

MAYOR'S OFFICE

HOUSTON, TEXAS

*April 11*, 2012

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To the Honorable City Council of the City of Houston, Texas

In accordance with the provisions of Article VII, Section 7 of the Charter of the City of Houston, I submit and introduce to you the Ordinance set out as attached with the request that it be passed finally on the date of its introduction. There exists a public emergency requiring such action and I accordingly request that you pass the same if it meets with your approval.

  
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Mayor, City of Houston, Texas

City of Houston Ordinance No. 2012- 314

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CITY OF HOUSTON ORDINANCE NO. 2012-314

AN ORDINANCE AUTHORIZING THE ISSUANCE OF CITY OF HOUSTON, TEXAS, CONVENTION & ENTERTAINMENT FACILITIES DEPARTMENT HOTEL OCCUPANCY TAX AND SPECIAL REVENUE REFUNDING BONDS, SERIES 2012; AUTHORIZING THE MAYOR AND CITY CONTROLLER TO APPROVE CERTAIN TERMS THEREOF AND CERTAIN OTHER PROCEDURES RELATING THERETO; PROVIDING FOR THE PAYMENT THEREOF; AUTHORIZING THE DEFEASANCE, FINAL PAYMENT, AND DISCHARGE OF CERTAIN OUTSTANDING BONDS; MAKING OTHER PROVISIONS REGARDING SUCH BONDS AND MATTERS INCIDENT THERETO; AWARDED THE SALE OF THE BONDS; APPROVING A PRELIMINARY OFFICIAL STATEMENT AND AUTHORIZING DISTRIBUTION THEREOF; APPROVING PREPARATION AND DISTRIBUTION OF A FINAL OFFICIAL STATEMENT; AUTHORIZING A BOND PURCHASE AGREEMENT, AN ESCROW AGREEMENT AND A PAYING AGENT/REGISTRAR AGREEMENT; AND DECLARING AN EMERGENCY

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- Exhibit A - Officers' Pricing Certificate
- Exhibit B - Description of Parking Facilities
- Exhibit C - Bond Purchase Agreement
- Exhibit D - Paying Agent/Registrar Agreement
- Exhibit E - Co-Bond Counsel Engagement Letter
- Exhibit F - Co-Disclosure Counsel Engagement Letter
- Exhibit G - Preliminary Official Statement
- Exhibit H - Description of Annual Financial Information

**CITY OF HOUSTON ORDINANCE NO. 2012-\_\_\_**

AN ORDINANCE AUTHORIZING THE ISSUANCE OF CITY OF HOUSTON, TEXAS, CONVENTION & ENTERTAINMENT FACILITIES DEPARTMENT HOTEL OCCUPANCY TAX AND SPECIAL REVENUE REFUNDING BONDS, SERIES 2012; AUTHORIZING THE MAYOR AND CITY CONTROLLER TO APPROVE CERTAIN TERMS THEREOF AND CERTAIN OTHER PROCEDURES RELATING THERETO; PROVIDING FOR THE PAYMENT THEREOF; AUTHORIZING THE DEFEASANCE, FINAL PAYMENT, AND DISCHARGE OF CERTAIN OUTSTANDING BONDS; MAKING OTHER PROVISIONS REGARDING SUCH BONDS AND MATTERS INCIDENT THERETO; AWARDING THE SALE OF THE BONDS; APPROVING A PRELIMINARY OFFICIAL STATEMENT AND AUTHORIZING DISTRIBUTION THEREOF; APPROVING PREPARATION AND DISTRIBUTION OF A FINAL OFFICIAL STATEMENT; AUTHORIZING A BOND PURCHASE AGREEMENT, AN ESCROW AGREEMENT AND A PAYING AGENT/REGISTRAR AGREEMENT; AND DECLARING AN EMERGENCY

WHEREAS, Chapter 351, Texas Tax Code, as amended, and Chapters 1371, 1504 and 1508, Texas Government Code, as amended, authorize the City to levy a hotel occupancy tax on certain persons, based upon the price paid, for the use or possession of rooms ordinarily used for sleeping at hotels in the City; to undertake the acquisition of sites for and the construction, improvement, enlarging, equipping, repairing, operation, and maintenance of convention center facilities, including, but not limited to, civic centers, civic center buildings, auditoriums, exhibition halls and coliseums owned by the City or other governmental entity or managed in whole or in part by the City, certain convention center hotels owned by the City or nonprofit local government corporations sponsored by the City, and parking areas or facilities for the parking or storage of motor vehicles or other conveyances located at or in the vicinity of other convention center facilities; to issue revenue bonds to finance the costs of the aforesaid facilities; and to pledge the proceeds of its hotel occupancy tax and certain revenues from the aforesaid facilities to secure the payment of its revenue bonds issued for such purposes; and

WHEREAS, Chapters 1371, 1504 and 1508, Texas Government Code, as amended, and other applicable law, authorize the City to establish, maintain and operate certain off-street parking facilities and to pledge the revenues derived from such parking facilities to the payment of revenue bonds; and

WHEREAS, Chapter 2303 of the Texas Government Code, as amended, and Section 151.429, Texas Tax Code, authorize the rebate of certain sales and use taxes, hotel occupancy taxes and mixed beverage taxes with respect to the Convention Center Hotel (as herein defined) and Exclusive Hotel Parking (as herein defined) for the purpose of financing the costs of such Convention Center Hotel; and

WHEREAS, Chapter 1504, Texas Government Code, as amended, and Chapter 351, Texas Tax Code, as amended, and other applicable law provide, for the establishment of a Convention Center Hotel and the Garage (as herein defined) by a nonprofit municipally-

sponsored local government corporation created under Chapter 431, Texas Transportation Code, as amended; and

WHEREAS, the City has heretofore issued certain Refunded Bonds (as herein defined) for the purpose of financing and refinancing the costs of constructing, expanding and extending the Convention Center (as herein defined), the Convention Center Hotel and the Garage, all or a portion of which are to be refunded with a portion of the proceeds of the refunding bonds proposed to be issued pursuant to this Ordinance; and

WHEREAS, the City is authorized by Chapter 1207 to issue refunding bonds for the purposes of (i) refunding the Refunded Bonds, (ii) funding the reserve fund and (iii) paying costs of issuance; and

WHEREAS, the City has determined that the issuance of refunding bonds to refund and defease the Refunded Bonds is in the best interests of the City, and that the manner in which the refunding is being executed does not make it practical to make the determination required by Section 1207.008(a) of the Texas Government Code, as amended; and

WHEREAS, the City may issue bonds authorized by this Ordinance in multiple series or subseries and on one or more closing or delivery dates; and

WHEREAS, the City Council of the City has determined it is in the best interests of the City to issue the Series 2012 Bonds (as herein defined) to accomplish the foregoing purposes;

NOW, THEREFORE BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF HOUSTON, TEXAS:

## ARTICLE ONE

### FINDINGS AND DETERMINATIONS

SECTION 1.01: FINDINGS AND DETERMINATIONS. It is hereby officially found and determined that:

(a) All of the facts and matters contained in the aforesaid recitals are hereby determined to be true and correct.

(b) Upon the issuance of the Series 2012 Bonds hereinafter authorized and the funding of the escrow for the Refunded Bonds, and the deposit of sufficient funds with the Paying Agent for the Refunded Bonds, the Refunded Bonds shall no longer be deemed outstanding and the lien on and pledge of all revenues and securities securing such Refunded Bonds will be released and defeased.

(c) The Series 2012 Bonds authorized in this Ordinance will be secured by a prior and senior lien on the Pledged Revenues and funds pledged to their payment on parity with the Outstanding Parity Bonds.

## ARTICLE TWO

### DEFINITIONS

SECTION 2.01: DEFINITIONS. As used in this Ordinance, in addition to the terms elsewhere defined herein, unless otherwise expressly provided or unless the context otherwise requires, the terms defined in this Section for all purposes of this Ordinance, and any ordinance amendatory or supplemental hereto shall have the respective meanings specified:

“Accreted Value” shall mean, with respect to the Series 2012 Bonds issued as Capital Appreciation Bonds, as of any particular date of calculation, the original principal amount thereof, plus all interest accrued and compounded at the applicable interest rate on such Series 2012 Bonds issued as Capital Appreciation Bonds to the particular date of calculation, as determined in accordance with this Ordinance and attached to the Officers’ Pricing Certificate.

“Act” shall mean Chapters 1207, 1371, 1504, and 1508, Texas Government Code, as amended, Chapter 351, Texas Tax Code, as amended, Chapter 380, Texas Local Government Code, as amended, and all other applicable law.

“Additional Parity Bonds” shall mean the additional parity revenue bonds, notes and obligations permitted to be issued by the City pursuant to Section 6.01 of this Ordinance.

“Adjustable Rate Bonds” shall mean any Parity Bonds that initially bear interest at an adjustable or variable rate of interest, but which may be converted to bear a rate of interest fixed to maturity.

“Allocated Hotel Bonds” shall mean (i) the Series 2012 Bonds, (ii) the Series 2011B Bonds and (iii) the portion of the Outstanding Series 2001 Bonds which are Original Allocated Hotel Bonds.

“Capital Appreciation Bonds” shall mean the Series 2012 Bonds issued as Capital Appreciation Bonds, if any, as provided by the Officers’ Pricing Certificate.

“City” shall mean, in addition to the City of Houston, Texas, where appropriate, the City Council thereof.

“Convention and Entertainment Facilities” shall mean the Convention Center, the Convention Center Hotel, the Convention Registration Facilities and all other facilities of the City under the administrative control of the Department that have as their primary purpose attracting and serving conventions and or providing public entertainment or are in support thereof, such as the Parking Facilities and the Garage (other than the Exclusive Hotel Parking).

“Convention Center” shall mean the George R. Brown Convention Center and all expansions and additions thereto, but shall exclude any of the Convention Registration Facilities located therein.

“Convention Center Hotel” shall mean the hotel adjacent to the Convention Center, but shall exclude any of the Convention Registration Facilities located therein.

“Convention Registration Facilities” shall mean those facilities designated by the City in and adjacent to the Convention Center and the Convention Center Hotel, the primary purpose of which is for the registration of convention delegates or registrants within the meaning of Section 351.101(a)(2) of the Texas Tax Code, as amended.

“Credit Agreement” shall mean any agreement between the City and a third party financial institution pursuant to which such third party financial institution issues a letter of credit, municipal bond insurance policy, line of credit, standby purchase agreement, surety policy, surety bond or other guarantee for the purpose of enhancing the creditworthiness or liquidity of any of the City’s obligations pursuant to any Parity Bonds or Qualified Hedge Agreements and in consideration for which the City may agree to pay, but solely from Pledged Revenues as provided herein, (i) periodic payments for the availability of such Credit Agreement and/or (ii) reimbursements or repayments of any amounts advanced under such Credit Agreement, together with interest and other stipulated costs and charges related to such amounts advanced. Obligations of the City pursuant to a Credit Agreement shall be deemed to be, and shall be included within, the Debt Service Requirements for the series of Parity Bonds to which the Credit Agreement relates. Further, obligations of the City to make payments under a Credit Agreement as reimbursements or repayments of amounts paid or advanced under such Credit Agreement for interest on or principal of any Parity Bonds (including interest and other stipulated costs and charges related to such amounts advanced) shall be deemed to be payments of interest on or principal of such Parity Bonds. Each Credit Agreement shall be deemed to be a part of the Parity Bonds of the series to which it relates for the purpose of securing its payment or repayment by the pledge of Pledged Revenues as provided in Articles Five, Six, and Seven of this Ordinance. However, except as provided in any Officers’ Pricing Certificate, issuers of Credit Agreements shall not be treated as Owners of Parity Bonds for purposes of any voting rights to approve amendments or to direct the exercise of any remedies under this Ordinance.

“Current Interest Bonds” shall mean the Series 2012 Bonds issued as current interest bonds, as provided by the Officers’ Pricing Certificate.

“Debt Service Requirements” for the purpose of (i) computing the Reserve Fund Requirement and (ii) satisfying the coverage tests for the issuance of Additional Parity Bonds in Section 6.01, shall mean, as of any date of calculation and for the period for which such calculation is made, an amount equal to the sum of the following for such period and with respect to all or any portion of the Parity Bonds:

A. Current interest scheduled to accrue during such period on such Parity Bonds, except to the extent that provision for the payment of such interest has been made by (i) appropriating for such purpose amounts sufficient to provide for the full and timely payment of such interest either from proceeds of Parity Bonds, from interest earned or to be earned thereon, from funds other than Pledged Revenues, or from any combination of such sources and (ii) depositing such amounts (except in the case of interest to be earned, which shall be deposited as received) into a fund or account for capitalized interest, the proceeds of which are required to be made available as needed for such purpose in the Interest and Sinking Fund, plus

B. That portion of the principal amount of, or compounded interest on, such Parity Bonds scheduled to be payable during the time period for which the calculation is

made on or before the next September 1 (either at maturity or by reason of scheduled mandatory redemptions, but after taking into account all prior optional and mandatory bond redemptions);

provided, however, that the following rules shall apply to the computation of Debt Service Requirements on any series of Parity Bonds issued as Adjustable Rate Bonds. It shall be assumed that such Adjustable Rate Bonds will bear interest at a long-term interest rate estimated by the City's financial advisor or underwriter to be the average rate of interest such Adjustable Rate Bonds would bear if issued as Fixed Rate Bonds to be amortized over 30 years with level debt service.

Debt Service Requirements shall be calculated on the assumption that no Parity Bonds Outstanding at the date of calculation will be payable as to principal except by reason of (i) scheduled principal maturities, (ii) scheduled mandatory redemptions of such Bonds or (iii) optional redemptions exercised by the City.

Credit Agreements shall cause Debt Service Requirements to be increased only to the extent of scheduled payments and charges for the availability of the Credit Agreement without regard to any repayment or reimbursement obligations or interest thereon or other stipulated costs or charges related thereto.

Qualified Hedge Agreements shall cause Debt Service Requirements to be (i) increased by the amount of any scheduled payments and charges for the availability of the Qualified Hedge Agreement, (ii) decreased by the amount of any scheduled interest payments on the related Parity Bonds which the City's financial advisor certifies to be substantially hedged pursuant to the Qualified Hedge Agreement, and (iii) increased by the gross payments of the City under the Qualified Hedge Agreement (without regard to netting); provided, however, that any variable or adjustable payment obligation of the City under the Qualified Hedge Agreement shall be deemed to be a fixed rate obligation based upon the provisions contained in paragraph (ii) above of the definition of Debt Service Requirements, as certified by the City's financial advisor.

"Department" shall mean the City's Convention and Entertainment Facilities Department or its successor.

"Director" shall mean the Director of the Department.

"Escrow Agent" shall mean The Bank of New York Mellon Trust Company, N.A. (or its successor in such capacity) as Escrow Agent for the Refunded Bonds.

"Escrow Agreement" shall mean the agreement, if any, provided for in the Officers' Pricing Certificate, between the City and the Escrow Agent for the Refunded Bonds.

"Exclusive Hotel Parking" shall mean those parking rights in the Garage reserved to the Convention Center Hotel in the Interlocal Agreement.

"Fixed Rate Bonds" shall mean any Parity Bonds that bear interest at rates fixed to maturity.

“Garage” shall have the meaning assigned to it in the Interlocal Agreement.

“General (Non-Pledged) Revenues” shall mean all such revenues, excluding any and all Pledged Revenues and interest income earned thereon, that are received by the Department from time to time (and deposited, at the Department’s discretion, in the General (Non-Pledged) Revenue Account).

“Hotel Corporation” shall mean the Houston Convention Center Hotel Corporation, a Texas local government corporation created pursuant to Chapter 431, Texas Transportation Code, as amended.

“Hotel Occupancy Tax” shall mean the tax, levied by the City pursuant to Chapter 351, Texas Tax Code, as amended, on persons, based upon the price paid, for the use or possession or right of use or possession of rooms ordinarily used for sleeping at hotels within the corporate limits of the City, subject only to the exemptions and limitations imposed by the laws of the State of Texas, which tax is currently levied by the City at a rate of 7%.

“Interest Payment Date” shall mean each March 1 and September 1 commencing on the initial Interest Payment Date provided in the Officers’ Pricing Certificate.

“Interlocal Agreement” shall mean the agreement between the City and the Hotel Corporation effective as of May 3, 2001.

“Maximum Annual Debt Service Requirements” shall mean the greatest Debt Service Requirements scheduled to occur in the current or any future fiscal year.

“Officers’ Pricing Certificate(s)” shall mean the certificate(s) to be executed by the Mayor and City Controller pursuant to Section 3.02A hereof and delivered to the City Secretary, substantially in the form attached hereto as Exhibit A, subject to such additions, modifications and changes required to conform the Officers’ Pricing Certificate to the terms of the Bond Purchase Agreement.

“Ordinance” shall mean this Bond Ordinance and all amendments hereof and supplements hereto.

“Original Allocated Hotel Bonds” shall mean the portion of the Refunded Bonds allocated to the Convention Center Hotel in the original principal amount of \$310,550,000.

“Operation and Maintenance Expenses” shall mean all reasonably necessary current expenses of operating and maintaining the Convention and Entertainment Facilities other than the Convention Center Hotel and the Exclusive Hotel Parking, as may from time to time be determined by the City, the operation and maintenance of which is to be provided in whole or in part out of any of the Pledged Revenues and all expenses of advertising and conducting solicitation programs to acquaint potential users with public meeting and convention facilities, and for promotion of tourism and advertising of the City as required by the Act; provided, however, that Operation and Maintenance Expenses shall not include capital expenditures, depreciation or other non-cash items or expenses of operation and maintenance payable by lessees, concessionaires or persons other than the City.

“Outstanding” when used with reference to the Parity Bonds, shall mean, as of a particular date, all such bonds theretofore and thereupon delivered except: (a) any such bond canceled by or on behalf of the City at or before said date, (b) any such bond defeased pursuant to the defeasance provisions of the ordinance authorizing its issuance, or otherwise defeased as permitted by applicable law, (c) any such bond in lieu of or in substitution for which another bond shall have been delivered pursuant to the ordinance authorizing the issuance of such bond.

“Owner” when used with respect to any Parity Bond, shall mean the person or entity in whose name such Bond is registered in the Register. Any reference to a particular percentage or proportion of the Owners shall mean the Owners at a particular time of the specified percentage or proportion in aggregate principal amount of all Parity Bonds then Outstanding under this Ordinance.

“Parity Bonds” shall mean the Series 2012 Bonds, the Outstanding Series 2001 Bonds, the Outstanding Series 2011A Bonds, the Outstanding Series 2011B Bonds and each series of Additional Parity Bonds from time to time hereafter issued, but only to the extent such Parity Bonds remain Outstanding within the meaning of this Ordinance.

“Parking Facilities” shall mean the facilities described in Exhibit B, together with such additions and deletions as permitted by Section 5.03. The Parking Facilities do not include the Garage.

“Paying Agent/Registrar” shall mean The Bank of New York Mellon Trust Company, N.A. and its successors in such capacity.

“Pledged HOT” shall mean all revenues, including without limitation, current and delinquent payments and all related penalties and interest, derived and received by the City from that portion of the Hotel Occupancy Tax that is equivalent to a tax of 5.65% so long as any Parity Bonds (including any Additional Parity Bonds issued to refund the Series 2012 Bonds) remain Outstanding and thereafter the Pledged HOT shall equal to 5.25% plus such additional amount, if any, as may be designated as constituting Pledged HOT in proceedings for the issuance of Additional Parity Bonds approved by opinions of bond counsel and the Attorney General of Texas. The Pledged HOT shall not include any Hotel Occupancy Tax revenues generated by (i) the Convention Center Hotel for its first ten years of operation (which are included within Pledged Tax Rebates) and (ii) any additional hotel the City develops in the future to complement the Convention Center for its first ten years of operation.

“Pledged Parking Revenues” shall mean the gross revenues, charges and tolls received by the City from the ownership and/or operation of the Parking Facilities, except that the City’s pledge of such Pledged Parking Revenues shall be subordinate to the City’s pledge of the first \$1,200,000 of such gross revenues, charges and tolls to the payment of its annual obligation under that certain Lease, Development and Grant Agreement by and between the City and the Houston Music Hall Foundation unless such obligation is paid, defeased, matures or is otherwise restructured.

“Pledged Revenues” shall mean the (i) Pledged HOT, (ii) Pledged Parking Revenues, (iii) Pledged Tax Rebates, (iv) all interest and investment income realized from the investment of amounts, if any, from time to time deposited to the credit of the Pledged Revenue Account, the

Pledged Tax Rebate Fund, the Interest and Sinking Fund and the Reserve Fund, and (v) any additional revenue, receipts or income hereafter pledged to the Parity Bonds.

“Pledged Tax Rebates” shall mean rebates of the following taxes derived from the operation of the Convention Center Hotel (including any Convention Registration Facilities located therein) and the Exclusive Hotel Parking for their first 10 years of operation: (i) sales and use taxes imposed by the State of Texas, the City and the Metropolitan Transit Authority of Harris County, Texas at a cumulative rate of 8.25%, (ii) hotel occupancy taxes imposed by the State of Texas, Harris County and the City, but not the Harris County-Houston Sports Authority, at a cumulative rate of 15% and (iii) mixed beverage taxes imposed by the State of Texas and rebated to Harris County and the City at a cumulative rate of 3%.

“Qualified Hedge Agreement” shall mean any agreement between the City and a qualifying financial institution (as described in the following sentence) for the purpose of providing an interest rate swap, exchange, cap, collar, floor, forward or other hedging mechanism, arrangement or security, however denominated, expressly identified pursuant to its terms as being entered into in connection with and in order to hedge interest rate fluctuations on any portion of any Parity Bonds and in consideration for which the City may agree to pay, but solely from Pledged Revenues as herein provided, (i) periodic payments for the availability of such Qualified Hedge Agreement and/or (ii) net amounts as a result of fluctuation in hedged interest rates or in the value of any index of payment and/or (iii) termination charges. A Qualified Hedge Agreement may only be entered into with a financial institution which has long-term credit ratings or the obligations of which are either (i) unconditionally guaranteed by a financial institution with long-term credit ratings in one of the three or collateralized highest generic rating categories by each nationally recognized rating service then rating the Parity Bonds or (ii) continuously secured by U.S. Government or Agency securities lodged with a third party financial institution with a value of at least 103% of the replacement costs of the Qualified Hedge Agreement. Obligations of the City pursuant to a Qualified Hedge Agreement shall be included within the definition of Debt Service Requirements for the series of Parity Bonds to which the Qualified Hedge Agreement relates. Further, obligations of the City to make payments under a Qualified Hedge Agreement derived from or resulting from a fluctuation in hedged interest rates or in the value of any index of payment shall be deemed to be payments of interest on the Bonds so hedged. Each Qualified Hedge Agreement shall be deemed to be a part of the Bonds of the series to which it relates for the purpose of securing its payment by the pledge of Pledged Revenues as provided in Articles Five, Six and Seven of this Ordinance. However, issuers of and counterparts to Qualified Hedge Agreements shall not be treated as Owners of Bonds for purposes of any voting rights to approve amendments or direct the exercise of any remedies under this Ordinance.

“Refunded Bonds” shall mean, collectively, all or a portion of the Outstanding Convention & Entertainment Facilities Department Hotel Occupancy Tax and Special Revenue Bonds, Series 2001B (Fixed Rate) previously issued by the City, as further designated as Refunded Bonds in the Officers’ Pricing Certificate, which are being refunded and defeased upon the issuance of the Series 2012 Bonds.

“Register” shall mean the books of registration kept by the Paying Agent/Registrar in which are maintained the names and addresses of and the principal amounts registered to each Owner.

“Renewal and Replacement Requirement” shall mean the amount to be accumulated in the Renewal and Replacement Account as provided in Section 5.11(b) of this Ordinance. The Renewal and Replacement Requirement shall be determined from time to time by the Director, in the Director’s discretion, in an amount not to exceed 5% of the book value before depreciation of the Convention and Entertainment Facilities, excluding the Convention Center Hotel and Exclusive Hotel Parking as reported in the most recent annual financial report of the City, which amount may be increased by any ordinance authorizing any series of Additional Parity Bonds.

“Reserve Fund Requirement” shall mean the average annual Debt Service Requirements for all Parity Bonds, which shall be recomputed upon the issuance of each series of Additional Parity Bonds and may be recomputed at the election of the City at any other time that Parity Bonds are optionally redeemed or defeased. Upon the issuance of the Series 2012 Bonds, and until it is recomputed, the Reserve Fund Requirement shall be as set forth in the Officers’ Pricing Certificate.

“Reserve Fund Surety Policy” shall have the meaning assigned to it in Section 5.08 of this Ordinance.

“Series 2001 Bonds” shall mean the City’s (a) Convention & Entertainment Facilities Department Hotel Occupancy Tax and Special Revenue Refunding Bonds, Series 2001A (Fixed Rate), (b) Convention & Entertainment Facilities Department Hotel Occupancy Tax and Special Revenue Bonds, Series 2001B (Fixed Rate), and (c) Convention & Entertainment Facilities Department Hotel Occupancy Tax and Special Revenue Adjustable Rate Bonds, Series 2001C.

“Series 2011A Bonds” shall mean the City’s Convention & Entertainment Facilities Department Hotel Occupancy Tax and Special Revenue Refunding Bonds, Series 2011A.

“Series 2011B Bonds” shall mean the City’s Convention & Entertainment Facilities Department Hotel Occupancy Tax and Special Revenue Refunding Bonds, Series 2011B.

“Series 2012 Bonds” shall mean the City of Houston, Texas, Convention & Entertainment Facilities Department Hotel Occupancy Tax and Special Revenue Refunding Bonds, Series 2012.

“Subordinate Lien Obligations” shall mean all bonds, notes, and other obligations issued or incurred by the City as provided in Section 6.02 of this Ordinance, including rebates of Hotel Occupancy Tax from future hotels if the City should determine such rebates serve as an incentive to the development of additional hotels to serve Convention and Entertainment Facilities.

SECTION 2.02: INTERPRETATIONS. All terms defined herein and all pronouns used in this Ordinance shall be deemed to apply equally to singular and plural and to all genders. The titles and headings of the articles and sections of this Ordinance have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof. This Ordinance and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to sustain the validity of the Parity Bonds and the validity of the lien on and pledge of the Pledged Revenues to secure the payment of the Parity Bonds.

## ARTICLE THREE

### TERMS OF THE SERIES 2012 BONDS

SECTION 3.01: NAME, AMOUNT, PURPOSE, AUTHORIZATION. The Series 2012 Bonds, the original aggregate principal amount not to exceed \$50,000,000, are authorized to be issued in multiple series or subseries and in fully registered form, without coupons, in substantially the form set forth herein with such appropriate variations, omissions and insertions as are permitted by this Ordinance and in accordance with the further provisions of this Article, all as determined and designated in the Officers' Pricing Certificate. The Series 2012 Bonds shall be issued for the purpose of (i) refunding and defeasance of the Refunded Bonds, (ii) funding the reserve fund and (iii) paying costs of issuance, all under and pursuant to the authority of the Act and all other applicable law.

SECTION 3.02: DATE, DENOMINATION, INTEREST RATES, AND MATURITIES.

(a) The Series 2012 Bonds shall mature not later than September 1, 2041, on the maturity date in each of the years and in the amounts set out in the Officers' Pricing Certificate for the Series 2012 Bonds, shall be subject to prior optional and mandatory redemption on the dates, for the redemption prices and in the amounts set out in such Officers' Pricing Certificate and shall bear interest from the dates and at the rates per annum to be set forth in such Officers' Pricing Certificate. The Series 2012 Bonds that are Current Interest Bonds shall initially be evidenced by Initial Bonds numbered AG-1 and thereafter by definitive bonds numbered in sequence beginning with R-1, unless otherwise provided in the Officers' Pricing Certificate. The Series 2012 Bonds that are issued as Capital Appreciation Bonds shall initially be numbered by Initial Bonds numbered AGC-1 and thereafter, and by definitive bonds numbered RC-1, unless otherwise provided in the Officers' Pricing Certificate. Definitive Series 2012 Bonds delivered on transfer of or in exchange for the initial or other Series 2012 Bonds shall be in the denomination of \$5,000 principal amount (or maturity amount if issued as Capital Appreciation Bonds) or integral multiples thereof and shall mature on the same date and bear interest at the same rate as the Series 2012 Bonds in lieu of which they are delivered. Interest on the Series 2012 Bonds at such rates as shown in the Officers' Pricing Certificate for the Series 2012 Bonds shall be payable in the manner provided and in the FORM OF SERIES 2012 BONDS set forth in Article IV of this Ordinance.

(b) Except as provided below, no Series 2012 Bonds shall be valid or obligatory for any purpose or be entitled to any security or benefit of this Ordinance unless and until there appears thereon the Registrar's Authentication Certificate substantially in the form provided in the FORM OF SERIES 2012 BONDS herein, duly authenticated by manual execution by an officer or duly authorized signatory of the Registrar. In lieu of the executed Registrar's Authentication Certificate described above, each Initial Bond delivered at the Closing Date shall have attached hereto the Comptroller's Registration Certificate substantially in the form provided in the FORM OF SERIES 2012 BONDS herein, manually executed by the Comptroller of Public Accounts of the State of Texas (the "Comptroller"), or by his or her duly authorized agent, which certificate shall be evidence that such Initial Bond has been duly approved by the Attorney General of the State of Texas and that it is a valid and binding obligation of the City, and has been registered by the Comptroller.

(c) On the Closing Date, Initial Bonds, being single bonds representing the entire principal amount of the Series 2012 Bonds, payable in stated installments to the initial purchasers of the Series 2012 Bonds, executed by manual or facsimile signature, approved by the Attorney General, and registered and manually signed by the Comptroller, shall be delivered to the initial purchasers of the Series 2012 Bonds. Upon payment for the Initial Bonds, the Paying Agent/Registrar shall cancel the Initial Bonds and deliver definitive Series 2012 Bonds to The Depository Trust Company, New York, New York (“DTC”).

SECTION 3.03: SELLING AND DELIVERING SERIES 2012 BONDS. As authorized by Chapters 1207 and 1371 Texas Government Code, as amended, the Mayor (and in the absence of the Mayor, the Director of Finance) and City Controller (and in the absence of the City Controller, the Deputy City Controller) are hereby authorized to act on behalf of the City in selling and delivering the Series 2012 Bonds (on one or more closing or delivery dates) and carrying out the other procedures specified in this Ordinance, including without limitation determining the price at which the Series 2012 Bonds will be sold, the issuance date and initial interest payment date for the Series 2012 Bonds, the form in which the Series 2012 Bonds shall be issued (whether as Current Interest Bonds or as any combination of Current Interest Bonds, Capital Appreciation Bonds and deferred interest bonds), the dates on which the Series 2012 Bonds will mature, the principal amount to mature on each of such maturity dates, the rate of interest to be borne by each such maturity, the dates, prices and terms upon and at which the Series 2012 Bonds shall be subject to redemption prior to maturity at the option of the City, as well as any mandatory sinking fund redemption provisions for the Series 2012 Bonds, the calculation of the Reserve Fund Requirement, the verification agent for the escrow fund to be established for the Refunded Bonds, in approving the purchase of a bond insurance policy or policies for all or any portion of the Series 2012 Bonds and all other matters relating to the issuance, sale and delivery of the Series 2012 Bonds, including the refunding and defeasance of the Refunded Bonds, all of which shall be specified in the Officers’ Pricing Certificate for the Series 2012 Bonds; provided that:

- (i) the price to be paid for the Series 2012 Bonds shall not be less than 90% of the aggregate original principal amount of the current interest bonds plus accrued interest, if any, thereon from their date to their delivery and 90% of the present value of any compound interest bonds from their date to their delivery;
- (ii) none of the Series 2012 Bonds shall bear interest at a rate greater than the maximum rate allowed by Chapter 1204, Texas Government Code, as amended;
- (iii) the sum of the principal amounts of the Series 2012 Bonds, which may not exceed the maximum principal amount authorized in Section 3.01 hereof, must be sufficient to provide for the redemption of the Refunded Bonds, funding the reserve fund, if required, and paying costs of issuance of the Series 2012 Bonds and of refunding the Refunded Bonds;
- (iv) the Series 2012 Bonds to be issued, prior to delivery, must have been rated by a nationally recognized rating agency for municipal securities in one of the four highest rating categories for long-term obligations;

- (v) any finding by the Mayor or the City Controller relating to the sale and delivery of the Series 2012 Bonds shall have the same force and effect as a finding or determination made by the City Council.

SECTION 3.04: REDEMPTION PRIOR TO MATURITY. The Series 2012 Bonds shall be subject to optional and mandatory redemption prior to maturity in the manner provided in the Officers' Pricing Certificate for the Series 2012 Bonds and the FORM OF SERIES 2012 BONDS set forth herein.

SECTION 3.05: MANNER OF PAYMENT, CHARACTERISTICS, EXECUTION, AND AUTHORIZATION. The Series 2012 Bonds shall be payable, shall have the characteristics, shall be signed, sealed, and executed, and shall be authenticated, all as provided and in the manner indicated in the respective FORM OF SERIES 2012 BONDS, as set forth in this Ordinance. If any official of the City whose manual or facsimile signature shall appear on the Series 2012 Bonds, as provided in the respective FORM OF SERIES 2012 BONDS, shall cease to be such official before the authentication of the Series 2012 Bonds or before the delivery of the Series 2012 Bonds, such manual or facsimile signature shall nevertheless be valid and sufficient for all purposes as if such official had remained in such office.

SECTION 3.06: OWNERSHIP; UNCLAIMED AMOUNTS.

(a) The City, the Paying Agent/Registrar and any other person may treat the person in whose name any Series 2012 Bonds is registered as the absolute Owner of such Series 2012 Bonds for the purpose of making and receiving payment of the principal thereof and premium, if any, thereon, and for the further purpose of making and receiving payment of the interest thereon, and for all other purposes, whether or not such Series 2012 Bonds is overdue, and neither the City nor the Paying Agent/Registrar shall be bound by any notice or knowledge to the contrary. All payments made to the person deemed to be the Owner of any Series 2012 Bonds in accordance with this section shall be valid and effectual and shall discharge the liability of the City and the Paying Agent/Registrar upon such Series 2012 Bonds to the extent of the sums paid.

(b) Amounts held by the Paying Agent/Registrar that represent principal of and interest on the Series 2012 Bonds remaining unclaimed by any Owner after the expiration of three years from the date such amounts have become due and payable shall be reported and disposed of by the Paying Agent/Registrar in accordance with the provisions of Texas law, including, to the extent applicable, Title 6 of the Texas Property Code, as amended.

SECTION 3.07: REGISTRATION, TRANSFER, AND EXCHANGE.

(a) The Paying Agent/Registrar shall keep the Register at its principal corporate trust office in which, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of the Series 2012 Bonds in accordance with the terms of this Ordinance.

(b) The Paying Agent/Registrar shall also maintain books of registration for the Series 2012 Bonds in the State of Texas at the Paying Agent/Registrar's offices in the State of

Texas, which books of registration may be a copy of the Register and which shall be kept current by the Paying Agent/Registrar.

(c) Each Series 2012 Bond shall be transferable only upon the presentation and surrender thereof at the principal corporate trust office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation and surrender of any Series 2012 Bond for transfer, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor, within 72 hours after such presentation and surrender, a new Series 2012 Bond or Series 2012 Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and bearing interest at the same rate as the Series 2012 Bond or Series 2012 Bonds so presented and surrendered.

(d) All Series 2012 Bonds shall be exchangeable upon the presentation and surrender thereof at the designated payment office of the Paying Agent/Registrar for a Series 2012 Bond or Series 2012 Bonds of the same maturity of the same series and interest rate and in any authorized denomination, in an aggregate principal amount equal to the unpaid principal amount of the Series 2012 Bond or Series 2012 Bonds presented for exchange. The Paying Agent/Registrar shall be and is hereby authorized to authenticate and deliver exchange Series 2012 Bonds in accordance with the provisions of this Section. Each Series 2012 Bond delivered in accordance with this Section shall be entitled to the benefits and security of this Ordinance to the same extent as the Series 2012 Bonds in lieu of which such Series 2012 Bond is delivered.

(e) The City or the Paying Agent/Registrar may require the Registered Owner of any Series 2012 Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Series 2012 Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the City.

(f) The Paying Agent/Registrar shall not be required to transfer or exchange any Series 2012 Bond during the 45-day period prior to the date fixed for redemption; provided, however, that such restriction shall not apply to the transfer or exchange by the Registered Owner of the unredeemed portion of any Series 2012 Bond called for redemption in part.

SECTION 3.08: CANCELLATION. All Series 2012 Bonds paid or redeemed in accordance with this Ordinance, and all Series 2012 Bonds in lieu of which exchange Series 2012 Bonds or replacement Series 2012 Bonds are authenticated and delivered in accordance herewith, shall be canceled and destroyed upon the making of proper records regarding such payment or redemption. The Paying Agent/Registrar shall periodically furnish the City with certificates of destruction of such Series 2012 Bonds.

SECTION 3.09: REPLACEMENT BONDS.

