agreement) by the Operator has occurred and is continuing under the Hotel Operating Agreement, the Trustee shall make disbursements directed by a Request of the Operator of funds deposited in the Senior FF&E Reserve Fund for the purpose of paying (i) FF&E and Capital Expenses included in the Capital Budget, (ii) if funds are insufficient in the Operating Expense Reserve Fund, the Subordinated FF&E Reserve Fund or the Surplus Revenue Fund to make such payment, amounts reasonably determined by the Operator to be required to be made for unbudgeted Emergency Expenses (as defined in the Hotel Operating Agreement), or to comply with Legal Requirements, (iii) FF&E and Capital Expenses not included in the Capital Budget which exceed $250,000 with the prior written consent of the Issuer and the City, or FF&E and Capital Expenses not included in the Capital Budget which are less than $250,000 with prior notice to, but without the prior written consent of, the Issuer and the City. If an Event of Default (as defined in the Hotel Operating Agreement) by the Operator has occurred and is continuing under the Hotel Operating Agreement, the Trustee shall make disbursements as directed by a Request of the Operator (and consented to by the Issuer in writing) for the purpose and in the manner described in the immediately preceding sentence; provided that the Operator shall provide a weekly report summarizing all amounts paid out of the Senior FF&E Reserve Fund during each week to the Trustee, the City and the Issuer.

REBATE FUND

Moneys will be deposited into the Rebate Fund as described above under "—Flow of Funds" in the amount required pursuant to the Indenture in connection with the issuance of the Series 2009A Bonds and the Series 2009B Bonds.

OPERATING EXPENSE RESERVE FUND

Purpose of and Deposits into Operating Expense Reserve Fund

The purpose of the Operating Expense Reserve Fund is to accumulate therein amounts equal to the Operating Expense Reserve Requirement applicable for each Year. In accordance with the Hotel Operating Agreement, the Operator will cause to be deposited with the Trustee $6,000,000 to fund the Operating Expense Reserve Fund, of which $1,000,000 shall be transferred to the Lockbox Fund for working capital. The Operator is obligated pursuant to the Cash Management Agreement to notify the Trustee, the Issuer and the City in writing at least five (5) Business Days prior to the commencement of each Year of the total amount of the Operating Expense Reserve Requirement required to be on deposit in the Operating Expense Reserve Fund during the ensuing Year. The Trustee is entitled to conclusively rely on such information provided by the Operator (unless such information is disputed in good faith and in writing by the City, in which event the Trustee shall rely on the provisions of the Indenture until such dispute is settled and agreed to by the Operator and the City) in order to determine the amount that is required to be transferred from the Revenue Fund and deposited into the Operating Expense Reserve Fund in accordance with the Indenture. In addition to depositing the amounts transferred pursuant to the Indenture, the Trustee also shall deposit into the Operating Expense Reserve Fund all amounts required to be transferred thereto pursuant to any other provision of this Indenture, if any, and any other funds provided by any Person which is accompanied with express written directions to deposit such funds into the Operating Expense Reserve Fund.

Payments to Fund Amounts under Technical and Pre-Opening Services Agreement

To the extent funds on deposit in the Technical and Pre-Opening Services Account of the Construction Fund are insufficient for such purpose, funds on deposit in the Operating Expense Reserve Fund from the sources described in the Indenture shall be applied by the Trustee, upon receipt by the Trustee of a Request of the Operator, for the payment of (i) the technical services fee, payable in the manner described in the Technical and Pre-Opening Services Agreement and (ii) the pre-opening expenses of the Hotel Project, as more fully described and payable in accordance with the Technical and Pre-Opening Services Agreement.

Payments to Fund Unbudgeted Expenses or for Certain Repairs

Funds on deposit in the Operating Expense Reserve Fund will be applied by the Trustee, upon receipt by the Trustee of a Request of the Operator, for (i) the payment of Operating Expenses, Capital Expenses, and/or any other expenses which, if unbudgeted, (and not for Emergency Expenses, as defined in the Hotel Operating Agreement, or required to comply with Legal Requirements pursuant to the Hotel Operating Agreement) is approved in writing by the City, at any time during which such expenses exceed Gross Operating Revenues for such month plus the amount otherwise available in the Lockbox Fund, the Senior FF&E Reserve Fund, the Subordinate FF&E Reserve Fund and the Surplus Revenue Fund to pay such expenses (to the extent amounts in such Funds are authorized to be used for such expenses), and (ii) repair or replacement of the Hotel Project in the event of casualty damage or for the payment of amounts reasonably determined by the Operator as are required to be made to protect life, health or property from imminent danger or to comply with Legal Requirements.

Additional Deposits

In addition to the deposits required to be made into the Operating Expense Reserve Fund pursuant to section (a) above which causes the balance on deposit in the Operating Expense Reserve Fund to be less than the Operating Reserve Requirement, and any such deficiency in such Fund shall be restored within 12 months of the date such deficiency first occurred by making monthly deposits from the Revenue Fund to the Operating Expenses Reserve Fund pursuant to "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 BONDS – Flow of Funds" *Eighth* hereof.

Transfer of Excess Funds

If the amount on deposit in the Operating Expense Reserve Fund exceeds the Operating Reserve Requirement, amounts in excess of the Operating Expense Reserve Requirement will be deposited into the Revenue Fund.

MANAGER ADVANCE REPAYMENT FUND

Purpose of and Deposits into Manager Advance Repayment Fund

The purpose of the Manager Advance Repayment Fund is to deposit therein amounts sufficient to (i) provide a source of funds for the purpose of reimbursing the Operator for amounts theretofore advanced by the Operator for shortfalls to meet the Series 2009 Performance Standard or the RevPAR Performance Test; (ii) repay any Unamortized Key Money contributed by the Operator, all in accordance with the terms of the Hotel Operating Agreement; and (iii) providing a source of funds to indemnify Operator for claims and losses in accordance with and subject to the Hotel Operating Agreement. Unamortized Key Money shall be payable to the Operator only upon a termination of the Hotel Operating Agreement, as provided therein. The Trustee is entitled to conclusively rely on such information regarding the amounts to be transferred to the Manager Advance Repayment Fund provided by the Issuer (unless such information is disputed in good faith and in writing by the Operator, in which event the Trustee shall rely on the provisions of the Indenture until such dispute is settled and agreed to by the Issuer and the Operator) in order to determine the amount that is required to be transferred and deposited into the Manager Advance Repayment Fund in accordance with "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 BONDS – Flow of Funds".

Transfer of Unamortized Key Money to Operator

Upon a termination of the Hotel Operating Agreement, upon written instructions from the Issuer, the Trustee shall transfer all funds on deposit in the Manager Advance Repayment Fund to the Operator in an amount not in excess of the Unamortized Key Money then due and owing the Operator, together with other amounts due and owing to the Operator, provided, that the amounts to be transferred to the Operator shall be determined pursuant to the Hotel Operating Agreement. Upon the termination of the Hotel Operating Agreement, if the Operator has not been fully reimbursed for the Unamortized Key Money due and owing at the time of termination, funds shall be deposited as provided in "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 BONDS – Flow of Funds" *Eleventh*, *Twelfth* and *Last* and all amounts transferred to the Operator each month such deposits are made until the Unamortized Key Money due and owing the Operator has been paid in full. Notwithstanding the foregoing, in the event amounts are insufficient during the preceding six month period to fully fund the Senior Debt Service Fund as required pursuant to "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 BONDS – Flow of Funds" *Fifth* hereof, then no distributions shall be made from the Manager Advance Repayment Fund.

CITY ADVANCE REPAYMENT FUND

Purpose of and Deposits Into City Advance Repayment Fund

The purpose of the City Advance Repayment Fund is to deposit therein amounts to provide a source of funds for the purpose of (i) reimbursing the City for all Appropriated Grant Payments made by the City pursuant the Economic Development Agreement and which were actually used to pay Debt Service on any Bonds pursuant to this Indenture, (ii) making disbursements into other Funds and Accounts or to persons or entities as required by this Indenture, (iii) providing a source of funds to indemnify the Operator for claims and losses in accordance with and subject to the terms of the Hotel Operating Agreement and (iv) such other purposes as set forth in the Hotel Operating Agreement. The Trustee is entitled to conclusively rely on such information regarding the amount to be transferred to the City Advance Repayment Fund provided by the Issuer (unless such information is disputed in good faith and in writing by the Operator, in which event the Trustee shall rely on the provisions of the Indenture hereof until such dispute is settled and agreed to by the Issuer and the Operator) in order to determine the amount that is required to be transferred and deposited into the City Advance Repayment Fund in accordance with "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 BONDS – Flow of Funds" *Eleventh* and *Twelfth* hereof. In the event that the Issuer and the Operator are simultaneously owed amounts from the City Advance Repayment Fund, the amounts owed shall be paid from the funds on deposit therein on a pro rata basis, unless such amounts are needed to return the Unamortized Key Money to the Operator or to provide a source for the Issuer's indemnification obligations, in which the Operator would first be satisfied.

Transfer of Repayments of Appropriated Grant Payments to City

On the first Business Day immediately following each Debt Service Payment Date and after making all transfers, payments and deposits required as described in this Section, the Trustee shall transfer all funds on deposit in the City Advance Repayment Fund to the City (by wire transfer, or other method of payment, using instructions provided by the City) in full or partial reimbursement, as the case may be, of all Appropriated Grant Payments which have been made by the City and used by the Trustee to pay Debt Service on any Bonds. The Trustee shall maintain appropriate records which indicate the aggregate amount of such Appropriated Grant Payments paid by the City under the Economic Development Agreement and this Indenture, the aggregate amount of Appropriated Grant Payments that have been reimbursed to the City, and the amount of Appropriated Grant Payments that remains to be reimbursed to the City.

Transfers to Satisfy Insufficiencies in Other Funds

On the Business Day immediately following each Lockbox Fund Transfer Date, after the Trustee has applied all amounts on deposit in the Revenue Fund, the Trustee shall apply amounts from the City Advance Repayment Fund as follows:

First, as required by "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 BONDS – Flow of Funds" *Fourth*, to the extent necessary to make good any deficiency in the amount then expected to have accrued and to have been deposited into the Senior Debt Service Fund pursuant to "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 BONDS – Flow of Funds" *Fifth* hereof;

Second, to the extent necessary to make good any deficiency in the amount then expected to have accrued and to have been deposited into the Senior Debt Service Reserve Fund pursuant to "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 BONDS – Flow of Funds" *Sixth* hereof; and

Third, to the extent necessary to make good any deficiency in the amount then expected to have accrued and to have been on deposit in any other fund or Account pursuant to "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 BONDS – Flow of Funds" *First* through *Fourth* and *Seventh* through *Tenth*, in such order of priority; provided that any request of the Operator to be indemnified by the Issuer from funds held by the Trustee shall be approved by the Issuer.

Transfer of Funds to Operator

Upon a determination under the terms of the Hotel Operating Agreement that the Operator is entitled to be indemnified by the Issuer and receive funds from the City Advance Repayment Fund for such purpose or the other purposes set forth in the Hotel Operating Agreement, the Trustee shall transfer to the Operator such funds on deposit in the City Advance Repayment Fund in an amount equal to the amount the Operator is entitled to receive for claims and losses for which the Operator is to be indemnified under the terms of the Hotel Operating Agreement. Notwithstanding the foregoing, in the event amounts are insufficient during the preceding six month period to fully fund the Senior Debt Service Fund as required pursuant to "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 BONDS – Flow of Funds" *Fifth* hereof, then no distributions shall be made from the City Advance Repayment Fund to the Operator.

SUBORDINATED MANAGEMENT FEES FUND

Purpose of and Deposits into Subordinated Management Fees Fund

The purpose of the Subordinated Management Fees Fund is to deposit therein amounts sufficient to pay all Subordinated Management Fees due to the Operator during each Year. The Trustee is entitled to conclusively rely on such information regarding the remaining unpaid balance of the Subordinated Management Fees provided by the Operator (unless such information is disputed in good faith and in writing by the City, in which event the Trustee shall rely on the provisions of the Indenture until such dispute is settled and agreed to by the Operator and the City) in order to determine the amount that is required to be deposited into the Subordinated Management Fees Fund in accordance with "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 BONDS – Flow of Funds" *Thirteenth* hereof.

Transfer of Subordinated Management Fees to Operator

On each January Distribution Date and July Distribution Date, the Trustee shall transfer all funds on deposit in the Subordinated Management Fees Fund to the Operator (or to other Persons upon written direction of the Operator to the Trustee) in payment of the Subordinated Management Fees due and owing to the Operator during the preceding six month period. Notwithstanding the foregoing, in the event Net Operating Revenues together with amounts in the Surplus Revenue Fund and the Subordinate FF&E Reserve Fund, are insufficient to fully fund the Senior Debt Service Fund as required pursuant to "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 BONDS – Flow of Funds" *Fifth*, then no Subordinated Management Fees shall be paid to the Operator on the January Distribution Date.

SUBORDINATE FF&E RESERVE FUND

Purpose of and Deposits into Subordinate FF&E Reserve Fund

The purpose of the Subordinate FF&E Reserve Fund is to deposit therein amounts during each Year in accordance with the Hotel Operator Agreement. The Operator is obligated pursuant to the Cash Management Agreement to notify the Trustee, the Issuer and the City at least five (5) Business Days prior to the commencement of each Year (and periodically during such Year if circumstances would cause such amounts to change) of the total amount required to be deposited in the Subordinate FF&E Reserve Fund.

Payments for FF&E and Capital Expenses

Unless an Event of Default (as defined in the Hotel Operating Agreement) by the Operator has occurred and is continuing under the Hotel Operating Agreement, the Trustee shall make disbursements directed by a Request of the Operator of funds deposited in the Subordinate FF&E Reserve Fund for the purpose of paying for (i) Subordinate FF&E and Capital Expenses included in the Capital Budget or pre-approved in writing by the Issuer, (ii) if funds are insufficient in the Operating Expense Reserve Fund or the Surplus Revenue Fund to make such payment, amounts reasonably determined by the Developer to be required to be made for un-budgeted Emergency Expenses to comply with Legal Requirements and (iii) Subordinate FF&E and Capital Expenses not included in the Capital Budget which exceed $250,000 with the prior written consent of the Issuer and the City, or Subordinate FF&E and Capital Expenses not included in the Capital Budget which are less than $250,000 with prior notice to, but without the prior written consent of, the Issuer and the City. If an Event of Default (as defined in the Hotel Operating Agreement) by the Operator has occurred and is continuing under the Hotel Operating Agreement, the Trustee shall make disbursements as directed by a Request of the Operator (and consented to by the Issuer in writing) for the purposes and in the manner described in the immediately preceding sentence; provided that the Operator shall provide weekly report summarizing all amounts paid out of the Subordinate FF&E Reserve Fund during each week to the Trustee, the City and the Issuer.

SURPLUS REVENUE FUND

Payments to Fund Unbudgeted Expenses or for Certain Repairs

Funds on deposit in the Surplus Revenue Fund shall be applied by the Trustee, for repair or replacement of the Hotel Project in the event of an uninsured or underinsured casualty damage or for the payment of amounts reasonably determined by the Operator as are required to be made to protect life, health or property from imminent danger or to comply with Legal Requirements, or with the consent of the Issuer to pay unbudgeted Operating Expenses or Capital Expenses, or for payment of other obligations, costs, amounts or expenses as provided in the Hotel Operating Agreement.

Transfers to Satisfy Insufficiencies in Other Funds

On the Business Day immediately following each Lockbox Fund Transfer Date, after the Trustee has applied all amounts on deposit in the Revenue Fund in accordance with Section 5.05 hereof, the Trustee shall apply amounts on deposit in the Surplus Revenue Fund, if any, as follows:

First, as described above under "—Funds and Accounts Available for Debt Service—Shortfalls in Debt Service" *First*, to the extent necessary to make good any deficiency in the amount then expected to have accrued and to have been deposited into the Senior Debt Service Fund as described above under "—Flow of Funds" *Fifth* hereof;

Second, to the extent necessary to make good any deficiency in the amount then expected to have accrued and to have been deposited into the Senior Debt Service Reserve Fund as described above under "—Flow of Funds" *Sixth* hereof; and

Third, to the extent necessary to make good any deficiency in the amount then expected to have accrued and to have been on deposit in any other Fund or Account as described above under "—Flow of Funds" *First* through *Third* and *Seventh* through *Fourteenth,* in such order of priority.

Transfers to Issuer

At the direction of the Issuer, funds on deposit in the Surplus Revenue Fund may be transferred to the Issuer to pay for Improvements to the Hotel Project, or for the deposit into any of the Funds and Accounts established by this Indenture.

Transfers to City

At the direction of the Issuer, at such time as the Series 2009 Bonds and any Additional Bonds are no longer outstanding, an Authorized Issuer Representative may direct the Trustee to transfer amounts on deposit in the Surplus Revenue Fund to the City for the City to use for any lawful purpose, upon receipt by the Trustee of a Request of the Issuer.

Trustee to Establish Separate Accounts in Surplus Revenue Fund for Each Year

Notwithstanding anything to the contrary above, the application of funds on deposit in the Surplus Revenue Fund as described in *First* through *Third* above are to be applied separately with respect to each Year during the Operating Term. In order to not co-mingle funds deposited into the Surplus Revenue Fund from different Years (which will permit the Operator to prepare a final accounting for each Year), the Trustee shall establish a separate Account in the Surplus Revenue Fund for each Year into which it shall only make deposits therein resulting from Net Operating Revenues generated during such Year including the deposits required to be made to the Surplus Revenue Fund on the Lockbox Fund Transfer Date of January 1, pursuant to "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 BONDS – Flow of Funds" *Last* (which result from funds derived during the final month of the immediately preceding Year) and transfers into other Funds and Accounts on the Business Day immediately following the Lockbox Fund Transfer Date that occurs in accordance with the Indenture.

INSURANCE AND CONDEMNATION PROCEEDS FUND

The Trustee has been designated to serve as the "Insurance Trustee" and the "Condemnation Trustee" under this Indenture, and the Trustee hereby acknowledges and accepts those duties and responsibilities as long as the Trustee is serving as the Trustee under this Indenture. The Indenture set forth the requirements pertaining to the use of "Insurance Proceeds" received by the Design/Builder, the Operator or the Issuer as a result of any "Casualty" to the Hotel Project. The Trustee, in its capacity as Trustee hereunder, is expected to receive Insurance Proceeds only in the event the Developer elects to optionally terminate the Development Agreement as permitted by the Design/Build Guaranteed Maximum Price Contract or the Operator elects to optionally terminate the Hotel Operating Agreement as permitted by the Hotel Operating Agreement if "Substantially All of the Project Improvements" (as defined in the Indenture shall have been damaged or destroyed by Casualty, with the understanding that such Insurance Proceeds shall be used to redeem Outstanding Bonds. Similarly, the Indenture sets forth the requirements pertaining to the use of any "Condemnation Award" received by the Issuer as a result of the Hotel Project having been taken in a "Condemnation Action" to the Hotel Project. The Trustee, in its capacity as Trustee hereunder, is expected to receive funds representing a Condemnation Award only in the event the whole of the Hotel Project or "Substantially All of the Premises and the Project Improvements" (as defined in the Indenture, are taken in a Condemnation Action, with the understanding that such funds shall be used to redeem Outstanding Bonds. All such Insurance Proceeds and Condemnation Awards received by the Trustee, in its capacity as Trustee hereunder, as a result of a Casualty or Condemnation Action shall be deposited into the Insurance and Condemnation Proceeds Fund and shall only be used to mandatorily redeem Bonds in accordance with the provisions of the Indenture. On or before the date of redemption of the Bonds as determined by the Trustee in accordance with the provisions of the Indenture, the Trustee shall transfer the entire amount on deposit in the Insurance and Condemnation Proceeds Fund first to the Debt Service Fund, and such amounts shall thereafter be used to mandatorily redeem Outstanding Bonds in authorized denominations.

INVESTMENT OF FUNDS

Funds on deposit in any Fund or Account under the Indenture may be invested only in “Permitted Investments” (as defined in the Indenture) and which are authorized by Chapter 2256, Texas Government Code (known generally as the “Public Funds Investment Act”). On the Closing Date, the Trustee shall invest a portion of the proceeds of the Series 2009 Bonds in the following investment instruments:

(i) All funds deposited into the Series 2009A Account of the Senior Debt Service Reserve Fund, the Series 2009B Account of the Senior Debt Service Reserve Fund and the Series 2009C Account of the Senior Debt Service Reserve Fund pursuant to the Indenture shall be invested in the Investment Repurchase Agreement, dated as of September 1, 2009, by and among Bayerische Landesbank, acting through its New York Branch ("BLB"), Wells Fargo Bank, National Association, as custodian (the "Custodian") and the Trustee (the "BLB Repurchase Agreement");

(ii) All funds deposited into the Series 2009A Capitalized Interest Account of the Senior Debt Service Fund, the Series 2009B Capitalized Interest Account of the Senior Debt Service Fund and the Series 2009C Capitalized Interest Account of the Senior Debt Service Fund pursuant to the Indenture shall be invested in the BLB Repurchase Agreement;

(iii) All funds deposited into the Series 2009A Project Account, the Series 2009B Project Account and the Series 2009C Project Account of the Construction Fund pursuant to the Indenture, less $1,076,600.52 deposited in the Series 2009A Project Account, $13,611,281.54 deposited in the Series 2009B Project Account and $203,902.36 deposited in the Series 2009C Project Account (which amounts are being retained therein to pay an initial disbursement to the Developer on the Closing Date), shall be invested in the BLB Repurchase Agreement; and

(iv) All funds deposited into the Technical and Pre-Opening Services Account of the Construction Fund pursuant to the Indenture shall be invested in the BLB Repurchase Agreement.

All other funds on deposit in any Fund or Account held hereunder shall be invested and reinvested by the Trustee as promptly as practicable, in accordance with written instructions of the Issuer (with a written copy thereof to the City). If the Trustee fails to receive such directions at least one Business Day before the day on which any amounts are required to be invested, the Trustee shall invest such amounts in the First American Government Obligations Fund Class D or any similar fund which qualifies as a Permitted Investment. Notwithstanding anything in the Indenture to the contrary, Permitted Investments in all Funds and Accounts shall mature, or the principal of and accrued interest on such Permitted Investments shall be available for withdrawal without penalty, not later than such times as shall be necessary to provide moneys when needed for payment to be made from such Funds and Accounts. The Trustee shall not be responsible for determining whether or not any Permitted Investments are legal investments under the Public Funds Investment Act, nor shall the Trustee be responsible for any loss in any investment in any Fund or Account as long as the Trustee was following written instructions provided by the Issuer or as otherwise set forth in the Indenture.

Except as otherwise provided in the Indenture or by a Supplemental Indenture, interest earned or profits realized from investing any moneys deposited in any Fund and Account or any subaccount thereof shall be retained in the respective Fund, Account or subaccount from which such interest and profits were derived.

In the event the amount of deposit in the Senior Debt Service Reserve Fund is equal to or exceeds the Senior Reserve Fund Requirement, all earnings from investments on deposit in the Senior Debt Service Reserve Fund shall be distributed to the Senior Debt Service Fund, otherwise, investment earnings shall remain in the Senior Debt Service Reserve Fund until such time as the amount on deposit therein equals the Senior Debt Service Reserve Fund Requirement.

Until such time as the Issuer adopts its own investment policy, it shall be governed by the City's investment policy with respect to investment of funds, other than as described in clauses (i) through (iv) above.

TRUSTEE

Trustee May Act Without Possession of Bonds

All rights of action under the Indenture or under any of the Series 2009 Bonds may be enforced by the Trustee without possession of any of the Series 2009 Bonds or the production thereof in any trial or other proceedings relative thereto, and any such suit or proceedings instituted by the Trustee shall be brought in its name, as Trustee for the ratable benefit of the Registered Owners of the Series 2009 Bonds, subject to the provisions of the Indenture.

Trustee as Attorney-in-Fact

The terms of the Indenture irrevocably appoint the Trustee (and the Registered Owners of the Bonds, by taking and holding same from time to time, shall be deemed to have so appointed the Trustee) the true and lawful attorney in fact of the Registered Owners of the Bonds, or on behalf of all Registered Owners of the Bonds as a class, with respect to any proof of debt, amendment to proof of debt, petition or other document, and to do and perform any and all acts and things for and in the name of the Registered Owners of the Bonds against the Issuer allowed in any equity receivership, insolvency, liquidation, bankruptcy, reorganization or other proceedings to which the Issuer shall be a party and to receive payment of or on account of such claims. Any such receiver, assignee, liquidator or trustee is hereby authorized by each of the Registered Owners of the Bonds to make such payments to the Trustee, and, in the event that the Trustee shall consent to the making of such payments directly to the Registered Owners of the Bonds, to pay to the Trustee any amount due for compensation and expenses of the Trustee, including counsel fees, incurred up to the date of such distribution, and the Trustee shall have full power of substitution and delegation in respect of any such powers.

Remedies Not Exclusive

No remedy conferred upon or reserved to the Trustee under the Indenture is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or under the Bonds or now or hereafter existing at law or in equity or by statute.

Limitation on Suits

All rights of action in respect of the Indenture shall be exercised only by the Trustee, and the Registered Owner of any Bond shall not have any right to institute any suit, action or proceedings at law or in equity for the appointment of a receiver or for any other remedy hereunder or by reason hereof, unless and until the Trustee shall have received a written request of the Registered Owners of not less than a majority in principal amount of the Senior Lien Bonds then Outstanding, and shall have been furnished reasonable indemnity and shall have refused or neglected for thirty (30) days thereafter to institute such suit, action or proceedings and no direction inconsistent with such written request has been given to the Trustee during such 30-day period by the Registered Owners of not less than a majority in principal amount of the Senior Lien Bonds then Outstanding. The making of such request and the furnishing of such indemnity shall in each and every case be conditions precedent to the execution and enforcement by any Registered Owner of any Bond of the powers and remedies given to the Trustee and to the institution and maintenance by any such Registered Owner of any action or cause of action for the appointment of a receiver or for any other remedy under the Indenture, but the Trustee may, in its discretion, and when thereunto duly requested in writing by the Registered Owners of not less than a majority in principal amount of the Senior Lien Bonds then Outstanding and when furnished indemnity satisfactory to protect it against expenses, charges and liability shall, forthwith take such appropriate action by judicial proceedings otherwise in respect of any existing Event of Default as the Trustee may deem expedient in the interest of the Registered Owners of the Bonds.

Nothing contained in the Indenture, however, shall affect or impair the right of any Registered Owner of any Bonds, which shall be absolute and unconditional, to enforce the payment of the principal of, premium, if any, and interest on the Bonds of such Registered Owner, but only out of the moneys for such payment as herein provided, or the obligation of the Issuer, which shall also be absolute and unconditional, to make payment of the principal of, premium, if any, and interest on the Bonds, but only out of the funds provided herein for such payment, to the respective Registered Owners thereof at the time and place stated in the Indenture.

Resignation of Trustee

Except as otherwise provided by a Supplemental Indenture, the Trustee may at any time resign and be discharged of the duties and obligations created by this Indenture, effective immediately upon the appointment of a successor Trustee, by giving not less than thirty (30) days' written notice to the Issuer and the Operator of the date it desires to resign and mailing written notice to the Registered Owners of all Bonds and such resignation shall take effect immediately on the appointment of a successor Trustee.

Removal of Trustee

The Trustee may be removed, with or without cause, at any time by an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the Issuer or its attorneys-in-fact duly authorized. Notwithstanding the foregoing, any removal of the Trustee shall not be effective until a successor Trustee has been appointed and has assumed the duties and responsibilities of successor Trustee under the Indenture.

Appointment of Successor Trustee.

In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, a successor may be appointed by the Issuer, by an instrument or concurrent instruments in writing signed and acknowledged by the Issuer or by its attorneys-in-fact duly authorized and delivered to such successor Trustee, notification thereof being given to the Operator, the Design/Builder (until such time as the Hotel Project is completed) and the predecessor Trustee. The successor Trustee shall mail notice of the appointment of the successor Trustee to the Registered Owners of all Bonds.

If in a proper case no appointment of a successor Trustee shall be made within 45 days after the Trustee shall have given to the Issuer written notice or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, its removal, or for any other reason whatsoever, the Trustee (in the case of a resignation) may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee.

Any trustee appointed in succession to the Trustee shall be a bank or trust company or national or state banking association (i) duly qualified under the laws of the State to perform the duties of Trustee under the Indenture, and (ii) having (or whose parent holding company shall have) capital stock and surplus aggregating at least $100,000,000 and subject to supervision or examination by federal or state authority.

ECONOMIC DEVELOPMENT AGREEMENT

The following summarizes certain limited provisions of the Economic Development Agreement between the City and the Issuer. Reference is made to the Economic Development Agreement for the detailed provisions thereof. Defined terms in the Economic Development Agreement which are not defined herein will have the meaning assigned to such terms in the Economic Development Agreement, and in the event of any conflicts between any definitions used in this summary and the definitions in the Economic Development Agreement, the provisions of the Economic Development Agreement will control.

ECONOMIC DEVELOPMENT PROGRAM

The City approved an Ordinance (the "Program Ordinance") establishing an economic development program pursuant to Chapter 380, Texas Local Government Code, as amended, for the purpose among others, of making loans and grants of public money to local government corporations created by the City (such as the Issuer) to promote local economic development and stimulate business and commercial activity in the City. Pursuant to the Program Ordinance, the City approved, by ordinance, the Economic Development Agreement (the "Project Ordinance") on June 19, 2009, whereby the City agreed to pledge or grant to the Issuer the City Tax Revenues, consisting of the Convention Center Hotel State HOT Revenues, the Convention Center Hotel State Sales Tax Revenues, and the Convention Center Hotel 7% Local HOT Revenues, in order to provide additional security for the payment of debt service on the Series 2009 Bonds. In addition, the City, in accordance with the terms of the Economic Development Agreement, may, subject to annual appropriation, grant funds to the Issuer in the event that City Tax Revenues and Net Operating Revenues received from the operation of the Hotel Project due to the Issuer during any month are insufficient to fully fund the Senior Debt Service Fund for the payment of debt service due on the Series 2009 Bonds, after drawing upon available reserves to be used for this purpose. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 BONDS – Flow of Funds".

GENERAL

The City has determined that the construction and operation of the Hotel Project will promote local economic development and will stimulate business and commercial activity in the City. In consideration of these benefits, the City and the Issuer have entered into the Economic Development Agreement, whereby the City agrees, subject to annual appropriation, to consider funding a grant in order to supplement the Net Operating Revenues and City Tax Revenues generated by the Hotel Project.

CITY TAX REVENUES

The following sources constitute the “City Tax Revenues” to be made available to the Issuer in support of the Hotel Project:

All revenues derived from the 6% State hotel occupancy tax collected at the Hotel Project during the first ten years after the Hotel Project is open for initial occupancy, pursuant to Section 351.102(c), Texas Tax Code (the "Convention Center Hotel State HOT Revenues"); and

All revenues derived from the 6.25% State sales and use tax collected at the Hotel Project, including from all businesses located in the Hotel Project, during the first ten years after the Hotel Project is open for initial occupancy, pursuant to Section 351.102(c), Texas Tax Code (the "Convention Center Hotel State Sales Tax Revenues"); and

All revenues derived from the 7% City hotel occupancy tax collected at the Hotel Project as long as any Series 2009 Bonds (or Additional Bonds) are outstanding, pursuant to Section 351.102(b), Texas Tax Code (the "Convention Center Hotel 7% Local HOT Revenues").

COVENANTS

Under the terms of the Economic Development Agreement, the City covenants as follows:

While any Series 2009 Bonds or Additional Bonds remain outstanding, the City shall take all steps deemed necessary to enforce the City's rights under Section 351.102(c), Texas Tax Code, to receive the Convention Center Hotel State HOT Revenues and the Convention Center Hotel State Sales Tax Revenues.

While any Series 2009 Bonds or Additional Bonds remain outstanding, the City covenants that (1) it shall continue to levy a hotel occupancy tax on the cost of occupancy of any sleeping room furnished by the Hotel Project, in which the cost of occupancy is $2.00 or more a day, at a rate of at least 7% of the consideration paid by the occupant of the sleeping room to the hotel, all as authorized by Chapter 351, Texas Tax Code, and (2) it will enforce the provisions of any ordinance levying a hotel occupancy tax concerning the collection, remittance and payment of such tax.

The City covenants not to take any actions, the effect of which would be to prevent the Issuer or the Trustee from taking any actions to enforce the obligations of the City to fund the grant of City Tax Revenues under the Economic Development Agreement.

ACCOUNTS FOR DEPOSIT OF CITY TAX REVENUES

The City shall establish the following accounts:

The “Convention Center Hotel State HOT Revenues Account”, into which the City shall deposit all Convention Center Hotel State HOT Revenues when received by the City;

The “Convention Center Hotel State Sales Tax Revenues Account”, into which the City shall deposit all Convention Center Hotel State Sales Tax Revenues when received by the City; and

The “Convention Center Hotel 7% Local HOT Revenues Account”, into which the City shall deposit all Convention Center Hotel 7% Local HOT Revenues when received by the City.

TRANSFERS OF CITY TAX REVENUES TO REVENUE FUND

From and after the Opening Date, on or before 10:00 a.m., Dallas, Texas time, on each Lockbox Fund Transfer Date, the City will transfer to the Trustee in immediately available funds on behalf of the Issuer all City Tax Revenues from the Convention Center Hotel 7% Local HOT Revenues Account, the Convention Center Hotel State HOT Revenues Account and the Convention Center Hotel State Sales Tax Revenues Account, in accordance with wire instructions provided by the Trustee for further deposit by the Trustee into the Revenue Fund.

UNCONDITIONAL PAYMENTS BY THE CITY

In consideration of the Issuer’s agreement to issue the Series 2009 Bonds to fund a portion of the cost of the Hotel Project, the City agrees that it will pay to the Trustee for the benefit of the Issuer, during the term of the Economic Development Agreement, as an unconditional obligation of the City (but solely from the City Tax Revenues), the City Tax Revenues required to be paid under the terms of the Economic Development Agreement, regardless of whether the Hotel Project is completed, operable or operating and notwithstanding the suspension, interruption, reduction or curtailment of operation of the Hotel Project. The payments are not subject to any reduction, whether offset or otherwise, and are not conditional upon (1) performance or default by the Issuer under the Economic Development Agreement or any other obligation or agreement relating to the Series 2009 Bonds to which the Issuer is a party, or (2) whether the Design/Builder shall perform, fail to perform or default in its obligations under the Design/Build Guaranteed Maximum Price Contract or any other document relating to the Series 2009 Bonds or the Hotel Project.

CERTAIN PAYMENTS SUBJECT TO NON-APPROPRIATION

In the event the obligation of the City to transfer City Tax Revenues is held in a final decision by a Texas court of law having competent jurisdiction to create an unconstitutional debt of the City, the grant of all or any part of the City Tax Revenues and the obligation to transfer any Convention Center Hotel State HOT Revenues, Convention Center Hotel State Sales Tax Revenues and Convention Center Hotel 7% Local HOT Revenues shall thereafter automatically be deemed to be subject to annual appropriation by the City Council of the City. The failure to appropriate such amounts in an annual budget shall not constitute a default under the Economic Development Agreement.

APPROPRIATED GRANT PAYMENTS

In order to finance the Hotel Project, the City Council will consider making grants or loans from its general fund to the Issuer. Under the terms of the Economic Development Agreement, the City, at the request of the Issuer, may appropriate funds to the Issuer (the "Appropriated Grant Payments") for the payment of Debt Service on the Series 2009 Bonds should Net Operating Revenues, City Tax Revenues, and reserves held under the Indenture be insufficient to make Senior Debt Service Payments in accordance with the terms of the Indenture. The City may consider making Appropriated Grant Payments, subject to the sufficiency of lawfully available funds, and the City is under no obligation to appropriate funds to grant or loan to the Issuer for any other purpose. The City presently intends to pay all Appropriated Grant Payments or other payments required hereunder. Appropriated Grant Payments shall not be considered or treated as debt of the City.

The City's fiscal year commences October 1. At the end of September of each year, following an extensive budget process involving City staff and the City Council of the City, the City Council adopts a City budget for the following fiscal year. City staff review on a monthly basis the financial affairs of the City, including the financial status of economic development projects such as the Hotel Project. If, from time to time during the fiscal year, the City staff determines that revenues or expenses in the City budget should be revised, a proposed budget amendment is presented to the City Council for its consideration. If the City Council determines, in its sole discretion, to make an Appropriated Grant Payment, the City expects that amounts for such Appropriated Grant Payment will be included either in that fiscal year's original City budget or in an amendment to the City budget then in effect.

TRANSFERS OF APPROPRIATED GRANT PAYMENTS

The City shall establish an account (the "Holding Account"), for the purpose of transferring Appropriated Grant Payments to the Trustee, on behalf of the Issuer. On each Lockbox Fund Transfer Date, commencing with the first month when the amount of Series 2009 Bond proceeds on deposit in the designated Capitalized Interest Accounts within the Senior Debt Service Fund, together with any Direct Payments deposited to the Senior Debt Service Fund, is not sufficient to fully fund the amounts required by the Indenture to be transferred into the Senior Debt Service Fund to pay Debt Service coming due on the next Debt Service Payment Date (which is expected to be on or about July 1, 2012 - the date which is expected to be six months after the initial opening of the Hotel Project), the Trustee is required to transfer from the Revenue Fund to the Senior Debt Service Fund amounts sufficient to fund the Debt Service coming due on the next Debt Service Payment Date. Upon being notified by the Trustee (in accordance with the Indenture) that available funds on deposit in the Revenue Fund, together with transfers from certain other Funds in accordance with the Indenture, have been insufficient to fully fund the amount required to be deposited into the Senior Debt Service Fund to pay the Debt Service on the Series 2009 Bonds and any Additional Bonds on the next scheduled Debt Service Payment Date, the City shall, not later than five Business Days prior to the next Debt Service Payment Date, after being so notified by the Trustee of such insufficiency, transfer from any Appropriated Grant Payment as described in Section 4.4 of the Economic Development Agreement an amount equal to such insufficiency into the Holding Account as long as any Series 2009 Bond or Additional Bond is outstanding. Immediately upon transferring such amount of Appropriated Grant Payment into the Holding Account, the City shall notify the Trustee in writing of such transfer in order to provide assurance to the Trustee that funds then on deposit in the Senior Debt Service Fund, together with Appropriated Grant Payments on deposit in the Holding Account, are sufficient to satisfy the total amount then required by the Indenture to be on deposit in the Senior Debt Service Fund. Upon notice by the Trustee to the City of the amount of an insufficiency in the Senior Debt Service Fund, on the Business Day immediately prior to such Debt Service Payment Date, the City shall transfer an amount equal to such insufficiency from the Holding Account to the Trustee for deposit into the Senior Debt Service Fund. Appropriated Grant Payments on deposit in the Holding Account shall be used only for the purpose of funding any deficiency in the Senior Debt Service Fund and shall never be used to fund any deficiency in the Senior Debt Service Reserve Fund or any other Fund or Account established under the Indenture other than the Senior Debt Service Fund. Moneys on deposit in the Holding Account not needed for transfer to the Trustee for deposit to the Senior Debt Service Fund shall be returned to the City for use for any lawful purpose.

RISK FACTORS

GENERAL

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Series 2009 Bonds. In order to allow potential investors to identify risk factors and make an informed investment decision, a potential investor should be thoroughly familiar with the entire Official Statement and the appendices hereto and should have accessed whatever additional financial and other information it has deemed necessary to make its decision to invest in the Series 2009 Bonds.

Purchasers of the Series 2009 Bonds are advised to consult their tax advisors as to the tax consequences of purchasing or holding the Series 2009 Bonds. Described below are certain factors that could affect completion of the Hotel Project, future use and operation of the Hotel Project, the ability of the Issuer to pay Debt Service on the Series 2009 Bonds.

LIMITED SPECIAL OBLIGATION OF THE ISSUER

The Issuer has no assets other than the Hotel Project and related agreements. The Series 2009 Bonds are not secured by a mortgage lien on the Hotel Project. The Series 2009 Bonds are payable from the Trust Estate pledged under the Indenture. The Trust Estate includes the rights, title, and interest of the Issuer in the amounts that constitute Net Operating Revenues and all of the Issuer's rights, title and interest in and to the Economic Development Agreement, including the right to receive City Tax Revenues and, if made, Appropriated Grant Payments.

The Hotel Operator's ability to derive Net Operating Revenues and City Tax Revenues from the use and operation of the Hotel Project in amounts sufficient to pay Debt Service on the Series 2009 Bonds depends upon numerous factors, both before and after completion of construction of the Hotel Project, most of which are not within the control of the Issuer. Further, additional, and as yet unforeseeable considerations may develop in the future that may significantly affect the construction and/or operation of the Hotel Project.

It is anticipated that the Hotel Project will generate sufficient Net Operating Revenues and City Tax Revenues to enable the Issuer to pay the Debt Service when due on the Series 2009 Bonds. Any Appropriated Grant Payments made by the City are subject to the sufficiency of lawfully available funds, and the City is under no obligation to appropriate funds to grant or loan to the Issuer for any purpose. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 BONDS" and the "ECONOMIC DEVELOPMENT AGREEMENT."

RISKS RELATING TO BUILD AMERICA BONDS

The Issuer intends to issue the Series 2009B Bonds as "Build America Bonds" pursuant to the American Recovery and Reinvestment Act of 2009 and to elect to receive a subsidy payment from United States Treasury equal to 35% of the taxable interest the Issuer pays on the Series 2009B Bonds. In order to receive the subsidy, the Issuer is required to make certain filings with the Internal Revenue Service. If the Issuer fails to make the required filings, it will not be eligible to receive the subsidy payments. Additionally, the proceeds of "Build America Bonds" have a number of limitations on their use. If the Issuer were to use the proceeds of the Series 2009B Bonds for expenditures other than capital expenditures, reasonably required reserve funds, and costs of issuance, the Series 2009B Bonds would not be eligible for the subsidy payments. Finally, it is possible that the subsidy payments could be reduced or eliminated as a result of a change in law. Any reduction or loss of the subsidy payments could have a material adverse effect on the Issuer and/or the Hotel Project.

DEVELOPMENT AND CONSTRUCTION RISKS

Completion

The failure to complete or a delay in the completion of the construction of the Hotel Project will adversely affect the receipt of Net Operating Revenues and City Tax Revenues and, thus, the payment of Debt Service on the Series 2009 Bonds. There are a number of risks and contingencies associated with completion of the construction of the Hotel Project. Contingencies generally involved in the construction of any facility, such as fire, labor difficulties, and problems in obtaining materials, may cause the actual cost of completion to exceed available funds. Furthermore, delay in completion of the Hotel Project for any reason beyond the anticipated completion date may result in a delay in receipt of Net Operating Revenues and City Tax Revenues projected for the Hotel.

Environmental Risks

The Issuer has potential liability for environmental substances under most state and federal environmental statutes, laws, and regulations. In addition to liability for release of hazardous substances at the Hotel Project due to its own actions, the Issuer could be held liable for releases of hazardous substances by previous owners/lessees of the Hotel Project site. No assurance can be given that environmental conditions do not now or will not in the future exist at the Hotel Project which could become the subject of enforcement actions by governmental agencies. However, in connection with this Risk Factor, the Issuer has obtained Phase I and Phase II Environmental Site Assessments for the Hotel Project.

OPERATION RISKS

General

Any factor that adversely affects the receipt of Net Operating Revenues and City Tax Revenues creates a risk that Debt Service on the Series 2009 Bonds will not be paid when due. The principal source of Net Operating Revenues will be revenues derived from room rentals and food and beverage sales to guests of the Hotel Project remaining after payment of Operating Expenses. The principal source of City Tax Revenues will be hotel occupancy taxes collected at the Hotel Project from room rentals, and sales taxes collected at the Hotel Project from the sale of food and beverages, telephone usage and spa services. The primary risk factor associated with the receipt of such revenues is the occupancy level of the Hotel Project room average daily rates ("ADRs"). Because Operating Expenses are paid or funded from Gross Operating Revenues of the Hotel before Debt Service on the Series 2009 Bonds, any factor that decreases occupancy or increases Operating Expenses creates a risk that Debt Service on the Series 2009 Bonds will not be paid when due. Some of the factors that may adversely affect the receipt of Gross Operating Revenues of the Hotel Project are discussed below.

Risks Associated with Hotel Industry

A number of factors, many of which may be beyond the control of the Issuer or the Operator, could have an adverse impact on the Gross Operating Revenues, Operating Expenses and the value of the Hotel Project, including adverse changes in the national economy and levels of tourism, competition from other hotels, sales taxes, energy costs, governmental rules and policies (including environmental restrictions and changes in zoning and land use), potential environmental and other liabilities, interest rate levels, and tax laws affecting real estate. Levels of tourism are highly dependent upon gasoline and other fuel prices, airline fares, and the national economy. In addition, the revenues and value of the Hotel Project are dependent upon convention business in Dallas. Because hotel rooms are rented for a relatively short period of time compared to most other commercial properties, hotels are impacted more quickly by adverse economic conditions and competition than other commercial properties that are rented for longer periods of time.

Occupancy and Room Rate Risks

Revenue from the Hotel Project is largely generated from the rental of hotel rooms. The Issuer's ability to make Debt Service payments largely depends on the occupancy rates and ADRs at the Hotel Project and the ability of the Operator to maintain occupancy volume at a level that does not adversely affect the Hotel's cash flow. Key factors affecting the amount of revenues generated from the rental of hotel rooms include the hotel's brand name recognition, market support, and reservation systems. Occupancy and ADRs will also be affected by factors outside the control of the Issuer and Operator, such as general levels of tourism, convention business, and seasonality. Such fluctuations may adversely affect the amount and timing of Net Operating Revenues and City Tax Revenues and, consequently, adversely affect the amount and timing of amounts available to pay Debt Service on the Series 2009 Bonds.

Marketing; Failure to Attract Guests

The Operator will market the Hotel pursuant to the Hotel Operating Agreement. There can be no assurances that the Operator's efforts will be successful in attracting guests in sufficient numbers who pay room rates sufficient to pay Debt Service on the Series 2009 Bonds.

Economic Conditions

Although the downtown Dallas hotel market has shown strength over regionally competitive cities, during the last few years, the occupancy rates of hotels in most national markets have declined, due in part to the economic slowdown. Hotel rooms are rented for a relatively short period of time compared to most commercial property, and therefore hotels may respond to adverse economic conditions and competition more quickly than commercial properties that are leased or rented for longer periods of time. In addition, occupancy rates and average room rates are dependent in large part on commercial and leisure travel. The Market Study forecasts that approximately 84% of the Hotel's guests will be either convention attendees or part of in-house groups utilizing the meeting space in the Hotel Project, while the remaining 16% will be commercial and leisure travel guests. See "PLAN OF FINANCE – Market Study" and APPENDIX H. Economic factors can influence the budgets of convention planners and companies planning group meetings.

Reliance Upon Dallas Convention Center

According to the Market Study, the ability of the Convention Center to attract citywide and large conventions will have a direct impact on the success of the Hotel Project. See "PLAN OF FINANCE – Market Study" and APPENDIX H. However, there can be no assurance the Convention Center will be successful in attracting larger or more frequent conventions and the City has made no representations, warranties, or covenants regarding the impact that it may have on the occupancy of the Hotel Project. The Convention Center's operations may be affected by casualty losses at the Convention Center or trends in the convention industry, which are further affected by political and economic events beyond the control of the Issuer, the Operator or the City. Finally, although the Convention Center Department has indicated its need for substantial rooms available to users of its facilities, it is not obligated in any way to provide any particular room usage for the benefit of the Hotel Project.

Reliance on Brand Name Recognition and Competent Operator

The occupancy rates and room rates charged by the Hotel Project are dependent in part on national brand name recognition. This is particularly true in the case of a convention center headquarters hotel. Convention planners and in-house group planners in large part book their conventions and groups into hotels with national recognition. In addition, the Market Study bases its economic forecasts on the assumption that Omni, with its national brand name recognition, will competently manage the Hotel Project. While the Issuer has a 15-year contract with Omni to serve as Operator, if Omni were to discontinue its services as Operator or fail to renew the Hotel Operating Agreement in the future, this could adversely impact the occupancy rates and average room rates of the Hotel unless Omni were replaced by a comparable operator with national brand name recognition. "OPERATION OF THE HOTEL PROJECT — Hotel Operating Agreement" for a description of the conditions under which Omni's services as Operator may be terminated prior to the expiration of the 20 year term (15 year term, with one five year renewal option) of the Hotel Operating Agreement.

Competition

The Issuer has no appreciable assets other than its interest in the Hotel Project and related agreements. Therefore, as a practical matter, owners of the Series 2009 Bonds must look to the Hotel Project to produce the revenues and meet its other obligations under the Indenture and the Economic Development Agreement to pay the amounts due under the Indenture, and, in the event of insolvency of the Issuer, the only asset of the Issuer which can reasonably be anticipated to be available to produce revenues to pay the amounts due under the Indenture will be the Hotel Project. The Issuer believes that, based upon HVS's projections, it will be able to receive sufficient revenues from the Hotel Project to meet its obligations under the Indenture. The level of occupancy of the Hotel Project and the room rates charged by the Hotel Project are directly affected by competition from other hotels. As new supply enters the market, or existing hotels are renovated or improved, the Hotel Project's market share and occupancy rates could be adversely impacted. The Hotel Project will not only be subject to competition from other hotels in Dallas and the surrounding area, but will also be affected by competition from other cities across the United States competing for national convention center business. As a convention center headquarters hotel, the Hotel will be competing to attract national convention attendees to the Hotel. As discussed in the Market Study, other cities across the country, including several cities in Texas, are also providing large hotels adjacent to convention centers to attract national conventions. See "PLAN OF FINANCE – Market Study" and APPENDIX H.

Actual Results May Differ From Forecasts

The financial forecast contained herein is based upon assumptions made by the Market Study. There will usually be differences between forecasted and actual results, since events and circumstances frequently do not occur as expected, and those differences may be material. In particular, any substantial decrease in occupancy or average daily rates will reduce revenues available for Debt Service on the Series 2009 Bonds. See "OTHER INFORMATION--Forward Looking Statements."

ENFORCEABILITY OF REMEDIES AND BANKRUPTCY OF OPERATOR

The practical realization of value from the Hotel Project upon any default will depend upon the exercise of various remedies specified by the security documents securing the Series 2009 Bonds. These and other remedies may, in many respects, require judicial actions, which are often subject to discretion and delay. Under existing law (including particularly federal bankruptcy law), the remedies specified by such documents may not be readily available or may be limited. A court may decide not to order the specific performance of the covenants contained in the security documents. In addition, federal bankruptcy law permits the adoption of a reorganization plan even though the plan has not been accepted by the owners of a majority in aggregate principal amount of the Series 2009 Bonds, if such owners are provided with the benefit of their original lien or the "indubitable equivalent" thereof. If a bankruptcy court concludes that the owners of the Series 2009 Bonds have "adequate protection," it may (1) substitute other security subject to the lien of the owners of the Series 2009 Bonds and (2) subordinate the lien of the owners of the Series 2009 Bonds (a) to claims by persons supplying goods and services to the Operator after bankruptcy and (b) to the administrative expenses of the bankruptcy proceeding. In the event of bankruptcy of the Operator, the amount realized by the owners of the Series 2009 Bonds might depend on a federal bankruptcy court's interpretation of "indubitable equivalent" and "adequate protection" under the then existing circumstances. A bankruptcy court may also have the power to invalidate certain provisions of the security documents which make bankruptcy and related proceedings by the Operator an event of default thereunder. The various legal opinions to be delivered concurrently with the delivery of the Series 2009 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by state and federal laws, rulings, and decisions affecting remedies and by bankruptcy, reorganization, or other laws affecting the enforcement of creditors' rights generally.

LIQUIDATION OF SECURITY MAY NOT BE SUFFICIENT IN THE EVENT OF A DEFAULT

In the event of a default by the Issuer under the Indenture, the Trustee must look solely to the Hotel Project and available revenues to pay and satisfy the Series 2009 Bonds in accordance with their terms. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 BONDS" and the "ECONOMIC DEVELOPMENT AGREEMENT." In the event the revenues from the Hotel Project are insufficient to pay the amounts due on the Series 2009 Bonds, then once the other security for the Series 2009 Bonds has been exhausted, including any payments made pursuant to the Economic Development Agreement, the owners of the Series 2009 Bonds will have no person or entity to pursue for any deficiency which may exist. The practical use of the Hotel Project is limited to its use as a hotel. The Series 2009 Bonds are not secured by a mortgage lien on the Hotel Project, and the Trustee has no ability to foreclose on the Hotel Project in the event of a default by the Issuer.

INSURANCE

The Design/Builder is obligated to obtain or cause to be obtained insurance providing coverage in the amount required by the Design/Build Guaranteed Maximum Price Contract until completion of the Hotel. Thereafter, the Operator is obligated to obtain insurance providing coverage in the amount required by the Hotel Operating Agreement. An unanticipated volume of claims under these insurance policies, however, could cause the payment of unforeseen amounts as deductibles and increased premiums, thereby adversely affecting the Issuer's finances.

INSURANCE PROCEEDS MAY NOT BE SUFFICIENT IN THE EVENT OF DAMAGE OR DESTRUCTION

The owners of the Series 2009 Bonds must look primarily to the Net Operating Revenues and City Tax Revenues, and, if made under the Economic Development Agreement, Appropriated Grant Payments, to pay and satisfy the Series 2009 Bonds in accordance with their terms. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 BONDS" and the "ECONOMIC DEVELOPMENT AGREEMENT." The Indenture requires that in the event of damage to, destruction of, condemnation of, or a title defect relating to the Hotel Project, if the conditions set forth in the Indenture for such application have been met, the Issuer will apply the proceeds of insurance or condemnation award, together with other amounts available therefor, to repair or replace the property damaged, destroyed, or taken, as applicable, and apply any proceeds not used for repair or replacement to the payment of any reimbursement obligations then due and owing and then to the redemption of the Series 2009 Bonds. In addition, in the event the damage to, destruction of, condemnation of, or a title defect relating to the Hotel Project, in which there are not sufficient proceeds to repair or replace the Hotel, then the proceeds will be applied to redeem the Series 2009 Bonds in accordance with the provisions set forth under the caption "THE SERIES 2009 BONDS – Extraordinary Mandatory Redemption Provisions" herein.

STATE TAX REVENUES SUBJECT TO NON-APPROPRIATION UPON THE OCCURRENCE OF CERTAIN EVENTS

In the event that the obligations of the City to grant to the Issuer and the Convention Center Hotel State HOT Revenues and the Convention Center Hotel State Sales Tax Revenues and the funds on deposit in Convention Center Hotel State Sales Tax Revenues Account and the Convention Center Hotel State HOT Revenues Account under the Economic Development Agreement are held by a Texas court of law of competent jurisdiction to create an unconstitutional debt of the City, the grant of such revenues and funds, and the obligations of the City set forth in the Economic Development Agreement to transfer any Convention Center Hotel State HOT Revenues and Convention Center Hotel State Sales Tax Revenues to the Trustee, will thereafter automatically be deemed to be subject to annual appropriation by the City Council of the City. Among the factors that might affect the willingness of the City each year to make such appropriations are the sufficiency of the City Tax Revenues generated by or at the Hotel Project to make such grant, budgetary needs, perceived budgetary needs or mere temptations to use such tax revenues for competing purposes, including lease payments subject to annual appropriation for facilities deemed more essential to governmental operations, and the experience and political perspectives of the Mayor and City Council members. The City expects that City Tax Revenues will provide enough money in each year to allow the City pledge or grant of the City Tax Revenues, as needed. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 BONDS—Economic Development Agreement."

The availability of the 6% State HOT Revenues and the 6.25% State Sales Tax Revenues for annual appropriation could be influenced by factors including (a) the amount of retail activity within the Hotel Project and (b) federal and State legislators' ability to modify which transactions are exempt from sales taxes.

Appropriated Grant Payments

The City is under no legal obligation under the terms of the Economic Development Agreement to appropriate funds to make an Appropriated Grant Payment. Should the City make an Appropriated Grant Payment, it is under no obligation to make any Appropriated Grant Payments in the future.

TAX MATTERS

THE FOLLOWING DISCUSSION, WHICH WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE SALE OF THE SERIES 2009 BONDS, IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY TAXPAYER, TO AVOID PENALTIES THAT MIGHT BE IMPOSED ON THE TAXPAYER IN CONNECTION WITH THE MATTERS DISCUSSED THEREIN.

Certain Federal Income Tax Considerations

General. The following discussion is a summary of certain expected material federal income tax consequences of the purchase, ownership and disposition of the Series 2009 Bonds and is based on the Internal Revenue Code of 1986, as amended (the "Code"), the regulations promulgated thereunder, published rulings and pronouncements of the Internal Revenue Service ("IRS") and court decisions currently in effect. There can be no assurance that the IRS will not take a contrary view, and no ruling from the IRS, has been, or is expected to be, sought on the issues discussed herein. Any subsequent changes or interpretations may apply retroactively and could affect the opinion and summary of federal income tax consequences discussed herein.

The following discussion is not a complete analysis or description of all potential U.S. federal tax considerations that may be relevant to, or of the actual tax effect that any of the matters described herein will have on, particular holders of the Series 2009 Bonds and does not address U.S. federal gift or estate tax or (as otherwise stated herein) the alternative minimum tax, state, local or other tax consequences. This summary does not address special classes of taxpayers (such as partnerships, or other pass-thru entities treated as a partnerships for U.S. federal income tax purposes, S corporations, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, real estate investment trusts, grantor trusts, former citizens of the U.S., broker-dealers, traders in securities and tax-exempt organizations, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be subject to or personal holding company provisions of the Code) that are subject to special treatment under U.S. federal income tax laws, or persons that hold Series 2009 Bonds as a hedge against, or that are hedged against, currency risk or that are part of hedge, straddle, conversion or other integrated transaction, or persons whose functional currency is not the "U.S. dollar". This summary is further limited to investors who will hold the Series 2009 Bonds as "capital assets" (generally, property held for investment) within the meaning of Section 1221 of the Code. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

As used herein, the term "U.S. Holder" means a beneficial owner of a Series 2009 Bond who or which is: (i) an individual citizen or resident of the United States, (ii) a corporation or partnership created or organized under the laws of the United States or any political subdivision thereof or therein, (iii) an estate, the income of which is subject to U.S. federal income tax regardless of the source; or (iv) a trust, if (a) a court within the U.S. is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (b) the trust validly elects to be treated as a U.S. person for U.S. federal income tax purposes. As used herein, the term "Non-U.S. Holder" means a beneficial owner of a Series 2009 Bond that is not a U.S. Holder.

THIS SUMMARY IS INCLUDED HEREIN FOR GENERAL INFORMATION ONLY AND DOES NOT DISCUSS ALL ASPECTS OF THE U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF SERIES 2009 BONDS IN LIGHT OF THE HOLDER'S PARTICULAR CIRCUMSTANCES AND INCOME TAX SITUATION. PROSPECTIVE HOLDERS OF THE SERIES 2009 BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE SERIES 2009 BONDS BEFORE DETERMINING WHETHER TO PURCHASE SERIES 2009 BONDS.

INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX IMPLICATIONS OF THE PURCHASE, OWNERSHIP OR DISPOSITION OF THE SERIES 2009 BONDS UNDER APPLICABLE STATE OR LOCAL LAWS, OR ANY OTHER TAX CONSEQUENCE. FOREIGN INVESTORS SHOULD ALSO CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES UNIQUE TO NON-U.S. HOLDERS.

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Series 2009B Bonds and the Series 2009C Bonds will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to backup withholding under Section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

SERIES 2009A BONDS

Opinion. On the date of initial delivery of the Series 2009 Bonds, McCall, Parkhurst & Horton L.L.P. and Escamilla & Poneck, Inc., co-Bond Counsel to the Issuer, will render their opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Series 2009A Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Series 2009A Bonds are obligations described in section 1503 of The American Recovery and Reinvestment Act of 2009 and accordingly, the interest on the Series 2009A Bonds will not be included in the owner's alternative minimum taxable income under section 55 of the Code. Except as stated above, co-Bond Counsel to the Issuer will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Series 2009A Bonds. See **"**Appendix G -- Form of Opinions of Co-Bond Counsel".

In rendering their opinion, co-Bond Counsel to the Issuer will rely upon (a) certain information and representations of the Issuer, including information and representations contained in the Issuer's federal tax certificate related to the Series 2009A Bonds, and (b) covenants of the Issuer contained in the Series 2009A Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Series 2009A Bonds and the property financed or refinanced therewith. Failure by the Issuer to observe the aforementioned representations or covenants could cause the interest on the Series 2009A Bonds to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Series 2009A Bonds in order for interest on the Series 2009A Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Series 2009A Bonds to be included in gross income retroactively to the date of issuance of the Series 2009A Bonds. The opinion of co-Bond Counsel to the Issuer is conditioned on compliance by the Issuer with such requirements, and co-Bond Counsel to the Issuer has not been retained to monitor compliance with these requirements subsequent to the issuance of the Series 2009A Bonds.

Co-Bond Counsel's opinion regarding the Series 2009A Bonds represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Co-Bond Counsel's opinion related to the Series 2009A Bonds is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Series2009A Bonds.

Federal Income Tax Accounting Treatment of Original Issue Discount. The initial public offering price to be paid for one or more maturities of the Series 2009A Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any U.S. Holder who has purchased a Series 2009A Bond as an Original Issue Discount Bond in the initial public offering 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 accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below. 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 U.S. Holder in excess of the basis of such Original Issue Discount Bond in the hands of such U.S. Holder (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.

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 Series 2009A 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 (a) 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 (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

All U.S. Holders 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 the treatment 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.

Collateral Federal Income Tax Consequences. Under section 6012 of the Code, U.S. Holders of tax-exempt obligations, such as the Series 2009A Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Series 2009A Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

SERIES 2009B BONDS - CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES TO U.S. HOLDERS

Periodic Interest Payments and Original Issue Discount. The Issuer has made an election to treat the Series 2009B Bonds as Direct Pay Build America Bonds; thus, the Series 2009B Bonds are not obligations described in Section 103(a) of the Code. Accordingly, the stated interest paid on the Series 2009B Bonds or original issue discount, if any, accruing on the Series 2009B Bonds will be includable in "gross income" within the meaning of Section 61 of the Code of each owner thereof and be subject to federal income taxation when received or accrued, depending upon the tax accounting method applicable to such owner.

Disposition of Series 2009B Bonds. An owner will recognize gain or loss on the redemption, sale, exchange or other disposition of a Series 2009B Bond equal to the difference between the redemption or sale price (exclusive of any amount paid for accrued interest) and the owner's tax basis in the Series 2009B Bonds. Generally, a U.S. Holder's tax basis in the Series 2009B Bonds will be the owner's initial cost, increased by income reported by such U.S. Holder, including original issue discount and market discount income, and reduced, but not below zero, by any amortized premium. Any gain or loss generally will be a capital gain or loss and either will be long-term or short-term depending on whether the Series 2009B Bonds has been held for more than one year.

Defeasance of the Series 2009B Bonds. Defeasance of any Series 2009B Bond may result in a reissuance thereof, for U.S. federal income tax purposes, in which event a U.S. Holder will recognize taxable gain or loss as described above.

SERIES 2009B BONDS - CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS

A Non-U.S. Holder that is not subject to U.S. federal income tax as a result of any direct or indirect connection to the U.S. in addition to its ownership of a Series 2009B Bond, will not be subject to U.S. federal income or withholding tax in respect of such Series 2009B Bond, provided that such Non-U.S. Holder complies, to the extent necessary, with identification requirements including delivery of a signed statement under penalties of perjury, certifying that such Non-U.S. Holder is not a U.S. person and providing the name and address of such Non-U.S. Holder. Absent such exemption, payments of interest, including any amounts paid or accrued in respect of accrued original issue discount, may be subject to withholding taxes, subject to reduction under any applicable tax treaty. Non-U.S. Holders are urged to consult their own tax advisors regarding the ownership, sale or other disposition of a Series 2009B Bond.

The foregoing rules will not apply to exempt a U.S. shareholder of a controlled foreign corporation from taxation on the U.S. shareholder's allocable portion of the interest income received by the controlled foreign corporation.

SERIES 2009C BONDS – CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES TO U.S. HOLDERS

Periodic Interest Payments and Original Issue Discount - On the date of issue, Co-Bond Counsel, will render an opinion that the Series 2009C Bonds are not obligations described in section 103(a) of the Code. Accordingly, the stated interest paid on the Series 2009C Bonds or original issue discount, if any, accruing on the Series 2009C Bonds will be included in "gross income" within the meaning of section 61 of the Code of the owners and be subject to federal income taxation when received or accrued, depending upon the tax accounting method applicable to the owner thereof.

Disposition of Series 2009C Bonds - An owner will recognize gain or loss on the redemption, sale or exchange of a Series 2009C Bond equal to the difference between the redemption or sale price (exclusive of any amount paid for accrued interest) and the owner's tax basis in the Series 2009C Bond. Generally, the owner's tax basis in the Series 2009C Bond will be the owner's initial cost. Any gain or loss generally will be a capital gain or loss and either will be long-term or short-term depending on whether the Series 2009C Bond has been held for more than one year.

Under statutes, regulations, published rulings and court decisions existing on the date of initial delivery of the Series 2009C Bonds, purchasers of the Series 2009C Bonds who do not purchase the Series 2009C Bonds in the initial public offering at the initial public offering price (a "subsequent purchaser") will generally be required, on the disposition of a Series 2009C Bond, to recognize as ordinary income a portion of the gain, if any, to the extent of the accrued "market discount". Market discount is the amount by which the price paid for a Series 2009C Bond by a subsequent purchaser is less than the Series 2009C Bond's "stated redemption price at maturity" (or, in the case of a Series 2009C Bond issued at an original issue discount, if any, the Series 2009C Bond's "revised issue price"). In such instances, section 1277 of the Code also may apply so as to defer the deductibility of all or a portion of the interest incurred by a subsequent purchaser with respect to amounts borrowed to acquire a Series 2009C Bond with market discount.

Required Reporting to Internal Revenue Service - Subject to certain exceptions, interest payments made to the owners with respect to the Series 2009C Bonds will be reported to the IRS. Such information will be filed each year with the Service on Form 1099 which will reflect the name, address and taxpayer identification number of the registered owner. A copy of Form 1099 will be sent to each registered owner of a Series 2009C Bond for federal income tax reporting purposes.

Other Federal Income Tax Consequences - The Code requires debt obligations, such as the Series 2009C Bonds, to be issued in registered form and denies certain tax benefits to the Issuer and the holders of obligations failing this requirement. The Issuer shall issue the Series 2009C Bonds in registered form. Interest paid to an owner of a Series 2009C Bond ordinarily will not be subject to withholding of federal income tax if such owner is a United States person. A United States person, however, will be subject to withholding of such tax at a rate set forth in section 3406 of the Code. This withholding generally applies if the owner of a Series 2009C Bond (i) fails to furnish to the Issuer such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnishes the Issuer an incorrect TIN, (iii) fails to report properly interest, dividends or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the Issuer or such owner's broker with a certified statement, signed under penalty or perjury, that the TIN provided to the Issuer is correct and that such owner is not subject to backup withholding.

Holders of the Series 2009C Bonds should be aware that the cash or obligations of the United States as described in the Indenture deposited by the Issuer with the Trustee and the release of the Indenture (a "defeasance") for federal income tax purposes could result in the recognition by the holder of taxable income (or loss), without any corresponding receipt of monies by the holder. In addition, for federal tax purposes, the character and time of receipt of payments on the Series 2009C Bonds subsequent to any such defeasance also could be affected. Holders are advised to consult their own tax advisors with respect to the tax consequences resulting from such events.

SERIES 2009C BONDS – CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS

Investors should consult their own tax advisors concerning the tax implications of holding and disposing of the Series 2009C Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

LITIGATION

LITIGATION AFFECTING THE SERIES 2009 BONDS OR THE HOTEL PROJECT

There is no pending litigation, or, to the knowledge of the Developer, the Design/Builder, the Operator, the City Attorney of the City or the Issuer, litigation threatened in writing against the Developer, the Design/Builder, the Operator, the City or the Issuer, respectively, that in any way materially challenges the validity of the Series 2009 Bonds or any proceedings or transactions relating to the authorization, sale or delivery of the Series 2009 Bonds or that materially challenges the construction, operation or management of the Hotel Project, or the enforceability of the Indenture, the Economic Development Agreement, the Cash Management Agreement, the Design/Build Guaranteed Maximum Price Contract, the Developer Agreement, the Technical and Pre-Opening Services Agreement, the Hotel Operating Agreement, or the Room Block Agreement.

LITIGATION AFFECTING THE CITY

The City is a party to various lawsuits in the normal course of business. It is the opinion of the City Attorney and City Management that, except as described herein below, there is no pending litigation against the City that if decided adversely to the City, would have a material adverse financial impact upon the City or its operations.

The City is a defendant in six (6) lawsuits, including two class actions, arising from City Ordinance No. 16084, adopted on January 22, 1979. All of the lawsuits allege that current and past police and fire pay schedules were adopted in violation of a referendum approved by the voters in 1979. All Plaintiffs claim that the City failed to maintain percentage pay differentials between grades in the sworn ranks as required by the referendum, and seek compensation for alleged underpayments of salaries and loss of value of retirement benefits.

It is the City's position that the 1979 referendum only mandated that pay raises be made in fiscal year 1978-1979 and that there was no continuing obligation of the City to maintain pay scale differentials, as alleged by the plaintiffs. The City has asserted its governmental immunity and various special exceptions and affirmative defenses, and disputes the Plaintiffs' allegations in all of the lawsuits.

The Plaintiffs in Albert, et al. v. City of Dallas (Cause No. 199-697-94) ("Albert") are 808 members of the Dallas Fire Department. The Plaintiffs in Arredondo, et al. v. City of Dallas (Cause No. 199-1743-99) are 16 members of the Dallas Fire Department who were originally plaintiffs in Albert but whose claims were severed in October 1999. The Plaintiffs in Barber, et al. v. City of Dallas (Cause No. 199-624-95) are 71 members of the Dallas Fire Department. The Plaintiffs in Willis, et al, v. City of Dallas (Cause No. 199-200-95) are 772 members of the Dallas Police Department. Parker et al. v. City of Dallas (Cause No. 1-95-107) is a class action lawsuit. The Parker Plaintiff class consists of all current, past or future members of the sworn ranks of the Dallas Police Department, as well as their spouses, heirs or estates. Martin, et al. v. City of Dallas (Cause No. 1-95-506) is the other class action lawsuit. The Martin Plaintiff class consists of current, past and future members of the sworn ranks of the Dallas Fire Department, as well as their spouses, heirs or estates. Both of the class action lawsuits have been certified. In addition, in September 1999, the Dallas Police and Fire Pension System intervened in the lawsuits seeking contributions from both its members (Plaintiffs) and the City of Dallas in the event of a final judgment awarding back pay to Plaintiffs.

In the two class action lawsuits, the Plaintiffs have alleged damages of approximately $94,000,000. The amount of alleged damages has not been specified in the other lawsuits. The Plaintiffs also seek an award of attorney fees in an unspecified amount in connection with their breach of contract and declaratory relief claims. Although the City has stated that the total recovery in the cases could exceed $1 billion, any estimate of damage at this stage in the litigation is speculative. Unless the current Court of Appeals decision, as described below, is reversed, the City if not liable for back pay damages to the Plaintiffs and any damages would be significantly more limited.

In August 1997, the trial court in Albert, the oldest of the cases, issued an order holding that the City had not maintained the percentage pay differentials between grades; however, the court also held that the remedy was within the City's discretion and that salaries could be either raised or lowered to conform to the appropriate percentage differentials. The City adopted a resolution implementing a remedy which was submitted to the court for approval. In May 1999, the court determined that the City's remedy was not adequate and, upon motion of sixteen (16) of the 824 Albert Plaintiffs, entered an Order Granting Partial Summary Judgment in favor of those sixteen Plaintiffs, awarding damages of $1.7 million to the sixteen Plaintiffs. Plaintiffs requested that the Court sever that portion of the case as to the sixteen Plaintiffs and enter a final order in their favor. On October 20, 1999, the Court granted the Plaintiffs' motion for severance, making the Partial Summary Judgment final with respect to the sixteen Plaintiffs, whose claims are now styled, Arredondo, et al v. City of Dallas (Cause No. 199-1743-99). On October 28, 1999, the sixteen Plaintiffs appealed the Court's Final Summary Judgment order based on the measure of damages issue and on January 4, 2000, the City appealed the Final Summary Judgment as to both liability and damages issues. The Arredondo appeal (No. 05-99-01819-CV) was fully briefed and oral argument was held on November 28, 2000. On June 4, 2002, the court of appeals reversed the trial court's judgment and remanded the case to the trial court, holding that the ordinance is patently ambiguous and that resolution of the ambiguity (regarding whether the word "maintain' applies only to the one-time raise provided in the ordinance or also to all future pay scales) would be a question for the finder of fact based on contemporaneous evidence of the voters' intent in passing the referendum. The Arredondo plaintiffs filed a petition for review in the Texas Supreme Court. That petition was denied.

Apart from the ambiguity issues, constitutional prohibitions against imposing or creating debts by or upon Texas municipalities, constitutional prohibitions against increasing compensation under contracts once created, and established statutory time limitations and procedures for the recovery of money based on alleged claims against the City, the City believes and contends, among other matters, that the 1979 referendum did not itself conform to the requirements of applicable law in effect at the time, that any ordinances or practices founded on that election are void *ab initio*, and that the statutes relied on by the court, if correctly applied, are unconstitutional as thus applied. Moreover, it is the City's belief and contention that, even if applicable, questions of damages are questions of fact and not of law, to be based on factual evidence, including such factual matters as the history, salary schedules, and similar factual and legal matters and other matters that should be considered by the court. Finally, in June 2003, the City filed please to the jurisdiction in all six cases, asserting governmental immunity from suit. The trial courts denied the

City’s pleas and the City appealed the denials in all six cases to the Dallas Court of appeals for the Fifth District of Texas.

On December 21, 2006, the Court of Appeals reversed the trial courts in all six cases and upheld the City’s governmental immunity from Plaintiffs’ breach-of-contract claims. However, the Court of Appeals affirmed the trial courts’ denial of the City’s pleas regarding the Plaintiffs’ claims for prospective declaratory relief. The result of the Court of appeals decision is that the City is not liable for back pay damages to the Plaintiffs.

Both the City and the Plaintiffs have filed petitions for review with the Texas Supreme Court, which remain pending. If the Texas Supreme Court affirms the Court of Appeals’ decision, the Plaintiffs will be relegated to prospective declaratory relief determining their entitlement to future pay raises. However, if the Texas Supreme Court reverses and affirms the trial courts’ denial of the City’s pleas to the jurisdiction, the City would continue to vigorously assert its arguments regarding ambiguity, constitutionality and other defenses.

CONTINUING DISCLOSURE

In connection with the issuance of the Series 2009 Bonds and to assist the underwriters in complying with Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934, as amended, the Issuer, the City and the Trustee have entered into a Continuing Disclosure Agreement.

ANNUAL REPORTS

The Issuer and the City will provide certain updated financial information and operating data to the MSRB. The fiscal year for the Hotel operations is based on a calendar year, as provided in the Hotel Operating Agreement. The Issuer has committed to provide annually, by no later than June 30 of each year, beginning with the June 30 that immediately follows the end of each fiscal year of the Hotel Project, during which the Hotel Project first opens (which is expected to be in 2012), the financial information and operating data with respect to the Hotel Project containing essentially the same type of information as specified and included in Table 4 in this Official Statement relating to the Series 2009 Bonds; provided, however, the Issuer will only be obligated to provide historical financial and operating data of the type of information specified and included in such Table and not pro forma or forecasted information, and such historical information will include information for the preceding five fiscal years of the Hotel Project (or, until the Hotel Project has been in operation for five complete fiscal years, from the opening date of the Hotel Project). Furthermore, information presented in Table 4 to show debt service coverages will compare the Net Operating Income, as defined in the Hotel Operating Agreement, generated by the Hotel Project during a fiscal year of the Hotel Project against the debt service due and payable on the Series 2009 Bonds on the July 1 and January 1 debt service payment dates as shown in the following example. For 2012, the debt service due on the July 1, 2012 and the January 2013 debt service payment dates would be utilized.

The Issuer and the City have also committed to provide annually all quantitative financial information and operating data with respect to the Issuer and the City of the general type included in this Official Statement under Appendix B. The Issuer and the City will update and provide this information within six months after the end of each fiscal year of the City and the Issuer, ending on September 30, ending in and after 2009. If the Issuer or the City changes its fiscal year, it will notify the MSRB of the change.

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 the Rule. The updated information will include audited financial statements, if the Issuer and 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 Issuer and 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 the Continuing Disclosure Agreement or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

MATERIAL EVENT NOTICES

The Issuer will also provide timely notices of certain events to the MSRB. The Issuer will provide notice of any of the following events with respect to the Series 2009 Bonds, if such event is material to a decision to purchase or sell Series 2009 Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Series 2009 Bonds; (7) modifications to rights of holders of the Series 2009 Bonds; (8) Series 2009 Bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2009 Bonds; and (11) rating changes. In addition, the Issuer will provide timely notice of any failure by the Issuer or the City to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

AVAILABILITY OF INFORMATION FROM THE MSRB

The Issuer and the City have agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS

The Issuer and the City have agreed to update information and the Issuer has agreed 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 Issuer and the City make no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Series 2009 Bonds at any future date. The Issuer and the City disclaim any contractual or tort liability for damages resulting in whole or in part from any breach of their continuing disclosure agreement or from any statement made pursuant to their agreement, although registered owners of Bonds may seek a writ of mandamus to compel the City to comply with their agreement.

The Issuer and the City may amend their 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 Series 2009 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 Series 2009 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 Rule or a court of final jurisdiction enters judgment that such provisions of the Rule or 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

The Continuing Disclosure Agreement is the first agreement by the Issuer to comply with the Rule. Except as described below, the City has been in compliance during the last 5 years with its undertakings under the Rule. The City did not receive its comprehensive annual financial report for the fiscal year ended September 30, 2006 (the "CAFR") from its external auditors prior to the time the City was obligated under its continuing disclosure undertakings in its various proceedings adopted in connection with the issuance of debt obligations, to file the CAFR with the NRMSIRs and the SID, and in accordance with its continuing disclosure undertakings, the City filed unaudited financial statements with the NRMSIRs and the SID, which unaudited financial statements included financial information relating to the City. In July 2007, the City received the CAFR. The City failed to file the CAFR with the NRMSIRs and the SID upon its receipt as it was advised by its external auditors that a separate financial audit of the City's waterworks and sewer system, which the City is obligated to file with the NRMSIRs and the SID under its continuing disclosure undertaking in respect to the waterworks and sewer system revenue bonds issued by the City, was expected to be completed concurrently with the completion of the CAFR. The City filed the CAFR with the NRMSIRs and the SID on September 27, 2007.

OTHER INFORMATION

RATINGS

Moody's Investors Service, Inc. (Moody's") and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, ("S&P") have assigned ratings of "A2" and "A+", respectively. The ratings reflect only the respective views of such organizations and the Issuer 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 either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Series 2009 Bonds.

UNDERWRITING

The Underwriters of the Series 2009 Bonds have agreed, subject to certain conditions, to purchase all of the Series 2009 Bonds from the Issuer at an aggregate purchase price to be paid by the Underwriters (a) for the Series 2009A Bonds of $74,272,377.69 (representing the principal amount of the Series 2009A Bonds plus a net original issue premium of $572,164.85 on certain Series 2009A Bonds, less an Underwriters' discount of $710,984.36), (b) for the Series 2009B Bonds of $383,243,965.15 (representing the principal amount of the Series 2009B Bonds, less an Underwriters' discount of $4,931,034.85), (c) for the Series 2009C Bonds of $17,058,972.64 (representing the principal amount of the Series 2009C Bonds, less an Underwriters' discount of $176,027.36). The Underwriters will be obligated to purchase all of the Series 2009 Bonds if any Series 2009 Bonds are purchased, such obligations being subject to certain terms and conditions set forth in a Purchase Agreement between the underwriters and the Issuer, the approval of certain legal matters by counsel and certain other conditions. The initial offering prices for the Series 2009 Bonds may be changed from time to time by the Underwriters.