(a) Upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Series 2012 Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Series 2012 Bond of like maturity, interest rate, and principal amount, bearing a number not contemporaneously Outstanding. The City or the Paying Agent/Registrar may require the Owner of such Series 2012 Bond to pay a sum sufficient to cover any tax or other

governmental charge that may be imposed in connection therewith and any other expenses connected therewith, including the fees and expenses of the Paying Agent/Registrar;

(b) If any Series 2012 Bond is lost, apparently destroyed, or wrongfully taken, the City, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Series 2012 Bond has been acquired by a bona fide purchaser, shall execute, and the Paying Agent/Registrar shall authenticate and deliver, a replacement Series 2012 Bonds of like maturity, interest rate, and principal amount, bearing a number not contemporaneously Outstanding, provided that the Owner thereof shall have:

- (i) Furnished to the City and the Paying Agent/Registrar satisfactory evidence of the ownership of and the circumstances of the loss, destruction or theft of such Series 2012 Bond;
- (ii) Furnished such security or indemnity as may be required by the Paying Agent/Registrar and the City to save them harmless;
- (iii) Paid all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees of the Paying Agent/Registrar and any tax or other governmental charge that may be imposed; and
- (iv) Met any other reasonable requirements of the City and the Paying Agent/Registrar.

(c) If, after the delivery of such replacement Series 2012 Bond, a bona fide purchaser of the original Series 2012 Bond in lieu of which such replacement Series 2012 Bonds was issued presents for payment such original Series 2012 Bond, the City and the Paying Agent/Registrar shall be entitled to recover such replacement Series 2012 Bond from the person to whom it was delivered or any person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the City or the Paying Agent/Registrar in connection therewith.

(d) If any such mutilated, lost, apparently destroyed or wrongfully taken Series 2012 Bond has become or is about to become due and payable, the City, in its sole discretion, may, instead of issuing a replacement Series 2012 Bond, authorize the Paying Agent/Registrar to pay such Series 2012 Bond.

(e) Each replacement Series 2012 Bond delivered in accordance with this section shall be entitled to the benefits and security of this Ordinance to the same extent as the Series 2012 Bond or Series 2012 Bonds in lieu of which such replacement Series 2012 Bond is delivered.

#### SECTION 3.10: SECURITIES DEPOSITORY, APPOINTMENT OF DTC.

(a) Notwithstanding any provision of this Ordinance to the contrary, unless the City shall otherwise direct, all Series 2012 Bonds issued hereunder shall be registered in the name of Cede & Co., as nominee of DTC, as the Registered Owner of the Series 2012 Bonds, and held in

the custody of DTC. Unless otherwise requested by DTC, a single certificate will be issued and delivered to DTC for each maturity of Series 2012 Bonds. Beneficial owners of Series 2012 Bonds will not receive physical delivery of Series 2012 Bond certificates except as provided hereinafter as long as DTC shall continue to serve as securities depository for the Series 2012 Bonds as provided herein, all transfers of beneficial ownership interests in the Series 2012 Bonds will be made by book-entry only, and no investor or other party purchasing, selling, or otherwise transferring beneficial ownership interests in Series 2012 Bonds is to receive, hold, or deliver any Series 2012 Bond certificate; provided, that, if DTC fails or refuses to act as securities depository for the Series 2012 Bonds, the City shall take the actions necessary to provide for the issuance of Series 2012 Bond certificates to the Registered Owners of such Series 2012 Bonds.

With respect to Series 2012 Bonds registered in the name of Cede & Co., as nominee of DTC, the City and the Paying Agent/Registrar shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom a DTC Participant holds an interest in the Series 2012 Bonds. Without limiting the immediately preceding sentence, the City and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Series 2012 Bonds, (ii) the delivery to any DTC Participant or any other person, other than a Registered Owner, as shown on the Register, of any notice with respect to the Series 2012 Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than a Registered Owner, as shown in the Register, of any amount with respect to the principal of, premium, if any, or interest on the Series 2012 Bonds.

(b) In the event that (i) DTC determines not to continue to act as securities depository for the Series 2012 Bonds (which determination shall become effective no less than ninety (90) days after written notice to such effect to the City and the Paying Agent/Registrar); (ii) the City or the Paying Agent/Registrar determines (which determination is conclusive as to DTC and the beneficial owners of the Series 2012 Bonds) that DTC is incapable of discharging its responsibilities described herein; or (iii) the City or the Paying Agent/Registrar determines (which determination is conclusive as to DTC and the beneficial owners of the Series 2012 Bonds) that it is in the best interests of the beneficial owners of the Series 2012 Bonds not to continue DTC's book-entry-only system of transfer for the Series 2012 Bonds, then the City shall use its best efforts to appoint a successor securities depository, qualified to act as such under Section 17A of the Securities Exchange Act of 1934, as amended. In the event of such an appointment, the City shall notify DTC of the appointment of such successor securities depository and transfer one or more separate Series 2012 Bonds to such successor securities depository or notify DTC Participants of the availability through DTC of Series 2012 Bonds and transfer one or more separate Series 2012 Bonds to DTC Participants having Series 2012 Bonds credited to their DTC accounts. In such event, the Series 2012 Bonds shall no longer be restricted to being registered in the Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Registered Owners transferring or exchanging Series 2012 Bonds shall designate, in accordance with the provisions of this Ordinance.

In the event the City fails to appoint a successor securities depository for the Series 2012 Bonds, the City shall cause to be authenticated and delivered replacement Series 2012 Bonds, in certificated form, to the beneficial owners of the Series 2012 Bonds.

(c) Notwithstanding any other provision of this Ordinance to the contrary, as long as any Series 2012 Bonds are registered in the name of Cede & Co., as nominee of DTC, (i) all payments with respect to the principal of, premium, if any, and interest on the Series 2012 Bonds and all notices with respect to such Series 2012 Bonds shall be made and given, respectively, in accordance with DTC's Operational Arrangements, as provided in the Blanket Letter of Representations between DTC and the City; (ii) the requirements of this Ordinance of holding, delivering or transferring Series 2012 Bonds shall be deemed modified to require the appropriate person or entity to meet the requirements of DTC; and (iii) delivery of the Series 2012 Bonds will be in accordance with arrangements among the City, the Paying Agent/Registrar, and DTC.

(d) If at any time DTC ceases to hold the Series 2012 Bonds in book-entry-only form, all references herein to DTC shall be of no further force or effect.

ARTICLE FOUR

FORM OF SERIES 2012 BONDS

SECTION 4.01: FORM OF SERIES 2012 BONDS. The Series 2012 Bonds shall be in substantially the following form, with such additions, deletions and variations as may be necessary or desirable and permitted by this Ordinance:

(Face of Bond)

United States of America  
State of Texas

NUMBER  
1- \_\_\_\_\_  
REGISTERED

DENOMINATION  
\$ \_\_\_\_\_  
REGISTERED

CITY OF HOUSTON, TEXAS  
CONVENTION & ENTERTAINMENT FACILITIES DEPARTMENT  
HOTEL OCCUPANCY TAX AND SPECIAL  
REVENUE REFUNDING BOND  
SERIES 2012[ ]<sup>2</sup>

INTEREST RATE: \_\_\_\_\_%    BOND DATE: June 1, 2012    ISSUE DATE: \_\_\_\_\_, 2012    MATURITY DATE: September 1, 20\_\_\_\_    CUSIP NO.: \_\_\_\_\_

Registered Owner:

Principal Amount:

DOLLARS

<sup>1</sup> AG for the Initial Bond; R for all bonds issued in exchange therefore, as appropriate.

<sup>2</sup> Insert or modify as directed by the Officers' Pricing Certificate.

The CITY OF HOUSTON, TEXAS, a municipal corporation, situated principally in Harris County, Texas (the "City"), for value received, hereby promises to pay, solely from the pledged revenues and funds hereinafter specified and from no other source, to the Registered Owner identified above or the registered assigns thereof, on the Maturity Date specified above, upon presentation and surrender of this bond at the designated payment office of the "Paying Agent/Registrar," initially The Bank of New York Mellon Trust Company, N.A., Houston, Texas, the Principal Amount identified above, in any coin or currency of the United States of America which on the date of payment of such principal is legal tender for the payment of debts due the United States of America, and to pay, solely from such pledged revenues and funds, interest thereon at the rate shown above, calculated on the basis of a 360-day year composed of twelve 30-day months, from the later of the Bond Date set forth above or the most recent interest payment date to which interest has been paid or duly provided for. Interest on this bond is payable on each March 1 and September 1 beginning \_\_\_\_\_<sup>3</sup>, until the maturity or redemption date of this bond or until the City's obligation with respect to this bond has been satisfied. Interest on this bond shall be payable by check or draft mailed by first class mail, postage prepaid by the Paying Agent/Registrar to the registered owner of record as of the previous February 15 and August 15 as shown on the books of registration kept by the Paying Agent/Registrar.

THIS BOND IS ONE OF A DULY AUTHORIZED SERIES OF BONDS, dated as of June 1, 2012 in the aggregate principal amount of \_\_\_\_\_<sup>4</sup> (the "Series 2012 Bonds"), issued pursuant to an ordinance adopted by the City Council of the City (herein the "Ordinance") for the purpose of (i) refunding and defeasing certain outstanding bonds ("Refunded Bonds") of the City, (ii) funding the reserve fund, and (iii) paying the costs of issuance and refunding, all under and pursuant to the authority of Chapters 1207, 1371, and 1504, Texas Government Code, as amended, and all other applicable law.

THIS BOND, AND ALL OF THE SERIES 2012 BONDS, are special obligations of the City that, together with all other Parity Bonds (as defined in the Ordinance) from time to time issued and outstanding, are equally and ratably payable from and secured by a lien on certain "Pledged Revenues," which, together with certain other lawfully available funds, are required to be set aside for and pledged to the payment of the Series 2012 Bonds, and all outstanding and additional Parity Bonds heretofore or hereafter issued, in the interest and sinking fund and the reserve fund required to be maintained for the payment of all such Parity Bonds, all as more fully described and provided for in the Ordinance. This bond and the series of which it is a part, together with the interest thereon, are payable solely from such Pledged Revenues and do not constitute an indebtedness or general obligation of the City.

THIS BOND shall not be valid or obligatory for any purpose or be entitled to any benefit under the Ordinance unless this bond is authenticated by the Paying Agent/Registrar by due execution of the authentication certificate manually endorsed hereon, except for the Initial Bond of this series, which has been registered by the Comptroller of Public Accounts of the State of Texas by the Comptroller's Registration Certificate manually endorsed and affixed thereto. Such

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<sup>3</sup> Insert or modify as directed by the Officers' Pricing Certificate.

<sup>4</sup> Insert or modify as directed by the Officers' Pricing Certificate.

duly executed certificate of authentication shall be conclusive evidence that this bond was delivered by the Paying Agent/Registrar under the provisions of the Ordinance.

[ON \_\_\_\_\_<sup>5</sup>, AND ON ANY DATE THEREAFTER, the City shall have the option of calling the Series 2012 Bonds maturing thereafter for redemption prior to maturity, in whole or in part, for an amount equal to the accrued interest thereon to the date fixed for redemption plus a redemption price (expressed as a percentage of the principal amount to be redeemed) as follows:

<u>Redemption Period</u>	<u>Redemption Price</u>
_____ <sup>6</sup>	_____ <sup>7</sup>

THE SERIES 2012 BONDS ISSUED AS TERM BONDS maturing in the year(s) \_\_\_\_\_<sup>8</sup> are subject to mandatory redemption prior to maturity in the following amounts (subject to reduction as hereinafter provided), on the following dates (“Mandatory Redemption Dates”), at a price equal to the principal amount redeemed plus accrued interest to the Mandatory Redemption Dates, subject to the conditions set forth below:

\$ \_\_\_\_\_<sup>9</sup> Series 2012 Term Bonds Maturing in \_\_\_\_\_<sup>10</sup>

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
_____ <sup>11</sup>	_____ <sup>12</sup>

ON OR BEFORE 30 days prior to each Mandatory Redemption Date set forth above, the Paying Agent/Registrar shall (i) determine the principal amount of such Term Bonds that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for below, (ii) select, by lot or other customary random method, the Term Bonds or portions of Term Bonds of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give notice of such redemption as provided below. The principal amount of any Term Bonds to be mandatorily redeemed on a Mandatory Redemption Date shall be reduced by the principal amount of such Term Bonds which, by the 45th day prior to such Mandatory Redemption Date, either have been purchased in the open market and delivered or tendered for cancellation by or on behalf of the City to the Paying Agent/Registrar or optionally redeemed and which, in either case, have not previously been made the basis for a reduction under this sentence. In addition, if

<sup>5</sup> Insert or modify as directed by the Officers’ Pricing Certificate.  
<sup>6</sup> Insert or modify as directed by the Officers’ Pricing Certificate.  
<sup>7</sup> Insert or modify as directed by the Officers’ Pricing Certificate.  
<sup>8</sup> Insert or modify as directed by the Officers’ Pricing Certificate.  
<sup>9</sup> Insert or modify as directed by the Officers’ Pricing Certificate.  
<sup>10</sup> Insert or modify as directed by the Officers’ Pricing Certificate.  
<sup>11</sup> Insert or modify as directed by the Officers’ Pricing Certificate.  
<sup>12</sup> Insert or modify as directed by the Officers’ Pricing Certificate.

in the exercise of its right of optional redemption, the City has redeemed part but not all of the Term Bonds of a particular maturity, the principal amount to be mandatorily redeemed on the next mandatory redemption date or dates following the date of such optional redemption shall be reduced by the principal amount optionally redeemed and which has not previously been made the basis for a reduction under this sentence.

PRINCIPAL MAY BE REDEEMED IN PART only in integral multiples of \$5,000. If a Series 2012 Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Series 2012 Bond may be redeemed, but only in integral multiples of \$5,000. In selecting portions of Series 2012 Bonds for redemption, the Paying Agent/Registrar shall treat each Series 2012 Bond as representing that number of Series 2012 Bonds of \$5,000 denomination which is obtained by dividing the principal amount of such Series 2012 Bond by \$5,000. Upon presentation and surrender of any Series 2012 Bond for redemption in part, the Paying Agent/Registrar, in accordance with the provisions of the Ordinance, shall authenticate and deliver in exchange therefor a Series 2012 Bond or Series 2012 Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Series 2012 Bond so presented and surrendered.

NOTICE OF ANY OPTIONAL OR MANDATORY REDEMPTION identifying the Series 2012 Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least 30 and not more than 60 days prior to the date fixed for redemption by sending written notice by certified mail to the Registered Owner of each Series 2012 Bond to be redeemed in whole or in part at the address shown on the Register. Such notice shall state the redemption date, the redemption price, the amount of accrued interest payable on the redemption date, the place at which the Series 2012 Bonds are to be presented and surrendered for payment and, if less than the entire principal amount of a Series 2012 Bond is to be redeemed, the portion thereof to be redeemed. Any notice given as provided in this paragraph shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the redemption price of the Series 2012 Bonds to be redeemed, plus accrued interest to the date fixed for redemption. When the Series 2012 Bonds have been called for redemption in whole or in part and due provision has been made to redeem same as provided in the Ordinance, the Series 2012 Bonds, or portions thereof to be so redeemed, shall no longer be regarded as Outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Series 2012 Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.]<sup>2</sup>

THIS BOND IS TRANSFERABLE only upon presentation and surrender at the principal corporate office of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner or his authorized representative, subject to the terms and conditions of the Ordinance.

THE SERIES 2012 BONDS ARE EXCHANGEABLE at the designated payment office of the Paying Agent/Registrar for Series 2012 Bonds of the same series, maturity and interest rate in the principal amount of \$5,000 or any integral multiple thereof, subject to the terms and conditions of the Ordinance.

THE CITY OR THE PAYING AGENT/REGISTRAR may require the Registered Owner of any Series 2012 Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Series 2012 Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the City.

THE PAYING AGENT/REGISTRAR IS NOT REQUIRED TO ACCEPT any Series 2012 Bond for transfer or exchange during the 45-day period prior to the date fixed for redemption; provided, however, that such restriction shall not apply to the transfer or exchange by the Registered Owner of the unredeemed portion of any Series 2012 Bond called for redemption in part.

THE OWNER OF THIS BOND SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT OF THIS BOND OR THE INTEREST THEREON OUT OF ANY FUNDS RAISED OR TO BE RAISED BY TAXATION.

THE CITY HAS RESERVED THE RIGHT TO ISSUE ADDITIONAL PARITY BONDS and other obligations, subject to the restrictions contained in the Ordinance, which may be secured by a lien on a parity with, or inferior to, the lien on the aforesaid Pledged Revenues securing this bond and the series of which it is a part.

THE ORDINANCE CONTAINS PROVISIONS permitting the City to defease the Ordinance and to amend the Ordinance without the consent of the Registered Owner of this bond. Any amendment to the Ordinance shall be binding upon the Registered Owner of this bond without endorsement hereon or any reference to such amendment, provided that no amendment shall permit (a) an extension of the maturity of the principal of or the interest on this bond, or (b) a reduction of the principal amount of this bond or the rate of interest thereon.

IT IS HEREBY CERTIFIED, RECITED AND REPRESENTED that the issuance of the Series 2012 Bonds is duly authorized by law; that all acts, conditions and things required to exist and be done precedent to and in the issuance of the Series 2012 Bonds to render the same lawful and valid obligations of the City have been properly done and performed and have happened in regular and due time, form and manner, as required by law; that due provision has been made for the payment of the principal of and interest on the Bonds by granting a lien on and pledge of the Pledged Revenues as provided in the Ordinance; and that the issuance of the Series 2012 Bonds does not exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, the City has caused its corporate seal to be impressed or placed in facsimile hereon and this bond to be signed by the Mayor and the City Controller and countersigned by the City Secretary by their manual, lithographed, or printed facsimile signatures.

(SEAL)

\_\_\_\_\_  
Mayor

City Controller

---

City Secretary

[Remainder of page intentionally left blank]

SECTION 4.02: RESERVED.

SECTION 4.03: FORM OF FIRST PARAGRAPH OF SERIES 2012 BONDS ISSUED AS CAPITAL APPRECIATION BONDS. Any Series 2012 Bonds issued as Capital Appreciation Bonds shall have the following paragraph inserted as the initial paragraph and may have such other variations as set forth below.

(Face of Bond)

United States of America  
State of Texas

NUMBER  
<sup>13</sup> \_\_\_\_\_  
REGISTERED

MATURITY AMOUNT  
\$ \_\_\_\_\_  
REGISTERED

CITY OF HOUSTON, TEXAS  
CONVENTION & ENTERTAINMENT FACILITIES DEPARTMENT  
HOTEL OCCUPANCY TAX AND SPECIAL  
REVENUE REFUNDING BOND  
SERIES 2012[ ]<sup>14</sup>

INTEREST RATE: \_\_\_\_\_%    BOND DATE: June 1, 2012    ISSUE DATE: \_\_\_\_\_, 2012    MATURITY DATE: September 1, 20\_\_\_\_    CUSIP NO.: \_\_\_\_\_

Registered Owner:

Maturity Amount: \_\_\_\_\_ DOLLARS

The CITY OF HOUSTON, TEXAS, a municipal corporation, situated principally in Harris County, Texas (the "City"), for value received, hereby promises to pay, solely from the pledged revenues and funds hereinafter specified and from no other source, to the Registered Owner identified above or the registered assigns thereof, on the Maturity Date specified above, upon presentation and surrender of this bond at the designated payment office of the "Paying Agent/Registrar," initially The Bank of New York Mellon Trust Company, N.A., Houston, Texas, the Maturity Amount identified above, in any coin or currency of the United States of America which on the date of payment of such principal is legal tender for the payment of debts due the United States of America, and to pay, solely from such pledged revenues and funds, interest thereon at the rate shown above, calculated on the basis of a 360-day year composed of twelve 30-day months, from the Issue Date set forth above, compounded semi-annually on each March 1 and September 1 beginning \_\_\_\_\_<sup>15</sup>, such principal and interest to such Maturity Date specified above being equal to the Maturity Amount specified above. The principal of this bond is an amount which, together with interest thereon from the Issue Date specified above at

<sup>13</sup> AGC for the Initial Bond; RC for all bonds issued in exchange therefore, as appropriate.

<sup>14</sup> Insert or modify as directed by the Officers' Pricing Certificate.

<sup>15</sup> Insert or modify as directed by the Officers' Pricing Certificate.

the Interest Rate specified above and compounded at the above-described frequency, will equal the Maturity Amount specified on the Maturity Date.

In addition, if any such Capital Appreciation Bonds are subject to optional or mandatory redemption as provided in the Officers' Pricing Certificate, the bracketed paragraphs in the Form of Bond may be varied to conform to the terms of such redemption provision (e.g., references to "principal" or "principal amount" may be changed to "Maturity Amount" or "Accreted Value" and references to "plus accrued interest" may be deleted, all as provided in the Officers' Pricing Certificate.

SECTION 4.04: FORM OF AUTHENTICATION CERTIFICATE. The following form of authentication certificate shall be printed on the face of each of the Series 2012 Bonds other than the initial Series 2012 Bonds:

Registration Date: \_\_\_\_\_

#### AUTHENTICATION CERTIFICATE

This bond is one of the Series 2012 Bonds described in and delivered pursuant to the within-mentioned Ordinance; and this bond has been issued in conversion of and exchange for or replacement of a bond, bonds or a portion of a bond or bonds of an issue which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A., Houston, Texas

\_\_\_\_\_  
Authorized Officer

SECTION 4.05: FORM OF ASSIGNMENT. The following form of assignment shall be printed on the back of each of the Series 2012 Bonds:

ASSIGNMENT

For value received, the undersigned hereby sells, assigns, and transfers unto \_\_\_\_\_

\_\_\_\_\_  
(SOCIAL SECURITY OR  
OTHER IDENTIFYING NUMBER)

\_\_\_\_\_  
*(Print or type name, address, and zip code of transferee)*

the within bond and hereby irrevocably constitutes and appoints \_\_\_\_\_

\_\_\_\_\_  
attorney to transfer said bond on the books kept for registration thereof, with full power of substitution in the premises.

DATED: \_\_\_\_\_

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

NOTICE: The signature must be guaranteed by a commercial bank or a member firm of a national securities exchange. Notarized or witnessed signatures are not acceptable.

\_\_\_\_\_  
Registered Owner

NOTICE: The signature on this assignment must correspond with the name of the Registered Owner as it appears on the face of the within bond in every particular, without alteration or enlargement or any change whatever.

SECTION 4.06: LEGAL OPINION, CUSIP NUMBERS. The approving opinion of Andrews Kurth LLP and Escamilla, Poneck & Cruz, LLP, Houston, Texas, bond counsel for the City, and CUSIP numbers may be printed on the Series 2012 Bonds, but errors or omissions in the printing of such opinion or such numbers shall have no effect on the validity of the Series 2012 Bonds.

SECTION 4.07: REGISTRATION OF SERIES 2012 BONDS BY STATE COMPTROLLER. The initial Series 2012 Bonds delivered hereunder shall be registered by the Comptroller of Public Accounts of the State of Texas, as provided by law. The registration certificate of the Comptroller of Public Accounts shall be affixed to such initial Series 2012 Bonds in substantially the following form:

OFFICE OF THE COMPTROLLER  
THE STATE OF TEXAS

REGISTER NO. \_\_\_\_\_

I HEREBY CERTIFY that there is on file and of record in my office a certificate of the Attorney General of the State of Texas to the effect that this bond has been examined by him as required by law, and that he finds that it has been issued in conformity with the Constitution and laws of the State of Texas, and that it is a valid and binding special obligation of the City of Houston, Texas, payable from the revenues pledged to its payment by and in the Ordinance authorizing the same; and this bond has this day been registered by me.

WITNESS MY HAND AND SEAL OF OFFICE this \_\_\_\_\_.

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

SECTION 4.08: UNIQUE PROVISIONS FOR INITIAL BONDS. The Initial Bonds shall be in the form set forth in Sections 4.01 - 4.07 herein, except for the following alterations:

- (i) the registered owner shall be Hutchinson, Shockey, Erley & Co.;
- (ii) immediately under the name of the Bond, the headings "INTEREST RATE" and "MATURITY DATE" shall both be completed with the words "As Shown Below" and the word "CUSIP NO." deleted;
- (iii) in the first paragraph of the Bond, the words "on the Maturity Date specified above" and "at the rate shown above" shall be deleted and the following shall be inserted at the end of the first sentence ". . . , with such principal to be paid in installments on \_\_\_\_\_ in each of the years and in the principal amounts identified in the following schedule and with such installments bearing interest at the per annum rates set forth in the following schedule:

[Information to be inserted from Officers' Pricing Certificate for the Series 2012 Bonds]

- (iv) the Initial Bond shall be numbered AG-1 or AGC-1.

## ARTICLE FIVE

### SECURITY AND SOURCE OF PAYMENT FOR ALL PARITY BONDS

SECTION 5.01: PLEDGE AND SOURCE OF PAYMENT. The City hereby covenants and agrees that all Pledged Revenues shall be credited to the special funds or accounts hereinafter established, and shall be applied in the manner hereinafter set forth, in order to provide for the payment of principal, interest and any redemption premiums on the Parity Bonds. The Parity Bonds shall constitute special obligations of the City that shall be payable solely from and shall be equally and ratably secured by a lien on the Pledged Revenues and other funds described herein. Such Pledged Revenues shall, in the manner herein provided, be set aside for and pledged to the payment of the Parity Bonds in the Interest and Sinking Fund and the Reserve Fund, as hereinafter provided. For the benefit of the Owners of the Parity Bonds, the City hereby grants a lien on such Pledged Revenues and further grants a lien on the Pledged Revenue Account held within the Revenue Fund, the Pledged Tax Rebate Fund, the Interest and Sinking Fund and the Reserve Fund to secure the payment of principal of, premium, if any, and interest on all Parity Bonds. All Parity Bonds shall be in all respects on a parity with and of equal dignity with one another. The owners of the Parity Bonds shall never have the right to demand payment of either the principal of, interest on or any redemption premium on the Parity Bonds out of any funds raised or to be raised by taxation, other than the Pledged Revenues.

SECTION 5.02: LEVY OF HOTEL OCCUPANCY TAX. The City has levied, and so long as any Outstanding Series 2001 Bonds remain Outstanding, the City hereby levies and covenants that it shall continue to levy, a Hotel Occupancy Tax of not less than 7% (5.65% of which constitutes the Pledged HOT) and thereafter at a rate of 5.65% for so long as the Series 2012 Bonds and any Parity Bonds are Outstanding, on persons, based upon the price paid, for the use or possession or right of use or possession of rooms ordinarily used for sleeping at hotels within the corporate limits of the City, subject only to the exemptions and limitations imposed by the laws of the State of Texas, all as authorized by Chapter 351, Texas Tax Code, as amended. The City further covenants that it shall enforce the provisions of this Ordinance, or any other ordinance levying a Hotel Occupancy Tax, concerning the collection, remittance and payment of the Hotel Occupancy Tax.

### SECTION 5.03: PARKING FACILITIES AND PLEDGE PARKING REVENUES.

(a) The Parking Facilities shall consist of those facilities described in Exhibit B. The City may, from time to time, by ordinance, (i) declare that additional parking facilities may be added to the Parking Facilities, whereupon the parking revenues from such additional Parking Facilities shall automatically become included within Pledged Parking Revenues or (ii) replace a Parking Facility with another parking facility that generated parking revenues as of the end of the last fiscal year at least equal to the parking revenues generated by the replaced Parking Facility as of the same period.

(b) So long as any Parity Bonds remain Outstanding, the City covenants that it shall maintain and operate such Parking Facilities and shall impose and collect fees and charges for

the use of its Parking Facilities that are sufficient, together with other Pledged Revenues, to pay the principal of and interest on the Parity Bonds, including fees and charges for any use of Parking Facilities by the City or its employees that are not less than 60% of those charged to the public for comparable use.

SECTION 5.04: PLEDGED TAX REBATES. The City covenants that it shall use diligence to collect promptly as they become due from each governmental entity obligated by law or by contract to pay over such Pledged Tax Rebates and to cause such Pledged Tax Rebates to be promptly deposited into the Pledged Tax Rebate Fund.

SECTION 5.05: SPECIAL FUNDS. The following special funds and accounts shall be established, maintained and accounted for as hereinafter provided so long as any of the Parity Bonds remain outstanding:

- (a) Revenue Fund, which shall contain:
  - (i) the Pledged Revenue Account,
  - (ii) the General (Non-Pledged) Revenue Account, and
  - (iii) the Operation and Maintenance Account (as further described in Section 5.10 hereof);
- (b) Pledged Tax Rebate Fund;
- (c) Interest and Sinking Fund;
- (d) Reserve Fund; and
- (e) Convention and Entertainment Development Fund, which shall contain the Renewal and Replacement Account.

All of the above Funds shall be maintained as separate accounts on the books of the City. The Revenue Fund, including specifically the Pledged Revenue Account and the Operation and Maintenance Account held therein, the Pledged Tax Rebate Fund, the Interest and Sinking Fund and the Reserve Fund shall be maintained separate and apart from all other funds and accounts of the City, and shall constitute trust funds that shall be held in trust for the owners of the Parity Bonds and the proceeds of which (other than interest income thereon, which may be transferred as herein provided) shall be pledged to the payment of the Parity Bonds. All of the Funds named above shall be used solely as herein provided so long as any Parity Bonds remain outstanding. Separate accounts and subaccounts may be created and maintained in all Funds.

SECTION 5.06: FLOW OF FUNDS.

(a) All Pledged Revenues shall be deposited as collected into the Pledged Revenue Account within the Revenue Fund, except for the Pledged Tax Rebates, which shall be deposited and held in the Pledged Tax Rebate Fund. The City, at its discretion, may deposit General (Non-Pledged) Revenues into the Non-Pledged Revenue Account within the Revenue Fund.

(b) Moneys from time to time credited to the Pledged Tax Rebate Fund shall be transferred monthly to the Interest and Sinking Fund and shall be used solely to pay principal of and interest on the Allocated Hotel Bonds as determined herein and in the Officers' Pricing Certificate.

(c) All other moneys from time to time credited to the Pledged Revenue Account within the Revenue Fund shall be applied as follows in the following order of priority, subject to the allocation provisions in Section 5.13:

- (i) First, to transfer all amounts to the Interest and Sinking Fund required by this Ordinance and any other ordinance authorizing the issuance of Parity Bonds;
- (ii) Second, to transfer all amounts to the Reserve Fund required by this Ordinance and any other ordinance authorizing the issuance of Parity Bonds;
- (iii) Third, to transfer all amounts to any interest and sinking fund, debt service fund, debt service reserve fund and any other similar fund or account required by any ordinance authorizing the issuance of Subordinate Lien Obligations;
- (iv) Fourth, to transfer all amounts to the Operation and Maintenance Account required by this Ordinance and any other ordinance authorizing the issuance of Parity Bonds; and
- (v) Fifth, to transfer remaining amounts to the Convention and Entertainment Development Fund, which shall include the Renewal and Replacement Account.

SECTION 5.07: INTEREST AND SINKING FUND.

(a) On or before the last business day of each month so long as any Parity Bonds remain Outstanding, there shall be transferred to the Interest and Sinking Fund first from the Pledged Tax Rebate Fund, all amounts held therein, and second from other amounts in the Revenue Fund the following:

- (i) Such amounts, in approximately equal monthly installments, as shall be necessary to accumulate in the Interest and Sinking Fund (taking into account other amounts on deposit therein and available for such purpose), prior to the next Interest Payment Date for Fixed Rate Bonds, an amount sufficient to pay all interest scheduled to be payable on such date on all Fixed Rate Bonds; plus
- (ii) Such amounts as shall be necessary to accumulate and maintain in the Interest and Sinking Fund at all times (taking into account other amounts on deposit therein and available for such purpose) amounts sufficient to pay in the next month the maximum amount of interest that could be payable in such month on all Adjustable Rate Bonds; plus
- (iii) Such amounts, in approximately equal monthly installments, as shall be necessary to accumulate in the Interest and Sinking Fund (taking into account other amounts on deposit therein and available for such purpose), prior to each principal payment and/or mandatory redemption date for the Parity Bonds, an amount sufficient to pay all principal maturing or subject to mandatory redemption on such date, including any applicable redemption premiums; plus
- (iv) Such amounts, in approximately equal monthly installments, as shall be necessary to accumulate in the Interest and Sinking Fund prior to their applicable payment dates, amounts sufficient to pay fees and charges payable to any and all of the Paying Agent/Registrar, Credit Agreement providers or Qualified Hedge Agreement providers which, by the terms of their agreements with the City, are payable from the Interest and Sinking Fund.

(b) Moneys credited to the Interest and Sinking Fund shall be used solely for the purpose of paying interest on, principal (at maturity or prior redemption or to purchase Parity Bonds issued as term bonds in the open market to be credited against mandatory redemption requirements) of and redemption premiums on the Parity Bonds, plus all fees and charges of any and all of the Paying Agent/Registrar, Credit Agreement providers or Qualified Hedge Agreement providers which, by the terms of their agreements with the City, are payable from the Interest and Sinking Fund. On or before each principal and/or interest payment date on the Parity Bonds, the City shall transfer from the Interest and Sinking Fund to the Paying Agent/Registrar in immediately available funds an amount equal to the principal and interest payable on the Parity Bonds on such date.

SECTION 5.08: RESERVE FUND.

(a) The City shall establish and maintain as hereinafter provided a balance in the Reserve Fund equal to the Reserve Fund Requirement for the Parity Bonds. The Reserve Fund Requirement shall initially be satisfied at the time of issuance and delivery of the Series 2012 Bonds. Each increase in the Reserve Fund Requirement resulting from the issuance of Additional Parity Bonds shall be provided for in the ordinance authorizing the issuance of such Additional Parity Bonds as required in Section 6.01. The City expressly reserves the right at any time to satisfy all or any part of its Reserve Fund Requirement by obtaining for the benefit of the Reserve Fund one or more Reserve Fund Surety Policies. In the event the City elects to substitute at any time a Reserve Fund Surety Policy for any funded amounts in the Reserve Fund, it may apply the bond funds thereby released to any purposes for which the bonds were issued and any other funds thereby released to any of the purposes for which such funds may lawfully be applied, including, in either case, the payment of debt service on Parity Bonds. A Reserve Fund Surety Policy shall be a surety bond, insurance policy or other similar guarantee in a principal amount equal to the portion of the Reserve Fund Requirement to be satisfied issued by a financial institution with a rating for its long-term unsecured debt in the highest letter category by two major municipal securities evaluation sources, and for which any repayment obligation imposed by the Reserve Fund Surety Policy (in the event the Reserve Fund Surety Policy is drawn upon) is payable from and secured only by amounts from time to time on deposit in the Reserve Fund and by Pledged Revenues after making all required transfers to the Interest and Sinking Fund and any interest due in connection with such repayment obligations does not exceed the highest lawful rate of interest which may be paid by the City at the time of delivery of the Reserve Fund Surety Policy.

(b) In any month in which the Reserve Fund contains less than the Reserve Fund Requirement for the Parity Bonds (or so much thereof as shall then be required to be therein if the City has elected to accumulate the Reserve Fund Requirement for any series of Additional Parity Bonds) or in which the City is obligated to repay or reimburse any issuer of a Reserve Fund Surety Policy (in the event such Reserve Fund Surety Policy is drawn upon) or the City is otherwise required to make deposits to the Reserve Fund pursuant to agreements with issuers of Reserve Fund Surety Policies, then on or before the last business day of such month, after making all required transfers to the Interest and Sinking Fund, there shall be transferred into the Reserve Fund from the Pledged Revenue Fund, amounts sufficient to enable the City to reestablish the Reserve Fund Requirement within twelve (12) months or such other period as shall have been agreed to in agreements entered into with issuers of Reserve Fund Surety Policies or bond insurers and to satisfy any repayment or other funding obligations to the issuer of any Reserve Fund Surety Policy or bond insurance for any Parity Bonds. After such amount has been accumulated in the Reserve Fund and after satisfying any repayment or other obligations to any issuer of a Reserve Fund Surety Policy or bond insurance policy and so long thereafter as such Fund contains such amount and all such obligations have been satisfied, no further transfers shall be required to be made, and any excess amounts in such Fund shall be transferred to the Interest and Sinking Fund. But if and whenever the balance in the Reserve Fund is reduced below such amount any Reserve Fund Surety Policy repayment obligations arise, or the City is otherwise required to make deposits to the Reserve Fund pursuant to agreements with the bond insurers for Parity Bonds, such monthly transfers to such Fund shall be resumed and continued until such obligations are satisfied.

(c) The Reserve Fund shall be used to pay the principal of and interest on the Parity Bonds at any time when there is not sufficient money available in the Interest and Sinking Fund for such purpose, and to make any payments required to satisfy repayment obligations to issuers of Reserve Fund Surety Policies, and may be used to make the final payments for the retirement or defeasance of Parity Bonds. Amounts in the Reserve Fund in excess of the Reserve Fund Requirement may be transferred to the Interest and Sinking Fund.

(d) The City hereby pledges and grants to the issuers of any Reserve Fund Surety Policies a lien on and security interest in all amounts in the Reserve Fund and on those Pledged Revenues which, after making all required transfers to the Interest and Sinking Fund, are required to be transferred to the Reserve Fund.

SECTION 5.09: SUBORDINATE LIEN OBLIGATION FUNDS. On or before the last business day of each month, after making all required transfers to the Interest and Sinking Fund and the Reserve Fund, there shall be transferred from the Pledged Revenue Fund to the interest and sinking fund and the reserve fund and any other similar funds or accounts for the Subordinate Lien Obligations such amounts as shall be required by the ordinances authorizing the issuance or incurrence of the Subordinate Lien Obligations.

SECTION 5.10: OPERATION AND MAINTENANCE ACCOUNT.

(a) The City shall fund and maintain as hereinafter provided a balance of money and investments in the Operation and Maintenance Account at least equal to three (3) months' current Operation and Maintenance Expenses, which amount shall annually be redetermined by the Director at the time he or she submits the recommended budget for the Department based upon either the recommended budget for Operation and Maintenance Expenses or the estimate of actual Operation and Maintenance Expenses for the then current Fiscal Year. On or before the last business day of each month, after making all required transfers to the Interest and Sinking Fund, the Reserve Fund, to any funds or accounts created to provide for the payment, or to provide reserves for the payment, of any Subordinate Lien Obligations, there shall be an intra-fund transfer from the Revenue Fund, to the extent amounts are available therein, to the Operation and Maintenance Account in the amount required to reestablish the required balance in the Operation and Maintenance Account. Amounts from time to time credited to the Operation and Maintenance Account may be used at any time first, to pay for any Operation and Maintenance Expenses; second, to pay any costs or expenses payable from the Renewal and Replacement Account for which there are insufficient amounts in the Renewal and Replacement Account; and third, to the extent any amounts are remaining, to be transferred to the Interest and Sinking Fund, or any similar fund created to provide for the payment, or reserves for the payment, of Subordinate Lien Obligations to the extent of any deficiency therein.

(b) The City shall establish and maintain within the Operation and Maintenance Account a Convention Registration and Advertising Account, the proceeds of which shall be used solely to pay costs and expenses authorized in Section 351.101(a)(2) and (3) of the Texas Tax Code, as amended. There shall be deposited into the Convention and Advertising Account amounts equal to the amount by which (i) the proceeds of that portion of the Pledged HOT greater than 5.25% exceeds (ii) the Debt Service Requirements allocable to the Convention Registration Facilities.

SECTION 5.11: CONVENTION AND ENTERTAINMENT DEVELOPMENT FUND.

(a) After making all payments and transfers hereinabove required, all amounts remaining in the Revenue Fund shall be transferred to the Convention and Entertainment Development Fund. Amounts credited to the Convention and Entertainment Development Fund may be used only for capital costs and operating expenses of Convention and Entertainment Facilities, costs relating to the Renewal and Replacement Account as defined in (b) below, programs of the Department to encourage tourism, conventions, the arts and entertainment and to redeem or pay debt service on Parity Bonds and Subordinate Lien Obligations.

(b) At the discretion of the Department, the City shall fund and maintain a balance of money and investments in the Renewal and Replacement Account of not less than the Renewal and Replacement Requirement. If the Department has determined to fund the Renewal and Replacement Requirement, then on or before the last business day of each month, if the Renewal and Replacement Account contains less than the Renewal and Replacement Requirement, after making all required transfers to the Interest and Sinking Fund, to the Reserve Fund, to any funds or accounts created to provide for the payment, or to provide reserves for the payment, of any Subordinate Lien Obligations and the Operation and Maintenance Account, there shall be transferred from the Convention and Entertainment Development Fund, to the extent funds are available therein, to the Renewal and Replacement Account an amount equal to one-twelfth (1/12th) of the deficiency (being the amount by which the Renewal and Replacement Requirement exceeded the unappropriated balance therein) as of the last day of the previous Fiscal Year. Such transfers shall be required to be made into the Renewal and Replacement Account until such time as the Renewal and Replacement Requirement has again been accumulated in the Renewal and Replacement Account. Amounts from time to time credited to the Renewal and Replacement Account may be used at any time first, to pay for any costs of replacing depreciable property and equipment or making repairs, replacements or renovations of the Convention Center, the Parking Facilities and any other Convention and Entertainment Facilities other than the Convention Center Hotel and Garage; second, to pay any Operation and Maintenance Expenses for which insufficient amounts are available in the Revenue Fund; and third, to the extent any amounts are remaining, to be transferred to the Interest and Sinking Fund, the Reserve Fund, or any similar fund or account created to provide for the payment, or to provide reserves for the payment, of Subordinate Lien Obligations to the extent of any deficiency therein.

SECTION 5.12: DEFICIENCIES IN FUNDS. If in any month there shall not be transferred to any Fund maintained pursuant to this Article the full amounts required herein, amounts equivalent to such deficiency shall be transferred to such Fund or Funds from the first available and unallocated moneys in the Revenue Fund, and such transfer shall be in addition to the amounts otherwise required to be transferred to such Funds during any succeeding month or months.

SECTION 5.13: ALLOCATIONS. In applying the Pledged Revenues, the following allocations shall occur and be deemed to occur:

(i) Pledged HOT greater than 5.25% shall be applied to pay Debt Service Requirements allocable to Convention Registration Facilities and an amount equal to the

balance, if any, shall be deposited into the Convention Registration and Advertising Account.

(ii) Except as set forth in (i), Pledged Parking Revenues shall be deemed to be applied to the Interest and Sinking Fund, Reserve Fund and funds for Subordinate Lien Obligations prior to the application of Pledged HOT, so that, to the greatest extent legally permissible, amounts deposited into the Operation and Maintenance Account and Convention and Entertainment Development Fund, which shall contain the Renewal and Replacement Account, shall consist of hotel occupancy tax proceeds.

SECTION 5.14: INVESTMENT OF FUNDS; TRANSFER OF INVESTMENT INCOME.

(a) Money in all Funds and Accounts established and maintained pursuant to this Article shall be invested only in investments authorized by the City Investment Policy and the laws of the State of Texas; provided that all such deposits and investments shall be made in such manner that the money required to be expended from any Fund or Account will be available at the proper time or times. All such investments shall be valued at market value no less frequently than the last business day of the City's fiscal year. For purposes of maximizing investment returns, money in such Funds and Accounts may be invested and reinvested, together with money in other Funds and Accounts or with other money of the City, in common investments of the kind described above, or in a common pool of such investments that shall be kept and held at an official depository of the City, which shall not be deemed to be or constitute a commingling of such money or Funds or Accounts provided that safekeeping receipts, certificates of participation or other documents clearly evidencing the investment or investment pool in which such money is invested and reinvested and the share thereof purchased with such money or owned by such Fund or Account is held by or on behalf of each such Fund or Account. If and to the extent necessary, such investments or participations therein shall be promptly sold to prevent any default.

(b) All interest and income derived from such deposits and investments credited to such Funds and Accounts shall be deemed the property of such Fund or Account, except that interest and income derived from deposits and investments credited to the Reserve Fund shall, so long as the Reserve Fund Requirement is satisfied, be transferred monthly to the Interest and Sinking Fund.

ARTICLE SIX

ADDITIONAL BONDS

SECTION 6.01: ADDITIONAL PARITY BONDS. The City reserves the right to issue, in one or more installments, for any lawful purpose, bonds, notes or other obligations ("Additional Parity Bonds") which, in whole or in part, are payable from and secured by a lien on the Pledged Revenues on a parity with the Series 2012 Bonds and any previously issued Additional Parity Bonds; provided, however, that no Additional Parity Bonds may be issued unless:

- (a) No Default. The Mayor shall certify that the City is not in default under any ordinance authorizing the issuance of Parity Bonds that will remain Outstanding after the issuance of the Additional Parity Bonds;
- (b) Fund Balances. The City Controller shall certify in writing that, upon issuance and delivery of the Additional Parity Bonds, the Interest and Sinking Fund and the Reserve Fund have on deposit or to their credit all amounts required by the ordinances authorizing the issuance of all Parity Bonds then Outstanding;
- (c) Additional Deposits. Provision is made in the bond ordinance authorizing the Additional Parity Bonds then proposed to be issued for (1) additional payments into the Interest and Sinking Fund sufficient to provide for any increased principal and interest requirements on the Parity Bonds resulting from the issuance of the Additional Parity Bonds and (2) compliance with the Reserve Fund Requirement either by the purchase of a Reserve Fund Surety Policy or by additional payments into the Reserve Fund either from proceeds of the Additional Parity Bonds or from Pledged Revenues so that such Fund will, in not later than 60 months from the date of issuance of such Additional Parity Bonds, contain a balance not less than the increased Reserve Fund Requirement for all Parity Bonds that will be Outstanding after the issuance of such series of Additional Parity Bonds;
- (d) Coverage Test. For either the preceding fiscal year or any consecutive 12-month period out of the 18-month period immediately preceding the month in which the bond ordinance authorizing such Additional Parity Bonds is adopted, the Pledged HOT and Pledged Parking Revenues for such period would equal not less than 135% of the Maximum Annual Debt Service Requirements for all Parity Bonds after giving effect to the series of the Additional Parity Bonds to be issued, as certified as of the date of authorization of such Additional Parity Bonds by the City Controller or an independent certified public accountant or firm of independent certified public accountants; provided, that if in connection with the issuance of such Additional Parity Bonds the City elects to increase Pledged Revenues to include additional lawfully pledgable revenues, the foregoing coverage calculation may be computed based upon the amount of Pledged Revenues that would have been realized had the additional Pledged Revenues been pledged during the period of such calculation; and
- (e) Coverage Test Exceptions. The provisions in paragraph (d) above shall not apply to the issuance of Additional Parity Bonds for the purpose of refunding Parity Bonds provided that either (i) the Debt Service Requirements are not increased in any future fiscal year as certified by the City Controller or (ii) the Maximum Annual Debt Service Requirements are not increased as a result of the issuance of such Additional Parity Bonds as certified by the City Controller or (iii) the Additional Parity Bonds are issued as Fixed Rate Bonds to refund Adjustable Rate Bonds or (iv) the Additional Parity Bonds are issued as Adjustable Rate Bonds to refund Adjustable Rate Bonds.
- (f) Special Provisions for Credit Agreements. The City may enter into Credit Agreements with respect to any Bonds or Qualified Hedge Agreements if:

(i) prior to entering into such Credit Agreement, the City, to the extent required by law, shall cause the proceedings authorizing the Credit Agreement and any contracts or reimbursement agreements relating thereto to be submitted to and approved by the Attorney General of Texas; and

(ii) for any Credit Agreement that obligates the City to make any future payments for the availability of such Credit Agreement, the City's financial advisor must certify that the inclusion of such payments within the Debt Service Requirements on the Parity Bonds or Qualified Hedge Agreement to which the Credit Agreement relates will not cause such Parity Bonds or Qualified Hedge Agreement to fail to comply with the applicable coverage requirements for their issuance or incurrence; and

The issuer of any Credit Agreement shall be entitled to be subrogated to the rights of the Owners of the Parity Bonds or the counterparty to the Qualified Hedge Agreement secured by such Credit Agreement, and the City's reimbursement and repayment obligations to the issuer of the Credit Agreement shall be secured by Pledged Revenues as herein provided.

(g) Special Provisions for Qualified Hedge Agreements. The City may enter into Qualified Hedge Agreements contemporaneously with or following the issuance of any Parity Bonds or in conjunction with the payment, sale, resale or exchange of any Parity Bonds for any purpose authorized by law if the following requirements are satisfied:

(i) the proceedings authorizing the Qualified Hedge Agreement and any contracts or reimbursement agreements relating thereto shall, to the extent required by law, be submitted to and approved by the Attorney General of Texas;

(ii) the City shall have received written confirmations from each rating agency then rating the Parity Bonds that entering into such Qualified Hedge Agreement will not, in and of itself, result in a withdrawal or reduction of any rating assigned to the Parity Bonds; and

(iii) the City's financial advisor shall certify that the Parity Bonds to which the Qualified Hedge Agreement relates could have been issued in satisfaction of all of the coverage requirements of this Article Six if the Debt Service Requirements with respect to such Parity Bonds are recalculated (as provided in the definition of Debt Service Requirements) to take into account payments due under the Qualified Hedge Agreement.

SECTION 6.02: SUBORDINATE LIEN OBLIGATIONS. The City reserves the right to incur or issue, for any lawful purpose, bonds, notes or other obligations secured in whole or in part by liens on the Pledged Revenues that are junior and subordinate to the lien on Pledged Revenues securing payment of the Parity Bonds and any reimbursement obligations incurred in connection with Reserve Fund Surety Policies. Such subordinate lien obligations may be further secured by any other source of payment lawfully available for such purposes.

## ARTICLE SEVEN

### COVENANTS AND PROVISIONS RELATING TO ALL PARITY BONDS

SECTION 7.01: PUNCTUAL PAYMENT OF BONDS. The City will punctually pay or cause to be paid the interest on and principal of all Parity Bonds according to the terms thereof and will faithfully do and perform, and at all times fully observe, any and all covenants, undertakings, stipulations and provisions contained in this Ordinance and in any other ordinance authorizing the issuance of such Parity Bonds.

SECTION 7.02: ACCOUNTS AND RECORDS. So long as any Parity Bonds remain Outstanding, the City covenants and agrees that it will maintain a proper and complete system of records and accounts pertaining to the Pledged Revenues in which full, true and proper entries will be made of all dealings, transactions, business and affairs which in any way affect or pertain to the Pledged Revenues.

SECTION 7.03: PLEDGE AND ENCUMBRANCE OF PLEDGED REVENUES. The City covenants and represents that it has the lawful power to create a lien on and to pledge the Pledged Revenues for the purposes described herein and has lawfully exercised such power under the Constitution and laws of the State of Texas. The City further covenants and represents that, other than to the payment of the Parity Bonds, the Pledged Revenues are not and will not be made subject to any other lien, pledge or encumbrance to secure the payment of any debt or obligation of the City, unless such lien, pledge or encumbrance is junior and subordinate to the lien and pledge securing payment of the Parity Bonds.

SECTION 7.04: BONDHOLDERS REMEDIES. This Ordinance shall constitute a contract between the City and the owners of the Parity Bonds from time to time outstanding and this Ordinance shall be and remain irrevocable until the Parity Bonds and the interest thereon shall be fully paid or discharged or provision therefor shall have been made as provided herein. In the event of a default in the payment of the principal of or interest on any of the Parity Bonds or a default in the performance of any duty or covenant provided by law or in this Ordinance, the owner or owners of any of the Parity Bonds may pursue all legal remedies afforded by the Constitution and laws of the State of Texas to compel the City to remedy such default and to prevent further default or defaults, including the appointment of a receiver or a trustee for the Pledged Revenues and Funds and Accounts established under this Ordinance. Without in any way limiting the generality of the foregoing, it is expressly provided that any owner of any of the Parity Bonds may, at law or in equity, by suit, action, mandamus, or other proceedings, enforce and compel performance of all duties required to be performed by the City under this Ordinance, including the levy of the Hotel Occupancy Tax, the imposition and collection of parking fees and charges that produce Pledged Parking Revenues, the collection of Pledged Tax Rebates, the deposit of the Pledged Revenues into the special funds and accounts herein provided, and the application of such Pledged Revenues in the manner required in this Ordinance. For purposes of this Section, any insurer of Parity Bonds shall be deemed to be the Owner of the Parity Bonds it has insured.

SECTION 7.05: LEGAL HOLIDAYS. In any case where the date of maturity of interest on or principal of the Parity Bonds or the date fixed for redemption of any Parity Bonds

shall be in the City a legal holiday or a day on which a paying agent for the Parity Bonds is authorized by law to close, then payment of interest or principal need not be made on such date but may be made on the next succeeding day not a legal holiday or a day on which such paying agent is authorized by law to close with the same force and effect as if made on the date of maturity or the date fixed for redemption and no interest shall accrue for the period from the date of maturity or redemption to the date of actual payment.

## ARTICLE EIGHT

### ALTERATION OF RIGHTS AND DUTIES; AMENDMENT OF ORDINANCE

SECTION 8.01: ALTERATION OF RIGHTS AND DUTIES. The rights, duties, and obligations of the City and the Owners of the Parity Bonds are subject in all respects to all applicable federal and state laws including, without limitation, the provisions of federal law regarding the composition of indebtedness of political subdivisions, as the same now exist or may hereafter be amended.

SECTION 8.02: AMENDMENT OF ORDINANCE WITHOUT CONSENT. The City may, without the consent of or notice to any of the Owners of the Parity Bonds, amend this Ordinance for any one or more of the following purposes:

- (a) to cure any ambiguity, defect, omission or inconsistent provision in this Ordinance or in the Parity Bonds; or to comply with any applicable provision of law or regulation of federal agencies; provided, however, that such action shall not adversely affect the interests of the Owners of the Parity Bonds;
- (b) to grant to or confer upon the Owners of the Parity Bonds any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners of the Parity Bonds;
- (c) to add to the covenants and agreements of the City contained in this Ordinance other covenants and agreements of, or conditions or restrictions upon, the City or to surrender or eliminate any right or power reserved to or conferred upon the City in this Ordinance;
- (d) to subject to the lien and pledge of this Ordinance additional Pledged Revenues, which may include revenues, properties or other collateral;
- (e) to authorize Credit Agreements and Qualified Hedge Agreements with respect to Outstanding Parity Bonds;
- (f) to provide for the continued tax exemption for any Outstanding Parity Bonds; or
- (g) to provide for the continued exemption from registration of any Outstanding Parity Bonds under the federal securities laws.

SECTION 8.03: AMENDMENTS OF ORDINANCE REQUIRING CONSENT.

The City may at any time adopt one or more ordinances amending, modifying, adding to or eliminating any of the provisions of this Ordinance but, if such amendment is not of the character described in Section 8.02 hereof, only with the consent given in accordance with Section 8.04 hereof of the Owner or Owners of not less than a majority in aggregate unpaid principal amount of the Parity Bonds then Outstanding and affected by such amendment, modification, addition, or elimination; provided, however, that nothing in this Section shall permit, without the consent of the Owner of each Parity Bond affected thereby, (a) an extension of the maturity of the principal of or interest on any Parity Bond issued hereunder, or (b) a reduction in the principal amount of any Parity Bond or the rate of interest on any Parity Bond, or (c) a privilege or priority of any Parity Bond or Parity Bonds over any other Parity Bond or Parity Bonds, or (d) a reduction in the aggregate principal amount of the Parity Bonds required for consent to such amendment.

SECTION 8.04: CONSENT OF OWNERS. Any consent required by Section 8.03 hereof by any Owner shall be in writing, may be in any number of concurrent writings of similar tenor, and may be signed by such Owner or his duly authorized attorney. Proof of the execution of any such consent or of the writing appointing any such attorney and of the ownership of Parity Bonds, if made in the following manner, shall be sufficient for any of the purposes of this Ordinance, and shall be conclusive in favor of the City with regard to any action taken, suffered or omitted to be taken by the City under such instrument, namely:

- (a) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof, or by affidavit of any witness to such execution.
- (b) The fact of the ownership by any person of any Parity Bond and the date of the ownership of same may be proved by a certificate executed by an appropriate officer of the Paying Agent/Registrar, stating that at the date thereof such Parity Bond was registered in the name of such party in the Register.

In lieu of the foregoing, the City may accept such other proofs of the foregoing as it shall deem appropriate.

Consents required pursuant to Section 8.03 shall be valid only if given following the giving of notice by or on behalf of the City requesting such consent and setting forth the substance of the amendment of this Ordinance in respect of which such consent is sought and stating that copies thereof are available at the office of the City Secretary for inspection. Such notice shall be given by certified mail to each Registered Owner of the Parity Bonds affected at the address shown on the Register.

SECTION 8.05: REVOCATION OF CONSENT. Any consent by any Owner of a Parity Bond pursuant to the provisions of this Article shall be irrevocable, and shall be conclusive and binding upon all future Owners of the same Parity Bond and any Parity Bond delivered on transfer thereof or in exchange for or replacement thereof.

## ARTICLE NINE

### PROVISIONS CONCERNING FEDERAL INCOME TAX EXCLUSION

SECTION 9.01: GENERAL TAX COVENANT. The City intends that the interest on the Bonds shall be excludable from gross income for purposes of federal income taxation pursuant to section 103 of the Internal Revenue Code of 1954, as amended prior to the Tax Reform Act of 1986 (the "1954 Code"), sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended (the "1986 Code"), and applicable regulations. The City covenants and agrees not to take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause the interest on the Bonds to be includable in gross income, as defined in section 61 of the 1986 Code, of the holders thereof for purposes of federal income taxation. In particular, the City covenants and agrees to comply with each requirement of this Article Nine; provided, however, that the City shall not be required to comply with any particular requirement of this Article Nine if the City has received an opinion of nationally recognized bond counsel ("Counsel's Opinion") that such noncompliance will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or if the City has received a Counsel's Opinion to the effect that compliance with some other requirement set forth in this Article Nine will satisfy the applicable requirements of the 1954 Code and 1986 Code, in which case compliance with such other requirement specified in such Counsel's Opinion shall constitute compliance with the corresponding requirement specified in this Article Nine.

SECTION 9.02: NO PRIVATE USE OR PAYMENT AND NO PRIVATE LOAN FINANCING. The City shall certify, through an authorized officer, employee or agent, that based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, the proceeds of the Refunded Bonds have not been used, and that proceeds of the Refunded Bonds and the Bonds will not be used, in a manner that would cause the Bonds to be "private activity bonds" within the meaning of section 141 of the Code and the Regulations promulgated thereunder. Moreover, the City covenants and agrees that it will make such use of the proceeds of the Refunded Bonds and the Bonds including interest or other investment income derived from Bond proceeds, regulate the use of property financed, directly or indirectly, with such proceeds, and take such other and further action as may be required so that the Bonds will not be "private activity bonds" within the meaning of section 141 of the Code and the Regulations promulgated thereunder.

SECTION 9.03: NO FEDERAL GUARANTY. The City covenants and agrees that it has not and will not take any action, and has not knowingly omitted and will not knowingly omit to take any action within its control, that, if taken or omitted, respectively, would cause the Bonds to be "federally guaranteed" within the meaning of section 103(h) of the 1954 Code and applicable regulations thereunder, except as permitted by section 103(h) of the 1954 Code and such regulations.

SECTION 9.04: NO HEDGE BONDS. The City covenants and agrees that it has not and will not take any action, and has not knowingly omitted and will not knowingly omit to take any action within its control, that, if taken or omitted, respectively, would cause the Bonds

to be "hedge bonds" within the meaning of section 149(g) of the Code and the applicable Regulations thereunder.

SECTION 9.05: NO-ARBITRAGE COVENANT. The City shall certify, through an authorized officer, employee or agent, that based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, the City will reasonably expect that the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be "arbitrage bonds" within the meaning of section 148(a) of the 1986 Code and applicable regulations thereunder. Moreover, the City covenants and agrees that it will make such use of the proceeds of the Bonds including interest or other investment income derived from Bond proceeds, regulate investments of proceeds of the Bonds, and take such other and further action as may be required so that the Bonds will not be "arbitrage bonds" within the meaning of section 148(a) of the 1986 Code and applicable regulations thereunder.

SECTION 9.06: ARBITRAGE REBATE. The City, as additional consideration for the purchase of the Bonds by the initial purchaser thereof and the loan of the money represented thereby, and in order to induce such purchase by measures designed to ensure the excludability of the interest thereon from the gross income of the owners thereof for federal income tax purposes, will take all necessary steps to comply with the requirement that certain amounts earned by the City on the investment of the "gross proceeds" of the Bonds (within the meaning of section 148(f)(6)(B) of the Code), be rebated to the federal government. Specifically, the City will (i) maintain records regarding the investment of the gross proceeds of the Bonds as may be required to calculate the amount earned on the investment of the gross proceeds of the Bonds separately from records of amounts on deposit in the funds and accounts of the City allocable to other bond issues of the City or moneys which do not represent gross proceeds of any bonds of the City, (ii) calculate at such times as are required by applicable regulations, the amount earned from the investment of the gross proceeds of the Bonds which is required to be rebated to the federal government, and (iii) pay, not less often than every fifth anniversary date of the delivery of the Bonds or on such other dates as may be permitted under applicable regulations, all amounts required to be rebated to the federal government. Further, the City will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangements with respect to the gross proceeds of the Bonds that are not purchased at fair market value or include terms that the City would not have included if the Bonds were not subject to Section 148(f) of the Code.

SECTION 9.07: INFORMATION REPORTING. The City covenants and agrees to file or cause to be filed with the Secretary of the Treasury, not later than the 15th day of the second calendar month after the close of the calendar quarter in which the Bonds are issued, an information statement concerning the Bonds, all under and in accordance with section 149(e) of the Code and applicable regulations thereunder.

## ARTICLE TEN

### PROVISIONS CONCERNING SALE AND APPLICATION OF PROCEEDS OF SERIES 2012 BONDS; REFUNDING OF REFUNDED BONDS

SECTION 10.01: SALE OF SERIES 2012 BONDS. Sale of the Series 2012 Bonds is hereby awarded to Hutchinson, Shockey, Erley & Co., as representative of the syndicate listed in the Bond Purchase Agreement (the "Underwriters") for a purchase price as described in and in accordance with the terms of such Bond Purchase Agreement attached hereto as Exhibit C, which Bond Purchase Agreement is hereby accepted, approved and authorized and the Mayor and City Controller are hereby authorized and directed to enter into and execute the Bond Purchase Agreement on behalf of the City and the Mayor and the City Controller are authorized to carry out and comply with the terms and provisions of such Bond Purchase Agreement. It is hereby found and declared that the above price and terms of sale of the Series 2012 Bonds are the most advantageous reasonably obtainable by the City.

SECTION 10.02: APPROVAL, REGISTRATION AND INITIAL DELIVERY. The Mayor and City Controller are hereby authorized to have control and custody of the Series 2012 Bonds and all necessary records and proceedings pertaining thereto pending their delivery, and the Mayor and City Controller and other officers and employees of the City are hereby authorized and instructed to make such certifications and to execute such instruments as may be necessary to accomplish the initial delivery of the Series 2012 Bonds and to assure the investigation, examination, and approval thereof by the Attorney General of the State of Texas and their registration by the State Comptroller of Public Accounts. Upon registration of the Series 2012 Bonds, the Comptroller of Public Accounts (or a deputy designated in writing to act for him) shall be requested to sign manually the Comptroller's Registration Certificate prescribed herein to be printed and endorsed on each initially delivered Series 2012 Bonds and the seal of the Comptroller shall be impressed or printed or lithographed thereon. The Mayor and City Controller shall be further authorized to make such agreements with the purchasers of the Series 2012 Bonds as may be necessary to assure that the same will be delivered to such purchasers in accordance with the terms of sale at the earliest practicable date after the adoption of this Ordinance.

SECTION 10.03: OFFERING DOCUMENTS. The City Council hereby ratifies, authorizes and approves, in connection with the sale of the Series 2012 Bonds, the preparation and distribution of a Preliminary Official Statement as provided in the Bond Purchase Agreement, a substantial draft of which is attached hereto as Exhibit G and such Preliminary Official Statement is hereby deemed to be "final" as of its date for purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, except for the omission of no more than the information permitted by such Rule. The City Council further authorizes the preparation and distribution of a Final Official Statement in substantially the same form as the Preliminary Official Statement, together with such additions, deletions and modifications as shall be necessary and desirable or consistent with the terms of this Ordinance and the Bond Purchase Agreement and the use and distribution of such Official Statement is hereby approved and authorized.

SECTION 10.04: APPLICATION OF PROCEEDS OF SERIES 2012 BONDS. Proceeds from the sale of the Series 2012 Bonds shall, promptly upon receipt by the City, be applied as follows:

(a) Accrued interest, if any, on the Series 2012 Bonds shall be deposited in the Interest and Sinking Fund;

(b) Sufficient proceeds shall be applied, together with other legally available funds of the City, to fund the Reserve Fund Requirement, if required, as set forth in the Officers' Pricing Certificate;

(c) Sufficient proceeds shall be applied, together with other legally available funds of the City, to pay the principal of and accrued interest on the Refunded Bonds on their respective redemption dates or to establish the escrow fund in the amount shown on the verification report, if any, to pay the principal of, premium, if any, and accrued interest on the Refunded Bonds on their respective maturities or redemption dates and to pay all expenses (or to reimburse amounts withdrawn from legally available funds of the City to pay such expenses) arising in connection with the issuance of the Series 2012 Bonds, the establishment of the Escrow Fund and the refunding of the Refunded Bonds; and

(d) Any proceeds remaining after making such deposits and payments shall be deposited into the Interest and Sinking Fund.

Funds on deposit in the Interest and Sinking Fund in the amount specified in the Officers' Pricing Certificate shall be transferred to the Escrow Fund and used for the payment of the Refunded Bonds. Funds on deposit in the Operation and Maintenance Account in the amount specified in the Officers' Pricing Certificate shall be transferred to the Reserve Fund.

SECTION 10.05: REFUNDING OF REFUNDED BONDS; ESCROW AGREEMENT. The discharge and defeasance of the Refunded Bonds shall be effectuated pursuant to the terms and provisions of an Escrow Agreement to be entered into by and between the City and the Escrow Agent, which shall be substantially in the form attached to the Officers' Pricing Certificate, the terms and provisions of which are hereby approved, subject to such insertions, additions and modifications as shall be necessary (i) to carry out the program designed for the City by its Financial Advisor and the Underwriters, which shall be certified as to mathematical accuracy by Grant Thornton LLP, as verification agent, whose verification report shall be attached to the Escrow Agreement, (ii) to maximize the City's present value savings, if any, and to minimize the City's cost of refunding, (iii) to comply with all applicable laws and regulations relating to the refunding of the Refunded Bonds, and (iv) to carry out the other intents and purposes of this Ordinance and the Officers' Pricing Certificate, and the Mayor and City Controller are hereby authorized to execute and deliver such Escrow Agreement on behalf of the City in multiple counterparts and the City Secretary is hereby authorized to attest thereto and affix the City's seal. The City hereby directs that the Refunded Bonds shall be defeased and/or called for redemption prior to maturity in the amounts, on the dates and at the redemption prices set forth in the Officers' Pricing Certificate, and the Mayor and City Controller are hereby directed to cause to be given a notice of redemption and/or a notice of defeasance to the holders or paying agents, as appropriate, of such Refunded Bonds.

SECTION 10.06: PURCHASE OF ESCROWED SECURITIES. To assure the purchase of the Escrowed Securities referred to in the Escrow Agreement, the City is hereby authorized to agree to purchase, and purchase obligations of the United States of America, in such amounts and maturities and bearing interest at such rates as may be provided for in the Escrow Agreement, and to execute any and all purchase agreements, commitments, letters of authorization and other documents necessary to effectuate the foregoing, and any actions heretofore taken for such purpose are hereby ratified and approved. The Mayor and City Controller are further authorized to carry out any transaction in which Escrowed Securities are substituted, exchanged, reinvested or acquired on a forward purchase basis so long as it is consistent with the provisions of the Escrow Agreement upon such terms as are determined to be in the best interests of the City.

## ARTICLE ELEVEN

### CONCERNING THE PAYING AGENT/REGISTRAR, CO-BOND COUNSEL AND SPECIAL DISCLOSURE CO-COUNSEL

#### SECTION 11.01: PAYING AGENT/REGISTRAR.

(a) The Bank of New York Mellon Trust Company, N.A., is hereby appointed Paying Agent/Registrar for the Series 2012 Bonds, and the City is hereby authorized to enter into a Paying Agent/Registrar Agreement with such bank in substantially the form attached hereto as Exhibit D, which Paying Agent/Registrar Agreement is hereby authorized and approved. In addition to such Paying Agent/Registrar Agreement, by undertaking the performance of the duties of the Paying Agent/Registrar hereunder, and in consideration of the payment of fees and/or deposits of money pursuant to this Ordinance, the Paying Agent/Registrar accepts and agrees to abide by the terms of this Ordinance.

(b) All money transferred to the Paying Agent/Registrar by the City under this Ordinance (except sums representing the Paying Agent/Registrar's fees) shall be held in trust for the benefit of the City, shall be the property of the City, and shall be disbursed in accordance with this Ordinance.

(c) The Paying Agent/Registrar, in its individual or any other capacity, may become an Owner or pledgee of the Series 2012 Bonds with the same rights it would have if it were not the Paying Agent/Registrar.

SECTION 11.02: SUCCESSOR PAYING AGENTS/REGISTRARS. If the Paying Agent/Registrar or its successors become unable for any reason to act as Paying Agent/Registrar hereunder, the City covenants that it will appoint a successor Paying Agent/Registrar to perform the duties of Paying Agent/Registrar hereunder. Any successor Paying Agent/Registrar shall be either a national or state banking institution and a corporation organized and doing business under the laws of the United States of America or any state thereof, which is authorized under such laws to exercise trust powers and is subject to supervision or examination by federal or state authority and shall have combined capital, surplus and undivided profits of at least \$50 million. No such successor Paying Agent/Registrar shall be appointed unless the City shall have first given 60 days' prior written notice, by first class mail, postage prepaid, to each Registered Owner of any Bonds. No resignation or removal of the Paying Agent/Registrar shall become

effective until a successor has been appointed and has accepted the duties of Paying Agent/Registrar.

SECTION 11.03: APPOINTMENT OF CO-BOND COUNSEL AND SPECIAL DISCLOSURE CO-COUNSEL. Andrews Kurth LLP, Houston, Texas, and Escamilla, Poneck & Cruz, LLP, Houston, Texas, are hereby appointed to act as Co-Bond Counsel for the Series 2012 Bonds pursuant to the terms and provisions of the engagement letter or letters by and between the City and such firms, attached hereto as Exhibit E. Haynes and Boone, LLP, Houston, Texas, and Chevalier Helms, PLLC, Houston, Texas, are hereby appointed to act as Special Disclosure Co-Counsel for the Series 2012 Bonds pursuant to the terms and provisions of the engagement letter or letters by and between the City and such firms, attached hereto as Exhibit F. The terms and provisions of such engagement letters are hereby approved, and the Mayor and City Comptroller are hereby authorized to execute and deliver such engagement letters on behalf of the City in multiple counterparts and the City Secretary is hereby authorized to attest thereto and affix the City's seal.

## ARTICLE TWELVE

### CONTINUING DISCLOSURE AGREEMENT

SECTION 12.01: ANNUAL REPORTS. The City shall provide annually to MSRB, within six months after the end of each fiscal year ending in or after 2012, in an electronic format prescribed by the MSRB, financial information and operating data with respect to the City of the general type included in the final Official Statement, being the information described in Exhibit H hereto. Any financial statements so to be provided shall be (1) prepared in accordance with the accounting principles described in Exhibit H hereto and (2) audited, if the City commissions an audit of such statements and the audit is completed within the period during which they must be provided. If audited financial statements are not so provided, then the City shall provide audited financial statements for the applicable fiscal year to the MSRB when and if audited financial statements become available, but if such audited financial statements are unavailable, the City will provide such financial statements on an unaudited basis within the above-described six-month period.

If the City changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the City otherwise would be required to provide financial information and operating data pursuant to this Section.

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document) if available to the public on the MSRB's website or filed with the SEC, or may be provided in any other manner consistent with the Rule. All filings shall be made electronically, in the format specified by the MSRB.

SECTION 12.02: MATERIAL EVENT NOTICES. The City shall notify the MSRB in an electronic format prescribed by the MSRB, in a timely manner (not in excess of ten (10) days after the occurrence of the event) of any of the following events with respect to the Series 2012 Bonds:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2012 Bonds or other material events affecting the tax status of the Series 2012 Bonds;
7. Modifications to rights of holders of the Series 2012 Bonds, if material;
8. Series 2012 Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Series 2012 Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the City;
13. The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The City shall notify the MSRB in an electronic form prescribed by the MSRB, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with Section 12.01 of this Ordinance by the time required by such Section.

All documents provided to the MSRB shall be accompanied by identifying information, as prescribed by the MSRB.

**SECTION 12.03: LIMITATIONS, DISCLAIMERS, AND AMENDMENTS.** The City shall be obligated to observe and perform the covenants specified in this Article for so long

as, but only for so long as, the City remains an “obligated person” with respect to the Series 2012 Bonds within the meaning of the Rule, except that the City in any event will give the notice required by Section 12.02 of any Series 2012 Bond calls and defeasance that cause the City to be no longer such an “obligated person.”

The provisions of this Article are for the sole benefit of the Owners and beneficial owners of the Series 2012 Bonds, and nothing in this Article, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The City undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Article and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the City’s financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Article or otherwise, except as expressly provided herein. The City does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Series 2012 Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE CITY BE LIABLE TO THE OWNER OR BENEFICIAL OWNER OF ANY SERIES 2012 BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE CITY, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS ARTICLE, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR *MANDAMUS* OR SPECIFIC PERFORMANCE.