Citigroup Inc., parent company of Citigroup Global Markets Inc., an underwriter of the Series 2009 Bonds, has entered into a retail brokerage joint venture with Morgan Stanley. As part of the joint venture, Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2009 Bonds.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

LEGAL MATTERS

Certain legal matters incident to the authorization, issuance, placement, and delivery of the Series 2009 Bonds by the Issuer are subject to the approving opinion of the Attorney General of the State of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas and Escamilla & Poneck, Inc., Dallas, Texas, Co-Bond Counsel. The forms of the opinions of Co-Bond Counsel with respect to each of the Series 2009 Bonds is attached hereto as APPENDIX H and will be available at the time of delivery of the Series 2009 Bonds. Other than the descriptions of legal documents and Co-Bond Counsel’s legal opinions set forth herein under the captions "THE SERIES 2009 BONDS," "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 BONDS," "TAX MATTERS," "ECONOMIC DEVELOPMENT AGREEMENT," and "CONTINUING DISCLOSURE" (except for information under the subheading "Compliance with Prior Undertakings"), "APPENDIX C- Master Glossary," (excluding any definitions which are not defined in the "Master Glossary of Terms for Financing Documents" or in other Financing Documents) and "APPENDIX G- Forms of Co-Bond Counsel Opinions" which have been reviewed by Co-Bond Counsel, Co-Bond Counsel has not reviewed nor undertakes any responsibility for any of the information contained in this Official Statement. The Series 2009 Bonds are offered for delivery when, as, and if issued, subject to the approving opinion of the Attorney General of the State of Texas and the legal opinion of McCall, Parkhurst & Horton L.L.P. and Escamilla & Poneck, Inc., Dallas, Texas, Co-Bond Counsel. Certain legal matters will be passed on for the Issuer by its special counsel, Jeffer, Mangels, Butler & Marmaro L.L.P.; for the City by the Dallas City Attorney; for the Underwriters by their counsel, Locke Lord Bissell & Liddell LLP, Dallas, Texas and Adorno Yoss White & Wiggins, LLP, Dallas, Texas; for the Design/Builder by its counsel, Rodney Moss, Esq., Division and Chief Legal Officer and Division Senior Vice President, Balfour Beatty Construction; for the Developer by its counsel, Hunton & Williams LLP, Dallas, Texas; and for the Operator by its counsel, Winstead PC and Kutak Rock LLP. The fees of Co-Bond Counsel and Co-Counsel to the Underwriters are contingent upon the issuance and delivery of the Series 2009 Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Series 2009 Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that express of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Not does the rendering of an opinion guarantee the outcome of any legal dispute that may arise of the transaction.

CO-FINANCIAL ADVISORS

First Southwest Company and Estrada Hinojosa & Company, Inc. are employed as Co-Financial Advisors to the City in connection with the issuance of the Bonds. The Co-Financial Advisors' fees for services rendered with respect to the sale of the Bonds are contingent upon the issuance and delivery of the Bonds. First Southwest Company and Estrada Hinojosa & Company, Inc. in their capacity as Co-Financial Advisors, have relied on the opinion of Co-Bond Counsel and have not verified and do 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 Series 2009A Bonds or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. In the normal course of business, First Southwest Company may from time to time sell investment securities to the City for the investment of bond proceeds or other funds of the City upon the request of the City.

The Co-Financial Advisors to the City have provided the following sentence for inclusion in this Official Statement. The Co-Financial Advisors have reviewed the information in this Official Statement in accordance with, and as part of, their 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 Co-Financial Advisors do not guarantee the accuracy or completeness of such information.

FORWARD-LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided by the Issuer, that are not purely historical, are forward-looking statements, including certain statements in "APPENDIX H – HVS Report" and other statements regarding the Issuer'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 Issuer on the date hereof, and the Issuer assumes no obligation to update any such forward-looking statements. It is important to note that the Issuer's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements 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 Issuer. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

In considering the matters set forth in this Official Statement, prospective investors should carefully review all information included herein (particularly, the information under the caption "RISK FACTORS," and the pledge of such revenues as described under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009 BONDS") to identify any investment considerations. Potential investors should be thoroughly familiar with this entire Official Statement and the appendices hereto, and should have accessed whatever additional financial and other information any such investor may deem necessary, prior to making an investment decision with respect to the Series 2009 Bonds.

MISCELLANEOUS INFORMATION

There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statues, documents, and ordinances in this Official Statement are made subject to all of the provisions of such statutes, documents, and ordinances. 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. This Official Statement, and the execution and delivery of this Official Statement, were authorized by the Issuer.

/s/ Ryan Evans
President
DALLAS CONVENTION CENTER
HOTEL DEVELOPMENT
CORPORATION

ATTEST

/s/ Frank Poe
Secretary
DALLAS CONVENTION CENTER
HOTEL DEVELOPMENT
CORPORATION

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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EMPLOYMENT DATA . . .

A diverse economy and highly-skilled work force contribute to the strengths of the City. The City is a center for high technology, retail and wholesale trade, finance, major medical facilities, culture and recreation and a convention and visitor destination. The following exhibits show the City's civilian employment over the last several years, the employment by sector and the major employers within the Dallas area.

EMPLOYMENT STATISTICS . . .

	May 2009	May 2008	May 2007	May 2006	May 2005
Civilian Labor Force (City of Dallas)	591,370	586,344	575,442	583,602	580,799
Civilian Labor Force (Dallas Metro Div*)	2,113,480	2,091,083	2,053,170	2,044,168	2,002,864
Total Employed (City of Dallas)	547,979	557,192	550,221	552,856	549,179
Total Employed (Dallas Metro Div*)	1,962,244	1,995,235	1,970,270	1,945,553	1,900,052
Total Unemployed (City of Dallas)	43,391	29,152	25,221	30,746	31,620
Total Unemployed (Dallas Metro Div*)	151,236	95,848	82,900	98,615	102,812
% Unemployed (City of Dallas)	7.3%	5.0%	4.4%	5.3%	5.4%
% Unemployed (Dallas Metro Div*)	7.2%	4.6%	4.0%	4.8%	5.1%
% Unemployed (Dallas County)	7.4%	4.9%	4.3%	5.1%	5.5%
% Unemployed (Texas)	6.9%	4.5%	4.0%	4.9%	5.2%
% Unemployed (U.S.)	9.1%	5.2%	4.3%	4.4%	4.9%

*Dallas –Plano-Irving Metropolitan Division is an eight-county area which includes Collin, Dallas, Delta, Denton, Ellis, Hunt, Kaufman and Rockwall Counties

Sources: Texas Workforce Commission, July 2009 (Actual data – seasonal adjustments not applied.)
Bureau of Labor Statistics, July 2009

AVERAGE ANNUAL UNEMPLOYMENT RATES . . .

	2008	2007	2006	2005	2004
City of Dallas	5.5%	4.7%	5.3%	5.7%	NA
Dallas-Plano-Irving Metro Div(1)	5.1%	4.4%	4.8%	5.3%	6.0%
State of Texas	4.9%	4.4%	4.9%	5.4%	6.0%
United States	5.8%	4.6%	4.6%	5.1%	5.5%

(1) Dallas-Plano-Irving Metropolitan Division is an eight-county area which includes Collin, Dallas, Delta, Denton, Ellis, Hunt, Kaufman and Rockwall Counties.

Sources: Texas Workforce Commission, Bureau of Labor Statistics -July 2009

MAJOR DALLAS AREA EMPLOYERS . . .

Company	Product/Service	Number of Employees
Wal-Mart Stores Inc.	General Merchandise and Grocery Retailer	33,500
American Airlines	Airline	25,655
Texas Health Resources	Health Care Provider	17,299
AT&T, Inc.	Telecommunications	16,200
Baylor Health Care System	Health Care Provider	16,000
Lockheed Martin Aeronautics Company	Military Aircraft Design and Production	14,776
Verizon Communications	Telecommunications	13,800
Texas Instruments	Semiconductor Manufacturing and Design	11,300
Kroger Food Stores	Retail Food, Pharmacy, Fuel	10,400
Brinker International	Restaurants	9,600

Source: *Dallas Business Journal Book of Lists*, 2008

DALLAS – PLANO-IRVING METROPOLITAN DIVISION---NON-AGRICULTURAL WAGE AND SALARY EMPLOYMENT BY SECTOR . .

	2008 Average Annual		2007 Average Annual	
Industry	Employment	Percentage	Employment	Percentage
Trade, Transportation & Utilities	419,400	19.9%	416,100	20.0%
Professional, Business Services	352,400	16.7%	340,700	16.4%
Government	264,100	12.5%	254,900	12.3%
Manufacturing	189,700	9.0%	197,600	9.5%
Health, Educational Services	228,800	10.8%	218,800	10.5%
Leisure and Hospitality	197,100	9.3%	192,000	9.2%
Financial Services	185,700	8.8%	184,700	8.9%
Natural Resources & Mining and Construction	127,000	6.0%	125,300	6.0%
Information	72,100	3.4%	73,000	3.5%
Other Services	72,900	3.5%	73,000	3.5%
Non-Farm Total	2,109,200	100.0%	2,076,100	100.0%

Dallas-Plano-Irving Metropolitan Division is an eight-county area which includes Collin, Dallas, Delta, Denton, Ellis, Hunt, Kaufman and Rockwall Counties.
Source: Texas Workforce Commission, July 2009

OFFICE AND INDUSTRIAL SPACE OCCUPANCY RATES . . .

The City of Dallas office market consists of 132.1 million square feet of space. Since 2005, the City has experienced six quarters of negative net absorption, with three of those occurring in the last year. Recently, average rents have declined from a high of $20.25 in the second quarter of 2008 to $19.76 a year later. One million square feet of new office space is currently under construction, with two million delivered in the last year. The vacancy rate as of the second quarter of 2009 is 19.1%.

The City is committed to the long-term health of the Central Business District (CBD). A number of public/private projects have been completed or are under construction, resulting in approximately $2.4 billion in investment in the CBD since 2000. The arts district and sports arena, the conversion of older buildings into new options for downtown living and the DART light rail continued the revitalization of the CBD. Although the CBD office vacancy rate has risen each of the last four quarters, the 2009 second quarter rate of 20.1% is lower than the vacancy rate posted as recently as 2006. The CBD has 35.9 million square feet of office space.

As one of the country's primary distribution locations, the City continues to attract distribution projects. Speculative industrial/distribution building activity is strong in Dallas because of the area's transportation infrastructure assets and because of the low vacancy rate. The overall industrial market vacancy rate was 7.6% as of the second quarter of 2009. In the last two years, 5.4 million square feet of new industrial space has been completed.

Source: City of Dallas Department of Economic Development

CONSTRUCTION VALUATION/BUILDING PERMIT ACTIVITY . . .

Valuation ($000)	2009 est.	2008	2007	2006	2005
Residential	$ 499,016	$ 1,382,754	$ 1,585,157	$ 1,403,836	$ 1,218,097
Commercial	1,076,909	1,312,368	1,779,975	1,198,507	1,222,378
Other	59,288	201,501	47,888	222,514	168,709
Total	$ 1,635,213	$ 2,896,623	$ 3,413,020	$ 2,824,857	$ 2,609,184

Source: City of Dallas Building Inspection Division

*These valuations are based on all building permit activity inclusive of single trade permits, new residential and new non-residential construction, residential and non-residential rehabilitation with additions considered as new construction. Excluded are sign permits, barricades, excavations, demolitions, moving permits and tents.
**Permit data is fluid and may fluctuate for the following reasons after the initial data is reported:
1) Permit cancellations
2) Permit addendums; reductions or augmentations to the original plans submitted that change the valuation of the project
3) Periodic audits that correct data entry errors after the reporting period has closed

TRANSPORTATION . . .

The City's success as a leader in transportation is a result of its excellent airports, rail routes, and interstate highway systems. Positioned centrally to both the east and west coasts, the City is easily accessible to all areas of the United States, Mexico and Canada. Direct flight time to any North American city takes less than four hours. In addition, the City is the center point between North America's five largest business centers - New York, Los Angeles, Chicago, Mexico City and Toronto.

Dallas/Fort Worth International Airport is a major contributor to the City's diversified economy. It is among the world's busiest airports in terms of total operation ranked number 3, with approximately 1,900 flights per day. Approximately 57 million passengers traveled through the airport during 2008.

Dallas Love Field, located four miles north of the Central Business District, is also extremely valuable to the City economy. Approximately 8.0 million passengers were carried at Love Field during 2008. It acts as a catalyst for business by providing valuable scheduled air carrier and general aviation transportation services, and attracting and serving major companies that assemble, overhaul and maintain aircraft.

Dallas' Executive Airport serves industrial and privately owned aircraft.

The City has a well-developed highway system. There are five interstate highways which run north/south and east/west including a loop freeway encompassing the City. The City has 19 other major U.S. and state highways. The City is a principal trucking and freight distribution center with approximately 120 trucking companies. Overnight pickup and delivery services are available to most cities.

The City is a major hub for hundreds of rail routes. Major railroads that serve the Dallas area include Burlington Northern Santa Fe Railway, Kansas City Southern Railway and Union Pacific. Amtrak provides passenger train service at Union Station in downtown with three lines: Chicago, Los Angeles, and San Antonio.

The City is part of an integrated regional mass transit system, DART. The DART Transit System Plan is designed to provide a balanced combination of transit services and facilities to meet the region's mobility needs. The DART system's mission is made both difficult and necessary by the size and sprawl of the metroplex. Unlike some cities that funnel transportation into the central business district, the metroplex has multiple "cores" that have developed in suburban communities and along existing transportation roads. These mini-hubs complicate transportation service requirements and necessitate a range of mobility programs.

The DART system has 75 freeway miles of HOV lanes, nearly 45 miles of light rail transit and a 35 mile commuter rail line serving the Central Business District. In addition, DART operates a 740 fleet bus system.

The transit system is funded by a voter-approved 1.0% local sales tax assessed by the City and each of the twelve suburban communities that participate in DART as well as by state and federal agencies. In 2000, voters approved $2.9 billion long-term financing which will allow DART to accelerate the construction of light rail lines to suburban communities by an average of 4 to 5 years.

Sources: Greater Dallas Chamber, The Dallas Facts, Dallas Area Rapid Transit (DART), the City of Dallas, Dallas/Fort Worth International Airport

EDUCATION . . .

The Dallas Independent School District (DISD) has approximately 158,000 students enrolled for the 2008-2009 school year. DISD has 226 schools, including four elementary school vanguards (magnets), one elementary school vanguard/middle school academy, two Montessori schools, and nine magnet middle/high schools. In May 2008, a $1.35 billion bond program was approved to build fifteen new schools, 177 new classrooms in existing schools and additional renovations.

There are 48 college and university campuses in the Dallas metroplex area, enrolling over 220,000 students. Twenty-six campuses offer 4-year undergraduate degree programs, 19 offer 2-year associate degree programs and 22 offer advanced degrees.

Source: Dallas Independent School District; Greater Dallas Chamber, The Dallas Facts

MEDICAL . . .

The Dallas metropolitan area is a major medical center providing "state-of-the-art" equipment and facilities. There are 24 general hospitals in Dallas County which are licensed for nearly 8,000 beds. In addition, there are two pediatric, two psychiatric and several long-term/rehabilitation hospitals.

As a complement to its excellent medical treatment facilities, the City is becoming a leading force in biomedical research. The University of Texas Southwestern Medical Center at Dallas has four Nobel Prize winners on the faculty and staff. Nationally recognized medical and dental schools in the City include University of Texas Southwestern Medical Center, Texas A&M University System - Baylor College of Dentistry and Baylor University School of Nursing.

Source: The Spring 2004 Dallas Newcomer and Relocation Journal; the University of Texas Southwestern Medical Center at Dallas; The Texas State Board of Medical Examiners

RECREATION . . .

The City offers numerous recreational, cultural and entertainment opportunities. Within the City are 406 public parks and open spaces covering almost 50,000 acres. There are over 60 lakes and reservoirs within 100 miles of the City covering more than 550,000 acres and four state parks within an hour of the City. There are 39 private and 34 municipal golf courses in the area.

The Dallas metropolitan area hosts numerous national annual sporting events and has several large amusement parks. Major golf tournaments include the EDS Byron Nelson and the Bank of America Colonial Golf Tournament. The City is one of few metropolitan areas with seven professional sports teams, including the Dallas Cowboys football team, the Dallas Mavericks basketball team, the Texas Rangers baseball team and the Dallas Stars hockey team.

Cultural institutions in the City include the Dallas Opera, Fair Park (a 277 acre recreational and cultural facility which is the home of the annual State Fair and site of over a dozen museums), the Dallas Zoo, Dallas Arboretum and Botanical Gardens, and Old City Park. The Arts District, a 60 acre development, is the largest downtown arts district in the country. Key attractions include the Dallas Museum of Art, Nasher Sculpture Center, Latino Cultural Center and Morton H. Meyerson Symphony Center, home of the Dallas Symphony Orchestra. The Dallas area has a number of museums, galleries, theaters, orchestras and dance groups.

Source: Greater Dallas Chamber, The Dallas Facts; City of Dallas, Parks and Recreation Department

APPENDIX B

EXCERPTS FROM THE

THE CITY OF DALLAS, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2008

The information contained in this Appendix consists of excerpts from the City of Dallas, Texas Comprehensive Annual Financial Report for the Year Ended September 30, 2008, 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.

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CITY OF DALLAS, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For Fiscal Year Ended September 30, 2008

Issued by
City Controller's Office

David Cook, Chief Financial Officer
Edward R. Scott, CPA, City Controller
Lance Sehorn, CPA, Assistant City Controller
Abby Neil, Financial Reporting Manager

Junior Compass
Ester Dogans
Nancy Hong
Teralandur Kasturi
Sunil King
Gerry Lington, CPA
Sherrian Parham, CPA
Shirley Samuel
Janet Williams

CITY OF DALLAS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2008

TABLE OF CONTENTS

City of Dallas

Honorable Mayor and City Council
City of Dallas, Texas

July 15, 2009

Introduction

We are pleased to present the City of Dallas (The City) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2008. This report was prepared by the City's financial staff and audited by the firm of Grant Thornton LLP. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

The City Charter requires an annual audit of the books of account, records, and transactions of all administrative departments of the City by independent certified public accountants selected by the City Council. The CAFR is the summary of these activities for the past fiscal year. We believe this data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

Management's Discussion and Analysis (MD&A) immediately follows the Independent Auditors' Report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

General Information

Dallas is the eighth largest city in the nation and has a Council-Manager form of government. There are 14 single-district Council Members and a Mayor elected at large. The Mayor and Council appoint the City Manager, City Attorney, City Auditor, City Secretary, and the Municipal Court Judges. The Director of the Civil Service Department is appointed by the Civil Service Board and the Director of Parks and Recreation is appointed by the Parks and Recreation Board. All other department directors are appointed by the City Manager.

The financial statements of the City of Dallas include all activities, organizations, and functions for which the City is financially accountable. The criteria considered in determining the activities to be reported within the City's financial statements include: 1) whether an organization is part of the City's legal entity; or 2) whether the City appoints the voting majority of the organization's governing body, and either the City is able to impose its will on the organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City. In addition, an organization may be fiscally dependent on the City and also included in its

OFFICE OF THE CITY MANAGER CITY HALL DALLAS, TEXAS 75201 TELEPHONE 214-670-3297
"Dallas, The City That Works: Diverse, Vibrant and Progressive"

reporting entity. These criteria are based upon, and are consistent with, those set forth in the Codification of Governmental Accounting Standards, Section 2100, *Defining the Financial Reporting Entity*.

The City provides the full range of municipal services established by statute or charter. These include public safety (police and fire), streets, sanitation, health and human services, culture and recreation, public improvements, planning and zoning, and general administrative services. In addition to general government activities, the Dallas Water Utilities, Airport Revenues, Convention Center, Municipal Radio and several other enterprise and internal service fund activities are a part of the City's legal entity. Sixteen tax-increment-financing districts and six public improvement districts are included in the City's reporting entity because the City sets their assessment rates and approves their budgets. Although the pension trust funds are separate legal entities, they exist to exclusively serve or benefit the City's employees, retirees, and their beneficiaries and are included in the City's reporting entity.

Other legally separate entities such as the discretely presented component units are also included in the City's reporting entity based on the criteria discussed above:

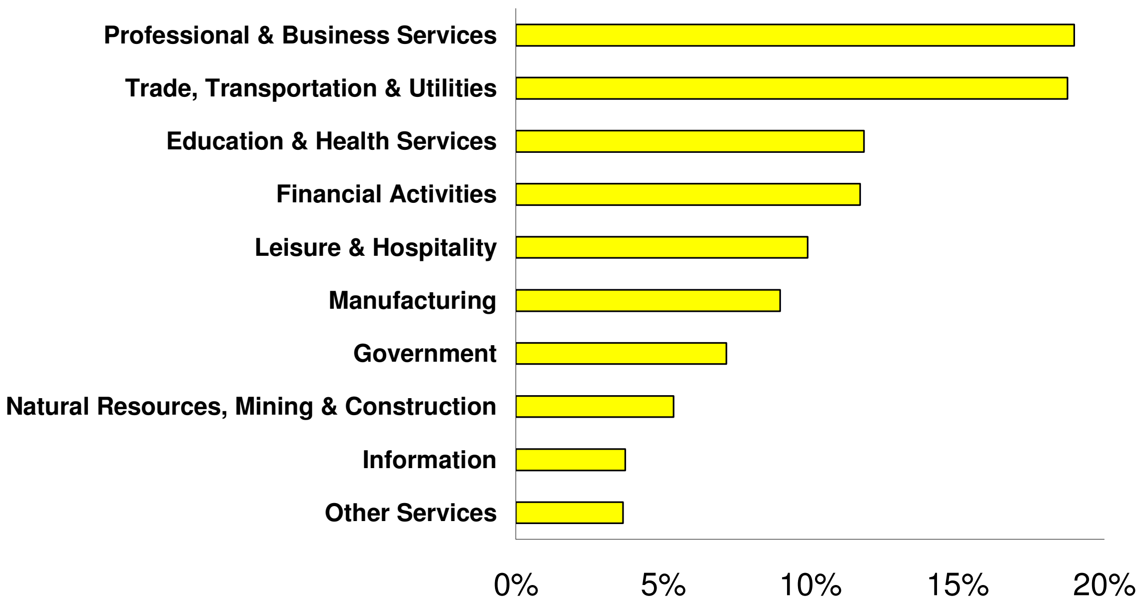
- Housing Finance Corporation - issues tax-exempt mortgage revenue bonds to assist low-to-moderate income citizens in purchasing homes
- Housing Acquisition and Development Corporation - provides safe, affordable housing for low and moderate income persons
- The Downtown Dallas Development Authority is a separate legal entity which was established to promote economic development of the downtown area and improve the tax base.

Related organizations not included as part of the reporting entity are the Dallas/Fort Worth International Airport, the Dallas Housing Authority, and Dallas Area Rapid Transit. The reason for not including these entities is because the City's accountability does not extend beyond appointing members to the Boards.

Economic Condition and Outlook

The City of Dallas is the largest local economy in the nation's fourth largest metropolitan area. The city is home to over one million jobs and 65,000 businesses (Dun & Bradstreet). Dallas continued to add jobs through the end of the fiscal year in its leading industries: business professional services, trade and transportation, health care and financial services (Figure 1.) Through the first seven months of fiscal year 2009, sales tax revenues have fallen short of forecast due to the global recession. By a number of indicators including unemployment rate, job change and housing values, Dallas continues to out perform its peer city group and the nation as a whole. Dallas' overall employment growth is expected to be better than the nation's over the next several years (U.S. Bureau of Labor Statistics).

Figure 1
Dallas Employment by Industry

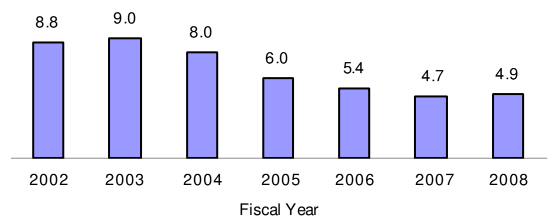


The Dallas labor force, consisting of Dallas residents only, stood at approximately 598,000 in fiscal 2008 (U.S. Bureau of Labor Statistics). Dallas' business facilities include 130.0 million square feet of office space, 209.1 million square feet of industrial/flex space, and 70.7 million square feet of retail space (CoStar). The following charts highlight Dallas' major economic indicators, most of which improved in 2008.

Unemployment

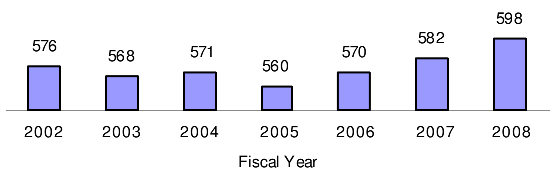
Unemployment in Dallas rose to 4.9 percent in FY 2008 reflecting growing national unemployment. This compared favorably to the 5.6 percent national rate over the same period. (Source: U.S. Bureau of Labor Statistics).

Figure 2. Dallas Unemployment Rate (percent)



Employment

Figure 3. Dallas Household Employment (1,000's of jobs)

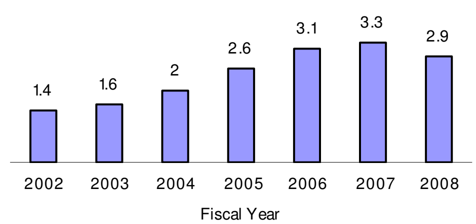


The number of employed Dallas residents continued to grow over the year. Over 598,000 Dallas residents were working in fiscal 2008. (Source: U.S. Bureau of Labor Statistics).

Construction Activity

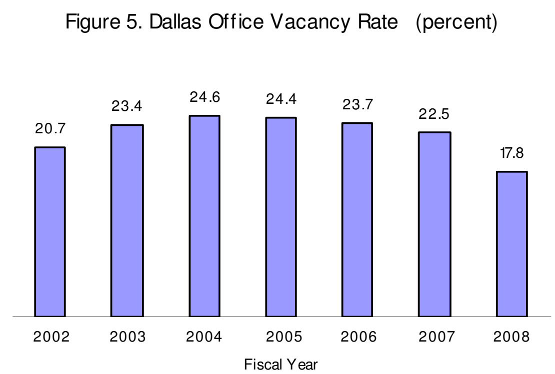
Total construction permits were valued at $2.9 billion. This includes a combination of new and redeveloped projects in the central city (offices, hotels, residential and cultural projects) as well as mixed-use, industrial and residential developments throughout the city.

Figure 4. Dallas Building Activity ($ billions)

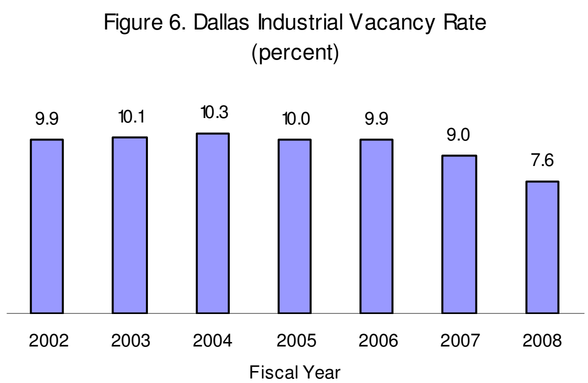


Office Vacancy

Office vacancy rates improved in fiscal 2008, falling for the fourth consecutive year. Employment growth and conversion of vacant, historic downtown towers to residential uses contributed to this trend. The 2008 citywide vacancy rate was down to 17.8 percent, a 4.7 point decline. (Source: CoStar).



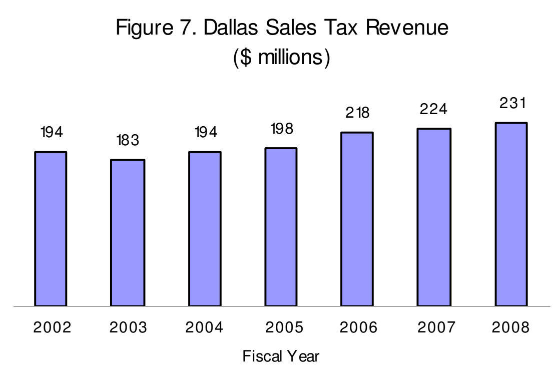
Industrial Vacancy



The industrial vacancy rate also fell in 2008, to 7.6 percent. The vacancy rate declined 1.4 points even though 2.6 million square feet of new inventory was added during the year. Dallas continues to attract distribution activity because of its highway and rail infrastructure and the growing global awareness of the International Inland Port of Dallas. (Source: CoStar).

Sales Tax

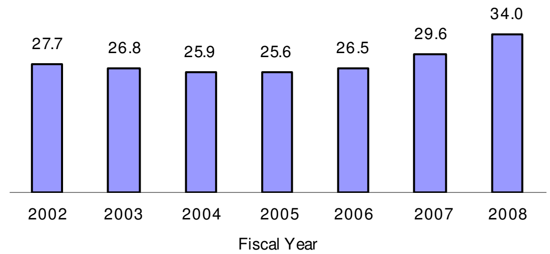
In fiscal 2008, sales taxes grew for a fourth consecutive year to an estimated $231 million. Sales tax revenue has continued to expand because of major retail developments in the city. (Source: City of Dallas Office of Financial Services).



Commercial Property

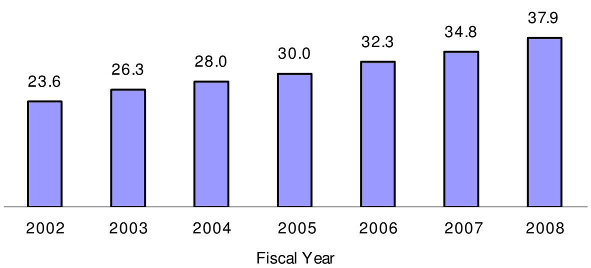
Dallas' commercial tax base increased for the third consecutive year to $34 billion in taxable value. The recent increase in commercial values has been driven by a balanced pattern of construction that includes office, industrial, residential, hotel, retail and institutional developments in central Dallas and throughout the city. (Source: Dallas, Collin, Denton, Kaufman and Rockwall appraisal districts).

Figure 8. Dallas Commercial Property Tax Base
Taxable Value ($ billions)



Residential Property

Figure 9. Dallas Residential Tax Base
Taxable Value ($ billions)

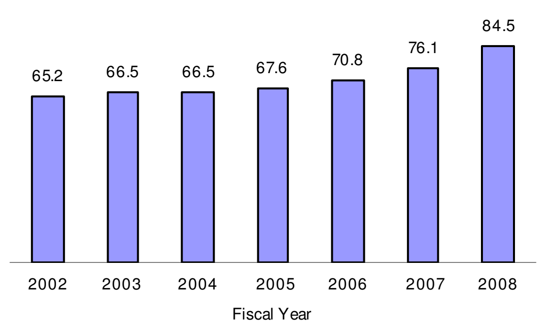


Residential taxable value continues to increase in Dallas. In FY 2008, total taxable value of residential property was $37.9 billion. Steady growth signals the improving desirability of in-town neighborhoods. Dallas did not experience a severe property bubble and value increased from mixed-use, townhome and condo developments and replenishment and restoration of single family housing stock. (Source: Dallas, Collin, Denton, Kaufman and Rockwall appraisal districts).

Total Property

Total taxable value of property (including business personal property of $14.2 billion) grew by $8.4 billion to $84.5 billion in 2008. This is an 11 percent increase. (Source: Dallas, Collin, Denton, Kaufman and Rockwall appraisal districts).

Figure 10. Dallas Total Property Tax Base
Taxable Value ($ billions)



Economic Development Strategy

In 2008, continued local progress in the face of growing national problems confirmed the appropriateness of Dallas' development strategy. Adopted in 2005, the strategy represented a new aggressive policy to put the City's economy on a sound footing for continued growth and prosperity. The first three-year development plan drew to a close at the end of the fiscal year and the preliminary estimate is that the City accomplished over 80 percent of the 126 milestones set in the plan. Macroeconomic statistics improved through the period. More important, these initiatives are setting the stage for a more fiscally sustainable Dallas and one that is more competitive, within the vibrant North Texas economy and internationally. The plan can be summarized by two approaches. One, the City is creating a thriving urban economy centered on an expanded downtown connected to revitalized in-town neighborhoods and the rest of the city through transit. Two, the City is increasing Dallas' share of global and regional trade (including retail, wholesale and logistics). Implementation has taken the form of five catalyst initiatives that will drive Dallas development for decades. These initiatives include: an expanded downtown, the Trinity River Corridor Project, the International Inland Port of Dallas, the University of North Texas at Dallas and transit-oriented-development. In addition to these efforts, the City maintains a full complement of development services to recruit and retain businesses, redevelop neighborhoods and market itself nationally and globally. The remainder of this economic overview summarizes progress on each of these major initiatives.

Expanded Downtown:

At the end of fiscal year 2008, 4,242 residential units were available in the Central Business District (CBD) supporting an estimated downtown residential population of over 5,090. In 2008, residents began moving into the 146 unit West End Station, the Mercantile Tower (213 units) and the first of 72 new town house units in two Farmers Market area developments. On the south side of downtown in the Cedars neighborhood, the 73 unit Beat was within months of opening. The $338 million Arts District expansion continued and restaurant, retail and hotel redevelopments also opened in downtown's historic Main Street core.

University of North Texas Dallas

Enrollment at the University of North Texas Dallas campus continued to grow to over 2,200. Growth is averaging 14 percent annually at the new campus that is expected to ultimately build-out at 25,000 students. The City neared a final draft on an area plan for the surrounding undeveloped acreage as part of its comprehensive land use strategy. The plan will accommodate a university town urban development, research and other commercial operations. The campus area includes two DART light rail stations in the transit agencies' 2030 master plan.

International Inland Port of Dallas (IIPOD)

In 2008, progress continued related to the IIPOD, a major logistics hub in the southeast quadrant of the City. Approximately 2,500 acres of land within the City limits are slated to be the gateway to a major distribution hub that will exceed 60 million square feet of industrial and warehouse space at build out. Construction was completed on the first 800,000 square feet of distribution space and new developments for 4.3 million additional square feet were approved.

Transit-Oriented Development (TOD)

Dallas' count of 29 DART rail stations will grow to 44 with the completion of the $1.7 billion Green line. The new line will serve the southeast and northwest quadrants of the city. Several development projects were completed in 2008 at Green line stations including in Deep Ellum and the Southwestern Medical District area. Other TOD projects continued at several tax increment finance districts including Park Lane Place ($750 million) and Lake Highlands Town Center ($ 400 million.)

Trinity River Corridor Project

Work continued on the Trinity River Corridor Project in 2008 with citizens reaffirming their support by referendum for the $2.0 billion flood control, transportation, recreation and development project. The 21,000 square foot Trinity Audubon Center opened and includes 140 acres of restored wetlands and river bottom hardwood forests that will educate visitors on the ecology of the 44,000 acre corridor. Visible progress was also made on the first Calatrava bridge including installation of the pilings within the flood plain. Rezoning continued on several sites along the corridor to promote redevelopment. The rezoning is based on a comprehensive master plan of the entire corridor to facilitate more dense, urban and mixed-use residential and commercial developments to take advantage of the river's recreational amenities and views.

These initiatives are having a positive impact on the city's tax base both in the core and in the southern sector. Taxable real property values in the southern sector increased by $600 million, a 5.3 percent increase.

Financial Information

Discussion of Controls. The City's management is responsible for establishing and maintaining internal controls designed to ensure that the assets of the government are protected from loss, theft or misuse, and to ensure adequate accounting data are compiled to allow for preparation of financial statements in conformity with U.S. generally accepted accounting principles.

Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: 1) the safeguarding of assets against loss from unauthorized use or disposition, 2) the reliability of financial records for preparing financial statements, and

3) accountability for assets. The concept of reasonable assurance recognizes the cost of a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management.

The City Council is required by Charter to appoint a City Auditor who is independent of City management and reports directly to the City Council. The City Auditor supports the internal control structure within the City by performing independent evaluations of existing accounting and administrative controls and by ascertaining compliance with existing plans, policies and procedures.

Annually, each department is required to conduct a self-assessment of internal controls. The results of these assessments are reported to the City Manager with an action plan to correct any identified deficiencies.

The City Auditor reviews, on a sample basis, the departments' internal control evaluations each year to ensure the integrity of the program and provide constructive comments for improvement.

Furthermore, as a recipient of federal and state assistance, the City is also responsible for ensuring adequate internal controls are in place to comply with applicable laws, regulations, contracts, and grants related to those programs. Internal controls are subject to periodic evaluation by management and the City Auditor. As part of the City's single audit, tests are made to determine the adequacy of the internal control, including that portion relative to federal and state financial awards, as well as to determine whether the City has complied with applicable laws, regulations, contracts, and grants.

Budgetary controls. The City Charter provides that the City Council shall annually appropriate adequate funds in an amount to execute the policies and service delivery plans of the City. City management annually prepares the plan of services for the upcoming fiscal year and their estimated costs. The plan is reviewed by the City Council and is formally adopted by the passage of a budget ordinance. The ordinance provides for budgetary control at the department level and these budgets cannot be exceeded without Council approval. Budgetary control is enforced at the department level by reserving appropriations and by encumbering purchase orders and contracts. Open encumbrances are reported, where applicable, as reservations of fund balance.

<u>General Government Functions</u>

Cash Management. The objectives of the City's Investment Policy, in order of priority, are: safety of principal, liquidity, diversification, maturity and yield. As of September 30, 2008, all uninsured deposits were fully collateralized by government securities held in third party safekeeping. Cash not needed for day-to-day operations is invested pursuant to the Investment Policy. These monies were invested in U.S. Treasury and U.S. Government agency securities during fiscal year 2008.

Other Information

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Dallas for its CAFR for the fiscal year ended September 30, 2007. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments. We wish to take this opportunity to thank each member of the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner. In closing, the preparation of this report was not accomplished without the efficient and dedicated services of key staff in the Office of Financial Services, City Controller's Office; Department of Aviation; and the Department of Communication and Information Services. Thanks to each individual involved.

Respectfully submitted,

Mary K. Suhm
City Manager

David Cook
Chief Financial Officer

Edward R. Scott, CPA
City Controller

Grant Thornton

Independent Auditor's Report

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The Honorable Mayor and Members of the City Council
City of Dallas, Texas:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dallas, Texas (the City), as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinion on these financial statements based on our audit. We did not audit the financial statements of the Dallas Police and Fire Pension System and Supplemental Police and Fire Pension Plan of the City of Dallas, which are blended component units which represent 40%, 47% and 39%, respectively, of the assets, net assets and revenues of the aggregate remaining fund information. We also did not audit the financial statements of the Dallas Housing and Acquisition Development Corporation, a discretely presented component unit which represents 2%, 1% and 28%, respectively, of the assets, net assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those component units, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dallas, Texas, as of September 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 17 of the basic financial statements, effective October 1, 2007, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.*

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As described in Note 20, the 2007 basic financial statements have been restated to properly present the Downtown District Development Authority as a discretely presented component unit, rather than a blended component unit, and to correct calculation errors related to various net asset components.

The management's discussion and analysis on pages 3 through 11, and the Schedule of Funding Progress on pages 95 and 96 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the City's basic financial statements. The introductory section, the combining financial statements, schedules of capital assets used in the operation of governmental funds, and the statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements, and schedules of capital assets used in the operation of governmental funds have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

GRANT THORNTON LLP

Dallas, Texas
July 15, 2009

As management of the City of Dallas (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2008. The City's management's discussion and analysis is designed to (1) assist the reader in focusing on significant issues, (2) provide an overview of the City's financial activity, (3) identify changes in the City's financial position (its ability to address the next and subsequent year challenges), (4) identify any material deviations from the financial plan (the approved budget), and (5) identify individual major fund issues or concerns. We encourage readers to consider the information presented here in conjunction with the accompanying transmittal letter, which can be found on pages v-xiv of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by approximately $4.3 billion (net assets).

- The City's governmental activities net assets increased by $31.1 million while the business-type activities net assets increased by $110.6 million.

- As of the close of fiscal year 2008, the City's governmental funds reported combined ending fund balances of $1 billion, an increase of $85.8 million in comparison to the prior year fund balance. At the City's discretion, $727 million of these fund balances (unreserved, undesignated) are available for spending, with $623 million allocated for capital projects and $61 million for activities in special revenue funds.

- At the end of the current fiscal year, unreserved and undesignated fund balance for the general fund was $42 million, or approximately 4% of the total general fund expenditures, including transfers out.

- The City's governmental long-term liabilities had a net increase of $308 million from the prior year's balance of $2 billion and business-type activities increased $77 million from the prior year's balance of $2.2 billion. The increases resulted primarily from the City issuing $443 million of bonds, capital leases and other long term debt for governmental activities: $363 million of general obligation bonds, $46 million in combination tax and revenue certificates of obligation, $31 million in equipment acquisition notes, and $3 million relating to a capital lease. The City also issued $159 million in water works and sewer revenue refunding bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business and are made up of the following two statements: the statement of net assets and the statement of activities. Both of these statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The statement of net assets combines and consolidates governmental funds current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other non-financial factors should also be taken into consideration, such as changes in the City's property tax base, the condition of the City's property tax base, and the condition of the City's infrastructure (i.e. roads, drainage improvements, storm and sewer lines, etc.) to assess the overall health or financial condition of the City.

The statement of activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g. uncollected taxes and unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, streets, environmental and health services, public works and transportation, equipment and building services, cultural and recreation services, and housing and human services.

The business-type activities of the City include water utilities, convention center, airport, municipal radio and building inspections. The government-wide financial statements reflect not only the activities of the City itself (known as the primary government), but also those of the three separate legal entities for which the City is financially accountable – Housing Finance Corporation, the Housing Acquisition and Development Corporation, and the Downtown Dallas Development Authority (DDDA), which are reported as discretely presented component units separately from the primary government itself.

The government-wide financial statements can be found on pages 13 -15 of this report.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenue, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains twenty-three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, building capital projects, and debt service funds, all of which are considered to be major funds. Data from the other twenty funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the combining financial statements section of this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16, 18 and 20 of this report.

Proprietary Funds: Proprietary funds are generally used to account for services for which the City charges customers – either outside customers, or to other units within the City. Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The proprietary funds financial statements provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains two types of proprietary funds:

- Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the airport, convention center, municipal radio, building inspection and water utilities operations. All of the City's enterprise funds, except the municipal radio and building inspection are considered major funds.
- Internal Service funds accumulate and allocate costs internally among the City's various functions. The City uses its internal service funds to account for its equipment services, communication equipment, office supplies, information services, and risk management programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. All internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the combining financial statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 22-29 of this report.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The City's pension trust and agency funds are reported under the fiduciary funds. Since the resources of these funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 30-31 of this report.

Notes to the Basic Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found immediately following the basic financial statements. The notes to the financial statements can be found on pages 32-93 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to City employees. Required supplementary information can be found on page 95 of this report. The combining statements referred to earlier in connection with non-major governmental funds, non-major enterprise funds, internal service funds, and discretely presented component units are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 100-126 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net assets were approximately $4.3 billion as of September 30, 2008. Analyzing the net assets of governmental and business-type activities separately, the business-type activities net assets were approximately $2.8 billion and the governmental activities were approximately $1.6 billion. This analysis focuses on the assets, liabilities, and net assets (Table 1) and changes in revenues and expenses (Table 2) of the City's governmental and business-type activities.

Table 1
Net Assets (In thousands)

	Governmental Activities		Business-type Activities		Totals	
	2008	2007 Restated	2008	2007	2008	2007 Restated
Current and other assets	$1,639,101	$1,480,123	$907,969	$1,022,911	$2,547,070	$2,503,034
Capital assets	2,487,883	2,256,111	4,338,874	4,129,006	6,826,757	6,385,117
Total assets	4,126,984	3,736,234	5,246,843	5,151,917	9,373,827	8,888,151
Long-term liabilities	2,328,455	2,020,334	2,258,765	2,182,091	4,587,220	4,202,425
Other liabilities	241,627	190,143	213,719	306,066	455,346	496,209
Total liabilities	2,570,082	2,210,477	2,472,484	2,488,157	5,042,566	4,698,634
Net assets:						
Invested in capital assets, net of related debt:	1,657,571	1,568,170	2,357,750	2,276,773	4,015,321	3,844,943
Restricted	60,532	70,916	194,824	181,481	255,356	252,397
Unrestricted	(161,201)	(113,329)	221,785	205,506	60,584	92,177
Total net assets	$1,556,902	$1,525,757	$2,774,359	$2,663,760	$4,331,261	$4,189,517

The largest portion of the City's net assets reflects its investments in capital assets (e.g., land, building, equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens, and consequently, they are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The current and other assets in Governmental activities increased by $159 million primarily due to unspent proceeds from the issuance of bonds. The current and other assets in Business-type activities decreased $114.9 million primarily from a decrease in cash and cash equivalents. An additional portion of the City's net assets (4% governmental activities and 6% business-type activities) represents resources that are subject to external restrictions on how they may be used. The remaining balance in net assets is unrestricted. In governmental activities, there is a deficit unrestricted net asset balance of $161 million as a result of long-term liabilities for items such as compensated absences, unfunded risk liabilities, other post employment benefits, landfill liability, pension obligation bonds, and sales tax liability. Unrestricted net assets in governmental activities decreased by $47.9 million from the prior fiscal year primarily as a result of implementing GASB 45, which required the City to accrue other post employment benefit liabilities for the first time. Because of the focus on current assets and liabilities, the City's budget is developed to address the needs of current operations. The City plans to fund long term liabilities in future budgets as those liabilities consume current assets. Unrestricted net assets in business-type activities are $221 million.

Analysis of the City's Operations

The following table provides a summary of the City's operations for the year ended September 30, 2008. Business-type activities increased the City's net assets by $110.6 million and governmental activities increased by $31.1 million. Key elements of these changes in net assets are as follows:

Table 2
Changes in Net Assets
(In thousands)

	Governmental Activities		Business-type Activities		Totals	
		2007				2007
	2008	Restated	2008	2007	2008	Restated
Revenues						
Program revenues:						
Charges for services	$ 267,344	$ 275,947	$ 545,070	$ 499,988	$ 812,414	$ 775,935
Operating grants and contributions	71,772	71,041	-	-	71,772	71,041
Capital grants and contributions	15,821	2,912	29,779	33,467	45,600	36,379
General revenues:						
Ad valorem tax	623,625	553,033	-	-	623,625	553,033
Tax increment financing revenue	8,857	6,090	-	-	8,857	6,090
Sales tax	231,108	224,078	-	-	231,108	224,078
Franchise fees	127,551	118,745	-	-	127,551	118,745
Alcohol beverage tax	-	-	7,856	7,569	7,856	7,569
Motor vehicle rental tax	-	-	4,471	4,495	4,471	4,495
Hotel occupancy tax	-	-	49,235	49,641	49,235	49,641
Investment income	47,644	62,776	27,720	39,970	75,364	102,746
Other	41,273	30,755	1,295	7,014	42,568	37,769
Total revenues	1,434,995	1,345,377	665,426	642,144	2,100,421	1,987,521
Expenses:						
General government	187,857	164,498	-	-	187,857	164,498
Public safety	659,915	612,318	-	-	659,915	612,318
Streets, street lighting, sanitation	176,503	166,335	-	-	176,503	166,335
Environmental and health services	33,230	29,099	-	-	33,230	29,099
Public works and transportation	57,315	60,490	-	-	57,315	60,490
Equipment and building services	31,047	41,265	-	-	31,047	41,265
Culture and recreation	144,178	127,043	-	-	144,178	127,043
Housing	1,706	936	-	-	1,706	936
Human services	25,547	26,785	-	-	25,547	26,785
Interest on long-term debt	89,525	87,320	-	-	89,525	87,320
Dallas water utilities	-	-	396,771	360,886	396,771	360,886
Convention center	-	-	84,608	83,429	84,608	83,429
Airport revenues	-	-	43,144	44,702	43,144	44,702
Municipal radio	-	-	3,313	3,466	3,313	3,466
Building inspection	-	-	24,018	23,897	24,018	23,897
Total expenses	1,406,823	1,316,089	551,854	516,380	1,958,677	1,832,469
Increase in net assets before transfers	28,172	29,288	113,572	125,764	141,744	155,052
Transfers	2,973	3,302	(2,973)	(3,302)	-	-
Increase in net assets	31,145	32,590	110,599	122,462	141,744	155,052
Net assets - beginning of year	1,525,757	1,493,167	2,663,760	2,541,298	4,189,517	4,034,465
Net assets - end of year	$ 1,556,902	$ 1,525,757	$ 2,774,359	$ 2,663,760	$ 4,331,261	$ 4,189,517

Governmental Activities

Governmental activities net assets increased $31.1 million during fiscal year 2008. Total revenues increased approximately $90 million or 7% from fiscal year 2007. Although total revenues increased during the fiscal year, investment income decreased $15 million or 24% primarily due to a decline in interest rates. The most significant increases in revenues were due to the following:

- Ad Valorem Tax revenues increased $71 million from an increase in the tax rate from $0.7292 to $0.7479.
- Sales tax increased $7 million in fiscal year 2008 because of improvements in retail sales during the year.
- Tax increment financing revenue increased $2.8 million from an increase in total taxable property value, along with an increase in the total direct tax rate.
- Franchise fees increased $9 million or 7% during fiscal year 2008 primarily from additional right of way fees and additional real estate license fees from increased property values and new licenses during the fiscal year. Furthermore, franchise fees paid from Dallas Water Utilities increased from a respective increase in water and wastewater revenues during the fiscal year.
- Operating grants and contributions increased $731 thousand primarily from additional grant money from the U.S. Department of Homeland Security to purchase a records management system, hire intelligence analysts, purchase software, and provide training.
- Capital grants and contributions increased $13 million primarily from an increase in developer contributions for the Victory Sustainable Development project, construction of Lake Highland Town Center project, and the Dallas Heritage Village (Old City Park) project.
- Other revenue increased by $10 million or 34% primarily from a gain on sale of capital assets.

Total governmental activities expenses increased approximately $91 million, or 7%, from fiscal year 2007. The most significant portion of expenses related to governmental activities is the cost of personnel. A discussion of major increases in governmental activity expenses follows:

- The most significant increase in governmental activity expense for the City was personnel cost in providing public safety, which incurred expenses of $660 million, an increase of $48 million or 8% from fiscal year 2007. The primary increase in the police department from the prior year was due to hiring additional police officers and increasing the fleet of squad cars in addition to normal replacement. During the fiscal year, the second year of the Dallas Police Department's enhanced compensation package was implemented. This phase included increased pay steps from two year intervals to a one year interval, an additional $100 per month for officers with a Master Peace Officer Certification, one step addition to the compensation schedule for each rank, and a retention incentive for officers with ten years of service. Increases in the fire department occurred from increased salary expenses for the implementation of the Dallas Fire-Rescue enhanced compensation package, which includes a compression of all two year pay steps to one year and an additional step of 5% added to each rank at the top. Also, additional expenses were made for increases in reimbursable grants for public safety.
- General government expenses increased by $23 million or 14%. Increases occurred in salaries expenses from an average 4% merit pay raise effective January 2, 2008, along with increases in compensated absences liability and other postemployment benefits liability, and an increase in bad debt expense.
- The streets, street lighting, sanitation, and code enforcement activities of the City incurred $177 million in expenses, an increase of $10 million, or 6% from the prior fiscal year. Street lighting costs increased from higher electricity costs due to rising fuel prices and street light maintenance costs. Personnel expenses increased from the addition of a full time position to patrol for outages, along with increased street service requests for maintenance and repairs. Supplies and materials increased from higher costs of asphalt and concrete street construction materials. Expenses also increased from moves and reconfigurations for positioning code compliance resources in regional service centers, community code sweeps and clean-up efforts, and animal control expenses.
- Environmental and health services increased $4 million or 14% during the fiscal year. The increase was due to increased electricity charges, rent increases, the opening of a homeless assistance center, additional WIC expenses for opening a new clinic and for remodeling existing clinics.
- Housing expenses increased $770 thousand or 82% from the prior fiscal year primarily from increased custodial services, security services, electricity charges, and home repair labor and material costs.
- Culture and recreation expenses increased $17 million or 13% during the fiscal year. The increase was due to higher utilities expenses at the Dallas Museum of Art, because of a 100% increase in public hours during the Tutankhamun exhibition. Furthermore, expenses increased from continued construction on the Dallas Center for Performing Arts complex and additional staff for continued operation of the Bahama Beach Waterpark.

Business-type Activities

Business-type activities net assets increased $111 million during fiscal year 2008. Total revenues increased approximately $23 million or 4% from fiscal year 2007. Although total revenues increased during the fiscal year, investment income decreased $12 million or 31% due primarily to a decline in interest rates. The most significant changes in revenues were due to the following:

- Charges for Services increased $45 million from fiscal year 2007 to 2008. This increase resulted primarily from increased water and wastewater revenues. The overall increase from the previous fiscal year was attributable to a very hot summer and fall season, along with a rate increase of 7.7% for both water and wastewater effective October 1, 2007. Furthermore, treated water pumpage increased 10.6 billion gallons or 7.4% from the previous fiscal year.
- During fiscal year 2008, airport revenues from customer charges increased by $9.6 million, or 25%. The increase is primarily attributable to $6.7 million from Passenger Facility Charges (PFC) revenues. Effective February 1, 2008, the collection of Passenger Facility Charges (PFC) from commercial air carriers at Dallas Love Field (DAL) at $3.00 per passenger was approved by the Federal Aviation Administration (FAA). In addition, concession revenues increased by $2.4 million or 10.51% and landing fee and rental revenues increased in total by 4.9% or $700 thousand.
- Convention Center customer charges decreased $2 million compared to fiscal year 2007. This was due to less events held during the fiscal year. Some of the events held in 2007 but not 2008 were Home Depot , Educasue and Water Environment Federation.

The following expense items contributed to the increase in expenses during fiscal year 2008:

- Personnel services for business-type activities increased during the fiscal year due to an average 4% merit pay raise effective January 2, 2008.
- Airport contractual services expenses decreased $2.6 million or 13% during the fiscal year primarily from higher repair and maintenance costs in the prior fiscal year from flood damage expenses. Additional reductions occurred in marketing, and supplies and materials expenses, and Dallas Police Department Love Field Security by $206 thousand, $69 thousand, and $579 thousand, respectively.
- Contractual and other services expenses for business-type activities overall increased $12 million or 8.8% during the fiscal year primarily in Dallas Water Utilities. Higher operating costs resulted from a rise of electricity cost from an increase in sales volume. Contractual services also increased from higher street rental payments, additional advertising costs associated with the Water Conservation Program's Public Outreach, water conservation costs, and additional building and grounds repairs for sludge removal work done in Elm Fork Treatment Plant.

Financial Analysis of the Government's Funds
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $1 billion, an increase of $86 million in comparison with the prior year. Approximately $727 million constitutes unreserved, undesignated fund balance, which is available for spending at the government's discretion, with $623 million allocated for capital projects and $61 million for activities in special revenue funds. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period ($219 million), 2) to pay debt service ($11 million), 3) for inventories ($8 million), or 4) for a variety of other purposes.

The general fund is the chief operating fund of the City. At the end of the fiscal year 2008, unreserved, undesignated fund balance of the general fund was $42 million while total fund balance reached $118 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved, undesignated fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 4 percent of total general fund expenditures and transfers out, while total fund balance represents 11 percent of that same amount.

The fund balance of the City's general fund decreased $15 million during fiscal year 2008 from an increase in expenditures, primarily for public safety, streets, and culture and recreation departments for reasons previously discussed. Revenues showed a slight increase from the prior fiscal year, including a $7 million increase in sales tax due to an increase in consumer spending and a $15 million increase in ad valorem due to an increase in the tax rate.

The debt service fund had a total fund balance of $10 million at September 30, 2008. $9.8 million is reserved for the payment of debt service. The overall increase in debt service fund balance during the current year of $62 thousand is due to interest earnings on investments during the fiscal year.

The building capital project fund had a total fund balance of $247 million at September 30, 2008. The overall increase in fund balance of $44 million was primarily from proceeds of general obligation bonds and an increase in developer contributions for the Victory Sustainable Development project, construction of Lake Highland Town Center project, and the Dallas Heritage Village (Old City Park) project in excess of current year capital outlay.

Proprietary funds: The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets in Dallas Water Utilities at the end of the year amounted to $91 million, Convention Center was $78 million and Airport Revenues was $42 million. The total change in net assets was an increase of $92 million in Dallas Water Utilities, an increase of $3 million in Convention Center and an increase of $17 million in Airport Revenues Fund. Factors regarding the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

During the fiscal year, the final amended budget increased less than 1% from the original amended budget from other unanticipated revenue. Final budgeted expenses and interfund transfers out decreased $15.8 million from the original budget primarily from lower than expected municipal court and court and detention service expenses.

Actual budgetary basis revenues and transfers in increased by $1.2 million from final budgeted amounts. The most significant increases were from receiving more than anticipated franchise fees from a mineral lease and higher revenues for services to others. Services to others increased from emergency ambulance revenues, park and recreation charges, security alarm fees, concession fees for cultural affairs, and environmental health charges for child care and immunization and food protection and education. Although revenues increased overall, fines and forfeiture revenue decreased $20.9 million during the fiscal year primarily from fewer citations issued (2,000 fewer than the prior period), along with less payments received from customers. Actual budgetary expenditures and transfers out decreased by $21 million from the final amended budget, because the City implemented a restrictive hiring policy and a plan to reduce expenditures during the fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2008, the City had $6.8 billion invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and sewer lines. (See Table 3) This amount represents a net increase of $442 million or 7 percent, over the prior fiscal year.

Table 3
Capital Assets
(Net of Accumulated Depreciation, in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Land	$423,836	$359,563	$215,156	$214,080	$638,992	$573,643
Water Rights	-	-	266,112	269,653	266,112	269,653
Buildings	440,068	451,532	904,384	934,828	1,344,452	1,386,360
Improvements other						
than buildings	225,285	213,329	167,256	147,669	392,541	360,998
Infrastructure assets	925,128	844,738	259,315	244,408	1,184,443	1,089,146
Equipment	133,904	118,314	196,288	213,964	330,192	332,278
Artwork	48,795	48,795	-	-	48,795	48,795
Utility Property	-	-	1,830,226	1,729,203	1,830,226	1,729,203
Construction in progress	290,867	219,840	500,137	375,201	791,004	595,041
Totals	$2,487,883	$2,256,111	$4,338,874	$4,129,006	$6,826,757	$6,385,117

Some of the major additions for fiscal year 2008 included (gross additions - in millions):

Street and Transportation Improvements	$	126.9
Dallas Convention Center expansion		40.0
Cotton Bowl renovation		43.3
Water and Wastewater facilities		249.0
Airport Improvements		10.1
Total	$	469.3

The City's fiscal year 2009 capital budget provides another $674 million for capital projects, principally for two major categories: $348 million for General Purpose Capital Improvements and $326 million for Water Utilities Capital Improvements.

The General Purpose Capital Improvement Program provides for improvements to and/or construction of the City's street system; parks and recreational facilities; libraries; police and fire protection facilities; cultural art facilities; and the flood protection and storm drainage system. General Obligation Bonds are the primary financing mechanism for these capital improvements.

The Capital Improvement Program for the enterprise funds consists primarily of improvements to and/or construction of water and wastewater systems and improvements at Love Field airport. The transfer of enterprise revenues and the issuance of debt such as commercial paper and/or revenue bonds fund these projects.

More detailed information about the City's capital assets is presented in Note 7 to the financial statements.

Debt

At fiscal year-end, the City had $3.97 billion in bonds outstanding for both governmental and business-type activities, a 7.6% increase, as shown in Table 4.

Table 4
Outstanding Debt at Fiscal Year-End (In thousands)

	Governmental Activities		Business-type Activities		Totals	
	2008	2007 Restated	2008	2007	2008	2007 Restated
General Obligation Bonds	$ 1,403,765	$ 1,206,045	$ -	$ -	$ 1,403,765	$ 1,206,045
Equipment Acquisition Obligations	57,760	45,860	-	-	57,760	45,860
Certificates of Obligation	80,210	43,045	-	-	80,210	43,045
Pension Obligation Bonds	266,301	279,374	90,192	94,619	356,493	373,993
Tax Increment Bonds	7,445	9,415	-	-	7,445	9,415
Revenue Bonds	-	-	2,061,835	2,007,705	2,061,835	2,007,705
Notes Payable	11,609	-	15,733	-	27,342	-
Total	$ 1,827,090	$ 1,583,739	$ 2,167,760	$ 2,102,324	$ 3,994,850	$ 3,686,063

Bond proceeds for governmental activities will be used to pay costs of various equipment purchases, street systems, playgrounds, recreation facilities, library facilities, and other City infrastructure and facilities.

During fiscal year 2008, the City issued $363.2 million in General Obligation Bonds with a premium of $16.6 million, $31.1 million of Equipment Acquisition Obligations with a premium of $511 thousand, $5.5 million in Combination Tax and Revenue Certificates of Obligation with a premium of $80 thousand, and $40.3 million in Combination Tax and Revenue Certificates of Obligation with a premium of $261 thousand. During the fiscal year, the City also recorded three notes payable totaling $14,764 plus $211 thousand of accrued interest added to principal, for total additions of $14,975. The notes were issued for utility improvements and are payable in quarterly installments with interest rates ranging from 3.00% to 3.916%.

The City also issued $158.7 million in Waterworks and Sewer System Revenue Refunding and Improvement Bonds with a premium of $6.7 million (Series 2008) to retire outstanding commercial paper and to provide funds for improvements to water and wastewater facilities.

The City's General Obligation, Tax Increment Financing Reinvestment Zone No. 2, General Obligation Pension Bonds, Waterworks and Sewer System, Civic Center Convention Complex, Sports Arena Project Special Tax and Airport System Revenue Bond ratings are listed below.

	Underlying Ratings			Insured Ratings		
	Moody's Service	Standard & Poor's	Fitch	Moody's Service	Standard & Poor's	Fitch
General Obligation Bonds……………………………	Aa1	AA+	N/A	N/A	N/A	N/A
Tax Increment Financing Reinvestment Zone No. 2	N/A	N/A	N/A	N/A	BBB+	N/A
General Obligation Pension Bonds…………………	Aa1	AA+	N/A	N/A	N/A	N/A
Revenue Bonds:						
Waterworks and Sewer System…………………...	Aa2	AAA	N/A	N/A	N/A	N/A
Civic Center Convention Complex ………………..	A1	A	N/A	A2	AA	N/A
Sports Arena Project Special Tax ………………...	Baa1	A	A+	N/A	N/A	N/A
Airport System ………………………………………	Baa2	BBB+	N/A	Aa3	AA	N/A

Certain maturities of the DWU and General Obligation Bonds may be insured but not all maturities are.

More detailed information about the City's long-term liabilities is presented in Note 10 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Dallas City Council has identified key focus areas – Public Safety; Economic Vibrancy; Clean, Healthy Environment; Culture, Arts and Recreation; Education and E3 Government, that is an efficient, effective, economical government. The City-wide taxable value grew 7.04 percent during the fiscal year, with the majority of the growth occurring in the commercial side of the base and new construction. The fiscal year 2008-09 budget of $2.7 billion does not include a tax rate increase, but rather the support of a growing tax base and by finding new revenue sources and trimming expenses and some services.

The fiscal year 2008-09 budget also includes a 6.3% increase in water and wastewater rates and a 9.2% wholesale water rate increase. The fiscal year 2008-09 budget also includes a 6.3% increase in water and wastewater rates and a 9.2% wholesale water rate increase. The increase was necessary to meet continued focus on maintaining infrastructure and conserving resources with enhanced programs for water and wastewater pipeline systems maintenance, to meet continued commitment to the City's water conservation program to reduce per capita water consumption, and to fund capital program for water supply and infrastructure replacement and maintenance. In addition, operating funds will be used to offset the increased cost of operation and necessary investments in the system maintenance and future growth.

The fiscal year 2008-09 budget also includes an increase in the monthly residential sanitation fee of $1.45 per month from $19.53 to $20.98 to recover the costs of providing the service.

The City of Dallas faces future economic challenges with rising costs such as energy, fuel, employee benefits, and debt obligations. For fiscal year 2009, the City has implemented a restrictive hiring policy and a plan to reduce expenditures. To help offset these costs, the City has identified new revenue streams such as non-resident accident response fees, bus shelter advertising, ad space on appropriate City vehicles, recapture of indirect costs on grants and contracts, and a third party audit of gas, electric, and telecommunications bills.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the City Controller's Office, at City of Dallas, 1500 Marilla, Room 4BN, Dallas, Texas 75201.

"*Dallas, the City that works:*
diverse, vibrant and progressive."

CITY OF DALLAS, TEXAS
STATEMENT OF NET ASSETS
As of September 30, 2008
(in thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Cash and cash equivalents	$ 244,519	$ 261,443	$ 505,962	$ 753
Other investments, at fair value	33,366	-	33,366	-
Receivables, net	142,362	81,711	224,073	109
Internal balances	(4,371)	4,371	-	-
Inventories, at cost	11,356	9,790	21,146	-
Net pension asset	302,016	103,944	405,960	-
Other assets	12,888	12,258	25,146	2,866
Special assessments-paving notes	4,467	-	4,467	-
Restricted assets:				
Cash and cash equivalents	892,498	332,198	1,224,696	25,189
Other investments, at fair value	-	101,630	101,630	-
Customer assessments	-	624	624	-
Capital assets:				
Land	423,836	215,156	638,992	-
Water rights	-	353,910	353,910	-
Artwork	48,795	-	48,795	-
Construction in progress	290,867	500,137	791,004	-
Buildings	781,249	1,297,379	2,078,628	-
Improvements other than buildings	311,262	239,821	551,083	-
Equipment	487,509	497,181	984,690	-
Infrastructure assets	1,571,720	439,369	2,011,089	-
Utility property	-	2,469,355	2,469,355	-
Less accumulated depreciation	(1,427,355)	(1,673,434)	(3,100,789)	-
Total assets	4,126,984	5,246,843	9,373,827	28,917
Liabilities				
Accrued payroll	22,246	2,101	24,347	-
Accounts payable	45,825	32,474	78,299	878
Notes payable	-	-	-	100
Due to other governments	4,538	12	4,550	-
Contracts payable	45,484	-	45,484	-
Other	14,370	612	14,982	-
Construction accounts payable	47,042	56,023	103,065	-
Accrued bond interest payable	19,392	42,703	62,095	181
Commercial paper notes payable	-	67,242	67,242	-
Unearned revenue	42,410	965	43,375	-
Customer deposits	320	9,258	9,578	-
Customer construction advances	-	2,329	2,329	-
Noncurrent liabilities:				
Due within one year	228,060	122,478	350,538	-
Due in more than one year	2,100,395	2,136,287	4,236,682	87,309
Total liabilities	2,570,082	2,472,484	5,042,566	88,468
Net assets				
Invested in capital assets, net of related debt	1,657,571	2,357,750	4,015,321	-
Restricted for:				
Capital projects	16,291	-	16,291	-
Debt service	-	194,824	194,824	11,035
General government	14,744	-	14,744	-
Culture and recreation	8,990	-	8,990	-
Other purposes	12,227	-	12,227	-
Permanent funds - nonexpendable	8,280	-	8,280	-
Unrestricted	(161,201)	221,785	60,584	(70,586)
Total net assets	$ 1,556,902	$ 2,774,359	$ 4,331,261	$ (59,551)

See accompanying notes to basic financial statements.

CITY OF DALLAS, TEXAS
STATEMENT OF ACTIVITIES
Year Ended September 30, 2008
(in thousands)

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Function/Program Activities				
Primary Government:				
Governmental activities:				
General government	$ 187,857	$ 80,647	$ 10,648	$ -
Public safety	659,915	52,475	16,261	-
Streets, street lighting, sanitation and code enforcement	176,503	99,803	1,199	-
Environmental and health services	33,230	5,895	18,753	-
Public works and transportation	57,315	11,977	551	15,821
Equipment and building services	31,047	994	246	-
Culture and recreation	144,178	15,499	1,656	-
Housing	1,706	40	16,224	-
Human services	25,547	14	6,234	-
Interest on long-term debt	89,525	-	-	-
Total governmental activities	1,406,823	267,344	71,772	15,821
Business-type activities:				
Dallas water utilities	396,771	451,408	-	20,700
Convention center	84,608	20,392	-	-
Airport revenues	43,144	48,224	-	9,079
Municipal radio	3,313	3,227	-	-
Building inspection	24,018	21,819	-	-
Total business-type activities	551,854	545,070	-	29,779
Total primary government	1,958,677	812,414	71,772	45,600
Component units:	7,267	390	296	153
Total component units	7,267	390	296	153

General revenues:
- Ad valorem tax
- Tax increment financing, intergovernmental revenue
- Sales taxes
- Franchise fees
- Hotel occupancy tax
- Motor vehicle tax
- Alcohol beverage tax
- Investment income
- Other

Transfers

Total general revenues and transfers

Change in net assets

Net assets, beginning of year - restated (Note 20)

Net assets, end of year

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ (96,562)		$ (96,562)	$ -
(591,179)		(591,179)	-
(75,501)		(75,501)	-
(8,582)		(8,582)	-
(28,966)		(28,966)	-
(29,807)		(29,807)	-
(127,023)		(127,023)	-
14,558		14,558	-
(19,299)		(19,299)	-
(89,525)		(89,525)	-
(1,051,886)		(1,051,886)	-
-	75,337	75,337	-
-	(64,216)	(64,216)	-
-	14,159	14,159	-
-	(86)	(86)	-
-	(2,199)	(2,199)	-
-	22,995	22,995	-
(1,051,886)	22,995	(1,028,891)	-
			(6,428)
			(6,428)
623,625	-	623,625	-
8,857	-	8,857	3,397
231,108	-	231,108	-
127,551	-	127,551	-
-	49,235	49,235	-
-	4,471	4,471	-
-	7,856	7,856	-
47,644	27,720	75,364	943
41,273	1,295	42,568	-
2,973	(2,973)	-	-
1,083,031	87,604	1,170,635	4,340
31,145	110,599	141,744	(2,088)
1,525,757	2,663,760	4,189,517	(57,463)
$ 1,556,902	$ 2,774,359	$ 4,331,261	$ (59,551)

See accompanying notes to basic financial statements.

CITY OF DALLAS, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
As of September 30, 2008
(in thousands)

	General	Debt Service	Building Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Pooled cash and cash equivalents	$ 115,539	$ 6,180	$ -	$ 80,659	$ 202,378
Other investments, at fair value	13,434	2,395	-	17,537	33,366
Receivables:					
Ad valorem tax	33,065	13,177	-	-	46,242
Sales tax	37,398	-	-	-	37,398
Notes	1	-	1,500	8,086	9,587
Accounts	76,502	-	-	19,492	95,994
Accrued interest	1,334	470	1,784	4,773	8,361
Allowance for uncollectible accounts	(52,053)	(10,869)	(1,500)	(7,814)	(72,236)
Due from other governments	425	-	485	15,860	16,770
Due from other funds	2,762	627	-	-	3,389
Inventories, at cost	7,904	-	-	-	7,904
Special assessments-paving notes	-	-	-	4,467	4,467
Restricted cash and cash equivalents	-	-	271,335	621,163	892,498
Notes receivable from other funds	-	445	-	4,224	4,669
Other assets	2,564	-	-	-	2,564
Total assets	238,875	12,425	273,604	768,447	1,293,351
Liabilities and fund balances					
Liabilities					
Accrued payroll	21,478	-	-	410	21,888
Accounts payable	27,950	-	-	7,326	35,276
Due to other funds	268	-	43	3,181	3,492
Deferred revenue	29,983	1,660	-	11,024	42,667
Unearned revenue	30,121	-	-	12,165	42,286
Due to other governments	2,410	-	-	2,128	4,538
Construction accounts payable	-	-	21,676	25,366	47,042
Notes payable to other funds	64	-	-	8,885	8,949
Customer deposits	311	-	-	9	320
Contracts payable	-	-	2,963	42,521	45,484
Other	7,952	517	1,286	3,727	13,482
Total liabilities	120,537	2,177	25,968	116,742	265,424
Fund balances					
Reserved for:					
Encumbrances	18,966	-	51,649	148,800	219,415
General government	-	-	-	368	368
Culture and recreation	-	-	-	7,912	7,912
Notes receivable	-	445	-	4,224	4,669
Inventories	7,904	-	-	-	7,904
Debt service	-	9,803	-	1,651	11,454
Unreserved, designated in:					
General fund	48,984	-	-	-	48,984
Unreserved, undesignated in:					
General fund	42,484	-	-	-	42,484
Capital project funds	-	-	195,987	427,458	623,445
Special revenue funds	-	-	-	61,292	61,292
Total fund balance	118,338	10,248	247,636	651,705	1,027,927
Total liabilities and fund balance	$ 238,875	$ 12,425	$ 273,604	$ 768,447	$ 1,293,351

See accompanying notes to basic financial statements.

CITY OF DALLAS, TEXAS
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
As of September 30, 2008
(in thousands)

Total fund balances - governmental funds		$ 1,027,927
Amounts reported for governmental activities in the statement of net assets are different because:		
Net pension assets are not financial resources and therefore are not reported in the funds. These are:		
Net Pension Asset		302,016
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	422,140	
Artwork	48,795	
Construction in progress	289,102	
Infrastructure assets	1,569,899	
Buildings	776,814	
Improvements other than buildings	310,273	
Equipment	316,444	
Accumulated depreciation	(1,281,677)	
Total capital assets	2,451,790	2,451,790
Bond issuance costs, reported as an expenditure in governmental funds, are allocated as an expense over the life of the debt on a full accrual basis.		8,609
Some revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year-end. On the accrual basis, however, those revenues would be recognized, regardless of when they are collected.		42,667
Internal service funds are used by management to charge the costs of certain activities, such as equipment services, communication equipment services, office services, information services, and insurance. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets		(26,620)
Some long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Bonds payable, plus unamortized bond premium	2,001,015	
Capital leases	10,732	
Accrued interest on bonds and notes	19,392	
Arbitrage rebate payable	2,907	
Notes payable	11,609	
Compensated absences	129,459	
Sales tax refund	12,863	
Other postemployment benefits	30,974	
Landfill closure & post-closure	30,536	
Total long-term liabilities	2,249,487	(2,249,487)
Net assets of governmental activities		$ 1,556,902

See accompanying notes to basic financial statements.

CITY OF DALLAS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended September 30, 2008
(in thousands)

	General	Debt Service	Building Capital Projects Fund	Nonmajor Governmental Funds	Total
Revenues:					
Ad valorem tax	$ 421,237	$ 184,581	$ -	$ 13,389	$ 619,207
Tax increment financing, intergovernmental	-	-	-	8,857	8,857
Sales tax	231,108	-	-	-	231,108
Franchise fees	127,551	-	-	-	127,551
Licenses and permits	3,696	-	-	-	3,696
Intergovernmental	7,047	-	2,253	67,479	76,779
Service to others	160,239	-	-	36,548	196,787
Fines and forfeits	31,118	-	-	6,758	37,876
Investment income	7,440	4,364	10,012	24,624	46,440
Contributions and gifts	924	-	9,933	2,669	13,526
Confiscated money awards	-	-	-	2,924	2,924
Other	9,592	7	49	7,948	17,596
Total revenues	999,952	188,952	22,247	171,196	1,382,347
Current expenditures:					
General government	94,172	-	8,212	55,741	158,125
Public safety	602,019	-	-	9,735	611,754
Streets, street lighting,sanitation and code enforcement	140,206	-	-	18,791	158,997
Environmental and health services	18,892	-	-	15,165	34,057
Public works and transportation	18,766	-	-	-	18,766
Equipment and building services	23,331	-	-	-	23,331
Culture and recreation	118,470	-	-	6,280	124,750
Housing	1,487	-	-	-	1,487
Human services	-	-	-	24,593	24,593
Debt service:					
Principal	7,203	134,577	-	-	141,780
Interest and fiscal charges	1,298	78,657	1,637	1,818	83,410
Capital outlay	7,163	-	177,762	146,095	331,020
Total expenditures	1,033,007	213,234	187,611	278,218	1,712,070
Excess (deficiency) of revenues over (under) expenditures	(33,055)	(24,282)	(165,364)	(107,022)	(329,723)
Other financing sources (uses):					
Transfers in	8,381	24,113	-	4,523	37,017
Transfers out	(14,025)	-	(692)	(17,045)	(31,762)
Proceeds from sale of capital assets	5,816	-	-	3,424	9,240
Premium on debt issued	-	3,772	6,577	7,147	17,496
General obligation bonds issued	-	-	203,359	166,156	369,515
Refunding bonds issued	-	70,610	-	-	70,610
Payment to refunded bond escrow agent	-	(74,151)	-	-	(74,151)
Capital lease	2,755	-	-	-	2,755
Proceeds from notes issued	14,764	-	-	-	14,764
Total other financing sources (uses)	17,691	24,344	209,244	164,205	415,484
Net change in fund balances	(15,364)	62	43,880	57,183	85,761
Fund balances, beginning of year - restated (Note 20)	133,702	10,186	203,756	594,522	942,166
Fund balances, end of year	$ 118,338	$ 10,248	$ 247,636	$ 651,705	$ 1,027,927

See accompanying notes to basic financial statements.

CITY OF DALLAS, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended September 30, 2008
(in thousands)

Net change in fund balances--total governmental funds			$ 85,761
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.			
Capital outlay	331,020		
Depreciation expense	(94,725)		
Net adjustment	236,295		236,295
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.			
Proceeds from Sale of Capital Assets	(9,240)		
Gain on Disposal of Capital Assets	8,710		
			(530)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This adjustment is to recognize the net change in “unavailable” revenues.			15,085
The issuance of long-term debt (e.g., bonds, certificates of obligation) provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.			
Debt issued:			
Premium on debt issued		(17,496)	
Notes Payable and capitalized interest		(14,975)	
Refunding bonds		(70,610)	
General obligation bonds and certificates of obligation		(369,515)	
Repayments:			
Capital lease principal payment		2,937	
Sales Tax Refund Liability		731	
Note principal payment		3,535	
Payment to refunded bond escrow agent		74,151	
Bond principal payments		134,577	
Net adjustment			(256,665)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			
Increase in Accrued Interest Payable		(1,030)	
Bond issuance costs		1,932	
Amortization of bond issuance costs		(1,019)	
Amortization of premium, discount and refunding deferral		7,732	
Accretion on Capital Appreciation Bonds		(13,625)	
Increase in net pension asset		15,479	
Increase in other postemployment benefits		(30,974)	
Increase in the amount of compensated absences		(6,178)	
Decrease in arbitrage rebate liability		106	
Increase in landfill closure cost		(673)	
Increase in capital lease		(2,755)	
Total adjustment			(31,005)
Internal service funds are used by management to charge the costs of certain activities, such as fleet management, insurance, compensated absences and computer replacement, to individual funds. The external revenue generated by these funds (interest income and gain on sale of equipment) is reported with the governmental activities.			(17,796)
Change in net assets of governmental activities			$ 31,145

See accompanying notes to basic financial statements.

CITY OF DALLAS, TEXAS
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-NON-GAAP BUDGETARY BASIS
Year Ended September 30, 2008
(in thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
Revenues:				
Ad valorem taxes	$ 434,958	$ 434,958	$ 430,539	$ (4,419)
Sales tax	237,196	237,196	229,853	(7,343)
Other tax and franchise revenues	142,060	142,060	156,628	14,568
Licenses and permits	7,634	7,634	9,064	1,430
Intergovernmental	4,708	4,708	7,032	2,324
Services to others	145,980	145,981	156,405	10,424
Fines and forfeitures	52,016	52,016	37,081	(14,935)
Investment income	8,440	8,440	7,930	(510)
Other	11,772	11,839	15,718	3,879
Total revenues	1,044,764	1,044,832	1,050,250	5,418
Expenditures:				
General government				
City attorney's office	12,779	12,779	12,542	237
City auditor's office	2,893	2,893	2,583	310
Dallas central appraisal district	2,592	2,592	2,592	-
Elections	82	95	94	1
Independent audit	1,150	1,150	915	235
Office of financial services	17,305	17,305	17,078	227
Dallas county tax collection	534	534	534	-
City manager's office	2,686	2,686	2,607	79
Office of environmental quality	1,695	1,695	1,676	19
Mayor and city council	3,502	3,512	3,494	18
Civil service	2,040	2,040	1,954	86
Human resources	6,425	6,425	6,289	136
Development services	1,302	1,302	1,247	55
Non-departmental	20,681	21,457	20,514	943
City secretary's office	1,973	1,973	1,862	111
Office of purchasing/business diversity	2,755	2,787	2,699	88
Economic development	4,095	4,095	4,087	8
Municipal court - Judiciary	2,549	2,732	2,670	62
Court and detention services	12,542	12,721	12,390	331
Jail contract-Lew Sterrett	6,824	6,824	6,824	-
Total general government	106,404	107,597	104,651	2,946
Public safety				
Dallas police department	401,072	402,843	398,121	4,722
Dallas fire department	189,301	192,134	191,467	667
Office of emergency management	900	900	748	152
9-1-1 systems operations	14,365	14,587	13,888	699
Total public safety	605,638	610,464	604,224	6,240
Streets, street lighting, sanitation and code enforcement				
Code compliance	25,267	27,960	27,372	588
Sanitation services	70,655	73,594	71,025	2,569
Street services	39,066	39,302	38,361	941
Street lighting	16,945	17,388	17,148	240
Total streets, street lighting, sanitation and code enforcement	151,933	158,244	153,906	4,338
Environmental and health services	18,990	19,520	17,846	1,674

continued

See accompanying notes to basic financial statements.

CITY OF DALLAS, TEXAS
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-NON-GAAP BUDGETARY BASIS (continued)
Year Ended September 30, 2008
(in thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget-Positive (Negative)
Public works and transportation	$ 30,667	$ 28,811	$ 24,720	$ 4,091
Equipment and building services	15,784	16,005	15,522	483
Culture and recreation				
Library	32,158	32,461	32,350	111
Office of cultural affairs	15,333	15,333	14,697	636
Park and recreation	73,074	74,380	74,022	358
Total culture and recreation	120,565	122,174	121,069	1,105
Housing	1,545	1,545	1,403	142
Total expenditures	1,051,526	1,064,360	1,043,341	21,019
Excess (deficiency) of revenues over (under) expenditures	(6,762)	(19,528)	6,909	26,437
Other financing sources (uses):				
Interfund transfers in	11,846	14,246	10,057	(4,189)
Interfund reserved and transfers out	(5,943)	(2,946)	(2,946)	-
Total other financing sources (uses)	5,903	11,300	7,111	(4,189)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	(859)	(8,228)	14,020	22,248
Fund balances, beginning of year	129,606	119,358	139,661	-
Fund balances, end of year	$ 128,747	$ 111,130	$ 153,681	$ 22,248

See accompanying notes to basic financial statements.

CITY OF DALLAS, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
As of September 30, 2008
(in thousands)

	Business-type Activities Enterprise Funds					
	Dallas Water Utilities	Convention Center	Airport Revenues	Nonmajor Enterprise Funds	Total	Governmental Activities- Internal Service Funds
Assets						
Current assets:						
Pooled cash and cash equivalents	$ 123,540	$ 73,999	$ 46,332	$ 17,572	$ 261,443	$ 42,141
Receivables:						
Accounts	72,175	2,744	878	687	76,484	45
Taxes	-	7,216	-	-	7,216	-
Accrued interest	3,246	928	322	125	4,621	201
Allowance for uncollectibles	(10,109)	(524)	-	(2)	(10,635)	-
Due from other governments	-	-	4,025	-	4,025	-
Due from other funds	347	371	-	-	718	12
Prepaid items	-	-	-	-	-	29
Inventories, at cost	9,391	117	282	-	9,790	3,452
Restricted assets:						
Customer assessments	624	-	-	-	624	-
Pooled cash and cash equivalents for current debt service	129,632	-	-	-	129,632	-
Customer deposits:						
Pooled cash and cash equivalents	8,672	-	-	-	8,672	-
Other	-		-	-	-	1,686
Total current assets	337,518	84,851	51,839	18,382	492,590	47,566
Noncurrent assets:						
Capital Assets:						
Land	72,808	87,820	53,628	900	215,156	1,696
Water Rights	353,910	-	-	-	353,910	-
Construction in progress	475,632	159	24,091	255	500,137	1,765
Buildings	356,726	548,178	392,138	337	1,297,379	4,435
Improvements other than buildings	39,476	68,754	131,318	273	239,821	989
Infrastructure assets	422,989	11,094	5,286	-	439,369	1,821
Equipment	443,493	39,989	10,131	3,568	497,181	171,065
Utility property	2,469,355	-	-	-	2,469,355	-
Accumulated depreciation	(1,303,562)	(182,878)	(184,399)	(2,595)	(1,673,434)	(145,678)
Total capital assets	3,330,827	573,116	432,193	2,738	4,338,874	36,093
Other noncurrent assets:						
Restricted assets:						
Held for construction purposes:						
Cash and cash equivalents	191,219	-	-	-	191,219	-
Pooled cash and cash equivalents for future debt service	2,675	-	-	-	2,675	-
Other investments for future debt service at fair value	73,350	28,280	-	-	101,630	-
Notes receivable from other funds	4,725	-	-	-	4,725	-
Net pension asset	77,162	5,520	7,219	14,043	103,944	-
Other assets	8,995	3,263	-	-	12,258	-
Total other noncurrent assets	358,126	37,063	7,219	14,043	416,451	-
Total noncurrent assets	3,688,953	610,179	439,412	16,781	4,755,325	36,093
Total assets	$ 4,026,471	$ 695,030	$ 491,251	$ 35,163	$ 5,247,915	$ 83,659

See accompanying notes to basic financial statements.

CITY OF DALLAS, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS (continued)
As of September 30, 2008

(in thousands)

	Business-type Activities Enterprise Funds					Governmental
	Dallas Water Utilities	Convention Center	Airport Revenues	Nonmajor Enterprise Funds	Total	Activities- Internal Service Funds
Liabilities						
Current liabilities:						
Accrued payroll	$ 1,501	$ 130	$ 148	$ 322	$ 2,101	$ 358
Accounts payable	25,320	3,305	3,708	141	32,474	10,549
Accrued vacation and sick	3,106	319	393	798	4,616	1,466
Due to other governments	-	12	-	-	12	-
Due to other funds	627	-	-	-	627	-
Unearned Revenue	-	210	755	-	965	124
Estimated unpaid health claims	-	-	-	-	-	8,470
Estimated unpaid claims - general	-	-	-	-	-	6,743
Workers' compensation	-	-	-	-	-	12,220
Accrued bond interest payable on pension obligation bonds	260	18	24	48	350	-
Revenue bonds	-	-	6,495	-	6,495	-
Pension obligation bonds	2,326	166	218	424	3,134	-
Other	-	22	493	97	612	888
Total current liabilities	33,140	4,182	12,234	1,830	51,386	40,818
Current liabilities (payable from restricted assets):						
Construction accounts payable	56,023	-	-	-	56,023	-
Commercial paper notes payable	67,242	-	-	-	67,242	-
Notes payable	-	1,000	198	-	1,198	-
Accrued bond interest payable	39,520	2,318	515	-	42,353	-
Revenue bonds	91,215	15,820	-	-	107,035	-
Total current liabilities (payable from restricted assets)	254,000	19,138	713	-	273,851	-
Total current liabilities	287,140	23,320	12,947	1,830	325,237	40,818
Noncurrent liabilities:						
Notes payable to other funds	445	-	-	-	445	-
Notes payable	-	12,629	1,906	-	14,535	-
Revenue bonds	1,620,619	336,281	13,921	-	1,970,821	-
Accreted interest on pension obligation bonds	10,969	783	1,028	1,997	14,777	-
Pension obligation bonds	90,698	6,457	8,498	16,523	122,176	-
Total long-term debt	1,722,731	356,150	25,353	18,520	2,122,754	-
Other long-term liabilities:						
Estimated upaid claims - general	-	-	-	-	-	17,781
Arbitrage rebate	1,181	-	-	-	1,181	-
Other postemployment benefits	3,747	283	425	814	5,269	561
Workers compensation	-	-	-	-	-	48,729
Customer deposits	8,698	560	-	-	9,258	-
Customer construction advances	2,329	-	-	-	2,329	-
Accrued vacation and sick	5,067	520	641	1,300	7,528	2,390
Total other long-term liabilities	21,022	1,363	1,066	2,114	25,565	69,461
Total noncurrent liabilities	1,743,753	357,513	26,419	20,634	2,148,319	69,461
Total liabilities	2,030,893	380,833	39,366	22,464	2,473,556	110,279
Net Assets						
Invested in capital assets, net of related debt	1,737,953	207,386	409,673	2,738	2,357,750	36,093
Restricted:						
Revenue bond requirements	166,137	28,687	-	-	194,824	-
Unrestricted	91,488	78,124	42,212	9,961	221,785	(62,713)
Total net assets	$ 1,995,578	$ 314,197	$ 451,885	$ 12,699	$ 2,774,359	$ (26,620)

See accompanying notes to basic financial statements.

CITY OF DALLAS, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended September 30, 2008
(in thousands)

	Business-type Activities Enterprise Funds					
	Dallas Water Utilities	Convention Center	Airport Revenues	Nonmajor Enterprise Funds	Total	Governmental Activities- Internal Service Funds
Operating revenues:						
Customer charges	$ 451,408	$ 15,776	$ 48,224	$ 25,046	$ 540,454	$ -
Charges to other City departments	-	-	42	-	42	158,248
Service to others	-	4,616	-	-	4,616	35,117
Intergovernmental	-	9	708	-	717	-
Other	-	251	167	118	536	8,556
Total operating revenues	451,408	20,652	49,141	25,164	546,365	201,921
Operating expenses:						
Personnel services	74,034	6,520	7,701	17,484	105,739	42,902
Supplies and materials	82,874	5,200	5,277	597	93,948	30,924
Contractual and other services	95,744	28,492	17,564	7,920	149,720	135,303
Depreciation	76,887	21,150	10,935	359	109,331	10,286
Total operating expenses	329,539	61,362	41,477	26,360	458,738	219,415
Operating income (loss)	121,869	(40,710)	7,664	(1,196)	87,627	(17,494)
Nonoperating revenues (expenses):						
Investment income	20,012	4,854	2,114	740	27,720	1,204
Alcohol beverage tax	-	7,856	-	-	7,856	-
Motor vehicle rental tax	-	4,471	-	-	4,471	-
Hotel occupancy tax	-	49,235	-	-	49,235	-
Interest on bonds and notes	(66,327)	(21,526)	(1,667)	(971)	(90,491)	-
Net gain (loss) on property disposals	(905)	(1,720)	-	-	(2,625)	776
Total nonoperating revenues (expenses)	(47,220)	43,170	447	(231)	(3,834)	1,980
Income (loss) before transfers and contributions	74,649	2,460	8,111	(1,427)	83,793	(15,514)
Capital contributions	20,700	-	9,079	-	29,779	-
Transfers in	-	3,944	-	-	3,944	-
Transfers out	(3,213)	(3,419)	(23)	(262)	(6,917)	(2,282)
	17,487	525	9,056	(262)	26,806	(2,282)
Change in net assets	92,136	2,985	17,167	(1,689)	110,599	(17,796)
Net assets, beginning of year	1,903,442	311,212	434,718	14,388	2,663,760	(8,824)
Net assets, end of year	$ 1,995,578	$ 314,197	$ 451,885	$ 12,699	$ 2,774,359	$ (26,620)

See accompanying notes to basic financial statements.

"Dallas, the City that works:
diverse, vibrant and progressive."

CITY OF DALLAS, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended September 30, 2008
(in thousands)

	Business-type Activities Enterprise Funds		
	Dallas Water Utilities	Convention Center	Airport Revenues
Cash flows from operating activities:			
Cash received from customers	$ 441,490	$ 19,970	$ 50,863
Cash payments to suppliers for goods and services	(86,776)	(6,807)	(5,245)
Cash payments to employees for services	(73,212)	(6,563)	(7,517)
Cash payments for contractual services	(64,915)	(28,044)	(16,528)
Other operating cash receipts (payments)	(292)	(539)	(1,729)
Net cash provided by (used in) operating activities	216,295	(21,983)	19,844
Cash flows from non capital financing activities:			
Alcohol beverage tax	-	7,856	-
Motor vehicle tax	-	4,471	-
Hotel occupancy tax	-	49,235	-
Transfers from other funds	-	3,944	-
Transfers to other funds	(3,213)	(3,419)	(23)
Net cash provided by (used in) non capital financing activities	(3,213)	62,087	(23)
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(266,504)	(16,161)	(14,290)
Proceeds from sale of capital assets	42	-	-
Proceeds from sale of revenue refunding bonds	165,335	-	-
Proceeds from issuance of notes payable	-	15,631	2,303
Principal paid on revenue and general obligation bond maturities	(86,552)	(15,254)	(6,548)
Principal paid on notes payable	-	(2,002)	(199)
Interest paid on bonds	(79,217)	(20,524)	(1,610)
Proceeds from sale of commercial paper notes	52,544	-	-
Retirement of commercial paper notes	(165,000)	-	-
Interest paid on commercial paper	(5,371)	-	-
Capital contribution	-	-	7,704
Increase in Arbitrage Rebate Liability	1,181	-	-
Net cash provided by (used in) capital and related financing activities	(383,542)	(38,310)	(12,640)
Cash flows from investing activities:			
Purchase of investments	(60,680)	(27,803)	-
Maturity of investments	56,639	28,589	-
Investment income	20,934	4,437	2,110
Net cash provided by (used in) investing activities	16,893	5,223	2,110
Net increase (decrease) in cash and cash equivalents	(153,567)	7,017	9,291
Cash and cash equivalents, beginning of year	609,305	66,982	37,041
Cash and cash equivalents, end of year	$ 455,738	$ 73,999	$ 46,332

See accompanying notes to basic financial statements.

Nonmajor Enterprise Funds	Total	Governmental Activities- Internal Service Funds
$ 25,321	$ 537,644	$ 203,313
(619)	(99,447)	(29,991)
(17,470)	(104,762)	(41,172)
(7,966)	(117,453)	(135,303)
-	(2,560)	1,776
(734)	213,422	(1,377)
-	7,856	-
-	4,471	-
-	49,235	-
-	3,944	-
(262)	(6,917)	(2,282)
(262)	58,589	(2,282)
(1,067)	(298,022)	(6,318)
-	42	801
-	165,335	-
-	17,934	-
(599)	(108,953)	-
-	(2,201)	-
(377)	(101,728)	-
-	52,544	-
-	(165,000)	-
-	(5,371)	-
-	7,704	-
-	1,181	
(2,043)	(436,535)	(5,517)
-	(88,483)	-
-	85,228	-
763	28,244	1,291
763	24,989	1,291
(2,276)	(139,535)	(7,885)
19,848	733,176	50,026
$ 17,572	$ 593,641	$ 42,141

See accompanying notes to basic financial statements.

CITY OF DALLAS, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (continued)
Year Ended September 30, 2008
(in thousands)

	Business-type Activities Enterprise Funds		
	Dallas Water Utilities	Convention Center	Airport Revenues
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	$ 121,869	$ (40,710)	$ 7,664
Adjustments not affecting cash:			
Depreciation	76,887	21,150	10,935
Change in assets and liabilities			
(Increase) Decrease in accounts and other receivables	(8,936)	(753)	1,210
(Increase) Decrease in notes receivables from other funds	(470)	-	-
(Increase) Decrease in customer assessments receivable	(219)	-	-
(Increase) Decrease in inventories	(3,902)	22	(63)
(Increase) Decrease in other assets	(3,648)	(460)	(370)
(Increase) Decrease in due from other governments	-	-	(1,729)
(Increase) Decrease in due from other funds	(79)	(371)	-
Increase (Decrease) in due to other funds	(520)	-	-
Increase (Decrease) in due to other governments	-	9	-
Increase (Decrease) in accounts and contracts payable	31,597	448	1,043
Increase (Decrease) in accrued payroll	574	43	59
Increase (Decrease) in accrued vacation and sick leave	456	(86)	70
Increase (Decrease) in allowance for doubtful accounts	(844)	(167)	-
Increase (Decrease) in deferred revenue	-	30	512
Increase (Decrease) in customer deposits	551	208	(7)
Increase (Decrease) in other post employment benefits	3,747	283	425
Increase (Decrease) in customer construction advances	(768)	-	-
Increase (Decrease) in other liabilities	-	(1,629)	95
Total adjustments	94,426	18,727	12,180
Net cash provided by (used in) operating activities	216,295	(21,983)	19,844
Current Assets:			
Pooled cash and cash equivalents	123,540	73,999	46,332
Pooled cash and cash equivalents for current debt service	129,632	-	-
Customer Deposits pooled cash and cash equivalent	8,672	-	-
Held for Construction purposes:			
Cash and cash equivalents	191,219	-	-
Pooled cash and cash equivalents for future debt service	2,675	-	-
Total cash and cash equivalents end of year	$ 455,738	$ 73,999	$ 46,332
Noncash investing, capital, and financing activities:			
Capital contribution	20,700	-	1,375
Change in fair value of investments	(1,827)	(251)	(235)
	18,873	(251)	1,140

See accompanying notes to basic financial statements.

Nonmajor Enterprise Funds	Total	Governmental Activities-Internal Service Funds
$ (1,196)	$ 87,627	$ (17,494)
359	109,331	10,286
157	(8,322)	1,392
-	(470)	-
-	(219)	-
-	(3,943)	(879)
(719)	(5,197)	(1,392)
-	(1,729)	-
-	(450)	(12)
-	(520)	
-	9	-
(46)	33,042	1,832
131	807	53
(212)	228	1,116
-	(1,011)	-
-	542	124
-	752	-
814	5,269	561
-	(768)	-
(22)	(1,556)	3,036
462	125,795	16,117
(734)	213,422	(1,377)
17,572	261,443	42,141
-	129,632	-
-	8,672	-
-	191,219	-
-	2,675	-
$ 17,572	$ 593,641	$ 42,141
-	22,075	-
(84)	(2,397)	(175)
(84)	19,678	(175)

See accompanying notes to basic financial statements.

CITY OF DALLAS, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
As of September 30, 2008
(in thousands)

	Agency Funds	Pension Trust Funds
Assets		
Pooled cash and cash equivalents	$ 8,320	$ -
Cash and cash equivalents	-	612,730
Receivables:		
Accounts	40	467,577
Accrued interest	39	15,803
Domestic equities	-	1,397,506
U.S. and foreign government securities	-	274,031
Domestic corporate fixed income	-	595,881
International equities and fixed income	-	682,651
Commingled index funds	-	132,433
Venture capital (real estate)	-	38
Other investments	2	-
Plan interest in Group Master Trust	-	3,376,595
Total assets	8,401	7,555,245
Liabilities		
Accounts payable	849	4,842
Payable for securities purchased	-	73,716
Securities lending obligation	-	478,743
Other	7,552	435,485
Total liabilities	8,401	992,786
Net Assets		
Held in trust for pension benefits	-	6,562,459
Total net assets	$ -	$ 6,562,459

See accompanying notes to basic financial statements.

CITY OF DALLAS, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended September 30, 2008
(in thousands)

	Pension Trust Funds
Additions:	
Contributions:	
Employer	$ 122,596
Employee	49,758
Total contributions	172,354
Net investment income:	
Dividends	39,870
Interest	58,548
Net appreciation in fair value of investments	22,766
Net investment gain from Group Master Trust	247,547
Securities lending income	29,330
Less investment expenses:	
Investment management fees	(12,069)
Custody fees	(125)
Consultant fees	(283)
Securities lending borrower rebates	(26,820)
Securities lending management fees	(558)
Total investment expenses	(39,855)
Net investment income	358,206
Other income	459
Total increases	531,019
Deductions:	
Benefit payments	279,751
Refund of contributions	3,969
Administrative expenses	8,809
Total deductions	292,529
Net increase in net assets available for benefits	238,490
Net assets held in trust for pension benefits:	
Beginning of year	6,323,969
End of year	$ 6,562,459

See accompanying notes to basic financial statements.

Note 1. Summary of Significant Accounting Policies

A. General

The City of Dallas, Texas ("the City") is a municipal corporation incorporated under Article XI, Section 5 of the Constitution of the State of Texas (Home Rule Amendment). The City operates under the Council-Manager form of government and provides such services as are authorized by its charter to advance the welfare, health, comfort, safety, and convenience of the City and its inhabitants.

The accounting policies of the City conform to U.S. generally accepted accounting principles (GAAP) as applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Private-sector standards of accounting and financial reporting as promulgated by the Financial Accounting Standards Board issued prior to December 1, 1989 are followed in the enterprise funds and the business-type activities to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance. Unless otherwise indicated, amounts are presented in thousands (000's). The more significant accounting and reporting policies and practices used by the City are described below:

B. Reporting Entity

The basic financial statements present the City and its component units and include all activities, organizations and functions for which the City is considered to be financially accountable. The criteria considered in determining activities to be reported within the City's basic financial statements include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

The City's municipal services, which include public safety (police and fire), streets, sanitation, code enforcement, environmental and health services, public works and transportation, equipment and building, culture and recreation, housing and human services, and general administrative services, are included in the accompanying basic financial statements.

In addition, the City owns and operates certain enterprise funds including water utilities, convention services, airport and other enterprise activities that are also included in the accompanying basic financial statements.

Blended Component Units

Blended component units are included as part of the primary government because they meet the above criteria as well as serve or benefit the City exclusively.

- Pension Trust Funds – The Pension Trust Funds have a December 31 year-end. The primary functions of the pension entities are investment and benefit management activities. Although the entities are legally separate from the City, they are reported as part of the primary government because the above criteria are met. Each board has contracted with various investment managers and banks for management of the portfolios of the plans. The City contributes on behalf of its employees to three defined benefit pension plans administered by two legally separate entities: the Employees' Retirement Fund of the City of Dallas, at 600 North Pearl Street, Suite 2450, Dallas, TX 75201; and Dallas Police and Fire Pension System, at 2301 N. Akard Road, Suite 200, Dallas, TX 75201.

Note 1. Summary of Significant Accounting Policies (continued)

B. Reporting Entity (continued)

Complete financial statements for each of the component units may be obtained at the administrative offices listed above.

Discretely Presented Component Units - The following legally separate entities are reported as discretely presented component units of the City because the City appoints a voting majority of the boards, approves budgets and maintains the ability to impose its will on the entities.

- Housing Finance Corporation - organized to issue tax-exempt mortgage revenue bonds to encourage low to moderate-income citizens opportunities for single-family residential home ownership.
- Housing Acquisition and Development Corporation - organized solely and exclusively for the public purpose of providing safe, affordable housing facilities for low and moderate income persons.
- Downtown Dallas Development Authority – The primary function of the Downtown Dallas Development Authority (DDDA) is to increase the property tax base in the downtown area of the city. The DDDA operates in a manner similar to other tax increment financing zones of the City, but has a separate board. Its primary purpose is to issue revenue bonds to finance major improvements by developers. Financial information can be obtained from: City of Dallas Economic Development Department, 1500 Marilla, Room 6BS, Dallas, TX 75201.

Entity financial statements are available for Housing Acquisition and Development Corporation and the Housing Finance Corporation by contacting the City of Dallas Housing Department, 1500 Marilla, Room 6DN, Dallas, TX 75201.

Related Organizations

City officials are also responsible for appointing members to the boards of the following organizations, but the City's accountability for these organizations does not extend beyond making appointments.

The Dallas/Fort Worth International Airport (DFW Airport) is jointly governed by the cities of Dallas and Fort Worth. The Cities approve the Airport's annual budget and all bond sales, but have no responsibility for the Airport's debt service requirements. DFW Airport is governed by a 12-member board (Board) comprised of seven members representing the City of Dallas, four members representing the City of Fort Worth and on an annual basis, one non-voting member from the neighboring cities of Irving, Grapevine, Euless and Coppell. Members of the Board are appointed by the respective City Councils. The Board is a semi-autonomous body charged with governing the Airport and may enter into contracts without approval of the City Councils.

The Dallas Housing Authority (Authority) is an independent organization, which has a scope of public service within the geographic boundaries of the City. Under Texas State Statutes, the responsibility for the administration and operations of the Authority is vested solely with the Authority's Board of Commissioners. The Authority is dependent on Federal funds from the Department of Housing and Urban Development and, as a result, is not financially dependent on the City. In addition, the City is not responsible for any deficits incurred and has no fiscal management control. The governing body of the Authority is its Board of Commissioners, composed of five members appointed by the Mayor of the City of Dallas. The Authority is not considered a component unit of the City, as defined by pronouncements of GASB 14, amended by GASB 39, since the City is not financially accountable for the operations of the Authority, has no responsibility to fund deficits or receive surpluses, and has not guaranteed the Authority's debt.

The Dallas Area Rapid Transit (DART) is a regional transportation authority under Chapter 452 of the Texas Transportation Code and is controlled by a 15-member board. The Dallas City Council appoints seven members and participating suburban City Councils appoint eight board members. Its purpose is to provide transportation services in the DART service area. The voters in the DART service area approved a one percent sales tax to fund the authority annually. DART is not fiscally dependent on the City.

Note 1. Summary of Significant Accounting Policies (continued)

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on the primary government and its non-fiduciary component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or program is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or segment.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund level financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and individual enterprise funds are reported as separate columns in the fund financial statements.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows; however, agency funds report only assets and liabilities and have no measurement focus.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues received within 60 days of year-end to be available, in accordance with the City’s accounting policy, except as noted in the paragraph below.

Revenues susceptible to accrual include ad valorem taxes, sales tax, sanitation collection fees, disposal fees, ambulance fees, parking fines, franchise fees and interest. In applying the susceptible to accrual concept to Federal and State grants, revenues are recognized when applicable eligibility requirements, including time requirements, are met. The grant revenues and developer and intergovernmental contributions availability period is considered to be one year. All other revenue items are considered to be measurable and available only when the City receives the cash as the resulting net receivables are deemed immaterial, such as court fines and fees.

Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences, rebatable arbitrage, claims and judgments, and landfill closure and post-closure care costs are recorded only when matured and payment is due.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

The Building Capital Project Fund is used to account for the construction of City-owned buildings.

Note 1. Summary of Significant Accounting Policies (continued)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets.

The City reports the following major proprietary funds:

The Dallas Water Utilities Fund accounts for water and wastewater services for Dallas, area customer cities and governmental entities. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance, and related debt service.

The Convention Center Fund accounts for convention and event services for the Dallas Convention Center. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance, and related debt service.

The Airport Revenue Fund accounts for Dallas Airports System, which includes airport services and administration of Dallas Love Field, Executive Airport and Heliport. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance, and related debt service. DFW airport activity is not included in the financial statements.

Additionally, the City reports the following funds:

The Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of those major capital facilities which are not financed by Enterprise Funds, Internal Service Funds, and Trust Funds.

The Special Revenue Funds are used to account for proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes.

Non-major Enterprise Funds are used to account for operations, other than the major proprietary funds listed above, which are operated in a manner similar to private business enterprises. Non-major Enterprise Funds include the operation of the municipal radio station and building inspections.

The Internal Service Funds are used to allocate associated costs of centralized services on a cost-reimbursement basis. The services provided to other City departments are vehicles, vehicle maintenance and fuel and lubrication, providing communication services, providing data processing and programming services, providing office supplies, printing, copying and mailing services and providing risk financing and insurance-related activities.

The Pension Trust Funds account for the activities of the City's three contributory defined benefit pension plans: Employees' Retirement System; Police and Fire Pension System; and Supplemental Police and Fire Pension Plan.

The Agency Funds are used to account for assets held by the City, as an agent for individuals (employee war and savings bond fund, cash escrow, confiscated money, disposal deposit fund), private organizations (Travelers Express, Deferred compensation) and other funds for assets held by the City, in a trustee capacity (Walker housing, tax distribution, and employee benefits).

Permanent Funds are used to account for private endowments whereby interest earnings are restricted in accordance with the endowment terms.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes (PILOT) and other charges between the Dallas Water Utilities Fund and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations.

Note 1. Summary of Significant Accounting Policies (continued)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The principal operating revenues of the City's enterprise funds are charges to customers for sales and services while operating expenses include cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

E. Cash and Cash Equivalents

Cash includes amounts in demand deposits as well as short-term investments with the exception of the Pension Trust Funds (which consider short-term investments as regular investments). Investment income on the pooled investments is prorated monthly based upon the average daily cash balance in each fund.

Investments in certificates of deposit, U.S. government obligations and other investments are recorded at fair value based on quoted market prices. Pension investments are recorded at fair value based on quoted market values, where available. The amounts recorded in the Pension Trust Funds for real estate funds and venture capital funds represent estimated fair values based upon appraised values or other comparable methods. The Commingled Index Funds estimated fair values are based upon audited financial statements.

F. Property Taxes

The City's property tax is levied each October 1 on the assessed value as of the previous January 1 for all real and income-producing (or business personal) property. Appraised values are established by the Dallas Central Appraisal District equal to 100 percent of appraised market value as required under the State Property Tax Code. The value of real property within the Appraisal District must be reviewed every three years. The City may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action. The City establishes tax rates on property within its jurisdiction. If the adopted tax rate, excluding tax rates for bonds and other contractual obligations, exceeds the effective tax rate by more than eight percent, qualified voters of the City may petition for an election to determine whether to limit the tax rate increase to no more than eight percent above the effective tax rate. Property taxes attach as an enforceable lien on property as of January 1 of the subsequent year.

Taxes are due October 1. Full payment can be made prior to the following January 31 to avoid penalty and interest charges. Current tax collections for the year ended September 30, 2008 were 95.96 percent of the tax levy. The City is permitted by Article XI, Section 5 of the State of Texas Constitution to levy taxes up to $2.50 per one hundred dollars of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The tax rate for fiscal year 2008 was $0.7479 per $100 dollars of assessed valuation, $0.5196 for general governmental services and $0.2283 for the payment of principal and interest on general obligation long-term debt.

G. Federal and State Grants and Entitlements

Grants and entitlements received for purposes normally financed through the general government are accounted for within the Special Revenue Funds. Community Development Block Grants are the more significant grants so classified. Grants and similar items are recognized as revenue as soon as all applicable eligibility requirements, including time requirements, have been met.

Current revenues received for operating purposes of enterprise funds for either operations or capital expenditures are recognized in the applicable enterprise fund.

H. Inventories

Inventory is valued at average cost. Inventory for all funds generally consists of expendable supplies and automotive parts held for consumption and are recorded as expenditures (or expense) when consumed.

Note 1. Summary of Significant Accounting Policies (continued)

I. Prepaid Items

Prepaid Items are payments made to vendors for services that will benefit periods beyond September 30, 2008. Prepaid items are recorded using the consumption method and are included with other assets.

J. Restricted Assets

Proceeds of Enterprise Fund revenue bonds and commercial paper notes, as well as resources set aside for revenue bond repayment, are classified as restricted assets on the balance sheet when their use is limited by applicable covenants. The capital project funds record proceeds of debt issuances restricted for construction. The current Debt Service Funds are used to segregate resources accumulated for debt service payments over the next 12 months.

The assets restricted for revenue bond future debt service is used to report resources set aside to fulfill revenue bond debt reserve requirements. Other restricted assets include funds restricted for construction from revenue bond proceeds, contractual obligation debt service funds, unspent grant proceeds, and customer deposits. Assets restricted for a specific purpose are utilized before the use of unrestricted assets to pay related obligations when authorized to do so.

K. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (examples include streets and bridges), are reported in the applicable governmental or business-type activities columns, in both the government-wide and proprietary fund level statement of net assets. Generally, equipment with an individual cost of at least $5 thousand, infrastructure with a cost of at least $25 thousand, and buildings with a cost of at least $50 thousand and an estimated useful life of more than one year, are capitalized. Purchased or constructed capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Assets acquired by donation are recorded at estimated fair value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The business-type activities and proprietary funds capitalize interest costs during construction. Interest capitalized in the Dallas Water Utilities fund during the year ended September 30, 2008 was $13 million.

Depreciation, which includes amortization of assets under capital leases, is computed using the straight-line method over the estimated useful or service lives of the related assets.

The estimated useful lives of the primary government's capital assets are as follows:

	Useful Life	
	Governmental Activities	Business-type Activities
Infrastructure……………………………………….	10-50 years	50 -100 years
Reservoirs and water rights…………………………	N/A	100 years
Buildings………………………………………………	10-50 years	10-50 years
Improvements other than buildings………………..	10-50 years	10-100 years
Equipment……………………………………………	3-20 years	3-25 years
Utility property………………………………………..	N/A	33-75 years

The City has certain scientific equipment and zoo animals that are not capitalized or depreciated as they are treated as collections, as prescribed by GAAP. Artwork is capitalized but not depreciated. These assets are maintained for public exhibition, education or research and are being preserved for future generations. The proceeds from sales of any pieces of the collection are used to purchase other items for the collection.

Note 1. Summary of Significant Accounting Policies (continued)

L. Compensated Absences

The City's employees earn vacation, sick, and attendance incentive leave which may be used or accumulated up to certain amounts. Unused vacation and attendance incentive leave is paid upon death, retirement or termination. Unused sick leave is reduced to a specified limit when paid upon retirement, certain terminations, or death.

In accordance with the criteria established in the Codification of Governmental Accounting Standards, Section C60, "Compensated Absences," a liability is recorded for vacation leave earned by employees attributable to past service and sick leave earned by employees attributable to past service only to the extent it is probable that such leave will result in termination pay. In addition, a liability has been recorded for certain salary related payments associated with the payment of accrued vacation and sick leave.

In the government-wide and proprietary fund statements of net assets, all compensated absence liabilities incurred are recorded as liabilities. However, a liability is recorded in the governmental funds balance sheet only if they have matured and are due as a result of employee resignations, retirements, or termination.

M. Risk Management

The City is self-funded for workers' compensation, employee health insurance, most property damage and the majority of tort liability exposures. Commercial insurance is used where it is legally required, contractually required, or judged to be the most effective way to finance risk. Indemnity and insurance protection is also required for all City contractors, vendors, lessees and permit holders. Claims and judgments are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. The recorded estimated liability for claims and judgments includes a provision for Incurred But Not Reported (IBNR) liabilities for workers' compensation, tort cases, and employee health insurance.

N. Deferred Revenue/Unearned Revenue

Deferred revenue in the governmental funds occurs when potential revenue does not meet both the "measurable" and "available" criteria for recognition. Deferred revenue also occurs when the City receives resources before it has a legal claim to them. In subsequent periods, when both the revenue criteria are met, or when the City has a legal claim to the resources, the deferred revenue is removed from the balance sheet/statement of net assets and revenue is recognized. Unearned revenue is recognized when cash has been received prior to the City earning this revenue.

O. Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund financial Statements of Net Assets.

General obligation bonds are issued to fund capital projects of both the general government and certain Proprietary Funds and are to be repaid from tax revenues of the City. Accreted interest on capital appreciation bonds is reflected as interest expense in the governmental activities Statement of Activities and as an addition to general obligations payable in the Statement of Net Assets.

P. Bond Premiums, Discounts, Issuance Costs, and Deferred Amount on Refunding

In the government-wide financial statements and proprietary fund financial statements, bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are deferred and amortized over the term of the bonds based on the straight-line method.

Note 1. Summary of Significant Accounting Policies (continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as issuance costs in the current period. The face amount of debt issued is reflected as other financing sources. Premiums are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The deferred amount on refunding related to refunded bonds (difference between the reacquisition price and the net carrying amount of the old debt) is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Q. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the fund level balance sheets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” Short-term and long-term interfund loans are classified as notes receivable or payable from other funds with interest rates ranging from 2-4%.

R. Transactions Between Funds

Transactions between funds, which would have been treated as revenues, expenditures, or expenses if they involved organizations external to the government unit, are accounted for as revenues, expenditures, or expenses in the funds involved. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expenses in the fund reimbursed. All other nonreciprocal transactions between funds which are not reimbursements and where the funds do not receive equivalent goods or services for the transaction are classified as transfers.

S. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional, and participants select investment options. Investment options include stock funds, bond funds, and money market accounts, including various risk alternatives. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Deferred compensation investments from this plan are not reported in the City’s financial statements. Investments are managed by the plan trustees under one of various pools of investment options offered by Fidelity Investments, at the direction of the covered employee. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable thereto are held in trust for the exclusive benefit of the participants and their beneficiaries.

T. Net Assets

In the government-wide and proprietary funds financial statements, the net assets are reported in three components: (1) invested in capital assets, net of related debt; (2) restricted; and (3) unrestricted. Invested in capital assets, net of related debt represents the City’s total investment in capital assets, net of depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained in perpetuity, and invested for the purpose of producing present and future income, which may be either expended for operation and maintenance of City parks or added to principal. The City is subject to the State of Texas Uniform Prudent Management of Institutional Funds Act (SPMIFA) in relation to endowment funds. In the governmental fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose, unless a separate fund is utilized for only that purpose. The use of the separate fund itself communicates the legal segregation for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 1. Summary of Significant Accounting Policies (continued)

U. Statement of Cash Flows

For purposes of the statement of cash flows, the City considers pooled cash and all highly liquid debt instruments purchased with an original maturity of three months or less or that have general characteristics of demand deposits in that additional funds may be deposited or withdrawn at any time without prior notice or penalty to be cash equivalents.

V. Use of Estimates

The preparation of financial statements in conformity with GAAP, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

W. New Accounting Pronouncements

During fiscal year 2008, the City adopted the following Governmental Accounting Standards Board (GASB) Statements:

GASB Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions” improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees’ years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan.

GASB Statement No. 47, “Accounting for Termination Benefits” is effective for the City in two parts: 1) for those benefits that relate to other post-employment benefits, the City is to implement at the same time as GASB 45 and 2) for other termination benefits, the effective date was fiscal year 2006. This statement defined the accounting for voluntary and involuntary termination benefits (i.e. early retirement incentives). This pronouncement had no impact on current financial statements.

GASB Statement No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues”, addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 50, “Pension Disclosures – An amendment of GASB Statements No. 25 and No. 27” requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

GASB Statement Number 55, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments” identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with generally accepted accounting principles. The implementation of this statement did not result in any change to the financial statements.

The GASB has issued the following statements which will be effective in futures years as described below:

GASB Statement Number 49, “Accounting and Financial Reporting for Pollution Remediation Obligations” will be implemented by the City as required by the GASB during the fiscal year ending September 30, 2009. The statement addresses accounting and financial reporting standards for pollution remediation obligations. The City has not yet determined the impact of the implementation of this statement on its financial statements.

GASB Statement Number 51, “Accounting and Financial Reporting for Intangible Assets” will be implemented by the City as required by the GASB during the fiscal year ending September 30, 2010. The statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. The statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. The City has not yet determined the impact of the implementation of this statement on its financial statements.

Note 1. Summary of Significant Accounting Policies (continued)

GASB Statement Number 52, “Land and Other Real Estate Held as Investments by Endowments” will be implemented by the City as required by the GASB during the fiscal year ending September 30, 2009. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. The City has not yet determined the impact of the implementation of this statement on its financial statements.

GASB Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments” will be implemented by the City as required by the GASB during the fiscal year ending September 30, 2010. The statement is intended to improve how state and local governments report information about derivative instruments – financial arrangements used by governments to manage specific risks or make investments – in their financial statements. The City has not yet determined the impact of the implementation of this statement on its financial statements.

GASB Statement Number 54, “Fund Balance Reporting and Governmental Fund Type Definitions” will be implemented by the City as required by the GASB during the fiscal year ending September 30, 2010. This statement establishes accounting and financial reporting standards for all governments that report governmental funds. This statement establishes the criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. The implementation of this statement will not result in any change to the financial statements.

GASB Statement Number 56, “Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards” will be implemented by the City as required by the GASB during the fiscal year ending September 30, 2009. This Statement establishes accounting and financial reporting standards for related party transactions, subsequent events, and going concern considerations for all state and local governments. The implementation of this statement will not result in any change to the financial statements.

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Note 2. Stewardship, Compliance and Accountability

A. Legal Compliance – Budgets

The City Council adheres to the following procedures in establishing the budgets reflected in the accompanying combined financial statements.

1) By the fifteenth day of August each year, the City Manager is required to submit to the City Council a proposed budget for the fiscal year beginning the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2) Public hearings are conducted to obtain taxpayers' comments.
3) Prior to October 1, the budget is legally enacted by the City Council through passage of an ordinance.
4) The City Manager is authorized to transfer budgeted amounts between accounts within any department; however, any revisions that alter the total expenditures of any department must be approved by the City Council. The legal level of budgetary control is the department level.
5) Formal budgetary integration is employed as a management control device during the year for the General Fund and Debt Service Fund. Formal budgetary integration is employed as a management control device in the Capital Project Funds for the life of the projects.
6) Annual budgets are legally adopted for the General Fund, Debt Service Fund and Proprietary Funds. Certain differences exist between the basis of accounting used for budgetary purposes and that used for financial reporting in accordance with GAAP. Budgets for the Capital Project Funds are normally established pursuant to the terms of the related bond ordinances on a project basis.

B. Budgets and Budgetary Basis of Accounting

The City prepares its annual appropriated General Fund, Debt Service Fund and Proprietary operating funds' budgets on the budget basis which differs from the GAAP basis. The budget and all transactions of the General Fund are presented in accordance with the City's budget basis in the General Fund Statement of Revenues, Expenditures and Changes in Fund Balances – Non-GAAP Budgetary Basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget and GAAP basis are attributable to the elimination of certain revenues and expenditures budgeted on a non-annual basis and the fact that encumbrances are recorded as the equivalent of expenditures (budget) rather than a reservation of fund balance (GAAP) in the Governmental Funds. Adjustments necessary to convert the excess of revenues and other financing sources over expenditures and other uses on the budget basis to a GAAP basis for the General Fund are provided below:

Excess of revenues and other financing sources over expenditures and other uses--budget basis	$ 14,020
Change in fair market value of investments	(490)
Change in encumbrances	1,769
Funds not included in General fund budget	(1,786)
Revenue recognized for budget purposes but deferred for GAAP purposes	(30,120)
Other items budgeted on a non-GAAP basis	1,243
Excess of revenues and other financing sources over expenditures and other uses--GAAP basis	$ (15,364)

Note 2. Stewardship, Compliance and Accountability (continued)

B. Budgets and Budgetary Basis of Accounting (continued)

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is utilized as an extension of formal budgetary integration in the governmental funds. For budgetary purposes, appropriations lapse at fiscal year end except for that portion related to encumbered amounts. For Governmental Funds, outstanding encumbrances are reported as reservations of fund balances and do not constitute expenditures or liabilities for GAAP purposes since the goods and services have not been received and the commitments will be honored.

Certain individual funds within the Special Revenue Funds reflect reserves for encumbrances and corresponding deficits in undesignated fund balances. In accordance with City policy, these reserves are recorded for contractual obligations and other commitments entered into by the City, and for which revenues will not be recognized until the related expenditures are made.

Encumbrances outstanding at year-end are carried forward to the new fiscal year. Such encumbrances constitute the equivalent of expenditures for budgetary purposes and, accordingly, the accompanying financial statements present comparisons of actual results to budget of Governmental Funds on the budget basis of accounting.

C. Fund Balances – Reserves, Designations and Deficit

Reserves of fund balances represent those amounts which are not available for appropriation in future periods or which are legally segregated for specific future uses.

Fund designations indicate tentative plans for utilization of financial resources. The City's designated fund balance in the General Fund of $49 million is as follows:

9-1-1 Program	$ 4,768
Cultural Programs	1,209
Risk reserve	1,250
Future expenditures	6,070
Emergencies	17,563
Contingencies	3,200
TU rate case reserve	14,924
Total	$ 48,984

The Risk Fund has a deficit net asset balance of $78.9 million associated with the City's self-insured workers' compensation, auto, and general liability activities. The deficit results from the recognition of certain liabilities that will be paid in future periods. Those liabilities will be funded in the fiscal year in which they will be paid through annual budget appropriations. The City's approach for addressing this deficit is consistent with the budgetary basis of accounting for all funds as indicated in Note 2.B.

Note 3. Cash, Deposits and Investments

The City maintains a cash and investment pool available for use by all City funds. Each fund's portion of this pool is displayed on the balance sheet as "Pooled cash and cash equivalents." The City treats pooled investments and short-term non-pooled investments as cash equivalents. Long-term non-pooled investments are reported as "Other investments, at fair value" in the appropriate funds. In addition, several City funds have investments, which are separately held. A fund may overdraw its account in the pool, with the overdrafts reported as liabilities (due to other funds) on the balance sheet.

Note 3. Cash, Deposits and Investments (continued)

A. In 1987, the City Council adopted the City's Investment Policy which was in compliance with federal and state law and the City Charter. Subsequent amendments were made by the City Council to incorporate changes to the Public Funds Investment Act and to improve management of the City's investments. The Public Funds Investment Act requires that investments shall be made in accordance with written policies at least annually by the governing body; investment policies must address safety of principal, liquidity, yield, diversification and maturity, with primary emphasis on safety of principal. In accordance with this Policy, the City may invest in direct or guaranteed obligations of the U.S. Treasury, certain U.S. agencies and instrumentalities, and the State of Texas or its agencies and instrumentalities with a credit rating no less than A; fully collateralized certificates of deposit and repurchase agreements; no-load money market mutual funds and local government investment pools with credit ratings no less than AAA. The City's Investment Pool is an aggregation of the majority of City Funds which includes tax receipts, enterprise fund revenues, fine and fee revenues, as well as some, but not all, bond proceeds, grants, gifts and endowments. This portfolio is maintained to meet anticipated daily cash needs for City of Dallas operations, capital projects and debt service. The City is precluded from investing in bankers' acceptances, commercial paper, collateralized mortgage obligations, reverse repurchase agreements, and obligations of cities, counties and political subdivisions of other states, all of which are authorized by State law.

Employees' Retirement Fund and Police and Fire Pension Plans, component units of the City, are included under Pension Trust in the following table. Police and Fire Pension Plans include Dallas Police and Fire Pension System and Supplemental Police and Fire Pension Plan. A summary of pooled cash and other investments for all City funds including $7.8 million held in agency funds at September 30, 2008, is presented below:

	Cash and Pooled Investments with City Treasury	Other Cash and Investments Pension Trust	Total	Cash with Discretely Presented Component Units
Pooled cash and investments	$ 514,282	$ -	$ 514,282	$ 25,942
Cash and cash equivalents	-	612,730	612,730	-
Other investments	33,366	6,459,135	6,492,501	-
Restricted cash and investments	1,326,326	-	1,326,326	-
Total	$ 1,873,974	$ 7,071,865	$ 8,945,839	$ 25,942

A summary of the carrying amount of cash on hand, deposits and investments at September 30, 2008, is as follows:

	Cash and Pooled Investments with City Treasury	Other Cash and Investments Pension Trust	Total	Cash with Discretely Presented Component Units
Deposits	$ 368	$ 612,730	$ 613,098	$ 25,942
Investments	1,873,606	6,459,136	8,332,742	-
Total	$ 1,873,974	$ 7,071,866	$ 8,945,840	$ 25,942

Note 3. Cash, Deposits and Investments (continued)

At September 30, 2008, the investments held in the City Treasury's General and Investment Pool Programs are as follows:

Type of Investment		Total
Categorized Investments:		
United States Treasury Notes	$	218,172
Federal Farm Credit Bank Notes		298,506
Federal Home Loan Bank Notes		583,580
Federal Home Loan Bank Notes Callable		25,019
Federal Home Loan Mortgage Corporation Discount Notes		7,712
Federal Home Loan Mortgage Corporation Notes		237,857
Federal Home Loan Mortgage Corporation Notes Callable		28,997
Federal National Mortgage Discount Notes		32,296
Federal National Mortgage Association Notes		143,864
Federal National Mortgage Association Notes Callable		9,963
Total Categorized Investments	$	1,585,966
Investments Not Categorized:		
BlackRock Money Market Mutual Fund		17,253
Columbia Treasury Escrow Fund - Trinity Escrow		1,889
Columbia Treasury Escrow Fund - Oncor Electric		4,548
Federated Tax-Free Fund		6,606
AIM Government Fund		72,335
Reserve Primary Fund		2,073
TexPool - Money Market Mutual Funds		174,647
Total Investments Not Categorized	$	279,351
Total General and Investment Pool Programs in City Treasury	$	1,865,317

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Note 3. Cash, Deposits and Investments (continued)

At December 31, 2007, the investments held in the City's Pension Trust Funds are as follows:

Type of Investment		
Categorized Investments:		
Employees' Retirement Fund (at quoted market values)		
Domestic Equities	$	1,397,506
U.S. and Foreign Government Securities		274,031
Domestic Corporate Fixed Income		595,881
International Equities		682,651
Dallas Police and Fire Pension System		
Plan Interest in Group Master Trust		3,352,842
Plan Interest in Group Master Trust - Supplemental		23,753
Total Categorized	$	6,326,664
Investments Not Categorized:		
Employees' Retirement Fund		
Venture Capital	$	38
Commingled Index Funds		132,433
Total Not Categorized	$	132,471
Total Investments in City's Pension Trust Funds	$	6,459,135

Investments of the City, other than for 2a7-like pools, are valued based upon quoted market values obtained by the City. For investments in 2a7-like pools, the value of the position in the external investment pool is the same as the value of the pool shares, which are valued based on quoted market rates. No investments are reported at amortized cost. The City invests in one 2a7 - like pool, the Texas Local Government Investment Pool (TexPool), which was created under the Interlocal Cooperation Act, Texas Government Code Ann. chapter 791 and the Texas Government Code Ann. chapter 2256. The Texas Treasury Safekeeping Trust Company (the Trust) is trustee of TexPool and is a limited purpose trust company authorized pursuant to Texas Government Code Ann. Section 404.103 for which the Texas State Comptroller is sole officer, director and shareholder. The advisory board of TexPool is composed of members appointed pursuant to the requirements of the Public Funds Investment Act, Texas Government Code Ann. chapter 2256.

Texas statutes and City policy authorize operating, capital projects, bond reserve and trust monies to be deposited in demand deposits, time deposits, or certificates of deposit. Texas statutes require all uninsured collected deposits to be fully collateralized.

At year end, the following deposits and bank balance were covered by federal depository insurance or by collateral held by the City's third-party agents pledged in the City's name which is category 1 as defined in the Codification of Governmental Accounting Standards Section C20, "Cash Deposits with Financial Institutions." The fair value of these deposits approximates their costs.

Note 3. Cash, Deposits and Investments (continued)

The collateral pledged to the City is held in a joint safekeeping account at the Federal Reserve Bank.

Primary Government	Carrying Value	Bank Balance
Pooled Demand Deposits	$ -	$ 6,128,912
Cash and cash equivalents - Pension Trust Funds	612,730	612,730
Total	$ 612,730	$ 6,741,642

Plan interest in Group Master Trust

The Dallas Police and Fire Pension System's (the System) investments are held in the Group Master Trust (Group Trust). JP Morgan Chase served as custodian for the year ended December 31, 2007. The fair value of the System interests in the Group Trusts is based on the unitized interests that it has in the Group Trust. The System's interest in the Group Trust was approximately 99.2975% at December 31, 2007. The Supplemental Plan's interest in the Group Trust was approximately 0.7025% at December 31, 2007. The allocation of investment income between the System and the Supplemental Plan is based on the number of units owned of the Group Trust. Benefits, contributions and administrative expenses are allocated to each plan directly.

Investments and Plan Interest in Group Master Trust:

The following disclosures on investments and plan interest in Group Trust are as of and for the year ended December 31, 2007.

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Note 3. Cash, Deposits and Investments (continued)

The following summarizes the fair value of investments for the Group Trust as of December 31, 2007.

Investments, at fair value		
Cash and cash equivalents	$	288,682
United States Government Securities		10,880
United States government sponsored enterprises		20,496
Foreign government securities		204,014
Commingled funds		85,940
Domestic equities		1,045,750
International equities		990,823
Corporate securities		306,457
Investments, at appraised value - real estate equity funds		943,190
Total Investments		3,896,232
Receivables:		
Accrued interest and dividends		11,957
Forward currency contracts		166,741
Securities sold		32,273
Total receivables		210,971
Total assets		4,107,203
Liabilities and Net Assets		
Repurchase loan agreement		32,573
Payable for securities purchased		31,691
Professional fees payable		4,770
Forward currency contracts		166,353
Securities lending collateral		218,371
Line of Credit		276,850
Total liabilities		730,608
Net assets in the Group Trust	$	3,376,595

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Note 3. Cash, Deposits and Investments (continued)

Deposit and Investment Risk Disclosures of Funds with the City Treasurer

GASB Statement No. 40, *Deposit and Investment Risk Disclosures,* requires disclosure information related to common risks inherent in deposit and investment transactions. Investments are subject to certain types of risks, including custodial credit risk, concentration of credit risk, interest rate risk and foreign currency risk. Exposure of deposited funds and investment risk are disclosed in the following sections of this note.

Custodial Credit Risk

Custodial credit risk is the risk that, in event of the failure of the counterparty, the City will not be able to recover the value of its deposit or collateral securities that are in the possession of an outside party. The city's pension plans do not have policies for custodial credit risk. As of September 30, 2008, $1,034 was fully collateralized and insured by U.S. Federal Agency securities and the Federal Deposit Insurance Corporation. The collateral pledged to the City is held in the City's name at the Federal Reserve Bank.

Fully collateralized and insured deposits held by custodian banks:

Demand Deposits	$ 1,034

At September 30, 2008, total uninsured deposits were $900. Safekeeping of investment securities is provided by the City's depository and trust institutions. Securities are held in street name with the bank as nominee. As of September 30, 2008, the City's investments held by the counterparty, and not insured, are as follows:

Security Type	Fair Value
U.S. Treasury Securities	$ 218,172
U.S. Agency Securities	1,367,794
Total	$ 1,585,966

The Dallas Police and Fire Pension System security investments that were not subject to custodial credit risk were the investments in fixed income and equity investments. The Employees' Retirement Fund had $228, or .007% of the total Plan investments of $3.1 billion exposed to custodial credit risk as follows:

Uninsured and uncollateralized held by custodian bank outside the United States	$228.

Concentration of Credit Risk

Investments that individually represent 5% or more of net portfolio assets are stated below. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded.

Note 3. Cash, Deposits and Investments (continued)

Concentration of Credit Risk (continued)

Agency Securities by Issuer		Fair Value	% of Total Portfolio
Federal National Mortgage Association (FNMA)	$	186,123	9.98%
Federal Home Loan Mortgage Corporation (FHLMC)		286,960	15.38%
Federal Home Loan Bank (FHLB)		596,205	31.96%
Federal Farm Credit Bank (FFCB)		298,506	16.00%
Total Agency Securities	$	1,367,794	73.32%

The Employees' Retirement Fund board has contracted with investment managers to manage the investment portfolio of the Plan, subject to the policies and guidelines established by the board. Northern Trust Company, as the Plan's custodian bank, had responsibility for the safekeeping of certain investments, handling of transactions based on the instructions of investment managers, and accounting for the investment transactions. The Plan had no investments that individually represented 5% or more of the net assets available for benefits at December 31, 2007. The Plan's concentration of credit risk policy is communicated to individual managers in their guidelines through limitations or restrictions to securities, sectors, debt ratings, and other factors that may be applicable to a particular manager.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Money Market Mutual Funds and Local Government Investment Pools in the City's portfolio are rated AAAm by Standard & Poor's and/or Aaa by Moody's. U.S. Treasury Notes and Bills are obligations of the U.S. government and are not considered to have credit risk and thus are not rated (NR). Long-term bond ratings are used for the U.S. Government Agencies. Ratings for the City's portfolio are listed on the following table.

Security Type		Fair Value	% of Total Portfolio	S&P/Moody's Ratings
Money Market Mutual Funds and Pools	$	279,351	14.98%	AAAm/Aaa
U.S. Treasury Securities		218,172	11.70%	NR
U.S. Agency securities		1,367,794	73.32%	AAA/Aaa
Total Portfolio	$	1,865,317	100%	

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Note 3. Cash, Deposits and Investments (continued)

Credit Risk (continued)

The Employees' Retirement Fund investment policy allocates 30 percent of the total assets to fixed income. The policy provides for investments of up to 20 percent of fixed income assets in investment grade assets and up to 10 percent of fixed income assets in below investment grade assets. The investment grade allocation allows the managers to invest up to 20 percent of their portfolio assets in non-US dollar issues. Long term bond ratings for the Employees' Retirement Fund as of December 31, 2007 are as follows:

Quality Rating		Fair Value	% of Bond Portfolio
AAA	$	292,443	33.62%
AA1		4,829	0.55%
AA2		3,238	0.37%
AA3		5,867	0.67%
A1		13,638	1.57%
A2		9,903	1.14%
A3		7,508	0.86%
BAA1		20,564	2.36%
BAA2		33,110	3.81%
BAA3		32,521	3.74%
BA1		11,342	1.30%
BA2		16,794	1.93%
BA3		40,430	4.65%
B1		52,025	5.98%
B2		38,839	4.46%
B3		66,704	7.67%
CAA1		25,885	2.98%
CAA2		5,225	0.60%
CAA3		668	0.08%
CA		1,735	0.20%
Not Rated		97,509	11.21%
U.S. Government fixed income securities - NR		89,135	10.25%
Total	$	869,912	100.00%

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Note 3. Cash, Deposits and Investments (continued)

Credit Risk (continued)

The Dallas Police and Fire Pension System does not have a formal policy limiting investment credit risk, but rather mandates such limits within the Investment Management Services Contract. The System's exposure to investment credit risk in fixed income securities as of December 31, 2007 is as follows:

Type	Moody Rating		Amount
Corporate Securities:			
Convertible Bonds:			
	Ba2	$	1,116
	NR		3,277
Total Convertible Bonds:		$	4,393
Corporate Bonds:			
	A1	$	3,330
	A2		412
	Aa2		1,516
	B1		45,366
	B2		15,506
	B3		27,098
	B3e		1,168
	Ba1		4,107
	Ba2		21,136
	Ba3		20,621
	Baa1		2,185
	Baa2		5,645
	Baa3		3,005
	Ca		343
	Caa1		28,686
	Caa2		12,866
	Caa3		3,169
	NR		101,578
Total Corporate Bonds:		$	297,737

Note 3. Cash, Deposits and Investments (continued)

Type	Moody Rating		Amount	Percentage of Holdings
Mortgage Bonds:				
	Aaa	$	3,460	0.55%
Total Mortgage Bonds:		$	3,460	0.55%
Investment Fund:				
	NR	$	127	0.02%
Total Investment Fund:		$	127	0.02%
Total Corporate Securities:		$	305,717	48.70%
Government Sponsored Enterprises:				
	Aaa	$	5,742	0.91%
	NR		14,755	2.35%
Total Convertible Bonds:		$	20,497	3.26%
Foreign Government Securities:				
	A1	$	38,262	6.09%
	A2		20,318	3.24%
	A3		9,574	1.53%
	Aa1		3,478	0.55%
	Aa2		901	0.14%
	Aa3		4,028	0.64%
	Aaa		86,645	13.80%
	Ba1		3,724	0.59%
	Baa1		16,386	2.61%
	Baa2		2,048	0.33%
	Ca		499	0.08%
	NR		12,179	1.94%
	WR		5,972	0.95%
Total Foreign Government Securities		$	204,014	32.49%
Municipal Bonds:				
Municipal Bond(s)	Baa2	$	740	0.12%
Total Municipal Bonds:		$	740	0.12%
Commingled:				
Various	NR	$	85,940	13.70%
Total Commingled:		$	85,940	13.70%
Total Credit Risk Debt Securities:		$	616,908	98.27%

Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government totaling $10,880 are not considered to have credit risk and therefore, have not been included in this disclosure.

Note 3. Cash, Deposits and Investments (continued)

Interest Rate Risk

In order to ensure the ability of the City to meet obligations and to minimize potential liquidation losses, the dollar-weighted average stated maturity of the Investment Pool shall not exceed 1.5 years. The weighted average maturity of the securities held in the City's portfolio is as follows:

Security Type	Fair Value	Weighted Average Maturity (days)
Money Market Mutual Funds and Pools	$ 279,351	1
U.S. Treasury Securities	218,172	337
U.S. Agency Securities	1,367,794	375
Total Portfolio	$ 1,865,317	314

In the Employee's Retirement Fund, Government Mortgage Backed Securities are most sensitive to changes in interest rates as their payments can vary significantly with interest rate changes. This change in prepayments will generally cause the duration, or interest rate risk, of these securities to increase when interest rates rise and decrease when interest rates fall. These securities represent 16% of the total fixed income portfolio with a fair market value of $142,477 at year end 2007. The Employees' Retirement Fund does not have a separate policy for interest rate risk.

As of December 31, 2007, the Employees' Retirement Fund weighted-average maturity of the fixed income securities is as follows:

Fixed Income Securities	Par Value	Weighted Average Maturity (Years)
Asset Backed	$ 14,785	0.10
Commercial Mortgage-Backed	73,611	3.01
Corporate Bonds	468,425	5.38
Government Agencies	31,174	0.13
Government Bonds	92,229	0.62
Government Mortgage-Backed Securities	142,477	4.40
Index Linked Government Bonds	5,811	0.08
Municipal/Provincial Bonds	396	0.01
Non-Government Backed C.M.O.s	41,004	1.26
Total	$ 869,912	
Portfolio weighted average maturity in years:		4.00

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Note 3. Cash, Deposits and Investments (continued)

Interest Rate Risk (continued)

As of December 31, 2007, the Dallas Police and Fire Pension Plans had the following investments and maturities:

Investment Type	Fair Value	Less Than 1 Year	1 - 5 Years	6 - 10 Years	More Than 10 Years
		Investment Maturity in Years			
Fixed maturity domestic:					
U.S. Treasury Securities	$ 10,880	$ -	$ 8,852	$ -	$ 2,028
U.S. Gov't Agency Securities	20,496	-	-	-	20,496
Municipal Bonds	740	-	-	-	740
Collateralized Mortage Obligation	3,460	-	-	-	3,460
Corporate Bonds	290,969	4,848	30,831	104,107	151,183
Commingled Funds	85,940	-	-	-	85,940
Convertible Bonds	4,393	-	3,277	-	1,116
Investment Interests	127	-	-	-	127
International government bonds:					
Australian Dollar	15,433	-	4,453	10,980	-
Brazil Real	7,732	-	4,008	-	3,724
British Pound Sterling	24,595	-	8,757	13,259	2,579
Canadian Dollar	8,092	-	8,092	-	-
EURO Currency	42,574	2,793	17,076	14,524	8,181
Japanese Yen	37,823	10,757	22,509	4,557	-
Iceland Krona	1,778	1,778	-	-	-
Indonesian Rupiah	2,088	-	2,088	-	-
Malaysian Ringgit	5,872	109	2,672	3,091	-
Mexican New Peso	12,303	-	10,856	-	1,447
New Zealand Dollar	6,319	-	6,319	-	-
Norway Krone	7,598	-	7,598	-	-
Poland	10,141	10,141	-	-	-
Singapore Dollar	8,738	2,159	6,579	-	-
Swedish Krona	12,928	4,051	8,877	-	-
International corporate bonds:					
Philippines Corporate Bonds	1,168	-	-	1,168	-
South African Rand Corporate Bonds	5,601	827	4,774	-	-
Total	$ 627,788	$ 37,463	$ 157,618	$ 151,686	$ 281,021

While the Plans do not have a specific investment policy to limit investment maturities as a means of managing their exposure to interest rate risk, the Plans do manage this exposure by mandating maturity limits within the Investment Management Service Contracts.

Note 3. Cash, Deposits and Investments (continued)

Foreign Currency Risk

The Employees' Retirement Fund investment policies limit the aggregate amount that can be invested in each class of investments. The equity investment policy sets an allocation of 20% of assets to international equity. The fixed income policy permits up to 20% of the global manager's portfolio to be invested in global investment grade fixed income bonds. The Fund's positions in these equity securities, invested directly and through commingled funds, was 22.15% of invested assets at December 31, 2007. The Fund's positions in such fixed income assets invested directly were 0.65% of invested assets at December 31, 2007. Employees' Retirement Fund non-US Dollar denominated investments at December 31, 2007 were as follows:

Currency	Investment Type	Balance of Investment (U.S. Dollars)
Australian Dollars	Equity	$ 31,782
Brazil Real	Equity	1,146
British Pound Sterling	Equity	78,489
British Pound Sterling	Fixed Income	3,407
Canadian Dollars	Equity	784
Canadian Dollars	Fixed Income	4,044
Denmark Krone	Equity	4,044
Euro	Equity	130,544
Hong Kong Dollars	Equity	9,987
Israel Shekel	Equity	298
Japanese Yen	Equity	85,567
Korean Won	Equity	4,304
Malaysia Ringgit	Equity	680
Mexican Peso	Equity	938
Mexican Peso	Fixed Income	7,825
Norwegian Krone	Equity	3,000
Pakistan Rupee	Equity	642
Singapore Dollar	Equity	3,173
Singapore Dollar	Fixed Income	12,443
South Africa Rand	Equity	147
Swedish Krona	Equity	9,617
Swiss Francs	Equity	21,105
Turkish Lira	Equity	1,069
	Total	$ 415,035

Note 3. Cash, Deposits and Investments (continued)

Police and Fire Pension Plans do not have specific policy guidelines other than the constraints included in the individual investment manager contracts. Police and Fire Pension Plans non-US Dollar denominated investments at December 31, 2007 were as follows:

Currency	Investment Type		Balance of Investment (U.S. Dollars)
Australian Dollar	Government Bonds	$	15,433
Brazil Real	Government Bonds		7,732
British Pound Sterling	Government Bonds		24,595
Canadian Dollar	Government Bonds		8,092
EURO Currency	Government Bonds		42,574
Japanese Yen	Government Bonds		37,823
Iceland Krona	Government Bonds		1,778
Indonesian Rupiah	Government Bonds		2,088
Malaysian Ringgit	Government Bonds		5,872
Mexican New Peso	Government Bonds		12,303
New Zealand Dollar	Government Bonds		6,319
Norway Krone	Government Bonds		7,598
Poland	Government Bonds		10,141
Singapore Dollar	Government Bonds		8,738
Swedish Krona	Government Bonds		12,928
Philippines	Corporate Bonds		1,168
South African Rand	Corporate Bonds		5,601
	Total International Bonds	$	210,783

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Note 4. Receivables

Receivables at September 30, 2008 for the government's individual major and nonmajor governmental and internal service funds, including the applicable allowances for uncollectible accounts, consist of the following:

Receivables:	General	Debt service	Building Capital Projects	Nonmajor	Internal Service Funds	Total Governmental Activities
Ad Valorem tax	$ 33,065	$ 13,177	$ -	$ -	$ -	$ 46,242
Sales taxes	37,398	-	-	-	-	37,398
Accounts	76,502	-	-	19,492	45	96,039
Notes	1	-	1,500	8,086	-	9,587
Due from other governments	425	-	485	15,860	-	16,770
Accrued interest	1,334	470	1,784	4,773	201	8,562
Gross receivables	148,725	13,647	3,769	48,211	246	214,598
Less allowance for doubtful accounts	(52,053)	(10,869)	(1,500)	(7,814)	-	(72,236)
Net total receivables	$ 96,672	$ 2,778	$ 2,269	$ 40,397	$ 246	$ 142,362

Receivables at September 30, 2008 for the primary government's individual major and nonmajor enterprise funds in the aggregate, including the applicable allowances for uncollectible accounts, consist of the following:

Receivables:	Dallas Water Utilities	Convention Center	Airport Revenues	Nonmajor Enterprise	Total Business-type Activities
Accounts	$ 72,175	$ 2,744	$ 878	$ 687	$ 76,484
Taxes	-	7,216	-	-	7,216
Due from other governments	-	-	4,025	-	4,025
Accrued interest	3,246	928	322	125	4,621
Gross receivables	75,421	10,888	5,225	812	92,346
Less allowance for doubtful accounts	(10,109)	(524)	-	(2)	(10,635)
Net total receivables	$ 65,312	$ 10,364	$ 5,225	$ 810	$ 81,711

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Intergovernmental revenues and related receivables arise through funding received from federal and state grants. These revenues and receivables are earned through expenditures of monies for grant purposes. At September 30, 2008, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Deferred	Unearned
Taxes	$ 5,886	$ -
Accounts	36,781	30,121
Intergovernmental	-	12,165
Total	$ 42,667	$ 42,286

Note 5. Restricted Assets

The primary government's governmental and business-type restricted assets of $892 million and $434 million are composed of the following at September 30, 2008:

	Governmental Activities	Business-Type Activities
Customer Assessments	$ -	$ 624
Cash and Investments:		
Pooled Cash and Cash Equivalents	-	332,198
Cash and Cash Equivalents	892,498	-
Other Investments	-	101,630
Total	$ 892,498	$ 434,452

The restricted amounts are for accumulated resources for debt service payments, deposits from service users, unspent bond proceeds for construction, and retention guarantees from contractors.

Note 6. Joint Ventures

Dallas/Fort Worth International Airport

DFW Airport is owned jointly by the cities of Dallas and Fort Worth and operated by a 12-member board comprised of seven members from Dallas and four members from Fort Worth appointed by the respective City Councils, and on an annual basis, one non-voting member from the neighboring cities of Irving, Grapevine, Euless and Coppell.

Joint Revenue Bonds and Special Facility Revenue Bonds were issued to construct DFW Airport. Concurrent Bond Ordinances provide that the Board shall set rentals, rates, fees and charges such that they are sufficient to produce in each fiscal year gross revenues adequate to pay (a) the operation and maintenance expenses, (b) 1.25 times the amount required to be deposited into the Joint Revenue Bonds Interest and Sinking Fund and (c) an amount equal to any other obligations payable from the revenues of DFW Airport. The Special Facility Revenue Bonds are payable from and secured by the net lease rentals derived from the special facilities.

The outstanding debt and related debt service are accounted for by the DFW Airport Board. The long-term portion of the Joint Revenue Bonds, the Special Facility Revenue Bonds, Facility Improvement Corporation Revenue Bonds and Public Facility Improvement Corporation Revenue Bonds at September 30, 2008 was $3.9 billion which is net of $16.4 million deferred loss on refunding.

The following summary financial information for DFW Airport is as of September 30, 2008:

Total assets	$ 5,650,429
Less, total liabilities	(4,111,979)
Total net assets	$ 1,538,450
Operating revenues	$ 627,160
Non-operating revenues (expenses)	(7,780)
Less: operating expenses	(566,023)
Change in net assets	53,357
Net assets, beginning of year	1,485,093
Net assets, end of year	$ 1,538,450

The cities have executed covenants individually, by ordinance, to levy a maintenance tax, if necessary, to ensure DFW Airport will be efficiently operated and maintained. The amount of such tax is limited for each city in their respective ratios to the lesser of 5 cents per one hundred dollars of assessed valuation of the property in each city or the amount of the maintenance tax required.

Note 6. Joint Ventures (continued)

Dallas/Fort Worth International Airport (continued)

The Board has entered into agreements with air carriers and other parties utilizing DFW Airport to provide for adjustments to rentals, fees and other charges which management believes precludes the need for a maintenance tax. To date, the cities have levied no maintenance tax. To obtain the financial statement of the joint venture contact the finance department of DFW Airport at (972) 574-6732.

Note 7. Capital Assets

Capital asset activity for the year ended September 30, 2008 is as follows:

	Balance, Beginning of Year	Additions	Transfers And Retirements	Balance, End Of Year
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 359,563	$ 64,273	$ -	$ 423,836
Artwork	48,795	-	-	48,795
Construction in Progress	219,840	230,694	(159,667)	290,867
Total capital assets, not being depreciated	628,198	294,967	(159,667)	763,498
Capital assets, being depreciated:				
Buildings	770,141	11,108	-	781,249
Improvements other than buildings	286,647	28,277	(3,662)	311,262
Equipment	445,740	51,652	(9,883)	487,509
Infrastructure assets	1,457,421	114,299	-	1,571,720
Total capital assets, being depreciated:	2,959,949	205,336	(13,545)	3,151,740
Less accumulated depreciation for:				
Buildings	(318,609)	(22,572)	-	(341,181)
Improvements other than buildings	(73,318)	(12,659)	-	(85,977)
Equipment	(327,426)	(35,872)	9,692	(353,606)
Infrastructure assets	(612,683)	(33,908)	-	(646,591)
Total accumulated depreciation	(1,332,036)	(105,011)	9,692	(1,427,355)
Total capital assets being depreciated, net	1,627,913	100,325	(3,853)	1,724,385
Governmental activities capital assets, net	$ 2,256,111	$ 395,292	$ (163,520)	$ 2,487,883

Depreciation expense charged to functions:

General government	$ 22,578
Public safety	8,482
Streets, street lighting, sanitation and code enforcement	5,076
Environment and Health Services	310
Public works and transportation	36,777
Equipment and building services	14,932
Culture and recreation	16,312
Housing	50
Human Services	494
Total depreciation expense – governmental activities	$ 105,011

(includes $10,286 of depreciation expense for the Internal Service Funds and $94,725 for the governmental type assets)

Note 7. Capital Assets (continued)

	Balance, Beginning of Year	Additions	Transfers And Retirements	Balance, End of Year
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 214,080	$ 1,076	$ -	$ 215,156
Construction in Progress	375,201	295,443	(170,507)	500,137
Total capital assets, not being depreciated	589,281	296,519	(170,507)	715,293
Capital assets, being depreciated:				
Water rights	353,910	-	-	353,910
Buildings	1,326,355	2,189	(31,165)	1,297,379
Improvements other than buildings	216,183	23,638	-	239,821
Infrastructure assets	416,400	22,969	-	439,369
Equipment	492,027	5,600	(446)	497,181
Utility property	2,329,150	141,419	(1,214)	2,469,355
Total capital assets, being depreciated:	5,134,025	195,815	(32,825)	5,297,015
Less accumulated depreciation for:				
Water rights	(84,257)	(3,541)	-	(87,798)
Buildings	(391,527)	(30,913)	29,444	(392,996)
Improvements other than buildings	(68,514)	(4,051)	-	(72,565)
Infrastructure assets	(171,992)	(8,062)	-	(180,054)
Equipment	(278,063)	(23,246)	416	(300,893)
Utility property	(599,947)	(39,516)	335	(639,128)
Total accumulated depreciation	(1,594,300)	(109,329)	30,195	(1,673,434)
Total capital assets, being depreciated, net	3,539,725	86,486	(2,630)	3,623,581
Business-type activities capital assets, net	$ 4,129,006	$ 383,005	$ (173,137)	$ 4,338,874

Note 8. Interfund Receivables, Payables and Transfers

Due To Other Funds/Due From Other Funds

These balances represent amounts due for services provided for Environmental Health Services, equipment notes for Dallas Water Utilities, construction for Environmental Health Services, construction for Sanitation and Storm water.

Interfund receivable and payable balances at September 30, 2008 were as follows:

		Due to other funds			
Due from other funds	Amount	General Fund	Building Capital Projects Fund	Nonmajor Governmental Funds	Dallas Water Utilities
General fund	$ 2,762	$ -	$ 43	$ 2,719	$ -
Debt Service funds	627	-	-	-	627
Convention Center	371	-	-	371	-
Dallas Water Utilities	347	268	-	79	-
Internal Service funds	12	-	-	12	-
Total	$ 4,119	$ 268	$ 43	$ 3,181	$ 627

Interfund Notes Receivable and Payable

Interfund notes receivable and payable balances at September 30, 2008 were as follows:

		Note payable		
Note receivable	Amount	General Fund	Nonmajor Governmental Funds	Dallas Water Utilities
Debt Service	$ 445	$ -	$ -	$ 445
Nonmajor Governmental funds	4,224	64	4,160	-
Dallas Water Utilities	4,725	-	4,725	-
Total	$ 9,394	$ 64	$ 8,885	$ 445

These balances relate to long-term borrowings to finance various capital acquisitions and equipment purchases.

Note 8. Interfund Receivables, Payables and Transfers (continued)

Transfers In/Out

Transfers made between funds during the year are listed below:

		Transfers Out							
Transfers In	Amount Transferred	General fund	Building Capital Projects Fund	Nonmajor Govern-mental funds	Dallas Water Utilities	Convention Center	Airport Revenues	Nonmajor Business-Type funds	Internal Service funds
General fund	$ 8,381	$ -	$ -	$ 4,878	$ -	$ 3,400	$ -	$ 103	$ -
Debt Service	24,113	9,299	692	11,572	213	19	23	13	2,282
Nonmajor Governmental funds	4,523	782	-	595	3,000	-	-	146	-
Convention Center	3,944	3,944	-	-	-	-	-	-	-
Total	$ 40,961	$ 14,025	$ 692	$ 17,045	$ 3,213	$ 3,419	$ 23	$ 262	$ 2,282

These transfers were for support of construction projects, to purchase equipment, and to service the debt associated with the respective funds.

Note 9. Accounts Payable and Accrued Expenses

The primary government's accounts payable and accrued expenses at September 30, 2008 are as follows:

	General	Debt Service	Building Capital Projects	Nonmajor	Internal Service	Total Governmental Activities
Accrued payroll	$ 21,478	$ -	$ -	$ 410	$ 358	$ 22,246
Accounts payable	27,950	-	-	7,326	10,549	45,825
Due to other governments	2,410	-	-	2,128	-	4,538
Construction accounts payable	-	-	21,676	25,366	-	47,042
Contracts Payable	-	-	2,963	42,521	-	45,484
Other	7,952	517	1,286	3,727	888	14,370
Total	$ 59,790	$ 517	$ 25,925	$ 81,478	$ 11,795	$ 179,505

	Dallas Water Utilities	Convention Center	Airport Revenues	Nonmajor	Total Business-type Activities
Accrued payroll	$ 1,501	$ 130	$ 148	$ 322	$ 2,101
Accounts payable	25,320	3,305	3,708	141	32,474
Due to other governments	-	12	-	-	12
Construction accounts payable	56,023	-	-	-	56,023
Other	-	22	493	97	612
Total	$ 82,844	$ 3,469	$ 4,349	$ 560	$ 91,222

Note 10. Long-Term Debt

A. Governmental Activities

	Beginning Balance Restated	Additions	Deletions	Ending Balance	Due Within One Year
General Obligation Bonds, Series 2006	$ 6,840	$ -		$ 6,840	$ -
General Obligation Bonds, Series 2007	5,760	-	2,880	2,880	2,880
General Obligation Refunding and Improvement Bonds, Series 1998	92,585	-	92,585	-	-
Tax Increment Financing Reinvestment Zone Number Two Bonds, Series 1998	2,045	-	370	1,675	390
General Obligation Bonds, Series 1999	10,405	-	3,470	6,935	3,470
General Obligation Bonds, Series 2000	21,680	-	5,420	16,260	5,420
Combination Tax and Revenue Certificates of Obligation, Series 2000	7,345	-	2,375	4,970	2,445
Tax Increment Financing Reinvestment Zone Number Two Bonds, Series 2000	3,060	-	785	2,275	820
General Obligation Bonds, Series 1999	40,830	-	3,405	37,425	3,405
Combination Tax and Revenue Certificates of Obligation, Series 2003	21,600	-	3,600	18,000	3,600
General Obligation Bonds, Series 2003	16,255	-	6,260	9,995	6,145
General Obligation Bonds, Series 2006	221,830	-	11,680	210,150	11,675
General Obligation Bonds, Series 2007	130,775	-	6,540	124,235	6,540
General Obligation Bonds, Series 2007A	-	363,240	-	363,240	28,980
Equipment Acquisition Obligations, Series 2006	11,825	-	2,960	8,865	2,955
General Obligation Refunding Bonds, Series 2003-A	40,435	-	6,130	34,305	6,130
General Obligation Bonds, Series 2003	145,995	-	9,125	136,870	9,125
Equipment Acquisition Obligations, Series 2003	4,350	-	4,350	-	-
Tax Increment Bonds, Series 2004	4,310	-	815	3,495	835
General Obligation Bonds, Series 2004	145,460	-	8,560	136,900	8,560
Equipment Acquisition Obligations, Series 2004	9,415	-	4,705	4,710	4,710
Combination Tax and Revenue Certificates of Obligation, Series 2004	4,360	-	570	3,790	585
Taxable General Obligation Pension Pension Bonds, Series 2005A	120,432	-	13,073	107,359	-
Taxable General Obligation Pension Pension Bonds, Series 2005B	102,917	-	-	102,917	9,250
Taxable General Obligation Pension Pension Bonds, Series 2005C	56,025	-	-	56,025	-
General Obligation Refunding Bonds, Series 2005	$ 156,850	$ -		$ 156,850	$ -

continued

Note 10. Long-Term Debt (continued)

	Beginning Balance Restated	Additions	Deletions	Ending Balance	Due Within One Year
Risk Management Certificates of Obligation Taxable, Series 2005	$ 4,500	$ -	$ 1,500	$ 3,000	$ 1,500
General Obligation Refunding Bonds, Series 2006	170,345	-	9,465	160,880	9,465
Combination Tax and Revenue Certificates of Obligation, Series 2006	5,240	-	570	4,670	590
Combination Tax and Revenue Certificates of Obligation, Series 2008	-	40,280	-	40,280	810
Combination Tax and Revenue Certificates of Obligation, Series 2007	-	5,500	-	5,500	615
Equipment Acquisition Notes, Series 2006	20,270	-	5,955	14,315	5,955
Equipment Acquisition Notes, Series 2007	-	31,105	1,235	29,870	7,470
Bonds, Notes, Certificates of Obligation	1,583,739	440,125	208,383	1,815,481	144,325
Add: Unamortized Premium/Discount	139,997	17,496	9,069	148,424	-
Add: Accretion on Capital Appreciation Bonds	30,004	13,625	-	43,629	-
Less: Refunding Deferral	(7,511)	(345)	1,337	(6,519)	-
Total Bonds, Notes, Certificates Of Obligation	1,746,229	470,901	218,789	2,001,015	144,325
Other Liabilities:					
Arbitrage Rebate	3,013	2,907	3,013	2,907	-
Compensated Absences	126,021	57,156	49,862	133,315	50,659
Other postemployment benefits	-	31,535	-	31,535	-
Landfill closure/post closure	29,863	1,801	1,128	30,536	518
Estimated unpaid claims	90,531	70,226	66,814	93,943	27,433
Notes Payable	169	14,975	3,535	11,609	1,643
Sales Tax Refund Liability	13,594	-	731	12,863	760
Capital Leases	10,914	2,755	2,937	10,732	2,722
Total other liabilities	274,105	181,355	128,020	327,440	83,735
Total governmental activities long-term liabilities	$ 2,020,334	$ 652,256	$ 346,809	$ 2,328,455	$ 228,060

For governmental activities, General Fund resources will be utilized to liquidate other liabilities.