No default by the City in observing or performing its obligations under this Article shall constitute a breach of or default under this Ordinance for purposes of any other provision of this Ordinance.

Nothing in this Article is intended or shall act to disclaim, waive, or otherwise limit the duties of the City under federal and state securities laws.

The provisions of this Article may be amended by the City from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (1) the provisions of this Article, as so amended, would have permitted an underwriter to purchase or sell Series 2012 Bonds in the primary offering of the Series 2012 Bonds 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 (2) either (a) the Owners of a majority in aggregate principal amount (or any greater amount required by any other provision of this Ordinance that authorizes such an amendment) of the Outstanding Series 2012 Bonds consent to such amendment or (b) a person or entity that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Owners and beneficial owners of the Series 2012 Bonds. If the City so amends the provisions of this Article, it shall include with any amended financial information or operating data next provided in accordance with Section 12.01 an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial

information or operating data so provided. The City may also amend or repeal the provisions of this Article 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 are invalid, and the City also may amend the provisions of this Article in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Series 2012 Bonds in the primary offering of the Series 2012 Bonds.

SECTION 12.04: DEFINITIONS. As used in this Article, the following terms have the meanings ascribed to such terms below:

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Rule” shall mean SEC Rule 15c2-12, as amended from time to time.

“SEC” shall mean the United States Securities and Exchange Commission.

## ARTICLE THIRTEEN

### MISCELLANEOUS

SECTION 13.01: FURTHER PROCEDURES. The Mayor, the City Controller and the City Secretary and other appropriate officials, agents, representatives and employees of the City are hereby authorized and directed to do any and all things necessary and/or convenient to carry out the terms of this Ordinance, including without limitation, executing by manual or facsimile signature and delivering on behalf of the City all customary and reasonably required certificates, subject to such insertions, additions, and modifications as may be necessary to cause such certificates to certify correctly those matters to be certified thereby, as may be necessary to issue and deliver the Series 2012 Bonds authorized herein. If requested by the Attorney General or his representatives, the City Attorney or his designee may authorize such ministerial changes in the written text or exhibits to this Ordinance as are necessary to obtain the Attorney General’s approval and as he determines are consistent with the intent and purposes of this Ordinance, which determination shall be final. In addition, in order that the City shall satisfy in a timely manner all of its obligations under this Ordinance, all officers, employees and agents of the City are hereby authorized and directed to take all such other actions that are reasonably necessary to provide for the issuance of the Series 2012 Bonds and refunding and defeasing of the Refunded Bonds, including without limitation, executing and delivering on behalf of the City all certificates, consents, receipts, requests, notices and other documents as may be reasonably necessary to satisfy the City’s obligations under this Ordinance, and to direct the transfer and application of the funds of the City consistent with the provisions of this Ordinance.

SECTION 13.02: DEPARTMENT CONSOLIDATION. On June 1, 2011, the City adopted Ordinance No. 2011-390 that approved (i) a lease agreement between the City and the Hotel Corporation (the “Lease”) and (ii) an interlocal agreement between the City and the Hotel Corporation (the “Consolidation Interlocal Agreement”). Pursuant to the Lease and the Consolidation Interlocal Agreement, effective July 1, 2011, the City leases the Convention and Entertainment Facilities to the Hotel Corporation and delegates to the Hotel Corporation the administrative functions of the Department, including the operation, maintenance, management,

development and redevelopment of the Convention and Entertainment Facilities. As a result thereof, the Hotel Corporation may perform any administrative function of the City or the Department under this Ordinance on behalf of the City or the Department with respect to the operation, maintenance, management, development and redevelopment of the Convention and Entertainment Facilities.

SECTION 13.03: SEVERABILITY. If any Section, paragraph, clause or provision of this Ordinance shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such Section, paragraph, clause or provision shall not affect any of the remaining provisions of this Ordinance.

SECTION 13.04: OPEN MEETING. It is hereby found, determined and declared that a sufficient written notice of the date, hour, place and subject of the meeting of the City Council at which this Ordinance was adopted was posted at a place convenient and readily accessible at all times to the general public at the City Hall of the City for the time required by law preceding this meeting, as required by the Open Meetings Law, Chapter 551, Texas Government Code, as amended, and that this meeting has been open to the public as required by law at all times during which this Ordinance and the subject matter thereof has been discussed, considered and formally acted upon. The City Council further ratifies, approves and confirms such written notice and the contents and posting thereof.

SECTION 13.05: DECLARATION OF EMERGENCY. It is hereby officially found and determined that a case of emergency and urgent public necessity exists that requires the holding of the meeting at which this Ordinance is passed and further requires that this Ordinance be passed finally and take effect immediately on the date of its introduction, such emergency and urgent public necessity being that the proceeds from the sale of the Series 2012 Bonds are required as soon as possible and without delay for the purposes set forth herein. The Mayor has in writing declared the existence of such emergency and requested passage of this Ordinance, and such Ordinance is hereby passed finally on the date of its introduction and shall take effect immediately upon its passage and approval by the Mayor.

SECTION 13.06: REPEALER. All orders, resolutions and ordinances, or parts thereof, inconsistent herewith are hereby repealed to the extent of such inconsistency.

PASSED AND APPROVED THIS 11<sup>th</sup> day of April, 2012.

Annise D. Parker

Mayor  
City of Houston, Texas

APPROVED AS TO FORM:

Gary L. Wood

Gary L. Wood  
Senior Assistant City Attorney  
City of Houston, Texas  
LD File No. 0341200364001

AYE	NO	
<input checked="" type="checkbox"/>		<b>MAYOR PARKER</b>
....	....	<b>COUNCIL MEMBERS</b>
<input checked="" type="checkbox"/>		BROWN
<input checked="" type="checkbox"/>		DAVIS
<input checked="" type="checkbox"/>		COHEN
<input checked="" type="checkbox"/>		ADAMS
<input checked="" type="checkbox"/>		SULLIVAN
<input checked="" type="checkbox"/>		HOANG
<input checked="" type="checkbox"/>		PENNINGTON
<input checked="" type="checkbox"/>		GONZALEZ
<input checked="" type="checkbox"/>		RODRIGUEZ
<input checked="" type="checkbox"/>		LASTER
<input checked="" type="checkbox"/>		GREEN
<input checked="" type="checkbox"/>		COSTELLO
<input checked="" type="checkbox"/>		BURKS
<input checked="" type="checkbox"/>		NORIEGA
<input checked="" type="checkbox"/>		BRADFORD
<input checked="" type="checkbox"/>		CHRISTIE
CAPTION	ADOPTED	

CAPTION PUBLISHED IN DAILY COURT  
REVIEW  
DATE: **APR 17 2012**

314-1

Exhibit A

Officers' Pricing Certificate

See Tab 3

**OFFICERS' PRICING CERTIFICATE**

CITY OF HOUSTON, TEXAS CONVENTION & ENTERTAINMENT FACILITIES  
DEPARTMENT HOTEL OCCUPANCY TAX AND SPECIAL REVENUE  
REFUNDING BONDS, SERIES 2012

THIS OFFICERS' PRICING CERTIFICATE is executed as of \_\_\_\_\_, 2012 by Annise D. Parker, Mayor, and Ronald C. Green, City Controller, acting on behalf of the City of Houston, Texas (the "City") pursuant to the authorization contained in Ordinance No. 2012-\_\_\_\_\_, adopted by the City Council on April 4, 2012 (the "Ordinance"), authorizing the issuance of the captioned series of bonds (the "Series 2012 Bonds") and delegating to the undersigned the authority to agree to and stipulate certain terms and provisions thereof, all of which are set forth herein.

A capitalized term used in this Officers' Pricing Certificate shall have the meaning assigned to it in the Ordinance.

1. Principal Amount, Numbers, Interest Rates and Maturities. The Series 2012 Bonds shall be issued in the total authorized principal amount of \$\_\_\_\_\_. Interest on the Series 2012 Bonds is payable on each March 1 and September 1 beginning March 1, 2013. The Series 2012 Bonds shall mature on September 1 in each of the years and in the amounts set out in the following schedule:

<u>Year of Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2013			
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			

2. Purchase Price. The sale of the Series 2012 Bonds is authorized pursuant to the form of Bond Purchase Agreement approved in the Ordinance at the following price:

PRINCIPAL AMOUNT  
Plus Net Original Issue Premium  
Less Underwriter's Discount \_\_\_\_\_  
PURCHASE PRICE

It is hereby found and declared that the sale of the Series 2012 Bonds pursuant to the Bond Purchase Agreement at such price is on the best terms and at the best prices reasonably obtainable by the City.

3. Redemption. The Series 2012 Bonds will be subject to redemption prior to maturity, as follows:
- a. Optional Redemption. The City shall have the option of calling the Series 2012 Bonds for redemption prior to maturity on September 1, 20\_\_, or any date thereafter, in whole or in part (but if less than all the Series 2012 Bonds of a single maturity are called for redemption, those bonds called shall be selected by lot or other customary random method by the Paying Agent/Registrar), at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption.
4. Reserve Fund; Escrow Agreement and Deposit. The Escrow Agreement attached as Exhibit A hereto is hereby approved. Pursuant to Section 10.04 of the Ordinance, \$ \_\_\_\_\_ from the proceeds of the Series 2012 Bonds shall be deposited into the Escrow Fund created pursuant to the Escrow Agreement for the Refunded Bonds and expended as provided in the Escrow Agreement.
- [\$ \_\_\_\_\_ of the proceeds of the Series 2012 Bonds shall be deposited into the Reserve Fund.] [\$ \_\_\_\_\_ of funds on deposit in the Reserve Fund shall be transferred into the Escrow Fund.]
5. \_\_\_ YES \_\_\_ NO Bond Insurance. The payment of principal of and interest on the Series 2012 Bonds, when due, shall be insured by a Bond Insurance Policy issued by \_\_\_\_\_, upon the terms and conditions of the commitment attached to this Officers' Pricing Certificate as Exhibit B. The City hereby agrees to observe and abide by the terms and conditions contained in such commitment. The statement of insurance set forth in Exhibit B hereto is hereby approved and authorized to be printed on each Series 2012 Bond.
6. The Refunded Bonds are set forth on Schedule I attached hereto. The redemption date for the Refunded Bonds shall be \_\_\_\_\_, 2012.
7. The undersigned hereby finds, determines and declares, that in accordance with the requirements of the Ordinance, this Officers' Pricing Certificate complies with and satisfies the terms and provisions of the Ordinance in accordance with the delegation contained therein.
8. Pursuant to Section 3.03 of the Ordinance, we hereby further find and determine that:

- a. the price to be paid for the Series 2012 Bonds shall not be less than 90% of the aggregate original principal amount of the current interest bonds plus accrued interest, if any, thereon from their date to their delivery and 90% of the present value of any compound interest bonds from their date to their delivery,
  - b. none of the Series 2012 Bonds shall bear interest at a rate greater than the maximum rate allowed by Chapter 1204, Texas Government Code, as amended,
  - c. the sum of the principal amounts of the Series 2012 Bonds, which may not exceed the maximum principal amount authorized in Section 3.01 of the Ordinance, must be sufficient to provide for the redemption of the Refunded Bonds, funding the reserve fund, if required, and paying costs of issuance of the Series 2012 Bonds and of refunding the Refunded Bonds,
  - d. the Series 2012 Bonds to be issued, prior to delivery, must have been rated by a nationally recognized rating agency for municipal securities in one of the four highest rating categories for long term obligations.
9. All of the Series 2012 Bonds are Allocated Hotel Bonds.

EXECUTED as of this \_\_\_\_\_, 2012.

---

Annise D. Parker, Mayor

---

Ronald C. Green, City Controller

SCHEDULE I

SCHEDULE OF REFUNDED BONDS

EXHIBIT A  
ESCROW AGREEMENT

See Tab 6

EXHIBIT B

BOND INSURANCE COMMITMENT

N/A

Exhibit B

Description of Parking Facilities

- (1) The Civic Center Underground Parking Garage,
- (2) The large Tranquility Park Garage,
- (3) The small Tranquility Park Garage,
- (4) The City Hall Annex Parking Garage,
- (5) The Lot C surface lot, and
- (6) The Lot H surface lot.

Exhibit C

Bond Purchase Agreement

See Tab 4

**PURCHASE CONTRACT**

Relating to

§  
**CITY OF HOUSTON, TEXAS**  
**Convention & Entertainment Facilities Department**  
**Hotel Occupancy Tax and**  
**Special Revenue Refunding Bonds,**  
**Series 2012**

\_\_\_\_\_, 2012

Mayor, City Council and City Controller  
City of Houston, Texas  
901 Bagby, 2<sup>nd</sup> Floor  
Houston, Texas 77002

Ladies and Gentlemen:

The undersigned (the "Representative"), acting as the representative to the Underwriters appearing on the signature page hereof (collectively, the "Underwriters"), offers to enter into this Purchase Agreement (this "Purchase Agreement") with the City of Houston, Texas (the "Issuer") which, upon your acceptance of this offer and the approval of certain terms by the Mayor and the City Controller of the Issuer, or other authorized City officials, pursuant to an officers' pricing certificate, a substantial copy of which is attached hereto as **Exhibit A** (the "Pricing Certificate"), will be binding upon you and the Underwriters. This offer is made subject to its acceptance by the execution of this Purchase Agreement on or before 9:00 p.m., Houston time, on the date set out above, and, if not so accepted by the execution hereof, will be subject to withdrawal by the Underwriters upon notice delivered to the Issuer at any time prior to its acceptance by the execution, counter execution and attestation hereof. Terms not otherwise defined herein shall have the same meanings as set forth in the ordinance adopted by the Issuer on \_\_\_\_\_, 2012 (the "Ordinance") authorizing the issuance of the City of Houston, Texas Convention & Entertainment Facilities Department Hotel Occupancy Tax and Special Revenue Refunding Bonds, Series 2012 (the "Bonds").

1. **Purchase and Sale of the Bonds.** Upon the terms and conditions, and in reliance upon the representations, warranties, and covenants herein, the Underwriters hereby agree to purchase from the Issuer, and the Issuer hereby agrees to sell to the Underwriters, all, but not less than all, of the Bonds. The Issuer acknowledges and agrees that (i) the purchase and sale of the Bonds pursuant to this Agreement is an arm's-length commercial transaction between the Issuer and the Underwriters, (ii) the Underwriters have financial and other interests that differ from those of the Issuer, (iii) in connection with such transaction, the Underwriters are acting solely as principals and not as agents or fiduciaries of the Issuer, (iv) the Underwriters have not assumed (individually or collectively) a fiduciary responsibility in favor of the Issuer with respect to (x)

the offering of the Bonds or the process leading thereto (whether or not the Underwriters have advised or are currently advising the Issuer on other matters) or (y) any other obligation to the Issuer except the obligations expressly set forth in this Agreement and (v) the Issuer has consulted with its own legal and other professional advisors to the extent it deemed appropriate in connection with the offering of the Bonds.

The Representative represents and warrants to the Issuer that it has been duly authorized to act on behalf of itself and the other Underwriters to enter into this Purchase Agreement and to take all actions, on behalf of the Underwriters, required or contemplated to be performed by the Underwriters under this Purchase Agreement.

The principal amount, the dated date, the maturities, the redemption provisions, and the interest rates per annum for the Bonds are set forth in the Pricing Certificate.

The Series 2012 Bonds shall be issued in the aggregate principal amount of \$\_\_\_\_\_. The purchase price for the Series 2012 Bonds is \$\_\_\_\_\_, representing the principal amount of the Series 2012 Bonds plus original issue premium of \$\_\_\_\_\_ and less an Underwriters' discount of \$\_\_\_\_\_.

The Bonds shall be as described in, and shall be issued and secured under and pursuant to the provisions of the Ordinance.

As further described in the Ordinance, the Series 2012 Bonds may be issued for one or more of the following purposes: (i) refund the City's callable outstanding Hotel Occupancy Tax and Special Revenue Bonds, Series 2001B, collectively referred herein as "the Refunded Bonds"; and (ii) paying the related costs of issuance, all under and pursuant to the authority of Chapters 1207, and 1371, Texas Government Code, as amended, and all other applicable laws (collectively, the "Applicable Law").

**2. Public Offering.** The Underwriters agree to make a bona fide public offering of all the Bonds at the initial offering prices set forth on the inside cover page of the Final Official Statement; provided, however, that the Underwriters may change such initial offering price or prices as they deem necessary in connection with the offering of the Bonds without any requirement of prior notice, and may offer and sell the Bonds to certain institutions (including dealers depositing the Bonds into investment trusts) at prices lower than those stated in the Official Statement. The Underwriters also reserve the right to: (i) over-allot or effect transactions that stabilize or maintain the market price of the Bonds at levels above those that might otherwise prevail in the open market, and (ii) discontinue such stabilizing, if commenced, at any time without prior notice; provided, however that no such actions shall effect the certification of original issue price of the Bonds as provided below. On or before the Closing, the Representative shall execute a certificate, in form and substance mutually acceptable to Co-Bond Counsel (as defined herein) and the Underwriters, verifying the initial offering prices to the public at which a substantial amount of each stated maturity of the Bonds were sold to the public.

**3. Official Statement.**

(a) The Issuer previously has delivered copies of the Preliminary Official Statement dated \_\_\_\_\_, 2012, (the "Preliminary Official Statement"), to the Underwriters in a

“designated electronic format,” as defined in the Municipal Securities Rulemaking Board’s (“MSRB”) Rule G-32 (“Rule G-32”). The Issuer will prepare or cause to be prepared a final Official Statement relating to the Bonds, which will be (1) dated the date of this Purchase Agreement, (2) complete within the meaning of the United States Securities and Exchange Commission’s Rule 15c2-12, as amended (the “Rule”), and (3) substantially in the form of the most recent version of the Preliminary Official Statement provided to the Underwriters before the execution hereof and (4) in both a “designated electronic format” consistent with the requirements of Rule G-32 and in a printed format. Such final Official Statement, including the cover page thereto, all exhibits, appendices, maps, charts, pictures, diagrams, reports, and statements included or incorporated therein or attached thereto, and all amendments and supplements thereto that may be authorized for use with respect to the Bonds, is herein referred to as the “Official Statement.” Until the Final Official Statement has been prepared and is available for distribution, the Issuer shall provide to the Underwriters sufficient quantities of the Preliminary Official Statement (which may be in electronic form) as the Underwriters reasonably deem necessary to satisfy the obligation of the Underwriters under the Rule with respect to distribution to each potential customer, upon request, of a copy of the Preliminary Official Statement.

(b) The Preliminary Official Statement has been prepared by the Issuer for use by the Underwriters in connection with the public offering, sale and distribution of the Bonds. The Issuer hereby represents and warrants that (a) the Preliminary Official Statement was “deemed final” by the Issuer as of its date for purposes of the Rule, except for the omission of such information which is dependent upon the final pricing of the Bonds for completion, all as permitted to be excluded by Section (b)(1) of the Rule; and (b) that the Issuer will not supplement or amend the Preliminary Official Statement without the prior written consent of the Representative on behalf of the Underwriters.

(c) The Issuer represents and warrants that it has reviewed and approved the information in the Official Statement and the Issuer hereby authorizes the distribution and use of the Official Statement, and the information therein contained, by the Underwriters in connection with the public offering and the sale of the Bonds. The Issuer ratifies and consents to the distribution and use by the Underwriters prior to the date hereof of the Preliminary Official Statement in connection with the public offering and sale of the Bonds. The Issuer shall provide, or cause to be provided, to the Underwriters as soon as practicable after the date of the Issuer’s acceptance of this Purchase Agreement (but, in any event, not later than within seven business days after the Issuer’s acceptance of this Purchase Agreement and in sufficient time to accompany any confirmation that requests payment from any customer) copies of the Official Statement which is complete as of the date of its delivery to the Underwriters (i) in a “designated electronic format” consistent with the requirements of Rule G-32 and (ii) in a printed format in such quantity as the Representative shall reasonably request in order for the Underwriters to comply with Section (b)(4) of the Rule and the rules of the MSRB. The Issuer hereby confirms that it does not object to the distribution of the Preliminary Official Statement or the Official Statement in electronic form.

(d) If, after the date of this Purchase Agreement to and including the date the Underwriters are no longer required to provide an Official Statement to potential customers who request the same pursuant to the Rule (the earlier of (i) 90 days from the “end of the underwriting

period” (as defined in Rule) and (ii) the time when the Official Statement is available to any person from the MSRB, but in no case less than 25 days after the “end of the underwriting period” for the Bonds), the Issuer becomes aware of any fact or event which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or if it is necessary to amend or supplement the Official Statement to comply with law, the Issuer will notify the Representative (and for the purposes of this clause provide the Representative with such information as it may from time to time request), and if, in the reasonable opinion of the Representative, such fact or event requires preparation and publication of a supplement or amendment to the Official Statement, the Issuer will forthwith prepare and furnish, at the Issuer’s own expense (in a form and manner approved by the Representative), a reasonable number of copies of either amendments or supplements to the Official Statement so that the statements in the Official Statement as so amended and supplemented will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading or so that the Official Statement will comply with law; provided, however, that for all purposes of this Purchase Agreement and any representation, warranty or covenant made herein, or any certificate delivered by the Issuer in accordance herewith, the Issuer makes no representations with respect to the descriptions in the Preliminary Official Statement or the Official Statement of The Depository Trust Company, New York, New York (“DTC”), or its book-entry-only system. If such notification shall be subsequent to the Closing, the Issuer shall furnish such legal opinions, certificates, instruments and other documents as the Representative may reasonably deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement. The Issuer shall provide any such amendment or supplement, or cause any such amendment or supplement to be provided, (i) in a “designated electronic format” consistent with the requirements of Rule G-32 and (ii) in a printed format in such quantity as the Representative shall reasonably request in order for the Underwriters to comply with Section (b)(4) of the Rule and the rules of the MSRB.

(e) The Representative hereby agrees to timely file, or cause to be filed, the Official Statement (and any amendment or supplement to the Official Statement prepared in accordance with Section 3(d) above) with (i) the MSRB or its designee (including the MSRB’s Electronic Municipal Market Access System) or (ii) other repositories approved from time to time by the United States Securities and Exchange Commission (either in addition to or in lieu of the filing referred to in clause (i) above). Unless otherwise notified in writing by the Representative, the Issuer can assume that the “end of the underwriting period” for purposes of the Rule is the date of the Closing.

(f) The Issuer has agreed in the Ordinance to provide certain periodic information and notices of material events in accordance with the Rule as described in the Official Statement under “CONTINUING DISCLOSURE.” The Underwriters’ obligation to accept and pay for the Bonds is conditioned upon the Representative’s review and approval of a certified copy of the Ordinance containing the agreements described under such heading.

(g) To the knowledge and belief of the Issuer, the Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Bonds.

Except as otherwise provided in the Official Statement, during the last five years the Issuer has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

4. **Good Faith Check.** In connection with the execution of this Purchase Agreement, the Representative, on behalf of the Underwriters, has delivered to the Issuer a corporate check of the Representative payable to the Issuer, in the amount of \$ \_\_\_\_\_ as security for the performance by the Underwriters of their obligations to accept and pay for the Bonds at the Closing (described below) in accordance with the provisions of this Purchase Agreement. Such check shall be held by the Issuer uncashed until the Closing. At the Closing, such check shall be returned to the Representative upon receipt by or on behalf of the Issuer of the purchase price for the Bonds. In the event the Issuer fails to deliver the Bonds at the Closing, or if the Issuer shall be unable to satisfy the conditions to the Bonds of the Underwriters contained in this Purchase Agreement, or if such Bonds shall be terminated for any reason permitted by this Purchase Agreement, such check shall be returned to the Representative within two (2) business days of such event. In the event that the Underwriters fail (other than for a reason permitted under this Purchase Agreement) to accept and pay for the Bonds at the Closing, such check shall be retained and may be cashed by the Issuer as and for full liquidated damages for such failure for any and all defaults hereunder on the part of the Underwriters, and the cashing of such check and retention of such proceeds shall constitute a full release and discharge of all claims and rights hereunder against the Underwriters.

5. **Representations and Warranties of the Issuer.** The Issuer represents and warrants to the Underwriters that:

(a) The Issuer is a home rule city operating as such under the Constitution and laws of the State of Texas (the "State"), and the Issuer is authorized by the Applicable Law, among other things, (i) to issue the Bonds for the purposes described in the Ordinance and (ii) to secure the Bonds in the manner described in the Ordinance and as described in the Official Statement.

(b) The Issuer has the full legal right, power, and authority (i) to adopt the Ordinance authorizing the issuance of and awarding the sale of the Bonds; (ii) to authorize the Mayor and the City Controller to execute the Pricing Certificate awarding the sale of the Bonds; (iii) to enter into this Purchase Agreement; (iv) to issue, sell, and deliver the Bonds to the Underwriters as provided herein; and (v) to carry out and consummate all other transactions described in each of the aforesaid documents, and the Issuer has complied in all material respects with all provisions of applicable law in all matters relating to such transactions.

(c) The Issuer has duly authorized (i) the execution and delivery of the Bonds and the execution, delivery, and due performance of this Purchase Agreement; (ii) the distribution and use of the Official Statement; and (iii) the taking of any and all such actions as may be required on the part of the Issuer to carry out, give effect to, and consummate the transactions described in such instruments. All consents or approvals necessary to be obtained by the Issuer in connection with the foregoing have been received or will be received prior to, or in connection with, the Closing, and the consents or approvals so received are still in full force and effect.

(d) (i) The Ordinance has been duly adopted by the Issuer, is in full force and effect, and constitutes the valid, legal and binding act of the Issuer; (ii) this Purchase Agreement, the Escrow Agreement, and the Pricing Certificate, when executed and delivered, will constitute legal, valid, and binding obligations of the Issuer; and (iii) the Ordinance, including but not limited to the continuing disclosure undertaking included therein, the Escrow Agreement, and this Purchase Agreement are enforceable against the Issuer in accordance with their respective terms, except as enforceability thereof may be limited by bankruptcy, insolvency, or other laws affecting creditors' rights generally.

(e) When delivered to the Underwriters, the Bonds will have been duly authorized, executed, authenticated, issued, and delivered and will constitute legal, valid, and binding special obligations of the Issuer in conformity with the laws of the State and will be entitled to the benefit and security of the Ordinance.

(f) As of its date, the Preliminary Official Statement did not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(g) At the time of the Issuer's acceptance hereof and (unless the Official Statement is amended or supplemented pursuant to paragraph (d) of Section 3 of this Purchase Agreement) at all times subsequent thereto during the period up to and including the date of Closing, the Official Statement does not and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(h) If the Official Statement is supplemented or amended pursuant to paragraph (d) of Section 3 of this Purchase Agreement, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto during the period up to and including the date of Closing, the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which made, not misleading.

(i) The adoption of the Ordinance (and the City's continuing disclosure undertaking included therein), the execution and delivery of this Purchase Agreement, the Pricing Certificate, or the Bonds, the consummation of the transactions described herein or therein or the compliance with the provisions hereof or thereof will not conflict with or constitute on the part of the Issuer a violation of, or a breach of or default under, (i) any statute, indenture, mortgage, commitment, note, or other agreement or instrument to which the Issuer is a party or by which it is bound; (ii) any provision of the State Constitution; or (iii) any existing law, rule, regulation, charter provision, ordinance, judgment, order, or decree to which the Issuer (or the members of the City Council, or any of its officers in their respective capacities as such) is subject; and except as described in the Official Statement, the Issuer has not entered into any contract or arrangement of any kind which might give rise to any lien or encumbrance on the revenues pledged to the payment of the Bonds superior to or on a parity with the pledge securing the payment of the Bonds.

(j) Except as may be disclosed in the Official Statement, the Issuer is not, in any material respect that would adversely affect the validity or marketability of the Bonds, in breach of or default under any applicable law or administrative regulation of the State or any department, division, agency, or instrumentality thereof, or of the United States or any agency or instrumentality thereof or any applicable judgment or decree or any loan agreement, note, resolution, certificate, agreement, or other instrument to which the Issuer is a party or is otherwise subject.

(k) Except as is specifically disclosed in the Official Statement, there is no action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court, public board, or body or, to the best knowledge of the Issuer after due inquiry, threatened against the Issuer, affecting the existence of the Issuer or the titles of its officers to their respective offices or affecting or seeking to prohibit, restrain or enjoin the (i) sale issuance or delivery of the Bonds, (ii) the collection of the ad valorem taxes pledged to the payment of the principal of and interest on the Bonds pursuant to the Ordinance, or (iii) the application of the ad valorem taxes collected pursuant to the Ordinance, nor is there any such action, suit, proceeding, inquiry or investigation which in any way questions the powers of the Issuer referred to in paragraph (b) above, or the validity of any proceeding taken by the Issuer in connection with the issuance of the Bonds, or wherein an unfavorable decision, ruling, or finding could materially adversely affect the transactions described in this Purchase Agreement, or of any other document or instrument required or described in this Purchase Agreement, or which, in any way, could adversely affect the validity or enforceability of the Ordinance (and the City's continuing disclosure undertaking included therein), the Bonds, or this Purchase Agreement, or, to the knowledge of the Issuer, which in any way questions the exclusion from gross income of the recipients thereof of the interest on the Bonds for federal income tax purposes, or, to the knowledge of the Issuer, which in any way questions the status of the Bonds under federal or State tax laws or regulations.

(l) Any certificate signed by an official of the Issuer and delivered to the Underwriters shall be deemed a representation and warranty by the Issuer, as appropriate, to the Underwriters as to the truth of the statements therein contained.

(m) The Issuer has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that it is a bond issuer whose arbitrage certifications may not be relied upon.

(n) The Issuer will not knowingly take or omit to take any action, which action or omission will in any way cause the proceeds from the sale of the Bonds to be applied in a manner other than as provided in the Ordinance.

(o) To the best of the knowledge of the Issuer, the financial statements of the Issuer included in Appendix A to the Official Statement present fairly the financial position and the results of operations of the Issuer at the respective dates and for the respective periods indicated therein, in conformity with generally accepted accounting principles applied on a consistent basis throughout the periods presented.

(p) As of the date of the Closing, there will not be any material adverse change in the financial position, results of operations, or condition, financial or otherwise, of the Issuer from

that described in the Official Statement other than in the ordinary course of business or as may be otherwise disclosed to the Underwriters in accordance with this Purchase Agreement.

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

(r) The Issuer, to the extent heretofore requested in writing by the Representative, has delivered to the Representative true, correct, complete, and legible copies of all information, applications, reports, or other documents of any nature whatsoever submitted to any rating agency for the purpose of obtaining a rating for the Bond and true, correct, complete, and legible copies of all correspondence or other communications relating, directly or indirectly, thereto.

6. **Covenants of the Issuer.** The Issuer covenants with the Underwriters as follows:

(a) The Issuer will cooperate, at no expense to the Issuer, with the Underwriters in qualifying the Bonds for offer and sale under the securities or Blue Sky laws of such jurisdictions of the United States as the Representative may request; provided, however, that the Issuer shall not be required to consent to suit or to service of process in any jurisdiction. The Issuer consents to the use by the Underwriters in the course of their compliance with the securities or Blue Sky laws of the various jurisdictions of the documents relating to the Bonds, subject to the right of the Issuer to withdraw such consent for cause by written notice to the Representative.

(b) To advise the Representative immediately of receipt by the Issuer of any notification with respect to the suspension of the qualification of the Bonds for sale in any jurisdiction or the initiation or threat of any proceeding for that purpose.

7. **Closing.** At or before 12:00 p.m., Houston, Texas time on June \_\_, 2012 or at such other time and/or date as shall have been mutually agreed upon by the Issuer and the Representative, at the offices of Andrews Kurth, LLP, the Issuer will deliver, or cause to be delivered, to the Underwriters, the Bonds. The payment for the Bonds and simultaneous delivery of the Bonds to the Underwriters is herein referred to as a "Closing."

On the date of the Closing, the Issuer shall deliver the Bonds together with the other documents hereinafter mentioned and, provided the Underwriters have made arrangements with DTC, for the Bonds to be book-entry only securities, the Issuer shall take appropriate steps to provide DTC with one or more definitive bonds for each year of maturity of such Bonds (in the amount provided in Section 1 hereof), and the Underwriters will accept such delivery and pay the purchase price of such Bonds by making a federal funds wire transfer to the City as more fully described in the Ordinance and the closing memorandum prepared for the Closing. Unless otherwise agreed to by the Representative, the Bonds will be delivered under DTC's FAST delivery system. Upon receipt of such payment and at the Closing, the Issuer immediately shall return to the Representative the good-faith check described in Section 4 hereof.

The activities relating to the final execution and delivery of the Bonds and the payment therefor and the delivery of the certificates, opinions, and other instruments as described in Section 8 of this Purchase Agreement shall occur at the offices of Andrews Kurth, LLP in

Houston, Texas, or such other place as shall have been mutually agreed upon by the Issuer and the Representative.

**8. Closing Conditions.** The obligations of the Underwriters to purchase the Bonds shall be subject (a) to the performance by the Issuer of its obligations to be performed hereunder at and prior to the Closing, (b) to the accuracy, in all material respects, of the representations and warranties of the Issuer herein as of the date hereof and as of the time of the Closing, and (c) to the following conditions, including the delivery by the Issuer of such documents as are enumerated herein in form and substance reasonably satisfactory to Co-Bond Counsel (named below), Special Disclosure Co-Counsel (named below) and West & Associates, L.L.P., of Houston, Texas, as counsel to the Underwriters (the "Underwriters' Counsel"):

(a) At the time of the Closing, (i) the Official Statement, this Purchase Agreement, the Pricing Certificate, the Ordinance, and the Escrow Agreement shall be in full force and effect and shall not have been amended, modified, repealed, or supplemented from the date hereof except as may have been agreed to in writing by the Representative; (ii) the proceeds of the sale of the Bonds shall be deposited and applied as described in the Ordinance and the Pricing Certificate; and (iii) the Issuer shall have duly adopted and there shall be in full force and effect such ordinances or resolutions as, in the opinion of Andrews Kurth LLP and Escamilla, Poneck, & Cruz, LLP, both of Houston, Texas, as co-bond counsel ("Co-Bond Counsel"), shall be necessary in connection with the transactions described herein.

(b) The Issuer shall not have failed to pay principal or interest when due on any of its outstanding obligations for borrowed money payable from ad valorem taxes.

(c) All steps to be taken and all instruments and other documents to be executed, and all other legal matters in connection with the transactions described in this Purchase Agreement shall be reasonably satisfactory in legal form and effect to the Representative, Co-Bond Counsel and counsel to the Underwriters.

(d) At or prior to the Closing, the Representative shall receive the following executed or certified documents in such number or counterparts as shall be mutually agreeable to the Issuer, Underwriters' Counsel, and Co-Bond Counsel:

(1) The Bonds, the Ordinance (containing the agreement to provide continuing disclosure of information as described in the Official Statement), and the Pricing Certificate;

(2) Final opinions of Co-Bond Counsel dated the date of Closing, in substantially the form set forth as Appendix E to the Official Statement;

(3) A letter of Co-Bond Counsel addressed to the Underwriters and dated the date of Closing, to the effect that Co-Bond Counsel's final opinions referred to in Section 8(d)(2) hereof and being delivered on such date may be relied upon by the Underwriters to the same extent as if such opinion was addressed to the Underwriters;

(4) A supplemental opinion of Co-Bond Counsel addressed to the Underwriters and dated the date of Closing, in substantially the form set forth in **Exhibit C** hereto;

(5) An opinion of Haynes and Boone, LLP and Chevalier Helms, PLLC, both of Houston, Texas, Special Disclosure Co-Counsel to the Issuer (“Special Disclosure Co-Counsel”), addressed to the Underwriters, substantially in the form of **Exhibit D** attached hereto;

(6) Certificates signed by an authorized officer of the Issuer as prepared by Co-Bond Counsel setting forth facts, estimates, and circumstances in existence on the date of Closing, which facts, estimates, and circumstances shall be sufficiently set forth therein to support the conclusion that it is not expected that the proceeds of the Series 2012 Bonds will be used in a manner or that the Issuer will take any action or omit to take any action that would cause the Series 2012 Bonds to be “arbitrage bonds” within the meaning of the Internal Revenue Code of 1986, as amended (the “Code”), and the regulations, temporary regulations, and proposed regulations promulgated under the Code, and stating that to the best knowledge and belief of such officer there are no other facts, estimates, or circumstances that would materially affect such expectations;

(7) A survey from Underwriters’ Counsel addressed to the Underwriters indicating the jurisdictions in which the Bonds have been qualified or exempt under the securities or “Blue Sky” laws;

(8) An opinion of Underwriters’ Counsel in substantially the form set forth in **Exhibit F** hereto;

(9) The approving opinion of the Attorney General of Texas with respect to the Bonds;

(10) The registration certificate of the Comptroller of Public Accounts of the State of Texas with respect to the Bonds;

(11) The Official Statement;

(12) Specimen Bonds;

(13) An executed copy of the Refunded Bond Escrow Agreement between the Issuer and the Refunded Bond Escrow Agent;

(14) Letters from Standard and Poor’s Financial Services LLC Business and Moody’s Investors Service to the effect that the Bonds have been assigned ratings of [“\_\_\_\_\_”] and [“\_\_\_\_\_”];

(15) A copy of an awareness letter from \_\_\_\_\_, independent certified public accountants and auditors acknowledging the inclusion in the Preliminary Official Statement and the Official Statement of the audited financial statements of the Issuer and its report thereon, for the fiscal year ended June 30, 2011;

(16) A certificate, in form and substance reasonably satisfactory to the Representative and Underwriters' Counsel, of the Issuer or any duly authorized officer or official of the Issuer satisfactory to the Representative and Underwriters' Counsel, dated as of the Closing, to the effect that: (i) each of the Issuer's representations, warranties, and covenants contained herein are true and correct in all material respects as of the Closing; (ii) the Issuer has authorized, by all action necessary under the Applicable Law and the laws and Constitution of the State, the adoption of the Ordinance, and the execution, delivery, and due performance of the Bonds, this Purchase Agreement, the Pricing Certificate and the Escrow Agreement; (iii) no litigation is pending, or to the knowledge of the officer or official of the Issuer signing the certificate threatened, to restrain or enjoin the issuance or sale of the Bonds or in any way affecting any authority for or the validity of the Ordinance, the Bonds, this Purchase Agreement, the Pricing Certificate and the Escrow Agreement; (iv) the Bonds, this Purchase Agreement, the Pricing Certificate and the Escrow Agreement are in the form or in substantially the form approved for such execution by appropriate proceedings of the Issuer; (v) since June 30, 2011 there has not been any material adverse change in the properties, financial position, or results of operations of the Issuer, whether or not arising from transactions in the ordinary course of business, other than as set forth in the Official Statement or as otherwise disclosed to the Underwriters pursuant to this Purchase Agreement; (vi) the information contained in the Official Statement relating to the Issuer, its organization, activities, properties, and financial condition, is true and correct in all material respects and does not contain any untrue or incorrect statement of a material fact and does not omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading;

(17) A Receipt and Cross Receipt, dated the date of Closing, of the Issuer and the Underwriters as to the receipt of the Bonds and the payment therefor;

(18) To the extent proceeds of the Bonds are used to refund and defease the Refunded Obligations, a copy of the special report prepared by Grant Thornton L.L.P., addressed to the Issuer, Co-Bond Counsel, and the Underwriters verifying the arithmetical computations of the adequacy of the maturing principal and interest on the escrowed securities and uninvested cash on hand to pay, when due, the principal of and interest on the Refunded Obligations and the computation of the yield with respect to such securities and the Bonds; and

(19) Such additional legal opinions, certificates, proceedings, instruments, and other documents as Underwriters' Counsel or Co-Bond Counsel may reasonably request to evidence compliance by the Issuer with legal requirements, the truth and accuracy, as of the time of Closing, of the representations of the Issuer herein contained, and the due performance or satisfaction by the Issuer at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the Issuer.

If the Issuer shall be unable to satisfy the conditions to the obligations of the Underwriters contained in this Purchase Agreement, or if the obligations of the Underwriters to purchase and accept delivery of the Bonds shall be terminated for any reason permitted by this Purchase Agreement, the good faith check described in Section 4 hereof shall be returned to the

Representative, this Purchase Agreement shall terminate, and neither the Underwriters nor the Issuer shall be under further obligation hereunder; except that the respective obligations to pay expenses, as provided in Section 12 hereof, shall continue in full force and effect.

9. **Cancellation Rights.** The Representative shall have the right to cancel the Underwriters' obligations to purchase the Bonds if between the date hereof and the date of Closing one or more of the following events shall have occurred:

(a) the House of Representatives or the Senate of the Congress of the United States, or a committee of either, shall have pending before it, or shall have passed or been recommended favorably, legislation introduced after the date hereof, which legislation, if enacted in its form introduced or as amended, would have the purpose or effect of imposing federal income taxation upon revenues or other income of the general character to be derived by the Issuer, or by any similar body, or upon interest received on obligations of the general character of the Bonds to be includable in gross income for purposes of federal income taxation, and such legislation, in the Representative's reasonable opinion, materially adversely affects the market price of, or market for, the Bonds; or

(b) a decision with respect to legislation shall be reached by a committee of the House of Representatives or the Senate of the Congress of the United States, or legislation shall be favorably reported by such a committee or be introduced, by amendment or otherwise, in or be passed by the House of Representatives or the Senate, or recommended to the Congress of the United States for passage by the President of the United States, or be enacted, or a decision by a federal court of the United States or the United States Tax Court shall have been rendered, or a ruling, release, order, regulation or official statement by or on behalf of the United States Treasury Department, the Internal Revenue Service, or other governmental agency shall have been made or proposed to be made having the purpose or effect, or any other action or event shall have occurred which has the purpose or effect, directly or indirectly, of adversely affecting the federal income tax consequences of owning the Bonds, or of any of the transactions contemplated in connection herewith, including causing interest on the Bonds, to be included in gross income for purposes of federal income taxation, or imposing federal income taxation upon revenues or other income of the general character to be derived by the Issuer, or by any similar body, which, in the Representative's reasonable opinion, materially adversely affects the market price of, or market for, the Bonds; or

(c) legislation shall have been enacted, or actively considered for enactment with an effective date prior to Closing, or a decision by a court of the United States shall have been rendered, the effect of which is that the Bonds, including any underlying obligations, or the Ordinances, as the case may be, are not exempt from the registration, qualification, or other requirements of the Securities Act of 1933, as amended and as then in effect, the Securities Exchange Act of 1934, as amended and as then in effect, or the Trust Indenture Act of 1939, as amended and as then in effect; or

(d) a stop order, ruling, regulation, or official statement by the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, shall have been issued or made, or any other event occurs, the effect of which is that the issuance, offering, or sale of the Bonds, including any underlying obligations, or the execution

and delivery of the Ordinance, as contemplated hereby or by the Official Statement is, or would be, in violation of any provision of the federal securities laws, including the Securities Act of 1933, as amended and as then in effect, the Securities Exchange Act of 1934, as amended and as then in effect, or the Trust Indenture Act of 1939, as amended and as then in effect; or

(e) (i) the Constitution of the State shall be amended or an amendment shall be proposed, or (ii) legislation shall be enacted, or (iii) a decision shall have been rendered as to matters of State law, or (iv) any order, ruling or regulation shall have been issued or proposed by or on behalf of the State by an official, agency or department thereof, affecting the tax status of the Issuer, its property or income, its notes or bonds or the interest thereon, which in the judgment of the Representative would make it impracticable to market the Bonds on the terms and in the manner contemplated in the Official Statement; or

(f) there shall exist any event or circumstance that either makes untrue or incorrect any statement of a material fact in the Official Statement (other than any statement provided by the Underwriters) or is not reflected in the Official Statement but should be reflected therein in order to make the statements therein, in light of the circumstances under which they were made, not misleading and, in either such event, the City refuses to permit the Official Statement to be supplemented to supply such statement or information, or the effect of the Official Statement as so supplemented is, in the reasonable judgment of the Representative, to materially adversely affect the market price or marketability of the Bonds; or

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

(h) Any state blue sky or securities commission or other governmental agency or body in a state in which fifteen percent (15%) or more of the Bonds have been sold shall have withheld registration, exemption or clearance of the offering of the Bonds as described herein, or issued a stop order or similar ruling relating thereto, provided that such withholding or stop order is not due to the malfeasance, misfeasance or nonfeasance of the Underwriters; or

(i) there shall be in force a general suspension of trading on the New York Stock Exchange, the NYSE Amex Equities or any other major exchange, the effect of which on the financial markets of the United States is such, in the reasonable judgment of the Representative, would materially adversely affect the market price of, or market for, the Bonds; or

(j) a general banking moratorium shall have been declared by federal, New York, or State authorities; or

(k) any proceeding shall be pending by the Securities and Exchange Commission against the Issuer, which in the reasonable judgment of the Representative materially adversely affects the market price or marketability of the Bonds; or

(l) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange, which in the reasonable judgment of the Representative materially adversely affects the market price or marketability of the Bonds; or

(m) a material disruption in securities settlement, payment, or clearance services affecting any municipal securities shall have occurred that would make it impracticable for the Underwriters to market the Bonds on the terms and in the manner contemplated by the Official Statement; or

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

(o) any new restriction on transactions in securities materially affecting the market for securities (including the imposition of any limitation on interest rates) or the extension of credit by, or a charge to the net capital requirements of, underwriters shall have been established by the New York Stock Exchange, the SEC, any other federal or State agency or the Congress of the United States, or by Executive Order, which in the reasonable judgment of the Representative materially adversely affects the market price or marketability of the Bonds.

**10. Issuer Obligations Subject to Performance by Underwriters.** The obligations of the Issuer hereunder are subject to the performance by the Underwriters of its obligations hereunder.

**11. Survival of Representations, Warranties, and Agreements.** Unless otherwise set forth herein, all representations, warranties, and agreements of the Issuer shall remain operative and in full force and effect, regardless of any investigations made by or on behalf of the Underwriters or the Issuer and shall survive the Closing.

**12. Expenses.**

(a) The Underwriters shall be under no obligation to pay, and the Issuer shall pay, any expenses incident to the performance of the Issuer's obligations hereunder, including, but not limited to (i) the cost of preparation, printing and delivery of the Official Statement in quantities as reasonably requested by the Underwriters and copies of any supplement or amendments to the Official Statement, (ii) the cost of preparation and printing of the Bonds, (iii) the fees and disbursements of Co-Bond Counsel of the Issuer, (iv) the fees and disbursements of the Issuer's Special Disclosure Co-Counsel, (v) the fees and disbursements of Deloitte & Touche LLP for their services as Independent Accountants of the Issuer; (vi) the fees and disbursements of First Southwest Company (the "Financial Advisor"); (vii) the fees and disbursements of any other accountants, and other experts, consultants or advisers retained by the Issuer; (viii) the fees, if any, for bond ratings; (ix) the fees and disbursements of the Paying Agent/Registrar Agent, Escrow Agent, and Verification Agent; (x) fees incident to the

redemption of the Refunded Obligations, (xi) the out-of-pocket, miscellaneous and closing expenses, including the cost of travel, of the representatives of the Issuer and (xii) any other expenses mutually agreed to by the Issuer and the Representative to be reasonably considered expenses of the Issuer which are incident to the transaction described herein.

(b) The Underwriters shall pay (i) the cost of preparation and printing of this Purchase Agreement, the Agreement Among Underwriters and the Blue Sky Survey, if any; (ii) all advertising expenses in connection with the public offering of the Bonds; and (iii) all other expenses incurred by them or any of them in connection with the public offering of the Bonds, including the fees and disbursements of counsel retained by the Underwriters.

(c) In order to ensure compliance with applicable state and/or local ethics statutes that may apply to representatives of the Issuer as well as federal securities regulations that may apply to the Underwriters, the Issuer shall be solely responsible for and shall pay for any expenses incurred by the Underwriters on behalf of the Issuer's employees and representatives in connection with this Purchase Agreement, including, but not limited to, meals, transportation, lodging, and entertainment of those employees and representatives. Such payment may be in the form of inclusion of such expenses in the expense component of the Underwriters' discount.

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

**13. Other Transactions by Underwriters and Issuer.** The Underwriters or their affiliates may from time to time, in their individual capacity and separate and apart from the transactions contemplated hereby and the compensation provided for herein, sell securities to, provide derivative products to, engage in swaps with, and enter into other transactions with the Issuer, or its agents acting in its behalf, and shall be entitled to retain any compensation or profits inuring to the Underwriters or its affiliates in connection therewith as approved by the Issuer.

**14. Notices.** Any notice or other communication to be given to the Issuer under this Purchase Agreement may be given by delivering the same in writing at its address set forth above, Attention: City Secretary, with a copy to (i) the City Attorney and (ii) the Director, Department of Finance; and any notice or other communication to be given to the Underwriters under this Purchase Agreement may be given by delivering the same in writing to Hutchinson, Shockey, Erley & Co., 4545 Post Oak Place, Suite 125, Houston, TX 77027, Attention: Mark Nitcholas.

**15. No Recourse Against Individuals.** No recourse shall be had for payment of the principal of or interest on any Bonds or for any claim based thereon, against any official or employee of the Issuer or any person executing any Bonds.

16. **Parties in Interest.** This Purchase Agreement is made solely for the benefit of the Issuer and the Underwriters (including the successors or assigns of the Underwriters) and no other person, including any purchaser of the Bonds, shall acquire or have any right hereunder or by virtue hereof.

17. **Effectiveness.** This Purchase Agreement shall become effective upon the acceptance hereof by the Issuer and shall be valid and enforceable at the time of such acceptance.

18. **Entire Agreement.** This Purchase Agreement constitutes the entire agreement between the parties hereto with respect to the matters covered hereby, and supersedes all prior agreements and understandings between the parties. This Purchase Agreement shall only be amended, supplemented or modified in a writing signed by both of the parties hereto.

19. **Governing Law.** This Purchase Agreement shall be governed by and construed in accordance with the laws of the State of Texas and the United States of America.

20. **Severability.** If any provision of this Purchase Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any Constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Purchase Agreement invalid, inoperative or unenforceable to any extent whatever.

21. **Section Headings.** Headings have been inserted in this Purchase Agreement as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this Purchase Agreement and will not be used in the interpretation of any provisions of this Purchase Agreement.

22. **Counterparts.** This Purchase Agreement may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same document. This Purchase Agreement shall become effective upon the execution of the acceptance hereof by the officially authorized and designated officers of the Issuer shown below and shall be valid and enforceable as of the time of such acceptance.

*[Execution pages to follow]*

Very truly yours,

By: HUTCHINSON, SHOCKEY, ERLEY, & CO.  
Individually and as Representative of the  
Underwriters

By: \_\_\_\_\_  
Authorized Signatory

Accepted and agreed to as  
of the date first written above:

CITY OF HOUSTON, TEXAS

By: \_\_\_\_\_  
Annise D. Parker, Mayor

ATTEST:

COUNTERSIGNED:

By: \_\_\_\_\_  
Anna Russell, City Secretary

By: \_\_\_\_\_  
Ronald C. Green, City Controller

**EXHIBIT A**  
**PRICING CERTIFICATE**

**EXHIBIT B**

**RESERVED.**

**EXHIBIT C**

**FORM OF SUPPLEMENTAL OPINION OF CO-BOND COUNSEL**

[LETTERHEAD OF CO-BOND COUNSEL]

June 5, 2012

Hutchinson, Shockey, Erley & Co.  
4545 Post Oak Place, Suite 125  
Houston, TX 77027

Re: City of Houston, Texas Convention & Entertainment Facilities Department Hotel  
Occupancy Tax and Special Revenue Refunding Bonds, Series 2012 (the "Bonds")

Ladies and Gentlemen:

This opinion is being rendered pursuant to the Purchase Agreement, dated \_\_\_\_\_, 2012 (the "Purchase Agreement"), between Hutchinson, Shockey, Erley & Co., as Representative of the Underwriters named in the Purchase Agreement (the "Underwriters"), and the City of Houston, Texas (the "City") relating to the issuance, sale, and delivery by the City to the Underwriters of the Bonds. Except as otherwise defined herein, the terms defined in the Purchase Agreement are used in this opinion with the meanings assigned to them in the Purchase Agreement.

We have acted as Co-Bond Counsel to the City in connection with the issuance, sale, and delivery of the Bonds to the Underwriters. In our capacity as Co-Bond Counsel, we have examined a transcript of certain materials and proceedings pertaining to the Bonds, including certain certified and original proceedings of the City, and customary certificates, opinions, affidavits, and other documents executed by officers, agents, and representatives of the City and others. In our capacity as Co-Bond Counsel, we have also attended meetings of the City and have participated in conferences from time to time with representatives of the City, the Financial Advisors, Special Disclosure Co-Counsel and Underwriters relative to the Official Statement.

In our examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies, and the authenticity of the originals of such latter documents.

Based upon the foregoing, we are of the opinion that, under applicable laws of the United States of America and the State of Texas in force and effect on the date hereof:

1. The offering and sale of the Bonds need not be registered under the Securities Act of 1933, as amended;
2. No filing is required under the Trust Indenture Act of 1939, as amended, in connection with the Bonds or the Ordinance;

3. The descriptions and summaries of the Bonds and the Ordinance (as defined in the Official Statement) contained under the headings "PURPOSE AND PLAN OF FINANCING," "DESCRIPTION OF THE BONDS" and "CONTINUING DISCLOSURE" (except for the subsection captioned "Compliance with Prior Undertakings") in all material respects fairly and accurately describe the provisions of such instruments for the purposes of the Official Statement; and the statements contained in the Official Statement under the headings "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," TAX EXEMPTION, and TAX ACCOUNTING TREATMENT OF DISCOUNT AND PREMIUM ON THE BONDS'" are correct as to matters of law.

Except as stated above in paragraph 3, we have not assumed responsibility in this opinion with respect to the Official Statement or undertaken to verify the accuracy, completeness, or fairness of the statements contained therein. However, we advise you that in the course of our participation described above, nothing has come to our attention that would cause us to believe that the Official Statement as of its date and as of the date of this opinion (except for the financial statements and other financial, statistical, or technical data, as to which we express no view) contained or contains any untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

In our capacity as Co-Bond Counsel we have delivered on this date the approving opinion with respect to the Bonds in substantially the form set forth in Appendix C of the Official Statement. The Underwriters may rely on such approving opinion as if it were addressed to them.

In rendering this opinion, we have not represented any of the Underwriters nor rendered any advice to the Underwriters in connection with the Purchase Agreement or the transactions contemplated thereby, other than that set forth herein.

We do not undertake to advise you of matters which may come to our attention subsequent to the date hereof which may affect our legal opinion and conclusions expressed herein, and we call to your attention the fact that our legal opinions and conclusions are an expression of professional judgment and not a guarantee of result. This opinion may not be released to or relied upon by any other person or by you in any other context, without our prior written consent.

**EXHIBIT D**

**OPINION OF SPECIAL DISCLOSURE CO-COUNSEL TO THE ISSUER**

[LETTERHEAD OF SPECIAL DISCLOSURE CO-COUNSEL]

June 5, 2012

City of Houston, Texas  
901 Bagby Street  
Houston, Texas 77002

Hutchinson, Shockey, Erley & Co.  
4545 Post Oak Place, Suite 125  
Houston, TX 77027

Re: City of Houston, Texas Convention & Entertainment Facilities Department Hotel Occupancy Tax and Special Revenue Refunding Bonds, Series 2012 (the "Bonds")

Ladies and Gentlemen:

We have served as Special Disclosure Co-Counsel to the City of Houston, Texas (the "City") with respect to the issuance of the Bonds. In that connection, we have reviewed (1) the Ordinance adopted by the City Council of the City on April \_\_, 2012 (the "Ordinance"), authorizing the issuance of the Bonds and containing other matters, (2) the Pricing Certificate executed in connection with the sale of the Bonds containing certain terms with respect to the sale of the Bonds, and (3) the official statement for the Bonds dated \_\_\_\_\_, 2012 (as supplemented, the "Official Statement").

Based upon our participation in the preparation of the Official Statement, nothing has come to our attention to lead us to believe that the Official Statement (except for financial, statistical or technical data therein, including Appendix A, about which we are not called upon to comment), as of its date or as of the date hereof, contained or contains any untrue statement of a material fact, or omitted or omits to state any material facts required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. Our participation in the preparation of the Official Statement included meetings with representatives of the City and the Underwriters, but did not include independent investigation as to the accuracy, completeness, or fairness of the statements contained therein.

This letter is being delivered to the City as its Special Co-Counsel and to Hutchinson, Shockey, Erley & Co., as Representative for the Underwriters, pursuant to Section 8(d)(5) of the Purchase Agreement dated \_\_\_\_\_, 2012 (the "Purchase Agreement") between the City and the Underwriters referred to therein (the "Underwriters") relating to the sale of the Bonds. This opinion is as of the date hereof and we undertake no, and hereby disclaim any, obligation to advise you of any change in any matter set forth herein. This opinion may only be relied upon

by the addressees and by other persons to whom we grant written permission to rely hereon. In rendering this opinion and in connection with the delivery by the City of the Bonds, we have not represented the Underwriters nor rendered any advice to the Underwriters in connection with the transactions contemplated by the Purchase Agreement, the Ordinance, or the Official Statement, other than that set forth herein.

Very truly yours,

**EXHIBIT E**

**FORM OF OPINION OF UNDERWRITERS' COUNSEL**

[LETTERHEAD OF UNDERWRITERS' COUNSEL]

June 5, 2012

Hutchinson, Shockey, Erley & Co.  
4545 Post Oak Place, Suite 125  
Houston, TX 77027

Re: City of Houston, Texas Convention & Entertainment Facilities Department Hotel  
Occupancy Tax and Special Revenue Refunding Bonds, Series 2012 (the "Bonds")

Ladies and Gentlemen:

We have acted as counsel to you, as the Underwriters, in connection with the purchase by you on this date of the captioned Bonds issued by the City of Houston, Texas (the "Issuer"). As your counsel, we have reviewed a transcript of certain proceedings relating to the issuance of the Bonds, including Ordinance No. 2012-[ ] adopted on April \_\_, 2012 by the City Council of the Issuer, and a Pricing Certificate executed by the Mayor and the City Controller of the Issuer, which Bonds you are purchasing pursuant to the Purchase Agreement between the Issuer and you dated as of \_\_\_\_\_, 2012 (the "Purchase Agreement"), the Preliminary Official Statement of the Issuer dated April \_\_, 2012 (the "Preliminary Official Statement"), the Official Statement of the Issuer dated \_\_\_\_\_, 2012 (the "Official Statement"), and the opinions of the Attorney General of the State of Texas and Co-Bond Counsel. This opinion and comments are being furnished to you pursuant to Section 8 of the Purchase Contract. Unless otherwise expressly provided herein, capitalized terms used herein shall have the meanings ascribed thereto in the Purchase Contract.

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

(1) The offer and sale of the Bonds to the public by you are exempt from registration under Section 3(a)2 of the Securities Act of 1933, as amended and now in effect, and no filing is required under Section 304 of the Trust Indenture Act of 1939, as amended and now in effect, in connection with the Bonds or the Ordinance; and

(2) Assuming the enforceability of the Ordinance (as to which you have received an opinion of the City Attorney of the City of Houston, Texas, of even date herewith), you may reasonably determine that the continuing disclosure undertaking contained in the Ordinance

satisfies the requirements of paragraph (b)(5)(i) of Rule 15c2-12 of the United States Securities and Exchange Commission (the "*Rule*").

Furthermore, we have participated in correspondence and conferences with representatives of the Issuer, the Co-Financial Advisors, Co-Bond Counsel and your representatives, at which conferences the contents of the Preliminary Official Statement and the Official Statement and related matters were discussed. Although we have not conducted an independent investigation of the accuracy or completeness of the Preliminary Official Statement or Official Statement, and we are not passing upon and do not assume any responsibility for the accuracy, completeness, or fairness of the statements contained therein, we advise you that, on the basis of the foregoing, no facts have come to our attention that lead us to believe that the Preliminary Official Statement or the Official Statement (other than certain information concerning the Co-Financial Advisors; any financial, forecast, technical, and statistical statements and data included in the Official Statement; and the information regarding DTC and its book-entry-only system, as to all of which you have not asked us to express any view), as of their respective dates and as of today's date, contain any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

This opinion may be relied upon only by the addressees hereof. This opinion may not be relied upon by or furnished to any other person without our prior written consent.

Respectfully submitted,

Exhibit D

Paying Agent/Registrar Agreement

See Tab 5

## PAYING AGENT/REGISTRAR AGREEMENT

THIS PAYING AGENT/REGISTRAR AGREEMENT dated as of June 1, 2012 (together with any amendments or supplements hereto, the "Agreement") is entered into by and between the City of Houston, Texas (the "Issuer"), and The Bank of New York Mellon Trust Company, N.A., Houston, Texas, as paying agent/registrar (together with any successor in such capacity, the "Bank").

### WITNESSETH:

1. The Issuer has issued its "City of Houston, Texas Convention & Entertainment Facilities Department Hotel Occupancy Tax and Special Revenue Refunding Bonds, Series 2012" (the "Bonds") pursuant to the Ordinance authorizing the Bonds (the "Ordinance");
2. The Issuer and the Bank wish to provide the terms under which the Bank will act as Paying Agent to pay the principal of and interest on the Bonds and under which the Bank will act as Registrar for the Bonds; and
3. The Issuer and the Bank have duly authorized the execution and delivery of this Agreement and all things necessary to make this Agreement the valid agreement of the parties, in accordance with its terms, have been done.

NOW, THEREFORE, it is mutually agreed as follows:

### ARTICLE ONE APPOINTMENT OF BANK AS PAYING AGENT AND REGISTRAR

#### Section 1.01. Appointment.

The Issuer hereby appoints the Bank to act as Paying Agent with respect to the Bonds, to pay to the Registered Owners of the Bonds, in accordance with the terms and provisions of this Agreement and the Ordinance, the principal of and interest on all or any of the Bonds.

The Issuer hereby appoints the Bank as Registrar with respect to the Bonds. As Registrar for the Bonds, the Bank shall keep and maintain for and on behalf of the Issuer books and records as to the ownership of said Bonds and with respect to the transfer and exchange thereof as provided herein and in the Ordinance.

The Bank hereby accepts its appointment, and agrees to act as Paying Agent and Registrar with respect to the Bonds.

#### Section 1.02. Compensation.

As compensation for the Bank's services as Paying Agent/Registrar, the Issuer hereby agrees to pay the Bank the fees and amounts set forth in *Schedule A* attached hereto for the first year of this Agreement and thereafter the fees and amounts set forth in the Bank's current fee

schedule then in effect for services as Paying Agent/Registrar for municipalities, *provided however*, that any change in the Bank's fee schedule must be supplied to the Issuer on or before 90 days prior to the close of the Fiscal Year of the Issuer, and shall be effective upon the first day of the following Fiscal Year.

In addition, the Issuer agrees to reimburse the Bank upon its request for all reasonable expenses, disbursements and advances incurred or made by the Bank in accordance with any of the provisions hereof (including the reasonable compensation and the expenses and disbursements of its agents and counsel).

## ARTICLE TWO DEFINITIONS

### Section 2.01. Definitions.

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

**"Authorized Officer"** means the City Controller and any other officer or employee of the Issuer designated as an Authorized Officer for the purposes of this Agreement in a written communication delivered to the Paying Agent/Registrar.

**"Bank"** means The Bank of New York Mellon Trust Company, N.A., Houston, Texas, which is duly organized and existing under the laws of the United States.

**"Bond"** or **"Bonds"** means any one or all of the "City of Houston, Texas Combined Utility System First Lien Revenue Refunding Bonds, Series 2012".

**"Business Day"** a day other than (i) a Saturday and Sunday, (ii) a day on which the Paying Agent/Registrar, banks and trust companies in New York, New York are authorized or required to remain closed, or (iii) a day on which the New York Stock Exchange is closed.

**"Issuer"** means the City of Houston, Texas.

**"Ordinance"** means the ordinance(s) of the Issuer approved by its City Council on April 4, 2012 and the Officers' Pricing Certificate pursuant to which the Bonds are issued.

**"Paying Agent"** means the Bank when it is performing the function of paying agent.

**"Person"** means any individual, corporation, partnership, joint venture, associations, joint stock company, trust, unincorporated organization or government or any agency or political subdivision of a government or any entity whatsoever.

**"Registrar"** means the Bank when it is performing the function of registrar.

**"Registered Owner"** means the Person in whose name any Bond is registered in the books of registration maintained by the Bank under this Agreement.

All other capitalized terms shall have the meanings assigned to them in the Ordinance or the recital paragraphs of this Agreement.

### ARTICLE THREE DUTIES OF THE BANK

#### Section 3.01. Initial Delivery of the Bonds.

The Bonds will be initially registered and delivered by the Bank to the purchasers designated by the Issuer as set forth in the Ordinance. If such purchasers deliver a written request to the Bank not later than five business days prior to the date of initial delivery, the Bank will, on the date of initial delivery, exchange the Bonds initially delivered for Bonds of authorized denominations, registered in accordance with the instructions in such request and the Ordinance.

#### Section 3.02. Duties of Paying Agent.

As Paying Agent, the Bank shall, provided adequate funds have been provided to it for such purpose by or on behalf of the Issuer, timely pay on behalf of the Issuer the principal of and interest on each Bond in accordance with the provisions of the Ordinance.

The Bank is authorized to receive the purchase price of and, if applicable, accrued interest on, the Bonds from the underwriter of the Bonds and to transfer funds relating to the closing and initial delivery of the Bonds in the manner disclosed in the closing memorandum prepared by the Issuer's financial advisor or other agent and approved by the Issuer. The Bank may act on a facsimile or electronic mail transmission of the closing memorandum acknowledged by the Issuer or the Issuer's financial advisor as the final closing memorandum to be followed by an original of the closing memorandum signed by the Issuer or the Issuer's financial advisor. The Bank shall not be liable for any losses, costs or expenses arising directly or indirectly from the Bank's reliance upon and compliance with such closing memorandum.

Because the issue will be Depository Trust Company (DTC) eligible, the Bank shall comply with all eligibility requirements as outlined and agreed upon in the eligibility questionnaire.

#### Section 3.03. Duties of Registrar.

The Bank shall provide for the proper registration of the Bonds and the timely exchange, replacement and registration of transfer of the Bonds in accordance with the provisions of the Ordinance. Any changes to Registered Owners for such exchange, replacement and registration shall be made by the Bank only in accordance with the Ordinance. The Bank will maintain the books of registration in accordance with the Bank's general practices and procedures in effect from time to time; provided, however, that the Bank agrees to comply with the terms of Chapter 1203 of the Texas Government Code, as amended, and more specifically agrees also to maintain books of registration for the Bonds at the Bank's offices in Texas, which books of registration may be a copy of the register which shall be kept current by the Bank. The books of

registration may be maintained in written form or in any other form capable of being converted into written form within a reasonable period of time.

Section 3.04. Unauthenticated Bonds.

The Issuer shall provide an adequate inventory of unauthenticated Bonds to facilitate transfers. The Bank covenants that it will maintain such unauthenticated Bonds in safekeeping and will use reasonable care in maintaining such Bonds in safekeeping, which shall be not less than the care it maintains for debt securities of other government entities or corporations for which it serves as registrar, or which it maintains for its own obligations.

Section 3.05. Reports.

Upon request of the Issuer, the Bank will provide the Issuer reports, which will describe in reasonable detail all transactions pertaining to the Bonds and the books of registration for the period of time specified by the Issuer. The Issuer may also inspect and make copies of the information in the books of registration and such other documents related to the Bonds and in the Bank's possession at any time the Bank is customarily open for business, provided that reasonable time is allowed the Bank to provide an up-to-date listing or to convert the information into written form.

The Bank will not release or disclose the content of the books of registration to any person other than to, or at the written request of, an authorized officer or employee of the Issuer, except upon receipt of a subpoena, court order or as otherwise required by law. Upon receipt of a subpoena, court order or other lawful request, the Bank will notify the Issuer immediately so that the Issuer may contest the subpoena, court order or other request if it so chooses.

Section 3.06. Cancelled Bonds.

All Bonds surrendered for payment, redemption, transfer, exchange or replacement, if surrendered to the Bank, shall be promptly cancelled by it and, if surrendered to the Issuer, shall be delivered to the Bank and, if not already cancelled, shall be promptly cancelled by the Bank. The Issuer may at any time deliver to the Bank for cancellation any Bonds previously authenticated and delivered which the Issuer may have acquired in any manner whatsoever, and all Bonds so delivered shall be promptly cancelled by the Bank. The Bank shall retain the cancelled Bonds in accordance with its current document retention policies.

Section 3.07. Reliance on Documents, Etc.

(a) The Bank may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, on certificates or opinions furnished to the Bank by the Issuer.

(b) The Bank shall not be liable to the Issuer for actions taken under this Agreement as long as it acts in good faith and exercises due diligence, reasonableness and care, as prescribed by law, with regard to its duties hereunder.

(c) This Agreement is not intended to require the Bank to expend its own funds for performance of any of its duties hereunder.

(d) The Bank may exercise any of the powers hereunder and perform any duties hereunder either directly or by or through agents or attorneys.

Section 3.08. Money Held by Bank.

Money held by the Bank hereunder shall be held in trust for the benefit of the Registered Owners of the Bonds and the Bank shall have a fiduciary responsibility as to such funds.

All money deposited with the Bank hereunder shall be secured in the manner and to the fullest extent required by law for the security of funds of the Issuer.

All amounts held by the Bank may be invested, pending their disbursement, at the direction of an Authorized Officer of the Issuer to the extent permitted by law either in (a) money market mutual funds (investing in U.S. Treasury obligations or tax exempt obligations) maturing no later than the date of scheduled disbursements or (b) other legally authorized short term investments which are scheduled to mature on or before the date or dates on which proceeds of such other investments are required to pay interest and/or principal and any Broker-Dealer Fees on the maturing Bonds, if applicable; provided however, that if for any reason such funds are not disbursed on a scheduled payment date, any continued investment of such funds pending disbursement shall be limited to short term direct obligations of the United States of America.

Any money deposited with the Bank for the payment of the principal of or interest on any Bonds and remaining unclaimed by the Registered Owner after the expiration of three years from the date such funds have become due and payable shall be reported and disposed of by the Bank in accordance with the provisions of Texas law including, to the extent applicable, Title 6 of the Texas Property Code, as amended. To the extent such provisions of the Property Code do not apply to the funds, such funds shall be paid by the Bank to the Issuer upon receipt of a written request therefor from the Issuer. The Bank shall have no liability to the Registered Owners of the Bonds by virtue of actions taken in compliance with the foregoing provision.

ARTICLE FOUR  
MISCELLANEOUS PROVISIONS

Section 4.01. May Own Bonds.

The Bank, in its individual or any other capacity, may become the owner or pledgee of the Bonds with the same rights it would have if it were not the Bank and Registrar for the Bonds.

Section 4.02. Amendment.

This Agreement may be amended only by an agreement in writing signed by both of the parties hereto.

Section 4.03. Assignment.

This Agreement may not be assigned by either party without the prior written consent of the other.

Section 4.04. Notices.

Any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted hereby to be given or furnished to the Issuer or the Bank shall be mailed or delivered to the Issuer or the Bank, respectively, at the addresses shown herein, or such other address as may have been given by one party to the other by 15 days' written notice.

Section 4.05. Effect of Headings.

The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

Section 4.06. Successors and Assigns.

All covenants and agreements herein by the Issuer and the Bank shall bind their successors and assigns, whether so expressed or not. This Agreement shall not be assigned by the Bank without the prior written consent of the Issuer.

Section 4.07. Merger, Conversion, Consolidation or Succession.

Any corporation into which the Bank may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion, or consolidation to which the Bank shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Bank shall be the successor of the Bank hereunder without the execution or filing of any paper or any further act on the part of either of the parties hereto. In case any Bond shall have been authenticated and registered, but not delivered, by the Bank as then in existence, any successor to the Bank by merger, conversion, or consolidation to such registering and authenticating Bank may accept such authentication and registration and deliver the Bond so authenticated and registered with the same effect as if such successor Bank had itself authenticated and registered such Bond.

Section 4.08. Severability.

If any provision of this Agreement shall be invalid or unenforceable, the validity and enforceability of the remaining provisions hereof shall not in any way be affected or impaired.

Section 4.09. Benefits of Agreement.

Nothing herein, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy or claim hereunder.

Section 4.10. Ordinance Governs Conflicts.

This Agreement and the Ordinance constitute the entire agreement between the parties hereto relative to the Bank acting as Paying Agent and Registrar and if any conflict exists between this Agreement and the Ordinance, the Ordinance shall govern. The Bank agrees to be bound by the terms of the Ordinance with respect to the Bonds.

Section 4.11. Term and Termination.

This Agreement shall be effective from and after its date and may be terminated for any reason by the Issuer or the Bank at any time upon 60 days' written notice; provided, however, that no such termination shall be effective until a successor has been appointed and has accepted the duties of the Bank hereunder. In the event of early termination, regardless of circumstances, the Bank shall deliver to the Issuer or its designee all funds, Bonds and all books and records pertaining to the Bank's role as Paying Agent and Registrar with respect to the Bonds, including, but not limited to, the books of registration.

Section 4.12. Execution; Governing Law.

This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same agreement. This Agreement shall be construed in accordance with and shall be governed by the laws of the State of Texas.

Section 4.13. Email and Facsimile Authorization.