B. Governmental General Obligation Bonds (GO Bonds)

General Obligation Bonds are direct obligations of the City for which its full faith and credit are pledged and are payable from taxes levied on all taxable property located within the City. In November 2007, the City issued $363.2 million (excludes premium of $16.6 million) of General Obligation Bonds, Series 2007A with an interest rate of 4.0 to 5.0 percent and maturities through fiscal year 2027. The bonds were issued to refund the 1998 General Obligation Refunding and Improvement Bonds and to fund various permanent improvements in the City.

Note 10.Long-Term Debt (continued)

B. Governmental General Obligation Bonds (GO Bonds) (continued)

Proceeds of $76.7 million were deposited with an escrow agent to be used to pay the outstanding amount of the bonds. As a result, $74.8 million of these bonds are considered defeased and the liability for the refunded portion of these bonds has been removed from the financial statements. The refunding resulted in a difference of $345 thousand between the net carrying amount of the old debt and the acquisition price. This difference, reported in the accompanying financial statements as a decrease to bonds payable, is being amortized to interest expense over the life of the bonds using the straight-line method. Total debt service payments decreased by $4.4 million as a result of the refunding. The City also incurred an economic gain (difference between the present values of the old and new debt service payments) of $3.6 million.

In November 2007, the City issued $31.1 million (excludes premium of $511 thousand) of Equipment Acquisition Obligations, Series 2007 with an interest rate of 3.5 to 4.0 percent and maturities through fiscal year 2012 for various capital equipment purchases. In November 2007, the City also issued $5.5 million (excludes premium of $80 thousand) in Combination Tax and Revenue Certificates of Obligation, Series 2007 with an interest rate of 3.5 to 4.0 percent and maturities through fiscal year 2017. The certificates were issued to fund relocation of electric utilities in furtherance of the Trinity River project and to renovate and replace HVAC equipment and systems.

During May 2008, the City issued $40.3 million (excludes premium of $261 thousand) in Combination Tax and Revenue Certificates of Obligation, Series 2008 with an interest rate range of 2 to 5 percent and maturities through fiscal year 2018. The certificates were issued to purchase land.

During the fiscal year, the City recorded three notes payable totaling $14,764. Two of the notes were issued for the purpose of making utility efficiency improvements to various buildings owned by the City and one for building improvements. In addition, $211 thousand dollars of accrued interest was added to the principal balance for total additions of $14,975. The notes are payable in quarterly installments with interest rates ranging from 3.00% to 3.916%. The maturity dates for the notes range from November 2011 to October 2018.

	Final	Interest Rates	Amount
Series 560	2016	4.0% to 6.0%	$ 6,840
Series 563	2009	4.30% to 5.5%	2,880
Series 574	2010	5.0% to 5.5%	6,935
Series 578	2011	5.0% to 5.75%	16,260
Series 583	2021	4.0% to 5.0%	37,425
Series 589	2011	2.5 % to 5.0%	34,305
Series 592	2014	4.0% to 5.0%	9,995
Series 593	2023	3.5% to 5.0%	136,870
Series 597	2024	4.0% to 5.0%	136,900
Series 604	2020	5.00%	156,850
Series 606	2025	3.25% to 5.00%	160,880
Series 611	2026	4.5% to 5.0%	210,150
Series 617	2027	5.0% to 5.25%	124,235
Series 615	2027	4.0% to 5.0%	363,240
Total			$ 1,403,765

Note 10.Long-Term Debt (continued)

The Equipment Acquisition Contractual Obligations outstanding as of September 30, 2008 are as follows:

	Final	Interest Rates	Amount
Series 616	2011	3.75% to 4.00%	$ 8,865
Series 598	2009	3.00%	4,710
Series 608	2015	3.25% to 5.00%	14,315
Series 616	2012	3.50% to 4.00%	29,870
Total			$ 57,760

The Certificates of Obligation outstanding as of September 30, 2008 are as follows:

	Final	Interest Rates	Amount
Series 580	2010	4.75% to 5.25%	$ 4,970
Series 591	2013	2.00% to 3.25%	18,000
Series 599	2014	3.00% to 3.55%	3,790
Series 605	2010	4.00% to 4.49%	3,000
Series 607	2015	3.50% to 4.00%	4,670
Series 618	2018	2.00% to 5.00%	40,280
Series 617	2018	3.5% to 4.00%	5,500
Total			$ 80,210

The Pension Obligation Bonds outstanding as of September 30, 2008 are as follows:

	Final	Interest Rates	Amount
Series 600	2035	3.24 % to 5.19%	$ 107,359
Series 601	2035	3.81 % to 5.50%	102,917
Series 602	2024	5.25% to 8.00%	56,025
Total			$ 266,301

Note 10. Long-Term Debt (continued)

C. Tax Increment Financing Bonds

The City has also issued Tax Increment bonds. The total of these bonds outstanding as of September 30, 2008 are as follows:

	Final	Interest Rates	Amount
Series 566	2012	4.60% to 5.00%	$ 1,675
Series 577	2012	4.75% to 5.75%	2,275
Series 596	2012	2.50% to 3.25%	3,495
			$ 7,445

Tax Increment Revenues Pledged

They City has pledged a portion of future ad valorem tax increments to repay tax increment financing bonds issued in prior years to fund various public improvements located in the TIF zone. The bonds are payable soley from the pledged tax increments of the zone and are payable through fiscal year 2012. Incremental tax sales were projected to produce at least 1.25 percent of the maximum annual principal and interest requirements on an annual fiscal year basis (based on 100% collection). Total principal and interest remaining on the bonds at September 30, 2008 is $8.2 million. Principal and interest paid during fiscal year 2008 were $2 million and $377 thousand, respectively.

D. Long-term Notes Payable

The total outstanding notes payable as of September 30, 2008 are as follows:

	Final Maturity	Interest Rates	Amount
Chase Note Payable	2011	Non-interest bearing	$ 119
All American Investment Group	2018	3.92%	5,294
State Energy Conservation Office - 192	2015	3.00%	2,572
State Energy Conservation Office - 188	2011	3.00%	3,624
Total			$ 11,609

E. Governmental Debt Service Requirements

The following is a summary of the future debt service principal and interest payment requirements for the City's General Obligation, Contractual Obligations, Certificates of Obligation and Tax Increment Bonds at September 30, 2008.

Fiscal Year	Principal	Interest	Total
2009	$ 144,325	$ 83,700	$ 228,025
2010	145,889	72,639	218,528
2011	127,165	73,002	200,167
2012	123,309	68,489	191,798
2013	112,307	64,197	176,504
2014-2018	499,795	264,670	764,465
2019-2023	411,631	137,168	548,799
2024-2028	203,874	131,158	335,032
2029-2033	30,023	170,940	200,963
2034-2035	17,163	71,952	89,115
	$ 1,815,481	$ 1,137,915	$ 2,953,396

Note 10.Long-Term Debt (continued)

The following is a summary of the future principal and interest payment requirements for the City's long-term notes payable at September 30, 2008.

Fiscal Year	Principal	Interest	Total
2009	$ 1,643	$ 500	$ 2,143
2010	1,979	329	2,308
2011	2,011	266	2,277
2012	1,144	202	1,346
2013	903	167	1,070
2014-2018	3,763	374	4,137
2019	166	2	168
	$ 11,609	$ 1,840	$ 13,449

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Note 10. Long-Term Debt (continued)

F. Business-type Activities

The changes in the business-type activities long-term liabilities for the year ended September 30, 2008 are as follows:

Dallas Water Utilities:	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One year
Revenue Bonds:					
City of Dallas Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 1993-A	$ 4,715	$ -	$ -	$ 4,715	$ -
City of Dallas Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 1998	127,135	-	18,960	108,175	19,245
City of Dallas Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 1999	7,905	-	2,490	5,415	2,630
City of Dallas Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2000	12,880	-	2,965	9,915	3,130
City of Dallas Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2001	20,925	-	4,900	16,025	5,115
City of Dallas Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2002	11,195	-	3,430	7,765	1,790
City of Dallas Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2002-A	84,135	-	18,985	65,150	20,150
City of Dallas Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2003	147,580	-	13,830	133,750	16,390
City of Dallas Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2003-A	145,805	-	6,275	139,530	6,430
City of Dallas Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2005	110,990	-	2,825	108,165	3,475
City of Dallas Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2006	249,750	-	5,855	243,895	6,090
City of Dallas Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2007	678,480	-	2,750	675,730	3,265
City of Dallas Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2008	-	158,655	-	158,655	3,505
Revenue Bonds Payable	1,601,495	158,655	83,265	1,676,885	91,215
Add : Unamortized Premium	54,288	6,680	9,194	51,774	-
Less: Deferred Amount on Refunding	(18,799)		(1,974)	(16,825)	-
Total Revenue Bonds for Water Utilities	$ 1,636,984	$ 165,335	$ 90,485	$ 1,711,834	$ 91,215

Note 10. Long-Term Debt (continued)

F. Business-type Activities (continued)

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Dallas Water Utilities (continued)					
Pension Obligation Bonds	$ 70,243	$ -	$ 3,286	$ 66,957	$ 2,326
Add: Accretion on Capital Appreciation Bonds	7,543	3,426	-	10,969	-
Add: Net Premium/Discount	26,287	-	220	26,067	-
Total Water Utilities Bonds	1,741,057	168,761	93,991	1,815,827	93,541
Other: Arbitrage Rebate	-	1,181	-	1,181	-
Other: Compensated Absences	7,717	5,468	5,012	8,173	3,106
Other: Postemployment Benefits	-	3,747	-	3,747	-
Total Long-Term Debt for Water Utilities	1,748,774	179,157	99,003	1,828,928	96,647
Convention Center:					
Revenue Bonds					
Civic Center Convention Complex Revenue Refunding and Improvement Bonds, Series 1998	267,885	-	11,835	256,050	12,460
Sports Arena Project-Tax Exempt Special Tax Bonds, Series 1998A	81,125	-	2,405	78,720	2,530
Sports Arena Project-Taxable Special Tax and Lease Bonds, Series 1998B	30,645	-	780	29,865	830
Revenue Bonds Payable	379,655	-	15,020	364,635	15,820
Add : Net Premium/Discount	(6,378)	-	(205)	(6,173)	-
Less: Deferred Amount on Refunding	(7,030)	-	(669)	(6,361)	-
Total Convention Center Revenue Bonds	366,247	-	14,146	352,101	15,820
Pension Obligation Bonds	4,997	-	234	4,763	166
Add: Accretion on Capital Appreciation Bonds	538	245	-	783	-
Add: Net Premium/Discount	1,876	-	16	1,860	-
Total Convention Center Bonds	373,658	245	14,396	359,507	15,986
Other: Compensated Absences	925	340	426	839	319
Other: Note Payable	-	15,716	2,087	13,629	1,000
Other: Postemployment Benefits	-	283	-	283	-
Total Long-Term Debt for Convention Center	374,583	16,584	16,909	374,258	17,305
Airport Revenues:					
Revenue Bonds					
Texas Airport System Revenue Bonds, Series 2001	26,555	-	6,240	20,315	6,495
Add : Unamortized Premium	194	-	93	101	-
Pension Obligation Bonds	6,581	-	308	6,273	218
Add: Accretion on Capital Appreciation Bonds	707	321	-	1,028	-
Add: Net Premium/Discount	2,464	-	21	2,443	-
Other: Compensated Absences	964	518	448	1,034	393
Other: Note Payable	-	5,270	3,166	2,104	198
Other: Postemployment Benefits	-	425	-	425	-
Total Long-Term Debt for Airport Revenues	$ 37,465	$ 6,534	$ 10,276	$ 33,723	$ 7,304

continued

Note 10. Long-Term Debt (continued)

F. Business-type Activities (continued)

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Non-Major Business-Type:					
Pension Obligation Bonds	$ 12,798	$ -	$ 599	$ 12,199	$ 424
Add: Accretion on Capital Appreciation Bonds	1,374	623	-	1,997	-
Add: Net Premium/Discount	4,787	-	39	4,748	-
Other: Compensated Absences	2,310	996	1,208	2,098	798
Other: Postemployment Benefits	-	814	-	814	-
Total Long-Term Debt for Non-major Business-type funds	21,269	2,433	1,846	21,856	1,222
Total Business-Type Activities - Long-Term Liabilities	$ 2,182,091	$ 204,708	$ 128,034	$ 2,258,765	$ 122,478

The Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2008 were issued for $158.7 million with interest rates of 4.0% to 5.0% and maturities through fiscal year 2038 with a premium of $6.7 million. The proceeds of the bonds and the premium received were used to retire $165.0 million of outstanding commercial paper.

G. Water Works and Sewer System Revenue Bonds and Pension Obligation Bonds

The Waterworks and Sewer System Debt Service Fund provides for the payment of principal and interest on the water department outstanding revenue bonds. Pension Obligation bonds are paid through increased City contributions to the Pension Debt Service fund. Operating revenues from water operations and interest earned on the cash balance in the debt service fund are pledged for repayment of the debt. Revenues are transferred from the Water Operating Fund to the Debt Service Fund to meet annual principal and interest obligations. The Water Works and Sewer System bonds outstanding as of September 30, 2008 are as follows:

Series Description	Final Maturity	Interest Rates	Amount
554 Rev Bonds	2014	4.00%	$ 4,715
570 Rev Bonds	2030	4.25% - 5.00 %	108,175
573 Rev Bonds	2010	5.50%	5,415
576 Rev Bonds	2011	5.25% - 5.50 %	9,915
582 Rev Bonds	2011	5.00% - 5.25 %	16,025
586 Rev Bonds	2012	5.00% - 5.50 %	7,765
587 Rev Bonds	2011	3.00% - 5.00 %	65,150
590 Rev Bonds	2023	3.00% - 5.375%	133,750
595 Rev Bonds	2024	4.00% - 5.00 %	139,530
603 Rev Bonds	2025	5.00%	108,165
610 Rev Bonds	2036	4.25% - 5.00 %	243,895
613 Rev Bonds	2037	4.00% - 5.00 %	675,730
619 Rev Bonds	2038	4.00% - 5.00 %	158,655
Pension Obligation Bonds	2035	3.81% - 8.0 %	66,957
Total Outstanding			$ 1,743,842

Utility Revenues Pledged

The City has pledged future water and wastewater customer revenues, net of specified operating expenses, to repay $1,676.9 million in water and wastewater system revenue bonds, of which $158.7 million (excluding premium of $6.7 million) was issued during the current fiscal year and the remaining balance in prior fiscal years. Proceeds from the bonds provided financing for construction. The bonds are payable soley from water customer net revenues and are payable through fiscal year 2038. Net revenues for each year are expected to be at least equal to 1.25 times the principal and interest requirements of all outstanding previously issued bonds and additional bonds for the year The total principal and interest remaining to be paid on the bonds at September 30, 2008 is $2,591.4 million. Principal and interest paid during fiscal year 2008 were $83.3 million and $76.5 million, respectively.

Note 10. Long-Term Debt (continued)

H. Convention Center (Revenue Bonds and Pension Obligation Bonds)

The 7% Hotel Occupancy Tax, operating revenues of the Convention Center Complex, and interest earned on cash balances in the bond reserve and Debt Service Funds are pledged for repayment of the debt. Pension Obligation bonds are paid through increased City contributions to the Pension Debt Service fund. Additionally, the City has reserve funds to provide for the payment of operating and maintenance expenses of the Convention Center Complex, should a shortfall in Convention Center revenues occur. Revenue from the Convention Center Operating Fund is transferred to the Debt Service Fund to meet annual principal and interest payments. The Convention Center bonds outstanding as of September 30, 2008 are as follows:

Series Description	Final Maturity	Interest Rates	Amount
Civic Center Convention Complex	2028	4.6% - 5.23%	$ 256,050
Special Tax Revenue Bonds	2028	4.625% - 5.25%	78,720
Special Tax and Lease Revenue Bonds	2027	6.65% - 6.8%	29,865
Pension Obligation Bonds	2035	3.81% - 8.0%	4,763
Total Outstanding			$ 369,398

During the year, the City recorded a note in the amount of $15,631 for the purpose of making utility efficiency improvements to the Convention Center. In addition, $85 thousand dollars of accrued interest was added to the principal balance for total additions of $15,716. The note is payable in quarterly installments with an interest rate of 4.13%. The note matures in October 2016.

I. Airport Revenues (Revenue Bonds and Pension Obligation Bonds)

The Airport Debt Service Fund provides for the payment of principal and interest on the Department of Aviation's outstanding revenue bonds. Pension Obligation bonds are paid through increased City contributions to the Pension Debt service fund. Operating revenues from Airport operations and interest earned on the cash balance in the debt service fund are pledged for repayment of the debt. Revenues are transferred from the Airport operating fund to the debt service fund to meet annual principal and interest obligations.

Airport revenue bonds and pension obligation bonds outstanding as of September 30, 2008 are as follows:

	Final Maturity	Interest Rates	Amount
Airport System Revenue Bonds	2011	5.00%	$ 20,315
Pension Obligation Bonds	2035	3.81% - 8.0%	6,273
Total Outstanding			$ 26,588

During the fiscal year, the City recorded a note in the amount of $5,244 for the purpose of making utility efficiency improvements to various buildings at the Love Field. In addition, $26 thousand dollars of accrued interest was added to the principal balance for total additions of $5,270. The note is payable in quarterly installments with an interest rate of 4.05%. The note matures in September 2017.

Note 10. Long-Term Debt (continued)

J. Business-Type Activities Debt Service Requirements

The debt service principal and interest payment requirement to maturity at September 30, 2008, for the business-type activities revenue bonds and pension obligation bonds are as follows:

Dallas Water Utilities

Fiscal	Revenue Bonds			Pension Obligation Bonds		
Year	Principal	Interest	Total	Principal	Interest	Total
2009	$ 91,215	$ 77,606	$ 168,821	$ 2,326	$ 2,098	$ 4,424
2010	94,680	74,019	168,699	3,545	2,042	5,587
2011	77,430	69,789	147,219	2,085	1,969	4,054
2012	78,805	65,920	144,725	1,957	1,969	3,926
2013	86,210	61,812	148,022	1,823	2,004	3,827
2014-2018	382,570	249,731	632,301	8,725	10,203	18,928
2019-2023	366,595	160,670	527,265	14,508	9,155	23,663
2024-2028	205,680	92,525	298,205	20,125	2,527	22,652
2029-2033	164,025	49,496	213,521	7,549	1,382	8,931
2034-2038	129,675	12,987	142,662	4,314	205	4,519
	$ 1,676,885	$ 914,555	$ 2,591,440	$ 66,957	$ 33,554	$ 100,511

Convention Center

Fiscal	Revenue Bonds			Pension Obligation Bonds		
Year	Principal	Interest	Total	Principal	Interest	Total
2009	$ 15,820	$ 18,543	$ 34,363	$ 166	$ 227	$ 393
2010	15,615	17,782	33,397	252	143	395
2011	16,385	17,016	33,401	148	255	403
2012	17,200	16,199	33,399	139	274	413
2013	18,070	15,329	33,399	130	291	421
2014-2018	105,310	61,691	167,001	621	1,625	2,246
2019-2023	104,155	32,840	136,995	1,031	1,059	2,090
2024-2028	72,080	10,587	82,667	1,432	2,140	3,572
2029-2033	-	-	-	537	3,057	3,594
2034-2035	-	-	-	307	1,287	1,594
	$ 364,635	$ 189,987	$ 554,622	$ 4,763	$ 10,358	$ 15,121

Convention Center

Fiscal	Long-term Notes Payable		
Year	Principal	Interest	Total
2009	$ 1,000	$ 182	$ 1,182
2010	1,422	499	1,921
2011	1,536	439	1,975
2012	1,654	374	2,028
2013	1,757	304	2,061
2014-2016	6,260	461	6,721
	$ 13,629	$ 2,259	$ 15,888

Note 10. Long-Term Debt (continued)

J. Business-Type Activities Debt Service Requirements (continued)

Fiscal Year	Airport Revenues: Revenue Bonds Principal	Revenue Bonds Interest	Revenue Bonds Total	Pension Obligation Bonds Principal	Pension Obligation Bonds Interest	Pension Obligation Bonds Total
2009	$ 6,495	$ 1,016	$ 7,511	$ 218	$ 197	$ 415
2010	6,765	691	7,456	332	191	523
2011	7,055	352	7,407	195	185	380
2012	-	-	-	183	185	368
2013	-	-	-	171	188	359
2014-2018	-	-	-	817	956	1,773
2019-2023	-	-	-	1,982	858	2,840
2024-2028	-	-	-	1,264	237	1,501
2029-2033	-	-	-	707	129	836
2034-2035	-	-	-	404	19	423
	$ 20,315	$ 2,059	$ 22,374	$ 6,273	$ 3,145	$ 9,418

Fiscal Year	Airport Revenues: Long-term Notes Payable Principal	Interest	Total
2009	$ 198	$ 82	$ 280
2010	206	74	280
2011	215	66	281
2012	223	57	280
2013	232	48	280
2014-2017	1,030	91	1,121
	$ 2,104	$ 418	$ 2,522

K. Discretely Presented Component Unit Debt Service Requirements

The debt service principal and interest payment requirement to maturity at September 30, 2008, for the discretely presented component unit activities tax increment financing bonds are as follows:

Fiscal Year	Revenue Bonds Principal	Revenue Bonds Interest	Revenue Bonds Total
2009	$ -	$ 1,448,793	$ 1,448,793
2010	1,107,705	1,731,088	2,838,793
2011	1,458,003	1,925,790	3,383,793
2012	1,912,619	2,186,174	4,098,793
2013	2,441,790	2,547,003	4,988,793
2014-2018	13,603,046	17,360,920	30,963,966
2019-2023	15,202,781	23,840,313	39,043,094
2024-2028	13,259,655	28,903,953	42,163,608
2029-2033	18,204,226	30,133,735	48,337,961
2034-2036	12,366,032	17,338,639	29,704,671
Totals	$ 79,555,857	$ 127,416,408	$ 206,972,265

Note 10. Long-Term Debt (continued)

L. Bonds Authorized and Unissued

At September 30, 2008, authorized and unissued bonds consisted of General Obligation Bonds in the amount of $86.7 million and Water and Sewer Revenue Bonds in the amount of $558.4 million. An election must be held to deauthorize bonds.

The following is a schedule of authorized but unissued bonds at September 30, 2008:

	Date of Authorization	Amount Authorized	Amount Unissued
1998 Capital Improvement Program	5/2/1998	$ 246,000	$ 40,238
2006 Capital Improvement Program	11/7/2006	1,353,520	913,625
Total		$ 1,599,520	$ 953,863

M. Compliance with Debt Covenants

For the year ended September 30, 2008, management of the City believes that it was in compliance with all financial bond covenants on outstanding revenue and general obligation bonded debt. Compliance was met in the Airport Revenue Fund by including available cash with revenues.

N. Commercial Paper Notes

On September 24, 1997, the Dallas City Council authorized a second ten-year exempt commercial paper program for improvements to the City's water and wastewater system, limited to $120 million commercial paper outstanding and maturity terms of not more than 270 days for interim financing of capital improvements. On December 12, 2001, the Dallas City Council approved increasing the commercial paper program Series B to an aggregate principal amount of $150 million. On September 30, 2002, the City Council authorized additional commercial paper notes, Series C, limited at any one time to $50 million principal amount outstanding. On August 25, 2004, the City Council authorized an increase of $50 million to the Series B program to an aggregate principal amount of $200 million and an increase of $50 million to the Series C program to an aggregate principal amount of $100 million. The City Council also established a 10-year program by extending the maturity date to September 30, 2014.

On an annual basis, Dallas Water Utilities retires commercial paper through refinancing with revenue bonds or use of other available water and wastewater funds. In fiscal year 2008, the City issued commercial paper of $52.5 million and retired $165 million. As of September 30, 2008, $67.2 million commercial paper notes were outstanding with an average maturity from issue of 11 days, and a weighted average interest rate of 1.70%.

Commercial paper notes are supported by two Bank of America N.A. line of credit agreements. The credit agreements supporting the Series B notes, which extend to September 28, 2011 are an aggregate amount not exceeding $214.8 million, and the credit agreement supporting the Series C notes, which extends to September 28, 2011, an aggregate amount not exceeding $102.5 million constitute an obligation subordinate to the City's water and wastewater system revenue bonds. Any advances for payments of commercial paper under the line of credit are secured by a subordinate lien on water and wastewater revenues. During fiscal year 2008, $52.5 million was advanced. Changes in short-term obligations during fiscal year 2008 were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Commercial Paper	$ 179,698	$ 52,544	$ 165,000	$ 67,242

Note 11. Leases

A. As Lessee

As lessee, the City is committed under various leases for building and office space, data processing and communications equipment. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the fiscal year ended September 30, 2008, amounted to $4.4 million.

Future minimum lease payments for these leases are as follows:

Year Ending September 30	Total Rental Payments	Governmental Activities	Business-Type Activities
2009	$ 5,356	$ 4,588	$ 768
2010	4,571	4,155	416
2011	2,938	2,512	426
2012	2,400	1,970	430
2013	1,374	1,267	107
2014-2018	2,744	2,744	-
2019-2023	902	902	-
Thereafter	1,494	1,494	-
Minimum Future Rentals	$ 21,779	$ 19,632	$ 2,147

The City is also committed under capital leases for the purchase of computer equipment and for the purchase of a parking garage. The liability for future capital lease payments totals $10.7 million. Future minimum lease payments for capital leases including interest and principal are as follows:

Fiscal Year	Payments
2009	$ 3,197
2010	2,357
2011	1,490
2012	1,000
2013	1,000
2014-2018	2,075
2019-2023	1,750
Total Minimum future lease payments	12,869
Less: Amount Representing interest	(2,137)
Present value of net minimum lease payments	$ 10,732

The following schedule provides an analysis of the City's investments in capital assets under capital lease arrangements as of September 30, 2008.

Building and Equipment		$ 19,514
Less: Accumulated depreciation		(7,251)
	Total	$ 12,263

Note 11. Leases (continued)

B. As Lessor

The City is also under several lease agreements as lessor whereby it receives revenues from leasing airport terminal space, hangars, parking spaces, ramps, land, buildings, and office space to air carriers and other tenants. These revenue leases are considered for accounting purposes to be operating leases. Additionally, other City departments receive revenues under various agreements for the operation of concessions. Most of these revenues are determined based on various percentages of gross sales for the concessions.

Revenues for the fiscal year ended September 30, 2008 were $26.2 million. The following is a schedule of minimum future rentals on noncancelable operating leases as of September 30, 2008:

Year ending September 30	Government Activities	Dallas Water Utilities	Airport Revenues	Total
2009	$ 12,321	$ 42	$ 25,133	$ 37,496
2010	12,313	42	16,026	28,381
2011	8,585	42	15,677	24,304
2012	1,030	42	13,337	14,409
2013	1,010	42	13,128	14,180
2014-2018	4,958	208	40,601	45,767
2019-2023	2,671	208	19,776	22,655
Thereafter	1,143	166	19,362	20,671
Minimum Future Rentals	$ 44,031	$ 792	$ 163,040	$ 207,863

The above amounts do not include contingent rentals of the Airport Revenues Fund, which may be received under certain leases; such contingent rentals received totaled $0.9 million in 2008.

The following schedule provides an analysis of the Airport's Revenues Fund investment in property under operating lease arrangements as of September 30, 2008:

Buildings	$ 232,469
Land	10,611
Subtotal	243,080
Less: Accumulated Depreciation	(70,551)
Total	$ 172,529

Note 12. Defeasance of Debt

In prior years, the City legally defeased certain outstanding general obligation, mortgage revenue and enterprise bonds and certificates of obligation by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments of the refunded bonds. Accordingly, the trust accounts and the defeased bonds are not included in the City's basic financial statements.

As of September 30, 2008, the City had a total of $86.75 million defeased outstanding General Obligation Bonds and $558.4 million defeased outstanding revenue bonds. The following is a schedule of defeased bonds during the fiscal year:

	Beginning Balance	Additions	Deletions	Ending Balance
General Obligation Bonds	$ 143,465	$ 74,835	$ 131,550	$ 86,750
Water and Sewer Revenue Bonds	558,495	-	-	558,495
	$ 701,960	$ 74,835	$ 131,550	$ 645,245

Note 13. Risk Management – Estimated Claims and Judgments Payable

The City is self-insured for all third-party general liability claims. Claims adjusting services are provided by an administrative services contractor. Interfund premiums are based primarily upon the insured funds' claims experience and exposure and are reported as cost reimbursement interfund transactions. The liability for unpaid claims includes the effects of specific incremental claims, adjustment expenses and if probable and material, salvage and subrogation.

All known City property, primarily buildings and contents, is insured through commercial insurance policies, subject to a $1 million deductible per loss occurrence. The amount of settlements has not exceeded insurance coverage for the past three fiscal years.

The City is insured for workers' compensation losses in excess of $750 thousand per occurrence. Claims adjusting services are provided by an independent "administrative services" only contractor. Workers' compensation premiums are billed periodically to the different funds based on the loss experience and full time equivalents (FTE's) in the respective departments.

All workers' compensation losses are accumulated in a clearing fund which is being reimbursed by the premiums collected. When losses exceed premiums, the deficiencies are prorated and supplemented by the various applicable funds. Accrued workers' compensation liability consists of incurred but not reported as well as unpaid reported claims of which $60.9 million at September 30, 2008, is recorded in the Risk Funds. The City maintains a group health insurance plan for employees and dependents which is self-insured by the City. The City also offers enrollment in one health maintenance organization as an alternative. Premiums are determined based on the annual budget. The City also maintains a group life insurance plan which offers term-life and accidental death and dismemberment for employees and dependents. The City is fully insured for employee term-life. Health claims and claims incurred but not reported that are probable and can be reasonably estimated are accrued in the accompanying basic financial statements at September 30, 2008, in the amount of $8.5 million in the Risk Funds.

At September 30, 2008, the City estimates its workers' compensation liability at $60.9 million. Of this amount, $11 million is estimated to be payable in the next fiscal year.

At September 30, 2008, the City estimates its general liability at $24.5 million, which includes $17.8 million for automobile and general liability and $6.7 million for probable claims and lawsuits.

Changes in the balances of claims liabilities during the past fiscal year are as follows:

Note 13. Risk Management – Estimated Claims and Judgments Payable (continued)

	Workers' Compensation		Health		General Liability	
	2007	2008	2007	2008	2007	2008
Unpaid claims, beginning of year	$ 59,564	$ 59,872	$ 6,730	$ 10,070	$ 17,374	$ 20,589
Incurred claims (including IBNRs claims and changes in estimates)	11,276	15,823	51,882	45,353	6,195	9,050
Claim payments	(10,968)	(14,746)	(48,542)	(46,953)	(2,980)	(5,115)
Unpaid claims, end of year	$ 59,872	$ 60,949	$ 10,070	$ 8,470	$ 20,589	$ 24,524

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Note 14. Accrued Landfill Liability

The City owns and operates the McCommas Bluff landfill located in the southern portion of the City with an estimated remaining useful life of 44 years. Closure and post-closure care of this landfill is subject to the requirements of Subtitle D of the Resource Conservation and Recovery Act (P.L. 94-580) and Sections 330.250-256 of Title 30 of the Texas Administrative Code administered by the Texas Commission on Environmental Quality (TCEQ). These regulations require the City to place a final cover on each cell of the landfill when it ceases to accept waste and perform certain maintenance and monitoring functions for thirty years after the closure of each cell.

Because final contours have not been achieved, the City has not yet initiated closure of any of this landfill or incurred closure expenses. Therefore, the estimated $24.1 million liability for closure/post-closure care is based on 33.52 percent of the capacity subject to TCEQ regulations--none of which is expected to be paid from current available resources.

The estimated total liability of $71.3 million is based on current dollar average cost per acre calculations for this specific landfill as originally provided by consulting firms and has been revised annually by the City to accommodate inflation, deflation, technology, and developmental or regulation changes. In accordance with the provisions of Codification of Governmental Accounting and Financial Reporting Standards, Section L10, "Landfill Closure and Post closure Care Costs," the City has recorded a closure and post-closure liability of $24.1 million as a long-term liability. Closure and post-closure care are funded through current General Fund revenues generated by landfill operations. Effective April 9, 1997, Sections 330.280-284 of Title 30 of the Texas Administrative Code requires landfill owners to demonstrate financial assurance on an annual basis that they will have sufficient financial resources to satisfy closure and post-closure care expenditures at such time as these become payable.

The City also owns and operates the Deepwood & Loop 12 landfill located at South Miller Road and SW of Loop 12. The estimated total annual liability for post closure care costs for the entire 47 acres of the closed landfill (132 acres of the Landfill Property) of the landfill is $218, and the total liability for 30 years would be $6.4 million. In addition to the $218, there will also be a one time payment of $300 in fiscal year 2009, making the total amount presented as due in one year $518.

Note 15. Pension Plans

A. Plan Descriptions

The City participates in funding three contributory, defined benefit employee pension plans. These plans are single-employer pension plans and use the entry-age-normal cost method. Membership is a condition of employment for all full-time, permanent employees.

The excess of contributions made to the Employees' Retirement Fund over required pension contributions (as computed in accordance with GASB No. 27) is recorded as a net pension asset in the Statement of Net Assets in accordance with Codification of Governmental Accounting Standards, Section P20.

The City is also legally obligated to fund the Dallas Police & Fire Pension Plan and the Supplemental Police and Fire Pension Plan in an amount actuarially determined each year. In the opinion of the City Attorney, the City is not legally obligated to fund any additional amounts. The activities of the entities as of December 31, 2007 are reported in the City's Pension Trust Funds. Their separate audited financial statements may be obtained through the City.

Note 15. Pension Plans (continued)

A. Plan Descriptions (continued)

Employees' Retirement Fund: The legal authority for this plan is Chapter 40A of the Dallas City Code. This plan is for the benefit of all eligible employees of the City, excluding firefighters and police officers. Members have vested rights to retirement benefits after five years of service. Benefits are based on credited service and the average monthly earnings for the three highest paid calendar years. Members of the Fund are entitled to normal retirement pension at age 60; early retirement pension at age 55 if employed prior to May 9, 1972 or age 50 and years of service total 78; service retirement pension at any age after 30 years of credited service and disability retirement pension as determined by the board of trustees. Contribution percentages of covered wages are 8.40% for employees and 14.31% for the City. The City's contribution of 14.31% is divided into 5.93% cash to the Plan and 8.38% for debt service payments on the pension obligation bonds.

		2008 Membership Consisted of Number of Persons
Retirees and beneficiaries currently receiving benefits and inactive entitled to benefits but not yet receiving them	Total inactive	6,347
Current members:		
Vested		5,000
Non vested		3,117
	Total current	8,117
	Total	14,464

Dallas Police and Fire Pension System: The System is a retirement fund for police officers and firefighters employed by the City of Dallas. The System is comprised of a single defined benefit pension plan, called the "Combined Pension Plan," designed to provide retirement, death and disability benefits for firefighters and police officers (members). The legal authority for the Plan is former Article 6243a-1 of the Revised Civil Statutes of Texas. All active, eligible police officers and firefighters employed by the City are required to participate. The Plan consists of Group A and Group B membership. Group A members may elect to receive one of two benefit structures Options 1 and 2. Option 1: members with 20 years or more of pension service are entitled to normal monthly pension benefits beginning at age 50 equal to 50% of the base pay as defined as the maximum monthly civil service pay established by the City at the time of retirement plus 50% of the longevity pay the member was receiving at the time he or she left active service with the City or the effective date the member joined the Deferred Retirement Option Plan (DROP). Option 2: members with 20 years or more of pension service are entitled to normal monthly pension benefits beginning at age 55 equal to 3% of the base pay computed as noted in Option 1 for each year with a maximum of 32 years. In addition, a member receives 50% of the longevity pay and 1/24 of any City service incentive pay the member was receiving at the time he or she left active service with the City or the effective date the member joined DROP. Under Group B, members with five or more years of pension service are entitled to monthly pension benefits beginning at age 50 equal to 3% of the member's average computation pay determined over the highest 36 consecutive months of computation pay, multiplied by the number of years of pension service, up to maximum of 32 years. In addition, Group B benefits are increased by 4% of the initial benefit amount each October 1. The City is required to make contributions of 27.5% of total wages and salaries as defined in the System's plan document. The contribution percentage for members in Group A is 6.5% of their base pay. Group B members are required to contribute 8.5% of their computation pay.

Note 15. Pension Plans (continued)

A. Plan Descriptions (continued)

	2008 Membership Consisted of
Nonactive Member:	
Retirees and beneficiaries currently receiving benefits and employees entitled to benefits but not yet receiving them:	
Firefighters	1,423
Police Officers	1,870
Terminated vested members not yet receiving benefits	183
Total inactive members	3,476
Current Vested Employees:	
Firefighters	1,417
Police Officers	2,435
Current Nonvested Employees:	
Firefighters	274
Police Officers	783
Total current employees	4,909

Supplemental Police and Fire Pension Plan. The legal authority for this Plan is Subsection 35 of Chapter II of the Charter of the City of Dallas and Ordinance 14084 of 1973. This plan includes officials in the Fire and Police Departments who hold rank higher than the highest corresponding Civil Service rank available as a result of competitive examination. Employees with five or more years of service are entitled to annual pension benefits beginning at normal retirement age 50. Members of the Supplemental Plan contribute 8.5% of their pay that is applicable to the Supplemental Plan on a bi-weekly basis. The City does a one time annual contribution to the Supplemental Plan based on the actuarial analysis, not to exceed a $100,000 increase over the previous year. For 2007 the City contribution was $1.34 million.

	2008 Membership consisted of
Nonactive members	
Retirees and beneficiaries currently receiving	
Firefighters	46
Police Officers	65
Total non-active members	111
Current Vested Employees:	
Firefighters	16
Police Officers	24
	40

Note 15. Pension Plans (continued)

B. Schedule of Employer Contributions

	Employees' Retirement Fund		Dallas Police and Fire Pension System		Supplemental Police and Fire Pension Plan	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
12/31/07	$9,387	250.27%	$97,762	100.0%	$1,340	100.0%
12/31/06	$14,380	159.94%	$91,653	100.0%	$1,300	100.0%
12/31/05	$27,898	2,027.30%	$87,373	100.0%	$1,200	100.0%

	Employees' Retirement Fund		Dallas Police and Fire Pension System		Supplemental Police and Fire Pension Plan	
	Annual Pension Cost	Percentage Contributed	Annual Pension Cost	Percentage Contributed	Annual Pension Cost	Percentage Contributed
12/31/07	$2,687	874.32%	$97,762	100.0%	$1,340	100.0%
12/31/06	$7,942	289.60%	$91,653	100.0%	$1,300	100.0%
12/31/05	$21,643	148.65%	$87,373	100.0%	$1,200	100.0%

C. Employees' Retirement Fund - Net Pension Obligation (NPO)/ Net Pension Asset (NPA) for 2007, 2006 and 2005

	2007	2006	2005
Annual required contribution (ARC)	$ 9,387	$ 14,380	$ 27,898
Interest on NPO/(NPA)	(31,775)	(30,533)	(29,664)
Adjustment to the ARC	25,075	24,095	23,409
Annual Pension Cost	2,687	7,942	21,643
Contribution Made	(23,493)	(23,000)	(32,172)
Change in NPO/(NPA)	(20,806)	(15,058)	(10,529)
NPO/(NPA), beginning of year	(385,154)	(370,096)	(359,567)
NPO/ (NPA), end of year	$ (405,960)	$ (385,154)	$ (370,096)

The net pension obligation (asset) has been allocated between governmental activities and business-type activities based on percentage of contribution by each. For governmental activities, this was 74.4% ($302,016) and for business-type activities, 25.6% ($103,944). The amount of net pension asset allocated by business-type activity is 18.9% ($77,162) to Dallas Water Utilities; 1.4% ($5,520) to Convention Center; 1.8% ($7,219) to Airport Revenues; and 3.5% ($14,043) to nonmajor enterprise funds.

The percent contributed may vary from the legally required rate as the annual required contributions are based upon covered payroll as of the actuarial valuation date, January 1, whereas contributions are calculated and paid based upon actual payrolls throughout the year.

Note 15. Pension Plans (continued)

D. Police and Fire Pension - Net Pension Obligation (NPO) for 2007, 2006 and 2005

Dallas Police and Fire Pension System	2007	2006	2005
Annual required contribution (ARC)	$ 97,762	$ 91,653	$ 87,373
Interest on NPO	-	-	-
Adjustment to the ARC	-	-	-
Annual Pension Cost	97,762	91,653	87,373
Contribution Made	(97,762)	(91,653)	(87,373)
Change in NPO	-	-	-
NPO, beginning of year	-	-	-
NPO, end of year	$ -	$ -	$ -

Supplemental Police and Fire Pension Plan	2007	2006	2005
Annual required contribution (ARC)	$ 1,340	$ 1,300	$ 1,200
Interest on NPO	-	-	-
Adjustment to the ARC	-	-	-
Annual Pension Cost	1,340	1,300	1,200
Contribution Made	(1,340)	(1,300)	(1,200)
Change in NPO	-	-	-
NPO, beginning of year	-	-	-
NPO, end of year	$ -	$ -	$ -

E. Significant Actuarial Methods and Assumptions

Assumptions	Employees' Retirement Fund	Dallas Police and Fire Pension System	Supplemental Police and Fire Pension Plan
Actuarial valuation date	12/31/2007	01/01/2008	01/01/2008
Actuarial cost method	Entry Age	Entry Age	Entry Age
Amortization method	Level Percentage	Level Percentage	Level Percentage
Asset valuation method	3-year smoothed market	5-year smoothing	Fair market value
Remaining Amortization period	30 Years – Open Period	15 Years – Open Period	5 Years – Open Period
Investment rate of return	8.25%	8.50%	8.50%
Inflation rate	3.00%	4.00%	4.00%
Projected salary increase	3.50%-8.00%	4.30%-9.64%	4.30%-9.64%
Projected post-retirement benefit increase	3.00%	4.00%	4.00%

Note 15. Pension Plans (continued)

F. Securities Lending Transactions

The Employees' Retirement Fund and Dallas Police and Fire Pension System Boards have authorized the Plans to enter into agreements with the Northern Trust ("Northern") and JP Morgan Chase ("JP Morgan") respectively, for the lending of certain of the Plans' securities (the "Securities Lending Program" or Program) including, but not limited to, stocks and bonds to counter party brokers and banks ("borrowers"), for a predetermined period of time and fee. Such transactions are not prohibited by state statute.

During the December 31, 2007 fiscal year, Northern lent, on behalf of the Employees' Retirement Fund, securities held by Northern, as a custodian, and received United States dollar cash, United States government agency securities and irrevocable bank letters of credit as collateral. Northern did not have the ability to pledge or sell collateral securities absent a borrower default. Borrowers were required to put up collateral for each loan equal to: (i) in the case of loaned securities in which collateral is all denominated in the same currency as the loaned securities, 102% of the fair market value of the loaned securities plus any accrued but unpaid distributions thereon, and (ii) in the case of loaned securities denominated in a different currency from the loaned securities, 105% of the fair market value of the loaned securities plus any accrued but unpaid distributions thereon. The following table shows the type of collateral held, the market value of the securities on loan, and the market value of the collateral held for open loans at December 31, 2007 and 2006.

Collateral Type	Collateral Market Value 12/31/2007	Fair Value	Collateral Percentage	Collateral Market Value 12/31/2006	Fair Value	Collateral Percentage
Cash	$ 478,743	$ 465,908	103%	$ 502,669	$ 488,311	103%
Non-cash	16,415	16,024	102%	37,235	36,309	103%
Total	$ 495,158	$ 481,932		$ 539,904	$ 524,620	

During the December 31, 2007 fiscal year, JP Morgan lent, on behalf of the Dallas Police and Fire Pension System, securities held by JP Morgan as a custodian, and received United States dollar cash and United States Government securities as collateral. JP Morgan did not have the ability to pledge or sell collateral securities absent a borrower default. Borrowers were required to put up collateral for each loan equal to: (i) in the case of loaned securities denominated in United States dollars or whose primary trading market was In the United States or sovereign debt issued by foreign governments, 102% of the fair market value of the loaned securities, and (ii) in the case of loaned securities not denominated in United States dollars or whose primary trading market was not in the United States dollars, 105% of the fair market value of the loaned securities. At year-end, the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System. The market value of securities on loan and collateral held for the System as of December 31, 2007 and December 31, 2006 were $218.3 million and $221.3 million, respectively.

The Boards did not impose any restrictions during the fiscal year on the amount of the loans that Northern and JP Morgan made on their behalf. There were no failures by any borrowers to return the loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal years resulting from a default of the borrowers or Northern and JP Morgan. Northern is contractually obligated to fully indemnify the Plan for a borrower's failure to return the loaned securities.

During the fiscal year, the Board and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral was invested, together with the collateral of other qualified tax-exempt plan lenders, in a collective investment pool maintained by Northern. The relationship between the average maturities of the investment pool and the Plan's loans was affected by the maturities of the loans made by other plans' entities that invested cash collateral in the collective investment pool, which the Board could not determine. On December 31, 2007 and 2006, the Plan had no credit risk exposure to borrowers.

Note 15. Pension Plans (continued)

G. Funding Policy and Annual Pension Cost

The Board of Trustees of each plan establishes and may amend the contribution requirements of plan members and the City. The City's annual pension cost for the current year and related information for each plan is as follows:

	Employees' Retirement Fund	Dallas Police and Fire Pension System	Supplemental Police and Fire Pension Plan
Contribution rates:			
City	14.31%	27.50%	N/A
Plan members	8.40%	N/A	8.5% (2)
Plan members-group A	N/A	6.5% (1)	N/A
Plan members-group B	N/A	8.50%	N/A
Annual pension cost	9,387	97,762	1,340
Contributions made	23,493	97,762	1,340

(1) During 2007 and 2006, no member elected contribution under Group A.

(2) The 8.5% represents the excess of their compensation for the rank held over the compensation of the Civil Service rank held as a result of competitive examinations.

Note 16. Commitments and Contingencies

A. Pending Lawsuits and Claims

Various claims and lawsuits are pending against the City. In accordance with GAAP, those judgments which are considered "probable" and estimable are accrued, while those claims and judgments which are considered "reasonably possible" are disclosed but not accrued.

In the opinion of the City Attorney, the potential loss resulting from all significant claims which are considered possible, excluding condemnation proceedings, is approximately $15.3 million as of September 30, 2008. At September 30, 2008, approximately $6.7 million has been recorded in the Risk Funds for claims and lawsuits considered to be probable. In the opinion of the City Attorney, this is the total of all such claims which represent probable loss to the City.

B. Commitments and Contingencies

The City participates in a number of federally assisted and State grant programs. Principally, the Community Development Block Grant; Women, Infants and Children; and HOME Programs. The programs are subject to program compliance audits by the grantors or their representatives. The amount, if any, of the expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amount, if any, to be immaterial.

The City has several major construction projects planned or in progress as of September 30, 2008. These projects are evidenced by contractual commitments and include the following: $348 million for General Purpose Capital Improvements and $326 million for Water Utilities Capital Improvements.

Note 17. Other Post Employment Benefits

In addition to pension benefits, various Council resolutions require the City to provide certain healthcare and life insurance benefits for retired employees. Employees who are permanent, full-time employees are eligible to participate in the benefits at retirement. The City is self insured for these programs.

For retired employees over 65, the City pays on average $443 (not in thousands) per month for Medicare “A” if the retirees are not eligible for Social Security coverage. The retirees are responsible for Medicare “B”.

For retirees who qualify and choose the City health plan, the City pays approximately 50 percent of the retiree premium and the retiree pays the other 50 percent. Spouses of retirees, like active employees, pay 100% of premiums. There were 4,272 retiree participants in the health plan at October 1, 2007.

The City has implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, effective October 1, 2007, and is implementing these requirements prospectively. The City’s annual other postemployment benefit (OPEB) expense is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The actuarial cost method used in this valuation to determine the actuarial accrued liability and the annual required contribution (ARC) is the projected until credit method with service prorated. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The City has elected to amortize the unfunded actuarial liability over 30 years as a level percentage of payroll on a closed basis. The discount rate used for the determination of the expense for fiscal year 2008 is 4.50%. Total claim payments for fiscal year 2008 were approximately $15.3 million net of participants’ and pension plans’ contributions.

Note 17. Other Post Employment Benefits (continued)

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation (in thousands):

Annual OPEB Cost	$	52,168
Contributions Made		(15,364)
Increase in net OPEB		36,804
Net OPEB Obligation, beginning of year		-
Net OPEB Obligation, end of year	$	36,804

Net OPEB Obligation reported by governmental funds	$ 30,974
Net OPEB Obligation reported in business type activities funds	5,269
Net OPEB Obligation reported in internal service funds	561
	$ 36,804

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2008 are as follows (in thousands):

Fiscal Year Ended	Net OPEB Obligation 9/30/2007	Annual OPEB Cost	Employer Contributions	Net OPEB Obligation 9/30/2008	Annual OPEB Cost Contributed
2008	$ -	$ 52,168	$ 15,364	$ 36,804	29.5%

The funded status of the plan as of September 30, 2008 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
9/30/2008	$ -	$ 688,083	$ 688,083	0%	N/A	N/A

The actuarial accrued liability of $688,083 includes $451,504 for active employees and $236,579 for retirees.

This table presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Valuations

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements,

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the City and plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Note 17. Other Post Employment Benefits (continued)

At October 1, 2007, membership was as follows:	Uniformed	Non-Uniformed	Total
Active participants not eligible to retire	1,906	4,709	6,615
Active participants eligible to retire	2,108	1,112	3,220
Total active participants	4,014	5,821	9,835

Note 18. Discretely Presented Component Units' Condensed Financial Information

DDDA is the only "major" discretely presented component unit, as considered by management. Summary component unit condensed financial information as of September 30, 2008, is presented below:

Condensed Statement of Net Assets

	DDDA	Nonmajor	Totals
Assets			
Current assets	$ 27,525	$ 1,392	$ 28,917
Total assets	27,525	1,392	28,917
Liabilities			
Current liabilities	908	151	1,059
Non current liabilities	87,309	100	87,409
Total liabilities	88,217	251	88,468
Net assets			
Restricted for debt service	11,035	-	11,035
Unrestricted	(71,727)	1,141	(70,586)
Total net assets	$ (60,692)	$ 1,141	$ (59,551)

Note 18. Discretely Presented Component Units' Condensed Financial Information (continued)

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	DDDA	Nonmajor	Totals
Operating revenues			
Intergovernmental	$ 3,397	$ 420	$ 3,817
Other	225	194	419
Total operating revenues	3,622	614	4,236
Operating expenses	6,765	269	7,034
Operating income	(3,143)	345	(2,798)
Nonoperating income			
Investment income	923	20	943
Income before contributions	(2,220)	365	(1,855)
Contributions	-	(233)	(233)
Change in net assets	(2,220)	132	(2,088)
Total net assets, beginning of year	(58,472)	1,009	(57,463)
Total net assets, end of year	$ (60,692)	$ 1,141	$ (59,551)

Note 19. Subsequent Events

In February 2009, the Convention Center issued revenue refunding and improvement bonds of $324.9 million with an interest rate range of 3 to 5.25 percent and a final maturity of August 15, 2038. The bonds are special obligations of the City, payable from pledged hotel occupancy tax and will be used to refund 1998 Series Bonds and to fund construction costs associated with the planned improvements to the Dallas Civic Center Convention Complex.

In November 2008, the City issued general obligation bonds of $209.8 million with an interest rate range of 4 to 5.125 percent and a final maturity of February 15, 2028 to fund various permanent public improvements. The City also issued $33.8 million in Equipment Acquisition Contractual Obligations with an interest rate range of 4 to 5 percent and a final maturity of August 2013 to fund various types of capital equipment. The City also issued $5.4 million in Combination Tax and Revenue Certificates of Obligation with an interest rate range of 3.5 to 5.0 percent and a final maturity of February 15, 2018 for electrical upgrades, HVAC improvements, and replacement of the fire suppression system.

In March 2009, Dallas Water Utilities issued Waterworks and Sewer System Revenue Bonds Series 2009A, 2009B, and 2009C through the Texas Water Development Board of the State of Texas for funding improvements to several projects throughout the City. Bond Series 2009A of $15.1 million includes principal payments from $650,000 to $935,000 with interest rates ranging from 0.423 to 2.877 percent and a final maturity of October 1, 2028. Bond Series 2009B of $8.28 million includes principal payments from $445,000 to $625,000 with interest rates ranging from 1.303 to 2.877 percent and a final maturity of October 1, 2028. Bond Series 2009C of $94.723 million includes principal payments $5.1 million to $6.6 million with interest rates ranging from 0.148 to 3.018 percent and a final maturity of October 1, 2028.

On March 17, 2009, Dallas Water Utilities also issued an additional $300 million in a new Commercial Paper program, the third Commercial Paper program in the City.

Sales tax revenues for the period October 1, 2008 through May 31, 2009 decreased $12.5 million from the same period of the prior fiscal year.

Note 20. Restatement of Prior Year Fund Balance and Net Assets

The following restatement of fund balance and net assets at September 30, 2007, was required to properly present DDDA financial activity as a discretely presented component unit, rather than as a blended component unit, and to correct classification errors related to various net asset components. The DDDA change correctly reflects the activity of the component unit as a discretely presented component unit since the direct benefits are to the developers, citizens, and others within the tax increment financing zone rather than exclusively to the City. Reclassifications between unrestricted net assets and invested in capital assets, net of related debt was necessary to only include debt attributable to the acquisition, construction, and improvement of capital assets as part of the invested in capital assets, net of related debt component. The Building Capital Projects Fund did not meet the criteria to be recorded as a major fund as of September 30, 2007 and was correctly reported; however, the criteria was met as of September 30, 2008, which resulted in the financial activity being reflected in a separate column in the fiscal year 2008 financial statements, rather than in the nonmajor column.

	Nonmajor Governmental Funds	Discretely Presented Component Unit
Fund Balance, September 30, 2007, as previously reported	$ 793,193	
DDDA Fund Balance	5,085	
Building Capital Projects Fund Balance, reclassified as a major fund	(203,756)	
Fund balance, September 30, 2007, as restated	594,522	
Government-wide		
Net Assets, September 30, 2007, as previously reported	1,467,285	1,009
Accounts payable	17,829	(17,829)
Cash	(12,744)	12,744
Bonds payable	50,605	(50,605)
Accretion on DDDA bonds	4,361	(4,361)
Unamortized bond issuance costs	(1,579)	1,579
Net Assets, September 30, 2007, as restated	$ 1,525,757	$ (57,463)

	Net Assets 9/30/2007, as previously reported	Adjustments	Net Assets 9/30/2007, as restated
Invested in capital assets, net of related debt	$ 1,433,745	$ 134,425	$ 1,568,170
Restricted for:			
Capital projects	53,222	-	53,222
Debt service	7,576	-	7,576
Permanent funds - nonexpendable	10,118	-	10,118
Unrestricted	(37,376)	(75,953)	(113,329)
	$ 1,467,285	$ 58,472	$ 1,525,757

*"Dallas, the City that works:
diverse, vibrant and progressive."*

CITY OF DALLAS, TEXAS
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF FUNDING PROGRESS (UNAUDITED)
Employee's Retirement Fund (ERF)
Dallas Police and Fire Pension System (DPFPS)
And
Supplemental Police and Fire Pension Plan (SPFPP)
Year Ended September 30, 2008
(in millions)

Actuarial Valuation Date	Plan	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c))
12/31/07	ERF	$ 3,183	$ 2,915	$ (268)	109.2%	$ 370	(72.4%)
12/31/06	ERF	2,998	2,761	(237)	108.6%	345	(68.6%)
12/31/05	ERF	2,739	2,606	(133)	105.1%	332	(40.0%)
01/01/08	DPFPS	3,259	3,644	385	89.4%	321	119.9%
01/01/07	DPFPS	2,962	3,371	409	87.9%	306	133.7%
01/01/06	DPFPS	2,700	3,282	582	82.3%	295	197.3%
01/01/08	SPFPP	25	30	5	83.3%	1	516.0%
01/01/07	SPFPP	23	29	5	79.3%	1	618.0%
01/01/06	SPFPP	20	26	6	76.9%	1	691.0%

The actuarial information presented is determined by an actuarial valuation and is the amount that results from applying various assumptions with regard to termination, disability, mortality and the time value of money to the accumulated plan benefits.

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APPENDIX C

MASTER GLOSSARY

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MASTER GLOSSARY OF TERMS FOR FINANCING DOCUMENTS

RELATING TO THE
DALLAS CONVENTION CENTER
HOTEL DEVELOPMENT CORPORATION
HOTEL REVENUE BOND TRANSACTION
Dated as of August 1, 2009

CONSTRUCTION

Defined terms in this Glossary shall include in the singular number the plural and in the plural number the singular.

Unless otherwise stated, any reference in this Glossary to any Person shall include its permitted successors and assigns and, in the case of any Governmental Authority, any Person succeeding to its functions and capacities.

Unless otherwise expressly specified, any agreement, contract or document defined or referred to herein shall mean such agreement, contract or document in the form (including all amendments, schedules, exhibits, appendices, attachments, clarification letters and the like relating thereto) delivered on the Closing Date, and (except as provided in the last paragraph of this section "Construction") as the same may thereafter be amended, supplemented, replaced or otherwise modified from time to time in accordance with the terms of the Transaction Documents.

Terms defined in this Glossary and also within any Financing Documents shall for purposes of such agreement have the meaning assigned to such term in that agreement and terms capitalized, but not otherwise defined, in any Financing Document shall have the meaning assigned to such term in this Glossary.

Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms.

The words "include", "includes" and "including" shall not be limiting, and shall be deemed in all instances to be followed by the phrase "without limitation".

The phrase "and/or" shall mean either or both of the items referenced thereby.

References to "days" shall mean calendar days, unless otherwise indicated.

Unless the context clearly requires otherwise, the word "or" is not exclusive.

Any defined term herein that is incorporated by reference to any other document, shall be deemed to also incorporate herein any defined term or rule of construction in such document applicable to or contained within such incorporated term. Any amendment or deletion of any such incorporated defined term in its original document shall not amend or delete such defined term as used herein.

Any termination of the original document from which a defined term was incorporated herein shall not affect such defined term's use herein.

DEFINITIONS

"**Account**" or "**Accounts**" means any one or more of the accounts from time to time created in any of the Funds established by the Indenture or by any Supplemental Indenture.

"**Accounting Standards**" means "Generally Accepted Accounting Principles", as defined in the Hotel Operating Agreement.

"**Accreted Value**" means, for a Series of Capital Appreciation Bonds, the accreted and compounded amount of such Capital Appreciation Bonds as of each January 1 and July 1, as set forth in the FORM OF BOND of the Series of such Capital Appreciation Bonds.

"**Additional Bonds**" means any bonds or other obligations issued by the Issuer as permitted by, and in accordance with the provisions of, the Indenture for the purposes set forth in Sections 3.02(c) and 3.02(d) of the Indenture.

"**Administrative Expenses**" means the reasonable fees and expenses of the City, the Issuer and the Trustee (inclusive of salaries and wages of the Issuer's executive and administrative personnel, and the fees paid by the Issuer to the Hotel Consultant, Bond Counsel, auditors and other independent consultants hired by the City or the Issuer, but exclusive of any legal judgments, settlements or similar resolutions of disputes reduced to a monetary amount against the Issuer, unless such judgment, settlement, or similar resolution of dispute arise out of the acts or omissions of the Operator), paid in accordance with the Indenture and directly relating to the Hotel Project and limited as provided in the applicable Approved Operating Plan and Budget. Administrative Expenses shall be reasonable. The City and the Issuer shall have the right to engage legal counsel as it determines appropriate and the fees and expenses of such legal counsel, as approved by the City or the Issuer, as the case may be, shall be deemed reasonable. In no event will the total Administrative Expenses used in the calculation of the Performance Test exceed $100,000 in any Operating Year.

"**Appropriated Grant Payments**" means the funds appropriated in accordance with, and subject to the limitations expressed in, Section 4.4 of the Economic Development Agreement.

"**Approved Operating Plan and Budget**" means the annual marketing and operating plan and proposed budget for the Hotel Project prepared by the Operator and approved by the Issuer in accordance with the terms of Section 2.18 of the Hotel Operating Agreement.

"**ARRA**" means the American Recovery and Reinvestment Act, signed into law on February 17, 2009.

"**Authorized Denominations**" means $5,000 in principal or Maturity Amount and any integral multiple thereof.

"**Authorized Developer Representative**" means officers, employees or agents of the Developer authorized in writing by the Developer to act as an Authorized Developer Representative under any Transaction Document relating to the Bonds or the Hotel Project, all of which Persons shall be acting solely in their representative capacity on behalf of the Developer and not individually.

"**Authorized Issuer Representative**" means the President, Vice President, Executive Director or Treasurer of the Issuer and any other officers, employees or agents of the Issuer authorized by resolution of the Board of the Issuer to act as an Authorized Issuer Representative under the Indenture or any Supplemental Indenture or otherwise with respect to the Bonds or the Hotel Project, all of which Persons shall be acting solely in their representative capacity on behalf of the Issuer and not individually.

"**Bankruptcy Code**" means Title 11 of the United States Code.

"**Board**" or "**Board of Directors**" means the governing body of the Issuer.

"**Bond Counsel**" or "**Co-Bond Counsel**" means McCall, Parkhurst & Horton L.L.P., Escamilla & Poneck, Inc., or another firm or firms of attorneys selected by the Issuer and acceptable to the Trustee whose experience in matters relating to the issuance of obligations by states and their political subdivisions is nationally recognized.

"Bondholder" or **"Registered Owner"** means the Person in whose name any of the Bonds are registered on the books kept and maintained by the Trustee as bond registrar.

"**Bonds**" means, collectively, the Series 2009A Bonds, the Series 2009B Bonds, the Series 2009C Bonds and any Additional Bonds (including Refunding Bonds).

"**Build America Bonds**" means those bonds authorized to be issued under the provisions of ARRA for the construction of capital improvements. The Series 2009B Bonds are issued as Build America Bonds.

"**Business Day**" means a day of the year that is not a Saturday, Sunday, a legal holiday or a day on which commercial banks are not required or authorized to close in the City of Dallas, Texas, the City of New York, New York, or the city in which the operations office of the Trustee (with respect to payment of the Bonds) is located.

"**Business Interruption Insurance**" means the business interruption insurance policy or policies provided or obtained by the Operator in accordance with the terms of the Hotel Operating Agreement.

"**Capital Appreciation Bond**" means any Bond that accrues and compounds interest from its date of delivery semiannually, with such compounded interest payable only upon maturity or redemption prior to maturity.

"**Capital Budget**" means the approved annual plan and budget setting forth all approved Capital Improvements and Capital Expenses for the Hotel Project for the relevant Year, prepared in accordance with the terms of Section 2.18.4 of the Hotel Operating Agreement.

"**Capital Expense**" means any item of expense that, according to the Accounting Standards, is not properly deducted as a current expense on the books of the Hotel Project, but rather should be capitalized.

"**Capital Improvement**" means an item of any nature incorporated into the Hotel Project, the cost of which is a Capital Expense.

"**Cash Management Agreement**" means the Cash Management and Lockbox Agreement, dated as of August 1, 2009, by and among the Depository Bank, the Trustee, the Issuer and the Operator.

"**Chapter 1504**" means Chapter 1504, Texas Government Code, as amended.

"**Check Clearing Amount**" means an amount reasonably determined by the Operator to be equal to the amount of outstanding checks and other drafts which have been drawn on the Lockbox Fund but which have not cleared or otherwise been withdrawn from the Lockbox Fund at the time such determination is made.

"**City**" means the City of Dallas, Texas, a political subdivision and home-rule municipality of the State of Texas, principally situated in Dallas County, Texas.

"**City Advance Repayment Amount**" means an amount equal to $1,500,000 per year for the first four years after the Opening Date, up to a maximum of $6,000,000.

"**City Advance Repayment Fund**" means the Fund of such name created pursuant to Section 5.02(n) of the Indenture and further described in Section 5.18 of the Indenture.

"**City Contributions**" means any City Tax Revenues and Appropriated Grant Payments transferred to the Trustee pursuant to Sections 4.1 and 4.4 of the Economic Development Agreement and actually used by the Trustee to pay Debt Service on any Bonds pursuant to Section 5.06(c) of the Indenture.

"**City Council**" means the governing body of the City.

"**City Revenues Account**" means the Account of such name in the Debt Service Fund created pursuant to Section 5.02(g) of the Indenture.

"**City Tax Rate**" means, when applied during any period of time, the rate of return received by the City on its unrestricted general fund revenues for the fourth quarter of the City's preceding fiscal year, as such rate of return shall be reported by the City (with a copy to the Trustee and the Developer).

"**City Tax Revenues**" means, collectively, the Convention Center Hotel State HOT Revenues, the Convention Center Hotel State Sales Tax Revenues, and the Convention Center Hotel 7% Local HOT Revenues, as such revenue components are described and calculated in accordance with the Economic Development Agreement.

"**Closing Date**" means the date on which the Series 2009 Bonds are initially issued and delivered to the initial purchasers thereof.

"**Code**" means the Internal Revenue Code of 1986, as amended.

"**Comptroller**" or "**Comptroller of Public Accounts**" means the Comptroller of Public Accounts of the State of Texas.

"**Construction Documents**" has the meaning as set forth in the Design/Build Guaranteed Maximum Price Contract.

"**Construction Fund**" means the Fund of such name created pursuant to Section 5.02(a) of the Indenture and further described in Section 5.03 of the Indenture.

"**Construction Monitor**" means the Director of the City's Department of Public Works and Transportation, whose duties shall include (i) reviewing, revising and recommending to the Trustee and the Issuer with respect to "Plans", "Change Orders", and "Application for Payments" (as such terms are defined in the Design/Build Guaranteed Maximum Price Contract), (ii) inspecting the "Hotel Project Improvements Work" (as such term is defined in the Design/Build Guaranteed Maximum Price Contract), (iii) performing certain responsibilities pursuant to the Design/Build Guaranteed Maximum Price Contract, and (iv) monitoring any other matters relevant to the performance of the Hotel Project Improvements Work.

"**Consultant**" means, for purposes of the Indenture, any Person at the time employed by or on behalf of the Trustee for the benefit of the Registered Owners to carry out the duties imposed by or pursuant to the Indenture or a Supplemental Indenture, which Person shall be experienced, have a national and favorable reputation in the matters for which such Person is so employed, and be independent of the Issuer, the City, the Trustee, the Developer, the Operator, and the Design/Builder.

"**Consumer Price Index**" or "**CPI**" means the Consumer Price Index for all Urban Consumers published by the Bureau of Labor Statistics of the United States Department of Labor, Dallas, Texas Average, All Items (1982 - 1984 = 100); provided that (i) in the event that the Consumer Price Index is not available for Dallas, Texas but rather is only available for a larger geographical area, the next smallest geographical area which includes Dallas, Texas shall be substituted as the Consumer Price Index and (ii) in the event the Consumer Price Index is discontinued, the City shall select comparable statistics on the purchasing power of the consumer's dollar in Dallas, Texas as published at the time of said discontinuation by a responsible periodical of recognized authority, with such comparable statistic to be subject to the approval of the Design/Builder, which approval may not to be unreasonably withheld, as provided in the Design/Build Guaranteed Maximum Price Contract.

"**Continuing Disclosure Agreement**" means the Continuing Disclosure Agreement, dated as of August 1, 2009, by and among the Trustee, the Issuer and the City relating to the obligation of the Issuer and the City to provide certain continuing disclosure information as required pursuant to Rule 15c2-12 promulgated by the Securities and Exchange Commission.

"**Convention Center**" means the convention center facility (known generally as the *Dallas Convention Center*) owned by the City, together with all alterations, expansions, reconfigurations or replacements of the same and any and all other structures or improvements from time to time constructed thereto regardless of the use or purpose thereof.

"Convention Center Hotel 7% Local HOT Revenues" means all revenues derived from the 7% Local HOT collected at the Hotel Project as long as any Series 2009 Bonds (or Additional Bonds) are outstanding (subject to such revenues not being required to pay debt service or other requirements related to the Convention Center Bonds), as such revenues are further described in the Economic Development Agreement.

"**Convention Center Hotel State HOT Revenues**" means all revenues received by the City and derived from the 6% State HOT collected at the Hotel Project during the first ten years after the Hotel Project is open for initial occupancy, pursuant to Section 351.102(c), Texas Tax Code.

"**Convention Center Hotel State Sales Tax Revenues**" means all revenues received by the City and derived from the 6.25% State Sales Tax collected at the Hotel Project, including from all businesses located in the Hotel Project, during the first ten years after the Hotel Project is open for initial occupancy, pursuant to Section 351.102(c), Texas Tax Code.

"**CPI Increase**" shall mean the percentage increase in the Consumer Price Index over the preceding Year as calculated by the fraction whose numerator is (i) the most current Consumer Price Index available on the first day of the immediately preceding Year in question minus (ii) the most current Consumer Price Index available on the date of calculation (the "Base CPI"), and whose denominator is the Base CPI, but in no event shall the "CPI Increase" be less than zero. If at any time during the term of the Design/Build Guaranteed Maximum Price Contract any of the foregoing index is no longer published or is otherwise unavailable, the Design/Build Guaranteed Maximum Price Contract provides that the City shall select a substitute index or indices that are comparable or substantially similar to the index that is no longer available, subject to the approval of Design/Builder, such approval not to be unreasonably withheld.

"**Credit Facility**" means (i) a policy of insurance or a surety bond, issued by an issuer of policies of insurance insuring the timely payment of debt service on governmental obligations, provided that a Rating Agency having an outstanding rating on the Bonds would rate the Bonds fully insured by a standard policy issued by the issuer in its two highest generic rating categories for such obligations; and (ii) a letter or line of credit issued by any financial institution, provided that a Rating Agency having an outstanding rating on the Bonds would rate the parity obligations in its two highest generic rating categories for such obligations if the letter or line of credit proposed to be issued by such financial institution secured the timely payment of the entire principal amount of the Bonds and the interest thereon.

"**Current Interest Bond**" means any Bond that bears interest payable currently until maturity or redemption prior to their scheduled maturity.

"**Date of Final Completion**" has the meaning as set forth in the Design/Build Guaranteed Maximum Price Contract.

"**Debt Service**" means, for any Debt Service Payment Date, the amount required to pay the principal of (whether pursuant to a stated maturity or redemption requirements applicable thereto) and/or interest on, or the Maturity Amount of, Outstanding Bonds coming due on such Debt Service Payment Date.

"**Debt Service Payment Date**" or "**Debt Service Payment Dates**" means, with respect to the Series 2009 Bonds, January 1 and July 1 of each Year, commencing January 1, 2010, and with respect to any Additional Bonds, the date on which principal or interest is due and payable thereon.

"**Depository Bank**" means U.S. Bank National Association, a national banking association, in its capacity as the depository of Gross Operating Revenues from the Hotel Project in accordance with the Cash Management Agreement.

"**Design/Build Guaranteed Maximum Price Contract**" means the Design/Build Guaranteed Maximum Price Contract, dated as of the Closing Date, between the Issuer and the Design/Builder pursuant to which the Design/Builder is obligated to plan, engineer, design, construct, develop, furnish and equip the Hotel Project.

"**Design/Builder**" means Balfour/Russell/Pegasus, a joint venture composed of Balfour Beatty Construction, LLC, H.J. Russell & Company, and Pegasus Texas Construction, L.P.

"**Design Schedule**" has the meaning assigned to said term in the Design/Build Guaranteed Maximum Price Contract.

"**Developer**" means Matthews Holdings Southwest, Inc., a Texas corporation, and any successor under the Developer Agreement.

"**Developer Agreement**" means the certain Hotel Developer Agreement, dated as of August 1, 2009 and effective as of August 1, 2009, by and between the Issuer and the Developer.

"**Direct Payments**" means those payments to be made the United States Department of the Treasury to the Issuer in support of Build America Bonds authorized to be issued by ARRA.

"**DTC**" means The Depository Trust Company, New York, New York.

"**Economic Development Agreement**" means the Economic Development Agreement, dated as of August 1, 2009, between the City and the Issuer, entered into in connection with the issuance of the Bonds.

"**Escrow Agreement**" means the Escrow Agreement, dated as of August 1, 2009, between the Issuer and the escrow agent named therein.

"**Escrow Fund**" means the escrow fund established in accordance with the terms of the Escrow Agreement for the benefit of the owners of the Series 2009B Bonds.

"**Estimated City Administrative Expenses**" means, for any Year, the total amount of Administrative Expenses reasonably estimated to be incurred and due and payable to the City during such Year.

"**Estimated Insurance Premium Requirement**" means, for any Year, the total of all premiums reasonably estimated by the Design/Builder and the Operator that will come due on all insurance policies that are required to be maintained by the Design/Builder or the Operator in connection with the development and/or operation of the Hotel Project during such Year in accordance with the Design/Build Guaranteed Maximum Price Contract or the Hotel Operating Agreement.

"**Estimated Issuer Administrative Expenses**" means, for any Year, the total amount of Administrative Expenses reasonably estimated to be incurred and due and payable to the Issuer during such Year.

"**Estimated Property Tax Requirement**" means for any Year, the total amount of Impositions reasonably estimated by the Issuer to be levied and assessed against the Hotel Project for such Year and to be due and payable during such Year (or, as currently permitted by applicable law, by January 31 following such Year).

"**Event of Default**" means, as such term is used in, or is to apply to, any of the Transaction Documents, such meaning as set forth in each respective Transaction Document, after giving effect to any applicable notice and cure period in any such Transaction Document.

"**Excluded Taxes and Other Charges**" means any (a) Gross Receipts Taxes; (b) withholding tax or other employment related taxes; (c) wage, child support or spousal support garnishments; or (d) unclaimed property or wages.

"**Excusable Delay**" means any delay resulting from or caused by Legal Requirements (including, without limitation, any approvals or authorizations to be obtained from the City and any then-applicable bid or construction-related laws), any contractual provisions to which the Issuer is then subject, or any force majeure events as described in the Project Documents.

"**FF&E**" has the meaning assigned to said term in the Hotel Operating Agreement.

"**Final Completion**" has the meaning assigned to said term in the Design/Build Guaranteed Maximum Price Contract.

"**Financing Documents**" means, collectively, the Indenture, the Economic Development Agreement, the Cash Management Agreement, the Continuing Disclosure Agreement, the Developer Agreement, the Hotel Operating Agreement, and any other agreements relating to the issuance of the Bonds.

"**Fund**" or "**Funds**" means any of the Funds established by the Indenture.

"**Gross Receipts Taxes**" shall mean applicable excise, sales, occupancy and use taxes, or similar government taxes, duties, levies or charges collected directly from patrons or guests, or as a part of the sales price of any goods, services, or displays, such as gross receipts, admission, or similar or equivalent taxes, including, but not limited to, any transaction tax, head tax, occupancy tax, amusement tax, beverage tax, or local or state sales tax.

"**Gross Operating Revenues**" means all revenue and income of any kind derived directly or indirectly from operations at the Hotel Project and properly attributable to the period under consideration (including rentals or other payments from licensees, lessees, or concessionaires of retail space in the Hotel, but not gross receipts of such licensees, lessees, or concessionaires), determined in accordance with Generally Accepted Accounting Principles and the Uniform System of Accounts, except that the following shall not be included in determining Gross Operating Revenue:

(a) Excluded Taxes and Other Charges, and any other government taxes, duties, levies and/or charges collected directly from patrons or guests, or as a part of the sales price of any goods or services sold at the Hotel;

(b) receipts from the financing, sale or other disposition of capital assets and other items, not in the ordinary course of the Hotel Project's operations and income derived from securities and other property acquired and held for investment;

(c) receipts from awards or sales in connection with any Taking (as defined in the Hotel Operating Agreement), from other transfer in lieu of and under the threat of any Taking, and other receipts in connection with any Taking, but only to the extent that such amounts are specifically identified as compensation for alterations or physical damage to the Hotel Project;

(d) proceeds of any insurance, including the proceeds of any Business Interruption Insurance;

(e) rebates, discounts or credits of a similar nature (not including charge or credit card discounts, which shall not constitute a deduction from revenues in determining Gross Revenues, but shall constitute an Operating Expense);

(f) consideration received at the Hotel Project for hotel accommodations, goods and services to be provided at other hotels although arranged by, for or on behalf of, the Operator;

(g) notwithstanding any contrary requirements of the Accounting Standard, all gratuities collected (or to be collected) for the benefit of and paid to Hotel Project personnel;

(h) proceeds of any financing;

(i) the initial operating funds and working capital loans and any other funds provided by the Issuer to the Operator, whether for Operating Expenses or otherwise;

(j) other income or proceeds derived from operations outside of the Hotel Project and resulting other than from the use or occupancy of the Hotel Project, or any part thereof, or from other than from the sale of goods, services or other items sold on or provided from the Hotel Project in the ordinary course of business;

(k) interest earned on funds held in any Account;

(l) the value of any complimentary rooms, goods or services;

(m) refunds to Hotel Project guests of any sums or credits to any Hotel Project customers for lost or damaged items; and

(n) refunds to parking customers of any sums or credits to any parking customers for lost or damaged items.

Gross Operating Revenues shall not include any Direct Payments.

"**Guaranteed Fixed Price**" has the meaning assigned to such term in the Design/Build Guaranteed Maximum Price Contract.

"**Guaranty**" means the guaranty agreement, in such form and substance as attached as an exhibit to the Hotel Operating Agreement, from Omni Hotels Corporation, for the benefit of the Issuer, guaranteeing the obligations of the Operator under the Hotel Operating Agreement.