The Bank agrees to accept and act upon instructions or directions pursuant to this Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Bank shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the Issuer elects to give the Bank e-mail or facsimile instructions (or instructions by a similar electronic method) and the Bank in its discretion elects to act upon such instructions, the Bank's understanding of such instructions shall be deemed controlling. The Bank shall not be liable for any losses, costs or expenses arising directly or indirectly from the Bank's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Issuer agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Bank, including without limitation the risk of the Bank acting on unauthorized instructions, and the risk of interception and misuse by third parties.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

THE CITY OF HOUSTON, TEXAS

By: \_\_\_\_\_  
Mayor

COUNTERSIGNED AS OF THE DATE HEREOF:

By: \_\_\_\_\_  
City Controller

ADDRESS: City of Houston, Texas  
P. O. Box 1562  
Houston, TX 77251  
Attention: Mayor

ATTEST:

\_\_\_\_\_  
City Secretary

APPROVED AS TO FORM:

\_\_\_\_\_  
Senior Assistant City Attorney

(CITY SEAL)

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A., Houston, Texas

By: \_\_\_\_\_  
Authorized Signatory

ADDRESS: 601 Travis, Floor 16  
Houston, Texas 77002  
Attn: Corporate Trust

ATTEST:

By: \_\_\_\_\_  
Title: \_\_\_\_\_

(SEAL)

SCHEDULE A

FEE SCHEDULE OF PAYING AGENT/REGISTRAR

(see attached)

Exhibit E

Co-Bond Counsel Engagement Letter

[see attached]

April 4, 2012

Mayor and City Council  
City of Houston  
City Hall Annex  
900 Bagby  
Houston, Texas 77002

Re: *City of Houston, Texas, Convention & Entertainment Facilities Department Hotel  
Occupancy Tax and Special Revenue Refunding Bonds, Series 2012 (the  
"Bonds")*

Dear Mayor and Council Members:

We are pleased to submit to you a proposed agreement for Andrews Kurth LLP ("AK"), together with Escamilla, Poneck & Cruz, LLP ("EPC"), a certified minority-owned business enterprise (together, "Co-Bond Counsel"), to serve as Co-Bond Counsel with respect to the captioned Bonds. When approved by you (the "City"), this letter will become effective and will evidence an agreement between the City and Co-Bond Counsel, subject to all applicable provisions of the Charter and Code of Ordinances of the City.

Co-Bond Counsel will advise and assist the City's Legal Department, Department of Finance and the Office of the City Controller, together with the City's Financial Advisors, in connection with the sale and delivery of the Bonds. We understand that the City currently contemplates issuing the Bonds in the approximate principal amount of \$50 million to refund a portion of the outstanding Hotel Occupancy Tax and Special Revenue Bonds, Series 2001B. As Co-Bond Counsel, Basic Services hereunder shall include the following with respect to the Bonds as described in the preceding sentence: Review, analysis and advice to the City on state law and federal tax issues involved in selling and delivering the Bonds and drafting and revision of bond ordinances, opinions, certificates, including tax certificates, and Form 8038-G for the Bonds.

For the Basic Services performed as Co-Bond Counsel with respect to the Bonds, Co-Bond Counsel will be paid a fee determined on an hourly rate basis pursuant to the schedules of rates attached hereto. The invoice for such services will include an itemization of the hours worked by each attorney and legal assistant, the rate for each individual and a description of the work performed by the individual. The total fee for Co-Bond Counsel's Basic Services with respect to the Bonds shall not exceed \$70,000. The City's obligation to pay such fees shall be contingent on successful sale and delivery of the Bonds. Such fee may be paid from any funds of the City, as it deems appropriate. Payment of the fee shall be made upon delivery of the Bonds and receipt by the City of an invoice therefor.

The fee for any Additional Services will also be determined on an hourly rate basis pursuant to the schedules of rates attached hereto. The total fee for Additional Services prior to and in connection with the closing of the Bonds will not exceed the fee charged for Basic Services, and the total charges for such Additional Services will not exceed such amount as is agreed to in writing by the City Attorney. The City's obligation to pay such fee shall also be contingent on delivery of at least one series or subseries of the Bonds.

AK will be reimbursed for its reasonable and actual out-of-pocket expenses, such as the cost of reproduction of documents, long-distance telephone, telegraph, telex and similar expenses, deliveries, filing fees and all items paid for by AK on behalf of the City and incurred in connection with the performance of all services hereunder. All of the expenses of AK will be reasonable and subject to approval of the City Attorney; provided, however, that aggregate reimbursable expenses for AK related to the Basic Services shall not exceed \$10,000, plus a transcript filing fee of the Attorney General of Texas in the amount of \$9,500 per series or subseries, or such greater amount as shall be charged by the Attorney General's office, if paid by Co-Bond Counsel on behalf of the City.

Co-Bond Counsel understands further that the City's obligation to pay for our services is limited to the amount of the original allocation and any supplemental allocations that the City may make for payments for services performed under this agreement, all as set forth in the provisions of the "Limitation of City's Duties" attached hereto. Nothing herein shall be construed as creating any personal liability on the part of any officer of the City, and this agreement may be terminated by the City by giving 30 days' written notice.

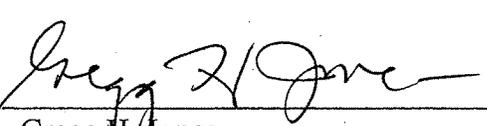
Co-Bond Counsel agrees that conflicts affecting the City will be resolved in the City's favor, whenever possible. In the event a conflict cannot, in the judgment of such firms, be resolved in the City's favor, Co-Bond Counsel will immediately advise the City Attorney. Any such failure to resolve a conflict in the City's favor will constitute grounds for termination of this agreement by the City Attorney with 30 days' notice. Co-Bond Counsel agrees to comply with the requirements and terms of the City of Houston Pay or Play program, as set out in Executive Order 1-7, are incorporated into this Agreement for all purposes. Co-Bond Counsel has reviewed Executive Order No. 1-7 and shall comply with its terms and conditions as they are set out at the time of City Council approval of this agreement.

If this proposed agreement for services as Co-Bond Counsel is satisfactory, please evidence your acceptance and approval by executing three copies in the space provided below.

Very truly yours,

**ANDREWS KURTH LLP**

By: \_\_\_\_\_

  
Gregg H. Jones

cc: Escamilla, Poneck & Cruz, LLP

APPROVED:

\_\_\_\_\_  
Mayor, City of Houston

ATTEST:

\_\_\_\_\_  
City Secretary

(Seal)

COUNTERSIGNED:

\_\_\_\_\_  
City Controller

Date: \_\_\_\_\_

APPROVED:

\_\_\_\_\_  
City Attorney

Attachment

**EXHIBIT A**  
**to**  
**Agreement for Services**

**ANDREWS KURTH LLP**

**Schedule of Standard Rates (Texas)**  
**January 1, 2012**

Andrews Kurth LLP maintains a schedule of standard hourly rates, which is subject to periodic revision. The schedule in effect as of January 1, 2012 is summarized as follows:

	<u>Approximate Years of Practice</u>	<u>Hourly Rate</u>
Associate:	Entry to 1	\$265 to \$325
	2	\$290 to \$350
	3	\$310 to \$315
	4	\$325 to \$340
	5	\$340 to \$475
	6	\$365 to \$420
	7 and Over	\$395 to \$550
Partner:		\$470 to \$995
Counsel:		\$435 to \$615
Of Counsel:		\$395 to \$970
Senior Attorney:		\$165 to \$560
Patent Agent:		n/a
Paralegal:		\$215 to \$330
Briefing Clerk:		n/a
Legal Assistant:		\$40 to \$210

# ESCAMILLA, PONECK & CRUZ, LLP

## Schedule of Standard Hourly Rates For Attorneys and Legal Assistants

Partners	\$300 to \$600
Associates	\$175 to \$400
Legal Assistants	\$60 to \$200

**Limitation of City's Duties**

(a) The City's duties to pay money to the Firm for any purpose under this Agreement are limited in their entirety by the provisions of this Section.

(b) In order to comply with Article II, Sections 19 and 19a of the City's Charter and Article XI, Section 5 of the Texas Constitution, the City has appropriated and allocated the sum of \$70,000 for fees, \$10,000 for expenses and \$9,500 for one transcript filing fee of the Attorney General of Texas, for a total of \$89,500, to be used to discharge its duties to pay money under this Agreement (the "Original Allocation"). The parties recognize that the executive and legislative officers of the City, in the exercise of their sound discretion, may allocate supplemental sums of money for the purpose of this Agreement. Because the City's officers are not obligated to make any such supplemental allocations, the parties have agreed to certain procedures and remedies to be followed with respect thereto.

(c) A supplemental allocation will only be deemed to be made when the City sends a notice to the Firm (which notice must be signed by the City Attorney and signed by the City Controller, and for which no Council action will be required) in substantially the following form:

"NOTICE OF SUPPLEMENTAL ALLOCATION OF FUNDS"

TO: Andrews Kurth LLP

FROM: City of Houston, Texas

DATE: [Date of Notice]

SUBJECT: Supplemental allocation of funds for the purpose of that certain "[title of this Agreement]" by and between the City and Andrews Kurth LLP countersigned by the City Controller on [date of countersignature] [the "Agreement"]

I, [name of City Controller], City Controller, do hereby certify that the supplemental sum of \$ \_\_\_\_\_ has been allocated for the purpose of this Agreement.

The aggregate of all sums allocated for the purpose of such Agreement, including the Original Allocation, other supplemental allocations (if any) and the supplemental sum specified herein, as of the date of this notice, is \$ \_\_\_\_\_.

Signed:

[Signature of the City Controller]

City Controller

REQUESTED:

[Signature of the City Attorney]

City Attorney

(d) City Council delegates to the City Attorney the authority to approve up to \$89,500 in supplemental allocations for this Agreement without returning to Council. The aggregate of the Original Allocation and all supplemental allocations, if any, effected by notice from the City Controller to the Firm in substantially the foregoing form shall be the Allocated Funds.

(e) The Original Allocation plus all supplemental allocations are the Allocated Funds. The City shall never be obligated to pay any money under this Agreement in excess of the Allocated Funds. The Firm must assure itself that sufficient allocations have been made to pay for services it provides. If Allocated Funds are exhausted, the Firm's only remedy is suspension or termination of its performance under this Agreement and it has no other remedy in law or in equity against the City and no right to damages of any kind.

Exhibit F

Special Disclosure Co-Counsel Engagement Letter

[see attached]

**HAYNES AND BOONE, LLP**  
**1221 McKinney St., Suite 2100**  
**Houston, Texas 77010**

**CHEVALIER HELMS, PLLC**  
**1330 Post Oak Blvd., Suite 1600**  
**Houston, Texas 77056**

April 4, 2012

Mayor and City Council  
City of Houston  
City Hall Annex  
900 Bagby  
Houston, Texas 77002

**Re: Special Disclosure Co-Counsel Engagement**  
**City of Houston, Texas Convention & Entertainment Facilities Department**  
**Hotel Occupancy Tax and Special Revenue Refunding Bonds, Series 2012**

Mayor and Council Members:

On behalf of Haynes and Boone, LLP (“HB”) and Chevalier Helms, PLLC (“Chevalier Helms”) (together, “Disclosure Co-Counsel”), we appreciate your decision to engage us to provide legal representation to the City of Houston, Texas (the “City”). We look forward to this engagement, and are confident that you will be pleased with the quality of our work and our responsiveness to your needs.

The purpose of this engagement letter is to confirm the terms on which HB and Chevalier Helms will undertake to represent the City as Disclosure Co-Counsel in connection with the issuance of one or more series of its Convention & Entertainment Facilities Department Hotel Occupancy Tax and Special Revenue Refunding Bonds, Series 2012 (the “Bonds”). When approved by you, this letter will become effective and will evidence an agreement between the City and Disclosure Co-Counsel, subject to all applicable provisions of the City’s Charter and Code of Ordinances.

Disclosure Co-Counsel agrees to comply with the requirements and terms of the City’s Contractor’s Pay or Play Program, as set out in the Executive Order 1-7 at the time of City Council’s approval of this Agreement.

**1. Client Relationship**

HB and Chevalier Helms are being retained by the City solely as its Disclosure Co-Counsel with respect to the issuance of the Bonds, and our representation pursuant to this letter

does not include the representation of any other entity or any individual, including but not limited to any of your affiliates, employees or agents. As a result, our representation in this matter does not give rise to an attorney-client relationship between HB or Chevalier Helms attorneys and any of your affiliates. You agree that during the course of our representation, we will not be given any confidential information regarding any of your affiliates. Accordingly, in most instances, our representation of the City in this matter will not give rise to any conflict of interest if other clients of HB or Chevalier Helms are or become adverse to any of the City's affiliates.

## **2. Scope of Representation**

You have asked us to represent the City as Disclosure Co-Counsel in connection with the issuance of the Bonds. You acknowledge that we are not the City's bond counsel or general counsel and that our acceptance of this engagement does not involve our representation of the City or its business, operations or other interests with respect to any matter other than disclosure issues relating to the issuance of the Bonds. After the closing of the issuance of the Bonds, changes may occur in the applicable laws or regulations that could affect the City's future rights and liabilities. Unless you engage us after closing to provide additional services on issues arising from the issuance of the Bonds, you agree that HB and Chevalier Helms have no continuing obligation to advise the City with respect to future legal developments.

As Disclosure Co-Counsel, we will assist the City's Legal and Finance Departments, and the Office of the City Controller, together with the City's Co-Financial Advisors, in connection with the issuance, sale and delivery of the Bonds. Our basic services shall include the following: consultation with and advice to City officials and staff and its financial advisor regarding any disclosure issues, including assistance in evaluating the materiality of such issues; preparation of the preliminary and final offering documents for the Bonds; assistance in the performance of any necessary due diligence investigation, including participation in due diligence calls or meetings, as appropriate; analysis of the requirements of Rule 15c2-12 and the basis upon which such rule is satisfied; and providing the City with a securities disclosure opinion in customary form reasonably satisfactory to the City and Disclosure Co-Counsel. In addition to the foregoing basic services, we are prepared to undertake additional services as directed by the City.

## **3. Staffing**

Cheryl K. Rosenberg will be the primary contact at HB for the City's representation, although other HB lawyers and legal assistants may work on your engagement as we believe appropriate under the circumstances. We may delegate work to lawyers or support personnel with special experience in a given area or whom we otherwise believe will enable us to provide services on an efficient, timely and cost-effective basis. Regardless of who is working on a particular component of the engagement, we will always be available to discuss any aspect of our representation with you.

Lonzie Helms will be the primary contact at Chevalier Helms for the City's representation, although other Chevalier Helms lawyers and legal assistants may work on your engagement as we believe appropriate under the circumstances.

#### **4. Fees and Expenses**

Experience has shown that our relationship will be better if we begin with a clear understanding about our fees and the timing of payment. For the basic services described in paragraph 2, the City agrees to pay Disclosure Co-Counsel a professional services fee determined on an hourly rate basis pursuant to the schedules of rates attached hereto. The invoice for such service will include an itemization of the hours worked by each attorney and legal assistant, the rate for each individual and a description of the work performed by the individual. The fee for Disclosure Co-Counsel's services with respect to the Bonds shall not exceed \$55,000. The City's obligation to pay such fee is contingent upon the successful closing of the issuance of the Bonds. Such fee may be paid from any funds of the City, as it deems appropriate. Payment of the fee shall be made upon delivery of the Bonds and receipt by the City of an invoice therefore.

Chevalier Helms is a certified minority-owned business enterprise and Disclosure Co-Counsel agrees to a goal of 25% as the value of this Agreement which will be attributed to professional services rendered by Chevalier Helms.

The fees for any services provided by Disclosure Co-Counsel over and above those services which are customarily provided by Disclosure Counsel will be determined on an hourly rate basis or as the City and Disclosure Co-Counsel may agree. Our hourly rates will be those customarily charged by HB and Chevalier Helms to other clients for the same or similar services, taking into consideration the time consumed in provided such additional services, the level of experience and ability of the attorneys providing the services, and the difficulty and complexity of the tasks involved. See Exhibit A for the standard hourly rates for HB and Chevalier Helms attorneys.

Disclosure Co-Counsel will be reimbursed for its reasonable and actual out-of-pocket expenses incurred and paid by Haynes Boone or Chevalier Helms on behalf of the City in connection with the performance of services hereunder. If our representation of the City requires us to incur any single expense in excess of \$2,500.00, you agree that the City will pay the expense directly, and authorize us to make arrangements to have the City billed directly.

Disclosure Co-Counsel understands further that the City's obligation to pay for our services is limited to the amount of the original allocation and any supplemental allocations that the City may make for payments for services performed under this Agreement, all as set forth in the provisions of "Limitation of City's Duties" attached hereto as Exhibit B. Nothing herein shall be construed as creating personal liability on the part of any officer of the City, and this Agreement may be terminated by the City by giving 30 days' written notice.

#### **5. Advance and General Waiver/Consent to HB Conflicts with Respect to Unrelated Matters**

Haynes and Boone, LLP is a large firm, with offices and professionals in many cities. HB's practice is broadly based and covers several areas of both domestic and international law. The very size of HB has created situations where work for one client in an area has precluded lawyers in HB from pursuing other matters, whether related or unrelated to the first matter. In

order to avoid the potential for this kind of restriction on our practice, we request a waiver and advance agreement that HB will not be disqualified from representing interests that may become adverse to you in regard to matters that are not substantially related to the issuance of the Bonds. This waiver is not intended to, and would not permit, HB to represent interests directly adverse to you in matters that are substantially related to the work done for you. Nor is it intended that there be, and there would not be, any waiver of the City's right not to have confidences or secrets that you transmit to HB disclosed to any third party or used against you. We would, of course, hold such information that the City provides to us in strict confidence. Accordingly, you agree that the City will not object to HB's representation of other clients on the basis of your retention of HB, and you consent to and waive any objection to HB's representation of other clients, unless the other representation would involve HB representing an interest directly adverse to you on a matter substantially related to the issuance of the Bonds.

Further, the nature of HB's practice is such that HB may from time to time represent one client in a matter while also representing that client's adversary in another unrelated matter. Such concurrent representation is undertaken only if it is HB's professional judgment that HB can do so impartially and without any adverse effect on our responsibilities to either client. Accordingly, you also agree that you do not consider any such concurrent representation, in unrelated matters, to be inappropriate and you consent to any such present or future concurrent representations.

HB agrees that conflicts of interest in which HB is asked to represent interests directly adverse to the City in matters substantially related to work performed for the City will be resolved in the City's favor whenever possible. If such a conflict cannot, in the judgment of HB, be resolved in the City's favor, HB will immediately advise the City Attorney. Any failure to resolve such a conflict in the City's favor will constitute grounds for termination of this Agreement by the City Attorney by giving 30 day's prior written notice.

## **6. Discharge and Withdrawal**

You will have the right at any time to terminate Disclosure Co-Counsel's representation of the City by delivering written notice of termination to HB and Chevalier Helms. Disclosure Co-Counsel will have the right to withdraw from its representation of the City at any time with its consent, or for good cause without its consent. For example, if the City does not honor the terms of this letter (including the City's or a third-party payor's failure to pay), or if the City fails or refuses to cooperate with us or to follow our advice on a material matter, or if we become aware of any fact or circumstance that would, in our view, render our continuing representation of the City ineffective, unlawful or unethical, then we will have good cause to withdraw.

If the City discharges us or we elect to withdraw, then the City will take all steps necessary to free us of any obligation to perform, including by executing any documents necessary to complete the termination of the representation, and we will take all steps that, in our view, are reasonably practicable to protect the City's interests. If a discharge or withdrawal occurs, then the City will pay us for all costs and expenses paid or incurred by us on the City's behalf.

Unless previously terminated, our representation of the City with respect to any matters for which we have been engaged will terminate when we send the City our final statement for

services rendered. In the course of our representation of the City, we likely will come into possession of copies or originals of documents or other materials belonging to the City or others (collectively, "materials"). When our engagement as Disclosure Co-Counsel with respect to the issuance of the Bonds is concluded, we will make arrangements either to return the documents to the City, retain them in our storage facilities, or to dispose of the materials. Absent any other arrangements made with the City, upon the expiration of five years after the closing of the issuance of the Bonds, all materials in the file may be destroyed. We may retain our own files, including lawyer work product, pertaining to the representation.

**7. Entire Agreement**

This letter constitutes the entire agreement between the City and HB and Chevalier Helms regarding our representation of the City as Disclosure Co-Counsel with respect to the issuance of the Bonds, and is subject to no oral agreements or understandings. No obligation or undertaking that is not set forth expressly in this letter shall be implied on the part of either the City, HB or Chevalier Helms.

**8. Conclusion**

We are pleased to have this opportunity to represent the City as Disclosure Co-Counsel. If you have any questions about any aspect of our engagement or our invoices at any time, please feel free to raise those questions.

If this letter correctly reflects your understanding of the scope, terms, and conditions of our representation of the City as Disclosure Co-Counsel with respect to the issuance of the Bonds, please indicate your acceptance by executing the enclosed copy of this letter in the space provided below. By executing this letter, you will be acknowledging that you have read this letter and understand its terms.

Very truly yours,

HAYNES AND BOONE, LLP

By: \_\_\_\_\_  
Cheryl K. Rosenberg, Partner

CHEVALIER HELMS, PLLC

By: \_\_\_\_\_

APPROVED:

\_\_\_\_\_  
Mayor, City of Houston

ATTEST:

COUNTERSIGNED:

\_\_\_\_\_  
City Secretary

\_\_\_\_\_  
City Controller

(Seal)

Date: \_\_\_\_\_

APPROVED:

\_\_\_\_\_  
City Attorney

Attachments

EXHIBIT A

Standard Billing Rates

**HAYNES & BOONE, LLP**

<u>Partner</u>	
Cheryl Rosenberg	\$575/hour
<u>Of Counsel</u>	
Janet Robertson	\$480/hour
<u>Associate</u>	
Robin Smith	\$275/hour

**CHEVALIER HELMS, PLLC**

<u>Partners</u>	
Felix Chevalier	\$300/hour
Lonzie Helms	\$300/hour

EXHIBIT B

Limitation of City's Duties

(a) The City's duties to pay money to the Firm for any purpose under this Agreement are limited in their entirety by the provisions of this Section.

(b) In order to comply with Article II, Sections 19 and 19a of the City's Charter and Article XI, Section 5 of the Texas Constitution, the City has appropriated and allocated the sum of \$\_\_\_\_\_ for fees and \$\_\_\_\_\_ for expenses to be used to discharge its duties to pay money under this Agreement (the "Original Allocation"). The parties recognize that the executive and legislative officers of the City, in the exercise of their sound discretion, may allocate supplemental sums of money for the purpose of this Agreement. Because the City's officers are not obligated to make any such supplemental allocations, the parties have agreed to certain procedures and remedies to be followed with respect thereto.

(c) A supplemental allocation will only be deemed to be made when the City sends a notice to the Firm (which notice must be signed by the City Attorney and signed by the City Controller, and for which no Council action will be required) in substantially the following form:

"NOTICE OF SUPPLEMENTAL ALLOCATION OF FUNDS"

TO: [Name of Firm]

FROM: City of Houston, Texas

DATE: [Date of Notice]

SUBJECT: Supplemental allocation of funds for the purpose of that certain "[title of this Agreement]" by and between the City and [name of Firm] countersigned by the City Controller on [date of countersignature] [the "Agreement"]

I, [name of City Controller], City Controller, do hereby certify that the supplemental sum of \$\_\_\_\_\_ has been allocated for the purpose of this Agreement.

The aggregate of all sums allocated for the purpose of such Agreement, including the Original Allocation, other supplemental allocations (if any) and the supplemental sum specified herein, as of the date of this notice, is \$\_\_\_\_\_.

Signed:

[Signature of the City Controller]  
City Controller

REQUESTED:

[Signature of the City Attorney]

City Attorney

(d) City Council delegates to the City Attorney the authority to approve up to \$ \_\_\_\_\_ in supplemental allocations for this Agreement without returning to Council. The aggregate of the Original Allocation and all supplemental allocations, if any, effected by notice from the City Controller to the Firm in substantially the foregoing form shall be the Allocated Funds.

(e) The Original Allocation plus any supplemental allocations are the Allocated Funds. The City shall never be obligated to pay any money under this Agreement in excess of the Allocated Funds. The Firm must assure itself that sufficient allocations have been made to pay for services it provides. If Allocated Funds are exhausted, the Firm's only remedy is suspension or termination of its performance under this Agreement and it has no other remedy in law or in equity against the City and no right to damages of any kind.

Exhibit G  
Preliminary Official Statement

See Tab 7

## PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2012

314-2

## NEW ISSUES — BOOK ENTRY ONLY

RATINGS — See "RATINGS" herein

*In the opinion of Co-Bond Counsel, Andrews Kurth LLP and Escamilla, Poneck & Cruz, LLP, Houston, Texas, and assuming the accuracy of certain representations and continuous compliance with certain covenants, interest on the Bonds is (i) excludable from gross income for federal income tax purposes under existing law and (ii) not an item of tax preference for purposes of the federal alternative minimum tax on individuals, but may result in certain other federal income tax consequences. See "TAX EXEMPTION" herein for a discussion of Co-Bond Counsel's opinion, including a description of certain alternative minimum tax consequences to corporations.*



§ \_\_\_\_\_ \*

**CITY OF HOUSTON, TEXAS**  
**Convention & Entertainment Facilities Department**  
**Hotel Occupancy Tax and**  
**Special Revenue Refunding Bonds,**  
**Series 2012**



Interest Accrual Date: Date of Delivery

Due: September 1, as shown as shown on inside cover

The Hotel Occupancy Tax and Special Revenue Refunding Bonds, Series 2012 (the "Bonds"), are being issued by the City of Houston, Texas (the "City") Convention & Entertainment Facilities Department pursuant to an ordinance adopted by the City on \_\_\_\_\_, 2012 (the "Ordinance") and an Officers' Pricing Certificate authorized by the Ordinance, as described herein.

Proceeds of the sale of the Bonds will be used to (a) refund the City's callable outstanding Hotel Occupancy Tax and Special Revenue Bonds, Series 2001B, as more specifically described on SCHEDULE I and referred to herein as the "Refunded Bonds," and (b) pay costs of issuance of the Bonds. See "PURPOSE AND PLAN OF FINANCING."

Interest on the Bonds will accrue from the Date of Delivery and will be payable each September 1 and March 1, commencing March 1, 2013, until maturity or earlier redemption, and is calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bank of New York Mellon Trust Company, National Association, is the initial paying agent/registrar for the Bonds (the "Paying Agent/Registrar").

The Bonds 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 Bonds. The Bonds will initially be available for purchasers only in book-entry form. The purchasers of the Bonds will not receive certificates representing their beneficial ownership therein. As long as Cede & Co. is the exclusive registered owner of the Bonds, payments of principal of and interest on the Bonds will be paid to DTC by the Paying Agent/Registrar. DTC will be responsible for making such payments to its participants for subsequent remittance to the beneficial owners as described herein.

The Bonds are subject to redemption prior to maturity, as described herein. See "DESCRIPTION OF THE BONDS—Optional Redemption" and "—Mandatory Redemption."

The Bonds are special limited obligations of the City that, together with Additional Parity Bonds, if and when issued, and certain other obligations described in the Ordinance, are payable solely from and secured equally and ratably by a lien on a portion of the revenues derived by the City from the collection of a Hotel Occupancy Tax imposed by the City on substantially all hotel room rentals in the City, certain revenues derived from the Parking Facilities described herein, certain revenues derived from the Pledged Tax Rebates described herein and certain other funds described in the Ordinance (collectively, the "Pledged Revenues"). THE BONDS ARE NOT A GENERAL OBLIGATION OF THE CITY, THE STATE OF TEXAS OR ANY POLITICAL SUBDIVISION THEREOF, AND THE OWNERS OF THE BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT OF ANY BOND OUT OF ANY FUNDS RAISED OR TO BE RAISED BY TAXATION OTHER THAN THE PLEDGED REVENUES AS SET FORTH IN THE ORDINANCE. THERE IS NO MORTGAGE ON OR OTHER SECURITY INTEREST IN THE CONVENTION CENTER, THE CONVENTION CENTER HOTEL OR THE HOTEL GARAGE (OR ANY REVENUES THEREOF) TO SECURE THE PAYMENT OF AND LIEN ON THE PLEDGED REVENUES FOR THE BENEFIT OF THE OWNERS OF THE BONDS.

**MATURITY AND PRICING SCHEDULE — See inside cover page**

The Bonds are offered for delivery when, as and if issued and received by the Underwriters, subject to approval of legality by the Attorney General of the State and the approving opinion of Andrews Kurth LLP, Houston, Texas, and Escamilla Poneck & Cruz, LLP, Houston, Texas, Co-Bond Counsel. Certain matters will be passed upon for the City by its Special Disclosure Co-Counsel, Haynes and Boone, LLP, Houston, Texas, and Chevalier Helms, PLLC, Houston, Texas. Certain other legal matters will be passed upon for the Underwriters by their counsel, West & Associates, L.L.P., Houston, Texas. The Bonds are expected to be available for delivery through the facilities of DTC on or about \_\_\_\_\_, 2012 ("Date of Delivery").

**HUTCHINSON, SHOCKEY, ERLEY & CO.**

**MESIROW FINANCIAL**

\* Preliminary, subject to change.

**MATURITY AND PRICING SCHEDULE**

**Hotel Occupancy Tax and Special Revenue  
Refunding Bonds, Series 2012**

\$ \_\_\_\_\_ \* Serial Bonds  
CUSIP No. Prefix<sup>(1)</sup>: 44237N

<u>Maturity (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield<sup>(2)</sup></u>	<u>CUSIP Suffix</u>
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				

\$ \_\_\_\_\_ \* Term Bonds<sup>(3)</sup>

\$ \_\_\_\_\_ \* \_\_\_\_\_ % Term Bond Due \_\_\_\_\_ Initial Yield \_\_\_\_\_ CUSIP No.<sup>(1)</sup>: \_\_\_\_\_

**OPTIONAL REDEMPTION...**The Bonds maturing on and after September 1, 20\_\_, including the Term Bonds, are subject to redemption at the option of the City, in whole or in part, from time to time, in principal amounts of \$5,000 or any integral multiple thereof, in such manner as the City may select, on September 1, 20\_\_, or on any date thereafter, at a redemption price equal to par plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "DESCRIPTION OF THE BONDS—Optional Redemption."

\* Preliminary; subject to change.

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the City, the Financial Advisor, nor the Underwriters shall be responsible for the selection or the correctness of the CUSIP numbers shown herein.

(2) Yields shown are calculated to the earlier of stated maturity or the first call date.

(3) Also subject to mandatory redemption. See "DESCRIPTION OF THE BONDS—Mandatory Redemption."

# CITY OF HOUSTON, TEXAS

## ELECTED OFFICIALS

**Annise D. Parker, Mayor**

**Ronald C. Green, City Controller**

### CITY COUNCIL

<i>Council Member, District A</i> .....	<i>Helena Brown</i>	<i>Council Member, District I</i> .....	<i>James G. Rodriguez</i>
<i>Council Member, District B</i> .....	<i>Jerry Davis</i>	<i>Council Member, District J</i> .....	<i>Mike Laster</i>
<i>Council Member, District C</i> .....	<i>Ellen Cohen</i>	<i>Council Member, District K</i> .....	<i>Larry Green</i>
<i>Council Member, District D</i> .....	<i>Wanda Adams</i>	<i>Council Member, At-Large, Position 1</i> .....	<i>Stephen C. Costello</i>
<i>Council Member, District E</i> .....	<i>Mike Sullivan</i>	<i>Council Member, At-Large, Position 2</i> .....	<i>Andrew C. Burks, Jr.</i>
<i>Council Member, District F</i> .....	<i>Al Hoang</i>	<i>Council Member, At-Large, Position 3</i> .....	<i>Melissa Noriega</i>
<i>Council Member, District G</i> .....	<i>Oliver Pennington</i>	<i>Council Member, At-Large, Position 4</i> .....	<i>C.O. "Brad" Bradford</i>
<i>Council Member, District H</i> .....	<i>Edward Gonzalez</i>	<i>Council Member, At-Large, Position 5</i> .....	<i>Jack Christie</i>

### APPOINTED OFFICIALS

<i>City Attorney</i> .....	<i>David M. Feldman</i>
<i>Deputy City Controller</i> .....	<i>Shawnell Holman</i>
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For the purpose of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (the "Rule"), this document constitutes an Official Statement of the City with respect to the Bonds that has been deemed "final" by the City as of its date except for the omission of no more than the information permitted by subsection (b)(1) of the Rule.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACT. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAW OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. THE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

This Official Statement includes descriptions and summaries of certain events, matters and documents. Such descriptions and summaries do not purport to be complete and all such descriptions, summaries and references thereto are qualified in their entirety by reference to this Official Statement in its entirety and to each such document, copies of which may be obtained from the City. Any statements made in this Official Statement or the appendices hereto involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such opinions or estimates will be realized.

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 accuracy or completeness of such information.

This Official Statement is delivered in connection with the sale of securities referred to herein and may not be reproduced or used, in whole or in part, for any other purposes. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. No dealer, salesperson or other person has been authorized by the City to give any information or to make any representation other than those contained herein, and, if given or made, such other information or representation must not be relied upon as having been authorized by the City, the Underwriters or any other person. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the matters described herein since the date hereof.

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriters after such Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including to dealers who may sell the Bonds into investment accounts.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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**CITY OF HOUSTON, TEXAS**  
**Convention & Entertainment Facilities Department**

**Hotel Occupancy Tax and  
Special Revenue Refunding Bonds,  
Series 2012**

**INTRODUCTION**

**Offering...** This Official Statement, including the cover page and schedules attached hereto, is provided to furnish information regarding the offer and sale by the City of Houston, Texas (the "City"), of its Hotel Occupancy Tax and Special Revenue Refunding Bonds, Series 2012 (the "Bonds"). The Bonds are issued pursuant to Chapters 1207 and 1371, Texas Government Code, as amended (collectively, the "Act"), an ordinance adopted by the City Council of the City ("City Council") on \_\_\_\_\_, 2012 (the "Ordinance"), and an Officers' Pricing Certificate authorized by such Ordinance.

**The City...** The City is the fourth most populous city in the nation and the most populous city in Texas. According to the 2010 U.S. Census, the City's population was approximately 2.1 million and the population of the Houston – Sugar Land – Baytown metropolitan statistical area was approximately 5.95 million, which makes it the sixth largest metropolitan statistical area in the United States. Located on the coastal plain in Southeast Texas, approximately 50 miles from the Gulf of Mexico, the City is a major corporate and international financial center. Leading industries include energy, engineering and construction, real estate, aerospace, commerce, medicine and health care, transportation, biotechnology and computer technology. See "THE CITY AND THE DEPARTMENT" herein.

**Houston First Corporation<sup>1</sup>...** Houston First Corporation leases ten City-owned buildings and plazas related to convention and entertainment services for tourists and residents, and manages City-owned underground and surface parking facilities with an aggregate of 7,000 spaces. The largest facilities are the George R. Brown Convention Center (the "Convention Center"), a 1,200-room downtown hotel adjacent to the Convention Center currently known as the Hilton Americas-Houston (the "Convention Center Hotel"), Wortham Theater, Jones Hall and the Theater District Parking Garage. In addition, Houston First Corporation manages a large advertising contract with the Greater Houston Convention and Visitors Bureau ("GHCVB") for advertising and convention recruitment services.

Houston First Corporation is governed by a Board of Directors appointed by the Mayor and confirmed by City Council. The Director of the Department serves as the President and CEO of Houston First Corporation and reports to its Board of Directors. See "HOUSTON FIRST CORPORATION" herein.

A brief description of Houston First Corporation, the Convention Center, the Convention Center Hotel, the Hotel Occupancy Tax imposed by the City and other jurisdictions and historical collections thereof, the Parking Facilities and the historical revenues therefrom, the Pledged Tax Rebates and summaries of certain provisions of the Bonds and the Ordinance are included in this Official Statement. Such summaries, descriptions and information do not purport to be comprehensive or definitive. All references herein to the Ordinance are qualified in their entirety by reference to such document, copies of which are available from the City Secretary, and all references to the Bonds are qualified in their entirety by the definitive form thereof and the description thereof in the Ordinance. The City's basic financial statements and the supplementary schedules for the Department for the fiscal year ended June 30, 2011 are included as APPENDIX A. A summary of certain provisions of the Ordinance is included as Appendix

\* Preliminary, subject to change.

<sup>1</sup> Effective July 1, 2011, City Council consolidated the City's Convention and Entertainment Facilities Department (the "Department") and the Houston Convention Center Hotel Corporation (the "Hotel Corporation") (the "Consolidation") in order to improve the coordination of the City's convention and entertainment services. The Consolidation put the various entities responsible for generating and spending revenues from the City's hotel occupancy tax (the "City Hotel Occupancy Tax" or "City HOT") under one governing body by merging the activities of the Department into the Hotel Corporation. As a part of the Consolidation, the Hotel Corporation was reconstituted and renamed "Houston First Corporation." The principal roles and responsibilities of the Department have been assumed by Houston First Corporation. **The Consolidation does not affect the pledge of, or the revenues that constitute, the Pledged Revenues under the ordinances authorizing the Bonds and the Parity Bonds.** For a more detailed discussion of the Consolidation, see "CONSOLIDATION OF THE DEPARTMENT AND HOUSTON FIRST CORPORATION" herein.

C. A glossary of defined terms is included as APPENDIX B. Unless otherwise specifically defined herein, a capitalized term used herein has the meaning assigned to such term in APPENDIX B.