"**Holding Account**" means the account established by the City in accordance with Section 4.1 of the Economic Development Agreement, into which the City shall deposit Appropriated Grant Payments from time to time pursuant to Section 4.1 of the Economic Development Agreement.

"**Hotel Operating Agreement**" means the Hotel Operating Agreement, effective as of August1, 2009, between the Issuer and the Operator.

"**Hotel Project**"and "**Project**" mean the convention center hotel and other Improvements to be constructed by the Design/Builder pursuant to the Design/Build Guaranteed Maximum Price Contract on land located adjacent to the Convention Center.

"**Hotel Project Improvements Costs**" shall have the meaning as set forth in the Design/Build Guaranteed Maximum Price Contract.

"**Impositions**" means taxes on real and personal property related to the Hotel Project.

"**Improvements**" has the meaning assigned to said term in the Design/Build Guaranteed Maximum Price Contract.

"**Indenture**" means the Indenture of Trust, dated as of August 1, 2009, by and between the Issuer and the Trustee pursuant to which the Series 2009 Bonds are issued, together with any Supplement Indentures or amendments thereto.

"**Insurance and Condemnation Proceeds Fund**" means the Fund of such name created pursuant to Section 5.02(r) of the Indenture and further described in Section 5.22 of the Indenture.

"**<u>Insurance Premium Fund</u>**" means the Fund of such name created pursuant to Section 5.02(d) of the Indenture and further described in Section 5.08 of the Indenture.

"**<u>Investment Grade</u>**" means an underlying credit rating of not less than "Baa" (with respect to Moody's Investor Services) and "BBB" with respect to S&P.

"**<u>Issuance Costs</u>**" means the items of expense relating to the authorization, sale and issuance of the Bonds and the development and execution of all Transaction Documents, which items of expense may include, without limitation: travel expenses; printing costs; costs of reproducing documents; computer fees and expenses; filing and recording fees; initial fees and charges of the Trustee; fees and expenses of any consultants retained by the Issuer or the City in connection with the Hotel Project or the issuance of the Bonds including but not limited to the fees and expenses of the Issuer's Co-Financial Advisors, Co-Bond Counsel, special legal counsel, and feasibility consultants; legal fees and expenses and fees and expenses of other professionals and consultants related to drafting and negotiating all Transaction Documents; costs of credit ratings; and any other administrative or other costs of issuing the Bonds, investing the Bond proceeds or negotiating and delivering the Transaction Documents.

"**<u>Issuer</u>**" means the **DALLAS CONVENTION CENTER HOTEL DEVELOPMENT CORPORATION**, a Texas nonprofit local government corporation created by the City pursuant to Subchapter D of Chapter 431, Texas Transportation Code, as amended.

"**<u>January Distribution Date</u>**" means the first Business Day immediately following the Debt Service Payment Date that occurs in January of each year.

"**<u>July Distribution Date</u>**" means the first Business Day immediately following the Debt Service Payment Date that occurs in July of each year.

"**<u>Key Money</u>**" has the meaning assigned to said term in Section 4.2 of the Hotel Operating Agreement.

"**<u>Latest Permitted Date</u>**" means, with respect to Substantial Completion, that date which is 28 months following the Commencement Date (as defined in the Design/Build Guaranteed Maximum Price Contract), and with respect to Final Completion, thirty calendar days following Substantial Completion, or in each case such other date as may by change order, subject to Issuer approval, be later designated.

"**<u>Legal Requirements</u>**" means all laws, statutes, acts (including, without limitation, the Texas Open Records Act, as applicable), ordinances, rules, regulations, permits, licenses, authorizations, directives, orders and requirements of all governments, quasi-governmental or regulatory authorities, that now or hereafter may be applicable to, as applicable, (i) the Hotel Project and the construction, maintenance and operation thereof, including those relating to employees, zoning, building, health, safety and environmental matters, and accessibility of public facilities, (ii) the Developer, the Operator and their business operations, and/or (iii) the Issuer and the City.

"**Lockbox Fund**" means the Fund of such name established at the Depository Bank and created pursuant to Section 2 of the Cash Management Agreement.

"**Lockbox Fund Transfer Date**" means, after the Opening Date, the fifth calendar day of each month or if such day is not a Business Day, the first Business Day immediately following the fifth calendar day of such month.

"**Manager Advance Maximum Monthly Amount**" has the meaning assigned to said term in the Hotel Operating Agreement.

"**Manager Advance Repayment Fund**" means the Fund of such name created pursuant to Section 5.02(m) of the Indenture and further described in Section 5.17 of the Indenture.

"**Manager Advance Repayment Required Amount**" has the meaning assigned to said term in the Hotel Operating Agreement.

"**Material Adverse Effect**" means (i) a material adverse effect upon the business, operations, properties, assets or condition (financial or otherwise) of the Developer, the Issuer, the City, or such other Person as may be referenced, or (ii) the impairment in any material respect of the ability of the Developer, the Issuer, the City or such other Person as may be referenced to perform its monetary or non-monetary obligations under any Transaction Document, or (iii) if a particular item of property is referenced, a material adverse effect upon the business or operations (financial or otherwise) of the referenced property, or upon such referenced property's ability to be in compliance in all material respects with the material terms of the Transaction Documents, or (iv) a material adverse effect upon the legality, validity, binding effect or enforceability against the Developer, the Issuer, the City or such other Person as may be referenced in a Financing Document to which such Person is a party. In determining whether any individual event would result in a Material Adverse Effect, notwithstanding that such event does not of itself have such effect, a Material Adverse Effect shall be deemed to have occurred if the cumulative effect of such event and all other then occurring events and existing conditions would result in a Material Adverse Effect.

"**Maturity Amount**" means the principal of and accreted and compounded interest on a Capital Appreciation Bond payable upon the maturity of such Capital Appreciation Bond.

"**Net Operating Revenues**" means Gross Operating Revenues less (a) Operating Expenses and (b) Administrative Expenses.

"**Opening Date**" means the first date on which the Hotel Project is substantially complete and opens for business in accordance with the requirements of the Design/Build Guaranteed Maximum Price Contract.

"**<u>Operating Costs Set Aside Amount</u>**" means, for any month, an amount equal to (i) $1,000,000, as such amount shall be increased at the beginning of each Year following the Opening Date of the Hotel Project by a percent equal to the CPI Increase, plus (ii) the amount of payroll due and payable for a pay period of the Hotel Project, if the pay day for the pay period just ended falls on one of the first five Business Days of such month.

"**<u>Operating Expense Reserve Requirement</u>**" means an amount equal to $10,000,000.

"**<u>Operating Expenses</u>**" means all those ordinary and necessary expenses, including Reimbursable Expenses, the Base Management Fee, the Eligible Employee Compensation Pool (each as defined in the Hotel Operating Agreement) and the Subordinate Management Fee (except that the Subordinate Management Fee shall be subordinate to payment of Debt Service on all Outstanding Bonds and the funding of reserve funds for the payment of Debt Service, and be payable solely from amounts rightfully on deposit in the Subordinate Management Fees Fund held by the Trustee under the Indenture) incurred in the operation of the Hotel Project in accordance with the Hotel Operating Agreement, including the following: Hotel Personnel Costs (as defined in the Hotel Operating Agreement), the cost of maintenance, repairs and utilities, administrative expenses, the costs of advertising, marketing, and business promotion, and any amounts payable to Operator as set forth in the Hotel Operating Agreement, fees and expenses of the Hotel Consultant, Bond Counsel and auditors, costs of operating supplies used in the operation of the Hotel Project, costs of payment of Claims (as defined in the Hotel Operating Agreement, and provided that this shall not prevent either the Issuer or the Operator from exercising its rights under Section 12.14 of the Hotel Operating Agreement), costs of all services obtained by Operator in connection with the operation of the Hotel Project, legal, accounting and audit (including internal audit) fees for services directly related to the Hotel Project, including bookkeeping, record keeping and audit of the Hotel Project in accordance with the Hotel Operating Agreement, bad debts incurred in the operation of the Hotel Project, and the costs of paying insurance deductibles and self-insured retentions, all as determined in accordance with the Accounting Standard and the Uniform System of Accounts. Notwithstanding the foregoing description, unless expressly made an Operating Expense under a specific provision of this Agreement, the following shall not constitute Operating Expenses: (a) Excluded Taxes and Other Charges (save and except for payroll taxes included in Excluded Taxes and Other Charges); (b) Insurance Costs (but not payment of deductibles or self-insured retentions); (c) depreciation and amortization on capitalized assets; (d) Administrative Expenses and other costs and expenses of the Trustee, the Issuer, or the Trustee's or the Issuer's personnel, such as entertainment expenses, salaries, wages and employee benefits of the Trustee's or the Issuer's employees, directors' fees, and the expenses of directors or the Trustee's or the Issuer's employees to attend board meetings; (e) costs and professional fees, including the fees of attorneys, accountants, and appraisers, incurred directly or indirectly in connection with any category of expense that would not otherwise be an Operating Expense, unless otherwise expressly provided in the Hotel Operating Agreement; (f) payments of principal and interest related to any financing of the Hotel Project; (g) costs covered by the Operator's indemnity obligations as required under the Hotel Operating Agreement, which shall be paid by the Operator and not constitute Reimbursable Expenses except as specifically provided in Section 12.14.3 of the Hotel Operating Agreement; (h) costs incurred by the Operator to perform obligations, duties, covenants, agreements and responsibilities which, under the express terms of the Hotel Operating

Agreement, are to be funded from Manager's own funds, including Manager's overhead or general expenses, including but not limited to costs, expenses, salaries, wages or other compensation of Corporate Personnel (as defined in the Hotel Operating Agreement) of the Operator, telephone, facsimile, telecommunications, computer, duplicating, stationery and postage and any other office expenses incurred at the Operator's principal office, except as may be expressly provided in the Hotel Operating Agreement, but exclusive of FF&E; (i) Capital Expenses (as defined in the Hotel Operating Agrement), including, without limitation, construction costs of the Hotel Project; and (j) payments made and amounts required to paid pursuant to the Hotel Operating Agreement.

"**Operator**" or "**Manager**" means Omni Hotels Management Corporation, a Delaware corporation, which will manage and operate the Hotel Project for an initial period set forth in the Hotel Operating Agreement, together with (i) any permitted successors and assigns and (ii) any other operator appointed by the Issuer upon a termination of the Hotel Operating Agreement.

"**Outstanding**" means, as of the date of determination, all Bonds issued and delivered under the Indenture except: (i) Bonds cancelled by the Trustee or delivered to the Trustee for cancellation; (ii) Bonds which matured and been paid in full or have been defeased in accordance with the provisions of Section 8.02 of the Indenture; (iii) Bonds in exchange for or in lieu of which other Bonds have been registered and delivered pursuant to the Indenture; and (iv) Bonds alleged to have been mutilated, destroyed, lost, or stolen which have been paid as provided in the Indenture.

"**Pass Through Costs**" means amounts collected by the Operator from Hotel Project guests and patrons on behalf of third parties to be remitted to such third parties, including, without limitation, gratuities and amounts charged to guest folios for goods or services supplied by tenants, vendors or concessionaires of the Hotel Project.

"**Performance Test**" means the tests to determine if a "Performance Termination Event" (as defined in the Hotel Operating Agreement) has occurred.

"**Person**" means any individual, public or private corporation, partnership, limited liability company, county, district, authority, municipality, political subdivision or other entity of the State of Texas or the United States of America, and any partnership, association, firm, trust, estate or any other entity or organization whatsoever.

"**Petty Cash Amount**" means an amount reasonably estimated by the Operator as the amount needed from time to time to be retained by the Operator at the Hotel Project as petty cash, which amount shall be comparable to the amount kept by the Operator as petty cash at other hotels of comparable size and quality to the Hotel Project and operated by the Operator. The Petty Cash Amount as of the Opening Date is $40,000.

"**Project Budget**" has the meaning assigned to said term in the Design/Build Guaranteed Maximum Price Contract.

"**Project Documents**" means the Developer Agreement, the Design/Build Guaranteed Maximum Price Contract, the Hotel Operating Agreement, the Technical Services and Pre-Opening

Service Agreement, the Room Blocking Agreement, and all other documents, instruments and agreements entered into between the City or the Issuer and the Design/Builder during the term of the Design/Build Guaranteed Maximum Price Contract pursuant to the express terms of the Design/Build Guaranteed Maximum Price Contract.

"**Project Schedule**" has the meaning assigned to said term in the Design/Build Guaranteed Maximum Price Contract.

"**Property Tax Fund**" means the Fund of such name created pursuant to Section 5.02(c) of the Indenture and further described in Section 5.07 of the Indenture.

"**Rating Agency**" means one or more nationally recognized credit rating agency then maintaining a rating on the Bonds at the request of the Issuer or the City.

"**Rebate Analyst**" means a certified public accountant, financial analyst or Bond Counsel, or any firm of the foregoing, or financial institution (which may include the Trustee) experienced in making the arbitrage and rebate calculations required pursuant to Section 148 of the Code and retained by the Issuer or the Trustee to make the computations required under the Indenture or any Supplemental Indenture.

"**Rebate Fund**" means the Fund of such name created pursuant to Section 5.02(k) of the Indenture and further described in Section 5.15 and Section 7.07 of the Indenture.

"**Record Date**" means the close of business on the fifteenth day of the month immediately preceding any Debt Service Payment Date.

"**Redemption Date**" means the date upon which any Bonds are to be redeemed prior to their respective fixed maturities pursuant to any optional or mandatory redemption provision of the Indenture or any Supplemental Indenture.

"**Redemption Price**" means, with respect to any Bond, the amount, including any applicable premium, payable upon the optional or mandatory redemption thereof, as provided in the Indenture or any Supplemental Indenture.

"**Refunding Bonds**" means any bonds or other obligations issued by the Issuer as permitted by, and in accordance with the provisions of, the Indenture for the purpose of refunding any outstanding Series 2009 Bonds or previously issued Refunding Bonds.

"**Register**" means the bond registration books maintained by the Registrar.

"**Registrar**" means, with respect to the Series 2009 Bonds, the Trustee, and the successor or successors appointed pursuant to and meeting the requirements of Article X of the Indenture.

"**Request**" means a written certificate, statement, request, requisition or order signed in the name of the Developer by an Authorized Developer Representative or by the Operator (which instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument).

"**Required Monthly FF&E Fund Deposit Percentage**" means the following percentage of the Gross Revenues generated in the preceding month:

First Operating Year	2% of Gross Revenue
Second Operating Year	3% of Gross Revenue
Third Operating Year	4% of Gross Revenue
Fourth - Fifteenth Operating Years	5% of Gross Revenue

"**Requisition Requesting Disbursement of Issuance Costs**" means the written requisition, in substantially the form attached to the Indenture as Exhibit D, required to be submitted to the Trustee in accordance with the provisions of Section 5.03(b) of the Indenture for the purpose of paying Issuance Costs from the Construction Fund.

"**Requisition Requesting Disbursement of Project Costs**" means the written requisition, in substantially the form attached to the Indenture as Exhibit E, required to be submitted to the Trustee in accordance with the provisions of Section 5.03(d) of the Indenture for the purpose of paying Hotel Project Improvements Costs from the Construction Fund.

"**Requisition Requesting Disbursement of Project Costs - Operator**" means the written requisition, in substantially the form attached to the Indenture as Exhibit I, required to be submitted to the Trustee in accordance with the provisions of Section 5.16 of the Indenture for the purpose of paying the technical services fee, pre-opening expenses of the Hotel Project and the acquisition of FF&E from the Construction Fund.

"**Reserve Fund Credit Facility**" means a Credit Facility which (i) may not be terminated by the Credit Provider providing such Credit Facility prior to the final maturity date of the Series of Bonds in connection with which such Credit Facility was issued, and (ii) may be drawn upon demand by the Issuer or the Trustee to provide funds to pay Debt Service on such Bonds in the event moneys on deposit in the Debt Service Fund are insufficient to make such payment.

"**Responsible Officer of the Trustee**" means the chairman or vice chairman of the board of directors of the Trustee, the chairman or vice chairman of the executive committee of said board, the president or any vice president, the secretary or any assistant secretary, the treasurer or any assistant treasurer, the cashier or any assistant cashier, any trust officer or assistant trust officer, the controller or any assistant controller or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer of the Trustee to whom such matter is referred because of that officer's knowledge of and familiarity with the particular subject.

"**Revenue Fund**" means the Fund of such name created pursuant to Section 5.02(b) of the Indenture and further described in Section 5.04 and Section 5.05 of the Indenture.

"**REVPAR**" has the meaning assigned to said term in the Hotel Operating Agreement.

"**REVPAR Performance Test**" has the meaning assigned to said term in the Hotel Operating Agreement.

"**Room Block Agreement**" means the Room Block and Meeting Space Agreement, effective as of August 1, 2009, between the Issuer and the Operator.

"**Scope**" means "Design Scope Specification", as such term is used in the Design/Build Guaranteed Maximum Price Contract.

"**Senior Debt Service Coverage Amount**" means, for any complete Year after the Opening Date, the ratio of (i) the amount equal to Net Operating Revenues received by the Issuer for such Year, less the amounts required to be deposited into the Property Tax Fund, the Insurance Premium Fund and the Senior FF&E Reserve Fund during such Year, plus the amount of City Tax Revenues that were collected by the City during such Year and available to pay Debt Service due on the Senior Lien Bonds on the July Debt Service Payment Date which corresponds to the same Year during which such amount is determined and on the January Debt Service Payment Date which corresponds to the following Year during which such amount is determined, and plus interest earnings within the Funds and Accounts held by the Trustee, other than the Senior Debt Service Reserve Fund, the Subordinate Debt Service Reserve Fund, and the Rebate Fund, to (ii) Debt Service on the Senior Lien Bonds. For purposes of determining the Senior Debt Service Coverage Amount for any complete Year, the amounts required to be deposited into the Property Tax Fund, the Insurance Premium Fund and the Senior FF&E Reserve Fund pursuant to Section 5.05 of the Indenture on the Lockbox Fund Transfer Date which occurs in January shall be deemed to have been deposited into such respective Fund during the immediately preceding Year. Interest earnings on the Senior Debt Service Reserve Fund, Direct Payments received by the Issuer with respect to the Senior Lien Bonds and capitalized interest received from the proceeds of the Senior Lien Bonds, shall be treated as a deduction from Debt Service in determining Senior Debt Service Coverage Amount.

"**Senior Debt Service Fund**" means the Fund of such name created pursuant to Section 5.02(g) of the Indenture and further described in Section 5.11 of the Indenture.

"**Senior Debt Service Reserve Fund**" means the Fund of such name created pursuant to Section 5.02(h) of the Indenture and further described in Section 5.12 of the Indenture.

"**Senior FF&E Reserve Fund**" means the Fund of such name created pursuant to Section 5.02(e) of the Indenture and further described in Section 5.09 of the Indenture.

"**Senior Lien Bonds**" means the Series 2009 Bonds and any Additional Bonds issued by the Issuer on a parity with the Series 2009 Bonds.

"**Senior Reserve Fund Requirement**" means an amount equal to the lesser of (1) the amount of Debt Service payable on all Senior Lien Bonds during any Year in which the Debt Service requirements for the Senior Lien Bonds are the greatest, (2) 1.25 the average annual Debt Service requirements of the Senior Lien Bonds, or (3) 10% of the aggregate proceeds of the Senior Lien Bonds, calculated as of the date of issuance of the Series 2009 Bonds and any Additional Bonds. Direct Payments received by the Issuer and capitalized interest received from the proceeds of Senior Lien Bonds, shall be treated as a deduction from Debt Service in determining the Senior Reserve Fund Requirement.

"**Series**" means any series of Bonds issued under the Indenture or a Supplemental Indenture.

"**Series 2009 Bonds**" means, collectively, the Series 2009A Bonds, the Series 2009B Bonds and the Series 2009C Bonds.

"**Series 2009 Performance Standard**" has the meaning assigned to said term in the Hotel Operating Agreement.

"**Series 2009A Account of the Senior Debt Service Fund**" means the Account of such name in the Senior Debt Service Fund created pursuant to Section 5.02(g) of the Indenture and further described in Section 5.11 of the Indenture.

"**Series 2009A Account of the Senior Debt Service Reserve Fund**" means the Account of such name in the Senior Debt Service Reserve Fund created pursuant to Section 5.02(h) of the Indenture and further described in Section 5.12 of the Indenture.

"**Series 2009A Bonds**" means the Dallas Convention Center Hotel Development Corporation Hotel Revenue Bonds, Series 2009A, initially issued and delivered in the aggregate principal amount of $74,411,197.20.

"**Series 2009A Capitalized Interest Account**" means the Account of such name in the Senior Debt Service Fund created pursuant to Section 5.02(g) of the Indenture and further described in Section 5.11 of the Indenture.

"**Series 2009A Costs of Issuance Account**" means the Account of such name in the Construction Fund created pursuant to Section 5.02(a) of the Indenture.

"**Series 2009A Project Account**" means the Account of such name in the Construction Fund created pursuant to Section 5.02(a) of the Indenture.

"**Series 2009B Account of the Senior Debt Service Fund**" means the Account of such name in the Senior Debt Service Fund created pursuant to Section 5.02(g) of the Indenture and further described in Section 5.13 of the Indenture.

"**Series 2009B Account of the Senior Debt Service Reserve Fund**" means the Account of such name in the Senior Debt Service Reserve Fund created pursuant to Section 5.02(h) of the Indenture and further described in Section 5.14 of the Indenture.

"**Series 2009B Bonds**" means the Dallas Convention Center Hotel Development Corporation Hotel Revenue Bonds, Taxable Series 2009B (Build America Bonds - Direct Payment), initially issued and delivered in the aggregate principal amount of $388,175,000.

"**Series 2009B Capitalized Interest Account**" means the Account of such name in the Senior Debt Service Fund created pursuant to Section 5.02(g) of the Indenture and further described in Section 5.13 of the Indenture.

"**Series 2009B Costs of Issuance Account**" means the Account of such name in the Construction Fund created pursuant to Section 5.02(a) of the Indenture.

"**Series 2009B Project Account**" means the Account of such name in the Construction Fund created pursuant to Section 5.02(a) of the Indenture.

"**Series 2009C Account of the Senior Debt Service Fund**" means the Account of such name in the Senior Debt Service Fund created pursuant to Section 5.02(g) of the Indenture and further described in Section 5.11 of the Indenture.

"**Series 2009C Account of the Senior Debt Service Reserve Fund**" means the Account of such name in the Senior Debt Service Reserve Fund created pursuant to Section 5.02(h) of the Indenture and further described in Section 5.12 of the Indenture.

"**Series 2009C Bonds**" means the Dallas Convention Center Hotel Development Corporation Hotel Revenue Bonds, Taxable Series 2009C, initially issued and delivered in the aggregate principal amount of $17,235,000.

"**Series 2009C Capitalized Interest Account**" means the Account of such name in the Senior Debt Service Fund created pursuant to Section 5.02(g) of the Indenture and further described in Section 5.11 of the Indenture.

"**Series 2009C Costs of Issuance Account**" means the Account of such name in the Construction Fund created pursuant to Section 5.02(a) of the Indenture.

"**Series 2009C Project Account**" means the Account of such name in the Construction Fund created pursuant to Section 5.02(a) of the Indenture.

"7% Local HOT" means the 7% local hotel occupancy tax the City is authorized by State law to charge and collect for the use or possession of a room that is in a hotel, costing $2 or more a day, and that is ordinarily used for sleeping.

"**Sinking Fund Installment Date**" means any date on which a Sinking Fund Installment shall be due and payable pursuant to the Indenture.

"**Sinking Fund Installment**" means , as of any particular date of calculation and with respect to any Series of Bonds, the amount of money to be applied as the Redemption Price of Bonds subject to mandatory sinking fund redemption prior to maturity pursuant to the Indenture or the Supplemental Indenture for such Series, as such Sinking Fund Installment shall have been previously reduced by the principal amount of such Series of Bonds which, prior to the date of the mailing of notice of such mandatory sinking fund redemption, (i) shall have been acquired by the Issuer and delivered to the Trustee for cancellation, (ii) shall have been purchased and canceled by the Trustee at the request of the Issuer, or (iii) shall have been redeemed pursuant to any optional or extraordinary mandatory redemption described in Section 4.03 of the Indenture and not theretofore credited against a mandatory redemption requirement.

"**Site**" has the meaning assigned to said term in the Design/Build Guaranteed Maximum Price Contract.

"6% State HOT" means the 6% hotel occupancy tax the State is authorized by State law to charge and collect for the use or possession of a room or space in a hotel costing $15 or more a day.

"6.25% State Sales Tax" means the 6.25% sales tax the State is authorized by State law to charge and collect in connection with the sale of a taxable item in the State.

"**State**" means the State of Texas.

"**Subordinate Debt Service Coverage Amount**" means, for any complete Year after the Opening Date, the ratio of (i) the amount equal to Net Operating Revenues received by the Issuer for such Year, less the amounts required to be deposited into the Property Tax Fund, the Insurance Premium Fund and the Senior FF&E Reserve Fund during such Year, plus the amount of City Tax Revenues that were collected by the City during such Year and available to pay Debt Service due on the Senior Lien Bonds and the Subordinate Lien Bonds on the July Debt Service Payment Date which corresponds to the same Year during which such amount is determined and on the January Debt Service Payment Date which corresponds to the following Year during which such amount is determined, to (ii) Debt Service on the Senior Lien Bonds and the Subordinate Lien Bonds. For purposes of determining the Subordinate Debt Service Coverage Amount for any complete Year, the amounts required to be deposited into the Property Tax Fund, the Insurance Premium Fund and the Senior FF&E Reserve Fund pursuant to Section 5.05 of the Indenture on the Lockbox Fund Transfer Date which occurs in January shall be deemed to have been deposited into such respective Fund during the immediately preceding Year. Interest earnings on the Senior Debt Service Reserve Fund and the Subordinate Debt Service Reserve Fund, Direct Payments received by the Issuer and capitalized interest received from the proceeds of Bonds, shall be treated as a deduction from Debt Service in determining Subordinate Debt Service Coverage Amount.

"**<u>Subordinate Debt Service Fund</u>**" means the Fund of such name created pursuant to Section 5.02(i) of the Indenture and further described in Section 5.13 of the Indenture.

"**<u>Subordinate Debt Service Reserve Fund</u>**" means the Fund of such name created pursuant to Section 5.02(j) of the Indenture and further described in Section 5.14 of the Indenture.

"**<u>Subordinate Lien Bonds</u>**" means the Bonds issued by the Issuer secured by a lien on and pledge of the Trust Estate inferior only to the first lien on pledge of the Trust Estate securing the Senior Lien Bonds.

"**<u>Subordinate Reserve Fund Requirement</u>**" means an amount equal to the maximum Debt Service payable on all Subordinate Lien Bonds during any Year, calculated as of the date of issuance of the Subordinate Lien Bonds.

"**<u>Subordinate FF&E Reserve Fund</u>**" means the Fund of such name created pursuant to Section 5.02(p) of the Indenture and further described in Section 5.20 of the Indenture.

"**<u>Subordinated Management Fee</u>**" means the annual fee due to the Operator pursuant to the provisions of the Hotel Operating Agreement (which is based upon the financial performance of the Hotel Project).

"**<u>Subordinated Management Fees Fund</u>**" means the Fund of such name created pursuant to Section 5.02(o) of the Indenture and further described in Section 5.19 of the Indenture.

"**<u>Substantial Completion</u>**" has the meaning assigned to said term in the Design/Build Guaranteed Maximum Price Contract.

"**<u>Supplemental Indenture</u>**" means any indenture supplemental to or amendatory of the Indenture, entered into by the Issuer and the Trustee in accordance with Article XI thereof.

"**<u>Surplus Revenue Fund</u>**" means the Fund of such name created pursuant to Section 5.02(q) of the Indenture and further described in Section 5.21 of the Indenture.

"**<u>Tax Agreement</u>**" means the Federal Tax Certificate, dated as of the Closing Date, delivered by the Issuer in connection with the issuance and delivery of the Series 2009 Bonds.

"**<u>Taxable Bonds</u>**" means those Bonds issued by the Issuer as obligations, the interest on which is not intended to excluded from gross income of the holders thereof under the provisions of the Code.

"**<u>Tax-Exempt Bonds</u>**" means those Bonds issued by the Issuer as obligations, the interest on which is excluded from gross income of the holders thereof under the provisions of the Code.

"**Technical and Pre-Opening Services Agreement**" means the Technical and Pre-Opening Services Agreement, effective as of August 1, 2009, between the Issuer, the Developer and the Operator.

"**Transaction Documents**" means, collectively, the Financing Documents, the Project Documents and the Construction Documents.

"**Trust Estate**" means the right, title and interest of the Issuer pledged to the Trustee pursuant to the granting clauses of the Indenture.

"**Trustee**" means U.S. Bank National Association, a national banking association, which is authorized by law to accept and exercise the trust powers set forth in the Indenture, and its successors in trust and assigns.

"**Unassigned Rights**" means the rights of the Issuer relating to indemnification, payment of counsel fees and expenses, and Issuer fees and expenses under the Developer Agreement, the Design/Build Guaranteed Maximum Price Contract and the Hotel Operating Agreement, and the rights of the Issuer to receive documentation and notices, to give or withhold consents, except during the continuance of an "Event of Default" under the Indenture, in connection with the provisions of the Indenture, the Developer Agreement, the Hotel Operating Agreement or the Design/Build Guaranteed Maximum Price Contract and the right to enforce any of the foregoing.

"**Year**" means each twelve (12) full calendar months which comprise a calendar year.

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APPENDIX D

SUMMARY OF DEVELOPER AGREEMENT

DEVELOPER AGREEMENT

The following is a brief summary of certain provisions of the Developer Agreement. This summary does not purport to be comprehensive or complete, and reference is made to the Developer Agreement for full and complete statements of these and all other provisions.

The Issuer intends to enter into the Developer Agreement with Matthews Holdings Southwest Inc. (the "Developer"), pursuant to which the Developer shall act as the project developer for the benefit of the Issuer, coordinating, supervising, managing and monitoring the design, development, construction, equipping, furnishing, completion and occupancy and opening by the Operator of the Hotel Project (including the one-year warranty period) at and within the Site and in accordance with the Developer Agreement and the Hotel Project Improvements Plans and all applicable Legal Requirements, within the Project Budget and by the Hotel Completion Deadline. Title to Hotel Project Improvements will pass immediately to the Issuer, although the risk of loss prior to Final Completion remains with the Design/Builder. The term of the Developer Agreement runs until the later of the expiration of the one-year warranty period that begins upon final completion or compliance with all obligations in the Developer Agreement.

Developer Services. Specific services to be provided by the Developer include (i) coordinating, supervising, managing and monitoring the Design/Builder so as to cause substantial completion to be achieved on or before 28 months, subject to force majeure, following commencement of construction (the "Hotel Completion Deadline"), (ii) supervising the day-to-day management, administration and accounting of all aspects of the Hotel Project, (iii) coordinating approvals for zoning permissions, site plans, elevations and landscaping plans, (iv) formulating cost control, accounting, audit and reporting systems and updating cost estimates, (v) directing the Design/Builder to coordinate and supervise the activities of all consultants, contractors and suppliers providing services for development, construction and completion of the hotel, (vi) reporting to the Issuer at least monthly as to the progress of design, construction compliance with plans and specifications, project budget and schedule, (vii) verifying, approving or disapproving, and processing all requests for payment made by the Design/Builder, (viii) monitoring and coordinating pre-opening activities of the Operator, and (ix) upon substantial completion and final completion, providing certification as to achieving such milestones, full payment or satisfaction of all amounts then due and payable, sufficiency of FF&E and OS&E provided and installed and regarding all appropriate permits, licenses and approvals required for occupancy and operation of the hotel. In addition, the Developer will develop a plan for ancillary development on City-owned property proximate to the hotel site.

Developer Fees and Incentives. Pursuant to the Developer Agreement, the Developer is entitled to a developer fee of 2.58% (the "Developer Fee") of the Hotel Project Improvements Budget, such fee to be capped at $15 million. For purposes of calculating the Developer Fee, the Hotel Project Improvements Budget shall not include the Developer Fee, any incentives payable to the Developer or Design/Builder or any portions of the Construction Contingency Account or Owner Contingency Account that have not been used for Hotel Project Improvements upon Final Completion. The Developer Fee is to be earned and paid monthly as a percentage of the draw amount (prior to holdback) for each month of the Project beginning with September 10, 2008, in which the Developer incurs and expends eligible costs and expenses for the Hotel as agreed upon with the Owner as being part of the Hotel Project Improvements Budget. Any portion of the Developer Fee that is earned prior to the issuance of the Series 2009 Bonds for the Hotel shall be accrued and paid beginning with the first month after issuance of the Series 2009 Bonds solely out of the proceeds of the Series 2009 Bonds and only if and to the extent the Series 2009 Bonds are issued. The parties acknowledge that the Developer and the Issuer have expended amounts that are part of the Hotel Project Improvements Budget before the Effective Date, as to which the Developer Fee has been earned. The Developer Fee shall be part of the Hotel Project Improvements Budget for all purposes other than calculating the Developer Fee.

In addition, the Developer may earn an early completion incentive. In the event that the Developer has caused Substantial Completion and Commencement of Hotel Project Operations to occur on or before the Hotel Completion Deadline (without extension of such deadline as a result of Force Majeure), then the Developer shall be entitled to, and the Issuer shall pay to the Developer, as an early completion incentive, an amount equal to one-fourth (1/4) of the product determined by (i) the number of days (not in excess of sixty (60)) that Substantial Completion occurs before the Hotel Completion Deadline, and (ii) the net effective interest rate (as defined in and calculated in accordance with the provisions of Chapter 1204, Texas Government Code) on the Series 2009 Bonds net of Direct Payments received by the Owner from the US Department of the Treasury with respect to the Series 2009B Bonds. Such Early Completion Incentive shall be paid within six months following the date of Final Completion.

In addition to the early completion incentive above, if the Developer has caused Final Completion and Commencement of Hotel Project Operations to occur on or before the 15th day of Month 32 following the

Commencement of the Hotel Project Improvements Work (without extension of such deadline as a result of Force Majeure and within the guaranteed maximum price under the Hotel Project Improvements Construction Contract), then the Developer shall be entitled to, and the Issuer shall pay to the Developer a successful completion incentive of $2.1 million. If the Developer has achieved such result on or before the 15th day of Month 33 following the Commencement of the Hotel Project Improvements Work (without extension of such deadline as a result of Force Majeure and within the guaranteed maximum price under the Hotel Project Improvements Construction Contract), then the successful completion incentive shall be $1.4 million. If the Developer has achieved such result on or before the 15th day of Month 34 following the Commencement of the Hotel Project Improvements Work (without extension of such deadline as a result of Force Majeure and within the guaranteed maximum price under the Hotel Project Improvements Construction Contract), then the successful completion incentive shall be $0.7 million. The successful completion incentive, if any, shall be paid from the Issuer Contingency Account within six months following the date that Final Completion has occurred.

Hotel Project Improvements Budget. The Developer Agreement provides for the Hotel Project Improvements Budget, as follows:

Design/Build Guaranteed Maximum Price	
Cost of Design Services	$ 23,270,973
Cost of Construction Work	
Pre-Construction Services	972,775
Total Cost of Work	202,982,698
General Conditions	14,252,029
FF&E	28,277,417
OS&E	8,437,526
CCIP	8,488,534
Builders Risk / Subguard	3,637,978
Performance Bond	4,878,468
Construction Contingency	14,711,281
Site Conditions Contingency	3,000,000
Total Cost of Construction Work	289,638,706
Management Fee	12,321,508
Total Design/Build Guaranteed Maximum Price	325,231,187
Developer's Costs and Fees and Permit Costs	10,916,048
Owner's (Issuer) Contingency	9,852,765
Total Hotel Project Improvements Budget	$346,000,000

Ancillary Development. As promptly as reasonably practicable after the Effective Date, the Parties will enter into (or the Issuer will cause the City to enter into) an ancillary development agreement in connection with ancillary development on City-owned property proximate to the Site. The development plan will be developed in coordination with the City. The Developer will be able to earn an ancillary development fee of up to $5 million, payable, subject to funding, out of the revenues or proceeds generated incident to such ancillary development, in a manner and schedule to be structured by the City and/or the Issuer and reasonably acceptable to the Developer, which, subject to the $5 million maximum, will be the greater of (i) 5% of revenues or proceeds received by the City or the Issuer from the ancillary development over the City's cost for the land, or (ii) 3.5% of construction costs of the ancillary development.

Developer's Covenants. The Developer shall coordinate, supervise, manage and monitor the Design/Builder so as to cause Substantial Completion to be achieved on or before the Hotel Completion Deadline, in accordance with the provisions of the Developer Agreement.

The Developer shall use its best efforts to ensure that all Hotel Project Improvements Work performed by the Design/Builder shall be (a) prosecuted with due diligence and completed with all reasonable dispatch in accordance with the terms of the Developer Agreement and the Design/Build Contract, (b) constructed and performed in a good and workmanlike manner in accordance with standard construction practices for construction, repair, renewal, renovation, demolition, rebuilding, addition or alteration, as the case may be, of projects similar to the Hotel Project, (c) constructed and performed using qualified workers and subcontractors in accordance with the terms of the Developer Agreement, (d) constructed and performed in accordance with all applicable Legal Requirements, the requirements of the Developer Agreement and the Design/Build Contract and the requirements, rules and regulations of all insurers of the Premises and the Hotel Project Improvements and (e) subject to the terms of the Developer Agreement, free of any Liens. The Developer shall take all reasonably necessary measures and precautions to minimize damage or disruption caused by such work in accordance with and in such manner as a Reasonable and Prudent Developer would undertake in light of the particular circumstances and make adequate provisions for the safety and convenience of all Persons affected thereby. Dust, noise, traffic, hazards and other effects of such work shall be controlled in such manner as a Reasonable and Prudent Developer would undertake in light of the circumstance, but in all events so as to comply with all applicable Legal Requirements and not to unreasonably interfere with the continuous use or occupancy of the Dallas Convention Center.

Upon Final Completion, the Developer shall cause the Design/Builder to furnish to the Issuer each of the items required to be furnished pursuant to Section 12(G) of the Design/Build Contract.

The Developer shall confirm on behalf of the Issuer that (i) to the extent necessary to meet the requirements of the terms of the Developer Agreement, any Construction Document with any design professional (including the Hotel Project Improvements Design Contract) or any contractor with respect to any Hotel Project Improvements Work requires such party to such agreement to comply with the SBE and MWBE Policies, (ii) all Construction Documents contain the immunity, and applicable indemnification and ownership terms required under the terms of the Developer Agreement, comply with City's applicable insurance requirements and other standard contract provisions, the Issuer's rights of review and Approval at each stage of design, no arbitration provisions, and the Issuer's right to audit, (iii) all construction contracts require such contractor to perform such Hotel Project Improvements Work in a good and workmanlike manner, in compliance with all applicable OSHA and ADA standards and prevailing wage rates, (iv) the Hotel Project Improvements Design Contract includes a maximum limit of budgeted construction costs and to permit the Issuer to own and use any plans and specifications pursuant to the terms of the Hotel Project Improvements Design Contract, (v) any Construction Contract contains a representation and warranty that the Hotel Project Improvements Work covered by such Construction Contract will be warranted from defects in workmanship and materials for a period of at least one (1) year from the date of Substantial Completion (unless a longer period of time is provided for by the manufacturer or supplier of any materials or equipment which is a part of such Hotel Project Improvements Work) and an assignment to the Issuer of the right to enforce such warranty, all to the same extent as if the Issuer were a party to such contract, and (vi) the Design/Build Contract (A) covers all of the Hotel Project Improvements Work through Final Completion (other than the services provided by the Hotel Operator pursuant to the Technical and Pre-Opening Services Agreement), (B) provides for a guaranteed maximum price for all such work in an amount no greater than Three Hundred Twenty Five Million Two Hundred Thirty One Thousand One Hundred Eighty Seven and No/l00 Dollars ($325,231,187), (C) require Substantial Completion to be achieved on or before the Hotel Completion Deadline, subject to changes, if any, Approved by the Issuer, (D) requires the Design/Builder to pay the Contractor Daily Delay Damages to the Trustee for each day during any period of delay after the Hotel Completion Deadline, (E) be 100% bonded by a Qualified Surety (or co-Qualified Sureties) pursuant to statutory payment and performance bonds, in form and substance as required by the City for its public works contracts, and which have been Approved by the Owner Representative, such Approval not to be unreasonably withheld, naming the Issuer as Obligee and which covers 100% of the payment and performance obligations of the Design/Builder under the Design/Build Contract, (F) provides that any draws from the Construction Contingency Account contained within the guaranteed maximum price shall only be made upon the Approval of the Developer with prior notice to the Owner Representative, (G) requires the design and construction of the Hotel Project Improvements to enable the Issuer to obtain a LEED Silver Certification, and (H) requires that upon Substantial Completion, at least five percent (5%) of the amount payable under the Design/Build Contract and the applicable portion of the Contractor's fee thereunder shall continue to be withheld until Final Completion (with no deviation of these requirements permitted or allowed in the Design/Build Contract).

The Developer shall not permit any crane used in connection with the construction of the Hotel Project Improvements Work to swing over the Convention Center or over the air space above any real property or Improvements not within the Premises without first causing the Design/Builder to enter into a written agreement with the Issuer and operator of such real property or Improvements permitting the Design/Builder to swing its crane over such Person's property or Improvements (a "Crane Swing Agreement") and thereafter causing the Design/Builder to abide by the terms and conditions of each Crane Swing Agreement.

Without in anyway limiting, waiving or releasing any of the obligations of the Developer under the Developer Agreement or any Legal Requirements, the Developer agrees that at all times during the Hotel Project Improvements Work, the Developer will cause the Hotel Project Improvements Work to be conducted, and require the Design/Builder and all of the subcontractors and agents to conduct the Hotel Project Improvements Work, in accordance with the following:

(a) Construction Cooperation/Coordination Protocol. The protocol for the Issuer and the Developer to cooperate and coordinate with each other in their respective activities in connection with the Hotel Project Improvements Work and the access, use and operation of the Convention Center, including a protocol for the Issuer and the Developer to cooperate and coordinate scheduling and construction of the all-weather connection, and reasonable changes in the scheduling of the penetration of and work within the Convention Center in connection therewith, such penetration work and work within the Convention Center, and scheduling thereof, not to constitute an extension of the Hotel Completion Deadline;

(b) Project Safety Plan. The minimum safety standards and procedures that would be followed by a Reasonable and Prudent Developer in addition to any set forth in any Crane Swing Agreement; and

(c) Access Plan. The access plan for providing the City and the Issuer, their contractors, agents, licensees, employees, guests and the general public access alongside the Premises for purposes of the access, use and operation of the Convention Center, as recommended by the Developer and the Design/Builder and Approved by the Owner Representative.

Upon notice to proceed from the Issuer's Representative after the Financing Date, the Developer shall cause the Design/Builder to mobilize its construction equipment and crew at the Premises and commence construction of the Hotel Project Improvements.

In accordance with the approved Project Design Schedule, the Developer shall have provided the Hotel Project Improvements Drawings, approved by the Developer, to the Hotel Operator and Owner Representative for review and Approval or confirmation, as applicable, pursuant to the terms of the Developer Agreement and the Technical and Pre-Opening Services Agreement. Within five (5) calendar days of the completion of each segment of the Hotel Project Improvements Plans, and following the Developer's approval of each segment, the Developer shall have provided such segment of the Hotel Project Improvements Plans to the Hotel Operator and Owner Representative for review and Approval or confirmation, as applicable, pursuant to the terms of the Developer Agreement and the Technical and Pre-Opening Services Agreement

The Developer shall provide the Owner Representative with Notice that it or the Design/Builder seeks any change to the Hotel Project Improvements Budget within five (5) calendar days after determining that it believes such a change to be necessary and that it seeks such change; *provided, however,* the guaranteed maximum price in the Hotel Project Improvements Construction Contract shall not be increased unless such increase has been initiated and Approved by Issuer.

The Developer shall deliver to the Hotel Operator and Owner Representative an updated version of the Hotel Project Improvements Construction Schedule no less frequently than once every thirty (30) calendar days; provided, however, the scheduled dates for Substantial Completion and Final Completion shall not be extended except as provided in the Hotel Project Improvements Construction Contract for a Force Majeure Event, as defined in the Hotel Project Improvements Construction Contract.

The Developer shall provide written reports to the Owner Representative, signed by a Responsible Officer of the Developer and acceptable to the Issuer, regarding the status of the Hotel Project Improvements Work not less frequently than once every thirty (30) calendar days, which reports shall include any new or additional facts discovered or any circumstances which would be reasonably likely (i) to materially change the Hotel Project Improvements Costs or to materially affect the Developer's ability to achieve Substantial Completion (including Commencement of Hotel Project Operations) on or before the Hotel Completion Deadline, including reasonable detail of such facts or circumstances and (ii) to cause any change to the Hotel Project Improvements Construction Schedule or the Hotel Project Improvements Budget.

Substantial Completion and Final Completion. On or before the Hotel Completion Deadline, the Developer shall (i) cause Substantial Completion (including availability of the Hotel for Commencement of Hotel Operations) to occur and (ii) deliver to the Hotel Operator and Owner Representative a written certification, which has been executed by a Responsible Officer of the Developer (the "Substantial Completion Certificate"), certifying (i) that Substantial Completion occurred on or before the Hotel Completion Deadline, along with such documentation as is necessary (or as the Owner Representative may reasonably require) to substantiate same, including the procedures and certifications required under the Hotel Project Improvements Construction Contract, and (ii) the date upon which Substantial Completion (including availability of the Hotel for Commencement of Hotel Project Operations) actually occurred.

On or before the date which is thirty (30) calendar days after Substantial Completion, the Developer shall (i) cause Final Completion to occur and (ii) deliver to the Hotel Operator and Owner Representative a written certification, which has been executed by a Responsible Officer of the Developer, certifying (i) that all aspects of Final Completion have been achieved, along with such documentation as is necessary (or as the Owner Representative may reasonably require) to substantiate same and the date of Final Completion, including the procedures and certifications required under the Hotel Project Improvements Construction Contract, and (ii) the date upon which Final Completion actually occurred.

Developer Default. The occurrence of any of the following shall be an "Event of Default" by the Developer or a "Developer Default":

(a) The failure of the Developer to perform its, or cause the Design/Builder to perform, any Insurance Covenant if such failure is not remedied within five (5) calendar days after the Issuer gives Notice to the Developer of such failure;

(b) Any breach by the Developer of the terms or provisions of regarding assignment or transfer of the Developer Agreement if such breach continues for fifteen (15) calendar days after the Issuer gives Notice to the Developer of such breach;

(c) The failure of the Developer to keep, observe or perform any of the material terms, covenants or agreements contained in the Developer Agreement on the Developer's part to be kept, performed or observed (other than those referred to in paragraphs (a) or (b) above) if: (i) such failure is not remedied by the Developer within thirty (30) calendar days after Notice from the Issuer of such default; or (ii) in the case of any such default which cannot with due diligence and good faith be cured within thirty (30) calendar days, the Developer fails to commence to cure such default within thirty (30) calendar days after such default, or the Developer fails to prosecute diligently the cure of such default to completion within such additional period as may be reasonably required to cure such default with diligence and in good faith; it being intended that, in connection with any such default which is not susceptible of being cured with due diligence and in good faith within thirty (30) calendar days but is otherwise reasonably susceptible to cure, the time within which the Developer is required to cure such default shall be extended for such additional period as may be necessary for the curing thereof with due diligence and in good faith;

(d) Any representation or warranty confirmed or made in the Developer Agreement or in any other Project Document by the Developer shall be found to have been incorrect in any material respect when made or deemed to have been made and the same is not corrected within thirty (30) calendar days after the Issuer gives Notice to the Developer of the same; or

(e) The occurrence of any one or more of the following: (1) filing by the Developer of a voluntary petition in bankruptcy; (2) adjudication of the Developer as a bankrupt; (3) approval as properly filed by a court of competent jurisdiction of any petition or other pleading in any action seeking reorganization, rearrangement, adjustment or composition of, or in respect of the Developer under the United States Bankruptcy Code or any other similar state or federal law dealing with creditors' rights generally; (4) any material portion of the Developer's assets are levied upon by virtue of a writ of court of competent jurisdiction involving a judgment in excess of One Million Dollars ($1,000,000.00); (5) insolvency of the Developer; (6) assignment by the Developer of all or substantially of its assets for the benefit of creditors; (7) initiation of procedures for involuntary dissolution of the Developer, unless within ninety (90) calendar days after such filing, the Developer causes such filing to be stayed or discharged; (8) the Developer ceases to do business as an ongoing enterprise; and (9) appointment of a receiver, trustee or other similar official for the Developer, or the Developer's Property, unless within ninety (90) calendar days after such appointment, the Developer causes such appointment to be stayed or discharged.

Remedies of the Issuer. Upon the occurrence of a Developer Default, the Issuer, in addition to its other remedies at law or in equity, shall have the right to give the Developer notice (a "Final Notice") of the Issuer's intention to terminate the Developer Agreement after the expiration of a period of thirty (30) calendar days from the date such Final Notice is delivered (a "Final Notice Cure Period") unless the Event of Default is cured, and upon expiration of the Final Notice Cure Period, if the Event of Default is not cured, the Developer Agreement and the other Project Documents shall terminate without liability to the Issuer. If, however, within the Final Notice Cure Period the Developer cures such Event of Default, then the Developer Agreement and the other Project Documents shall not terminate by reason of such Final Notice. If the Developer Agreement is terminated as a result of a Developer Default, Developer shall not be entitled to any Developer Fees from the date of the Developer Default.

Upon the occurrence of a Developer Default, the Issuer shall also be entitled to, in its sole and absolute discretion, pursue anyone or more of the following remedies:

(a) The Issuer may exercise any and all remedies available to the Issuer at law or in equity (to the extent not otherwise specified or listed), including enforcing specific performance of the Developer's obligations and the Issuer's remedies under the Guaranty; and

(b) The Issuer shall be entitled to recover its costs and damages resulting from the Developer Default.

Subject to the provisions of the Developer Agreement, each right or remedy of the Issuer provided for in the Developer Agreement or any other Project Document shall be cumulative of and shall be in addition to every other right or remedy of the Issuer provided for in the Developer Agreement or any other Project Document, and the exercise or the beginning of the exercise by the Issuer of any one or more of the rights or remedies provided for in the Developer Agreement or any other Project Document shall not preclude the simultaneous or later exercise by the Issuer of any or all other rights or remedies provided for in the Developer Agreement or any other Project Document or hereafter existing at law or in equity, by statute or otherwise.

Termination for Convenience by Issuer. Nothing in the Developer Agreement shall prohibit or restrict the Issuer's absolute right, herein reserved, to terminate the Developer Agreement, in whole or in part, upon thirty (30) days' notice to the Developer. In such event, the Developer shall cease work to the extent required by such notice and follow the instructions of the Issuer regarding assignment to the Issuer of the Hotel Project Improvements Construction Contract, as well as any or all other contracts and agreements relating to the Hotel Project Improvements Work as the Issuer may elect. The Developer shall be entitled to a termination payment for all services completed hereunder to the date of termination, including the pro rata portion of the Developer Fee and less any amounts otherwise owed to the Issuer, as determined in good faith by the Issuer. The termination payment shall not include any amounts for the Developer's lost or anticipated profits.

Certain Definitions. The definitions contained in the Developer Agreement include:

"Approval," "Approve" or "Approved" means (a) with respect to any item or matter for which the approval of the Issuer or the Owner Representative is required under the terms of the Developer Agreement, the specific approval of such item or matter by the Issuer or the Owner Representative, as applicable, pursuant to a written instrument executed by the Issuer or the Owner Representative, as applicable, delivered to Developer, and shall not include any implied or imputed approval, and no approval by the Issuer or the Owner Representative pursuant to the Developer Agreement shall be deemed to constitute or include any approval required under any City Code or in connection with any Governmental Functions of the City, unless such written approval shall so specifically state; (b) with respect to any item or matter for which the approval of Developer is required under the terms of the Developer Agreement, the specific approval of such item or matter by Developer pursuant to a written instrument executed by the Developer Representative and delivered to the Owner Representative, and shall not include any implied or imputed approval; and (c) with respect to any item or matter for which the approval of any other Person is required under the terms of the Developer Agreement, the specific approval of such item or matter by such Person pursuant to a written instrument executed by a duly authorized representative of such Person and delivered to the Issuer or Developer, as applicable, and shall not include any implied or imputed approval.

"Commencement of the Hotel Project Improvements Work" means the commencement date specified in the Issuer's Notice to Proceed issued to the Design/Builder.

"Commencement of Hotel Project Operations" means opening for business to the public and the actual commencement of operation of all elements of the Project Improvements in accordance with the Operator Brand Standard and all other Project Documents, except such minor elements which do not prevent Operator from operating the Premises and the Project Improvements as a whole in accordance with the Operator Brand Standard.

"Final Completion" when used with respect to the Hotel Project Improvements Work or any component of the Hotel Project Improvements Work, means (A) the final completion of the design, development, construction, furnishing and all other aspects of such work and Improvements substantially in accordance with the Hotel Project Improvements Specifications, the Hotel Project Improvements Drawings and the Hotel Project Improvements Plans (all of which have been Approved by the Issuer or the Owner Representative, as applicable, pursuant to the terms of the Developer Agreement, as and if required), the Hotel Project Improvements Construction Contract, all applicable Legal Requirements and all other requirements of the Developer Agreement, including the completion of the punch-list type items referred to in the definition of the term "Substantial Completion," (B) the issuance of all Governmental Authorizations necessary to use, occupy and operate all aspects and areas of the Premises and the Hotel Project Improvements, including all Governmental Authorizations required to be issued to the Issuer or the Operator or any of their Affiliates to fulfill Operator's obligations under the Hotel Management Agreement and Developer's obligations hereunder and (c) the availability of the Hotel for Commencement of Hotel Project Operations as to all elements of the Premises in accordance with the terms of the Developer Agreement, the Hotel Management Agreement, the Hotel Project Improvements Construction Contract and all applicable Legal Requirements.

"Force Majeure" means fire, storm, earthquakes, flood, terrorist attacks, strikes that are not directly related to acts or labor relations of Design/Builder or its Affiliates, riots, or a combination of any of the foregoing, beyond a Party's reasonable control that materially adversely affects the ability of a Party to perform, but not in any event market or economic conditions; and in the case of Design/Builder, the impact or delay of which, despite Design/Builder's best efforts, cannot be accommodated, absorbed or assimilated within the approved Project Schedule.

"Hotel Project Improvements Work" means the design, development, construction and furnishing of the Hotel Project Improvements in accordance with the Developer Agreement, including applicable Legal Requirements, the Hotel Project Improvements Plans, the Physical Standards (as defined in the Technical and Pre-opening Services Agreement) and the Hotel Project Improvements Construction Contract, and all other work and preparations (including the Demolition Work) required to achieve Substantial Completion, including all furniture, fixtures, equipment, systems and landscape improvements contemplated by the Hotel Project Improvements Plans, or otherwise necessary in order to fully operate the Hotel Project Improvements, in accordance with the Hotel Operating Agreement.

"Qualified Surety" means any surety which has been approved by the Issuer and which has and maintains an Alfred M. Best Company, Inc. rating of "A "or better and a financial size category of not less than "VIII" (or, if Alfred M. Best Company, Inc. no longer uses such rating system, then the equivalent or most similar ratings under the rating system then in effect, or if Alfred M. Best Company, Inc. is no longer the most widely accepted rater of the financial stability of sureties providing coverage such as that required by the Developer Agreement, as determined in good faith by the Issuer, then the equivalent or most similar rating under the rating system then in effect of the most widely accepted rater of the financial stability of such insurance companies at the time).

"Reasonable and Prudent Developer" means a developer of hotel projects similar in scope, size and complexity to the Hotel Project Improvements seeking in good faith to perform its contractual obligations and in so doing and in the general conduct of its undertakings, exercises that degree of skill, diligence, prudence and foresight which would reasonably and ordinarily be expected from a skilled and experienced developer of convention center hotels similar to the Hotel Project Improvements complying with all Legal Requirements and engaged in the same type of undertaking.

"Substantial Completion" means that stage in the progression of the Hotel Project Improvements Work, as approved by the Developer in writing, when the Project is sufficiently complete in accordance with the Hotel Project Improvements Construction Contract that the Issuer and the Operator can enjoy beneficial use or occupancy of the entire Project and can utilize it for all of its intended purposes. A condition precedent to Substantial Completion is the receipt by the Developer and the Issuer of all necessary certificates of occupancy or other authorizations for the use and occupancy of the Project required by any governmental or regulatory authority. The City, the Issuer or the Operator may occupy and use any part, phase or system of the Project when such part, phase or system is substantially completed, but such partial use or occupancy of the Project shall not result in the Project being deemed substantially complete, and such partial use or occupancy shall not be evidence of Substantial Completion.

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<u>APPENDIX E</u>

SUMMARY OF DESIGN/BUILD GUARANTEED MAXIMUM PRICE CONTRACT

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DESIGN/BUILD GUARANTEED MAXIMUM PRICE CONTRACT

The following is a brief summary of certain provisions of the Design/Build Guaranteed Maximum Price Contract. This summary does not purport to be comprehensive or complete, and reference is made to the Design/Build Guaranteed Maximum Price Contract for full and complete statements of these and all other provisions.

The Issuer intends to enter into the Design/Build Guaranteed Maximum Price Contract with Balfour/Russell/Pegasus, a joint venture (the "Design/Builder"), pursuant to which the Design/Builder will design the Hotel Project in accordance with the project requirements and design scope specifications, including the Omni Design Standards, and construct the Hotel Project within the project budget and project schedule.

Contract Time. After the Developer, the Issuer, and the Operator have approved the Detailed Design Documents of the Detailed Design for the sitework and foundations phase of the Construction Work, and following receipt by the Issuer of the proceeds from the sale of the Hotel Revenue Bonds in the amount necessary to finance the Project, the Issuer shall issue a notice to commence the Construction Work directing Design/Builder to proceed with the Construction Work on the date indicated in the notice (the "Commencement Date"). The notice to commence Construction Work shall be issued at least ten (10) days prior to the Commencement Date. Design/Builder shall commence the Construction Work on the Commencement Date, and the Construction Work shall be carried out regularly and without interruption. Design/Builder shall substantially complete the Construction Work not later than twenty-eight (28) months from the Commencement Date, or such other date as may by Change Order, subject to the Issuer approval, be later designated (the "Scheduled Completion Date"). The number of calendar days between the effective date of the Contract and the Scheduled Completion Date is the "Contract Time." Design/Builder shall achieve Final Completion of the Construction Work no later than thirty (30) calendar days after achieving Substantial Completion.

Requests for approval of any proposed Change Order shall be submitted to the Construction Monitor on a Change Order Form acceptable to the Construction Monitor and signed by the Issuer, the Architect, the Developer, and the Design/Builder, accompanied by working drawings, as appropriate, and a written narrative of the proposed change and a certification from the Developer and the Design/Builder that, upon implementing the Change Order, sufficient funds exist in the Construction Fund to complete the Hotel Project. The Issuer shall not be required to consider approval of any Change Order unless all other approvals that are required from other persons have been obtained. As a condition to its approval, the Issuer may require satisfactory evidence of the cost and of the time necessary to complete the proposed change. The Issuer shall be entitled to withhold its approval of any proposed Change Order in its sole and absolute discretion.

In addition to Change Orders, the Scheduled Completion Date may be modified by Force Majeure Events. The Term "Force Majeure Event" means fire, storm, earthquake, flood, terrorist attacks, strikes that are not directly related to acts or labor relations of Design/Builder or its affiliates, riots, or a combination of any of the foregoing, beyond a party's reasonable control that materially adversely affects the ability of a party to perform, but not in any event market or economic conditions; and in the case of Design/Builder, the impact or delay of which, despite Design/Builder's best efforts, cannot be accommodated, absorbed or assimilated within the approved Project Schedule.

"Substantial Completion" means that stage in the progression of the Construction Work, as approved by the Issuer in writing, when the Hotel Project is sufficiently complete in accordance with the Contract that the Issuer and its Operator can enjoy beneficial use or occupancy of the entire Hotel Project and can utilize it for all of its intended purposes. A condition precedent to Substantial Completion is the receipt by the City or the Issuer of all necessary certificates of occupancy or other authorizations for the use and occupancy of the Hotel Project required by any governmental or regulatory authority. The Issuer reserves the right for the City or the Issuer and its Operator, to occupy and use any part, phase or system of the Project when such part, phase or system is substantially completed, but such partial use or occupancy of the Hotel Project shall not result in the Hotel Project being deemed substantially complete, and such partial use or occupancy shall not be evidence of Substantial Completion. "Final Completion" means the completion of all Design Services and all Construction Work required by, and in strict compliance with, the Design/Build Guaranteed Maximum Price Contract, including Design/Builder's provision to the Issuer of all documents and things required to be provided by the Design/Build Guaranteed Maximum Price Contract.

Liquidated Damages. Design/Builder shall pay the Issuer, for the use and benefit of the Issuer as prescribed in the Indenture, the sums set forth below for each and every calendar day of unexcused delay in achieving Substantial Completion beyond the Scheduled Completion Date as the exclusive remedy for such delays:

> (1) During the first thirty (30) days (or any part thereof) after the Scheduled Completion Date that Substantial Completion is not achieved, liquidated damages shall be at the rate of $12,500 per day; provided that in the event funds are available in the Construction Contingency, $7,500 of the $12,500 daily liquidated damage amount shall be paid from the Construction Contingency.

(2) During the second thirty (30) days (or any part thereof) after the Scheduled Completion Date that Substantial Completion is not achieved, liquidated damages shall be at the rate of $17,500 per day; provided that in the event funds are available in the Construction Contingency, $10,000 of the $17,500 daily liquidated damage amount shall be paid from the Construction Contingency.

(3) During any period after the second thirty (30) days after the Scheduled Completion Date that Substantial Completion is not achieved, liquidated damages shall be at the rate of $20,000 per day. In addition to the $20,000 per day in liquidated damages to be paid by Design/Builder under this paragraph, the Issuer shall be entitled to use the remaining Construction Contingency, if any, for the Issuer's daily interest cost on the Hotel Revenue Bonds that are in excess of the collected or retained Liquated Damages.

If Design/Builder fails to achieve Final Completion within thirty (30) calendar days after the date of Substantial Completion, Design/Builder shall pay the Issuer, for the use and benefit of the Issuer, the sum of Five Thousand and 00/100 Dollars ($5,000) per day for each and every calendar day of unexcused delay in achieving Final Completion beyond the date required for Final Completion of the Work.

Contract Price and Design/Build Guaranteed Maximum Price. The Issuer shall pay to Design/Builder a contract price (the "Contract Price") equal to (i) the Cost of Design Services, (ii) the Cost of Construction Work (as defined in the Design/Build Contract), plus (iii) the Design/Builder's Management Fee set forth below. The Contract Price is subject to and shall not exceed the Design/Build Guaranteed Maximum Price ("Design/Build GMP") of $325,231,187. The Design/Build GMP represents the absolute limit of obligation or liability that the Issuer may ever have to Design/Builder for (1) the full and final completion of the Project and the Design/Build Contract by Design/Builder, and (2) the total of all payments to Design/Builder. Should additional amounts be required to be expended, over and above the Design/Build GMP, to achieve completion of the Design/Build Guaranteed Maximum Price Contract, including all Project Design Services, fees, and Construction Work in accordance with the Design/Build Guaranteed Maximum Price Contract, liability for and payment of such additional amounts shall be the sole responsibility of Design/Builder and its Performance and Payment Bond sureties herein, and the Issuer shall never be liable for same; nor shall any claim for such additional amounts (other than for Change Orders approved in accordance with Design/Build Guaranteed Maximum Price Contract) ever be filed by Design/Builder against the City, the Issuer, the Operator, or the Trustee.

Management Fee. The Management Fee shall be in an amount equal to 3.95% of the Cost of Construction Work, as adjusted for Changes in the Work. Additionally, if Design/Builder achieves Substantial Completion before the original twenty-eighth (28) month Scheduled Completion Date, the Issuer shall pay Design/Builder Thirty-Five Thousand and 00/100 Dollars ($35,000) per day for each and every early completion calendar day up to 60 days.

Contingency Amounts. The Design/Build GMP includes as a line item a Construction Contingency in the amount of $14,711,281, the use of which is subject to three (3) days advance (where practical) notice, through submission of a Use of Contingency Request ("UCR") to the Developer for the Developer's submission to the Construction Monitor, Trustee, and the Issuer signed by Design/Builder, and signed and approved by the Developer. The Construction Contingency is available for use as provided under Liquidated Damages above, and for Design/Builder's use for Hotel Project costs that are reasonably incurred in performing the Work that are not included in a specific line item under the Design/Build Guaranteed Maximum Price Contract documents. By way of example, and not as a limitation, such costs may include trade buy-out differentials, overtime and acceleration, and unrecoverable costs in correcting defective, damaged or nonconforming Work, design errors or omissions and Subcontractor defaults. The Construction Contingency is not available to Design/Builder for any reason, including changes in scope or any other item, which would enable Design/Builder to increase the Design/Build GMP under the Contract documents. Design/Builder shall provide the Developer and the Issuer by way of the UCR, notice of all anticipated charges against the Construction Contingency, for each use of the Construction Contingency and account for the remaining amount in the Construction Contingency at least monthly.

The Project Budget also includes as a line item an Owner's Contingency in the amount of $9,852,765 which, subject to City and the Issuer approval, is available for the Issuer's use for additional Hotel Project costs that are not included in a specific line item under the Design/Build Guaranteed Maximum Price Contract documents and/or constitute changes or additions to the Hotel Project scope. The Owner's Contingency is not a part of the Design/Build GMP and is not available to Design/Builder for any reason, but may be used to fund a change order to the Design/Build Guaranteed Maximum Price Contract for additional Project Costs as may be approved and directed by the City and the Issuer in their discretion. Further, as savings are realized during the course of Hotel Project design and construction, those savings and 70% of any unused Construction Contingency shall be accounted for, and become a part of, the Owner's Contingency, to be used for the benefit of the Hotel Project as the City and the Issuer shall determine, in their sole discretion.

Also included within the Design/Build GMP is a Site Conditions Contingency in the amount of Three Million Dollars ($3,000,000), reserved exclusively for Design/Builder's use to address its uninsured risks of unforeseen site conditions under the Design/Build Guaranteed Maximum Price Contract, including, without limitation, liquidated damages, indemnity or defense obligations owed under the Design/Build Guaranteed Maximum Price Contract arising out of unforeseen site conditions. Design/Builder will advise the Issuer, the Developer, and Construction Monitor under the UCR procedure, and such excess costs shall be funded from the Site Conditions Contingency line item; provided, however, that the Design/Build GMP and Contract Time shall not be increased as a result thereof. To the extent the Site Conditions Contingency is not required for the purposes described in the preceding sentences prior to the thirteenth month of the Project, all amounts exceeding $500,000 shall be placed in the Owner's Contingency and available for the Issuer to re-allocate to additional FF&E in excess of the FF&E line item in the Design/Build GMP or such other purposes deemed appropriate by the Issuer. The $500,000 remaining in the Site Conditions Contingency will remain in the Site Conditions Contingency until Substantial Completion. To the extent Design/Builder's costs chargeable to the Site Conditions Contingency after the twelfth month but before Substantial Completion exceed $500,000, and provided Design/Builder achieves Substantial Completion within the Contract Time, Design/Builder shall be reimbursed such excess costs from the Owner's Contingency up to the amount previously released from the Site Conditions Contingency under this paragraph. In no event shall the share of savings calculation described the next paragraph include amounts in the Site Conditions Contingency.

Upon Final Completion, any amounts remaining in the Construction Contingency, in an amount not to exceed the originally-budgeted Construction Contingency, shall be shared thirty percent (30%) to Design/Builder and Seventy percent (70%) to the Issuer. Any remaining Construction Contingency in excess of the originally-budgeted Construction Contingency shall belong to the Issuer. Savings shall be calculated and paid as part of final payment under the Design/Build Guaranteed Maximum Price Contract.

Suspension of Performance. The Issuer may for any reason whatsoever suspend performance under the Design/Build Guaranteed Maximum Price Contract. The Issuer shall give written notice of such suspension to Design/Builder specifying when such suspension is to become effective. From and upon the effective date of any suspension ordered by the Issuer, Design/Builder shall incur no further avoidable expense or obligations in connection with the Design/Build Guaranteed Maximum Price Contract, and Design/Builder shall cease its performance. Design/Builder shall also, at the Issuer's direction, either suspend or assign to the Issuer any of its open or outstanding subcontracts or purchase orders.

Termination by the Issuer for Convenience. The Issuer reserves the right, for any reason whatsoever (including, but not limited to, nonappropriation of funding), or without reason, terminate performance under the Contract by Design/Builder for convenience. The Issuer shall give thirty (30) calendar days advance written notice of termination for convenience to Design/Builder. Design/Builder shall incur no further obligations in connection with the Design/Build Guaranteed Maximum Price Contract and Design/Builder shall stop Design Services and the Construction Work when such termination becomes effective. Design/Builder shall also, at the Issuer's direction, either terminate or assign to the Issuer outstanding orders and subcontracts. Design/Builder shall settle the liabilities and claims arising out of any terminated subcontracts and orders. The Issuer may direct Design/Builder to assign Design/Builder's right, title and interest under terminated orders or subcontracts to the Issuer or its designee. Design/Builder shall transfer title to the Issuer (to the extent title is not already in the Issuer) of all completed or partially completed Design Documents, Construction Work and materials, equipment, parts, fixtures, information and Design/Build Guaranteed Maximum Price Contract rights as Design/Builder has, and deliver possession to the Issuer.

Termination by the Issuer for Cause. If Design/Builder does not perform the Construction Work, or any part thereof, in a timely manner, supply adequate labor, supervisory personnel or proper equipment or materials, or if it fails to timely discharge its obligations for labor, equipment and materials, or proceeds to disobey applicable laws, ordinances, rules, regulations or orders of any public authority having jurisdiction, or otherwise commits a violation of a material provision of the Design/Build Guaranteed Maximum Price Contract, then the Issuer may by written notice to Design/Builder and its sureties' agent, without prejudice to any other right or remedy against Design/Builder or others, proceed with termination of Design/Builder in accordance with the General Conditions, and take possession of the Project site and of all materials and equipment at the site in order to obtain completion of the Construction Work; provided, however, the Issuer will provide Design/Builder and its sureties' agent an opportunity to meet with the Issuer with regard to termination within a 7-day notice period as provided in the General Conditions In the event of such termination, Design/Builder shall not be entitled to receive any further payment until the Construction Work is finished to the extent provided in the General Conditions.

Insurance Requirements. Design/Builder shall procure, pay for, and maintain during the term of the Design/Build Guaranteed Maximum Price Contract, with a company authorized to do business in the State of Texas and otherwise acceptable to the City and the Issuer, the minimum insurance coverage contained in Article 11 of the General Conditions and liability insurance, professional liability insurance, boiler and machinery insurance, and all-risk builder's risk insurance, in each case in amounts required by the Issuer, for the benefit of the Issuer, the City, the Developer and the Operator, and providing that the Design/Builder waives its subrogation rights as to the Issuer, the City, the Developer and the Operator. Approval, disapproval or failure to act by the Developer, the Operator, the City or the Issuer regarding any insurance supplied by Design/Builder or its Subcontractors shall not relieve Design/Builder of full responsibility or liability for damages, errors, omissions or accidents as set forth in the Design/Build Guaranteed Maximum Price Contract. The bankruptcy or insolvency of Design/Builder's insurer or any denial of liability by Design/Builder's insurer shall not exonerate Design/Builder from the liability or responsibility of Design/Builder as set forth in the Design/Build Guaranteed Maximum Price Contract.

Performance Bond and Payment Bond. Upon execution of the Design/Build Guaranteed Maximum Price Contract, Design/Builder shall furnish to the Issuer separate performance and payment bonds in the penal sum of 100% of the Design/Build GMP. The bonds shall be written by a corporate surety or sureties authorized to conduct an insurance business in the State of Texas and licensed to issue surety bonds in the State of Texas, and otherwise acceptable to the City and the Issuer. The bonds shall conform to the requirements of Chapter 2253, Texas Government Code, as amended, and Section 3503.003, Texas Insurance Code, as amended. The bonds shall be written on forms approved for the Hotel Project by the City and the Issuer, naming the Issuer as obligee. For each Subcontractor (including material suppliers) whose Subcontract is greater than $100,000, similar Performance and Payment Bonds or SubGuard default insurance, in Design/Builder's discretion, will be required in the full amount of each Subcontract, naming the Issuer as a joint obligee (or in the case of SubGuard, a financial interest endorsement).

APPENDIX F

SUMMARY OF HOTEL OPERATING AGREEMENT

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HOTEL OPERATING AGREEMENT

Contemporaneously with the issuance of the Bonds, the Issuer and the Operator will enter into the Hotel Operating Agreement, pursuant to which the Operator will act as the manager and operator of the Hotel. The Hotel will be operated under the name "Omni Dallas Convention Center Hotel," under a license granted by the Operator during the term of the Hotel Operating Agreement.

The Hotel Operating Agreement is for a term of fifteen years, with an option exercisable by the Issuer (subject to Operator's approval) to extend the term for an additional five years. The Hotel Operating Agreement has been structured as a "qualified management agreement" in compliance with the applicable requirements of Section 141 of the Internal Revenue Code and Revenue Procedure 9713 issued by the Internal Revenue Service for projects financed by tax-exempt bonds.

The Operator has reviewed the preliminary plans and specifications for the Hotel, and has advised the Issuer that the Operator is satisfied that, if built in accordance with such preliminary plans and specifications, the Hotel will be consistent with the Operator's physical standards for Omni Hotels.

Operating Standard

The Operator agrees to operate the Hotel (a) in a prudent and efficient manner reasonably calculated to repay Bondholders in accordance with the terms of the Indenture, consistent with the requirements and limitations set forth in the Hotel Operating Agreement (including those relating to the applicable Approved Operating Plan and Budget and the applicable Capital Budget); (b) in accordance with the Omni Brand Operating Standards (as such term is defined in the Hotel Operating Agreement), applicable to all phases of operation and programs, including without limitation, purchasing programs, sales promotion programs, and quality improvement programs, which are prevailing in effect from time to time and applicable to the operation of Other Omni Hotels (as such term in defined in the Hotel Operating Agreement); (c) as a full service, first class, convention oriented Hotel which is at least comparable to other comparable convention center hotels identified in the Hotel Operating Agreement, taking into account the character, size and location of the facility, operated in accordance with the Four Diamond rating requirements of the American Automobile Association ("AAA"); and (d) in a manner reasonably calculated to: (i) protect and preserve the assets that comprise the Hotel; (ii) maximize over the Operating Term the financial return to the Issuer from the ownership and operation of the Hotel as a first class, convention center headquarters hotel, after taking into consideration the Room Block Agreement; and (iii) control Operating Expenses (the standards described in clauses (a) through (d) above being referred to collectively as either the "Operating Standards" or the "Operating Standard"). If AAA does not confer a Four Diamond rating on the Hotel, it will not constitute a default under the Hotel Operating Agreement, so long as the Hotel meets the Four Diamond rating standards of AAA adopted as of the effective date of the Hotel Operating Agreement.

Rates and Prices

In connection with each Proposed Operating Plan and Budget, the Operator will establish all prices, price schedules, rates, and rate schedules, and all rents, lease charges, and concession charges for all areas of the Hotel. The Operator will have the authority to establish all rental rates and other charges for the Hotel, to market and sell all rooms and event services and facilities at the Hotel, and to enter into concession agreements, leases and service contracts with third party vendors and servicers at the Hotel. The Issuer may not disapprove of a proposed rate schedule presented by the Operator so long as (1) such rate schedule does not vary from the average comparable rates of hotels designated in the Operating Agreement as the Competitive Set by more than 75% or (2) the budget prepared assuming such rate schedule does not result in Debt Service Coverage Ratios less than the Debt Service Coverage Requirement.

For so long as any Bonds are Outstanding, if the Operator at any time believes that the current market conditions will not enable the Operator to charge daily room rates at least equal to those set forth in the applicable room rate schedule for a period of two consecutive weeks or more, the Operator will promptly provide the Issuer with a written detailed explanation of the situation and recommendations as to modifications of the applicable room rate schedule. The Issuer will not have the right to approve any such modifications so long as (1) such modified rate schedules do not vary by more than 75% from the published or announced rate schedules of hotels that are designated in the Operating Agreement as the Competitive Set and (2) the revised budget prepared assuming such rate schedule does not result in Debt Service Coverage Ratios for the Bonds of less than the Debt Service Coverage Requirement. If the Issuer believes that either clause (1) or (2) is not satisfied and the Operator disagrees, then the. dispute will be resolved by an arbitration procedure with a designated hotel industry expert.

Contracts, Licenses and Permits

The Operator, as agent on behalf of Issuer, is required to negotiate, enter into and administer concession agreements for all space in the Hotel, service contracts for Hotel operations, as well as banquet and meeting facility contracts. Prior to entering into any concession agreement (or any similar occupancy agreement for space in the Hotel with a third party operator of the space), the Operator is required to submit the agreement to the Issuer, and the Issuer will obtain an opinion from legal counsel to the effect that the agreement will not adversely affect the Hotel's exemption from ad valorem taxes. Upon any termination of the Hotel Operating Agreement, the Operator is required to promptly take all reasonable actions necessary to assign to the Issuer or its designee all concession and occupancy agreements for the Hotel. In addition, the Operator is required to assure that each such concession and occupancy agreement includes a no personal liability and indemnity clause in favor of the Issuer.

The Operator is not permitted to enter into any contract as a result of which the Operator or any of its affiliates receives any Direct or Indirect Profit (as such term is defined in the Hotel Operating Agreement), including without limitation any rebate, kick-back, revenue sharing, royalty, profit participation, equity participation, barter consideration in the form of goods or services, or any other benefits, except to the extent that any such benefits are less than five percent (5%) of the total Management Fees, Centralized Services Fees and compensation to executive employees of the Hotel owed to Operator during any Operating Year of the Hotel.

Subject to the terms of the Hotel Operating Agreement, the Operator is required to obtain all licenses and permits required for the management and operation of the Hotel or the making of Capital Improvements. Subject to applicable Legal Requirements, the Operator is also required, if requested by the Trustee, to pledge the Hotel's Liquor Licenses to the Trustee or another party designated by Trustee, in order to secure the re-payment of the Bonds.

Maintenance

The Operator is required to keep the Hotel, the building systems and FF&E which serves the Hotel in good operating order, repair and condition, and to make all necessary replacements, improvements, additions, and substitutions. The Operator has the right to hire an outside consultant to independently inspect the Hotel and the FF&E not more than once each Operating Year, the cost of which will be paid from the Surplus Revenue Fund, or if there are not sufficient funds available in the Surplus Revenue Fund, then from Gross Operating Revenues as an Operating Expense.

Operating Plan and Budget

On or before November 1 of each Operating Year, the Operator is required to prepare and deliver to the Issuer and its designees and consultants a Proposed Operating Plan and Budget for the next ensuing Operating Year. Upon request, the Operator will meet with the Issuer to discuss the Proposed Operating Plan and Budget. Each Proposed Operating Plan and Budget must include the following: (a) annualized projections of Gross Operating Revenue, Operating Expenses, Gross Operating Profit, and Net Operating Income for that Operating Year; (b) for each month, the estimated results of operations (including estimated Gross Operating Revenue, Operating Expenses, Gross Operating Profit, and Net Operating Income); (c) for each month, a statement of cash flow, including a schedule of any anticipated requirements for funding from Gross Operating Revenues, the Senior FF&E Reserve Fund, the Subordinate FF&E Reserve Fund, the Operating Expense Reserve Fund and the Surplus Revenue Fund as provided by the Issuer; and (d) if the Proposed Operating Plan and Budget will result in a Debt Service Coverage Ratio of less than the Debt Service Coverage Requirement, a detailed explanation as to why the Operator has not budgeted to attain the Debt Service Coverage Requirement.