## **PURPOSE AND PLAN OF FINANCING**

### **Purpose of Financing**

The Bonds are being issued to (a) refund the callable Outstanding Hotel Occupancy Tax and Special Revenue Bonds, Series 2001B, as more specifically described on SCHEDULE I (the "Refunded Bonds" and, together with the noncallable Outstanding Hotel Occupancy Tax and Special Revenue Bonds, Series 2001B, the "Series 2001B Bonds"), and (b) pay costs of issuance of the Bonds. The Bonds are being issued to achieve present value debt service savings for the City.

### **Outstanding Parity Bonds**

After issuance of the Bonds, the Outstanding Parity Bonds will be (a) \$119,909,593.75 in original par amount of Series 2001B Bonds (capital appreciation bonds), (b) \$75,000,000 in principal amount of the Hotel Occupancy Tax and Special Revenue Bonds, Series 2001C (auction rate bonds) (the "Series 2001C Bonds") and (c) \$254,460,000 in principal amount of Hotel Occupancy Tax and Special Revenue Refunding Bonds, Series 2011A and Series 2011B (current interest bonds) (together, the "Series 2011 Bonds").

### **The Refunded Bonds**

A portion of the proceeds of the Bonds, together with other available funds, if any, will be deposited in an escrow fund (the "Refunded Bonds Escrow Fund") held by The Bank of New York Mellon Trust Company, National Association (the "Refunded Bonds Escrow Agent"), in an amount that will be sufficient to pay the principal of and interest on the Refunded Bonds on their redemption date.

The accuracy of the mathematical computations of the adequacy of the funds held in the Refunded Bonds Escrow Fund to provide for the payment of the Refunded Bonds on their redemption date will be verified by Grant Thornton LLP, a firm of independent certified public accountants. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

In the opinion of Co-Bond Counsel for the City, by making the escrow deposits required by the Ordinance authorizing the issuance of the Bonds and the escrow agreement to be entered into with the Refunded Bonds Escrow Agent in connection with the Refunded Bonds (the "Refunded Bonds Escrow Agreement"), the City will have made firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds pursuant to the provisions of Chapter 1207, Texas Government Code, as amended. Thereafter, the Refunded Bonds will be deemed to be fully paid and no longer Outstanding and will have been deemed defeased pursuant to the terms of the ordinance authorizing the issuance of the Refunded Bonds, except for the purpose of being paid from the funds provided therefor pursuant to the Refunded Bonds Escrow Agreement.

The City will give irrevocable instructions to the Refunded Bonds Escrow Agent to provide notice to the owners of the Refunded Bonds that the Refunded Bonds will be redeemed on a date prior to their stated maturities. On the redemption date, money held in the Refunded Bonds Escrow Fund will be available to redeem the Refunded Bonds.

**SOURCES AND USES OF FUNDS**

The proceeds from the sale of the Bonds are expected to be applied as follows:

**SOURCES OF FUNDS:**

Principal Amount .....	
Net Original Issue Premium/Discount .....	
Release from Reserve Fund .....	_____
<b>TOTAL SOURCES OF FUNDS .....</b>	<b>=====</b>

**USES OF FUNDS:**

Deposit to Escrow Fund.....	
Issuance Expenses <sup>(1)</sup> .....	
<b>TOTAL USES OF FUNDS.....</b>	<b>=====</b>

<sup>(1)</sup> Includes underwriters' discount, financial advisor fees, rating agency fees, paying agent/registrars fees, legal fees and printing.

**DESCRIPTION OF THE BONDS**

**Source of Payment**

The Bonds are special limited obligations of the City that, together with the Outstanding Series 2001B Bonds and Series 2001C Bonds (together, the "Series 2001 Bonds"), the Outstanding Series 2011 Bonds and any Additional Parity Bonds, if and when issued, and certain other obligations described in the Ordinance, are payable solely from and secured equally and ratably by a lien on the Pledged Revenues, which includes the Pledged HOT, the Pledged Parking Revenues and the Pledged Tax Rebates, all of which are described further in the section captioned "PLEDGED REVENUES."

**Optional Redemption**

The Bonds maturing on and after September 1, \_\_\_\_\_, are subject to optional redemption prior to maturity, in whole or in part, on September 1, \_\_\_\_\_, or any date thereafter, at 100% of the principal amount thereof, plus accrued interest to the redemption date.

The Bonds may be redeemed in part only in integral multiples of \$5,000. If a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bonds may be redeemed, but only in integral multiples of \$5,000. In selecting portions of Bonds for redemption, each Bond shall be treated as representing that number of Bonds of \$5,000 denomination, which is obtained by dividing the principal amount of such Bond by \$5,000. Upon presentation and surrender of any Bond for redemption in part, the Paying Agent/Registrar, in accordance with the provisions of the Ordinance, shall authenticate and deliver in exchange therefor the respective Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

**Mandatory Redemption**

The Bonds maturing on September 1, \_\_\_\_\_ and September 1, \_\_\_\_\_ are being issued as term bonds and are subject to mandatory sinking fund redemption prior to their scheduled maturity in part, in the manner described herein and will be redeemed by the City at a redemption price equal to the principal amount thereof, plus interest accrued thereon to the date of redemption, on the dates and in the amounts shown in the following schedules:

\$ \_\_\_\_\_ Term Bond  
Due September 1, \_\_\_\_\_

\$ \_\_\_\_\_ Term Bond  
Due September 1, \_\_\_\_\_

Redemption Date

Principal Amount

\$

Redemption Date

Principal Amount

\$

**Paying Agent/Registrar**

The Bank of New York Mellon Trust Company, National Association, is the initial Paying Agent/Registrar (the "Paying Agent/Registrar") for the Bonds. Principal of the Bonds is payable upon presentation and surrender thereof at the principal corporate trust office of the Paying Agent/Registrar. Interest on the Bonds will be payable by check dated as of the applicable Interest Payment Date, and mailed to the registered owners shown on the registration books for the Bonds (the "Register") maintained by the Paying Agent/Registrar on the close of business on the 15th day of the calendar month immediately preceding the applicable Interest Payment Date (the "Record Date"). Any accrued interest payable at maturity or redemption of the Bonds will be paid upon presentation and surrender of such Bonds at the principal corporate trust office of the Paying Agent/Registrar.

**Notice of Redemption**

Notice of any optional or mandatory redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least 30 but not more than 60 days prior to the date fixed for redemption by sending written notice by first class mail to the registered owner of each Bond to be redeemed in whole or in part at the address shown on the books of registration. Such notice will state the redemption date, the redemption price, the place at which Bonds are to be surrendered for payment and, if less than the entire principal amount of a Bond is to be redeemed, the portion thereof to be redeemed. Any notice given as provided in this paragraph shall be conclusively presumed to have been duly given, whether or not the registered owner receives such notice. The Ordinance provides that by the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the redemption price of the Bonds to be redeemed, plus accrued interest to the date fixed for redemption. When the Bonds have been called for redemption in whole or in part and due provision has been made for the redemption thereof, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds provided for redemption, and the rights of the registered owners to collect interest that would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

**Ownership**

The City, the Paying Agent/Registrar and any other person may treat the person in whose name any Bond is registered as the absolute Owner of such Bond for the purpose of making and receiving payment of the principal thereof and premium, if any, thereon, and for the further purpose of making and receiving payment of the interest thereon, and for all other purposes, whether or not such Bond is overdue, and neither the City nor the Paying Agent/Registrar shall be bound by any notice or knowledge to the contrary. All payments made to the person deemed to be the Owner of any Bond in accordance with the Ordinance shall be valid and effectual and shall discharge the liability of the City and the Paying Agent/Registrar upon such Bond to the extent of the sums paid. The Ordinance provides that amounts held by the Paying Agent/Registrar that represent principal of and interest on the Bonds remaining unclaimed by any Owner after the expiration of three years from the date such amounts have become due and payable shall be reported and disposed of by the Paying Agent/Registrar in accordance with the provisions of Texas law, including, to the extent applicable, Title 6 of the Texas Property Code, as amended.

**Transfer and Exchanges**

Beneficial ownership of Bonds registered in the name of the Depository Trust Company, New York, New York ("DTC"), will be initially transferred as described under APPENDIX D—THE DEPOSITORY TRUST COMPANY.

So long as any Bonds remain Outstanding, the Paying Agent/Registrar shall keep the Register at its principal corporate trust office in which, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of the Bonds in accordance with the terms of the Ordinance. A copy of the Register shall be maintained at an office of the Paying Agent/Registrar.

Each Bond shall be transferable only upon the presentation and surrender thereof by Cede & Co., as DTC's nominee, or any subsequent Registered Owner at the principal corporate trust office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by Cede & Co., as DTC's nominee, or any subsequent Registered Owner or the authorized representative thereof in a form satisfactory to the Paying Agent/Registrar. Upon due presentation and surrender of any Bond for transfer, the Paying Agent/Registrar is required to authenticate and deliver in exchange therefor, within 72 hours after such presentation and surrender, a new Bond or Bonds, registered in the name of Cede & Co., as DTC's nominee, or such other transferee, in authorized denominations, of the same maturity and interest rate, and in the same aggregate principal amount as the Bond or Bonds so presented and surrendered.

In the event the Bonds are not held in a book-entry registration system, all Bonds shall be exchangeable upon the presentation and surrender thereof at the principal corporate trust office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate, in any authorized denomination and in an aggregate principal amount equal to the Bond or Bonds presented for exchange. Bonds issued in exchange for other Bonds shall be entitled to the benefits and security of the Ordinance to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

The City or the Paying Agent/Registrar may require DTC or any subsequent Registered Owner of any Bond to pay a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the City.

The Paying Agent/Registrar shall not be required to transfer or exchange any Bond called for redemption during any period beginning 15 calendar days prior to the mailing of any notice of redemption; provided, however, that such restriction shall not apply to the transfer or exchange by Cede & Co. as DTC's nominee, or any subsequent Registered Owner of the unredeemed portion of a Bond called for redemption in part.

### **Cancellation**

The Ordinance provides that all Bonds paid or redeemed in accordance with the Ordinance, and all Bonds in lieu of which exchange Bonds or replacement Bonds are authenticated and delivered in accordance therewith, shall be canceled and destroyed upon the making of proper records regarding such payment or redemption. The Ordinance provides that the Paying Agent/Registrar shall periodically furnish the City with certificates of destruction of such Bonds.

### **Accounts and Records**

So long as any Bonds remain Outstanding, the City covenants and agrees in the Ordinance that it will maintain a system of accounts and records pertaining to the Pledged Revenues in which proper entries will be made of all dealings, transactions, business and affairs that affect or pertain to the Pledged Revenues.

## COVENANTS AND TERMS OF THE ORDINANCE

The following section describes certain covenants and other terms of the Ordinance. Capitalized terms used in this section but not otherwise defined have the meanings given to such terms in APPENDIX B.

### **Security and Source of Payment for the Bonds**

The Outstanding Series 2001 Bonds, the Outstanding Series 2011 Bonds, the Bonds and any Additional Parity Bonds secured by the Pledged Revenues are hereinafter referred to collectively as the "Parity Bonds." The Parity Bonds constitute special limited obligations of the City that are payable solely from and secured equally and ratably by a lien on the Pledged Revenues and other funds described in the Ordinance.

The revenues pledged to secure the Parity Bonds include the Pledged HOT, the Pledged Parking Revenues and, for the Allocated Hotel Bonds, the Pledged Tax Rebates, all of which are described further in the section captioned "PLEDGED REVENUES." In the Ordinance, the City covenants and agrees that all Pledged Revenues shall be credited to the special funds or accounts established in the Ordinance and shall be applied in the manner set forth therein in order to provide for the payment of principal, interest and any redemption premiums on the Parity Bonds. The Ordinance requires that such Pledged Revenues be set aside for, and pledged to the payment of, the Parity Bonds in the Interest and Sinking Fund and the Reserve Fund, as described below. For the benefit of the Owners of the Parity Bonds, in the Ordinance the City grants a lien on such Pledged Revenues and further grants a lien on the Pledged Revenue Account held within the Revenue Fund, the Pledged Tax Rebate Fund, the Interest and Sinking Fund and the Reserve Fund to secure the payment of principal of, premium, if any, and interest on all Parity Bonds. The Ordinance provides that all Parity Bonds shall be, in all respects, on a parity with and of equal dignity with one another.

**Levy of City Hotel Occupancy Tax.** In the Ordinance, the City covenants, that for so long as any Series 2001 Bond remains Outstanding, the City shall continue to levy the City HOT at a rate of not less than 7% (5.65% of which constitutes the Pledged HOT) and thereafter at a rate of 5.65% for so long as the Bonds and any Parity Bonds are Outstanding. The City further covenants in the Ordinance that it shall enforce the provisions thereof, or any other ordinance levying the City HOT, concerning the collection, remittance and payment of the City HOT. See "PLEDGED REVENUES—General—Pledged HOT."

**Parking Facilities and Pledged Parking Revenues.** The Ordinance provides that the Parking Facilities consist of those six facilities described in the section captioned "PLEDGED REVENUES—Description of the Pledged Parking Revenues." (The Parking Facilities do not include the Hotel Garage.) The City may, from time to time, by ordinance, (i) declare that additional parking facilities may be added to the Parking Facilities, whereupon the parking revenues from such additional Parking Facilities shall automatically become included within Pledged Parking Revenues or (ii) replace a Parking Facility with another parking facility that generated parking revenues as of the end of the last fiscal year at least equal to the parking revenues generated by the replaced Parking Facility as of the same period.

As long as any Parity Bonds remain Outstanding, the City covenants in the Ordinance that it shall maintain and operate such Parking Facilities and shall impose and collect fees and charges for the use of the Parking Facilities that are sufficient, together with other Pledged Revenues, to pay the principal of and interest on the Parity Bonds. Fees and charges for any use of Parking Facilities by the City or its employees may not be less than 60% of those charged to the public for comparable use (exclusive of sales and use and other applicable taxes).

**Pledged Tax Rebates.** The City covenants in the Ordinance that it shall use diligence to (i) collect promptly Pledged Tax Rebates as they become due from each governmental entity obligated by law or contract to pay to the City such Pledged Tax Rebates and (ii) cause such Pledged Tax Rebates to be deposited promptly into the Pledged Tax Rebate Fund to be used solely to pay principal of and interest on the Bonds and those Outstanding Series 2001 and Series 2011 Bonds that are Allocated Hotel Bonds (all of which are Allocated Hotel Bonds).

## Special Funds

The Ordinance provides that the following special funds shall be established, maintained and accounted for so long as the Bonds and any Parity Bonds remain Outstanding:

- (i) Revenue Fund, which shall contain:
  - (a) the Pledged Revenue Account,
  - (b) the General (Non-Pledged) Revenue Account, and
  - (c) the Operation and Maintenance Account;
- (ii) Pledged Tax Rebate Fund;
- (iii) Interest and Sinking Fund;
- (iv) Reserve Fund; and
- (v) Convention and Entertainment Development Fund, which shall contain the Renewal and Replacement Account.

The Ordinance requires that all of the above funds shall be maintained as separate accounts on the books of the City. The Ordinance provides that the Revenue Fund (including, specifically, the Pledged Revenue Account and the Operation and Maintenance Account held therein), the Pledged Tax Rebate Fund, the Interest and Sinking Fund and the Reserve Fund shall be maintained separate and apart from all other funds and accounts of the City, and shall constitute trust funds that shall be held in trust for the owners of the Parity Bonds and the proceeds of which (other than interest income thereon, which may be transferred as provided in the Ordinance) shall be pledged to the payment of the Parity Bonds. The Ordinance provides that separate accounts and subaccounts may be created and maintained in all funds.

## Limited Obligations; No Mortgage

The Bonds are special limited obligations of the City that, together with any Parity Bonds, if and when issued, and certain other obligations described in the Ordinance, are payable solely from and secured equally and ratably by a lien on the Pledged Revenues as set forth in the Ordinance. The Bonds are not obligations of the State of Texas or any other political subdivision thereof.

THE BONDS ARE NOT A GENERAL OBLIGATION OF THE CITY, THE STATE OF TEXAS OR ANY POLITICAL SUBDIVISION THEREOF AND THE OWNERS OF THE BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT OF ANY BOND OUT OF ANY FUNDS RAISED OR TO BE RAISED BY TAXATION OTHER THAN THE PLEDGED REVENUES AND FUNDS AS SET FORTH IN THE ORDINANCE. THERE IS NO MORTGAGE ON OR OTHER SECURITY INTEREST IN THE CONVENTION CENTER, THE CONVENTION CENTER HOTEL OR THE HOTEL GARAGE (OR ANY REVENUES THEREOF) TO SECURE THE PAYMENT OF AND LIEN ON THE PLEDGED REVENUES FOR THE BENEFIT OF THE OWNERS OF THE BONDS.

## Amendments to Ordinance

The Ordinance and the rights, duties and obligations of the City and of the Owners of the Bonds are subject in all respects to all applicable federal and state laws including, without limitation, the provisions of federal law regarding the composition of indebtedness of political subdivisions, as the same now exist or may hereafter be amended. The City may, without the consent of or notice to any of the Owners of the Bonds, amend the Ordinance for any one or more of the following purposes:

(i) to cure any ambiguity, defect, omission or inconsistent provision contained in the Ordinance or in the Bonds, or to comply with any applicable provision of law or regulation of federal agencies; provided, however, that such action will not adversely affect the interests of the Owners of the Bonds;

(ii) to grant to or confer upon the Owners of the Bonds any additional rights, remedies, powers or authority that may be lawfully granted to or conferred upon Owners of the Bonds;

(iii) to add to the covenants and agreements of the City contained in the Ordinance, other covenants and agreements of, or conditions or restrictions upon, the City or to surrender or eliminate any right or power reserved to or conferred upon the City in the Ordinance;

(iv) to subject to the lien and pledge of the Ordinance additional Pledged Revenues, which may include revenues, properties or other collateral;

(v) to authorize Credit Agreements and Qualified Hedge Agreements with respect to Outstanding Parity Bonds;

(vi) to provide for the continued tax exemption for any Outstanding Parity Bonds; or

(vii) to provide for the continued exemption from registration of any Outstanding Parity Bonds under the federal securities laws.

Subject to the provisions described in the immediately succeeding paragraph, Owners of not less than a majority in aggregate unpaid principal amount of Bonds then Outstanding have the right to approve any other amendment to the Ordinance that may be deemed necessary or desirable by the City; provided, however, without the approval of the Owners of 100% of the Bonds Outstanding, no amendment may be made the effect of which would be to: (i) extend the maturity of the principal of or interest on the Bonds; (ii) reduce the principal amount of or rate of interest on any of the Bonds; (iii) confer a privilege or priority of any Bond over any other Bond; or (iv) reduce the aggregate principal amount of Bonds required for consent to such amendment.

### **Flow of Funds**

The Ordinance provides that all Pledged Revenues shall be deposited as collected into the Pledged Revenue Account within the Revenue Fund, but the Pledged Tax Rebates shall be deposited and held separate and apart from all other Pledged Revenues in the Pledged Tax Rebate Fund. The Ordinance further provides that moneys from time to time credited to the Pledged Tax Rebate Fund shall be transferred monthly to the Interest and Sinking Fund and shall be used solely to pay principal of and interest on the Allocated Hotel Bonds. All other Pledged Revenues from time to time credited to the Revenue Fund (that is, other than the Pledged Tax Rebates in the Pledged Tax Rebate Fund) shall be applied as follows in the following order of priority, subject to the allocation provisions described below:

(i) First, to transfer all amounts to the Interest and Sinking Fund required by the Ordinance and any other ordinance authorizing the issuance of Parity Bonds;

(ii) Second, to transfer all amounts to the Reserve Fund required by the Ordinance and any other ordinance authorizing the issuance of Parity Bonds;

(iii) Third, to transfer all amounts to any interest and sinking fund, debt service fund, debt service reserve fund and any other similar fund or account required by any ordinance authorizing the issuance of Subordinate Lien Obligations;

(iv) Fourth, to transfer all amounts to the Operation and Maintenance Account required by the Ordinance and any other ordinance authorizing the issuance of Parity Bonds; and

(v) Fifth, to transfer remaining amounts to the Convention and Entertainment Development Fund, which shall include the Renewal and Replacement Account.

### **Allocations**

In applying the Pledged Revenues, the Ordinance provides that the following allocations shall occur and be deemed to occur: (i) Pledged HOT generated by a rate greater than 5.25% shall be applied to pay Debt Service Requirements allocable to Convention Registration Facilities and an amount equal to the balance, if any, of the Pledged HOT generated by a rate greater than 5.25% shall be deposited into the Convention Registration and Advertising Account; and (ii) except as set forth in (i), Pledged Parking Revenues shall be deemed to be applied to the Interest and Sinking Fund, Reserve Fund and funds for Subordinate Lien Obligations prior to the application of Pledged HOT so that, to the greatest extent legally permissible, amounts deposited into the Operation and Maintenance Account and Convention and Entertainment Development Fund (which contains the Renewal and Replacement Account) shall consist of Pledged HOT proceeds.

### **Interest and Sinking Fund**

The Ordinance provides for the creation of the Interest and Sinking Fund to be maintained by the City and requires that on or before the last business day of each month so long as any Parity Bonds remain Outstanding, there shall be transferred to the Interest and Sinking Fund first from the Pledged Tax Rebate Fund, all amounts held therein, and second from other amounts in the Revenue Fund, including the following:

(i) Such amounts, in approximately equal monthly installments, as shall be necessary to accumulate in the Interest and Sinking Fund (taking into account other amounts on deposit therein and available for such purpose), prior to the next Interest Payment Date for Fixed Rate Bonds, an amount sufficient to pay all interest scheduled to be payable on such date on all Fixed Rate Bonds; plus

(ii) Such amounts as shall be necessary to accumulate and maintain in the Interest and Sinking Fund at all times (taking into account other amounts on deposit therein and available for such purpose) amounts sufficient to pay in the next month the maximum amount of interest that could be payable in such month on all Adjustable Rate Bonds; plus

(iii) Such amounts, in approximately equal monthly installments, as shall be necessary to accumulate in the Interest and Sinking Fund (taking into account other amounts on deposit therein and available for such purpose), prior to each principal payment and/or mandatory redemption date for the Parity Bonds, an amount sufficient to pay all principal maturing or subject to mandatory redemption on such date, including any applicable redemption premiums; plus

(iv) Such amounts, in approximately equal monthly installments, as shall be necessary to accumulate in the Interest and Sinking Fund prior to their applicable payment dates, amounts sufficient to pay fees and charges payable to any and all of the Paying Agent/Registrar, Credit Agreement providers or Qualified Hedge Agreement providers which, by the terms of their agreements with the City, are payable from the Interest and Sinking Fund.

Moneys credited to the Interest and Sinking Fund shall be used solely for the purpose of paying interest on, principal (at maturity or prior redemption or to purchase Parity Bonds issued as term bonds in the open market to be credited against mandatory redemption requirements) of and redemption premium on the Parity Bonds, plus all fees and charges of any and all of the Paying Agent/Registrar, Credit Agreement providers or Qualified Hedge Agreement providers, as applicable, which, by the terms of their agreements with the City, are payable from the Interest and Sinking Fund. On or before each principal and/or interest payment date on the Parity Bonds, the City shall transfer from the Interest and Sinking Fund to the Paying Agent/Registrar in immediately available funds an amount equal to the principal and interest payable on the Parity Bonds on such date.

## Debt Service Reserve Fund

The Ordinance provides for the creation of a debt service reserve fund for the Parity Bonds to be maintained by the City (the "Reserve Fund") and provides for a balance in the Reserve Fund equal to the Reserve Fund Requirement. The term "Reserve Fund Requirement" shall mean the average annual Debt Service Requirements for all Parity Bonds, which shall be recomputed upon the issuance of each series of Additional Parity Bonds and may be recomputed at the election of the City at any other time that Parity Bonds are optionally redeemed or defeased. Upon the issuance of the Bonds, the Reserve Fund Requirement shall be as set forth in the Officers' Pricing Certificate. The Reserve Fund Requirement shall initially be satisfied at the time of issuance and delivery of the Bonds. Each increase in the Reserve Fund Requirement resulting from the issuance of Additional Parity Bonds shall be provided for in the ordinance authorizing the issuance of such Additional Parity Bonds. In the Ordinance, the City has expressly reserved the right at any time to satisfy all or any part of its Reserve Fund Requirement by obtaining for the benefit of the Reserve Fund one or more Reserve Fund Surety Policies. In the event the City elects to substitute at any time a Reserve Fund Surety Policy for any funded amounts in the Reserve Fund, it may apply the bond funds thereby released to any purposes for which the bonds were issued and any other funds thereby released to any of the purposes for which such funds may lawfully be applied, including, in either case, the payment of debt service on the Bonds or any Parity Bonds. The Ordinance provides that a Reserve Fund Surety Policy shall be a surety bond, insurance policy or other similar guarantee in a principal amount equal to the portion of the Reserve Fund Requirement to be satisfied issued by a financial institution with a rating for its long-term unsecured debt in the highest letter category by two major municipal securities evaluation sources, and for which any repayment obligation imposed by the Reserve Fund Surety Policy (in the event the Reserve Fund Surety Policy is drawn upon) is payable from and secured only by amounts from time to time on deposit in the Reserve Fund and by Pledged Revenues after making all required transfers to the Interest and Sinking Fund and any interest due in connection with such repayment obligations does not exceed the highest lawful rate of interest that may be paid by the City at the time of delivery of the Reserve Fund Surety Policy. The City does not currently plan to deposit any additional Reserve Fund Surety Policies in the Debt Service Reserve Fund.

The Ordinance provides that in any month in which the Reserve Fund contains less than the Reserve Fund Requirement for the Bonds and any Parity Bonds (or so much thereof as shall then be required to be therein if the City has elected to accumulate the Reserve Fund Requirement for any series of Additional Parity Bonds) or in which the City is obligated to repay or reimburse any issuer of a Reserve Fund Surety Policy (in the event such Reserve Fund Surety Policy is drawn upon) or the City is otherwise required to make deposits to the Reserve Fund pursuant to agreements with issuers of Reserve Fund Surety Policies, then on or before the last business day of such month, after making all required transfers to the Interest and Sinking Fund, there shall be transferred into the Reserve Fund from the Pledged Revenue Fund, amounts sufficient to enable the City to reestablish the Reserve Fund Requirement within twelve (12) months or such other period as shall have been agreed to in agreements entered into with issuers of Reserve Fund Surety Policies or bond insurers and to satisfy any repayment or other funding obligations to the issuer of any Reserve Fund Surety Policy or bond insurance for any Parity Bonds. After such amount has been accumulated in the Reserve Fund and after satisfying any repayment or other obligations to any issuer of a Reserve Fund Surety Policy or bond insurance policy and so long thereafter as such Fund contains such amount and all such obligations have been satisfied, no further transfers shall be required to be made, and any excess amounts in such Fund shall be transferred to the Interest and Sinking Fund. But if and whenever the balance in the Reserve Fund is reduced below such amount any Reserve Fund Surety Policy repayment obligations arise, or the City is otherwise required to make deposits to the Reserve Fund pursuant to agreements with the bond insurers for Parity Bonds, the Ordinance provides that such monthly transfers to such Fund shall be resumed and continued until such obligations are satisfied.

The Reserve Fund shall be used to pay the principal of and interest on the Bonds and any Parity Bonds at any time when there is not sufficient money available in the Interest and Sinking Fund for such purpose, and to make any payments required to satisfy repayment obligations to issuers of Reserve Fund Surety Policies, and may be used to make the final payments for the retirement or defeasance of the Bonds and any Parity Bonds. Amounts in the Reserve Fund in excess of the Reserve Fund Requirement may be transferred to the Interest and Sinking Fund.

In the Ordinance, the City pledges and grants to the issuers of any Reserve Fund Surety Policies a lien on and security interest in all amounts in the Reserve Fund and on those Pledged Revenues which, after making all required transfers to the Interest and Sinking Fund, are required to be transferred to the Reserve Fund.

In order to satisfy its obligations with respect to the Reserve Fund Requirement for the Outstanding Parity Bonds, the City previously deposited cash and investments in the Reserve Fund equal to the Reserve Fund Requirement. In addition, the City previously deposited a Reserve Fund Surety Policy to satisfy the Reserve Fund Requirement. For a discussion regarding the cash, investments and Reserve Fund Surety Policy currently on deposit in the Reserve Fund, see "RESERVE FUND."

### **Operation and Maintenance Account**

The Ordinance provides for the creation of the Operation and Maintenance Account and provides that the City shall fund and maintain a balance of money and investments in the Operation and Maintenance Account at least equal to three (3) months' current Operation and Maintenance Expenses, which amount shall annually be redetermined by the Director of the Department at the time he or she submits the recommended budget for the Department based upon either the recommended budget for Operation and Maintenance Expenses or the estimate of actual Operation and Maintenance Expenses for the then current Fiscal Year. The Ordinance provides that on or before the last business day of each month, after making all required transfers to the Interest and Sinking Fund, the Reserve Fund, to any funds or accounts created to provide for the payment, or to provide reserves for the payment, of any Subordinate Lien Obligations, there shall be an intrafund transfer from the Revenue Fund, to the extent amounts are available therein, to the Operation and Maintenance Account in the amount required to reestablish the required balance in the Operation and Maintenance Account. The Ordinance provides that amounts from time to time credited to the Operation and Maintenance Account may be used at any time first, to pay for any Operation and Maintenance Expenses; second, to pay any costs or expenses payable from the Renewal and Replacement Account for which there are insufficient amounts in the Renewal and Replacement Account; and third, to the extent any amounts are remaining, to be transferred to the Interest and Sinking Fund, or any similar fund created to provide for the payment, or reserves for the payment, of Subordinate Lien Obligations to the extent of any deficiency therein.

The Ordinance further provides that the City shall establish and maintain within the Operation and Maintenance Account a Convention Registration and Advertising Account, the proceeds of which shall be used solely to pay costs and expenses relating to the furnishing of facilities, personnel and materials for the registration of convention delegates or registrants. The Ordinance provides that there shall be deposited into the Convention and Advertising Account amounts equal to the amount by which (i) the revenues generated by the Pledged HOT at a rate greater than 5.25% exceed (ii) the Debt Service Requirements allocable to the Convention Registration Facilities. See "—Allocations."

### **Convention and Entertainment Development Fund**

The Ordinance provides for the creation of a convention and entertainment development fund (the "Convention and Entertainment Development Fund") to be maintained by the City. Amounts credited to the Convention and Entertainment Development Fund may be used only for capital costs and operating expenses (including non-recurring expenses) of Convention and Entertainment Facilities, costs relating to the Renewal and Replacement Account (described below), Department programs to encourage tourism, conventions and entertainment and to redeem or pay debt service on Parity Bonds and Subordinate Lien Obligations.

The Ordinance provides that at the discretion of the Department, the City shall fund and maintain a balance of money and investments in the Renewal and Replacement Account of not less than the Renewal and Replacement Requirement. If the Department has determined to fund the Renewal and Replacement Requirement, then on or before the last business day of each month, if the Renewal and Replacement Account contains less than the Renewal and Replacement Requirement, after making all required transfers to the Interest and Sinking Fund, to the Reserve Fund, to any funds or accounts created to provide for the payment, or to provide reserves for the payment, of any Subordinate Lien Obligations and the Operation and Maintenance Account, there shall be transferred from the Convention and Entertainment Development Fund, to the extent funds are available therein, to the Renewal and Replacement Account an amount equal to one-twelfth (1/12<sup>th</sup>) of the deficiency (being the amount by which the Renewal and Replacement Requirement exceeded the unappropriated balance therein) as of the last day of the previous Fiscal Year. The Ordinance provides that such transfers shall be required to be made into the Renewal and Replacement Account until such time as the Renewal and Replacement Requirement has again been accumulated in the Renewal and Replacement Account. Amounts from time to time credited to the Renewal and Replacement Account may be used at any time first, to pay for any costs of replacing depreciable property and equipment or making repairs, replacements or renovations of the Convention Center, the Parking Facilities and any other

Convention and Entertainment Facilities other than the Convention Center Hotel and Hotel Garage; second, to pay any Operation and Maintenance Expenses for which insufficient amounts are available in the Revenue Fund; and third, to the extent any amounts are remaining, to be transferred to the Interest and Sinking Fund, the Reserve Fund, or any similar fund or account created to provide for the payment, or to provide reserves for the payment, of Subordinate Lien Obligations to the extent of any deficiency therein.

### **Deficiencies in Funds**

The Ordinance provides that if in any month there shall not be transferred to any Fund maintained pursuant to the Ordinance the full amounts required therein, amounts equivalent to such deficiency shall be transferred to such Fund or Funds from the first available and unallocated moneys in the Revenue Fund, and such transfer shall be in addition to the amounts otherwise required to be transferred to such Funds during any succeeding month or months.

### **Additional Bonds**

The City has expressly reserved the right to issue in one or more installments, for any lawful purpose, bonds, notes or other obligations ("Additional Parity Bonds") which, in whole or in part, are payable from and secured by a lien on the Pledged Revenues on a parity with the Bonds and any previously issued Parity Bonds; provided, however, that no Additional Parity Bonds may be issued unless:

(i) No Default. The Mayor shall certify that the City is not in default under any ordinance authorizing the issuance of Parity Bonds that will remain Outstanding after the issuance of the Additional Parity Bonds;

(ii) Fund Balances. The City Controller shall certify in writing that, upon issuance and delivery of the Additional Parity Bonds, the Interest and Sinking Fund and the Reserve Fund have on deposit or to their credit all amounts required by the ordinances authorizing the issuance of all Parity Bonds then Outstanding;

(iii) Additional Deposits. Provision is made in the bond ordinance authorizing the Additional Parity Bonds then proposed to be issued for (a) additional payments into the Interest and Sinking Fund sufficient to provide for any increased principal and interest requirements on the Parity Bonds resulting from the issuance of the Additional Parity Bonds and (b) compliance with the Reserve Fund Requirement either by the purchase of a Reserve Fund Surety Policy or by additional payments into the Reserve Fund either from proceeds of the Additional Parity Bonds or from Pledged Revenues so that such Fund will, in not later than 60 months from the date of issuance of such Additional Parity Bonds, contain a balance not less than the increased Reserve Fund Requirement for all Parity Bonds that will be Outstanding after the issuance of such series of Additional Parity Bonds;

(iv) Coverage Test. For either the preceding fiscal year or any consecutive 12-month period out of the 18-month period immediately preceding the month in which the bond ordinance authorizing such Additional Parity Bonds is adopted, the Pledged HOT and Pledged Parking Revenues for such period would equal not less than 135% of the Maximum Annual Debt Service Requirements for all Parity Bonds after giving effect to the series of the Additional Parity Bonds to be issued, as certified as of the date of authorization of such Additional Parity Bonds by the City Controller or an independent certified public accountant or firm of independent certified public accountants; provided, that if in connection with the issuance of such Additional Parity Bonds the City elects to increase Pledged Revenues to include additional lawfully pledgeable revenues, the foregoing coverage calculation may be computed based upon the amount of Pledged Revenues that would have been realized had the additional Pledged Revenues been pledged during the period of such calculation; and

(v) Coverage Test Exceptions. The provisions in paragraph (iv) above shall not apply to the issuance of Additional Parity Bonds for the purpose of refunding Parity Bonds provided that either (a) the Debt Service Requirements are not increased in any future fiscal year

as certified by the City Controller or (b) the Maximum Annual Debt Service Requirements are not increased as a result of the issuance of such Additional Parity Bonds as certified by the City Controller or (c) the Additional Parity Bonds are issued as Fixed Rate Bonds to refund Adjustable Rate Bonds or (d) the Additional Parity Bonds are issued as Adjustable Rate Bonds to refund Adjustable Rate Bonds.

(vi) Special Provisions of Credit Agreements. The City may enter into Credit Agreements with respect to any Parity Bonds or Qualified Hedge Agreements if: (a) prior to entering into such Credit Agreement, the City, to the extent required by law, shall cause the proceedings authorizing the Credit Agreement and any contracts or reimbursement agreements relating thereto to be submitted to and approved by the Attorney General of Texas; and (b) for any Credit Agreement that obligates the City to make any future payments for the availability of such Credit Agreement, the City's financial advisor must certify that the inclusion of such payments within the Debt Service Requirements on the Parity Bonds or Qualified Hedge Agreement to which the Credit Agreement relates will not cause such Parity Bonds or Qualified Hedge Agreement to fail to comply with the applicable coverage requirements for their issuance or incurrence; and the issuer of any Credit Agreement shall be entitled to be subrogated to the rights of the Owners of the Parity Bonds or the counterparty to the Qualified Hedge Agreement secured by such Credit Agreement, and the City's reimbursement and repayment obligations to the issuer of the Credit Agreement shall be secured by Pledged Revenues as provided in the Ordinance.