The Operator is required to act reasonably and exercise prudent business judgment in preparing each Proposed Operating Plan and Budget. The Issuer is required to act reasonably and exercise prudent business judgment in approving or rejecting all or any portion of the Proposed Operating Plan and Budget. If the Operator and the Issuer, despite their good faith efforts, are unable to reach final agreement on the Proposed Operating Plan and Budget for an Operating Year by December 15 of the prior Operating Year, then: (1) the parties shall within five (5) days meet and confer about the disagreement; (2) if the parties do not resolve their differences at this meeting, within ten (10) days, the senior management of the respective parties will meet and confer; and (3) if the parties do not resolve their differences at this meeting, the parties within ten (10) days shall resolve the matter through a binding dispute resolution procedure specified in the Hotel Operating Agreement with an independent expert in the hotel industry.

Pending the resolution of the dispute, the Proposed Operating Plan and Budget will govern the areas of operations not in dispute and the prior year's Approved Operating Plan and Budget shall govern the areas in dispute. If the disputed matter concerns the proposed capital budget, then, until the independent expert issues its decision regarding the disputed items in the proposed capital budget, the proposed capital budget shall govern the areas of operations not in dispute and the Operator will not be permitted to incur a Capital Expense for a disputed Capital Improvement included in a proposed capital budget unless the Capital Expense is necessary to eliminate or remove an emergency at the Hotel.

Hotel Consultant

The Issuer has the right to retain a Hotel Consultant to make recommendations on rates and prices, among other items in each Proposed Operating Plan and Budget, under the following circumstances: (a) if the Proposed Operating Plan and Budget will not result in the Debt Service Coverage Requirement being met; (b) if the actual Debt Service Coverage Ratios with respect to the Bonds for any four consecutive quarters is less than the Debt Service Coverage Requirement; (c) if the Certified Financial

Statements delivered by Operator to Issuer pursuant to the Hotel Operating Agreement reflect that the Debt Service Coverage Requirement was not achieved.

The Issuer is required to deliver the Hotel Consultant's reports and findings to the Operator and Trustee within three (3) Business Days of receipt thereof by the Issuer. The Operator will study and review such reports and any written recommendations made by the Hotel Consultant. The Operator is also required, upon the request of the Issuer or Trustee, to meet with the Hotel Consultant to discuss the Hotel Consultant's reports, findings and written recommendations. The Operator is required to accept and promptly implement all of the Hotel Consultant's written recommendations except (i) those written recommendations which require an expenditure of funds greater than the amount available for such purpose under the Indenture, or those written recommendations which could, in the opinion of Bond Counsel, adversely affect the compliance of the Bonds with the Tax Requirements, and (ii) those with which the Operator disagrees with such recommendations and provides the Issuer, Trustee and Hotel Consultant with a written explanation as to the reasons for such disagreement. Following receipt of the Hotel Consultant's written recommendations, the Operator is required to follow such recommendations except (i) those recommendations which require an expenditure of funds greater than the amount available for such purpose under the Indenture, (ii) those recommendations which could, in the opinion of Bond Counsel, adversely affect the compliance of the Bonds with the Tax Requirements, or (iii) those which the Operator disagrees with unless the Issuer or Hotel Consultant disputes such disagreement and requests such disagreement to be resolved through the dispute resolution procedure specified in the Hotel Operating Agreement, with a determination by an independent hotel expert that the Operator shall follow such recommendations. The fees and expenses of the Hotel Consultant shall be paid as Operating Expenses. Each Party shall deliver to the other at no additional charge copies of any information, correspondence or documents delivered to the Hotel Consultant contemporaneously with delivering such information, correspondence or documents to the Hotel Consultant.

Financial Records

The Operator is required to keep full, complete and accurate books of account, front office records, guest information and other records to be prepared to reflect the operation of the Hotel and the results of operations of the Hotel, including, but not limited to accounts and records pertaining to accounts payable, general ledger and payroll. All such books of account and records shall be kept in accordance with Generally Accepted Accounting Principles and, to the extent applicable, with the Uniform System of Accounts. All of the financial books and records pertaining to the Hotel, including books of account, front office records, and guest records and information, will be the property of the Issuer, and will be available at all reasonable times for inspection and copying by the Issuer, the City, Hotel Consultant, and their respective representatives; provided, however, that (a) guest information may be used by the Operator for any of its business purposes so long as such information is not used in a manner which would violate the Hotel Operating Agreement or subject the Issuer to any liability for the use or disclosure of such information, (b) files pertaining solely to the Operator's intellectual property and the Operator's proprietary information shall be the Operator's sole property and (c) employee records of Hotel Personnel shall be the Operator's property (except that the Issuer shall have limited rights to review such employee records in connection with an audit, a financing or a purchase of the Hotel).

The Operator is required to cause to be prepared and delivered to the Issuer monthly and quarterly operating reports based on information available to the Operator. The monthly reports will reflect operational results for the current month and year to date of the current Operating Year, and the quarterly reports will reflect operational results for each quarter of the Operating Year, as well as the then-current Debt Service Coverage Ratios. Within one-hundred and twenty (120) days after the end of each Operating Year, the Operator is required to cause to be prepared and delivered to the Issuer, as an Operating Expense, Certified Financial Statements for the preceding Operating Year, consisting of a balance sheet, a statement of earnings and retained earnings, a statement of cash flows and such other matters as set forth in the Indenture and a certificate of the independent accountant to the effect that, subject to any qualifications contained therein, the financial statements fairly present, in conformity with Generally Accepted Accounting Principles, the financial position, results of operations, and cash flows of the Hotel for the Operating Year then ended.

Hotel Personnel

The Operator is required to recruit, hire, relocate, pay, supervise, and dismiss all Hotel Personnel, with the understanding that all Hotel Personnel shall be the employees of the Operator, and not the Issuer. The Operator is required to ensure that the number of Hotel Personnel is sufficient to operate the Hotel in accordance with the Operating Standard. The Operator is further required to supervise through the executive personnel of the Hotel, the hiring, discharging, promotion and work performance of all other operating and service employees of the Hotel. The Issuer has the right to interview and consult with the Operator regarding the individuals selected by the Operator as the General Manager of the Hotel prior to their appointment.

Marketing and Sales

The Operator is required to maintain a marketing and sales program that promotes the brand identity of Omni Hotels, advertises to the Operator's markets, and secures bookings for hotels operated under the Omni Hotels brand name. In addition, the Operator is required to develop and implement a specific marketing program for the Hotel, following the Operator's policies and guidelines, which will provide for the planning, publicity, internal communications, organizing, and budgeting activities to be undertaken, and which may include the following: (a) production, distribution, and placement of promotional materials relating to the Hotel; (b) subject to budget limitations, development and implementation of promotional offers or programs that benefit the Hotel and are undertaken by the Operator or by a group of other Omni Hotels that includes the Hotel; (c) subject to budget limitations, attendance of Hotel Personnel at conventions, meetings, seminars, conferences, and travel congresses; (d) subject to budget limitations, selection of and guidance to, as required, advertising agency and public relations personnel; and (e) subject to budget limitations, preparation and dissemination of news releases for national and international trade and consumer publications.

Management Fees, Centralized Services Fees and Hotel Executive Compensation

The Operator will receive a Management Fee, consisting of a Base Management Fee and Subordinate Management Fee, in the following amounts:

First Twelve Month Period	$1,631,263
Second Twelve Month Period	$1,909,199
Third Twelve Month Period	$2,121,957
Fourth Twelve Month Period	$2,276,064
Fifth Twelve Month Period	$2,392,731
Sixth and Later Twelve Month Periods	$2,473,775, provided that the Management Fee payable for the sixth (6^{th}) Twelve Month Period and each succeeding Twelve Month Period shall be increased or decreased, as applicable, by a percentage equal to the percentage change in the consumer price index from the last month of the preceding Twelve Month Period as compared to the last month of the Twelve Month Period immediately preceding such preceding Twelve Month Period.

The Management Fee is divided into two portions, the Base Management and the Subordinate Management Fee. The Base Management Fee is equal to seventy-five and one-half percent (75.5%) of the total Management Fee for each Twelve Month Period, and is payable in monthly installments. The Subordinate Management Fee is equal to twenty-four and one-half percent (24.5%) of the Management Fee for each Twelve Month Period, and is payable semi-annually after each Interest Payment Date on the Bonds, but only to the extent of the balance of the Subordinate Management Fee Fund as of the date of payment. If the balance of the Subordinate Management Fee Fund is not sufficient to satisfy the Subordinate Management Fee amount, the unpaid portion of that installment of the Subordinate Management Fee will accrue, without interest, and will be paid as soon as there are funds in the Subordinate Management Fee Fund.

The Operator is also entitled to receive Centralized Services Fees for services provided by the Operator that are provided to all Omni Hotels from the Operator's central offices. Centralized Services Fees are payable in monthly installments in the following annual amounts:

First Twelve Month Period	$1,360,207
Second Twelve Month Period	$1,609,830
Third Twelve Month Period	$1,822,742
Fourth Twelve Month Period	$1,962,496
Fifth and Later Twelve Month Periods	$2,061,078, provided that the Centralized Services Fees payable for the sixth (6th) Twelve Month Period and each succeeding Twelve Month Period shall be increased or decreased, as applicable, by a percentage equal to the percentage change in the consumer price index from the last month of the preceding Twelve Month Period as compared to the last month of the Twelve Month Period immediately preceding such preceding Twelve Month Period.

The Operator is also entitled to receive an annual amount of $1,968,089, increased by the percentage change in the consumer price index, for the purpose of payment of compensation to the Hotel's executive personnel. As part of the annual budgeting process, the Operator is required to deliver to the Issuer a schedule of compensation it intends to pay to the Hotel's executive personnel. The amount of the schedule of compensation shall be computed on a basis comparable to the compensation generally paid to similarly situated employees of the Operator at other Omni Hotels based upon the performance of such other Omni Hotels. If the schedule of compensation varies from the amount established in the budget by more than 5%, the Issuer and the Operator shall meet to discuss such variance and may mutually agree to amend the amount of the compensation. Any amount paid to the Operator for Hotel executive compensation in excess of amounts actually paid to Hotel executive personnel for any Operating Year will be retained by the Operator, and any amount paid by the Operator to Hotel executive personnel in excess of the amount provided in the Hotel Operating Agreement will be paid solely by the Operator.

The Operator is also entitled to receive reimbursement for reasonable out of pocket costs and expenses incurred by the Operator and paid to non-affiliates (and, if permitted under the Hotel Operating Agreement, affiliates of the Operator) that are incurred in the ordinary course of managing the Hotel pursuant to the Hotel Operating Agreement, including the following, but subject to the limitations of the applicable Approved Operating Plan and Budget and the limitations in the Hotel Operating Agreement: (a) all Hotel Personnel costs other than costs of Hotel executive personnel, which are paid separately as described in the paragraph above; (b) the daily per diem rate of pay and benefits for personnel of the Operator or its affiliates not employed at the Hotel and assigned to special projects for the Hotel or traveling on assignment for the specific benefit of the Hotel, with the prior approval of the Issuer; (c) all reasonable out-of-pocket expenses incurred by the Operator directly in connection with its management of the Hotel for the specific benefit of the Hotel; (d) all taxes and similar assessments (other than sales taxes and the Operator's income taxes) levied against any reimbursements payable to the Operator under the Hotel Operating Agreement for expenses incurred for the Issuer's account; and (e) the Hotel's cost of participating in the Omni guest recognition program, as approved by the Issuer in the Approved Operating Plan and Budget, charged at the same rate as all participating other Omni Hotels.

Except for the Management Fee, Centralized Services Fees, and Reimbursable Expenses, the Operator is not entitled directly or indirectly to any other fees or compensation in connection with the delivery of services which the Operator is required to provide to the Hotel pursuant to the Hotel Operating Agreement. All such fees will be treated as Operating Expenses, except that the Subordinate Management Fee, so long as any Bonds remain Outstanding under the Indenture, will be subordinate to payment of Debt Service on all Outstanding Bonds and be payable solely from amounts rightfully on deposit in the Subordinate Management Fee Fund held by Trustee under the Indenture.

Key Money

The Operator has committed to pay Key Money to fund the initial Operating Expense Reserve Account in the amount of \$6,000,000, to be on the date that is on or before the thirtieth (30^{th}) day prior to the Substantial Completion of Hotel construction. Beginning in the sixty-first month after the opening date of the Hotel, the Key Money will be amortized in equal monthly installments between the sixty-first and the 121^{st} months of the term of the Hotel Operating Agreement. Any Key Money that has not been amortized as of the date of any termination of the Hotel Operating Agreement is required to be repaid by the Issuer to the Operator upon the effective date of termination, up to the amount of funds held in a special reserve account for that purpose, with any remaining amount owed to the Operator to be repaid from future revenues of the Hotel. If the Hotel Operating Agreement is terminated during the first four operating years of the Hotel, the full amount of the unamortized Key Money must be repaid immediately to the Operator as a condition of termination.

Guaranty

Omni Hotels Corporation will, as Guarantor, concurrent with the execution of the Hotel Operating Agreement, execute and deliver to the Issuer a Guaranty under which the Guarantor will guaranty to the Issuer all financial obligations of the Operator under the Hotel Operating Agreement. After the Operator has contributed the Key Money, the Guarantor will have the right to appoint a substitute Guarantor under the Guaranty without prior consent of the Issuer if the substitute guarantor has substantially the same net worth as the Guarantor at the time of the substitution, so long as at that time the Operator is the operator of substantially all of the Omni Hotels and the Operator owns the reservation system and provides centralized services for substantially all of the Omni Hotels.

Casualty Damage or Condemnation

If during the period any Bonds are Outstanding, the whole or any part of the Hotel is damaged or destroyed by fire or other casualty required to be insured against, or the Hotel is subject to an involuntary condemnation, then the proceeds of insurance or the condemnation proceeds are required to be paid to the Trustee for deposit in the Insurance and Condemnation Proceeds Fund; subject to the rights of Trustee under the Bond Documents to apply the proceeds to the redemption of some or all of the Bonds. If the amounts in the Insurance and Condemnation Proceeds Fund, after the deposit, together with investment income reasonably expected to be received with respect thereto and any other funds available therefor (including without limitation amounts on deposit in the Operating Expense Reserve Fund, and the Surplus Revenue Fund, in that order) are sufficient to repair or replace the property damaged, destroyed or taken, as certified in a statement of an independent licensed architect who has obtained two bids from licensed general contractors to be mutually agreed upon by the Operator and the Issuer, then the Issuer shall cause the repair or replacement of the property damaged, destroyed or taken.

Notwithstanding the foregoing, the Issuer will be under no obligation to engage a contractor to perform the repair and restoration of the Hotel if (a) the total cost of repairing and/or replacing the damaged portion of the Hotel to the same condition as existed prior to such damage, destruction or Taking would be ten percent (10%) or more of the then total replacement cost of the Hotel as determined by the independent architect, (b) in the Issuer's reasonable judgment, the portion of the Hotel taken is such that the Hotel cannot be restored to economically feasible usefulness, (c) the damage, destruction or taking makes it imprudent or unreasonable to operate the remaining portion of the Hotel in accordance with the Operating Standard, or (d) the Trustee, pursuant to and in accordance with the Bond Documents, does not make the Casualty Proceeds and/or Casualty Proceeds available for repair or reconstruction.

Events of Default

An Event of Default will occur with respect to the Operator if and only if:

(a) the Operator breaches or fails to perform any covenant or agreement made by the Operator under the Hotel Operating Agreement or the Guarantor breaches or fails to perform any covenant or agreement made by the Guarantor under the Guaranty and Operator or Guarantor fails to cure such breach or failure within one hundred twenty (120) days after the Operator's receipt of a written notice from the Issuer or Trustee specifying the breach or failure to perform; provided, however, in the event that such cure cannot be effectuated within such one hundred twenty (120) day period and the Operator commenced cure within thirty (30) days after the Issuer's written notice and thereafter diligently pursues all commercially reasonable efforts to complete such cure, then the Operator shall have such additional time as is commercially reasonable to cure such breach or failure of performance, provided that such cure is complete to the Issuer's reasonable satisfaction within three hundred (300) days following the Issuer's written notice of such breach;

(b) the Operator fails to pay, on the due date thereof, Taxes, or Gross Receipts Taxes, or withholding or other employment related taxes, provided, however, that if the Operator is contesting the amount of such items in good faith, the Operator may withhold payment of the disputed amount until the earlier of one hundred twenty (120) days after the payment's due date or the date on which the failure to make full payment would result in the assessment of interest or penalties or the imposition of a lien or other restriction upon the Hotel, or would otherwise have a material adverse effect upon the Hotel or the Issuer;

(c) in the event that the Issuer has not elected to purchase insurance in accordance with the Hotel Operating Agreement, the Operator fails to obtain or maintain all insurance that the Operator is obligated to obtain and maintain under the terms of the Hotel Operating Agreement;

(d) the Issuer determines, based on an opinion of Bond Counsel, that, due to the Operator's actions in contravention with the terms of the Hotel Operating Agreement or failure to act in accordance with the terms set forth herein, the Hotel Operating Agreement violates the covenants made by the Issuer in connection with the Bonds issued to finance the Hotel, provided however, that if such actions or failure to act can be cured within thirty (30) days of notice thereof to the Operator, and Bond Counsel is of the opinion that neither the Bond Holders or the Issuer will suffer adverse consequences as a result of the failure of the Bonds to comply with the Tax Requirements during such thirty (30) days, then the Operator shall have thirty (30) days to cure such default;

(e) the Operator defaults under the Room Block Agreement beyond the applicable cure period set forth therein, or, if there is no stated cure period for the applicable default, then if the Operator fails to cure such default within one hundred twenty (120) days after the Operator receives written notice thereof from the Issuer;

(e) the Operator fails to pay any amounts due to the Issuer (including, without limitation, any amounts owed to the Issuer under an indemnity, hold harmless or reimbursement clause contained herein) on the date required under the Hotel Operating Agreement and such failure continues for a period of thirty (30) days after the Operator receives written notice thereof, provided that if the Operator disputes any amount that the Issuer claims is owed to the Issuer, the Operator may pay such amount to the Issuer and reserve the right to dispute that such amount is owed, and any such dispute shall be resolved in accordance with the dispute resolution procedures set forth in the Hotel Operating Agreement if the amount in dispute is $25,000 or less, or in accordance with applicable law if the amount in dispute is in excess of $25,000;

(f) the Operator fails to deposit cash receipts, checks, money-orders and the like into the Clearing Bank Accounts as soon as is reasonably practicable and such failure continues for a period of five (5) business days after the date that such amounts are required to be deposited under the Hotel Operating Agreement;

(g) any representation or warranty made by the Operator herein is false or misleading in any material respect and (a) there is no reasonable action which the Operator could take to cause such representation or warranty to be true, correct and not misleading in all material respects within thirty (30) days after receiving written notice thereof or (b) if such a reasonable action exists, the Operator fails to have caused such representation or warranty to be true, correct and not misleading in all material respects prior to the end of such 30-day period;

(h) the Operator makes a representation or warranty to the Issuer under the Hotel Operating Agreement knowing that such representation or warranty is not true or is misleading in a material respect;

(i) the Operator assigns or purports to assign the Hotel Operating Agreement or any of its rights under the Hotel Operating Agreement in violation of the Hotel Operating Agreement;

(j) the Operator fails to continuously operate the Hotel during the Operating Term, seven days a week, twenty four hours a day, provided that the failure to continuously operate did not occur by reason of any of the following: (i) Force Majeure Event; (ii) lack of Sufficient Funds for (1) Operating Expenses, (2) Taxes, Excluded Taxes and Other Charges (but only to the extent that the Operator has deposited in the Lockbox Fund collections that are attributable to such Excluded Taxes and Other Charges), or (3) Insurance; (iii) an Event of Default by the Issuer; or (iv) a material breach by the Issuer of its obligations under the Hotel Operating Agreement, or a material breach by Trustee of the agreements and obligations benefiting the Operator pursuant to the Indenture; provided, however, that the closing of the shops, restaurants and lounges after normal business hours for shops, lounges and restaurants, respectively, shall not constitute an Event of Default;

(k) the Liquor Licenses for the Hotel are not obtained by the Required Opening Date and such failure continues for a period of ten (10) business days after written notice from the Issuer, or any of the Liquor Licenses are revoked or terminated or otherwise declared ineffective by the applicable governmental authority and is not fully restored within thirty (30) days after revocation or such declaration;

(l) any of the following occur or exist:

(i) the Operator or Guarantor files a voluntary case concerning itself under the Bankruptcy Code;

(ii) an involuntary case is filed against the Operator or Guarantor under the Bankruptcy Code, and such involuntary case is not dismissed within ninety (90) days after the filing thereof;

(iii) the appointment of a custodian (as defined in the Bankruptcy Code) or a receiver for, or a custodian or receiver taking charge of all or any substantial part of the property of the Operator or Guarantor, and such appointment is not revoked or dismissed within ninety (90) days after such appointment is made;

(iv) the Operator or Guarantor commences any proceeding under any reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction whether now or hereafter in effect, or any such proceeding is commenced against the Operator and is not dismissed within ninety (90) days after the commencement thereof;

(v) the Operator or Guarantor is adjudicated insolvent or bankrupt;

(vi) the Operator or Guarantor makes a general assignment of its assets for the benefit of creditors;

(vii) the Operator or Guarantor calls a general meeting of substantially all of its creditors (either in number or in amount) with a view to arranging a composition or adjustment of its debts;

(viii) all or a substantial part of the property of the Operator or Guarantor is attached, and such attachment or levy is not released within ninety (90) days thereafter;

(ix) the Operator or Guarantor indicates in writing its consent to, approval of, or acquiescence, in any of the foregoing; or

(m) the Operator fails to use its good faith efforts to meet the goals set forth in the Small Business, Minority and Woman Owned Business Policies set forth in the Hotel Operating Agreement, and the Operator fails to cure such failure within ninety (90) days following delivery of written notice of such failure by the Issuer to the Operator.

Notwithstanding any provision to the contrary in the Hotel Operating Agreement, if (i) the cure periods provided to the Issuer under the Indenture are less than the cure periods granted in the Hotel Operating Agreement, the cure periods granted in the Hotel Operating Agreement shall be deemed reduced to be fifteen (15) days less than the cure periods provided for under the Indenture; and (ii) the Operator is able to demonstrate to the reasonable satisfaction of the Issuer and the Hotel Consultant that such default is the direct result of following the Hotel Consultant's written recommendation and would not have occurred but for the Operator's following the written recommendation of such Hotel Consultant, such default shall not constitute an Event of Default under the Hotel Operating Agreement. The Operator is required to keep the Issuer and the Hotel Consultant informed, in writing, of all actions that the Operator is taking in order to cure a breach or failure and to satisfy the requirements regarding commencing, pursuing and curing the applicable breach or failure, including, without limitation, satisfaction of time lines regarding the proposed cure and satisfaction of the curative procedure and steps.

An Event of Default shall occur with respect to the Issuer if and only if:

(a) the Issuer breaches or fails to perform any covenant or agreement made by the Issuer in the Hotel Operating Agreement in a material respect and fails to cure such breach or failure within one hundred twenty (120) days after the Issuer's receipt of written notice from the Operator specifying the breach or failure to perform;

(b) the Issuer fails to pay any money to the Operator within the time required in the Hotel Operating Agreement (including, without limitation, any amounts owed to the Operator under any agreement contained herein) and such failure continues for a period of thirty (30) days after the Operator delivers written notice to the Issuer specifying such failure;

(c) any representation or warranty made by the Issuer in the Hotel Operating Agreement is false or misleading in any material respect and (i) there is no reasonable action which the Issuer could take to cause such representation or warranty to be true, correct and not misleading in all material respects within thirty (30) days after receiving written notice thereof or (ii) if such a reasonable action exists, the Issuer fails to have caused such representation or warranty to be true, correct and not misleading in all material respects prior to the end of such 30-day period;

(d) the Issuer makes a representation or warranty to the Operator under the Hotel Operating Agreement knowing such representation or warranty is not true or is misleading in a material respect;

(e) the Issuer assigns or purports to assign the Hotel Operating Agreement or any of its rights under the Hotel Operating Agreement in violation of the Hotel Operating Agreement;

(f) Any of the following occur or exist:

(i) the Issuer files a voluntary case concerning itself under the Bankruptcy Code;

(ii) any involuntary case is filed against the Issuer under the Bankruptcy Code and such involuntary case is not dismissed within ninety (90) days after the filing thereof;

(iii) the Issuer calls a general meeting of substantially all of its creditors (either in number or in amount) with a view to arranging a composition or adjustment of its debts;

(iv) the appointment of a custodian (as defined in the Bankruptcy Code) or a receiver for, or a custodian or receiver taking charge of all or any substantial part of the property of the Issuer, and such appointment is not revoked or dismissed within ninety (90) days after such appointment is made;

(v) the Issuer commences any proceeding under any reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction whether now or hereafter in effect, or any such proceeding is commenced against the Operator and is not dismissed within ninety (90) days after the commencement thereof;

(vi) the Issuer is adjudicated insolvent or bankrupt;

(vii) the Issuer makes a general assignment of its assets for the benefit of creditors;

(viii) all or any substantial part of the property of the Issuer is attached, and such attachment or levy is not released within ninety (90) days thereafter;

(ix) the Issuer indicates in writing its consent to, approval of, or acquiescence, in any of the foregoing; or

(x) the Issuer takes any corporate or partnership action for the purpose of effecting any of the foregoing.

(g) the City (i) moves the Dallas Convention Center to a new location, (ii) designates another hotel as the "headquarters hotel" for the Convention Center or (iii) fails to maintain the Convention Center at the standard of operation which it maintains as of the Effective Date.

(h) the Issuer violates any of the provisions in the Hotel Operating Agreement regarding the Operator's control of labor relations for employees of the Hotel.

Rights and Remedies of Non-Defaulting Party

Upon the occurrence of an Event of Default by the Operator or the Issuer, the non-defaulting party will have the right, but not the obligation, to take any action lawfully permitted to be taken against the defaulting party to recover damages from the defaulting party and, to the extent available by law, to require specific performance by the defaulting party of its obligations under the Hotel Operating Agreement. The parties have agreed that the non-defaulting party shall not seek to terminate the Hotel Operating Agreement upon the occurrence of an Event of Default by the defaulting party for the first four Operating Years of the Hotel Operating Agreement. However, in the event that the Issuer seeks to terminate the Hotel Operating Agreement upon the occurrence of an Operator Event of Default during the first four Operating Years of the Hotel Operating Agreement, the Issuer will be required, as a condition precedent to terminating the Agreement, to repay in full to the Operator the Unamortized Key Money on the effective date of termination. After the first four Operating Years, the non-defaulting party may terminate the Hotel Operating Agreement, subject to certain cure rights of the defaulting party.

If the non-defaulting party seeks to terminate the Hotel Operating Agreement, it is required to give written notice to the other party specifying a date, no earlier than ninety (90) days and no later than three hundred sixty five (365) days after the giving of such notice, when the Agreement will terminate. In addition, the non-defaulting party is entitled to pursue all other remedies available to it under applicable law as a result of such Event of Default.

At the same time as the Operator delivers a notice to the Issuer, the Operator is required to provide the Trustee with a copy of the notice, including any notice of a default (failing which the notice of default to the Issuer shall be deemed ineffective) and the Trustee will have the right but not the obligation to cure any such default to the same extent and for the same period of time afforded to the Issuer to cure such default. The Issuer's and the Trustee's time period for cure of any default will not commence until a copy of such notice of default is delivered to both the Issuer and the Trustee, and the Operator is not permitted to exercise its right to terminate the Hotel Operating Agreement until the applicable cure period has elapsed. The Operator is required to accept any performance by the Trustee of any of the Issuer's covenants or agreements under the Hotel Operating Agreement, and any cure of the Issuer's defaults, as if performed by the Issuer.

Limitation on Issuer's Liability

Except to the extent that the Issuer is required to repay in full any Unamortized Key Money upon termination of the Operator during the first Four Operating Years, any Unamortized Key Money, or advances owed to the Operator by the Issuer will be satisfied solely out of (a) the amounts from time to time in the Operator Advance Repayment Fund and the Surplus Revenue Fund, (b) after satisfaction of all Bonds, and if the Issuer remains the Issuer of the Hotel, then out of the general assets of the Issuer, including the Issuer's interest in the Hotel and Gross Operating Revenue, and (c) if the Issuer sells, transfers or conveys the Hotel to a third party, the net sale proceeds (i.e., after payment of normal and ordinary closing costs, payment of all expenses required under the contract of sale and satisfaction of all Bonds and all amounts owing under the Bond Documents) received by the Issuer upon the sale of the Hotel. So long as any unpaid damages are owed to the Operator, such damages will constitute an ongoing claim against the amounts described in clauses (a), (b) and (c) of this paragraph. In addition, to the extent that the Issuer is required to indemnify the Operator under the Hotel Operating Agreement, such amounts may be satisfied solely out of (a) the amounts from time to time on deposit in the Operator Advance Repayment Fund, the City Advance Repayment Fund and the Surplus Revenue Fund, and (b) if the Issuer sells, transfers or conveys the Hotel to a third party, the net sale proceeds (i.e., after payment of normal and ordinary closing costs, payment of all expenses required under the contract of sale and satisfaction of all Bonds and all amounts owing under the Bond Documents). So long as any unpaid amounts are owed to the Operator, such amounts shall constitute an ongoing claim against the amounts described in this paragraph and the obligations shall survive termination.

Performance Termination

Subject to certain exceptions set forth in the Hotel Operating Agreement, the Issuer has an additional right to terminate the Operator if, after the fifth Operating Year of the Hotel, either of the following two performance tests is not met for two consecutive Operating Years (during the Operating Term after the fifth Operating Year of the Hotel): (i) the net operating income of the Hotel is not sufficient to satisfy the Debt Service on the Bonds, or (ii) the revenue per available room of the Hotel is less than 80% of the revenue per available room of other comparable hotels identified in the Hotel Operating Agreement as the Hotel's competitive set. The Operator has the right to cure a performance test failure by advancing the amount of the shortfall necessary to meet the performance test for the second applicable Operating Year.

Termination on Sale

If at any time following the expiration of the seventh (7th) Operating Year, the Issuer or its successor-in-interest transfers the Hotel or more than a fifty percent (50%) direct or indirect the ownership interest in the Issuer or its successor-in-interest pursuant to a bona fide, arms length transaction (whether by fee transfer, a transfer of the ownership interests in the Issuer or otherwise) to a third party that is not an affiliate of the Issuer or its majority the Issuer immediately prior to such conveyance, then, subject to the Operator's receipt of the termination fee, as described below, accompanying the notice, the party acquiring the Hotel in such transfer shall have the right to terminate the Hotel Operating Agreement by delivering written notice to the Operator not more than forty-five (45) days prior to the conveyance and not later than sixty (60) days after the conveyance, and in any event at least forty-five (45) days prior to the effective date of the Termination, with the effective date of the termination being selected by the Issuer or the party acquiring the Hotel in its sole and absolute discretion subject to the foregoing notice requirements. If such a termination notice is forwarded to the Operator prior to the closing of the sale and the sale does not occur for a reason other than an Event of Default by the Issuer, then the Issuer shall withdraw the termination notice and the Hotel Operating Agreement will continue in full force and effect. If, at the time of the sale, an Operator Event of Default does not exist and a Performance Termination Event does not exist, the Issuer will be required to pay or cause to be paid to the Operator the Unamortized Key Money and a fee in an amount equal to the sum of (a) the product of (i) the Management Fee for the most recently ended Twelve Month Period multiplied by (ii) the lesser of two or the number of months remaining in the Term divided by twelve (12) and (b) the product of (x) the Centralized Services Fees for the most recently ended Twelve Month Period multiplied by (y) the lesser of one or the number of months remaining in the Term divided by twelve (12).

Protection of Guest Lists

The Operator is not permitted to contact any Hotel guests that have booked Hotel rooms or Hotel facilities prior to Termination for the purpose of soliciting such Hotel guests to cancel their previously booked Hotel rooms and transfer such business to any other transient lodging.

Restrictive Covenant

Until the expiration or prior termination of the Hotel Operating Agreement, and as a material inducement to the Issuer entering into the Hotel Operating Agreement, the Operator is not permitted, without the prior written consent of the Issuer, to own, lease, operate, manage, license, franchise, merge with or join through a joint marketing or other similar arrangement, in whole or in part, directly or indirectly, any hotel which is operated under the "**Omni**" brand as a full service hotel with 500 or more rooms within a two mile radius of the Hotel.

APPENDIX G

FORM OF CO-BOND COUNSEL OPINIONS

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An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P. and Escamilla & Poneck, Inc., Co-Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.

McCALL, PARKHURST & HORTON L.L.P.
717 N. Harwood, Suite 900
Dallas, Texas 75201

ESCAMILLA & PONECK, INC.
850 Riverwalk Place
700 N. St. Mary's Street
San Antonio, Texas 78205

$74,411,197.20
DALLAS CONVENTION CENTER HOTEL DEVELOPMENT CORPORATION
HOTEL REVENUE BONDS
SERIES 2009A

AS CO-BOND COUNSEL for the **DALLAS CONVENTION CENTER HOTEL DEVELOPMENT CORPORATION** (the "Issuer"), the issuer of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from their date of issuance until their respective maturity or redemption at the rates described in the text on the Bonds, and which mature and are subject to mandatory and optional redemption prior to maturity in the manner, and under the terms and conditions, described in the text of the Bonds. The Bonds are issued as (i) current interest bonds, in the aggregate principal amount of $62,530,000, that pay interest semi-annually until maturity or prior redemption and (ii) capital appreciation bonds, in the original aggregate principal amount of $11,881,197.20, that pay interest only upon the maturity of said bonds.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance of the Bonds, including two of the executed Bonds (Bond Nos. R-1 and RCAB-1).

THE BONDS ARE ISSUED PURSUANT TO AND SECURED by an Indenture of Trust, dated as of August 1, 2009 (the "Indenture"), between the Issuer and **U.S. BANK NATIONAL ASSOCIATION**, as Trustee (the "Trustee"), pursuant to which the Trustee is custodian of the Construction Fund, the Senior Debt Service Fund and certain other Funds and Accounts described therein and is obligated to enforce the rights of the Issuer and the owners of the Bonds, and to perform other duties, in the manner and under the conditions stated in the Indenture.

THE BONDS ARE ADDITIONALLY SECURED by an Economic Development Agreement, dated as of August 1, 2009 (the "Economic Development Agreement"), between the Issuer and the City of Dallas, Texas (the "City") pursuant to which the City is obligated to provide the Issuer with revenues the City derives from three sources of state hotel occupancy tax and sales tax revenues and local hotel occupancy tax revenues (defined collectively therein as the "City Tax Revenues", which are defined individually therein as the "Convention Center Hotel State HOT Revenues", the "Convention Center Hotel State Sales Tax Revenues", and the "Convention Center Hotel Local 7% HOT Revenues"). In addition, in the Economic Development Agreement, the City has agreed to consider, subject to annual appropriation by the City, to make a grant of funds to the Issuer in the event Net Operating Revenues of the Hotel Project and the City Tax Revenues, together with other moneys held under the Indenture, are insufficient to pay scheduled principal of and interest on the Bonds when due.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION that the Issuer is a nonprofit corporation duly created by the City and validly incorporated, existing, and functioning under and pursuant to the Subchapter D of Chapter 431, Texas Transportation Code, as amended, that the resolution authorizing the issuance of the Bonds (the "Bond Resolution") has been duly and lawfully adopted and constitutes a valid and binding obligation of the Issuer; and that the Bonds have been authorized, issued, and delivered in accordance with law and constitute valid and legally binding special limited revenue obligations of the Issuer, enforceable against the Issuer in accordance with their terms, with the principal of and interest on the Bonds, and other payments with respect to the Bonds, together with bonds issued on a parity with the Bonds, being payable from, and secured by a lien on and pledge of, the Trust Estate, as defined in the Indenture, assigned to the Trustee pursuant to the Indenture, which includes Net Operating Revenues of the Hotel Project and City Tax Revenues.

IT IS FURTHER OUR OPINION that the Indenture has been duly and lawfully authorized, executed, and delivered by the Issuer and is a valid and binding agreement of the Issuer enforceable against the Issuer in accordance with its terms and conditions. We are relying on the aforesaid opinion of counsel for the Trustee to the effect that the Indenture has been duly and lawfully authorized, executed and delivered by the Trustee, and that the Indenture is valid and binding upon the Trustee in accordance with its terms and conditions.

IT IS FURTHER OUR OPINION that the Economic Development Agreement has been duly and lawfully authorized, executed, and delivered by the City and the Issuer and is a valid and binding agreement of the City and the Issuer enforceable against the City and the Issuer in accordance with its terms and conditions.

THE OPINIONS HEREINBEFORE EXPRESSED are qualified to the extent that the obligations of the Issuer, the City and the Trustee, and the enforceability thereof, with respect to the Bonds, the Indenture and the Economic Development Agreement, are subject to applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally.

THE OWNERS OF THE BONDS shall never have the right to demand payment thereof out of any funds raised or to be raised by ad valorem taxation; and the Bonds and the interest thereon are payable from the sources described in the Bond Resolution, the Indenture and the Economic Development Agreement and are not payable from any other funds or resources of the Issuer; and the Bonds and the interest thereon do not constitute, and shall never be considered as, obligations of the State of Texas, the City (other than to the extent provided in the Economic Development Agreement), or any other political subdivision or agency of the State of Texas, or of the Board of Directors of the Issuer, either individually or collectively.

THE ISSUER HAS RESERVED THE RIGHT to amend the Indenture as provided therein, and under some, but not all, circumstances, amendments thereto must be approved by the owners of at least a majority in aggregate principal amount of the outstanding Bonds and all other obligations issued on a parity therewith.

IT IS FURTHER OUR OPINION, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are obligations described in section 1503 of The American Recovery and Reinvestment Act of 2009 and that, accordingly, interest on the Bonds will not be included in an owner's alternative minimum taxable income under section 55 of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants, regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the City to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

IN EXPRESSING THE AFOREMENTIONED OPINION, we have assumed continuing compliance by the Issuer and Omni Hotels Management Corporation, as the initial operator of the Hotel Project, with certain representations and covenants, including representations and covenants relating to the use and investment of the proceeds of the Bonds and the use and operation of the Hotel Project. We call your attention to the fact that if the representations are determined to be incorrect or there is a failure to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem 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 is includable in gross income for federal income tax purposes. No assurance can be given 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 Issuer as the taxpayer. We observe that the Issuer and the City have covenanted not to take any action, or omit to take any action within their control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Co-Bond Counsel for the Issuer, and in that capacity we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Issuer, the Bond Resolution, the Bonds, the Indenture and the Economic Development Agreement under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Issuer, the City, and third-party consultants as to the anticipated availability and sufficiency of monies available for the payment of the Bonds. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Respectfully,

An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P. and Escamilla & Poneck, Inc., Co-Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.

McCALL, PARKHURST & HORTON L.L.P.
717 N. Harwood, Suite 900
Dallas, Texas 75201

ESCAMILLA & PONECK, INC.
850 Riverwalk Place
700 N. St. Mary's Street
San Antonio, Texas 78205

$388,175,000
DALLAS CONVENTION CENTER HOTEL DEVELOPMENT CORPORATION
HOTEL REVENUE BONDS
TAXABLE SERIES 2009B
(BUILD AMERICA BONDS - DIRECT PAYMENT)

AS CO-BOND COUNSEL for the **DALLAS CONVENTION CENTER HOTEL DEVELOPMENT CORPORATION** (the "Issuer"), the issuer of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from their date of issuance until their respective maturity or redemption at the rates described in the text on the Bonds, and which mature and are subject to mandatory and optional redemption prior to maturity in the manner, and under the terms and conditions, described in the text of the Bonds.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance of the Bonds, including one of the executed Bonds (Bond No. R-1).

THE BONDS ARE ISSUED PURSUANT TO AND SECURED by an Indenture of Trust, dated as of August 1, 2009 (the "Indenture"), between the Issuer and **U.S. BANK NATIONAL ASSOCIATION**, as Trustee (the "Trustee"), pursuant to which the Trustee is custodian of the Construction Fund, the Senior Debt Service Fund and certain other Funds and Accounts described in the Indenture and is obligated to enforce the rights of the Issuer and the owners of the Bonds, and to perform other duties, in the manner and under the conditions stated in the Indenture.

THE BONDS ARE ADDITIONALLY SECURED by an Economic Development Agreement, dated as of August 1, 2009 (the "Economic Development Agreement"), between the Issuer and the **CITY OF DALLAS, TEXAS** (the "City") pursuant to which the City is obligated to provide the Issuer with revenues the City derives from three sources of state hotel occupancy tax and sales tax revenues and local hotel occupancy tax revenues (defined collectively therein as the "City Tax Revenues", which are defined individually therein as the "Convention Center Hotel State HOT Revenues", the "Convention Center Hotel State Sales Tax Revenues", and the "Convention Center Hotel Local 7% HOT Revenues"). In addition, in the Economic Development Agreement, the City has agreed to consider, subject to annual appropriation by the City, to make a grant of funds to the Issuer in the event Net Operating Revenues of the Hotel Project and the City Tax Revenues, together with other moneys held under the Indenture, are insufficient to pay scheduled principal of and interest on the Bonds when due.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION that the Issuer is a nonprofit corporation duly created by the City and validly incorporated, existing, and functioning under and pursuant to the Subchapter D of Chapter 431, Texas Transportation Code, as amended, that the resolution authorizing the issuance of the Bonds (the "Bond Resolution") has been duly and lawfully adopted and constitutes a valid and binding obligation of the Issuer; and that the Bonds have been authorized, issued, and delivered in accordance with law and constitute valid and legally binding special limited revenue obligations of the Issuer, enforceable against the Issuer in accordance with their terms, with the principal of and interest on the Bonds, and other payments with respect to the Bonds, together with bonds issued on a parity with the Bonds, being payable from, and secured by a lien on and pledge of, the Trust Estate, as defined in the Indenture, assigned to the Trustee pursuant to the Indenture, which includes Net Operating Revenues of the Hotel Project and City Tax Revenues.

IT IS FURTHER OUR OPINION that the Indenture has been duly and lawfully authorized, executed, and delivered by the Issuer and is a valid and binding agreement of the Issuer enforceable against the Issuer in accordance with its terms and conditions. We are relying on the aforesaid opinion of counsel for the Trustee to the effect that the Indenture has been duly and lawfully authorized, executed and delivered by the Trustee, and that the Indenture is valid and binding upon the Trustee in accordance with its terms and conditions.

IT IS FURTHER OUR OPINION that the Economic Development Agreement has been duly and lawfully authorized, executed, and delivered by the City and the Issuer and is a valid and binding agreement of the City and the Issuer enforceable against the City and the Issuer in accordance with its terms and conditions.

THE OPINIONS HEREINBEFORE EXPRESSED are qualified to the extent that the obligations of the Issuer, the City and the Trustee, and the enforceability thereof, with respect to the Bonds, the Indenture and the Economic Development Agreement, are subject to applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally.

THE OWNERS OF THE BONDS shall never have the right to demand payment thereof out of any funds raised or to be raised by ad valorem taxation; and the Bonds and the interest thereon are payable from the sources described in the Bond Resolution, the Indenture and the Economic Development Agreement and are not payable from any other funds or resources of the Issuer; and the Bonds and the interest thereon do not constitute, and shall never be considered as, obligations of the State of Texas, the City (other than to the extent provided in the Economic Development Agreement), or any other political subdivision or agency of the State of Texas, or of the Board of Directors of the Issuer, either individually or collectively.

THE ISSUER HAS RESERVED THE RIGHT to amend the Indenture as provided therein, and under some, but not all, circumstances, amendments thereto must be approved by the owners of at least a majority in aggregate principal amount of the outstanding Bonds and all other obligations issued on a parity therewith.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

WE EXPRESSLY STATE no opinion herein with the respect to the proper federal, state or local tax treatment of any payments made with respect to the Bonds. The purchasers of the Bonds should consult their own tax advisors as to the tax treatment which may be anticipated to result from the purchase, ownership and disposition of the Bonds or the receipt of payments on the bonds before determining whether to purchase the Bonds.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Co-Bond Counsel for the Issuer, and in that capacity we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Issuer, the Bond Resolution, the Bonds, the Indenture and the Economic Development Agreement under the Constitution and laws of the State of Texas, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Issuer, the City, and third-party consultants as to the anticipated availability and sufficiency of monies available for the payment of the Bonds. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Respectfully,

An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P. and Escamilla & Poneck, Inc., Co-Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.

McCALL, PARKHURST & HORTON L.L.P.
717 N. Harwood, Suite 900
Dallas, Texas 75201

ESCAMILLA & PONECK, INC.
850 Riverwalk Place
700 N. St. Mary's Street
San Antonio, Texas 78205

$17,235,000
DALLAS CONVENTION CENTER HOTEL DEVELOPMENT CORPORATION
HOTEL REVENUE BONDS
TAXABLE SERIES 2009C

AS CO-BOND COUNSEL for the **DALLAS CONVENTION CENTER HOTEL DEVELOPMENT CORPORATION** (the "Issuer"), the issuer of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from their date of issuance until their respective maturity or redemption at the rates described in the text on the Bonds, and which mature and are subject to mandatory and optional redemption prior to maturity in the manner, and under the terms and conditions, described in the text of the Bonds.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance of the Bonds, including one of the executed Bonds (Bond No. R-1).

THE BONDS ARE ISSUED PURSUANT TO AND SECURED by an Indenture of Trust, dated as of August 1, 2009 (the "Indenture"), between the Issuer and **U.S. BANK NATIONAL ASSOCIATION**, as Trustee (the "Trustee"), pursuant to which the Trustee is custodian of the Construction Fund, the Senior Debt Service Fund and certain other Funds and Accounts described in the Indenture and is obligated to enforce the rights of the Issuer and the owners of the Bonds, and to perform other duties, in the manner and under the conditions stated in the Indenture.

THE BONDS ARE ADDITIONALLY SECURED by an Economic Development Agreement, dated as of August 1, 2009 (the "Economic Development Agreement"), between the Issuer and the **CITY OF DALLAS, TEXAS** (the "City") pursuant to which the City is obligated to provide the Issuer with revenues the City derives from three sources of state hotel occupancy tax and sales tax revenues and local hotel occupancy tax revenues (defined collectively therein as the "City Tax Revenues", which are defined individually therein as the "Convention Center Hotel State HOT Revenues", the "Convention Center Hotel State Sales Tax Revenues", and the "Convention Center Hotel Local 7% HOT Revenues"). In addition, in the Economic Development Agreement, the City has agreed to consider, subject to annual appropriation by the City, to make a grant of funds to the Issuer in the event Net Operating Revenues of the Hotel Project and the City Tax Revenues, together with other moneys held under the Indenture, are insufficient to pay scheduled principal of and interest on the Bonds when due.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION that the Issuer is a nonprofit corporation duly created by the City and validly incorporated, existing, and functioning under and pursuant to the Subchapter D of Chapter 431, Texas Transportation Code, as amended, that the resolution authorizing the issuance of the Bonds (the "Bond Resolution") has been duly and lawfully adopted and constitutes a valid and binding obligation of the Issuer; and that the Bonds have been authorized, issued, and delivered in accordance with law and constitute valid and legally binding special limited revenue obligations of the Issuer, enforceable against the Issuer in accordance with their terms, with the principal of and interest on the Bonds, and other payments with respect to the Bonds, together with bonds issued on a parity with the Bonds, being payable from, and secured by a lien on and pledge of, the Trust Estate, as defined in the Indenture, assigned to the Trustee pursuant to the Indenture, which includes Net Operating Revenues of the Hotel Project and City Tax Revenues.

IT IS FURTHER OUR OPINION that the Indenture has been duly and lawfully authorized, executed, and delivered by the Issuer and is a valid and binding agreement of the Issuer enforceable against the Issuer in accordance with its terms and conditions. We are relying on the aforesaid opinion of counsel for the Trustee to the effect that the Indenture has been duly and lawfully authorized, executed and delivered by the Trustee, and that the Indenture is valid and binding upon the Trustee in accordance with its terms and conditions.

IT IS FURTHER OUR OPINION that the Economic Development Agreement has been duly and lawfully authorized, executed, and delivered by the City and the Issuer and is a valid and binding agreement of the City and the Issuer enforceable against the City and the Issuer in accordance with its terms and conditions.

THE OPINIONS HEREINBEFORE EXPRESSED are qualified to the extent that the obligations of the Issuer, the City and the Trustee, and the enforceability thereof, with respect to the Bonds, the Indenture and the Economic Development Agreement, are subject to applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally.

THE OWNERS OF THE BONDS shall never have the right to demand payment thereof out of any funds raised or to be raised by ad valorem taxation; and the Bonds and the interest thereon are payable from the sources described in the Bond Resolution, the Indenture and the Economic Development Agreement and are not payable from any other funds or resources of the Issuer; and the Bonds and the interest thereon do not constitute, and shall never be considered as, obligations of the State of Texas, the City (other than to the extent provided in the Economic Development Agreement), or any other political subdivision or agency of the State of Texas, or of the Board of Directors of the Issuer, either individually or collectively.

THE ISSUER HAS RESERVED THE RIGHT to amend the Indenture as provided therein, and under some, but not all, circumstances, amendments thereto must be approved by the owners of at least a majority in aggregate principal amount of the outstanding Bonds and all other obligations issued on a parity therewith.

IT IS OUR OPINION THAT THE BONDS ARE NOT OBLIGATIONS DESCRIBED IN SECTION 103(a) OF THE INTERNAL REVENUE CODE OF 1986.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Co-Bond Counsel for the Issuer, and in that capacity we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Issuer, the Bond Resolution, the Bonds, the Indenture and the Economic Development Agreement under the Constitution and laws of the State of Texas, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Issuer, the City, and third-party consultants as to the anticipated availability and sufficiency of monies available for the payment of the Bonds. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Respectfully,

APPENDIX H

MARKET STUDY

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Market Study

Proposed Omni Convention Center Hotel

Dallas, Texas

Property Location:

Corner of Young Street and South Lamar Street
Dallas, Texas 75202

Prepared by:

HVS Consulting and Valuation Services
Division of DFW Hospitality Consulting, LLC
2601 Sagebrush Drive, Suite 101
Flower Mound, Texas 75028
(972) 899-5400
(972) 899-1057 FAX

Submitted to:

The City of Dallas
650 South Griffin
Dallas, Texas 75202

HVS
CONSULTING & VALUATION

June 8, 2009

Mr. Al Rojas
City of Dallas
650 South Griffin
Dallas, Texas 75202
(214) 939-2794
(214) 939-2795 FAX

Re: Proposed Omni Convention Center Hotel
Dallas, Texas
HVS Reference: 2009240020

Dear Mr. Rojas:

Pursuant to your request, we herewith submit our updated market study pertaining to the above-captioned property. We have inspected the real estate and analyzed the hotel market conditions in the Dallas area, as well as the pertinent nationwide hotel market conditions for convention headquarters hotels. We have studied the proposed project, and the results of our fieldwork and analysis are presented in this report.

We hereby certify that we have no undisclosed interest in the property, and our employment and compensation are not contingent upon our findings. This study is subject to the comments made throughout this report and to all assumptions and limiting conditions set forth herein.

Sincerely,
HVS CONSULTING AND VALUATION SERVICES
DFW Hospitality Consulting, LLC

Shannon Sampson, Senior Project Manager
ssampson@hvs.com, (512) 698-7325

Rod Clough, MAI, Managing Director
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1. Summary of Salient Data and Conclusions

Project:	Proposed Omni Convention Center Hotel
Location:	Corner of Young Street and South Lamar Street Dallas, Texas 75202
Date of Inspection:	March 4, 2009
Date of Report:	June 8, 2009

Land Description

Area:	Approximately 6.0 acres
Zoning:	CA-1(A) - Central Area - 1
Assessor's Parcel Number(s):	00000100347000000; 00000100279000000; 00000100354000000
Flood Zone:	X

Improvements Outline

Expected Opening Date:	January 1, 2012
Property Type:	Full-service lodging facility
Hotel Orientation:	Convention headquarters facility
Guestrooms:	1,016
Food and Beverage Facilities:	Two restaurants, a lounge, a coffee kiosk
Meeting Space:	80,000 square feet (grand total)
Grand Ballroom Size:	32,500 square feet
Junior Ballroom Size:	17,500 square feet
Additional Facilities:	An outdoor pool, an outdoor whirlpool, a fitness center, a spa, a business center, retail outlets, and vending areas
Parking Spaces:	720

Executive Summary

The subject of the market study is an approximate 6.0-acre parcel to be improved with a convention-headquarters, full-service lodging facility. Our analysis assumes the property will open on January 1, 2012 and will feature 1,016 rooms, two restaurants, a lounge, a coffee kiosk, 80,000 square feet of meeting space, an outdoor pool, an outdoor whirlpool, a fitness center, a spa, a business center, retail outlets, and vending areas. The hotel will also feature all necessary back-of-the-house space. The overview of facilities is presented in greater detail in Chapter Seven. The Omni Convention Center Hotel will be an impressive addition to Downtown Dallas. Omni hotels are well known for their urban architecture, spacious guestrooms, and high-end finishes. Each Omni guestroom features the Sensation Bar, a personal sundries counter that offers more than just drinks and snacks. Omni hotels also feature signature restaurants, among them Noé, 676 Restaurant and Bar, and Bob's Steak & Chop House. Many Omni properties also house a spa or offer in-room spa services. The proposed Omni Convention Center Hotel is expected to be designed in the same manner. Initial renderings of the hotel provide for an impressive, two-winged structure that merges together in a "V" shape. The addition of a new, state-of-the-art, convention headquarters Omni Hotel in Dallas is expected to attract large groups, events, and meetings from throughout the U.S. The hotel could also be complemented by a new College Football Hall of Fame, for which the government and local community leaders are actively campaigning. The site for this attraction would be adjacent to the hotel, and if built, would further strengthen not only the neighborhood's appeal for tourism travel, but would also increase the hotel's appeal for capturing NCAA and other sports-oriented groups.

Spurred by several major capital investments, and a renewed Uptown district, Dallas is experiencing its strongest economic cycle in recent history. Visionaries and important Dallas developers have incited over $6 billion in new investments. Projects such as the Magnolia and Hamilton's Davis residential complex generated momentum in the mid- and late-90s, and major additional projects during the last several years show the force of change to be formidable. AT&T has moved its headquarters to the CBD in 2009, and 7-Eleven recently relocated its corporate offices to Downtown Dallas, occupying 300,000 square feet in One Arts Plaza. Comerica relocated its headquarters from Detroit to the CBD in 2008, and Fireman's Fund Insurance Company leased an additional 130,000+ square feet for expanding operations. These activities reflect the type of evolution occurring in the local market.

The market remained resilient through 2008, despite the accelerating national recession. The amount of office space occupied in the Dallas CBD increased considerably in 2008, with just over 20,500,000 square feet occupied as of the fourth quarter 2008, representing an increase of over 1,100,000 square feet since the fourth quarter of 2007, according to CB Richard Ellis. This number will likely moderate in 2009 as companies streamline operations to survive the downturn; however, once the economy stabilizes, the market will return to a growth mode quickly and from a higher base level than other national markets that experienced a greater correction in 2008.

Along with this relatively strong office environment, the development of other complementary uses has expanded considerably in recent years, with multiple high-density residential projects, retail and restaurant additions, and entertainment venues throughout the downtown and uptown areas. The Ritz-Carlton celebrated its opening on August 15, 2007, representing the first Ritz-Carlton property in Texas, a market long-dominated by Four Seasons and several notable independent luxury properties. Nearby, Victory Park is a new crown jewel for the city, with its hip W Hotel and Residences representing a type of ultra-modern hotel product never before available in the city. Victory Park now boasts ABC's new television facility, featuring a highly visible configuration similar to that of NBC's Today Show in New York City's Rockefeller Center, and new music venues such as the House of Blues.

Room revenues for Dallas rose 2.7% in 2008 (versus the 0.7% growth rate for the nation as a whole), slowing from the 5.7% growth rate in 2007, according to Smith Travel Research. Although citywide occupancy declined by just over one point to 58.9% in 2008 (due in part to new supply), rates managed to increase by just over $2.00. Market conditions in the hotel sector began to deteriorate in the fourth quarter of 2008, and in January of 2009, occupancy levels fell just over seven points and rates fell by roughly $3.00, contributing to a RevPAR decline of 18.9% for the month.

The outlook for the industry and local hotel market is not favorable for the near term, with similar declines expected through at least the first two quarters of the year. While some normalization may occur in the second half of the year, net gains in RevPAR are not expected. The decline in travel is not only being impacted by general cutbacks in corporate spending and a propensity for personal savings over discretionary leisure travel spending, but also by the negative press put on the high-end corporate meetings industry in recent months. As the AHLA and industry leaders work with Washington to remedy the perspective being placed on the industry, as hotel companies proliferate advertising outlets with new campaigns targeted at changing the way people are viewing the meetings industry and travel in general, and corporations stabilize budgets and operations through 2009, we anticipate that the local hotel market will recover in the period of 2010 through 2012, with a primary acceleration of recovery in 2011 and 2012. This expectation is reflected in our forecasts.

This forecast recovery of the downtown Dallas hotel industry through the next decade will be dependent on the development of a headquarters hotel, which will enable the full salability of the Dallas Convention Center on the national stage. A vibrant, highly-utilized convention center typically serves as a vital component to a major city's downtown visitation and downtown hotel utilization levels. The Dallas center remains underutilized due largely to the lack of an adjacent headquarters hotel, a requirement high on the priority list of today's convention meeting planners. This stagnant downtown occupancy reality is underscored by the trends shown in the following table.

Table 1-1 Local Market Historical Supply and Demand Trends (STR)

Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change
1998	5,412	1,975,217	—	1,289,688	—	65.3 %	$123.74	—	$80.79	—
1999	6,301	2,299,865	16.4 %	1,387,466	7.6 %	60.3	130.97	5.8 %	79.01	(2.2) %
2000	6,436	2,349,090	2.1	1,444,260	4.1	61.5	133.74	2.1	82.22	4.1
2001	6,465	2,359,810	0.5	1,208,753	(16.3)	51.2	130.26	(2.6)	66.72	(18.9)
2002	6,458	2,357,170	(0.1)	1,237,311	2.4	52.5	131.99	1.3	69.28	3.8
2003	6,458	2,357,170	0.0	1,201,003	(2.9)	51.0	128.02	(3.0)	65.23	(5.9)
2004	6,458	2,357,170	0.0	1,254,152	4.4	53.2	120.59	(5.8)	64.16	(1.6)
2005	6,458	2,357,170	0.0	1,251,277	(0.2)	53.1	128.10	6.2	68.00	6.0
2006	6,458	2,357,170	0.0	1,375,229	9.9	58.3	135.95	6.1	79.31	16.6
2007	6,458	2,357,170	0.0	1,273,756	(7.4)	54.0	142.05	4.5	76.76	(3.2)
2008	6,458	2,357,170	0.0	1,316,102	3.3	55.8	142.13	0.1	79.36	3.4
Year-to-Date Through April										
2008	6,458	774,960	—	476,571	—	61.5 %	$150.86	—	$92.77	—
2009	6,458	774,960	0.0 %	425,793	(10.7) %	54.9	142.11	(5.8) %	78.08	(15.8) %
Average Annual Compounded Change (1998-2008):			1.8 %		0.2 %			1.4 %		(0.2) %

Hotels Included in Sample	Number of Rooms	Year Opened
Fairmont Dallas	545	Jun-69
Westin City Center Dallas	407	Jun-80
Sheraton Hotel Dallas	1,840	Jun-59
The Adolphus Hotel	422	Jun-12
Renaissance Dallas Hotel	514	Jun-83
Hyatt Regency Dallas	1,122	May-78
Hilton Anatole	1,608	Jun-79
Total	**6,458**	

Source: Smith Travel Research

As a result of the opening of Fort Worth's Omni in January of 2009, Dallas is the only major Texas city without a hotel connected to or adjacent to its convention center. The following table summarizes the factors cited as important by meeting planners when choosing a destination and a host hotel within that destination.

Table 1-2 Factors in Choosing an Association Meeting Location and Facility

Top Factors When Choosing Location	Association Meetings	Conventions
Availability of Suitable Hotels	65 %	78 %
Affordability of Destination	72	77
Safety and Security of Destination	54	63
Ease of Transportation	45	55
Transportation Costs	48	53
Distance Traveled by Attendees	62	48
Clean and Unspoiled Environment	28	35
Climate	19	21
Availability of Recreational Facilities	13	18
Sightseeing, Cultural Events, Attractions	12	52
Mandated by By-Laws	20	20
Glamorous/Popular Image of Location	9	11

Top Factors When Choosing Hotel Within Location	Association Meetings	Conventions
Number, Size, and Quality of Meeting Rooms	67 %	90 %
Negotiable Food, Beverage, and Room Rates	70	84
Cost of Hotel or Meeting Facility	76	83
Quality of Food Service	61	70
Number, Size, and Quality of Sleeping Rooms	59	78
Efficiency of Billing Procedures	52	50
Availability of Meeting Support Services	43	54
Assignment of One Staff Person To Handle Meeting	45	46
Efficiency of Check-in/Check-out Procedures	39	42
Availability of Exhibit Space	28	53
Previous Experience in Dealing with Facility and Staff	40	49
Proximity to Shopping, Restaurants, Off-site Entertainment	19	28
Number, Size, and Quality of Suites	22	28
Proximity to Airport	26	20
Convenience to Other Modes of Transportation	28	26
Provision of Special Meeting Services	14	14
Meeting Rooms with Multiple High Speed Lines/Outlets	38	38
High Speed Internet	46	47
Other On-site Recreational Facilities	8	12
On-site Golf Course	6	7

Source: 2008 Meetings Market Report, *Meetings & Conventions Magazine*

Once Dallas' headquarters hotel opens, and with Downtown Dallas' massive 1,840-room Adam's Mark Hotel re-branded as a Sheraton, the city's competitive position should be significantly enhanced in relation to capturing major conventions. This is underscored by the performance of other national headquarters facilities, as illustrated in the following table.[1]

Table 1-3 National Market Historical Supply and Demand Trends (STR)

Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change
1998	9,638	3,517,885	—	2,616,690	—	74.4 %	$148.21	—	$110.24	—
1999	9,969	3,638,685	3.4 %	2,692,581	2.9 %	74.0	152.70	3.0 %	113.00	2.5 %
2000	9,969	3,638,685	0.0	2,705,254	0.5	74.3	158.50	3.8	117.84	4.3
2001	10,538	3,846,433	5.7	2,641,468	(2.4)	68.7	158.26	(0.2)	108.68	(7.8)
2002	10,591	3,865,715	0.5	2,676,794	1.3	69.2	160.87	1.6	111.40	2.5
2003	12,083	4,410,120	14.1	2,960,119	10.6	67.1	155.24	(3.5)	104.20	(6.5)
2004	16,181	5,906,220	33.9	3,891,015	31.4	65.9	151.27	(2.6)	99.66	(4.4)
2005	16,478	6,014,454	1.8	4,183,592	7.5	69.6	155.93	3.1	108.46	8.8
2006	17,646	6,440,804	7.1	4,543,615	8.6	70.5	161.47	3.6	113.91	5.0
2007	17,644	6,440,060	(0.0)	4,626,855	1.8	71.8	169.10	4.7	121.49	6.7
2008	18,819	6,868,978	6.7	4,680,046	1.1	68.1	174.16	3.0	118.66	(2.3)
Year-to-Date Through April										
2008	18,154	2,178,463	—	1,548,331	—	71.1 %	$178.77	—	$127.06	—
2009	19,651	2,358,174	8.2 %	1,456,697	(5.9) %	61.8	173.88	(2.7) %	107.41	(15.5) %
Average Annual Compounded Change (1998-2008):			6.9 %		6.0 %			1.6 %		0.7 %

Hotels Included in Sample	Number of Rooms	Year Opened
Omni Hotel @ CNN Center	1,067	Jun-74
Gaylord Opryland Resort	2,881	Jun-77
Marriott Indianapolis Downtown	622	Feb-01
Hyatt Regency McCormick Place	800	Jun-98
Renaissance St Louis Grand & Suites Hotel	1,073	Jun-17
Marriott Kansas City Downtown	983	Apr-85
Hilton New Orleans Riverside	1,622	Sep-77
Gaylord Texan Resort & Convention Ctr	1,511	Apr-04
Hilton Americas Houston	1,203	Dec-03
Marriott San Antonio Rivercenter	1,001	Sep-88
Grand Hyatt San Antonio	1,003	Mar-08
Hilton Austin Convention Center	800	Dec-03
Hyatt Regency Denver Convention Ctr	1,100	Dec-05
Sheraton Hotel Phoenix Downtown	1,000	Sep-08
Marriott San Diego Hotel & Marina	1,362	Jun-84
Total	**18,028**	

Source: Smith Travel Research

[1] Our selection of national markets included most southern- and middle-America destinations; we did not include Orlando and Las Vegas due to the differences in destination appeal and market depth.

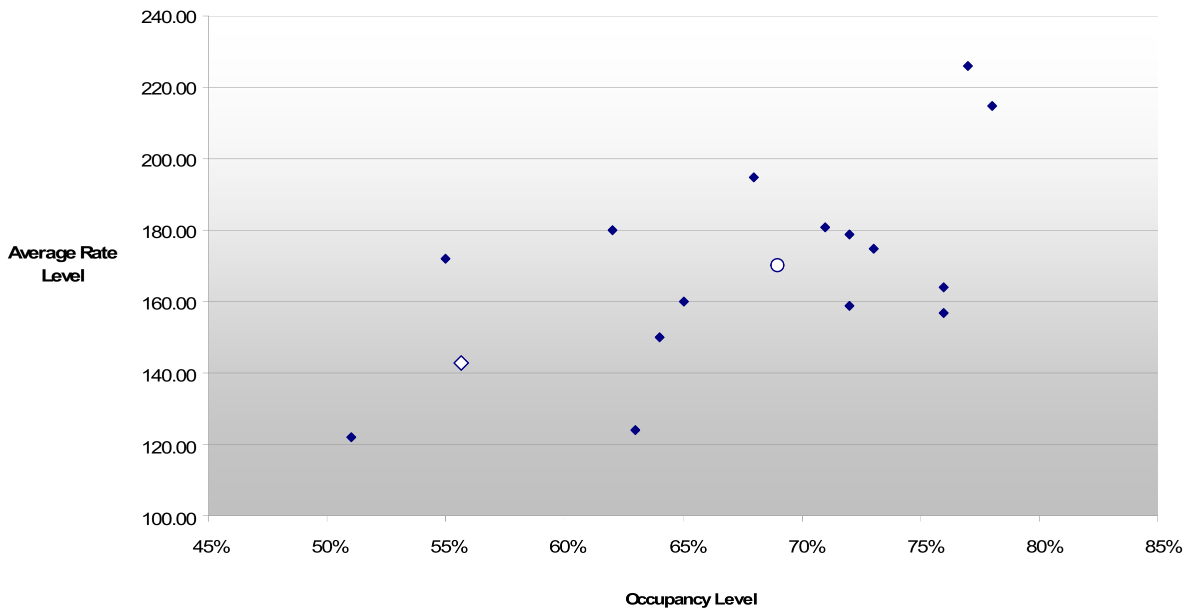
These data reflect a 2008 RevPAR[2] of $119.00 (rounded), roughly 50% higher than the average, with $79.00 (rounded) RevPAR experienced by the locally competitive set. Locally, 2008 RevPAR ranged from roughly $50.00 to just over $100.00 among each hotel, while the range in RevPAR for the national set ranged from the low $60-range to just over $170 (for hotels open for the full year). After eliminating the high and the low on the national scale, the range is a tighter $80 to $170 (rounded).

Despite the current economic downturn that is impacting the hotel industry rather significantly in 2009, Dallas continues to transform. City leadership remains focused on maintaining growth and revitalization within the city. This leadership, together with a myriad of local developers and committed residents, deserves substantial credit for the city's rebirth. The current phase of evolution, anchored by such hotel projects as the W, the Joule, the Ritz-Carlton, and the anticipated convention headquarters hotel, will help redefine the city's position on the world stage by 2012. However, if the headquarters hotel is not added to the city's landscape, the success of the city's and downtown's hotel industry will likely remain far behind where it should be for a city of this size and overall economic performance. As of May 2009, 13 major conventions have been secured in the "definite" category contingent on the addition of the headquarters hotel. These groups represent over 360,000 room nights and over $532 million dollars of economic impact, according to the Dallas CVB.[3] Over 600,000 additional room nights have been booked on a tentative basis. The current, troubled hospitality sector results should not deter development. The industry is cyclical, and by 2011 the sector's recovery should be well underway. The addition of the Omni in 2012 should help accelerate the recovery even further, contributing a new source of national convention demand (accustomed to paying higher room rates) not previously captured by the city.

This stagnation is further illustrated by the local rate levels versus the national rate positions. The hollow circle represents the forecast stabilized occupancy level and average rate (in 2008 dollars) for the proposed property, the hollow diamond represents the position for the local competitive set, and the small diamonds represent the national competitors (further illustrated in table 6-14).

[2] RevPAR = Occupancy x Average Rate ("Revenue per available room")
[3] Please refer to supporting table regarding definite groups contingent on the addition of a hotel in Chapter 8.

Chart 1-4 Comparison of 2008 Occupancy & Avg. Rate Levels – Local Hotels vs. National Convention Properties



Chapter Nine details our income and expense projection, which is based on a review of comparable operations and local market revenue and expense factors. The tables on the following pages present our projection: first, a detailed forecast through the fifth projection year, including amounts per available room (PAR) and per occupied room (POR); second, a summary forecast through the tenth projection year. The forecasts pertain to calendar operating years beginning January 1, 2012, and are expressed in inflated dollars for each year.

Table 1-6 also illustrates the total taxes forecast to be generated by the subject property. This assumes all revenues are taxable; we note that the hotel would likely accommodate some tax-exempt travelers, primarily in the commercial transient sector. However, given that this property will be primarily a meetings-driven hotel, the number of transient, tax-exempt travelers housed by the property is expected to be negligible.

Table 1-5 Detailed Forecast of Income and Expense

	2012 (Calendar Year)				2013				2014				2015				Stabilized			
Number of Rooms:	**1016**				**1016**				**1016**				**1016**				**1016**			
Occupancy:	**57%**				**63%**				**66%**				**68%**				**69%**			
Average Rate:	**$169.34**				**$181.33**				**$195.98**				**$204.80**				**$211.97**			
RevPAR:	**$96.52**				**$114.24**				**$129.35**				**$139.27**				**$146.26**			
Days Open:	**365**				**365**				**365**				**365**				**365**			
Occupied Rooms:	**211,379**	**%Gross**	**PAR**	**POR**	**233,629**	**%Gross**	**PAR**	**POR**	**244,754**	**%Gross**	**PAR**	**POR**	**252,171**	**%Gross**	**PAR**	**POR**	**255,880**	**%Gross**	**PAR**	**POR**
REVENUE																				
Rooms	$35,795	58.1 %	$35,231	$169.34	$42,364	58.8 %	$41,697	$181.33	$47,968	59.9 %	$47,213	$195.98	$51,645	60.1 %	$50,832	$204.80	$54,239	60.1 %	$53,385	$211.97
Food	17,692	28.7	17,413	83.70	20,380	28.3	20,059	87.23	22,041	27.5	21,694	90.05	23,509	27.4	23,139	93.23	24,754	27.4	24,364	96.74
Beverage	3,145	5.1	3,096	14.88	3,623	5.0	3,566	15.51	3,918	4.9	3,857	16.01	4,179	4.9	4,114	16.57	4,401	4.9	4,331	17.20
Telephone	813	1.3	800	3.85	915	1.3	901	3.92	983	1.2	967	4.02	1,040	1.2	1,023	4.12	1,085	1.2	1,068	4.24
Spa/Health Club	2,101	3.4	2,068	9.94	2,434	3.4	2,396	10.42	2,639	3.3	2,597	10.78	2,819	3.3	2,775	11.18	2,971	3.3	2,924	11.61
Other Income	2,011	3.3	1,979	9.51	2,329	3.2	2,292	9.97	2,525	3.2	2,485	10.32	2,697	3.1	2,655	10.70	2,842	3.1	2,797	11.11
Total Revenues	61,557	100.0	60,588	291.22	72,045	100.0	70,911	308.37	80,074	100.0	78,813	327.16	85,889	100.0	84,537	340.60	90,292	100.0	88,870	352.87
DEPARTMENTAL EXPENSES *																				
Rooms	8,519	23.8	8,385	40.30	9,582	22.6	9,431	41.01	10,047	20.9	9,889	41.05	10,471	20.3	10,306	41.52	10,848	20.0	10,677	42.39
Food & Beverage	14,275	68.5	14,050	67.53	15,840	66.0	15,590	67.80	16,676	64.2	16,414	68.13	17,454	63.0	17,180	69.22	18,166	62.3	17,880	70.99
Telephone	747	91.9	735	3.53	837	91.4	824	3.58	876	89.1	862	3.58	912	87.7	897	3.62	944	87.0	929	3.69
Spa/Health Club	2,082	99.1	2,049	9.85	2,331	95.8	2,294	9.98	2,401	91.0	2,363	9.81	2,473	87.7	2,434	9.81	2,547	85.7	2,507	9.95
Other Expenses	1,064	52.9	1,047	5.03	1,122	48.2	1,105	4.80	1,170	46.3	1,152	4.78	1,215	45.0	1,196	4.82	1,256	44.2	1,236	4.91
Total	26,687	43.4	26,266	126.25	29,712	41.2	29,244	127.17	31,170	38.9	30,679	127.35	32,524	37.9	32,012	128.98	33,761	37.4	33,229	131.94
DEPARTMENTAL INCOME	34,870	56.6	34,321	164.97	42,333	58.8	41,667	181.20	48,904	61.1	48,134	199.81	53,365	62.1	52,525	211.62	56,531	62.6	55,641	220.93
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	4,419	7.2	4,350	20.91	4,915	6.8	4,837	21.04	5,149	6.4	5,068	21.04	5,351	6.2	5,267	21.22	5,534	6.1	5,447	21.63
Marketing	6,998	11.4	6,887	33.10	7,544	10.5	7,425	32.29	7,902	9.9	7,778	32.29	8,213	9.6	8,084	32.57	8,494	9.4	8,361	33.20
Prop. Operations & Maint.	1,942	3.2	1,911	9.19	2,441	3.4	2,402	10.45	2,833	3.5	2,789	11.58	3,171	3.7	3,121	12.58	3,450	3.8	3,396	13.48
Utilities	2,886	4.7	2,841	13.66	3,315	4.6	3,262	14.19	3,472	4.3	3,418	14.19	3,609	4.2	3,552	14.31	3,732	4.1	3,674	14.59
Total	16,245	26.5	15,989	76.85	18,214	25.3	17,927	77.96	19,357	24.1	19,052	79.09	20,344	23.7	20,023	80.67	21,211	23.4	20,877	82.89
HOUSE PROFIT	18,625	30.1	18,332	88.11	24,120	33.5	23,740	103.24	29,547	37.0	29,082	120.72	33,021	38.4	32,501	130.95	35,320	39.2	34,764	138.03
Management Fee	1,231	2.0	1,212	5.82	1,441	2.0	1,418	6.17	1,601	2.0	1,576	6.54	1,718	2.0	1,691	6.81	1,806	2.0	1,777	7.06
INCOME BEFORE FIXED CHARGES	17,394	28.1	17,120	82.29	22,679	31.5	22,322	97.07	27,946	35.0	27,506	114.18	31,303	36.4	30,810	124.14	33,514	37.2	32,986	130.98
FIXED EXPENSES																				
Insurance	942	1.5	927	4.46	971	1.3	955	4.15	1,000	1.2	984	4.08	1,030	1.2	1,013	4.08	1,061	1.2	1,044	4.14
Reserve for Replacement	1,231	2.0	1,212	5.82	2,161	3.0	2,127	9.25	3,203	4.0	3,153	13.09	4,294	5.0	4,227	17.03	4,515	5.0	4,443	17.64
Total	2,173	3.5	2,139	10.28	3,132	4.3	3,083	13.41	4,203	5.2	4,136	17.17	5,324	6.2	5,240	21.11	5,575	6.2	5,487	21.79
NET INCOME	$15,221	24.6 %	$14,981	$72.01	$19,547	27.2 %	$19,239	$83.67	$23,743	29.8 %	$23,369	$97.01	$25,979	30.2 %	$25,570	$103.02	$27,939	31.0 %	$27,499	$109.19

*Departmental expenses are expressed as a percentage of departmental revenues.

Table 1-6 Ten-Year Forecast of Income and Expense

	2012		2013		2014		2015		2016		2017		2018		2019		2020		2021	
Number of Rooms:	**1016**		**1016**		**1016**		**1016**		**1016**		**1016**		**1016**		**1016**		**1016**		**1016**	
Occupied Rooms:	**211,379**		**233,629**		**244,754**		**252,171**		**255,880**		**255,880**		**255,880**		**255,880**		**255,880**		**255,880**	
Occupancy:	**57%**		**63%**		**66%**		**68%**		**69%**		**69%**		**69%**		**69%**		**69%**		**69%**	
Average Rate:	**$169.34**	**% of**	**$181.33**	**% of**	**$195.98**	**% of**	**$204.80**	**% of**	**$211.97**	**% of**	**$218.33**	**% of**	**$224.88**	**% of**	**$231.63**	**% of**	**$238.57**	**% of**	**$245.73**	**% of**
RevPAR:	**$96.52**	**Gross**	**$114.24**	**Gross**	**$129.35**	**Gross**	**$139.27**	**Gross**	**$146.26**	**Gross**	**$150.65**	**Gross**	**$155.17**	**Gross**	**$159.82**	**Gross**	**$164.62**	**Gross**	**$169.56**	**Gross**
REVENUE																				
Rooms	$35,795	58.1 %	$42,364	58.8 %	$47,968	59.9 %	$51,645	60.1 %	$54,239	60.1 %	$55,866	59.8 %	$57,542	59.6 %	$59,268	59.6 %	$61,046	59.6 %	$62,878	59.6 %
Food	17,692	28.7	20,380	28.3	22,041	27.5	23,509	27.4	24,754	27.4	25,744	27.6	26,774	27.7	27,577	27.7	28,405	27.7	29,257	27.7
Beverage	3,145	5.1	3,623	5.0	3,918	4.9	4,179	4.9	4,401	4.9	4,577	4.9	4,760	4.9	4,903	4.9	5,050	4.9	5,201	4.9
Telephone	813	1.3	915	1.3	983	1.2	1,040	1.2	1,085	1.2	1,118	1.2	1,151	1.2	1,186	1.2	1,221	1.2	1,258	1.2
Spa/Health Club	2,101	3.4	2,434	3.4	2,639	3.3	2,819	3.3	2,971	3.3	3,089	3.3	3,213	3.3	3,341	3.4	3,475	3.4	3,614	3.4
Other Income	2,011	3.3	2,329	3.2	2,525	3.2	2,697	3.1	2,842	3.1	2,956	3.2	3,074	3.2	3,166	3.2	3,261	3.2	3,359	3.2
Total	61,557	100.0	72,045	100.0	80,074	100.0	85,889	100.0	90,292	100.0	93,350	100.0	96,514	100.0	99,441	100.0	102,458	100.0	105,567	100.0
DEPARTMENTAL EXPENSES*																				
Rooms	8,519	23.8	9,582	22.6	10,047	20.9	10,471	20.3	10,848	20.0	11,173	20.0	11,508	20.0	11,854	20.0	12,209	20.0	12,576	20.0
Food & Beverage	14,275	68.5	15,840	66.0	16,676	64.2	17,454	63.0	18,166	62.3	18,802	62.0	19,460	61.7	20,044	61.7	20,645	61.7	21,264	61.7
Telephone	747	91.9	837	91.4	876	89.1	912	87.7	944	87.0	972	87.0	1,001	87.0	1,032	87.0	1,062	87.0	1,094	87.0
Spa/Health Club	2,082	99.1	2,331	95.8	2,401	91.0	2,473	87.7	2,547	85.7	2,623	84.9	2,702	84.1	2,783	83.3	2,866	82.5	2,952	81.7
Other Expenses	1,064	52.9	1,122	48.2	1,170	46.3	1,215	45.0	1,256	44.2	1,294	43.8	1,333	43.3	1,373	43.3	1,414	43.3	1,456	43.3
Total	26,687	43.4	29,712	41.2	31,170	38.9	32,524	37.9	33,761	37.4	34,864	37.3	36,004	37.3	37,084	37.3	38,197	37.3	39,343	37.3
DEPARTMENTAL INCOME	34,870	56.6	42,333	58.8	48,904	61.1	53,365	62.1	56,531	62.6	58,486	62.7	60,510	62.7	62,357	62.7	64,261	62.7	66,224	62.7
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	4,419	7.2	4,915	6.8	5,149	6.4	5,351	6.2	5,534	6.1	5,700	6.1	5,871	6.1	6,047	6.1	6,229	6.1	6,416	6.1
Marketing	6,998	11.4	7,544	10.5	7,902	9.9	8,213	9.6	8,494	9.4	8,749	9.4	9,012	9.3	9,282	9.3	9,561	9.3	9,847	9.3
Prop. Operations & Maint.	1,942	3.2	2,441	3.4	2,833	3.5	3,171	3.7	3,450	3.8	3,588	3.8	3,731	3.9	3,843	3.9	3,959	3.9	4,077	3.9
Utilities	2,886	4.7	3,315	4.6	3,472	4.3	3,609	4.2	3,732	4.1	3,844	4.1	3,960	4.1	4,079	4.1	4,201	4.1	4,327	4.1
Total	16,245	26.5	18,214	25.3	19,357	24.1	20,344	23.7	21,211	23.4	21,882	23.4	22,574	23.4	23,251	23.4	23,949	23.4	24,667	23.4
HOUSE PROFIT	18,625	30.1	24,120	33.5	29,547	37.0	33,021	38.4	35,320	39.2	36,604	39.3	37,936	39.3	39,106	39.3	40,312	39.3	41,557	39.3
Management Fee	1,231	2.0	1,441	2.0	1,601	2.0	1,718	2.0	1,806	2.0	1,867	2.0	1,930	2.0	1,989	2.0	2,049	2.0	2,111	2.0
INCOME BEFORE FIXED CHARGES	17,394	28.1	22,679	31.5	27,946	35.0	31,303	36.4	33,514	37.2	34,737	37.3	36,005	37.3	37,117	37.3	38,263	37.3	39,446	37.3
FIXED EXPENSES																				
Insurance	942	1.5	971	1.3	1,000	1.2	1,030	1.2	1,061	1.2	1,092	1.2	1,125	1.2	1,159	1.2	1,194	1.2	1,229	1.2
Reserve for Replacement	1,231	2.0	2,161	3.0	3,203	4.0	4,294	5.0	4,515	5.0	4,667	5.0	4,826	5.0	4,972	5.0	5,123	5.0	5,278	5.0
Total	2,173	3.5	3,132	4.3	4,203	5.2	5,324	6.2	5,575	6.2	5,760	6.2	5,951	6.2	6,131	6.2	6,317	6.2	6,508	6.2
NET INCOME	$15,221	24.6 %	$19,547	27.2 %	$23,743	29.8 %	$25,979	30.2 %	$27,939	31.0 %	$28,977	31.1 %	$30,055	31.1 %	$30,986	31.1 %	$31,946	31.1 %	$32,938	31.1 %
State Occupancy Tax (6%)	$2,148		$2,542		$2,878		$3,099		$3,254		$3,352		$3,453		$3,556		$3,663		$3,773	
Sales Tax (6.25%) on Non Rooms	1,610		1,855		2,007		2,140		2,253		2,343		2,436		2,511		2,588		2,668	
Local Occupancy Tax (7%)	2,506		2,965		3,358		3,615		3,797		3,911		4,028		4,149		4,273		4,401	
Total Taxes	$6,263		$7,362		$8,242		$8,854		$9,304		$9,605		$9,916		$10,216		$10,524		$10,842	

*Departmental expenses are expressed as a percentage of departmental revenues.

As illustrated, the hotel is expected to stabilize at a profitable level. Our positioning of each revenue and expense level is supported by comparable operations or trends specific to this market or this type of convention headquarters property.

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2. Nature of the Assignment

Definition of the Convention Headquarters Hotel

The subject property is expected to serve as the primary convention headquarters hotel for groups utilizing the Dallas Convention Center in Downtown Dallas, Texas. The term "headquarters" is given to that hotel which serves as the center of operations for an event occurring in the city's convention center. This hotel typically dedicates the largest room block to the event, sometimes devoting up to 90% of its room count during the peak day(s) of the convention to that specific group. The headquarters property also handles a majority of the food and beverage needs of the group (outside of those held in the convention center); in particular, receptions and banquet lunches and dinners. While the adjacent convention center may handle the large-scale exhibits and meetings, the convention headquarters hotel will often handle smaller ancillary meetings and breakouts, as well as pre- and post-group meetings.

The headquarters property typically features one of the larger room counts in the given market, as well as one or two of the larger ballrooms. The most prominent brands for a convention headquarters hotel include Gaylord, Hilton, Hyatt, Loews, Marriott, Omni, Peabory, Sheraton, and Westin. Our report will feature a review of regionally-significant headquarters hotels, as these facilities will compete with the subject property for regionally- and nationally-based meeting demand.

Ownership, Franchise, and Management Assumptions

The City of Dallas has entered into an agreement with Matthews Holdings Southwest as the City's representative to develop, and Balfour/Russell Pegasus, a joing venture, to design and construct the proposed subject property, as well as numerous retail and restaurant venues adjacent to the proposed hotel. The subject site is currently owned by the City of Dallas; the City purchased three parcels totaling 8.3752 acres on June 19, 2008 for a reported purchase price of roughly $40 million from CP-Dallas L&Y LP, which is based in Cincinnati, Ohio. Prior to this sale, this entity had owned the subject site since 1999. Approximately 6.0 acres has been allocated for the hotel.

The proposed hotel will be managed by Omni Hotels Management Corporation. Terms of this agreement call for a fixed base management fee equal to 2.0% of total projected revenues and a fixed fee equal to 0.65% of total projected revenues subordinate to debt service. We have reflected the base management fee of 2.0% of total revenues in our study. Please refer to the forecast of income and expense chapter for additional discussion pertaining to our management fee assumptions.

The proposed subject property will operate as an upscale, convention center headquarters, full-service hotel. As noted previously, the proposed subject property will be brand-managed by Omni, and brand-related costs are therefore included in our forecast of income and expense; a separate franchise fee line item is not applicable.

Pertinent Dates

The effective date of the report is June 8, 2009. The subject site was inspected by Shannon Sampson on March 4, 2009; the site has been previously inspected by Rodney Clough, MAI.

Scope of Work

The methodology used to develop this study is based on the market research and valuation techniques set forth in the textbooks authored by Hospitality Valuation Services for the American Institute of Real Estate Appraisers and the Appraisal Institute, entitled *The Valuation of Hotels and Motels,*[4] *Hotels, Motels and Restaurants: Valuations and Market Studies,*[5] *The Computerized Income Approach to Hotel/Motel Market Studies and Valuations,*[6] *Hotels and Motels: A Guide to Market Analysis, Investment Analysis, and Valuations,*[7] and *Hotels and Motels – Valuations and Market Studies.*[8]

1. All information was collected and analyzed by the staff of DFW Hospitality Consulting, LLC.

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[4] Stephen Rushmore, *The Valuation of Hotels and Motels*. (Chicago: American Institute of Real Estate Appraisers, 1978).
[5] Stephen Rushmore, *Hotels, Motels and Restaurants: Valuations and Market Studies*. (Chicago: American Institute of Real Estate Appraisers, 1983).
[6] Stephen Rushmore, *The Computerized Income Approach to Hotel/Motel Market Studies and Valuations*. (Chicago: American Institute of Real Estate Appraisers, 1990).
[7] Stephen Rushmore, *Hotels and Motels: A Guide to Market Analysis, Investment Analysis, and Valuations* (Chicago: Appraisal Institute, 1992).
[8] Stephen Rushmore and Erich Baum, *Hotels and Motels – Valuations and Market Studies.* (Chicago: Appraisal Institute, 2001).

2. The subject site has been evaluated from the viewpoint of its physical utility for the future operation of a hotel, as well as access, visibility, and other relevant factors.We have reviewed the planned scope of facilities for the proposed Omni Convention Center Hotel.
3. The surrounding economic environment, on both an area and neighborhood level, has been reviewed to identify specific hostelry-related economic and demographic trends that may have an impact on future demand for hotels.
4. Dividing the market for hotel accommodations into individual segments defines specific market characteristics for the types of travelers expected to utilize the area's hotels. The factors investigated include purpose of visit, average length of stay, facilities and amenities required, seasonality, daily demand fluctuations, and price sensitivity.
5. An analysis of existing and proposed competition provides an indication of the current accommodated demand, along with market penetration and the degree of competitiveness. Unless noted otherwise, we have inspected the competitive lodging facilities summarized in this report.
6. Documentation for an occupancy and average rate projection is derived utilizing the build-up approach based on an analysis of lodging activity.
7. A detailed projection of income and expense made in accordance with the Uniform System of Accounts for the Lodging Industry sets forth the anticipated economic benefits of the subject property.

3. Description of the Proposed Site and Neighborhood

The suitability of the land for the operation of a lodging facility is an important consideration affecting the economic viability of a property and its ultimate marketability. Factors such as size, topography, access, visibility, and the availability of utilities have a direct impact on the desirability of a particular site.

The site under consideration for the development of the Omni Hotel is located in the southwest quadrant of the intersection of Young Street and South Lamar Street. This site is in the city of Dallas, Texas.

Physical Characteristics

The subject parcel measures approximately 8.38 acres, or 364,824 square feet. The parcel's adjacent uses are set forth in the following table.

Table 3-1 Subject Parcel's Adjacent Uses

Direction	Adjacent Use
North	Young Street
South	Dallas Convention Center, Ceremonial Drive
East	South Lamar Street
West	South Market Street

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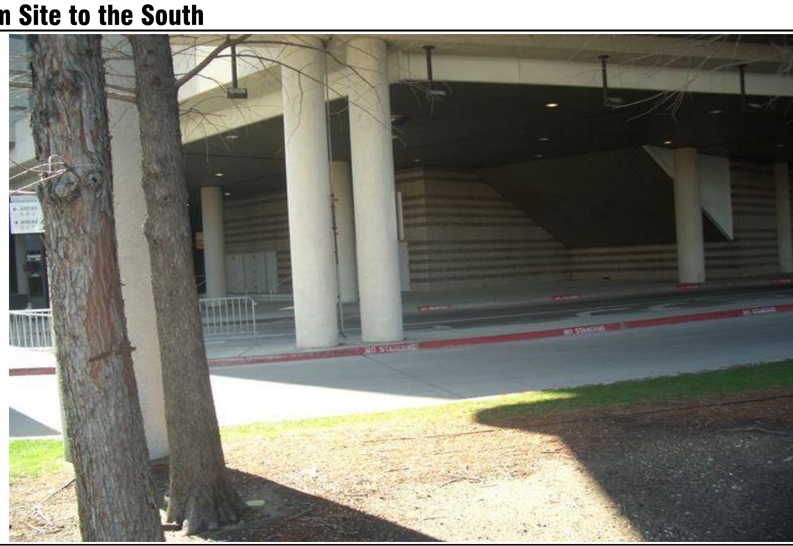
View of Subject Site

Aerial Photograph

View from Site to the North

View from Site to the South



View from Site to the East

View from Site to the West

Primary vehicular access to the proposed Omni Convention Center Hotel will likely be provided by South Lamar Street. Access should also be available from Young Street. The topography of the parcel is generally flat, and the site's shape is rectangular.

Site Utility

Upon completion of construction, the subject site that is designated specifically for the convention hotel component will not contain any significant portion of undeveloped land that could be sold, entitled, and developed for alternate use. The portion of the proposed site on which the hotel is to be constructed is expected to be fully developed with site or building improvements, which will contribute to the overall profitability of the hotel. We have taken into consideration the likely concurrent development of complementary uses on the balance (or unused portion) of the proposed site that is owned by the City of Dallas; however, our forecasts are not contingent on this development taking place.

Access and Visibility

It is important to analyze the site in regard to ease of access with respect to regional and local transportation routes and demand generators. The subject site is readily accessible to a variety of local, county, state, and interstate highways.

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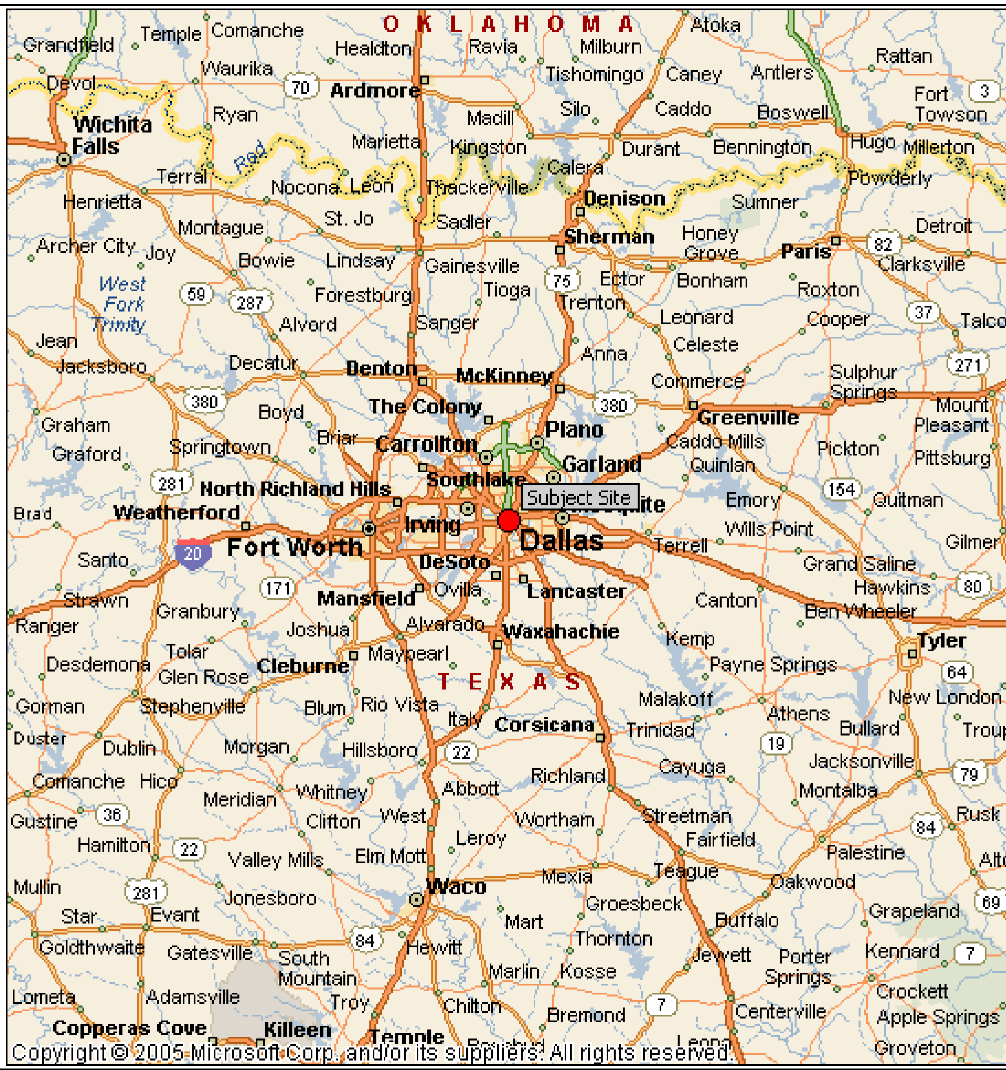
Map of Regional Access Routes



Primary regional access routes serving the Dallas/Fort Worth Metroplex include Interstates 20, 30, 35, and 45, as well as U.S. Highways 67, 75, and 287. Interstate 20 traverses the southern sector of the metro area and extends to such cities as Abilene and Midland to the west and Shreveport, Louisiana to the east. Interstate 30 commences in west Fort Worth and, after serving as a major east/west route through the metro area, extends in a northeasterly direction to Greenville and Texarkana. Interstate 35, which divides into eastern and western sections when passing through the respective Dallas and Fort Worth metro areas, provides access to Oklahoma City to the north and

Austin and San Antonio to the south. Interstate 45 commences near Downtown Dallas and extends in a southeasterly direction, providing access to the Houston metropolitan area. The subject market is served by a variety of additional local highways, which are illustrated on the map.

From Interstate 35E, motorists take the Commerce Street Exit and proceed east one-quarter mile to South Houston Street. Motorists make a right-hand turn onto South Houston Street and travel south for approximately one-quarter mile to Young Street. Motorists then execute a left-hand turn onto Young Street and travel for roughly one block to the subject site, which is located on the motorists' right-hand side. The subject site is located at a busy intersection within Dallas' Central Business District (CBD) and adjacent to the Dallas Convention Center. The proposed Omni Convention Center Hotel is expected to have adequate signage at the street; thus, the proposed Omni Hotel should benefit from very good visibility from within its neighborhood. Overall, the subject site benefits from excellent accessibility, and the proposed Omni Hotel should enjoy very good visibility from within the local neighborhood.

Airport Access

The proposed Omni Hotel will be well served by the Dallas/Fort Worth International Airport, which is located approximately 16 miles to the northwest of the subject site. From the airport, motorists will take the South Exit and follow signs to State Highway 183. Motorists will travel eastbound to Interstate 35E and then proceed southbound on Interstate 35E until its intersection with Commerce Street, continuing to the subject site as previously noted. The proposed Omni Hotel will also be served by Dallas Love Field Airport, which is located approximately six miles northwest of the subject site.

Neighborhood

The neighborhood surrounding a lodging facility often has an impact on a hotel's status, image, class, style of operation, and sometimes its ability to attract and properly serve a particular market segment. This section of the report investigates the subject neighborhood and evaluates any pertinent location factors that could affect its future occupancy, average rate, and overall profitability.

The subject neighborhood encompasses most of the Central Business District of Dallas, including the Arts District, the Government District, the West End, the Uptown District, and Victory Park; this neighborhood is generally defined by Turtle Creek Boulevard and Lemmon Avenue to the north, Interstate 35E to the west, Interstate 30 to the south, and U.S. Highway 75 to the east. In general, this neighborhood is in the revitalization stage of its life cycle, with aggressive pockets of redevelopment and continued growth, primarily throughout the retail/restaurant and high-density residential sectors. The current global economic climate has impacted the Dallas CBD, however, not in a significant way. According to local officials, corporate relocations to the Dallas CBD were at an all-time high in 2008, as were redevelopment projects in the area. Although growth has slowed in the market during the national economic downturn, numerous projects within the CBD were already underway before financing froze, and with solid lease commitments upon completion of construction. A major impact of the economic crisis has been the recent "space-hopping" among renters of restaurant, office, and retail space. When a suitable lower-rent property becomes available, many tenants are opting to move rather than pay a premium for their current lease. Within the immediate proximity of the site, land use is primarily commercial in nature. The neighborhood is characterized by mid- and high-rise office buildings, restaurants, upscale residential developments, entertainment venues, museums and cultural venues, and parking lots. According to the Office of Economic Development, over $157 million has been invested by the public during the last ten years due to the TIF increment. Highlights of downtown revitalization are as follows:

- 4.9 million square feet of vacant/obsolete space has been renovated since 1996, with an additional 1.0+ million under construction

- Retail space spans roughly 170,000 square feet in the Main Street District of the CBD, including 20,000 square feet for Urban Market

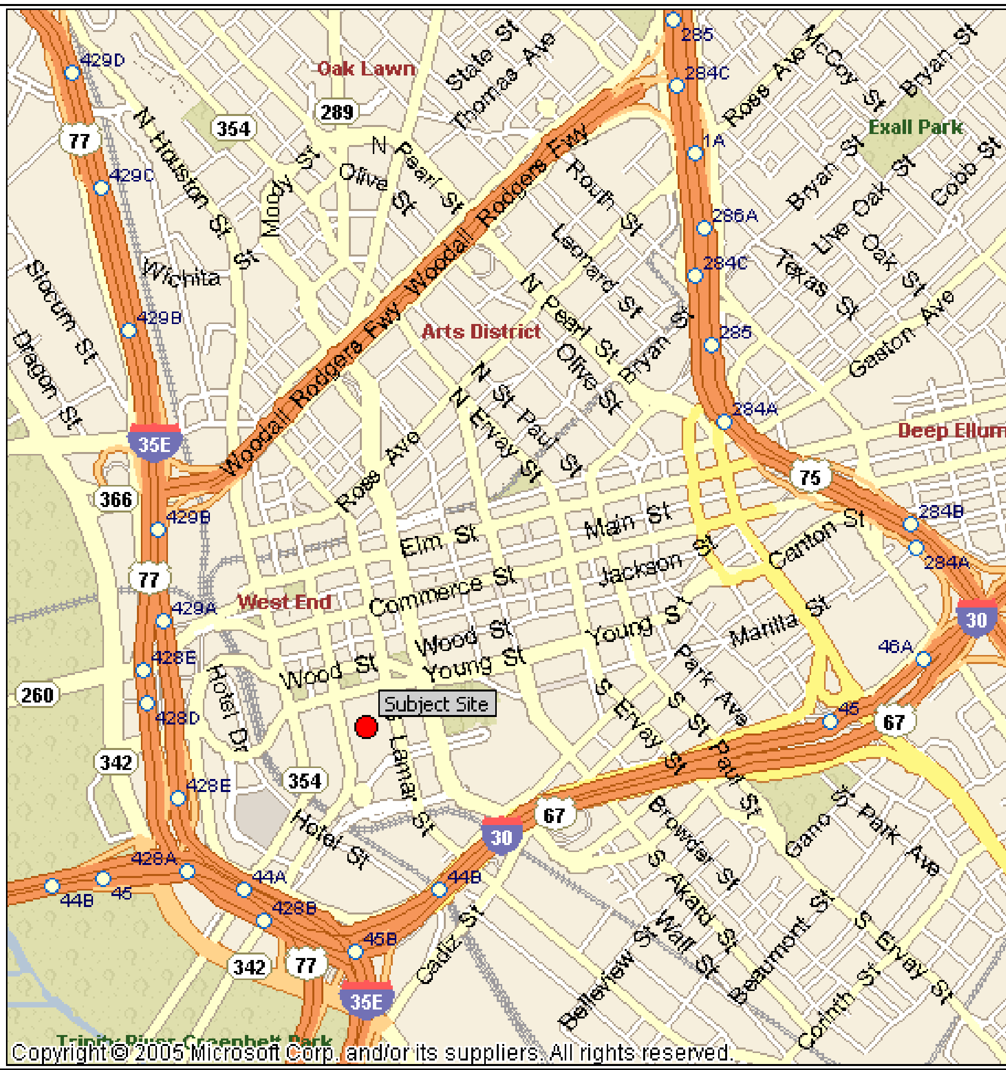
- One Arts Plaza (24 stories) and Hunt Consolidated Headquarters (400,000 square feet) were the first new-construction office buildings in the downtown market in over 20 years

- TIF projects include the redevelopment of the massive downtown Mercantile Complex, to include 366 apartment units, 40,000 square feet of retail, and 431 parking spaces

Some specific businesses in the area include the Dallas Convention Center, Bank of America, Dallas City Hall, and BELO Corporation. Major changes in this neighborhood include the redevelopment of a number of historic office buildings into upscale residential and mixed-use projects, the opening of The Joule hotel, the continuing development of the Victory Park complex, and the expansion of the Arts District. We note that a number of other projects involving office towers and/or mixed-use components are currently under development or have been proposed for the area. In general, we would characterize the neighborhood as 50% office/retail use, 10% hotel use, 5% residential use, 25% vacant or surface parking lots, and 10% other. The proposed subject property's opening should be a positive influence on the area; the hotel will be in character with and will complement surrounding land uses.

As noted previously, the Omni's immediate surroundings could also benefit by a new College Football Hall of Fame, for which the government and local community leaders are actively campaigning. The site slated for this potential future attraction is adjacent to the hotel, and if built, would further strengthen not only the neighborhood's appeal for tourism travel, but would also increase the hotel's appeal for capturing NCAA and other sports-oriented groups.

Map of Neighborhood



Overall, the supportive nature of the development in the immediate area is considered appropriate for and conducive to the operation of a hotel. The combination of current redevelopment efforts in the CBD, complemented by the development of the Omni Convention Center Hotel and related projects, should not only transform Downtown Dallas's physical make-up, but improve the Dallas economy by creating jobs, generating revenue from operations, and attracting large numbers of conventioneers and visitors. Additional aspects pertaining to downtown attractions (American Airlines

Center) and the formidable increases in downtown residents are presented in the following chapter of our report.

Utilities

The subject site will reportedly be served by all necessary utilities. We assume that these will be acquired from the most cost-effective providers within the local market.

Soil and Subsoil Conditions

Geological and soil reports were not provided to us or made available for our review during the preparation of this report. We are not qualified to evaluate soil conditions other than by a visual inspection of the surface; no extraordinary conditions were apparent.

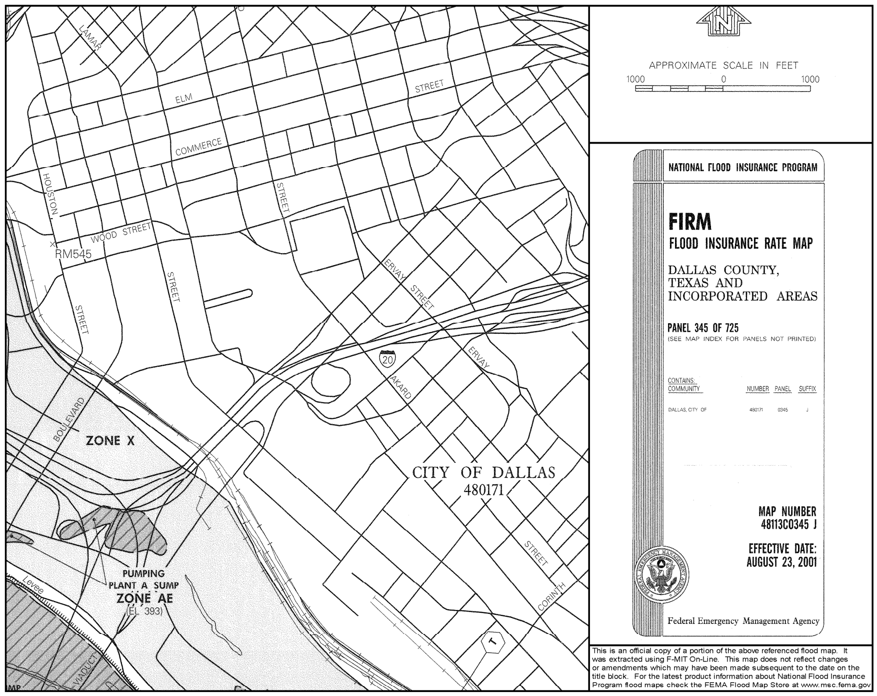
Nuisances and Hazards

We were not informed of any site-specific nuisances or hazards, and there were no visible signs of toxic ground contaminants at the time of our inspection. Because we are not experts in this field, we do not warrant the absence of hazardous waste, and we urge the reader to obtain an independent analysis of these factors.

Flood Zone

According to the Federal Emergency Management Agency map illustrated below, the subject site is located in flood zone X.

Copy of Flood Map and Cover



The flood zone definition for the X designation is as follows: areas outside the 500-year flood plain; areas of the 500-year flood; areas of the 100-year flood with average depths of less than one foot or with drainage areas less than one square mile and areas protected by levees from the 100-year flood.

Zoning

According to the local planning office, the subject property is zoned as follows: CA-1(A) - Central Area - 1. This zoning designation allows for most commercial uses, including large office towers, retail outlets, service industries, and hotels and motels. Based on this information and our review of this zoning code, the subject property's proposed use should conform to local zoning regulations. However, we do not warrant the subject property's conformance with local zoning regulations and recommend an independent verification. We assume that all necessary permits and approvals will be secured (including an appropriate liquor license if applicable), and that the subject property will be constructed in accordance with local zoning ordinances, building codes, and all other applicable regulations. Our zoning analysis should be verified before any physical changes are made to the site.

Easements and Encroachments

There are no known easements attached to the property that would significantly affect the utility of the site or marketability of this project. We do assume that appropriate connections will be made between the subject building and the convention center in order to maximize the synergy between the hotel and the center.

Conclusion

We have analyzed the issues of size, topography, access, visibility, and the availability of utilities. The subject site is located within the Central Business District and is proximate to the Arts District, the West End, Victory Park, and Uptown. The site is also located adjacent to the Dallas Convention Center and along the main DART Rail Line, which provides easy access to other areas of the city. In general, the site should be well suited for future hotel use, with acceptable access, visibility, and topography for an effective operation.

4. Market Area Analysis

The economic vitality of the market area and neighborhood surrounding the subject site is an important consideration in forecasting lodging demand and future income potential. Economic and demographic trends that reflect the amount of visitation provide a basis from which to project lodging demand. The purpose of the market area analysis is to review available economic and demographic data to determine whether the local market will undergo economic growth, stabilize, or decline. In addition to predicting the direction of the economy, the rate of change must be quantified. These trends are then correlated based on their propensity to reflect variations in lodging demand, with the objective of forecasting the amount of growth or decline in visitation by individual market segment, i.e. commercial, meeting and group, and leisure.

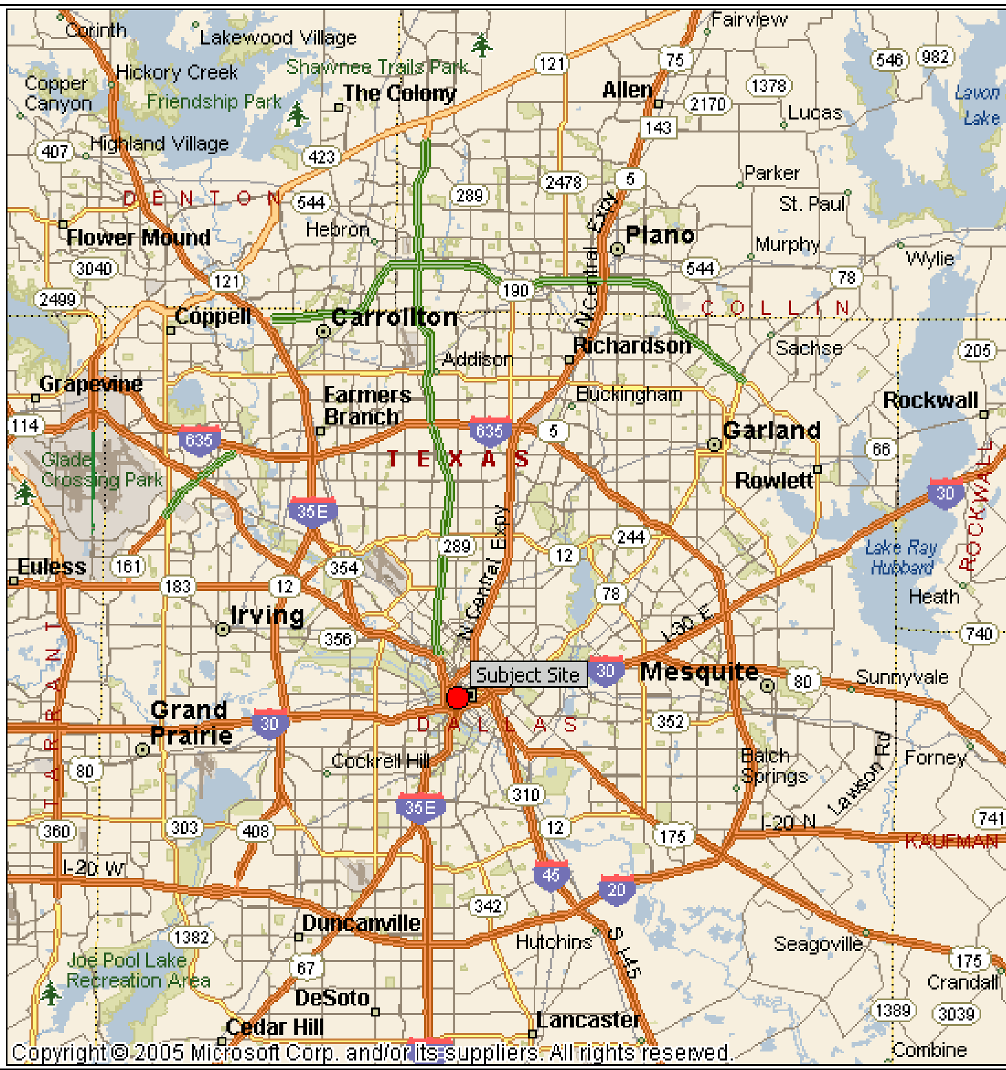
Market Area Definition

The market area for a lodging facility is the geographical region where the sources of demand and the competitive supply are located. The subject property is located in the city of Dallas, the county of Dallas, and the state of Texas. Nestled in the rolling prairies of north-central Texas, Dallas is a sophisticated, bustling metropolis that has earned its reputation in the marketplace of the world. Less than 30 miles separate Dallas from neighboring Fort Worth, leading to the coinage of "Metroplex" to describe the two cities and their surrounding suburbs. Dallas' economy is highly diversified, and the city is the leading commercial, marketing, and industrial center of the southwest; as such, Dallas boasts a broadly diverse business climate, led by the technology sector. Major industries include defense, financial services, information technology and data, life sciences, telecommunications, and transportation. It has been reported that approximately 50% of jobs in the region are service-oriented, belonging to such fields as healthcare, recreation and tourism, and financing.

Dallas

The subject property's market area can be defined by its Metropolitan Statistical Area (MSA): Dallas-Fort Worth-Arlington, TX MSA. The MSA is the most standard definition used in comparative studies of metropolitan areas. The federal government defines an MSA as a large population nucleus, which, together with adjacent counties, has a higher degree of social integration. The following exhibit illustrates the market area.

Map of Local Market Area



Texas Overview

Texas is situated in the southern United States and measures roughly 262,015 square miles. It is bordered by Louisiana and Arkansas to the east, the Gulf of Mexico to the southeast, Mexico to the south and southwest, New Mexico to the west, and Oklahoma to the north. Texas is the second largest state and is characterized predominately by open plains. Interstate 35 bisects the state on a north/south axis, while Interstates 10 and 20 provide regional east/west access.

The capital of Texas is Austin, located in the central part of the state. Other major cities include Dallas/Fort Worth (north), Houston (south), San Antonio (south), among many others that provide economic benefits. Although the weather varies somewhat among the state's different regions, winters are mild and summers are warm. Precipitation is plentiful in areas, allowing the state to be the nation's greatest cotton producer. Oil is an important element of Texas' natural resource production. Manufactured goods include chemical and allied products, petroleum and coal products, food and kindred products, and transportation equipment.

Economic and Demographic Review

A primary source of economic and demographic statistics used in this analysis is the Complete Economic and Demographic Data Source published by Woods & Poole Economics, Inc. – a well-regarded forecasting service based in Washington, D.C. Using a data base containing more than 900 variables for each county in the nation, Woods & Poole employs a sophisticated regional model to forecast economic and demographic trends. Historical statistics are based on census data and information published by the Bureau of Economic Analysis. Projections are formulated by Woods & Poole, and all dollar amounts have been adjusted for inflation, thus reflecting real change. The data are summarized in the following table.

Table 4-1 Economic and Demographic Data Summary

	1990	2000	2008	2015	Average Annual Compounded Change 1990-00	2000-08	2008-15
Resident Population (Thousands)							
Dallas County	1,863.5	2,225.9	2,379.3	2,483.3	1.8 %	0.8 %	0.6 %
Dallas-Fort Worth-Arlington, TX MSA	4,014.3	5,197.3	6,206.3	6,868.8	2.6	2.2	1.5
Dallas-Fort Worth, TX CMSA	4,283.2	5,525.3	6,572.4	7,268.5	2.6	2.2	1.4
State of Texas	17,056.8	20,951.8	24,219.2	26,539.1	2.1	1.8	1.3
United States	249,622.8	282,217.0	306,045.0	327,310.6	1.2	1.0	1.0
Per-Capita Personal Income*							
Dallas County	$30,512.0	$39,055.0	$37,551.0	$41,645.0	2.5	(0.5)	1.5
Dallas-Fort Worth-Arlington, TX MSA	28,064.0	36,810.0	34,833.0	37,932.0	2.7	(0.7)	1.2
Dallas-Fort Worth, TX CMSA	27,550.0	36,124.0	34,375.0	37,441.0	2.7	(0.6)	1.2
State of Texas	23,454.0	30,680.0	31,266.0	34,214.0	2.7	0.2	1.3
United States	26,222.0	32,341.0	34,603.0	37,739.0	2.1	0.8	1.2
W&P Wealth Index							
Dallas County	120.2	122.0	110.5	111.9	0.2	(1.2)	0.2
Dallas-Fort Worth-Arlington, TX MSA	110.7	115.9	103.6	103.4	0.5	(1.4)	(0.0)
Dallas-Fort Worth, TX CMSA	108.3	113.4	101.9	101.7	0.5	(1.3)	(0.0)
State of Texas	92.2	95.8	91.5	91.7	0.4	(0.6)	0.0
United States	100.0	100.0	100.0	100.0	0.0	0.0	0.0
Food & Beverage Sales (Millions)*							
Dallas County	$2,752.1	$3,580.5	$4,586.7	$5,282.9	2.7	3.1	2.0
Dallas-Fort Worth-Arlington, TX MSA	4,876.0	7,063.2	9,871.0	11,966.4	3.8	4.3	2.8
Dallas-Fort Worth, TX CMSA	5,061.8	7,338.1	10,231.0	12,399.5	3.8	4.2	2.8
State of Texas	16,697.6	23,734.2	32,479.7	39,139.0	3.6	4.0	2.7
United States	249,352.8	322,246.1	411,452.9	484,208.0	2.6	3.1	2.4
Total Retail Sales (Millions)*							
Dallas County	$23,536.2	$32,914.7	$38,627.2	$43,641.2	3.4	2.0	1.8
Dallas-Fort Worth-Arlington, TX MSA	44,468.1	68,799.3	89,257.2	106,491.6	4.5	3.3	2.6
Dallas-Fort Worth, TX CMSA	46,679.8	72,206.4	93,428.9	111,405.5	4.5	3.3	2.5
State of Texas	160,671.3	245,089.0	310,820.4	368,078.4	4.3	3.0	2.4
United States	2,409,078.7	3,321,730.6	3,957,496.4	4,579,122.0	3.3	2.2	2.1

* Inflation Adjusted

Source: Woods & Poole Economics, Inc.

The U.S. population has grown at an average annual compounded rate of 1.0% from 2000 to 2008. The county's population has grown more slowly than the nation's population; the average annual growth rate of 0.8% between 2000 and 2008 reflects a gradually expanding area. Following this population trend, per-capita personal income contracted slowly, at 0.8% on average annually for the county between 2000 and 2008. Local wealth indexes have remained stable in recent years, registering a relatively high 110.5 level for the county in 2008. These data underscore the health of the Dallas market and the wealth level that is present; this level should support an upper-upscale headquarters facility and the price point forecast for this property in our report.

Food and beverage sales and retail sales continue to show positive change within the county, the state, and the nation; a continued 2.0% average annual growth rate is anticipated for the county's food and beverage sales from 2008 through 2015. A modestly slower 1.8% positive average annual change is expected in county retail sales through 2015. This trend is healthy and supportive of the development of a headquarters hotel property that would contain a significant food and beverage operation.

Workforce Characteristics

The characteristics of an area's workforce provide an indication of the type and amount of transient visitation likely to be generated by local businesses. Sectors such as finance, insurance, and real estate (FIRE); wholesale trade; and services produce a considerable number of visitors who are not particularly rate sensitive. The government sector often generates transient room nights, but per-diem reimbursement allowances often limit the accommodations selection to budget and mid-priced lodging facilities. Contributions from manufacturing, construction, transportation, communications, and public utilities (TCPU) employers can also be important, depending on the company type.

The following table sets forth the county workforce distribution by business sector in 1990, 2000, and 2008, as well as a forecast for 2015.

Table 4-2 Historical and Projected Employment (000s)

									Average Annual Compounded Change		
Industry	1990	Percent of Total	2000	Percent of Total	2008	Percent of Total	2015	Percent of Total	1990-2000	2000-2008	2008-2015
Farm	1.0	0.1 %	1.1	0.1 %	1.1	0.1 %	1.2	0.1 %	0.6 %	0.2 %	0.8 %
Agriculture Services, Other	8.8	0.6	13.8	0.7	17.4	0.9	18.9	0.9	4.7	2.9	1.2
Mining	31.8	2.2	17.1	0.9	14.4	0.8	15.1	0.7	(6.0)	(2.2)	0.7
Construction	57.1	3.9	107.3	5.6	104.4	5.5	115.2	5.4	6.5	(0.3)	1.4
Manufacturing	190.3	13.1	193.6	10.2	149.7	7.8	151.6	7.1	0.2	(3.2)	0.2
Trans., Comm. & Public Utils.	84.2	5.8	145.5	7.7	131.4	6.9	145.3	6.8	5.6	(1.3)	1.4
Total Trade	341.8	23.5	426.2	22.4	395.8	20.7	425.0	19.9	2.2	(0.9)	1.0
Wholesale Trade	118.5	8.1	149.5	7.9	137.8	7.2	152.6	7.1	2.3	(1.0)	1.5
Retail Trade	223.3	15.3	276.7	14.6	258.0	13.5	272.5	12.8	2.2	(0.9)	0.8
Finance, Insurance, & Real Estate	179.5	12.3	207.6	10.9	224.2	11.7	237.2	11.1	1.5	1.0	0.8
Services	428.6	29.4	632.1	33.3	701.5	36.7	838.6	39.3	4.0	1.3	2.6
Total Government	133.4	9.2	155.1	8.2	172.6	9.0	188.0	8.8	1.5	1.3	1.2
Federal Civilian Govt.	30.2	2.1	28.7	1.5	27.0	1.4	27.7	1.3	(0.5)	(0.8)	0.4
Federal Military Govt.	9.1	0.6	7.4	0.4	6.9	0.4	6.9	0.3	(2.1)	(0.8)	0.0
State & Local Govt.	94.0	6.5	119.0	6.3	138.6	7.2	153.3	7.2	2.4	1.9	1.4
TOTAL	1,456.5	100.0 %	1,899.6	100.0 %	1,912.4	100.0 %	2,136.0	100.0 %	2.7 %	0.1 %	1.6 %
MSA	2,526.3	—	3,501.1	—	4,162.1	—	4,398.5	—	3.3 %	2.2 %	0.8 %
U.S.	139,380.9	—	170,512.7	—	194,464.2	—	203,211.4	—	1.9	1.7	0.6

Source: Woods & Poole Economics, Inc.

This source reports that significant employment growth occurred in the services sector between 1990 and 2008. During this time frame, services employment increased from 428,600 persons (rounded) to 701,500 persons (rounded), reflecting an increase of 64%. Woods & Poole forecasts indicate expected employment growth at a rate of 1.6% annually through 2015. This strengthening trend in employment growth is a positive factor and indicates an economy enduring the current national recession.

Radial Demographic Snapshot

The following table reflects radial demographic trends for our market area measured by three points of distance from the intersection of South Griffin and Commerce in Downtown Dallas.

Table 4-3 Demographics by Radius

	0.00 - 1.00 miles	0.00 - 3.00 miles	0.00 - 5.00 miles
Population			
2012 Projection	16,276	147,802	347,143
2007 Estimate	14,203	144,176	345,332
2000 Census	11,188	138,559	342,269
1990 Census	6,223	123,995	312,335
Growth 2007-2012	14.6%	2.5%	0.5%
Growth 2000-2007	26.9%	4.1%	0.9%
Growth 1990-2000	79.8%	11.7%	9.6%
Households			
2012 Projection	2,920	53,568	122,661
2007 Estimate	2,358	52,074	122,775
2000 Census	1,446	49,906	123,401
1990 Census	452	43,471	114,440
Growth 2007-2012	23.8%	2.9%	-0.1%
Growth 2000-2007	63.1%	4.3%	-0.5%
Growth 1990-2000	219.9%	14.8%	7.8%
Income			
2007 Est. Average Household Income	$102,724	$62,702	$67,786
2007 Est. Median Household Income	69,341	40,315	41,529
2007 Est. Per Capita Income	25,888	23,795	24,706
2007 Est. Civ Employed Pop 16+ by Occupation*	2,902	60,641	143,886
Management, Business, and Financial Operations	779	9,464	21,559
Professional and Related Occupations	814	10,320	26,347
Service	168	10,009	22,463
Sales and Office	736	13,180	34,469
Farming, Fishing, and Forestry	3	106	282
Construction, Extraction and Maintainance	121	9,659	19,212
Production, Transportation and Material Moving	281	7,905	19,554

Source: Claritas, Inc.

This source reports a population of 14,203 within a one-mile radius of the selected intersection, and 2,358 households within this same radius. What is most telling is the 2012 forecast, which shows substantial growth concurrent with the ongoing residential loft development of Downtown Dallas. This strengthening factor is seen as a critical component to reinventing the downtown landscape and moving toward a more highly utilized neighborhood, and one that is also considered more attractive and salable to national convention meeting planners.

Major Business and Industry

As noted previously, Downtown Dallas is showing significant strength in major business and industry development. Comerica relocated to the area from Detroit, and AT&T, Inc. moved its corporate headquarters to the neighborhood as well. This trend reversed a history of decline and stagnation that had been experienced on the corporate stage in the downtown area for decades.

Providing additional context for understanding the nature of the regional economy, the following table presents a list of the major employers in the subject property's market.

Table 4-4 Major Employers

Rank	Firm	Number of Employees
1	Wal-Mart Stores, Inc.	34,871
2	AMR Corporation	25,076
3	AT&T, Inc.	16,600
4	Baylor Health Care System	14,730
5	Lockheed Martin Aeronautics Company	14,000
6	Verizon Communications, Inc.	14,000
7	Texas Health Resources	13,494
8	HCA North Texas Division	12,000
9	Texas Instruments	11,300
10	Citigroup	10,625

Source: Dallas Morning News

The following bullet points highlight major demand generators for this greater Dallas market:

- AT&T, Inc. provides telecommunications devices and services to consumers and businesses around the world. With over 300,000 employees and annual revenue of approximately $115 billion, AT&T was ranked the twelfth-largest company in the world by Forbes in 2008. AT&T announced in June of 2008 that it will move its headquarters and 700 of its top executives from San Antonio to downtown Dallas. Wayport, a company that manages wireless Internet services, was acquired in

December of 2008 by AT&T. This acquisition will expand AT&T's Wi-Fi Hotspot operation to more than 80,000 locations worldwide. In December of 2008, AT&T announced that it would eliminate 12,000 jobs worldwide in 2009, mostly from landline telephone operations; the company announced in March of 2009 that is was adding roughly 3,000 jobs to the wireless operations and spending approximately $19 billion in capital improvements for this division. Although the current economic climate is prompting cut-backs in corporate travel this year, the strengthening of the AT&T presence in downtown Dallas should bode well for the market over the longer term.

- The wholesale merchandise industry is important within this region. The Dallas Market Center (DMC) is one of the largest hospitality demand generators in the city. The complex of specialized wholesale and display facilities is one of the world's largest merchandise marts. The Dallas Market Center conducts some 50 markets annually, attracting more than 400,000 retail buyers from 50 states and 84 countries. These markets offer hundreds of daily events and seminars geared toward the retail industry. The DMC complex includes the Dallas Merchandise Center, the World Trade Center, and the International Apparel Mart, all located within seven million square feet in six contiguous buildings. With an estimated $7.5 billion of wholesale transactions annually, the Dallas Market Center attracts buyers and vendors who require in excess of 750,000 hotel room nights annually. The current economic crisis will inevitably prompt lower levels of activity at the DMC in 2009; however, as the economy picks up steam in 2010 through 2012, hotel demand from this source should normalize and strengthen. This will be well timed for the opening of the Omni Convention Center Hotel.

- The medical sector is one of prominence in the Dallas economy. The University of Texas Southwestern Medical Center ranks among the top academic medical centers in the world. It includes three degree-granting institutions: Southwestern Medical School, Southwestern Graduate School of Biomedical Sciences, and Southwestern Allied Health Sciences School. The three schools train some 2,300 medical, graduate, and allied health students, residents and postdoctoral fellows each year. The faculty members and residents provide medical care to nearly 75,000 hospitalized patients and oversee more than 1.7 million outpatients annually. Affiliated hospitals include Parkland Memorial, Children's Medical, Zale Lipshy University, and St. Paul University hospitals. Recent news in this sector includes the University of Texas Southwestern's proposed BioCenter, to be located within the Southwestern Medical District. The

13-acre BioCenter is expected to feature approximately 500,000 square feet of laboratory, office, and research space. The first phase of construction, which will include the opening of the first building, is expected to be completed in the summer of 2009.

The Dallas economy has enjoyed strengthening and economic expansion in recent years, which stems directly from diversification of key drivers and industries. The Central Business District (CBD), Victory, and Uptown areas benefit from new office space construction and new residential projects. Given the current economic climate and overall health of many manufacturing and banking corporations, cutbacks in employment and corporate travel are occurring in the Dallas market. While this has begun to impact the local market in the recent past, and in 2009 in particular, important economic developments will fuel the recovery in the 2010 through 2012 period. The nearby Trinity River Project has begun infrastructure improvements and residential construction. This project is the most complex and the largest urban development effort ever undertaken by the City of Dallas; the project will increase flood protection for the area, create new outdoor recreational amenities for city residents, protect and expand the Great Trinity Forest, provide transportation improvements through the area, and stimulate economic development and neighborhood revitalization in areas adjacent to the project. The CBD continues to attract global corporations, as evidenced by the relocations of the corporate headquarters of Comerica, from Detroit to Downtown Dallas in 2007, and AT&T from San Antonio to the CBD in 2008. Additionally, two major leisure-demand generators planned for 2009/10 include the Dallas Center for the Performing Arts and Woodall Rodgers Park. Therefore, although the national and local economy is expected to slow considerably during the first three quarters of 2009, the Dallas area's diversified combination of deeply rooted anchors, telecommunications industry growth, and tourism should support a recovery following this current correction. We have considered these positive aspects in our forecasts; however, we have also been careful to take into consideration market-demand attributes in 2009 to reflect the currently declining trends in local and national travel.

Unemployment Statistics

The following table presents historical unemployment rates for the proposed subject property's market area.

Table 4-5 Unemployment Statistics

Year	City of Dallas	MSA	Texas	U.S.
1998	4.4 %	3.3 %	4.9 %	4.9 %
1999	4.2	3.1	4.7	4.5
2000	4.7	3.6	4.4	4.2
2001	6.4	4.7	5.0	4.0
2002	8.9	6.5	6.4	4.7
2003	8.9	6.6	6.7	5.8
2004	7.9	5.8	6.0(d)	6.0
2005	5.7	5.2	5.4(d)	5.5
2006	5.3	5.3	4.9(d)	5.1
2007	4.6	4.3	4.4(d)	4.6
Recent Month - November				
2007	4.5 %	4.1 %	4.2 %	4.7 %
2008	6.3	5.7	5.4	6.8

* Letters shown next to data points reflect revised population controls and/or model re-estimation implemented by the BLS.

Source: U.S. Bureau of Labor Statistics

The national unemployment rate was 4.6% in 2007, reflecting no overall change from 2006. During the first half of 2007, the national unemployment rate was below that of the corresponding period in 2006; however, 2007 unemployment rates rose for the months of September through December to levels higher than those of the corresponding months in 2006. The unemployment rate increased dramatically in 2008. Following job losses of over 1.0 million in the last two months of 2008, year-end unemployment is expected to increase to 7.0, the highest unemployment rate since 1993. Given the present instability of the U.S. economy and financial markets, it is almost certain that unemployment rates will remain heightened in 2009. Locally, the unemployment rate was 4.6% in 2007; for this same area in 2008, the most recent month's unemployment rate registered at 6.3%, versus 4.5% for the same month in 2007.

Unemployment rates in the city of Dallas declined between 2003 and 2007. The most recent comparative period illustrates a notable increase, and heightened unemployment is likely to remain the norm for the Dallas area through much of 2009. As the economy emerges from recession in 2010 through 2012, local employment should strengthen at entities such as AT&T,

HVS

Inc. and Comerica, which have recently expanded operations in the market. Moreover, our interviews with economic development officials reflect a promising outlook for the area, as the Trinity River Project, the Lower Oak Lawn Development, the Arts District, and the Uptown District continue construction efforts.

Office Space Statistics

Trends in occupied office space are typically among the most reliable indicators of lodging demand, because firms that occupy office space often exhibit a strong propensity to attract commercial visitors. Thus, trends that cause changes in vacancy rates or in the amount of occupied office space may have a proportional impact on commercial lodging demand, and a less direct effect on meeting demand. The following table details office space statistics for the pertinent market area.

Table 4-6 Office Space Statistics

Sub-Market	Net Rentable Area (SF)	Vacancy Rate	Average Asking Lease Rate	Sale & Lease Activity (SF)
Central Expressway	12,357,833	16.04 %	$20.53	30,084
Dallas CBD	**27,672,812**	**25.84**	**18.98**	**(334,097)**
East Dallas	5,497,071	11.30	15.52	(10,752)
Far North Dallas	32,245,858	20.42	26.84	64,389
Fort Worth CBD	7,649,640	11.98	28.73	(20,264)
Las Colinas	22,257,256	27.25	21.01	177,153
LBJ Freeway	19,922,272	21.52	17.52	(18,895)
Lewisville/Denton	5,115,856	26.61	17.84	126,755
Mid Cities	13,674,405	18.30	17.00	39,432
North Fort Worth	755,688	4.45	19.12	0
NE Fort Worth	1,758,864	14.08	16.75	(11,036)
Preston Center	3,742,357	8.09	28.26	(51,558)
Richardson/Plano	14,371,343	18.14	19.37	149,310
South Forth Worth	7,255,321	8.24	19.91	46,090
SW Dallas	1,478,337	12.09	14.41	(3,531)
Stemmons Freeway	9,494,855	33.00	14.13	55,676
Uptown/Turtle Creek	9,288,667	17.99	30.42	186,794
Totals	194,538,435	20.69 %	$19.39	425,550

Source: CBRE, Fourth Quarter 2008 Trends Report

Overall, office vacancy represented 20.69% in the greater market area, and the area's lease rate was $19.39. The subject property's location is contained in the category named Dallas CBD. This category shows a vacancy rate of 25.84% and a lease rate of $18.98. The CBD office market has emerged as one of the most desired locations in Dallas due to the abundance of Class A office space, as well as revitalization efforts throughout the CBD. With the second-most rentable square feet among all of Dallas' submarkets, the low vacancy rates, and the increasing rental rates, the CBD office market proves to be a major hub for much of the city's growth and demand. While the current economic downturn will slow employment growth and hotel demand in the CBD during the next twelve months, the pace of office space absorption remains strong overall, and new available space in the development pipeline should quickly be absorbed. This submarket is particularly driven by necessary redevelopments in response to tenant demand for Class A and Trophy space. This submarket has become a prime choice for financial institutions, telecommunications conglomerates, and large law firms. These tenants continue to add jobs and absorb new office space. This should, in turn, lead to greater demand for lodging within the CBD.

Convention Activity

A convention center serves as a gauge of visitation trends to a particular market. Convention centers also generate significant levels of demand for area hotels and serve as a focal point for community activity. Typically, hotels within the closest proximity to a convention center – up to three miles away – will benefit the most. Hotels serving as headquarters for an event benefit the most by way of premium rates and hosting related banquet events. During the largest of conventions, peripheral hotels may benefit from compression within the city as a whole.

The Dallas Convention Center contains a total of 1,150,000 square feet of net rentable space. The center offers two ballrooms of 27,000 and 20,000 square feet, respectively; a theater with 1,770 opera-style seats; and an arena that features seating for approximately 9,800. In 1997, the Dallas City Council funded a $125-million expansion and renovation of the center. The expansion, which debuted on September 26, 2002, added a 203,000-square-foot exhibit hall contiguous with the center's main exhibit level. The hall is now marketed as the world's largest column-free exhibit space.

Convention Center

The following table illustrates recent use statistics for this facility.

Table 4-7 Convention Center Statistics

Year	Number of Conventions	Percent Change	Number of Delegates	Percent Change
2001	33	—	480,389	—
2002	38	15.2 %	791,200	64.7 %
2003	36	(5.3)	808,400	2.2
2004	32	(11.1)	714,500	(11.6)
2005	32	0.0	735,025	2.9
2006	40	25.0	743,289	1.1
2007	39	(2.5)	911,360	22.6
2008	36	(10.0)	868,077	(4.7)

Source: Dallas Convention and Visitors Bureau

The Dallas Convention and Visitors Bureau (DCVB) attributed the decline in 2003 and 2004 to several factors, including the construction occurring at the convention center during this time, a changeover in management at the Dallas Convention and Visitors Bureau in 2003, and an increasingly competitive convention environment. After slow attendee growth in 2005 and 2006, significant growth was seen in attendance in 2007. After reaching an all-time high in attendance for 2007, the number of attendees slipped in

2008; however, we note that the 2008 attendance figure is the second highest over the illustrated period shown. We have reflected a decrease in meeting and group travel in 2009, and a year of very slow growth in 2010, in order to appropriately reflect the decrease in convention travel during this economic downturn that is being experienced nationwide. The addition of the new headquarters hotel in 2012 should significantly enhance the salability of the center after this point; this expectation is built into our growth rates for the meeting and group segment over the longer term. These aspects will be discussed in greater detail in the Supply and Demand Analysis chapter of our report.

Airport Traffic

Airport passenger counts are important indicators of lodging demand. Depending on the type of service provided by a particular airfield, a sizable percentage of arriving passengers may require hotel accommodations. Trends showing changes in passenger counts also reflect local business activity and the overall economic health of the area.

Dallas/Fort Worth International Airport is one of the nation's largest airports and serves as headquarters for American Airlines, which generates over 80% of the airport's activity. A new international terminal and a Grand Hyatt hotel opened at the airport in the summer of 2005. A high-speed tram system, Skylink, was also completed in 2005 to transport passengers among the airport's five terminals. In 2007, the airport received the prestigious "Highest in Customer Satisfaction for Large Airports" award from J.D. Power and Associates. A $45-million renovation of Terminals A, B, C, and E is expected to be completed by year-end 2009; updates are planned to include restroom renovations, new flight information display screens, lighting improvements, and jet bridge and ramp equipment upgrades. The following table illustrates recent operating statistics for the primary airport facility serving the proposed subject property's submarket.

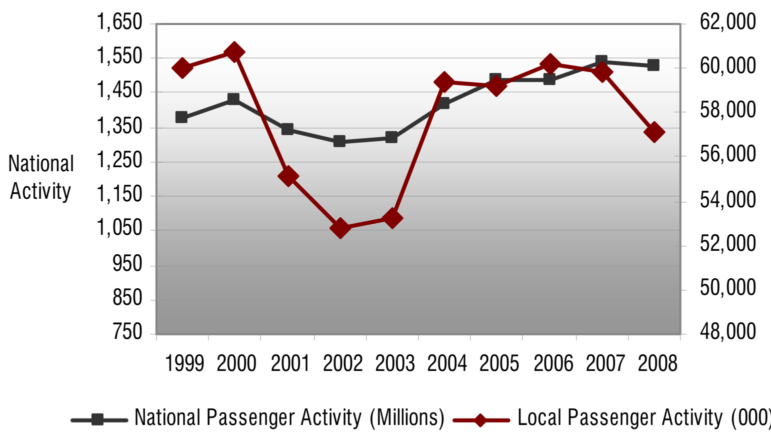
Table 4-8 Airport Statistics - DFW International Airport

Year	Passenger Traffic	Percent Change*	Percent Change**
1999	60,000,127	—	—
2000	60,771,052	1.3 %	1.3 %
2001	55,150,693	-9.2	-4.1
2002	52,814,185	-4.2	-4.2
2003	53,253,607	0.8	-2.9
2004	59,412,217	11.6	-0.2
2005	59,176,265	-0.4	-0.2
2006	60,226,138	1.8	0.1
2007	59,802,556	-0.7	0.0
2008	57,093,187	-4.5	-0.6

*Annual average compounded percentage change from the previous year
**Annual average compounded percentage change from first year of data

Source: Dallas/Fort Worth International Airport

Local (DFW International) Passenger Traffic vs. National Trend



Source: HVS, Local Airport Authority

This facility recorded just over 57 million passengers in 2008. The change in passenger traffic between 2007 and 2008 was -4.5%. The following table illustrates recent operating statistics for the secondary airport facility serving the proposed subject property's submarket.

Table 4-9 Airport Statistics - Dallas Love Field

Year	Passenger Traffic	Percent Change*	Percent Change**
1999	6,820,687	—	—
2000	7,077,549	3.8 %	3.8 %
2001	6,685,618	-5.5	-1.0
2002	5,622,754	-15.9	-6.2
2003	5,588,930	-0.6	-4.9
2004	5,889,756	5.4	-2.9
2005	5,909,599	0.3	-2.4
2006	6,874,717	16.3	0.1
2007	7,953,385	15.7	1.9
2008	8,060,792	1.4	1.9

*Annual average compounded percentage change from the previous year
**Annual average compounded percentage change from first year of data

Source: Dallas Love Field

Dallas Love Field is a public airport located northwest of Dallas, Texas. Love Field was the primary airport for Dallas until Dallas/Fort Worth International Airport opened in 1974. Love Field celebrated 85 years in the aviation industry in 2002 and was designated as a Texas State Historical Site in 2003. Love Field is now Dallas' secondary airport and is primarily serviced by Southwest Airlines. Other airlines serving the facility include Continental Express, American Airlines, and American Eagle. Air traffic registered nearly eight million passengers in 2007. Annual increases in passenger traffic at Dallas Love Field can be attributed to Southwest Airlines' ability to offer more routes. A law repealing the Wright Amendment was enacted in October of 2006. The Wright Amendment, a federal law governing traffic at Dallas Love Field Airport, originally limited most non-stop flights to destinations within Texas and neighboring states. The new law eliminates some of the restrictions imposed by the Wright Amendment and leaves others intact until 2014. Southwest Airlines began offering one-stop or connecting service between Love Field and 25 destinations outside the Wright zone on October 19, 2006. Year-to-date, decreased passenger traffic is attributed to Southwest Airlines cutting nearly 200 flights from its winter schedule.

Tourist Attractions

The market benefits from a variety of tourist and leisure attractions in the area. The peak season for tourism in this area is from May to September. During other times of the year, weekend demand comprises travelers passing through en route to other destinations, people visiting friends or relatives, and other similar weekend demand generators. Primary attractions in the area include the following:

- The Dallas Museum of Art, established in 1903, features more than 23,000 works of art. The Dallas Museum of Art is the anchor of the Dallas Arts District and serves as the cultural center for the city with diverse programming, ranging from exhibitions and lectures to concerts and literary readings.
- The Nasher Sculpture Center opened in 2003 at a cost of $70 million and features an extraordinary collection of sculpture and art. The Center is situated adjacent to the Dallas Museum of Art.
- The American Airlines Center hosts the Dallas Mavericks basketball team and the Dallas Stars hockey team, as well as many high-profile concerts, special events, and shows.
- The West End entertainment district features a multitude of restaurants, shops, and bars. This historic area, which is replete with buildings from the late 19th and early 20th centuries, is also home to the Holocaust Museum, the Sixth Floor Museum, and the "Old Red" Courthouse and Museum.

Nasher Sculpture Center

Furthermore, we note that the potential granting of the future College Football Hall of Fame to the site adjacent to the Omni would further solidify the market's growing popularity for tourism demand.

Conclusion

This section discussed a wide variety of economic indicators for the pertinent market area. The economic health of this market area has remained relatively stable, despite the nation's economic fluctuations during the historical period shown. After a period of rapid economic expansion mid-decade, the market area has entered into a period of slower growth, as the local economy is affected by the national economic conditions. Our market interviews and research revealed that expansion has slowed at many private-sector employers while the healthcare sector remains strong. Areas in the market, such as the CBD, the Market Center, and the Medical Center, benefit from revitalization efforts, new office space construction, and new medical facilities, respectively, and the current national economic slowdown appears to have minimally affected this market. However, we note that the underlying rate of the nation's economic recovery is still unknown, and the true impact of the global economic climate to Dallas—and the convention and meetings market—is uncertain. Based on the diversity of Dallas' economic and employment base, the outlook for the area is generally optimistic.

Our analysis of the outlook for this specific market also considers the broader context of the national economy. According to a recent World Bank report, "The stresses in the financial markets in the United States that first emerged in the summer of 2007 transformed themselves into a full-blown global financial crisis in the fall of 2008." In the US, credit markets froze, the stock market crashed, and consumer spending dropped at the fastest rate since the 1930s. While the near-term outlook is problematic, this downturn must be considered in the context of the economic picture over the longer term. Economic activity is cyclical in nature, and past downturns in the national economy have been followed by periods of growth and recovery. Thus, over the longer term, the outlook includes a return to stable growth, with the potential for a period of strong growth as the economy rebounds from the current conditions.

5. Overview of the United States Meetings Market

Meetings represent an important source of income for hotels. These events are generally planned for ten or more people, depending on the needs of the group and the capacity of the hotel's function space or nearby convention center. Meetings can be classified into many different categories, such as corporate, association, and SMERFE; SMERFE is an acronym for meetings that are social, military, educational, religious, fraternal, or ethnic in purpose. This national trends overview will focus on the corporate and association meetings categories.

Meetings & Conventions Magazine publishes a bi-annual report on the meetings industry, named the *Meetings Market Report*. This well-respected study has been published since 1974 and represents a compilation of reports and opinions of meeting planners. We have illustrated samples of data from this report in this overview. The latest report was published in June of 2008, which includes mainly 2007 data. The next report will be published in June of 2010, which will cover 2009 data.

It is important to note that these estimated industry figures do not represent the nominal total output for the industry; however, HVS believes the trends indicated are representative of the convention industry at large. The data shown represent estimates of the total number of events, attendees, and expenditures generated by subscribers to *Meetings & Conventions Magazine;* the publication estimates that the data represent roughly 80% of total spending in the industry in 2007. Membership consists of 55,452 corporate meeting planners and 14,643 association meeting planners, according to the most recently published information; the most recent survey included 684 complete responses from corporate and association meeting planners.

The following table provides a summary of the number of meetings, number of attendees, and dollars of expenditures from 1985 through 2007, with data recorded at each odd-year interval.

Table 5-1 Summary of National Corporate, Convention, and Association Meetings Market

	Total Number of Meetings			
Year	Corporate	Convention	Association	Total
1985	706,100	12,200	185,400	903,700
1987	807,200	12,700	181,700	1,001,600
1989	866,800	12,600	186,600	1,066,000
1991	806,200	10,200	215,000	1,031,400
1993	801,300	11,800	206,500	1,019,600
1995	797,100	10,900	175,600	983,600
1997	783,900	11,300	189,500	984,700
1999	835,700	11,600	174,200	1,021,500
2001	844,100	11,800	177,700	1,033,600
2003	890,900	12,200	155,600	1,058,700
2005	1,020,300	12,700	210,600	1,243,600
2007	1,080,400	13,700	227,000	1,321,100
	Total Number of Attendees			
Year	Corporate	Convention	Association	Total
1985	39,800,000	13,500,000	18,200,000	71,500,000
1987	47,300,000	10,700,000	16,300,000	74,300,000
1989	58,400,000	13,600,000	21,700,000	93,700,000
1991	49,600,000	8,600,000	22,600,000	80,800,000
1993	55,100,000	10,700,000	18,700,000	84,500,000
1995	49,300,000	13,000,000	15,100,000	77,400,000
1997	49,900,000	11,700,000	17,900,000	79,500,000
1999	51,111,111	12,188,889	15,600,000	78,900,000
2001	51,500,000	12,500,000	15,900,000	79,900,000
2003	56,400,000	12,400,000	15,800,000	84,600,000
2005	79,742,000	18,930,000	37,847,000	136,519,000
2007	84,068,000	19,681,000	37,473,000	141,222,000
	Total Expenditures (In Billions)			
Year	Corporate	Convention	Association	Total
1985	7.5	12.7	11.2	31.4
1987	7.1	11.8	10.0	28.9
1989	9.7	15.0	14.9	39.6
1991	8.7	11.0	15.3	35.0
1993	10.6	15.5	14.3	40.4
1995	8.6	16.8	12.0	37.4
1997	10.8	16.7	14.3	41.8
1999	10.2	16.3	13.7	40.2
2001	10.3	16.6	13.9	40.9
2003	14.9	16.0	13.7	44.6
2005	31.8	33.6	41.8	107.2
2007	30.2	34.6	38.1	102.9

Sources: 1996, 2000, 2002, 2004, 2006. & 2008 Meetings Market Reports, *Meetings & Conventions Magazine*

As noted in the above summary, the total number of meetings peaked first in 1989 at just over one million. By 1991, the quantity of meetings began to decline until a turning point in the mid-1990s. Through its decline and recovery, the number of meetings closely bracketed the one million mark through 2003, with meetings increasing to over 1,200,000 in 2005 and surpassing 1,300,000 in 2007. The number of corporate meetings steadily increased from the low point in 1997, and while numbers for 2000 were not tracked, the number of meetings would have likely significantly surpassed 1999 trends, as the economy peaked in this year, and millennium-related travel and meetings were at an all-time high. Furthermore, were the 2000 data shown, statistics for 2001 would have likely shown a decline from activity levels in this year. As the economy has recovered from the economic turmoil caused by the events of September 11, 2001, corporate meeting activity has once again increased, with over 1,000,000 meetings each in 2005 and 2007. This represents the highest level of activity in the illustrated trend period, surpassing the previous high recorded in 2003.

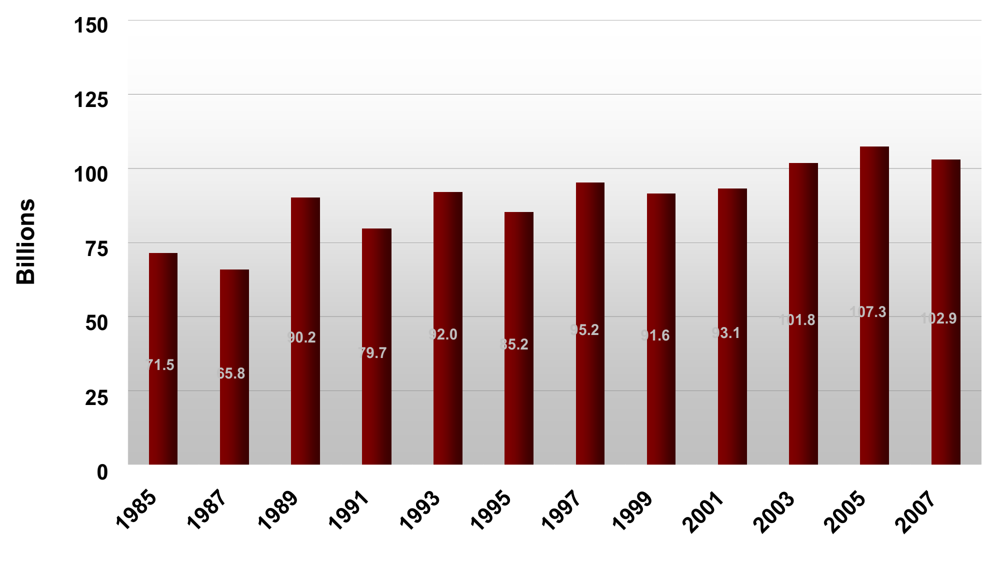
The number of conventions has continued to realize gradual increases since 1995, reaching an all-time high of 13,700 in 2007. Non-convention association meetings increased to a 14-year high, reflecting over 227,000 events in 2007. Growth in all sectors has resulted in a 22-year high in the total number of all meetings held in 2007.

Meeting attendance also increased from 2001 through 2007, continuing to show steady growth and reaching a total of roughly 141 million attendees in 2007. Overall attendance reached the highest level in 2007, concurrent with the historic high in number of meetings.

Expenditures in the convention and association meeting categories remained fairly stable between 1995 and 2003, while corporate meeting expenditures began to increase in 2003. All three categories experienced significant increases in 2005; that year, total meeting expenditures reached the $107 billion mark, primarily attributed to the rise in total number of meetings and attendees. Spending in 2007 was stagnant when compared with the previous period, with corporate and association expenditures decreasing during this period, while convention expenditures noted a slight increase; overall meeting spending amounted to roughly $103 billion.

In 2006, *Meetings & Conventions Magazine* embarked on a major overhaul of its survey management and methodology. This new methodology results in substantial changes in the statistics shown for the number of meetings, attendees, and total expenditures generated by the industry beginning in 2005. Data based on the new methodology are not consistent with data from prior years, from 1985 through 2003. Therefore, HVS developed an extrapolation formula intended to show the real growth trends in the industry over this longer period. HVS used data published by *Meetings & Conventions Magazine* in the 2006 and 2008 editions of the *Meetings Market Report*, along with travel industry growth trend data published by the Travel Industry Association of America, to estimate a more accurate reflection of spending trends in the meetings industry between 1985 and 2007.

Table 5-2 Extrapolation of the National Corporate, Convention, and Association Meetings Market



Sources : HVS, TIA, Meetings Market Report

Trends in Corporate Meetings

Corporate meetings consist of an integral component of the convention segment, and its attendees consist of over two-thirds of all meeting, group, and convention attendees. Corporate groups tend to have a low double occupancy of 1.1 to 1.5, while social groups are likely to have somewhat higher double occupancy rates ranging from 1.5 to 1.9.

Corporate groups generally meet during the work week, thus generating lodging demand on Monday through Thursday nights. The average length of stay for typical meetings and conventions ranges from two to three days. According to the *2008 Meetings Market Report*, the average duration of a corporate meeting is 2.7 days, with a six-month planning window. Feeder markets are an important factor influencing corporate meeting demand. Generally, facilities that attract travelers from distant areas are characterized by greater room-night demand and longer lengths of stay than those destinations that draw a more local clientele.

Corporate groups are one of the most profitable components of this segment, exhibiting limited price-sensitivity and often sponsoring banquets and other events that generate revenue for the host hotel.

According to the *2008 Meetings Market Report*, 57% of corporate expenditures went to the host hotel, with 31 out of the 58 points allocated to hotel rooms and 26 points allocated to food and beverage costs. The remaining 43% was spent on air transportation, speakers and AV equipment, entertainment, ground transportation, and third-party fees.

The following table illustrates a breakdown of corporate meeting purpose by number of meetings and number of attendees.

Table 5-3 Number of Meetings and Attendees by Type of Corporate Meeting

Type of Corporate Meeting	Number in Past Year	% of Total	Attendance in Past Year	% of Total
Training and Educational Seminars	302,512	28 %	12,610,200	15 %
Sales and Marketing Meeting	226,884	21	18,494,960	23
Management Meetings	205,276	19	7,566,120	9
Professional and Technical Meetings	118,844	11	9,247,480	11
New Product Introductions	32,412	3	9,247,480	11
Group Incentive Meetings	75,628	7	13,450,880	16
Stockholder Meetings	10,804	1	2,522,040	3
Other Meetings	108,040	10	10,088,160	12
Total Corporate Meetings	**1,080,400**	**100 %**	**83,227,320**	**100 %**

Source: 2008 Meetings Market Report, *Meetings & Conventions Magazine*

As illustrated in the preceding table, training and education-related meetings represent the most frequent and most attended type of corporate meeting, followed by sales and marketing meetings. Management-related meetings came in third per number of meetings in the past year.

HVS

The following table illustrates the percentage of corporate meeting planners that utilize various types of facilities during a given year. Since the majority of meeting planners organize more than one meeting per year, the percentages will sum to greater than 100%.

Table 5-4 Types of Hotels Used by Corporate Meeting Planners

Types of Hotels Used	Corporate Meetings
Downtown Hotels	75 %
Resort Hotels (not including golf resorts)	48
Suburban Hotels	45
Convention Centers	45
Airport Hotels	29
Golf Resorts	27
Suite Hotels	20
Gaming Facilities	18
Residential Conference Centers	11
Non-residential Conference Centers	8
Cruise Ships	9

Source: 2008 Meetings Market Report, *Meetings & Conventions Magazine*

Downtown hotels, proximate to a city's central business district, are most likely to be recipients of corporate meeting demand, primarily due to the large percentage of businesses located in midtown areas. Resort hotels are the second-most-used hotel type. As noted in the preceding table, 75% of meeting planners use downtown hotels and 45% use convention centers.

The following table summarizes the factors cited as important by meeting planners when choosing a destination and a host hotel within that destination.

Table 5-5 Factors in Choosing a Corporate Meeting Location and Facility

Top Factors When Choosing Location	Corporate Meetings (except Incentive Trips)	Group Incentive Trips
Affordability of Destination	75 %	75 %
Availability of Suitable Hotels	80	78
Ease of Transportation	64	64
Safety and Security of Destination	63	81
Distance Traveled by Attendees	62	50
Clean and Unspoiled Environment	37	48
Climate	36	92
Mandated by Corporate Policy	32	32
Transportation Costs	52	62
Availability of Recreational Facilities	21	78
Sightseeing, Cultural Events, Attractions	48	82
Glamorous/Popular Image of Location	45	71
Reputation for Being Environmentally Friendly	37	24

Top Factors When Choosing Hotel Within Location	Corporate Meetings (except Incentive Trips)	Group Incentive Trips
Cost of Hotel or Meeting Facility	81 %	59 %
Negotiable Food, Beverage, and Room Rates	82	61
Number, Size, and Quality of Meeting Rooms	82	63
Quality of Food Service	75	64
Number, Size, and Quality of Sleeping Rooms	74	63
Efficiency of Billing Procedures	51	45
Availability of Meeting Support Services	54	31
Efficiency of Check-in/Check-out Procedures	43	41
Assignment of One Staff Person To Handle Meeting	48	42
Previous Experience in Dealing with Facility and Staff	45	36
Convenience to Other Modes of Transportation	32	39
Proximity to Airport	31	27
Meeting Rooms with Multiple High Speed Lines/Outlets	49	30
Availability of Exhibit Space	39	19
Number, Size, and Quality of Suites	25	44
Proximity to Shopping, Restaurants, Off-site Entertainment	19	36
Provision of Special Meeting Services	37	25
Other On-site Recreational Facilities	37	38
On-site Golf Course	8	27
Green Practices at the Facility	51	42

Source: 2008 Meetings Market Report, *Meetings & Conventions Magazine*

As the preceding table indicates, location factors cited as most important include the availability of suitable hotels, affordability, safety, and ease of transportation. A balance therefore must exist between what constitutes a suitable yet affordable hotel.

We note that corporate planners reported an average room rate of $184.00 for hotel accommodations, but this number is somewhat skewed by higher-priced destinations (53% of respondents noted accepting rates of $176.00 or more). Approximately 91% of respondents accepted room rates more than $100.00, while 9% accepted room rates below $100.00. Given the current average rate level of the downtown Dallas market (discussed in the following chapters), Dallas is well positioned to take advantage of a rate increase following the addition of a market-appropriate, first-class, meetings-destination hotel.

Following the economic downturn of late 2000 into 2001 and the subsequent recovery, approximately 21% of meeting planners in the latest survey reported the 2007 meeting budgets remained unchanged versus 2006 budget levels. Of the remaining participants, 33% noted an increase in the budget, while 46% noted a decrease.

One of the after-effects of the terrorist attacks of September 11, 2001, was that more corporate meetings were planned closer to home; fewer meetings were planned outside of the United States (27% in 2005 vs. 36% in 2001). However, the percentage of corporate planners intending to use foreign or off-shore destinations increased to 35% in 2007.

Trends in Association Meetings

Association demand is generally divided on a geographical basis: the most common categories are national, regional, and state associations. Depending on their nature, these associations may be more rate-sensitive than commercial groups. This is particularly true when members are not reimbursed by their employers, but must pay to attend (i.e., guestroom and conference fees). The scheduling pattern of associations also depends on the nature of the group. Professional associations and/or those supported by members' employers often meet on weekdays, while other associations prefer to hold events on weekends.

While an event may span three to four days, the majority of delegates mainly seek accommodations for one or two nights during the event. Therefore, event attendance typically mimics a curve, with fewer room nights booked the first and last nights of the event, and more rooms required during the middle. According to the *2008 Meetings Market Report*, the average duration of an association meeting is two days, with a ten-month planning window, while the planning window for a corporate meeting is six months.

According to the *2008 Meetings Market Report*, 64% of association expenditures went to the host hotel (versus 57% for corporate meetings), with 37 out of the 64 points allocated to food and beverage costs (versus 26 points for corporate meetings) and 27 points allocated to hotel costs (versus 31 points for corporate meetings). Hence, associations are apt to spend more on food and beverage and less on hotel rooms, when compared to corporate groups. The remaining 35% is spent on remaining meeting needs. The following table illustrates a breakdown of association meeting purpose by number of meetings and number of attendees.

Table 5-6 Number of Meetings and Attendees by Type of Association Meeting

Type of Association Meeting	Number in Past Year	% of Total	Attendance in Past Year	% of Total
Training and Educational Seminars	56,800	25 %	7,119,870	19 %
Board Meetings	68,100	30	1,873,650	5
Professional and Technical Meetings	40,900	18	8,244,060	22
Regional/Local Chapter Meetings	27,200	12	4,496,760	12
Other Off-Premises Meetings	34,000	15	15,738,660	42
Total Association Meetings	**227,000**	**100 %**	**37,473,000**	**100 %**

Source: 2008 Meetings Market Report, *Meetings & Conventions Magazine*

As noted in the preceding table, board meetings represent the highest number of association meetings, while training and educational-related meetings constitute the second-highest number of events, followed by professional and technical meetings. However, due to the nature of board meetings, these events encompass far less attendees.

The following table illustrates the percentage of association meeting planners that utilize various types of facilities during a given year; these data are illustrated for conventions and non-convention association meetings. Since the majority of meeting planners organize more than one meeting per year, the percentages will sum to greater than 100%.

Table 5-7 Types of Hotels Used by Association Meeting Planners

Types of Hotels Used	Conventions	Association Meetings
Downtown Hotels	62 %	68 %
Suburban Hotels	15	36
Resort Hotels (not including golf resorts)	24	36
Suite Hotels	12	13
Airport Hotels	8	22
Golf Resorts	7	14
Gaming Facilities	5	5
Residential Conference Centers	3	9
Non-residential Conference Centers	2	6
Cruise Ships	1	3
Other Facilities	2	27

Source: 2008 Meetings Market Report, *Meetings & Conventions Magazine*

Downtown hotels are most likely to be used by meeting planners for conventions and association meetings. The table indicates that considerable potential exists for the proposed subject property's downtown Dallas site to capture this type of demand given its proposed location adjacent to the Dallas Convention Center.

The following table summarizes the factors cited as important by meeting planners when choosing a destination and a host hotel within that destination.

Table 5-8 Factors in Choosing an Association Meeting Location and Facility

Top Factors When Choosing Location	Association Meetings	Conventions
Availability of Suitable Hotels	65 %	78 %
Affordability of Destination	72	77
Safety and Security of Destination	54	63
Ease of Transportation	45	55
Transportation Costs	48	53
Distance Traveled by Attendees	62	48
Clean and Unspoiled Environment	28	35
Climate	19	21
Availability of Recreational Facilities	13	18
Sightseeing, Cultural Events, Attractions	12	52
Mandated by By-Laws	20	20
Glamorous/Popular Image of Location	9	11

Top Factors When Choosing Hotel Within Location	Association Meetings	Conventions
Number, Size, and Quality of Meeting Rooms	67 %	90 %
Negotiable Food, Beverage, and Room Rates	70	84
Cost of Hotel or Meeting Facility	76	83
Quality of Food Service	61	70
Number, Size, and Quality of Sleeping Rooms	59	78
Efficiency of Billing Procedures	52	50
Availability of Meeting Support Services	43	54
Assignment of One Staff Person To Handle Meeting	45	46
Efficiency of Check-in/Check-out Procedures	39	42
Availability of Exhibit Space	28	53
Previous Experience in Dealing with Facility and Staff	40	49
Proximity to Shopping, Restaurants, Off-site Entertainment	19	28
Number, Size, and Quality of Suites	22	28
Proximity to Airport	26	20
Convenience to Other Modes of Transportation	28	26
Provision of Special Meeting Services	14	14
Meeting Rooms with Multiple High Speed Lines/Outlets	38	38
High Speed Internet	46	47
Other On-site Recreational Facilities	8	12
On-site Golf Course	6	7

Source: 2008 Meetings Market Report, *Meetings & Conventions Magazine*

As the preceding table indicates, location factors cited as most important include the availability of suitable hotels, affordability, safety, and ease of transportation. Association planners reported an average room rate of $172.00 for hotel accommodations, roughly $12.00 lower than the corporate mark of $184.00.

Again contrasting the economic downturn of late 2000 into 2001 with the recovery seen through 2007, approximately 48% of association meeting planners in the latest survey reported that the 2007 meeting budgets remained unchanged versus 2006 budget levels. Of the remaining participants, 47% noted an increase in the budget, and only 5% noted a decrease. Budget anticipations for 2008 in this survey suggest a slight contraction: 41% of budgets are expected to remain unchanged, 46% of budgets are expected to increase, and 13% of budgets are expected to decrease.

Meeting and Convention Timing and Seasonal Patterns

Nationwide, the meeting and convention segment of the market has exhibited a strong preference for planning events during the late spring/early summer and fall months, with September, October, the first three weeks of November, and June representing the strongest months. The table below depicts the breakdown of percentages for the favorability of planning meetings in each month throughout the year.

HVS

Table 5-9 Frequency and Seasonality of Major Conventions

Frequency	Percentage
Every Other Year	4 %
Annually	68
Twice a Year	12
Other	6
No Major Convention	10

Seasonality	Percentage
January	7 %
February	6
March	8
April	10
May	6
June	6
July	8
August	4
September	10
October	18
November	12
December	5

Source: 2008 Meetings Market Report, *Meetings & Conventions Magazine*

As the table above indicates, summer months are popular for group business to a lesser degree, for lifestyle and vacation reasons. The summer months are oftentimes selected by those groups in need of a price discount, which generally occurs during this season. Association meetings typically display slightly different characteristics than commercial meetings. State and regional associations often hold their meetings during the summer season, contributing to the annual occupancies of lodging facilities with meeting space at a time when commercial activity and room rates may be at their lowest, typically from May through August. Association gatherings are generally larger than corporate meetings and utilize a convention center and require larger amounts of exhibition and/or meeting space.

Conclusion

Trends in convention and meeting activity have shown considerable increases from 2003 through 2007. Although demand has experienced a correction in 2008 and 2009, the industry is expected to recover over the longer term, underscoring the economic importance of large convention centers and, more recently, headquarters hotels.

The data suggest that meeting planners select downtown, convention center-proximate hotels for logistical convenience. The new meeting paradigm for planners has turned to housing attendees as close to the primary meeting space as possible, thereby alleviating extra costs associated with transportation, as well as eliminating the need to constantly negotiate pricing, events, and transportation with multiple hotels. As such, every major city in the United States now has or is in the process of establishing a convention headquarters hotel.

6. Supply and Demand Analysis

In the economic principle of supply and demand, price varies directly, but not proportionately, with demand and inversely, but not proportionately, with supply. In the lodging industry, supply is measured by the number of guestrooms available, and demand is measured by the number of guestrooms occupied; the net effect of supply and demand toward equilibrium results in a prevailing price, or average rate. The purpose of this section is to investigate current supply and demand trends as indicated by the current competitive market, and set forth a basis for the projection of future supply and demand growth. We also provide an overview of national occupancy and average rate trends, both on an overall basis and by chain scale.

SUPPLY

An integral component of the supply and demand relationship that has a direct impact on the availability of lodging demand is the current and anticipated supply of competitive lodging facilities. To evaluate an area's competitive environment, the following steps should be taken.

- Identify the area's lodging facilities and determine which are expected to be directly and indirectly competitive with the proposed subject property.
- In addition to the proposed subject property, determine whether additional hotel rooms will enter the market in the foreseeable future (net of attrition).
- Quantify the number of existing and proposed hotel rooms available in the market.
- Review the rate structure, occupancy levels, market orientation, facilities, and amenities of each competitor.

Based on an evaluation of the occupancy, rate structure, market orientation, chain affiliation, location, facilities, amenities, reputation, and quality of each area hotel, as well as the comments of management representatives, we have identified several properties that are expected to be primarily competitive with the proposed subject property in the local market. Additional lodging facilities within the national market have been judged to be important secondary competitors.

Overall National Trends Overview

The U.S. lodging industry has entered a period of RevPAR decline, driven primarily by supply increases, weakening demand, and slowing average rate growth. While year-end results for 2007 reflected 1.2% growth in room nights sold, representing a slight gain on the 1.1% growth in 2006, the trends for 2008 reflected a decline of 1.6%, accelerating from the decline of 0.3% registered near the mid-point of 2008. The increase in available rooms also went from 2.4% mid-year 2008 to 2.7% by the conclusion of 2008, contributing to an occupancy decline of 4.2% for the year. The increase in supply for 2008 was up from a 1.4% increase in 2007 and a 0.6% increase in 2006. Occupancy declined from 63.1% to 60.4% in 2008, an accelerated drop from the 0.3-point loss in national occupancy between 2007 and 2008.

Average rate growth continued to decelerate in 2008, with a nearly 4.0% gain registered mid-year diminishing to a 2.4% increase by year-end, compared with increases of 5.9% in 2007 and 7.0% in 2006. These trends contributed to a 2.0% RevPAR decline in 2008, down significantly from a 5.7% RevPAR gain in 2007 and a 7.5% gain in 2006.

HVS

National Occupancy and Average Rate Trends

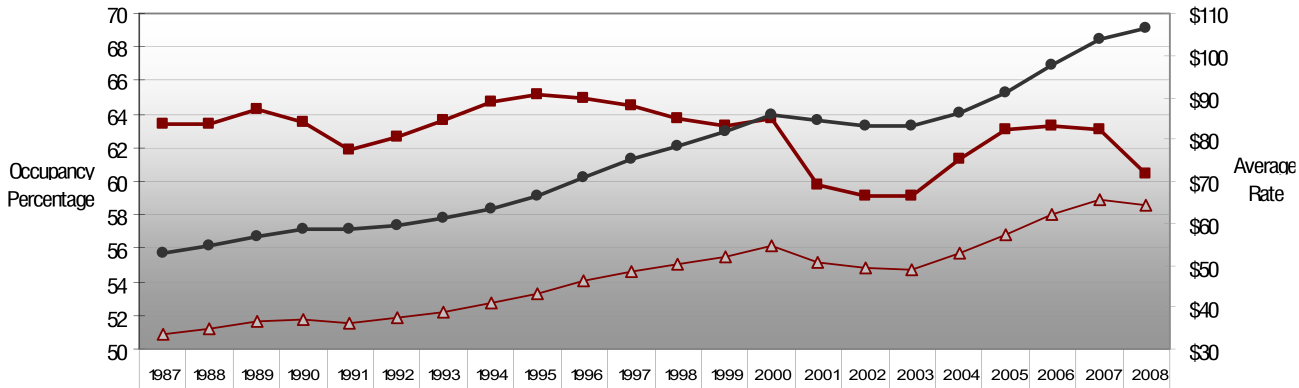
	Occupancy			Average Room Rate			RevPAR		
	2007	2008	% Change	2007	2008	% Change	2007	2008	% Change
United States	63.1 %	60.4 %	(4.3) %	$104.04	$106.55	2.4 %	$65.65	$64.36	(2.0) %
Region									
New England	61.1 %	59.4 %	(2.8) %	$118.62	$120.90	1.9 %	$72.48	$71.81	(0.9) %
Middle Atlantic	66.7	64.8	(2.8)	148.49	152.50	2.7	99.04	98.82	(0.2)
South Atlantic	62.2	58.7	(5.6)	104.44	106.08	1.6	64.96	62.27	(4.1)
East North Central	57.6	55.6	(3.5)	90.12	91.70	1.8	51.91	50.99	(1.8)
East South Central	59.3	56.1	(5.4)	74.88	77.94	4.1	44.40	43.72	(1.5)
West North Central	59.2	57.6	(2.7)	76.10	79.09	3.9	45.05	45.56	1.1
West South Central	62.1	62.4	0.5	83.54	87.77	5.1	51.88	54.77	5.6
Mountain	66.3	61.4	(7.4)	101.16	103.31	2.1	67.07	63.43	(5.4)
Pacific	68.5	65.4	(4.5)	122.07	125.12	2.5	83.62	81.83	(2.1)
Price									
Luxury	70.4 %	67.1 %	(4.7) %	$167.01	$168.43	0.9 %	$117.58	$113.02	(3.9) %
Upscale	64.7	62.0	(4.2)	113.81	115.96	1.9	73.64	71.90	(2.4)
Midprice	60.2	57.6	(4.3)	81.95	84.21	2.8	49.33	48.50	(1.7)
Economy	57.6	55.1	(4.3)	61.56	62.94	2.2	35.46	34.68	(2.2)
Budget	59.2	57.2	(3.4)	50.42	51.56	2.3	29.85	29.49	(1.2)
Location									
Urban	68.5 %	66.7 %	(2.6) %	$149.43	$154.26	3.2 %	$102.36	$102.89	0.5 %
Suburban	63.3	60.3	(4.7)	90.34	92.45	2.3	57.19	55.75	(2.5)
Airport	69.4	66.5	(4.2)	99.74	101.83	2.1	69.22	67.72	(2.2)
Interstate	57.9	55.3	(4.5)	67.08	70.04	4.4	38.84	38.73	(0.3)
Resort	65.9	62.2	(5.6)	144.04	145.28	0.9	94.92	90.36	(4.8)
Small Metro/Town	57.1	55.3	(3.2)	79.13	81.78	3.3	45.18	45.22	0.1

Source: STR - December 2008 Lodging Review

The year-end statistics for 2008 reflect national hotel occupancy of 60.4%, down fom 63.1% during 2007. Year-end 2008 average rate was $106.55, roughly two dollars higher than the $104.04 level for 2007. This gain is similar to the 2007 increase over the 2006 level.

In this period of economic decline, both urban and small metro/town areas reported a minimal net gain in RevPAR, while all other categories contracted. The resort and suburban categories showed the greatest RevPAR declines. All price categories registered a RevPAR decline, with mid-price and budget hotels faring best with RevPAR declines under 2.0%. By region, West North Central and West South Central still registered RevPAR gains, with West South Central achieving a notably strong gain of 5.6%. Conversely, the South Atlantic and Mountain regions contracted at levels in excess of 4.0%.

Table 6-1 National Occupancy and Average Rate Trends



	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Occupancy	63.4	63.4	64.3	63.5	61.9	62.7	63.6	64.8	65.1	65.0	64.5
Average Rate	53.01	54.81	56.83	58.55	58.66	59.51	61.11	63.52	66.57	70.96	75.11
RevPAR	33.58	34.78	36.56	37.19	36.30	37.28	38.86	41.14	43.35	46.10	48.41

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Occupancy	63.7	63.3	63.7	59.8	59.1	59.1	61.3	63.1	63.3	63.1	60.4
Average Rate	78.52	81.87	85.92	84.45	83.35	83.11	86.24	90.95	97.89	104.0	106.5
RevPAR	50.05	51.81	54.77	50.50	49.26	49.12	52.87	57.39	61.96	65.65	64.3

Source: STR

After experiencing years of strong pricing power, managers are now facing a much tougher economic climate where rate discounting is becoming more prevalent in order to keep primary accounts in place. Industry professionals are attempting to maintain rate integrity by offering more complimentary services to top accounts, including breakfast coupons or free Internet access. In some markets, this practice should contribute to better average rate stability than that seen in past cycles; however, this will have an adverse impact on profitability. Furthermore, a shift in market mix at full-service hotels from less price-sensitive corporate groups to more budget-conscious meeting-space users is negatively impacting the net overall average rates.

Lodging Performance by Chain Scale

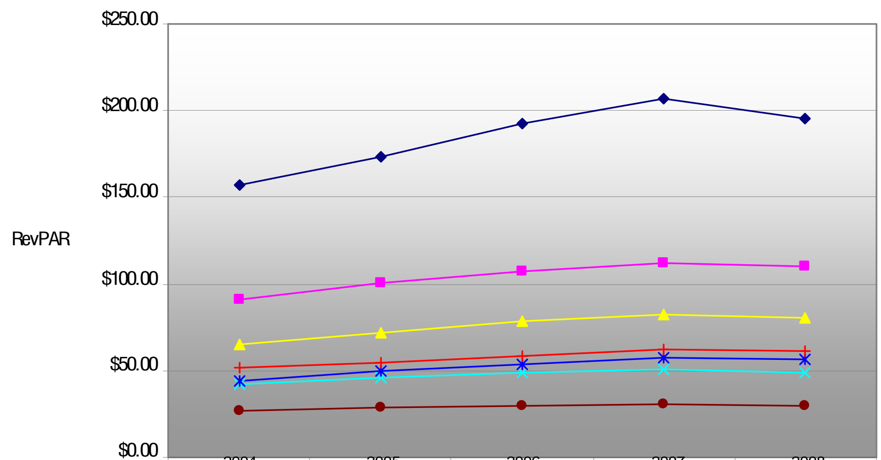
Also pertinent to this analysis is a review of lodging statistics by chain scale; this provides greater indication of differences between price segments and occupancies based on product-quality level.

Table 6-2 Operating Results by Chain Scale

	Occupancy			Average Room Rate			RevPAR		
	2007	2008	% Change	2007	2008	% Change	2007	2008	% Change
Luxury	71.5 %	67.9 %	(5.0) %	$288.63	$288.79	0.1 %	$206.54	$195.87	(5.2) %
Upper Upscale	71.2	68.7	(3.5)	159.85	157.81	(1.3)	112.36	109.75	(2.3)
Upscale	69.2	66.8	(3.5)	119.82	118.50	(1.1)	82.05	80.09	(2.4)
Mid-scale w/ F&B	59.0	55.8	(5.4)	88.26	85.63	(3.0)	50.52	49.23	(2.6)
Mid-scale w/o F&B	65.4	62.3	(4.7)	90.19	87.20	(3.3)	57.02	56.16	(1.5)
Economy	56.9	54.4	(4.4)	54.32	53.78	(1.0)	30.62	29.55	(3.5)
Independents	61.2	58.6	(4.2)	104.51	101.58	(2.8)	62.14	61.27	(1.4)

Source: STR - December 2008 Lodging Review

RevPAR Results by Chain Scale



	2004	2005	2006	2007	2008
Luxury	$157.53	$173.72	$193.00	$206.54	$195.87
Upper Upscale	$90.76	$100.12	$107.32	$112.36	$109.75
Upscale	$65.58	$72.13	$78.35	$82.05	$80.09
Mid-scale w/ F&B	$42.11	$45.85	$48.90	$50.52	$49.23
Mid-scale w/o F&B	$44.36	$49.60	$53.97	$57.02	$56.16
Economy	$26.45	$28.48	$29.89	$30.62	$29.55
Independents	$51.74	$54.19	$58.16	$62.14	$61.27

Source: STR - December 2008 Lodging Review

The RevPAR change among the luxury chains reflected a 5.2% decline in 2008, with the majority of the contraction occurring in the fourth quarter. This is a sharp contrast to the category's 7.0% gain in 2007 and the 10.0%+ gains seen in 2004 through 2006. While several categories showed RevPAR gains mid-year, no category was able to hold onto this gain by the end of 2008. RevPAR growth seen through mid-year 2008 decelerated then turned negative as occupancy cuts grew more significant in the third and fourth quarters. Although average rate growth in a few categories equaled or exceeded the rate of inflation, significant decreases in occupancy offset these increases, resulting in RevPAR contraction across most categories. Moreover, increases in supply accelerated slightly, which compounded the adverse effect on occupancy levels.

Indications for 2009 point to a continued deterioration in both occupancy and average rate levels, as recessionary conditions prevalent in the national economy are causing dramatic decreases in both corporate and consumer spending. Falling demand levels are putting pressure on average rates, as some hotel managers seek to support occupancy levels with rate discounts or shifts in market mix to more price-sensitive users. As a result, year-end 2009 forecasts anticipate RevPAR growth to moderate from the 2008 decline of 2.0% to year-to-date levels, to a further contraction of 8.0% to 10.0% on a national average. As is evident in the statistics by region and product type, some areas and hotel categories will fare better than others, but realizing RevPAR increases in 2009 will be challenging. While a period of stability is predicted for 2010, a period of recovery is expected to accelerate into 2011 and 2012.

Historical Supply and Demand Data – Local Set

The 1,016-room Proposed Omni Convention Center Hotel will be located in Dallas, Texas. The greater market surrounding the proposed subject property offers 213 hotels and motels, spanning 33,442 rooms. The two largest hotels are the 1,840-room Sheraton and the 1,608-room Hilton Anatole.

Of this larger supply set, the proposed subject property is expected to compete with a smaller set of local hotels based on various factors, as previously mentioned. These factors may include location, price point, product quality, length of stay (such as an extended-stay focus vs. non-extended-stay focus), room type (all-suite vs. standard), hotel age, or brand, among other factors. We have reviewed these pertinent attributes and established an expected competitive set based upon this review.

Smith Travel Research (STR) is an independent research firm that compiles data on the lodging industry and routinely used by typical hotel buyers. STR has compiled historical supply and demand data for a group of hotels considered applicable to this analysis for the proposed subject property. This information is presented in the following table, along with the market-wide occupancy, average rate, and rooms revenue per available room (RevPAR). RevPAR is calculated by multiplying occupancy by average rate and provides an indication of how well rooms revenue is being maximized.

We have taken qualitative consideration of the other, smaller boutique and branded hotels that exist in Downtown Dallas. However, in light of the considerable size of the proposed convention headquarters hotel, we have not included them in the quantative analysis set forth in this chapter. A typical group customer or meeting planner seeking to book a large, 1,000-room convention headquarters property is distinctly different than a planner seeking a small group venue. This also relates to transient demand as well.

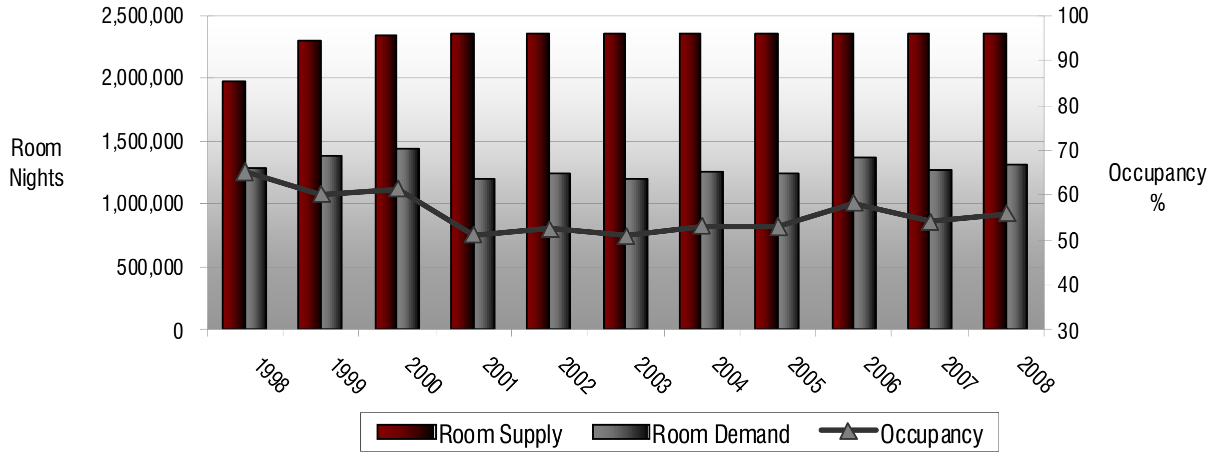
Table 6-3 Local Historical Supply and Demand Trends

Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change
1998	5,412	1,975,217	—	1,289,688	—	65.3 %	$123.74	—	$80.79	—
1999	6,301	2,299,865	16.4 %	1,387,466	7.6 %	60.3	130.97	5.8 %	79.01	(2.2) %
2000	6,436	2,349,090	2.1	1,444,260	4.1	61.5	133.74	2.1	82.22	4.1
2001	6,465	2,359,810	0.5	1,208,753	(16.3)	51.2	130.26	(2.6)	66.72	(18.9)
2002	6,458	2,357,170	(0.1)	1,237,311	2.4	52.5	131.99	1.3	69.28	3.8
2003	6,458	2,357,170	0.0	1,201,003	(2.9)	51.0	128.02	(3.0)	65.23	(5.9)
2004	6,458	2,357,170	0.0	1,254,152	4.4	53.2	120.59	(5.8)	64.16	(1.6)
2005	6,458	2,357,170	0.0	1,251,277	(0.2)	53.1	128.10	6.2	68.00	6.0
2006	6,458	2,357,170	0.0	1,375,229	9.9	58.3	135.95	6.1	79.31	16.6
2007	6,458	2,357,170	0.0	1,273,756	(7.4)	54.0	142.05	4.5	76.76	(3.2)
2008	6,458	2,357,170	0.0	1,316,102	3.3	55.8	142.13	0.1	79.36	3.4
Year-to-Date Through April										
2008	6,458	774,960	—	476,571	—	61.5 %	$150.86	—	$92.77	—
2009	6,458	774,960	0.0 %	425,793	(10.7) %	54.9	142.11	(5.8) %	78.08	(15.8) %
Average Annual Compounded Change (1998-2008):			1.8 %		0.2 %			1.4 %		(0.2) %

Hotels Included in Sample	Number of Rooms	Year Opened
Fairmont Dallas	545	Jun-69
Westin City Center Dallas	407	Jun-80
Sheraton Hotel Dallas	1,840	Jun-59
The Adolphus Hotel	422	Jun-12
Renaissance Dallas Hotel	514	Jun-83
Hyatt Regency Dallas	1,122	May-78
Hilton Anatole	1,608	Jun-79
Total	**6,458**	

Source: Smith Travel Research

Local Historical Supply and Demand Graph



Source: STR

It is important to note some limitations of the STR data. Hotels are occasionally added to or removed from the sample, and not every property reports data in a consistent and timely manner; these factors can influence the overall quality of the information by skewing the results. These inconsistencies may also cause the STR data to differ from the results of our competitive survey. Nonetheless, STR data provide the best indication of aggregate growth or decline in existing supply and demand, and thus these trends have been considered in our analysis.

The average daily room count in 2008 was 6,458 for this reporting set, showing an average annual rate of change of 1.8% over the period. Opening dates, as available, are presented for each reporting hotel in the previous table. Lodging trends have recently faded in Dallas as the local economy has begun endure the effects of the slowing national economy. While large telecommunications and energy companies in the area, as well as the healthcare sector, have increased business activity as Dallas continues to grow at a rate well beyond the national average, the deteriorating national economy has begun to slow growth in the local market. After the CBD achieved a market-wide occupancy level in 2008 higher than the year prior, January occupancy is at the lowest level since 2005. Moreover, since October of 2008, monthly occupancy levels for the local market have shown notable declines when compared with the same periods of the previous year; we expect these declines to continue through the first three quarters of 2009.

Although overall economic growth in Dallas has slowed, revitalization efforts within the downtown area have been moving westward, as evidenced by the extremely successful revitalization projects within the Uptown and Victory Districts; these districts are now home to the most desired office and retail spaces in Dallas. In addition, The University of Texas Southwestern Medical Center continues to expand, with several construction projects currently underway that will increase the size of the hospitals that make up the Medical Center. Furthermore, passenger traffic at Dallas' Love Field Airport has increased steadily since 2006, which has contributed to an overall increase in demand in this market. While the economic downturn is expected to have an adverse affect on demand during most of 2009, the local market is well positioned to persevere through the troubling macroeconomic situation over the long term due to the city's diverse commercial industries, redevelopment efforts, and world-class entertainment venues. Monthly occupancy trends are presented in the following table.

Table 6-4 Local Monthly Occupancy Trends

Month	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
January	77.4 %	69.1 %	69.3 %	64.6 %	56.5 %	50.2 %	61.0 %	51.3 %	63.3 %	67.8 %	64.1 %	52.7 %
February	73.4	66.2	67.8	64.1	64.1	62.2	65.9	65.1	63.8	60.0	63.7	57.6
March	70.5	58.7	68.6	72.2	58.9	57.7	64.0	58.3	68.4	63.0	60.4	53.7
April	64.4	62.2	61.1	54.6	56.7	45.6	54.6	60.6	61.9	53.8	57.9	56.0
May	67.4	72.7	60.1	47.0	46.2	53.5	44.4	42.0	60.8	49.3	51.5	—
June	70.7	61.1	64.8	47.5	56.3	55.5	56.6	48.9	53.6	56.6	66.9	—
July	64.1	56.6	58.4	58.7	57.9	51.2	58.5	46.9	58.0	52.9	53.5	—
August	63.1	57.6	59.9	55.0	54.1	54.8	44.5	50.6	50.1	47.3	48.5	—
September	63.6	57.1	66.1	33.2	46.3	42.8	53.3	56.1	61.6	52.6	60.9	—
October	73.7	72.2	75.4	49.2	56.6	61.7	59.2	67.1	63.9	62.2	62.1	—
November	60.6	55.7	54.4	42.3	44.1	41.3	46.3	56.5	57.5	49.1	48.5	—
December	41.2	35.1	33.0	26.6	33.0	35.4	31.3	35.2	37.8	34.1	33.2	—
Annual Occupancy	**65.3 %**	**60.3 %**	**61.5 %**	**51.2 %**	**52.5 %**	**51.0 %**	**53.2 %**	**53.1 %**	**58.3 %**	**54.0 %**	**55.8 %**	**—**
Year-to-Date	**71.4**	**64.0**	**66.7**	**63.9**	**59.0**	**53.8 %**	**61.3 %**	**58.6**	**64.4 %**	**61.2 %**	**61.5 %**	**54.9 %**

Source: Smith Travel Research

The data reflect an overall local market occupancy level of 55.8% in 2008, which compares to 54.0% for 2007. The overall average occupancy level for the calendar years presented equates to 54.2%.

Monthly average rate trends are presented in the following table.

Table 6-5 Local Monthly Average Rate Trends

Month	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
January	$127.90	$138.28	$142.24	$143.11	$136.73	$129.72	$126.15	$125.58	$135.23	$148.61	$150.71	$143.46
February	125.54	135.15	135.70	141.67	157.83	138.80	120.09	135.67	141.11	149.65	152.41	145.48
March	126.33	133.78	138.32	147.48	146.10	138.94	128.12	127.28	144.03	148.66	151.47	139.71
April	124.54	134.27	138.05	127.02	135.59	128.55	116.02	129.78	134.69	138.61	148.77	139.94
May	124.46	146.64	135.60	128.64	130.35	130.27	118.82	120.41	138.65	141.33	144.24	—
June	125.35	125.77	133.35	125.83	138.39	128.57	119.29	118.28	135.58	142.36	135.04	—
July	110.93	113.01	110.65	114.10	118.98	115.62	117.88	114.66	122.17	127.44	127.24	—
August	105.06	109.72	112.24	108.01	107.28	115.89	107.86	114.32	123.23	127.90	117.76	—
September	125.51	127.33	137.87	138.33	128.17	134.44	128.87	129.32	134.69	146.45	147.33	—
October	132.04	149.12	159.95	140.35	133.30	136.80	127.66	141.51	153.22	154.82	153.86	—
November	139.79	129.58	131.14	125.96	123.43	120.29	121.03	153.01	138.94	140.10	139.53	—
December	105.73	109.87	109.23	103.98	116.41	108.43	103.27	111.64	119.14	125.79	122.27	—
Annual Average Rate	**$123.74**	**$130.97**	**$133.74**	**$130.26**	**$131.99**	**$128.02**	**$120.59**	**$128.10**	**$135.95**	**$142.05**	**$142.13**	**—**
Year-to-Date	**$126.18**	**$135.49**	**$138.69**	**$140.61**	**$144.23**	**$134.48**	**$122.91**	**$129.71**	**$138.88**	**$146.66**	**$150.86**	**$142.11**

Source: Smith Travel Research

This data reflects an overall local market average rate level of $142.13 in 2008, which compares to $142.05 for 2007. The average across all calendar years presented for average rate equates to $132.99. Average rate growth in the local market has been strong in recent years, registering positive growth since 2004. The entrances of new, high-quality hotels in the Downtown Dallas market and renovations to existing hotels have allowed local hotel operators to increase average rates on a consistent basis. The rate growth began to slow in 2008, and the trailing month-to-month data from October 2008 through January 2009 illustrate how average rate has begun to deflate congruent with the national economy. We note that this pace of average rate movement is similar to the typical trend across the United States, as average rate growth has recently slowed due to the sluggish national economy. These occupancy and average rate trends resulted in a RevPAR level of $79.36 in 2008. We note the national average for RevPAR was $65.65 for 2008, which is approximately $2.00 lower than the 2007 level.

Seasonality and Demand Patterns

A review of the historical monthly and day-of-week occupancy and average rate performance shows the patterns of market-wide demand in the local market. The following table shows the occupancy and average rate performance by month and day of week for the subject property's local market, as provided by Smith Travel Research.

Table 6-6 Local Seasonality: Occupancy By Month and Day of Week

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
May - 08	38.0 %	56.1 %	68.9 %	63.3 %	46.2 %	42.8 %	49.1 %	51.5 %
Jun - 08	47.8	65.7	77.3	80.5	76.9	63.7	61.1	66.9
Jul - 08	30.1	45.3	69.0	69.2	59.3	51.2	41.4	53.5
Aug - 08	31.1	46.7	54.0	59.3	47.2	58.4	45.4	48.5
Sep - 08	40.0	59.7	65.9	67.1	69.1	65.6	58.0	60.9
Oct - 08	40.7	62.4	71.8	64.9	59.9	66.1	67.7	62.1
Nov - 08	29.5	46.6	50.6	60.4	53.7	52.8	50.0	48.5
Dec - 08	23.3	24.1	28.7	42.0	31.3	37.7	46.5	33.2
Jan - 09	30.3	59.7	65.0	67.5	55.5	54.6	38.8	52.7
Feb - 09	36.8	59.0	61.3	65.0	63.0	55.3	62.7	57.6
Mar - 09	37.4	50.8	58.5	58.6	57.3	58.2	59.0	53.7
Apr - 09	36.3	61.0	63.2	58.8	51.4	64.9	57.0	56.0
Average	**35.2 %**	**52.9 %**	**60.7 %**	**62.7 %**	**55.8 %**	**55.9 %**	**52.5 %**	**53.7 %**

Source: Smith Travel Research

Table 6-7 Local Seasonality: Average Rate By Month and Day of Week

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
May - 08	$133.02	$152.06	$155.34	$158.40	$151.57	$125.63	$126.36	$144.24
Jun - 08	131.00	130.11	137.38	140.92	141.21	135.73	126.43	135.04
Jul - 08	128.68	134.02	129.84	129.96	130.96	115.01	116.13	127.24
Aug - 08	111.05	122.55	121.61	122.82	119.93	116.18	109.70	117.76
Sep - 08	143.51	147.99	151.59	159.84	151.29	140.03	132.12	147.33
Oct - 08	148.22	157.04	161.53	155.14	153.82	152.48	146.38	153.86
Nov - 08	138.33	143.36	145.39	149.67	145.33	131.09	124.97	139.53
Dec - 08	113.09	128.13	128.33	127.60	128.62	116.82	112.52	122.27
Jan - 09	137.45	148.89	148.50	149.43	148.27	134.14	131.65	143.46
Feb - 09	144.37	152.29	152.68	151.39	145.34	137.53	133.74	145.48
Mar - 09	143.99	144.22	147.42	142.80	142.38	128.49	127.30	139.71
Apr - 09	142.54	147.95	147.66	148.89	141.17	126.97	122.97	139.94
Average	**$135.36**	**$143.27**	**$144.68**	**$144.95**	**$142.72**	**$131.16**	**$126.62**	**$138.84**

Source: Smith Travel Research

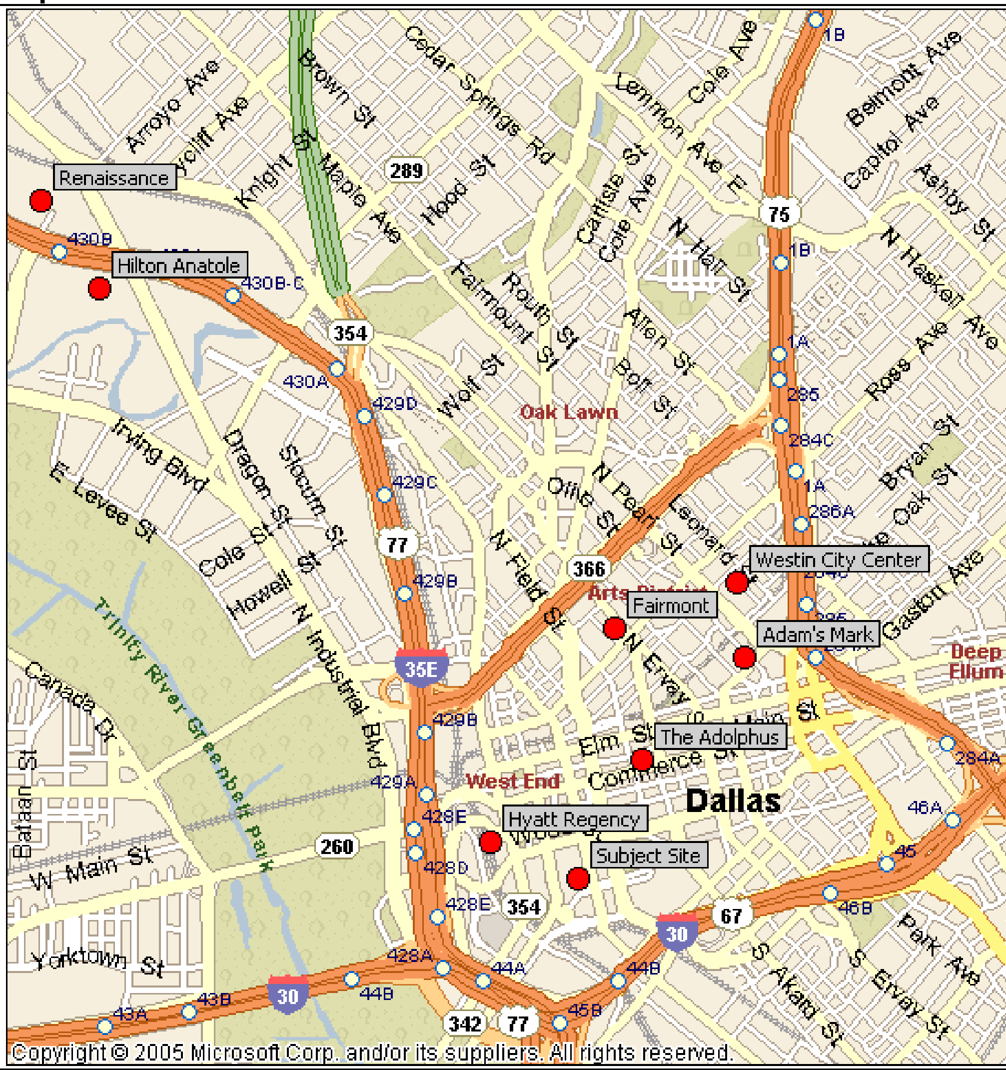
The peak demand periods suggest the timing and nature of unaccommodated demand and serve as a basis for our forthcoming estimate of this demand category presented later in this chapter (as applicable).

The following table summarizes the important operating characteristics of the future local competitors and the aggregate national competitors. This information was compiled from personal interviews, inspections, lodging directories, and our in-house library of operating data. The table also sets forth each property's penetration factors; penetration is the ratio between a specific hotel's operating results and the corresponding data for the market. If the penetration factor is greater than 100%, the property is performing better than the market as a whole; conversely, if the penetration is less than 100%, the hotel is performing at a level below the market-wide average.

Table 6-8 Local Competitors – Operating Performance

Property	Number of Rooms	Est. Segmentation: Meeting and Group	Est. Segmentation: Commercial	Est. Segmentation: Leisure	Estimated 2006: Weighted Annual Room Count	Estimated 2006: Occ.	Estimated 2006: Average Rate	Estimated 2007: Weighted Annual Room Count	Estimated 2007: Occ.	Estimated 2007: Average Rate	Estimated 2008: Weighted Annual Room Count	Estimated 2008: Occ.	Estimated 2008: Average Rate
Hyatt Regency	1,122	80 %	15 %	5 %	1,122	69 - 73 %	$129 - 139	1,122	62 - 66 %	$137 - 147	1,122	62 - 66 %	$137 - 147
Hilton Anatole	1,608	85	10	5	1,608	63 - 67	138 - 148	1,608	55 - 59	145 - 155	1,608	55 - 59	145 - 155
Sheraton (Formerly Adam's Mark)	1,840	90	5	5	1,840	40 - 44	112 - 122	1,840	38 - 42	115 - 125	1,840	38 - 42	115 - 125
Westin City Center	407	50	40	10	407	66 - 70	144 - 154	407	62 - 66	155 - 165	407	62 - 66	155 - 165
Fairmont	545	55	35	10	545	60 - 64	134 - 144	545	57 - 61	136 - 146	545	57 - 61	136 - 146
Renaissance	514	55	40	5	514	63 - 67	118 - 128	514	61 - 65	117 - 127	514	61 - 65	117 - 127
The Adolphus Hotel	422	45	40	15	422	60 - 64	153 - 163	422	61 - 65	157 - 167	422	61 - 65	157 - 167
Sub-Totals/Averages	**6,458**	**74 %**	**19 %**	**7 %**	**6,458**	**59.2 %**	**$135.23**	**6,458**	**54.9 %**	**$140.40**	**6,458**	**55.1 %**	**$142.69**
National Competition	19,647	77 %	12 %	11 %	8,687	69.6 %	$163.46	8,687	72.1 %	$169.94	9,387	68.3 %	$173.95
Totals/Averages	**26,105**	**76 %**	**15 %**	**9 %**	**15,145**	**65.2 %**	**$152.52**	**15,145**	**64.7 %**	**$159.27**	**15,845**	**63.2 %**	**$162.73**

Map of Local Competition



Our survey of the competitive hotels in the local market shows a range of lodging types and facilities. Each primary competitor was inspected and evaluated. Descriptions of our findings are presented below.

Hyatt Regency

Hyatt Regency
300 Reunion Boulevard
Dallas, TX

The Hyatt Regency is owned by Hunt Reunion Joint Venture and is operated by Hyatt. Facilities include three restaurants, two lounges, a coffee bar, an outdoor pool and whirlpool, a fitness center, a business center, and a gift shop. The hotel houses approximately 160,000 square feet of meeting space, inclusive of a 30,000-square-foot ballroom and a 20,000-square-foot junior ballroom. The hotel, which was built in 1978, underwent a $72-million expansion in 2000, which included 183 additional guestrooms and roughly 90,000 additional square feet of meeting space. In 2003, the guestrooms received new softgoods, wall vinyl, and carpeting; guest bathrooms received new fixtures and granite countertops; and guest corridors received new carpet. Renovations for 2003 totaled an estimated cost of $15 million. The hotel most recently underwent renovations in 2007/08; improvements to the Reunion tower included a major transformation of the three usable floors, including the conversion of the top level into a Wolfgang Puck eatery, converting the second level to event space, and upgrading to the observation deck. Improvements to the Union Station tower included a new roof, new air-conditioning units, and renovations to the tower's event area and office space. The large portion of convention business accommodated is a direct result of the hotel's proximity to the Dallas Convention Center, its substantial room supply, and its extensive meeting facilities. However, the Hyatt is not within walking distance of the convention center and is distanced from several entertainment districts. Overall, the property appeared to be in very good condition. Its accessibility is inferior to that of the subject site, and its visibility is similar to the expected visibility of the Proposed Omni Convention Center Hotel.

Hilton Anatole

Hilton Anatole
2201 Stemmons Freeway
Dallas, TX

The Hilton Anatole is owned by Trammell Crow Holdings and is operated by Hilton. This full-service property features five restaurants and lounges, including the five-star Nana restaurant; lighted outdoor tennis courts; a health club facility and a spa; an indoor and outdoor swimming pool; and a business center. The property completed an expansion project in December of 2003. This expansion added approximately 17,000 square feet of meeting space to the West Wing, inclusive of two junior ballrooms measuring roughly 6,500 square feet and 7,500 square feet each. In 2007/08, the hotel underwent a $57-million renovation. Guestrooms received new flat-panel televisions, furniture, select softgoods, carpet, and art, while the guest bathrooms received new marble flooring and granite countertops. Select public areas were renovated in a similar fashion as well, and the V-SPA was added as a service venue for the hotel. The property currently offers approximately 341,000 square feet of pre-function and meeting space, the largest component of function space provided by a single hotel in the primary competitive set. The meeting space encompasses six ballrooms, as well as approximately 76 meeting rooms, breakout rooms, boardrooms, permanent theaters, lecture halls, pavilions, private dining rooms, and a separate conference center. With its extensive meeting space and room supply, the Hilton Anatole is able to accommodate several groups simultaneously; however, the hotel is located outside Dallas' CBD, and transportation is required to travel to the Dallas Convention Center. Overall, the property appeared to be in very good condition. Its accessibility is similar to that of the subject site, and its visibility is similar to the expected visibility of the Proposed Omni Convention Center Hotel.

Sheraton (Formerly Adam's Mark)

Sheraton (Formerly Adam's Mark)
400 North Olive
Dallas, TX

The Sheraton was recently purchased as an Adam's Mark by Chartres Lodging Group LLC; the hotel was converted to a Sheraton in April of 2008. Facilities include three restaurants, two lounges, an indoor/outdoor pool and whirlpool, a health center, a business center, a gift shop, and a flower shop. The hotel features approximately 230,000 square feet of meeting space inclusive of a 40,000 square foot ballroom; roughly 190,000 square feet of the hotel's meeting space is located across the street from the hotel in a three-level conference center. The hotel includes a 500-room hotel tower built in 1959, with the remaining rooms converted from two office adjoining office towers in 1998. In 2005, select guestrooms received new softgoods and carpet. The hotel is scheduled to undergo a property-wide $87-million renovation in 2008/09 to modernize the property and meet the latest Sheraton brand standards. The hotel is the largest in the city and located within the Central Business District; however, as an Adam's Mark, this hotel traditionally lagged the competition in rate and occupancy, due largely to its brand and lack of continual renovations. The Sheraton is expected to increase its penetration in all market segments once the conversion is complete. Overall, the property appeared to be in good condition. Its accessibility is similar to that of the subject site, and its visibility is similar to the expected visibility of the Proposed Omni Convention Center Hotel.

Westin City Center

Westin City Center
650 North Pearl Street
Dallas, TX

The Westin is owned by LaSalle Hotel Advisors and is operated by Starwood. Facilities include a restaurant, a lounge, a fitness center, a business center, and a gift shop. The hotel houses roughly 22,000 square feet of meeting space, with a ballroom encompassing 8,600 square feet. The hotel, which was built in 1980, was renovated in 2006; upgrades included new guestroom softgoods, select furniture, carpet, and wall vinyl. Public areas also received new carpet and wall vinyl at this time. The Westin is located in the Plaza of the Americas, which offers numerous shopping and restaurant venues. The Westin captures most of its demand from companies located within the Plaza of the Americas. Overall, the property appeared to be in very good condition. Its accessibility is similar to that of the subject site, and its visibility is similar to the expected visibility of the Proposed Omni Convention Center Hotel.

Fairmont

Fairmont
1717 North Akard Street
Dallas, TX

The Fairmont is owned by DiNapoli Capital Partners and is operated by Fairmont Hotels & Resorts. Facilities include a restaurant, a lounge, an outdoor pool, a business center, and a gift shop. The hotel features approximately 60,000 square feet of meeting space, inclusive of an 18,000-square-foot ballroom and 15,000-square-foot junior ballroom. The hotel, which has been a Dallas landmark since 1969, completed a $14-million renovation in 2008. This renovation focused on three floors, which were converted to Fairmont's exclusive Gold Rooms. This hotel captures high-rated transient and group demand because of its well-appointed facilities and reputation as a destination property in Dallas. Overall, the property appeared to be in very good condition. Its accessibility is similar to that of the subject site, and its visibility is inferior to the expected visibility of the Proposed Omni Convention Center Hotel.

Renaissance

Renaissance
2222 Stemmons Freeway
Dallas, TX

The Renaissance is owned by Market Center Hotel Investments Ltd. and is operated by Marriott International. Facilities include two restaurants, a lounge, a rooftop pool, an indoor whirlpool and sauna, a fitness center, a business center, and a gift shop. The hotel offers roughly 19,000 square feet of meeting space, inclusive of two 4,600-square-foot ballrooms. The hotel, which was built in 1982, was renovated in 2008; upgrades included new guestroom softgoods, carpet, wall vinyl, and art, as well as a new bedding package. Public areas, including the food and beverage venues, received new furniture, carpet and tile, and area décor. The Renaissance captures a majority of its demand from the Dallas Market Center and is not a major supplier of rooms for functions held at the Dallas Convention Center. Overall, the property appeared to be in very good condition. Its accessibility is similar to that of the subject site, and its visibility is similar to the expected visibility of the Proposed Omni Convention Center Hotel.

The Adolphus Hotel

The Adolphus Hotel
1321 Commerce Street
Dallas, TX

The Adolphus is owned by Dallas Commerce Association LP and Adolphus Joint Venture, entities owned in part by Metropolitan Life, and the hotel is operated by Noble House Hotels. Facilities include three restaurants (including the critically acclaimed French Room), the seasonal Tea Room, a lounge, a fitness center, a gift shop, and a floral shop. Guests also have access to The Texas Club, a private athletic club located within the CBD. The Adolphus is one of Dallas' trophy properties, built at the time of the city's oil boom and at the height of the city's agricultural industry. Guestrooms are housed in the original 1912 tower and in an adjoining and adjacent west tower, which was constructed in the 1940s. By the 1970s and after decades of operation, the hotel's small guestrooms became dated and in need of renovation. The hotel subsequently closed in 1979 and reopened in 1981. During the two-year project, the hotel was completely renovated, and the room configuration was changed to allow for more spacious guestrooms and larger guest bathrooms. The hotel reopened with its current room count. Guestrooms at the Adolphus, which include 23 suites, feature classic Queen Anne furniture and marble and brass bathrooms. Meeting space at the hotel totals roughly 23,000 square feet and includes two grand ballrooms and 17 additional meeting rooms. The Adolphus continually undergoes minor improvements, with the latest upgrade occurring in 2006 when new flat-panel televisions were added to the guestrooms. Overall, the property appeared to be in very good condition. Its accessibility is similar to that of the subject site, and its visibility is inferior to the expected visibility of the Proposed Omni Convention Center Hotel.

National Competitors

We have also reviewed the market of headquarters hotels located adjacent to convention centers throughout the nation to determine whether any may compete with the proposed subject property on a national basis. Based on our review of geographical location, similar target markets, branding, and similar factors, we have included a nationally significant component to our competitive set and quantitative analysis.

The room count of each national competitor has been weighted based on its assumed degree of competitiveness with the proposed subject property in the future. By assigning degrees of competitiveness, we can assess how the subject property and its competitors may react to various changes in the national market, including new supply, changes to demand generators, and renovations or franchise changes of existing supply.

The following table sets forth a Smith Travel Research trend report for a sub-set of these competitors. Table 6-14 reflects the full list of competitors considered in this section of our analysis.

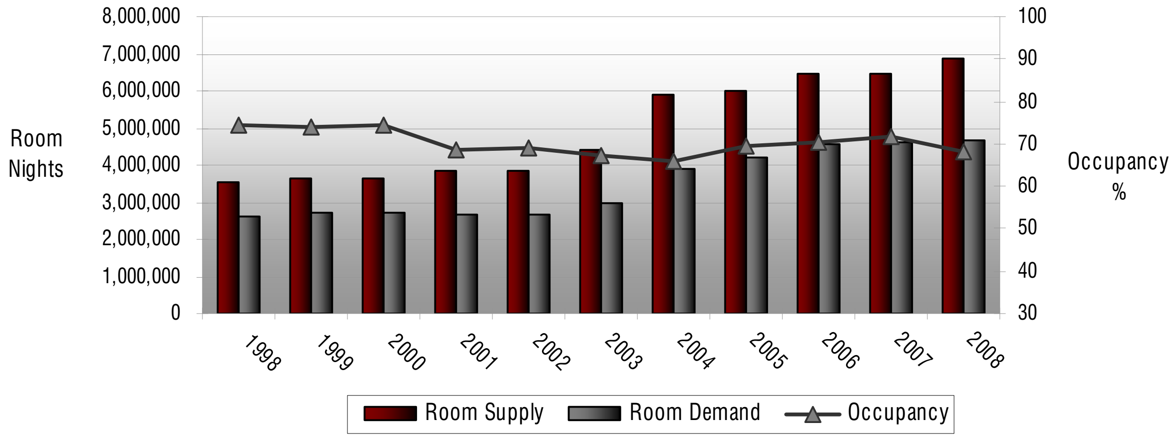
Table 6-9 National Competitor Historical Supply and Demand Trends

Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change
1998	9,638	3,517,885	—	2,616,690	—	74.4 %	$148.21	—	$110.24	—
1999	9,969	3,638,685	3.4 %	2,692,581	2.9 %	74.0	152.70	3.0 %	113.00	2.5 %
2000	9,969	3,638,685	0.0	2,705,254	0.5	74.3	158.50	3.8	117.84	4.3
2001	10,538	3,846,433	5.7	2,641,468	(2.4)	68.7	158.26	(0.2)	108.68	(7.8)
2002	10,591	3,865,715	0.5	2,676,794	1.3	69.2	160.87	1.6	111.40	2.5
2003	12,083	4,410,120	14.1	2,960,119	10.6	67.1	155.24	(3.5)	104.20	(6.5)
2004	16,181	5,906,220	33.9	3,891,015	31.4	65.9	151.27	(2.6)	99.66	(4.4)
2005	16,478	6,014,454	1.8	4,183,592	7.5	69.6	155.93	3.1	108.46	8.8
2006	17,646	6,440,804	7.1	4,543,615	8.6	70.5	161.47	3.6	113.91	5.0
2007	17,644	6,440,060	(0.0)	4,626,855	1.8	71.8	169.10	4.7	121.49	6.7
2008	18,819	6,868,978	6.7	4,680,046	1.1	68.1	174.16	3.0	118.66	(2.3)
Year-to-Date Through April										
2008	18,154	2,178,463	—	1,548,331	—	71.1 %	$178.77	—	$127.06	—
2009	19,651	2,358,174	8.2 %	1,456,697	(5.9) %	61.8	173.88	(2.7) %	107.41	(15.5) %
Average Annual Compounded Change (1998-2008):			6.9 %		6.0 %			1.6 %		0.7 %

Hotels Included in Sample	Number of Rooms	Year Opened
Omni Hotel @ CNN Center	1,067	Jun-74
Gaylord Opryland Resort	2,881	Jun-77
Marriott Indianapolis Downtown	622	Feb-01
Hyatt Regency McCormick Place	800	Jun-98
Renaissance St Louis Grand & Suites Hotel	1,073	Jun-17
Marriott Kansas City Downtown	983	Apr-85
Hilton New Orleans Riverside	1,622	Sep-77
Gaylord Texan Resort & Convention Ctr	1,511	Apr-04
Hilton Americas Houston	1,203	Dec-03
Marriott San Antonio Rivercenter	1,001	Sep-88
Grand Hyatt San Antonio	1,003	Mar-08
Hilton Austin Convention Center	800	Dec-03
Hyatt Regency Denver Convention Ctr	1,100	Dec-05
Sheraton Hotel Phoenix Downtown	1,000	Sep-08
Marriott San Diego Hotel & Marina	1,362	Jun-84
Total	**18,028**	

Source: Smith Travel Research

National Competitor Historical Supply and Demand Graph



Source: STR

The average daily room count in 2008 was 18,819 for this reporting set, showing an average annual rate of change of 6.9% over the period. Opening dates, as available, are presented for each reporting hotel in the previous table. Monthly occupancy trends are presented in the following table.

Table 6-10 National Competitor Monthly Occupancy Trends

Month	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
January	74.1 %	68.5 %	65.8 %	65.4 %	63.2 %	67.5 %	60.0 %	65.9 %	67.1 %	65.1 %	65.4 %	56.8 %
February	79.4	79.6	78.0	73.2	72.6	71.3	64.9	70.1	73.6	71.3	72.4	63.7
March	83.0	79.7	76.9	78.0	71.3	73.3	67.9	70.7	77.3	80.0	71.0	62.7
April	79.4	74.9	76.8	69.9	73.0	65.8	67.0	78.2	72.8	74.4	75.5	64.1
May	71.3	71.0	77.0	66.8	68.8	69.2	67.5	69.5	70.5	73.7	70.2	—
June	72.8	78.8	73.6	71.4	72.9	67.6	71.8	76.0	73.9	75.6	73.0	—
July	75.0	75.1	81.6	76.4	70.8	74.4	71.5	73.9	75.4	74.3	73.2	—
August	73.6	73.3	74.4	75.3	73.0	68.1	65.9	67.3	67.9	74.7	70.5	—
September	74.0	73.3	76.8	47.6	67.5	65.1	67.8	73.1	70.8	70.6	65.8	—
October	81.7	84.6	81.3	70.3	72.7	70.6	76.6	72.2	74.9	77.7	71.3	—
November	74.7	74.0	74.6	71.7	69.2	66.9	63.8	67.7	68.0	71.1	61.6	—
December	55.2	55.9	55.9	57.9	56.5	49.9	45.4	52.2	54.6	53.9	49.5	—
Annual Occupancy	**74.4 %**	**74.0 %**	**74.3 %**	**68.7 %**	**69.2 %**	**67.1 %**	**65.9 %**	**69.6 %**	**70.5 %**	**71.8 %**	**68.1 %**	—
Year-to-Date	**79.0**	**75.6**	**74.3**	**71.7**	**69.9**	**69.5 %**	**65.0 %**	**71.2 %**	**72.7 %**	**72.7 %**	**71.1 %**	**61.8 %**

Source: Smith Travel Research

These data reflect an overall occupancy level among the selected national competitors of 68.1% in 2008, which compares to 71.8% for 2007. The overall average occupancy level for the calendar years presented equates to 69.0%. Lodging trends within the selected national competitors have experienced continual increases since 2005, even with the influx of new supply. However, we note that during the trailing six-month period, occupancy for convention center headquarters hotels illustrates a decline from the previous comparative period. The decrease in occupancy can be attributed to the troubling national economy, as companies and associations pare their conference attendance rolls in an effort to cut costs. Although we expect occupancy within the selected national market to decline in 2009, the declines should be mitigated by the inherent demand found in conventions. Convention attendance should decline during the near term; however, scheduled major conventions are not expected to be cancelled entirely. National corporate, convention, and association business, both in terms of attendees and dollars spent, continues to grow year-over-year; this trend has allowed headquarters hotels to achieve higher rate levels, even in light of deteriorating occupancy, as headquarters hotels are less affected by corporate meeting spending during economic downturns. Overall, the national market outlook is cautiously optimistic, as both the resilience of the local economy and the national convention market is expected to endure the current economic crisis.

Monthly average rate trends are presented in the following table.

Table 6-11 National Competitor Monthly Average Rate Trends

Month	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
January	$142.56	$141.90	$149.21	$150.87	$157.30	$153.24	$151.34	$147.84	$154.61	$161.85	$166.72	$159.82
February	151.02	157.45	161.92	168.66	176.66	164.52	161.62	163.30	165.77	179.07	181.42	185.18
March	153.72	163.73	172.70	174.62	169.37	169.37	161.31	158.29	165.40	175.07	176.59	176.20
April	151.45	158.85	164.14	162.25	170.91	158.38	152.52	165.48	160.43	172.89	188.85	173.90
May	157.66	161.33	161.62	167.92	161.72	153.98	152.74	163.51	160.63	174.96	181.44	—
June	148.88	147.03	154.92	163.41	159.84	155.83	155.45	157.42	157.72	174.10	180.96	—
July	136.43	138.99	143.22	138.80	139.92	136.75	137.27	140.15	153.11	156.24	160.54	—
August	137.73	136.74	144.72	139.86	145.46	133.91	138.05	145.14	155.43	153.49	156.92	—
September	149.49	156.04	160.85	157.51	170.49	161.14	141.47	155.88	164.93	172.45	175.41	—
October	168.60	168.08	178.49	174.72	175.79	170.59	167.55	165.60	181.69	182.44	188.60	—
November	145.67	156.45	163.65	159.32	161.32	162.60	154.95	158.52	164.73	172.77	174.37	—
December	129.38	140.00	140.22	139.22	138.87	142.31	138.02	148.14	149.49	148.37	151.23	—
Annual Average Rate	**$148.21**	**$152.70**	**$158.50**	**$158.26**	**$160.87**	**$155.24**	**$151.27**	**$155.93**	**$161.47**	**$169.10**	**$174.16**	—
Year-to-Date	**$149.81**	**$155.87**	**$162.47**	**$164.77**	**$168.72**	**$161.76**	**$156.63**	**$158.91**	**$161.67**	**$172.37**	**$178.77**	**$173.88**

Source: Smith Travel Research

These data reflect an overall national market average rate level of $174.16 in 2008, which compares to $169.10 for 2007. The average across all calendar years presented for average rate equates to $162.01. These occupancy and average rate trends resulted in a RevPAR level of $118.66 in 2008.

Seasonality and Demand Patterns

A review of the historical monthly and day-of-week occupancy and average rate performance shows the patterns of demand among the selected national competitors. The following table shows the occupancy and average rate performance by month and day of week for this national market, as provided by Smith Travel Research.

Table 6-12 National Competitor Seasonality: Occupancy By Month and Day of Week

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
May - 08	58.9 %	70.3 %	80.8 %	80.1 %	68.9 %	65.6 %	69.0 %	70.2 %
Jun - 08	60.2	75.4	82.3	78.1	70.7	72.3	74.9	73.0
Jul - 08	59.9	71.4	74.1	74.5	73.9	79.7	78.5	73.2
Aug - 08	59.0	72.4	78.4	73.3	64.1	70.4	77.2	70.5
Sep - 08	55.7	59.1	68.1	74.2	70.5	66.3	67.8	65.8
Oct - 08	62.8	77.1	78.6	75.2	68.4	66.3	71.3	71.3
Nov - 08	49.1	59.6	58.7	61.5	63.0	69.2	70.8	61.6
Dec - 08	43.2	43.8	46.5	50.7	43.3	54.9	65.9	49.5
Jan - 09	46.4	59.2	66.2	65.0	53.3	54.6	54.7	56.8
Feb - 09	48.3	60.3	65.0	62.6	63.3	70.2	76.7	63.7
Mar - 09	50.0	57.9	61.6	65.2	65.4	70.0	73.5	62.7
Apr - 09	50.6	60.8	67.2	64.3	65.2	70.5	69.9	64.1
Average	**53.6 %**	**63.4 %**	**68.3 %**	**68.4 %**	**64.2 %**	**67.2 %**	**70.5 %**	**65.1 %**

Source: Smith Travel Research

Table 6-13 National Competitor Seasonality: Average Rate By Month and Day of Week

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
May - 08	$191.07	$190.75	$182.98	$177.57	$178.05	$173.45	$180.36	$181.43
Jun - 08	188.00	188.23	187.30	179.33	182.02	168.61	170.41	180.96
Jul - 08	163.82	158.66	161.88	159.65	158.63	160.13	161.88	160.54
Aug - 08	158.14	164.61	164.49	156.83	155.18	148.61	152.81	156.91
Sep - 08	177.78	175.10	178.46	178.65	179.16	169.04	168.69	175.40
Oct - 08	200.61	194.31	197.40	188.69	184.42	178.98	178.17	188.60
Nov - 08	180.16	178.78	178.86	178.43	171.44	165.94	170.28	174.37
Dec - 08	145.97	146.10	147.38	163.45	154.67	151.64	147.91	151.22
Jan - 09	161.06	163.46	165.07	165.64	158.46	153.35	153.06	159.83
Feb - 09	192.66	190.52	187.28	188.59	191.42	177.57	173.52	185.18
Mar - 09	180.73	182.46	181.35	181.34	174.41	166.83	166.74	176.20
Apr - 09	185.65	181.87	177.94	173.43	172.75	163.16	167.26	173.90
Average	**$177.84**	**$177.17**	**$176.31**	**$174.38**	**$172.36**	**$165.01**	**$166.05**	**$172.51**

Source: Smith Travel Research

The peak demand periods suggest the timing and nature of unaccommodated demand and serve as a basis for our forthcoming estimate of this demand category presented later in this chapter.

Table 6-14 National Competitor(s) – Operating Performance

Property	Number of Rooms	Est. Segmentation: Meeting and Group	Est. Segmentation: Commercial	Est. Segmentation: Leisure	Total Competitive Level	Estimated 2006: Weighted Annual Room Count	Estimated 2006: Occ.	Estimated 2006: Average Rate	Estimated 2007: Weighted Annual Room Count	Estimated 2007: Occ.	Estimated 2007: Average Rate	Estimated 2008: Weighted Annual Room Count	Estimated 2008: Occ.	Estimated 2008: Average Rate
Hilton Americas Houston	1,203	75 %	15 %	10 %	75 %	902	63 - 67 %	$140 - $150	902	62 - 66 %	$142 - $152	902	62 - 66 %	$142 - $152
Omni Hotel @ CNN Center Atlanta	1,067	70	20	10	70	747	60 - 64	165 - 175	747	62 - 66	172 - 182	747	62 - 66	172 - 182
Hilton Riverside New Orleans	1,616	75	10	15	70	1,131	56 - 60	139 - 149	1,131	65 - 69	151 - 161	1,131	65 - 69	151 - 161
Hyatt Regency McCormick Place Chicago	800	75	15	10	65	520	66 - 70	178 - 188	520	68 - 72	182 - 192	520	68 - 72	182 - 192
Hyatt Regency Convention Center Denver	1,100	80	15	5	65	715	65 - 69	147 - 157	715	72 - 76	156 - 166	715	72 - 76	156 - 166
Hyatt Manchester Grand San Diego	1,625	80	10	10	50	813	73 - 77	209 - 219	813	78 - 82	207 - 217	813	78 - 82	207 - 217
Marriott San Diego	1,362	85	5	10	50	681	80 - 85	205 - 215	681	80 - 85	210 - 220	681	80 - 85	210 - 220
Hilton Convention Center Austin	800	80	20	10	50	400	74 - 78	154 - 164	400	74 - 78	166 - 176	400	74 - 78	166 - 176
Renaissance Grand St. Louis	1,073	70	15	15	40	429	63 - 67	117 - 127	429	65 - 69	117 - 127	429	65 - 69	117 - 127
Marriott Downtown Kansas City	983	70	20	10	40	393	52 - 56	101 - 111	393	50 - 54	102 - 112	393	50 - 54	102 - 112
Gaylord Texan	1,511	85	5	10	40	604	72 - 76	161 - 171	604	73 - 77	168 - 178	604	73 - 77	168 - 178
Marriott Rivercenter San Antonio	1,001	75	5	20	30	300	76 - 80	163 - 173	300	76 - 80	177 - 187	300	76 - 80	177 - 187
Opryland Nashville	2,881	85	5	10	30	864	78 - 82	140 - 150	864	78 - 82	150 - 160	864	78 - 82	150 - 160
Marriott Downtown Indianapolis	622	70	20	10	30	187	70 - 74	149 - 159	187	71 - 75	153 - 163	187	71 - 75	153 - 163
Grand Hyatt San Antonio	1,003	75	15	10	75							567	53 - 58	167 - 177
Sheraton Phoenix Downtown	1,000	70	20	10	40							134	25 - 30	158 - 168
Totals/Averages	**19,647**	**77 %**	**12 %**	**11 %**	**50 %**	**8,687**	**69.6 %**	**$163.46**	**8,687**	**72.1 %**	**$169.94**	**9,387**	**68.3 %**	**$173.95**

The national competitive set includes headquarters hotels located adjacent to each property's respective convention center, as well as the Gaylord Texan, which is located in Grapevine, Texas. The selected cities compete with the City of Dallas for national conventions, as well as large corporate and association meetings and events. In addition to illustrating each hotel, we have also included recent event data for each convention center.

Map of Nationally-Significant Competition

New hotels also considered in our analysis (but not reflected on table 6-14 due to date of opening) include the Grand Hyatt San Antonio, the Sheraton Phoenix, and the Omni Fort Worth. Other pending convention hotel projects have been qualitatively considered and are discussed later in this chapter.

Hilton Americas Houston

Hilton Americas Houston

The 1,203-room Hilton of the Americas is located adjacent to Houston's George R. Brown Convention Center, and the two properties are connected via a skywalk. The hotel opened in December of 2003. This facility was developed in coordination with public and private interests in conjunction with the expansion of the convention center in 2003. The hotel is owned by the Houston Convention Center Hotel Corporation and is operated by Hilton Hotels. In September of 2008, city officials announced that the hotel was available for purchase, with the proceeds potentially used for the development of a second convention headquarters hotel. This hotel's facilities include a casual-dining restaurant, a lounge, a fine-dining restaurant, a coffee shop, an indoor pool and whirlpool, a fitness center, a business center, and a gift shop. This hotel also boasts more than 91,000 square feet of on-site meeting space, affording the operation considerable meeting and banquet opportunities. The hotel houses the largest ballroom in Houston, measuring over 40,000 square feet, as well as highly flexible breakout meeting space. The hotel has required only nominal renovations since its opening. The Hilton of the Americas is in very good condition and offers modern, artistically designed facilities and upscale amenities. While the Hilton benefits from its convention center headquarters hotel designation and its proximity to the convention center, the property is substantially distanced from the primary corporate concentration of commercial-transient demand generators. Therefore, the Hilton has not historically accommodated any measurable corporate-transient demand and is not expected to in the future.

HVS

George R. Brown Convention Center

The George R. Brown Convention Center, located in downtown Houston, finished a $165-million expansion in 2003 that increased its rentable meeting and exhibition space to over one million square feet. The Center's expanded facilities include three new exhibit halls totaling 401,500 square feet and 60 meeting rooms consisting of roughly 78,000 square feet. The expansion of the convention complex included the addition of the $285-million Hilton of the Americas headquarters convention center hotel.

Table 6-15 Convention Center Statistics

Year	Number of Meetings	Percent Change	Number of Delegates	Percent Change
2001	246	—	477,284	—
2002	261	6.1 %	403.595	(15.4) %
2003	233	(10.7)	646,283	60.1
2004	239	2.6	767,628	18.8
2005	246	2.9	739,200	(3.7)
2006	268	8.9	814,395	10.2
2007	294	9.7	706,587	(13.2)

Source: George R. Brown Convention Center

These data illustrate that the Center produced considerably more room nights for the market beginning in 2003 compared to prior years. By this time, the convention center expansion was nearing completion, and the addition of the Hilton of the Americas allowed accommodation of some larger citywide conventions. The Greater Houston Convention and Visitors Bureau (GHCVB) attributed the increase to the booking cycles and marketability of Houston as a convention destination, including the completion of expansion construction that was occurring at the convention center prior to 2003. Citywide convention activity is expected to continue to climb, with a considerable increase in definite conventions and room nights booked in 2008 through 2011, representing levels closer to those achieved from 2004 to 2007. For the fiscal year ending June 30, 2008, the convention center reported that rental income from conventions, tradeshows, and other events was nearly $2.75 million, a reported 22.7% increase over the previous year's almost $2.24 million. Booked room nights associated with the shows and events grew at an even greater rate, jumping 48.6% to 385,241 from 259,283, according to convention center representatives and the GHCVB. Two major events that helped the Center in 2007/08 were the American Wind Energy Association's WINDPOWER Conference & Exhibition, which attracted 776 exhibitors and 13,000 attendees, and the Helicopter Association International's Heli-Expo, which hosted 565 exhibitors and 17,356 attendees. The convention center did not reportedly sustain any major damage due to Hurricane Ike; however, three conventions were canceled due to the storm.

Omni Hotel @ CNN Center Atlanta

Omni Hotel @ CNN Center Atlanta

The 1,067-room Omni is connected to Philips Arena and the Georgia World Congress Center. Facilities include two restaurants, a lounge, a coffee shop, a business center, a concierge desk, a gift shop, an outdoor swimming pool, a spa, a whirlpool, and a fitness center. In addition, the hotel offers approximately 120,000 square feet of dedicated meeting space, inclusive of a 19,864-square-foot ballroom. The hotel, which was built in 1974, underwent an extensive expansion in 2003 that included an additional 600-room tower and approximately 70,000 square feet of meeting space; since this time, the hotel has undergone continual minor upgrades and renovations.

Georgia World Congress Center

Located in the heart of Downtown Atlanta, the Georgia World Congress Center (GWCC) features 1.4 million square feet of exhibit space contained in twelve exhibit halls, 105 meeting rooms that constitute 305,000 square feet of space, two grand ballrooms, two landscaped plazas, and a 1,740-seat auditorium, making it one of the nation's five-largest convention centers in terms of prime exhibit space. During the 1996 Centennial Olympic Games, the GWCC hosted seven sporting events and served as the International Broadcast Center. The International Association for Exhibitions and Events announced the selection of Atlanta as the host city for their 2009 Expo, and the GWCC will house the main events on its complex, which includes the Georgia Dome and Centennial Olympic Park. The Georgia International Convention Center, located approximately ten miles from Downtown Atlanta and adjacent to Hartsfield-Jackson Atlanta International Airport, is a multi-purpose facility with 150,000 square feet of divisible exhibit hall space, a 40,000-square-foot ballroom, and over 20,000 square feet of pre-function space and meeting rooms. Construction of an Automated People Mover is underway to enable event attendees to travel directly from the airport to the convention center; the project is anticipated to be completed in the fall of 2009.

Table 6-16 Convention Center Statistics

Year	Number of Conventions	Percent Change	Number of Delegates	Percent Change
2001	57	—	1,329,759	—
2002	48	(15.8) %	1,007,249	(24.3) %
2003	52	8.3	1,176,925	16.8
2004	57	9.6	1,177,086	0.0
2005	61	7.0	1,052,040	(10.6)
2006	48	(21.3)	1,380,617	31.2
2007	57	18.8	1,570,639	13.8

Source: Georgia World Congress Center (GWCC)

These data illustrate that the city produced more room nights for the market in 2006 compared to 2005, despite a decrease in the number of events. The Atlanta Convention and Visitors Bureau (ACVB) attributed the increase in room nights to several factors, including the ongoing renovations occurring at area hotels, the expansion of the Omni Hotel being realized, as well as conventions that were relocated to the area after Hurricane Katrina. According to local hoteliers, three large medical events supported a high average daily rate for the market in 2006. The ACVB reports that the booking pace for 2009 is on par with 2007 and 2008. Although 2009 is slightly off pace, it is expected that bookings for 2009 will increase as local hotels such as the Marriott and the Hilton complete their renovation projects.

Hilton Riverside New Orleans

Hilton Riverside New Orleans

Located along the banks of the Mississippi, the 1,616-room Hilton Riverside is the largest hotel in New Orleans and adjoins the convention center and Harrah's Casino. This property is owned and operated by Hilton. Facilities include roughly 134,000 square feet of meeting space, three restaurants, a rooftop bar, and a business center. In addition, the hotel is equipped with a full-service health club that includes racquetball and squash courts, indoor tennis courts, and an indoor swimming pool and whirlpool. Opened in 1977, the property underwent an extensive renovation in 2003. The $37-million renovation included a complete guestroom refurbishment, as well as upgrades to all public areas and meeting rooms.

Ernest N. Morial Convention Center

The primary convention facility serving the southeastern Louisiana region is located in New Orleans. The Ernest N. Morial Convention Center opened in January 1985; at the time, this facility offered approximately 381,000 square feet of exhibit space and roughly 100,000 square feet of meeting space. As a result of a 1991 expansion, the convention center grew to approximately 667,000 square feet of contiguous exhibit space and roughly 165,000 square feet of second- and third-floor meeting space. A $280-million project was completed in the first quarter of 1999, adding more exhibition space, for a total of 1.1 million square feet of contiguous space. New Orleans now boasts one of the largest contiguous exhibition spaces in the country. The Center also houses a 4,000-seat theater, divisible into four parts – a feature that no other convention center in the country currently offers. The expansion of the Center allows the city to host citywide conventions back to back. Such potential bodes well for area hotels, as the burden of the downtime between conventions will be lessened.

Table 6-17 Convention Center Statistics

Year	Number of Conventions	Percent Change	Number of Delegates	Percent Change
2001	101	—	731,974	—
2002	109	7.9 %	692,522	(5.4) %
2003	85	(22.0)	593,803	(14.3)
2004	103	21.2	545,509	(8.1)
2005	93	(9.7)	523,761	(4.0)
2006	48	(48.4)	181,595	(65.3)
2007	101	110.4	330,255	81.9

Source: Ernest N. Morial Convention Center

The impact of Hurricane Katrina is evident in the dramatically slow booking pace for 2007. Tentative room nights in the following years indicate improving activity at this facility; as such, 2009 and beyond provide an optimistic outlook. Although the convention center was able to retain some of the larger events in future years, some conventions have altogether relocated to other cities. Smaller conventions that fill the convention center are particularly lacking, as these groups are more flexible in scheduling events and have not committed themselves to the destination following Hurricane Katrina. The largest event on the books is the American Auto Dealer Association Annual Convention in 2009. Based on our research and interviews with representatives of the Convention and Visitors Bureau and others knowledgeable in the local lodging industry, meeting and group activity driven by the convention center is expected to build momentum through 2010.

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APPENDIX I

ACCRETED VALUE TABLE

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$11,881,197.20
HOTEL REVENUE BONDS, SERIES 2009A
(CAPITAL APPRECIATION BONDS)

ACCRETED VALUE TABLE
PER $5,000 MATURITY

Maturity	**January 1, 2018**	**January 1, 2025**	**January 1, 2026**
Issue Price	**3,199.40**	**1,914.40**	**1,770.00**
Approx. Yield to Maturity	**5.430%**	**6.360%**	**6.460%**
1/1/2010	$ 3,257.05	$ 1,954.80	$ 1,807.90
7/1/2010	3,345.50	2,016.95	1,866.30
1/1/2011	3,436.30	2,081.10	1,926.60
7/1/2011	3,529.60	2,147.25	1,988.80
1/1/2012	3,625.45	2,215.55	2,053.05
7/1/2012	3,723.85	2,286.00	2,119.35
1/1/2013	3,824.95	2,358.70	2,187.80
7/1/2013	3,928.80	2,433.70	2,258.50
1/1/2014	4,035.50	2,511.10	2,331.45
7/1/2014	4,145.05	2,590.95	2,406.75
1/1/2015	4,257.60	2,673.35	2,484.50
7/1/2015	4,373.20	2,758.35	2,564.75
1/1/2016	4,491.90	2,846.10	2,647.55
7/1/2016	4,613.90	2,936.60	2,733.10
1/1/2017	4,739.15	3,029.95	2,821.35
7/1/2017	4,867.80	3,126.30	2,912.50
1/1/2018	5,000.00	3,225.75	3,006.55
7/1/2018	-	3,328.30	3,103.70
1/1/2019	-	3,434.15	3,203.95
7/1/2019	-	3,543.35	3,307.40
1/1/2020	-	3,656.05	3,414.25
7/1/2020	-	3,772.30	3,524.55
1/1/2021	-	3,892.25	3,638.40
7/1/2021	-	4,016.05	3,755.90
1/1/2022	-	4,143.75	3,877.20
7/1/2022	-	4,275.55	4,002.45
1/1/2023	-	4,411.50	4,131.75
7/1/2023	-	4,551.80	4,265.20
1/1/2024	-	4,696.55	4,402.95
7/1/2024	-	4,845.90	4,545.15
1/1/2025	-	5,000.00	4,692.00
7/1/2025	-	-	4,843.55
1/1/2026	-	-	5,000.00

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