(vii) Special Provisions for Qualified Hedge Agreements. The City may enter into Qualified Hedge Agreements contemporaneously with or following the issuance of any Parity Bonds or in conjunction with the payment, sale, resale or exchange of any Parity Bonds for any purpose authorized by law if the following requirements are satisfied: (a) the proceedings authorizing the Qualified Hedge Agreement and any contracts or reimbursement agreements relating thereto shall, to the extent required by law, be submitted to and approved by the Attorney General of Texas; (b) the City shall have received written confirmations from each rating agency then rating the Parity Bonds that entering into such Qualified Hedge Agreement will not, in and of itself, result in a withdrawal or reduction of any rating assigned to the Parity Bonds; and (c) the City's financial advisor shall certify that the Parity Bonds to which the Qualified Hedge Agreement relates could have been issued in satisfaction of all of the coverage requirements described above if the Debt Service Requirements with respect to such Parity Bonds are recalculated (as provided in the definition of Debt Service Requirements) to take into account payments due under the Qualified Hedge Agreement.

### **Subordinate Lien Obligations**

In the Ordinance, the City has reserved the right to incur or issue, for any lawful purpose, bonds, notes or other obligations secured in whole or in part by liens on the Pledged Revenues that are junior and subordinate to the lien on Pledged Revenues securing payment of the Parity Bonds and any reimbursement obligations incurred in connection with Reserve Fund Surety Policies. The City's Subordinate Lien Hotel Occupancy Tax and Parking Revenue Commercial Paper Notes, Series A (the "Series A Notes"), may be issued in an aggregate amount not to exceed \$50,000,000 for certain Project Costs (as defined in APPENDIX B). As of March 31, 2012, \$43,000,000 of the Series A Notes are Outstanding. The Series A Notes are secured by a letter of credit issued by Union Bank, N.A., expiring in December 2013. The City's failure to obtain a renewal or replacement letter of credit would require repayment of the Series A Notes over a three-year period. The Ordinance provides that subordinate lien obligations may be further secured by any other source of payment lawfully available for such purposes.

### **RESERVE FUND**

The Ordinance requires the establishment of a Reserve Fund in an amount equal to the Reserve Fund Requirement. Upon the issuance of the Bonds, the Reserve Fund Requirement will be \$ \_\_\_\_\_, which will fully funded with cash and investments currently on deposit in the Reserve Fund.

In addition to the cash and investments, the Reserve Fund contains a Reserve Fund Surety Policy from Ambac Assurance Corporation ("Ambac") in the amount of \$21,774,454.45 (which will expire on September 1,

2033, if not terminated sooner). The Ambac Reserve Fund Surety Policy met the Ordinance's rating requirement for reserve fund surety policies at the time that such policy was issued and the Ordinance does not require that the policy maintain any particular rating after its issuance. For a discussion of the Reserve Fund Requirement, see "COVENANTS AND TERMS OF THE ORDINANCE—Debt Service Reserve Fund."

## PLEGGED REVENUES

### General

Pledged Revenues committed by the City to the Bonds (and any Parity Bonds) consist of the following: (i) the Pledged HOT; (ii) the Pledged Parking Revenues; (iii) the Pledged Tax Rebates; (iv) all interest and investment income realized from the investment of amounts, if any, from time to time deposited to the credit of the Pledged Revenue Account, the Pledged Tax Rebate Fund, the Interest and Sinking Fund and the Reserve Fund; and (v) any additional revenue, receipts or income hereafter pledged to the Parity Bonds. The revenues and funds described in (i) through (iv) are collectively referred to herein as the "Pledged Revenues."

***Pledged HOT.*** The Pledged HOT consists of all revenues including, without limitation, current and delinquent payments and all related penalties and interest, derived and received by the City from that portion of its Hotel Occupancy Tax that is equivalent to a tax of 5.65% so long as any Parity Bonds (including any Additional Parity Bonds issued to refund the Bonds) remain Outstanding. (Hereafter, the Pledged HOT shall be equal to 5.25% plus such additional amount, if any, as may be designated as constituting Pledged HOT in proceedings for the issuance of Additional Parity Bonds approved by opinions of bond counsel and the Attorney General of Texas). The Pledged HOT shall not include any City HOT revenues generated by (i) the Convention Center Hotel for its first ten years of operation (which are included within Pledged Tax Rebates) and (ii) any additional hotel the City develops in the future to complement the Convention Center for its first ten years of operation (as further described in APPENDIX B, the "Pledged HOT").

***Pledged Parking Revenues.*** The Pledged Parking Revenues consist of the gross revenues, charges and tolls received by the City from the ownership and/or operation of the Parking Facilities, except that the City's pledge of such Pledged Parking Revenues shall be subordinate to the City's pledge of the first \$1,200,000 of such gross revenues, charges and tolls to the payment of its annual obligation under that certain Lease, Development and Grant Agreement by and between the City and the Houston Music Hall Foundation (the "Music Hall Lease") unless such obligation is paid, defeased, matures or is otherwise restructured (as further described in APPENDIX B, the "Pledged Parking Revenues"). See "COVENANTS AND TERMS OF THE ORDINANCE—Security and Source of Payment for the Bonds—Parking Facilities and Pledged Parking Revenue."

***Pledged Tax Rebates.*** The Pledged Tax Rebates consist of rebates of the following taxes derived from the operation of the Convention Center Hotel (including any Convention Registration Facilities located therein) and the Exclusive Hotel Parking from December 2003 through December 2013, their first 10 years of operation: (i) sales and use taxes imposed by the State of Texas, the City and the Metropolitan Transit Authority of Harris County, Texas ("METRO") at a cumulative rate of 8.25%, (ii) hotel occupancy taxes imposed by the State of Texas, Harris County, Texas (the "County") and the City, but not the Harris County-Houston Sports Authority (the "Sports Authority"), at a cumulative rate of 15% and (iii) mixed beverage taxes imposed by the State of Texas and rebated to Harris County and the City at a cumulative rate of 3% (as further described in APPENDIX B, the "Pledged Tax Rebates"). See "COVENANTS AND TERMS OF THE ORDINANCE—Security and Source of Payment for the Bonds—Pledged Tax Rebates."

In addition, as noted, Pledged Revenues do not include (i) any revenues derived from imposition of the City HOT at a rate greater than 5.65% (except at the Convention Center Hotel from December 2003 through December 2013), (ii) any operating revenues of the Convention Center and the Convention Center Hotel, the Hotel Garage or any City-owned parking facilities other than the Parking Facilities and (iii) City HOT revenues attributable to any additional hotel the City develops in the future to complement the Convention Center for its first ten years of operation. Currently, the City HOT is imposed at a rate of 7%. As a result, revenues derived from the 1.35% portion of the City HOT in excess of 5.65% are not part of the Pledged HOT and do not constitute Pledged Revenues. However, from December 2003 to December 2013, all revenues derived from imposition of the City HOT at the Convention Center Hotel, which is imposed at its full 7.00% rate on Convention Center Hotel room rentals, are included in the Pledged Tax Rebates and, therefore, do constitute Pledged Revenues. After

December 2013, revenues derived from imposition of the City HOT (at a rate of 5.65%) on room rentals at the Convention Center Hotel will be included in Pledged HOT and, therefore, will constitute Pledged Revenues. Moreover, there is no mortgage on or other security interest in the Convention Center, the Convention Center Hotel or the Hotel Garage (or any revenues thereof) to secure the payment of and lien on the Pledged Revenues for the benefit of the owners of the Bonds, and all such facilities are exempt from ad valorem taxation.

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Schedule 1 – Historical Pledged Revenues

**HISTORICAL PLEDGED REVENUES**  
(in thousands)

<u>Fiscal Year</u>	<u>Pledged HOT<sup>(a)</sup></u>	<u>% Change</u>	<u>Pledged Parking Revenues<sup>(b)</sup></u>	<u>% Change</u>	<u>Pledged Tax Rebates<sup>(c)</sup></u>	<u>% Change</u>	<u>Total<sup>(d)</sup></u>
2002	\$ 35,072	-5.8%	\$ 5,634	-21.8%	--	--	\$ 40,706
2003	34,844	-0.7	7,852	39.4	--	--	42,696
2004	38,115	9.4	7,125	-9.3	\$ 1,857	--	47,097
2005	34,115	-10.5	6,682	-6.2	6,528	[N/A] <sup>(e)</sup>	47,325
2006	44,204	29.6	6,734	0.8	7,233	10.8%	58,171
2007	47,387	7.2	6,810	1.1	7,223	-0.1	61,420
2008	53,459	12.8	7,333	7.7	8,951	23.9	69,743
2009	49,694	-7.0	6,727	-8.3	8,913	-0.4	65,334
2010	44,483	-10.5	7,477	11.1	7,844	-12.0	59,804
2011	49,723	12.0	7,286	-3.0	8,177	4.0	65,186

- (a) The Pledged HOT are revenues (including penalties, interest and delinquencies, if any) received from that portion of the City HOT equal to 5.65% of the cost of substantially all hotel room rentals in the City (excluding any portion thereof attributable to the Convention Center Hotel from December 2003 to December 2013). The City HOT is currently imposed at a rate of 7%. The remaining 1.35% is not pledged to the Parity Bonds. See “—Description of the Hotel Occupancy Taxes” and “COVENANTS AND TERMS OF THE ORDINANCE—Security and Source of Payment for the Bonds—Levy of City Hotel Occupancy Tax.”
- (b) The City’s pledge of Pledged Parking Revenues to the Parity Bonds is subordinate to the City’s pledge of the first \$1,200,000 of gross revenues, charges and tolls generated at the Parking Facilities to the payment of its annual obligation under the Music Hall Lease, unless such obligation is paid, defeased, matures or is otherwise restructured. See “COVENANTS AND TERMS OF THE ORDINANCE—Security and Source of Payment for the Bonds—Parking Facilities and Pledged Parking Revenue.”
- (c) The Pledged Tax Rebates consist of rebates of HOTs, sales taxes and mixed beverage taxes derived from the Convention Center Hotel and the Exclusive Hotel Parking from December 2003 to December 2013. Pledged Tax Rebates must be used solely to pay principal of and interest on the Allocated Hotel Bonds. See “COVENANTS AND TERMS OF THE ORDINANCE—Security and Source of Payment for the Bonds—Pledged Tax Rebates” and “—Description of the Pledged Tax Rebates.”
- (d) Does not include investment earnings, which are included in Pledged Revenues.
- (e) From Fiscal Year 2004 to Fiscal Year 2005, the Pledged Tax Rebates increased by 251.5% due to a partial year of collections in Fiscal Year 2004 (December 2003 – June 2004).

Source: City of Houston, Texas Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2011.

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## Description of the Hotel Occupancy Taxes

**City HOT.** Since April 1, 1991, the City HOT rate has been 7%. Pursuant to the provisions of Chapter 351, Texas Tax Code (the "Hotel Tax Act"), the City is authorized to impose the City HOT on persons, based upon the price paid, for the use or possession, or right of use or possession, of rooms ordinarily used for sleeping at any hotel in the City. Currently, the City HOT may be imposed only for rooms for which the cost of occupancy is at the rate of \$2 or more per day. Under the Hotel Tax Act, "hotel" means any building or buildings in which the public may, for consideration, obtain sleeping accommodations. The term includes hotels, motels, tourist homes, tourist houses, tourist courts, lodging houses, inns, rooming houses, bed and breakfasts or other buildings where rooms are furnished for a consideration, but does not include hospitals, sanitariums or nursing homes. The consideration paid for the room, for purposes of the Hotel Tax Act, includes the cost of the room only if the room is one ordinarily used for sleeping, and does not include the cost of any food served or personal services rendered to the occupant of such room not related to the cleaning and readying of such room for occupancy. To be subject to the City HOT, the occupant's use, possession or right to the use or possession of the sleeping room must be for a period of less than 30 consecutive days. Certain housing facilities owned or leased and operated by an institution of higher education are excluded. Hotels and other eligible vendors of sleeping accommodations are required to collect the City HOT at the time room charges are received from patrons. The total City HOT collections in any calendar quarter are required to be paid to the City by the first month of the subsequent quarter.

**Pledged HOT.** The Pledged HOT (the portion of City HOT revenues generated at a rate of 5.65%) is pledged to the payment of the Bonds and any Parity Bonds, as described herein under the caption "COVENANTS AND TERMS OF THE ORDINANCE—Security and Source of Payment for the Bonds." The City currently applies the remaining 1.35% portion of the City HOT rate to fund contracts with local arts groups. Revenues from the City HOT generated at the full 7% rate from the Convention Center Hotel from December 2003 to December 2013, its first ten years of operation, are included as part of the Pledged Tax Rebates and not as part of the Pledged HOT during such period. After December 2013, City HOT revenues generated at the Convention Center Hotel at a rate of 5.65% will be included as a part of the Pledged HOT.

For a discussion of certain allocations with respect to Pledged HOT that are deemed to occur pursuant to the Ordinance, see "COVENANTS AND TERMS OF THE ORDINANCE—Allocations."

**Other HOTs.** Other provisions of the Tax Code authorize the State, counties and other political subdivisions meeting certain specified qualifications to impose hotel occupancy taxes similar to the City HOT. The total HOT rate for all jurisdictions taxing Houston market hotels is 17%, currently one of the highest rates in the nation. In addition to the City HOT rate of 7%, the State of Texas imposes a HOT at a 6% rate, the County imposes a HOT at a 2% rate and the Sports Authority imposes a HOT at a 2% rate. (The HOT imposed by the Sports Authority is not part of Pledged Tax Rebates and, therefore, is not part of Pledged Revenues.)

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## Schedule 2 – Occupancy Rates and City HOT Revenues

The following schedule of occupancy rates and historical revenues of the City HOT is presented below for reference only. SUCH PRESENTATION SHOULD NOT BE CONSTRUED AS A REPRESENTATION BY THE CITY, THE UNDERWRITERS OR ANY OTHER PERSON THAT SUCH REVENUES WILL BE COLLECTED IN THE FUTURE. FUTURE CITY HOT REVENUES DEPEND UPON A NUMBER OF FACTORS, INCLUDING FUTURE LEVELS OF USE OF HOTELS IN THE CITY AND THE RATES CHARGED FOR SUCH SERVICES.

<u>Fiscal Year End</u>	<u>Occupancy Rate for Hotels Located in the City</u>	<u>Average Daily Rate</u>	<u>Gross City HOT Revenues (7%) (in thousands)</u>
2002	60.3%	\$ 73.69	\$ 43,452
2003	57.1	71.66	43,169
2004	57.3	75.86	47,223
2005	66.7	77.27	43,902
2006	65.6	85.26	56,735
2007	65.8	92.23	60,777
2008	67.2	100.78	68,413
2009	55.6	92.38	64,486
2010	55.4	88.66	56,753
2011	63.0	95.37	63,629

Source: City of Houston, Texas Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2011.

## Schedule 3 – Top Twelve City HOT Taxpayers

The following is a schedule of the gross City HOT revenues (at a rate of 7%) for the hotels that constitute the twelve largest City HOT taxpayers for Fiscal Year 2011, which amounts to approximately 25.7% of City HOT revenues for such Fiscal Year:

<u>Twelve Largest City HOT Taxpayers</u>	<u>Gross Hotel Occupancy Tax Collections</u>
Hilton Americas-Houston	\$ 2,804,690
Hyatt Regency Hotel	2,105,803
Four Seasons Hotel Houston Center	1,475,021
JW Marriott Galleria	1,392,490
Westin Galleria	1,341,254
Hilton Houston Post Oak	1,110,385
Houston Marriott Briarpark	1,092,722
Houstonian Hotel	1,040,746
Hotel Zaza	1,015,896
Marriott Hotel	1,009,036
Omni Hotel	1,002,121
St. Regis Hotel	<u>981,701</u>
Total	<u>\$ 16,371,865</u>

Source: City of Houston, Texas Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2011.

## Description of the Pledged Parking Revenues

**Parking Facilities.** The gross parking revenues from the following six parking facilities (the "Parking Facilities") are included as Pledged Parking Revenues: (i) the Civic Center Underground Parking Garage, (ii) the large Tranquility Parking Garage, (iii) the small Tranquility Parking Garage (collectively, (i) – (iii) are referred to as the "Theater District Parking Garages"), (iv) the City Hall Annex Parking Garage, (v) the Lot C surface lot and (vi) the Lot H surface lot. Collectively, the Parking Facilities are operating at near capacity. (The Hotel Garage is not a part of the Parking Facilities.)

**Theater District Parking Garages:** The Theater District Parking Garages cover 18 city blocks with 7 entrance ramps, 7 exit ramps, 3 elevators and numerous stairwells and are open 24 hours a day. Revenues from the Theater District Parking Garages are derived from daily transient parking, monthly public and employee contract parking and evening and weekend event parking. The Theater District Parking Garages offer public parking to persons working in approximately 6.5 million square feet of nearby office space.

The Theater District Parking Garages include the following three facilities: the Civic Center Underground Parking Garage, the large Tranquility Parking Garage and the small Tranquility Parking Garage. The Civic Center Underground Parking Garage, which opened in 1967, currently contains 1,676 parking spaces in a three-level underground facility located at 401 Capitol. The building frame and the foundation of this structure are constructed of reinforced, cast-in-place concrete. The two Tranquility Parking Garage facilities opened in 1977 and are located at 511 Rusk in a single three-level underground facility that adjoins the Civic Center Underground Parking Garage. The small and large Tranquility Parking Garage facilities together currently contain 1,693 parking spaces. The building frame and the foundation of this structure are constructed of reinforced, cast-in-place concrete.

**THE CITY'S PLEDGE OF PLEDGED PARKING REVENUES TO THE PARITY BONDS IS SUBORDINATE TO THE CITY'S PLEDGE OF THE FIRST \$1,200,000 OF GROSS REVENUES, CHARGES AND TOLLS GENERATED AT THE PARKING FACILITIES TO THE PAYMENT OF ITS ANNUAL OBLIGATION UNDER THE MUSIC HALL LEASE, UNLESS SUCH OBLIGATION IS PAID, DEFEASED, MATURES OR IS OTHERWISE RESTRUCTURED. SEE "COVENANTS AND TERMS OF THE ORDINANCE—SECURITY AND SOURCE OF PAYMENT FOR THE BONDS—PARKING FACILITIES AND PLEDGED PARKING REVENUES" AND "PLEDGED REVENUES—GENERAL—PLEDGED PARKING REVENUES."**

**City Hall Annex Parking Garage:** The City Hall Annex Parking Garage opened in 1972. It is an underground and surface facility located at 900 Bagby with 505 underground parking spaces. Revenues from this facility are derived from employee contract parking and evening and weekend event parking. The building frame, the deck and the foundation of this three-level facility are constructed of reinforced, cast-in-place concrete.

**Lots C and H:** Lot C is a surface level parking facility with 176 spaces bounded by Memorial Drive, West Capitol, Buffalo Bayou and Interstate 45. Lot H is a surface level parking facility with 403 spaces bounded by Memorial Drive, Interstate 45 and Fonde Recreation Center. Lots C and H are designated for use by employees of the City in order to meet excess government employee demand that cannot be met in the parking facilities located closer to City Hall. The lots are manned with security and offer a shuttle service to and from the municipal buildings within downtown Houston. The lots operate at a greater capacity if the City's employee base continues to grow. In addition to use by City employees on business days, such lots are also used for scheduled event parking at other times. Revenues from these facilities are derived from employee contract parking and evening and weekend parking for scheduled events.

The City has covenanted in the Ordinance that the fees and charges for any use of Parking Facilities by the City or its employees will be not less than 60% of those charged to the public for comparable use (exclusive of sales and use and other applicable taxes). See "COVENANTS AND TERMS OF THE ORDINANCE—Security and Source of Payment for the Bonds—Parking Facilities and Pledged Parking Revenues."

In Fiscal Year 2011, City General Fund revenues used for the payment of City employee parking at certain of the Parking Facilities amounted to \$1,018,071.22. For further discussion, see "INVESTMENT CONSIDERATIONS—Pledged Parking Revenues."

**PARKING REVENUES FROM PARKING FACILITIES, NOW OR IN THE FUTURE, OTHER THAN THE SIX FACILITIES DESCRIBED ABOVE, ARE CURRENTLY NOT INCLUDED AS PLEDGED PARKING REVENUES AND THEREFORE ARE NOT PLEDGED REVENUES.**

**Substitution of Parking Facilities.** The City may, from time to time, by ordinance, replace a Parking Facility with another parking facility that generated parking revenues as of the end of the last fiscal year at least equal to the parking revenues generated by the replaced Parking Facility as of the same period. For a discussion of the provisions of the Ordinance pursuant to which the City may add to or replace any facility or property from the list of Parking Facilities, see “COVENANTS AND TERMS OF THE ORDINANCE—Security and Source of Payment for the Bonds—Parking Facilities and Pledged Parking Revenues.”

**Parking Concession Agreement.** The City has entered into a concession agreement with a private vendor for the operation and management of the Department’s parking facilities, including the Parking Facilities. In the concession agreement, the City has not pledged parking revenues from the Parking Facilities to pay operations and maintenance costs of the City’s parking facilities or to pay the vendor’s management fee. The concession agreement has a three-year term, commencing July 1, 2010, and thereafter is renewable at the option of the City for two consecutive one-year terms.

**Schedule 4 – Parking Facilities Rates**

The following chart shows current rates for the various kinds of parking services available at the Parking Facilities that are traditionally (and expected to continue to be) below-market.

<u>Facility</u>	<u>City Employee Monthly Contract <sup>(1)</sup></u>	<u>Other Monthly Contract <sup>(2)</sup></u>	<u>Daily Transient <sup>(2)</sup></u>	<u>Event Rate <sup>(2)</sup></u>
Theater District Garages	\$ 81.00	\$ 145.00 93.00 <sup>(3)</sup> 120.00 <sup>(4)</sup>	\$ 3.00 per hour 12.00 Maximum	\$7.00
Reserved parking		225.00	n/a	n/a
City Hall Annex Parking Garage	51.76	93.00	n/a	\$5.00
Lots C and H	44.33	48.00	n/a	\$3.00

- (1) Does not include sales and use tax of 8.25%.
- (2) Includes sales and use tax of 8.25%.
- (3) Rates paid by Department contractors.
- (4) Bulk contract parking agreement.

Source: City of Houston, Convention & Entertainment Facilities Department

**Description of the Pledged Tax Rebates**

The Pledged Tax Rebates pledged to the Bonds (and any Parity Bonds) consist of rebates of the following taxes derived from the operation of the Convention Center Hotel and the Exclusive Hotel Parking, from December 2003 to December 2013, their first ten years of operation:

- (i) hotel occupancy taxes imposed by the State, the County and the City (but not the Sports Authority) at a cumulative rate of 15%;
- (ii) sales taxes imposed by the State, the City and METRO at a cumulative rate of 8.25%;
- (iii) mixed beverage taxes imposed by the State and rebated to the County and the City at a cumulative rate of 3%.

Texas law permits a taxing unit to enter into an agreement with the owner of certain qualified hotel projects (“Qualified Hotel Projects”) to refund, rebate or pay certain taxes, including the taxes described above, that are generated, paid or collected by a Qualified Hotel Project or a business at a Qualified Hotel Project, to the owner of a Qualified Hotel Project. Texas law also provides that the owner of a Qualified Hotel Project shall receive a rebate, refund, or payment of all State sales taxes paid or collected by the Qualified Hotel Project or businesses located in the Qualified Hotel Project and all State hotel occupancy taxes paid by persons for the use or possession of or for the right to the use or possession of a room or space at the Qualified Hotel Project during the first ten years after such Qualified Hotel Project is open for initial occupancy.

The Convention Center Hotel, together with the Hotel Garage, constitutes a Qualified Hotel Project under Texas law. The Hotel Corporation has entered into separate tax rebate agreements with the City, the County and METRO that provide for the rebate of the various taxes described above. The tax rebate agreement with the City applies to sales and use, mixed beverage and hotel occupancy taxes. The tax rebate agreement with the County applies to mixed beverage and hotel occupancy taxes. The tax rebate agreement with METRO applies only to sales and use taxes. Each tax rebate agreement commenced in December 2003 (when the Convention Center Hotel opened for public use) and is in effect until December 2013, a period of ten years.

See “HOUSTON FIRST CORPORATION—2001 Interlocal Agreement” for a discussion of the assignment of the Pledged Tax Rebates to the City as security for the Parity Bonds, including the Bonds. For the historical Pledged Tax Rebates generated since 2004 following the initial occupancy of the Convention Center Hotel, see “SCHEDULE 6 – Historical Tax Rebates.”

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**DEBT SERVICE SCHEDULE**

**Schedule 5 – Debt Service Schedule**

The following schedule shows debt service on all obligations secured by the Pledged Revenues. **This schedule excludes the Bonds and Commercial Paper and includes the Refunded Bonds.**

Year Ending June 30	Outstanding Bonds <sup>(1)</sup>	Series 2012 Bonds	Total Debt Service Requirements
2012	\$ 31,687,810		
2013	45,299,231		
2014	43,122,381		
2015	41,441,131		
2016	41,347,963		
2017	42,470,131		
2018	43,110,825		
2019	43,538,151		
2020	44,400,363		
2021	43,894,613		
2022	45,213,933		
2023	45,637,125		
2024	46,352,284		
2025	47,033,158		
2026	47,872,028		
2027	48,885,504		
2028	49,520,324		
2029	49,512,693		
2030	49,766,038		
2031	49,798,551		
2032	49,812,648		
2033	49,835,453		
2034	49,886,504		
	\$ 1,049,438,843		

<sup>(1)</sup> Series 2001C adjustable rate debt service is calculated at the rate of 5.33%.

## Schedule 6 – Historical Tax Rebates

The City will provide continuing disclosure information with respect to historical Pledged Tax Rebates for the period of time during which the Pledged Tax Rebates are in effect. Such continuing disclosure of historical information will be in a format substantially similar to the following table of historical Pledged Tax Rebates. As discussed above, after December 2013, revenues derived from imposition of the City HOT (at a rate of 5.65%) on room rentals at the Convention Center Hotel are included in Pledged HOT.

(in thousands)

Fiscal Year	HOT Tax (15.0%)	Sales Tax <sup>(1)</sup> (8.25%)	Mixed Beverage Tax (3.0%)	Total Tax Rebate
2004	\$ 1,293	\$ 544	\$ 20	\$ 1,857
2005	4,579	1,807	142	6,528
2006	5,403	1,659	171	7,233
2007	5,351	1,769	103	7,223
2008	6,436	2,268	247	8,951
2009	6,225	2,471	217	8,913
2010	5,287	2,374	183	7,844
2011	5,488	2,537	152	8,177

<sup>(1)</sup> Includes taxes on food, telephone, Exclusive Hotel Parking and other sales.

Source: City of Houston, Texas Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2011.

## HISTORICAL DEBT SERVICE COVERAGE

The following table shows historical debt service coverage of Pledged Revenues for all obligations secured by Pledged Revenues for Fiscal Year 2001 to Fiscal Year 2011.

(in thousands)

Fiscal Year	Pledged Hotel Occupancy Tax & Other Revenue <sup>(1)</sup>	Debt Service <sup>(2)</sup>		Coverage
		Principal	Interest	
2001	\$ 44,658	\$ 4,880	\$ 14,611	2.29x
2002	40,706	-	24,151	1.69
2003	42,696	5,955	19,517	1.68
2004	47,097	6,265	20,833	1.74
2005	47,325	6,590	22,715	1.61
2006	58,171	13,680	23,094	1.58
2007	61,420	14,775	24,004	1.58
2008	69,743	17,540	23,926	1.68
2009	65,334	18,620	19,451	1.72
2010	59,804	21,230	15,747	1.62
2011	65,186	24,060	14,218	1.70

<sup>(1)</sup> Includes 5.65% of 7% of collected City HOT, certain parking revenues, and certain tax rebates.

<sup>(2)</sup> Includes Outstanding Hotel Occupancy Tax and Special Revenue Bonds and commercial paper.

Source: City of Houston, Texas Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2011.

## INVESTMENT CONSIDERATIONS

### General

In considering the matters set forth in this Official Statement, prospective investors should carefully review all investment considerations and bondholders' risks set forth throughout this Official Statement and should specifically consider certain risks associated with the Bonds. There follows a discussion of some, but not necessarily all, of the possible risk factors that should be carefully evaluated by prospective purchasers of the Bonds prior to purchasing any Bonds.

### Economic and Market Conditions

A number of factors, many of which may be beyond the control of the City, Houston First Corporation or the Hotel Operator, could have an adverse impact on occupancy levels in the Houston market generally, and at the Convention Center Hotel specifically, including adverse changes in the national economy and levels of corporate travel and tourism, competition from other hotels, energy costs, governmental rules and policies, potential environmental and other liabilities, and interest rate levels. Corporate travel and tourism are highly dependent upon gasoline and other fuel prices, airline fares and the national economy.

### Collection of Pledged Revenues

The collection of Pledged Revenues in amounts sufficient to pay debt service on the Bonds when due is affected by and subject to conditions that may change in the future to an extent and with effects that cannot be determined at this time. The receipt of Pledged Revenues is subject to economic factors and other conditions that are impossible to predict, and the City has seen substantial variations in Pledged Revenues from year to year based on general economic conditions. Notably, travel after September 11, 2001 declined steeply. City HOT revenues declined approximately 5.8% in Fiscal Year 2002 and did not recover until Fiscal Year 2006. Beginning in Fiscal Year 2009, general economic conditions saw a decline in business travel, which ultimately resulted in a decline in City HOT revenues of 7.0% and continued through Fiscal Year 2010. However, in Fiscal Year 2011, City HOT revenues increased 12.0% over the prior fiscal year to a revenue level on par with Fiscal Year 2009.

### Limited Obligations; No Mortgage

The Bonds are special limited obligations of the City payable from Pledged Revenues. The City's pledge of Pledged Parking Revenues is subordinate to the City's pledge of the first \$1,200,000 of gross parking revenues, charges and tolls to the payment of its annual obligation under the Music Hall Lease, unless such obligation is paid, defeased, matures or is otherwise restructured. See "COVENANTS AND TERMS OF THE ORDINANCE—Security and Source of Payment for the Bonds—Parking Facilities and Pledged Parking Revenues." Pledged Revenues do not include (i) any revenues derived from imposition of the City HOT at a rate greater than 5.65% (except at the Convention Center Hotel from December 2003 to December 2013, the first ten years of its operation), (ii) any operating revenues of the Convention Center and the Convention Center Hotel, the Hotel Garage, any other City-owned parking facilities and (iii) City HOT revenues attributable to any additional hotel the City develops in the future to complement the Convention Center for its first ten years of operation. There is no mortgage on the Convention Center, the Convention Center Hotel or the Hotel Garage. For a discussion of certain other limitations on the security for the Bonds, see "COVENANTS AND TERMS OF THE ORDINANCE—Limited Obligations; No Mortgage."

### Hotel Occupancy Tax Revenues

HOT revenues largely depend on the occupancy rates and average daily rates ("ADRs") at hotels located within the City. The Houston market has an aggregate hotel occupancy tax rate of 17%, which is one of the highest in the nation. The high tax rate is offset in part by Houston's relatively low ADR and by the fact that corporate travelers, who make up one of the largest demand segments in the Houston market, tend to select hotels based on proximity to the place at which they are to do business, rather than on tax levels. Key factors that may adversely

affect the amount of HOT revenues generated from the rental of hotel rooms include: market support; general levels of convention business; levels of tourism; seasonality; and competition from other markets.

### **Pledged Parking Revenues**

Any significant changes in parking demand generators, parking rates, number of parking spaces available for use or failure to properly operate or maintain the Parking Facilities could materially impact the amount of Pledged Parking Revenues. The demand for office space and the rates for such space in the City's Central Business District are key factors that could also adversely affect Pledged Parking Revenues. Other factors are rates for public transit and parking lease rates, special events and monthly contract parking. The City utilizes some General Fund Revenues to provide parking for its employees, and such amounts are included in Pledged Parking Revenues. See "COVENANTS AND TERMS OF THE ORDINANCE—Security and Source of Payment for the Bonds—Parking Facilities and Pledged Parking Revenues."

### **Pledged Tax Rebates**

The Pledged Tax Rebates will be impacted by occupancy rates and ADRs at the Convention Center Hotel. Key factors affecting the Convention Center Hotel's occupancy rate include the Convention Center Hotel's brand name recognition, market support and reservation systems. Occupancy and ADRs at the Convention Center Hotel will also be affected by factors outside the control of the City, the Department, Houston First Corporation and the Hotel Operator, such as general levels of convention business, business travel, tourism and seasonality. Such fluctuations may adversely affect the amount and timing of revenues from HOTs, sales taxes, and mixed beverage taxes generated at the Convention Center Hotel and Exclusive Hotel Parking and, consequently, adversely affect the amount of Pledged Tax Rebates available to pay debt service on the Allocated Hotel Bonds.

Additionally, the Hotel Operator's failure to operate and manage the Convention Center Hotel effectively could directly affect the availability of Pledged Tax Rebates for the Allocated Hotel Bonds. See "COVENANTS AND TERMS OF THE ORDINANCE—Security and Source of Payment for the Bonds—Pledged Tax Rebates."

### **Sale of the Convention Center Hotel**

Although the Convention Center Hotel is not currently for sale, the City has considered the disposition of the Convention Center Hotel in recent years. In 2008, the City retained a real estate firm to market the Convention Center Hotel, though this agreement expired in December 2008 and has not been renewed.

### **Summary**

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

## THE CITY AND THE DEPARTMENT

### City of Houston

The City has a mayor-council form of government in which the Mayor and the 16-member City Council serve as the legislative body. Eleven council members are elected by district and five council members are elected at-large. The Mayor, all members of the City Council and the City Controller are elected for two-year terms. The present term of office for all elected officials expires in January 2014. The City Charter limits the terms of office for all elected City officials to three two-year terms.

The Mayor is the City's chief executive officer. The Mayor exercises administrative control over the City's government; presides over City Council meetings; establishes the City Council agenda; and appoints the heads of the various departments of the City, subject to confirmation by the City Council. The Mayor also is responsible for preparing and submitting the City's annual budget proposals to the City Council for adoption.

The City Controller is the City's chief financial officer. The Office of the City Controller superintends, supervises, manages and conducts the fiscal affairs of the City; maintains the books of accounts; prepares financial statements; conducts the sales of City obligations; certifies the availability of funds before the City incurs any financial obligation; and, along with the Mayor, countersigns all warrants, contracts or orders for payment of any money by the City.

#### *Services Provided by the City*

The City provides law enforcement and fire protection services, emergency medical services, water, sanitary sewer and solid waste disposal services, storm drainage, bridge and street facility maintenance, library and park services, building inspection and civil defense services. In addition to these services, the City also provides preventive health services through numerous health facilities within the City and certain housing services to low income and homeless families and operates convention, cultural, sports and airport facilities.

The City does not operate public hospitals, schools, transit services or a higher education system, nor does it expend City funds for public assistance programs. Public hospitals and schools within the City's boundaries are administered by the State or special districts or other governmental entities with independent taxing authority. METRO operates the transit system and is financed by a separate 1% sales and use tax, federal and State grants and fare receipts.

#### *Home-Rule Charter*

Although the City is a home-rule city under the Texas Constitution, it may not adopt ordinances or charter provisions inconsistent with Texas law. Under the Texas Constitution, the City Charter may be amended not more than once every two years at an election held for that purpose, which may be called by the City Council or upon petition of 20,000 of the City's registered voters. The last City Charter amendments were adopted on November 2, 2010. See "– City Charter Tax and Revenue Limitations." In addition, the City Charter allows the City's voters to exercise the powers of initiative and referendum. To enact an initiative ordinance, a petition signed by voters equal in number to at least 15% of the greater total vote cast for Mayor in any general election in the preceding three years must be submitted to the City. Thereafter, the City Council may enact the ordinance or call an election on the question of its adoption. In order to exercise the referendum power, a petition signed by voters equal in number to at least 10% of the greater total vote cast for Mayor in any general election in the preceding three years must be submitted to the City. City Council may repeal the ordinance that is the subject of the referendum petition or submit the issue to the electorate. See "– City Charter Tax and Revenue Limitations."

#### *City Charter Tax and Revenue Limitations*

In 2004, voters approved two initiatives, Proposition 1 (2004) and Proposition 2 (2004) (both described below), proposing to reduce, cap or otherwise limit ad valorem tax revenues or other revenues of the City. A majority of the voters voted for both Proposition 1 (2004) and Proposition 2 (2004), but Proposition 1 (2004)

received more favorable votes than Proposition 2 (2004). Because of language contained in Proposition 1 (2004) and the City Charter, the City has determined that Proposition 1 (2004) is effective and Proposition 2 (2004) is not. Notwithstanding, certain supporters of Proposition 2 (2004) filed a lawsuit in state district court seeking a declaratory judgment that Proposition 2 (2004) is valid and enforceable.

### ***Description of the Propositions***

***Proposition 1 (2004).*** Proposition 1 limits increases in (i) the City's ad valorem tax revenues by requiring voter approval for increases in ad valorem taxes in future years above a limit equal to the lesser of the actual revenues in the preceding Fiscal Year, plus 4.5%, or a formula that is based upon the actual revenues received in Fiscal Year 2005 adjusted for the cumulative combined rates of inflation and the City's population growth; and (ii) water and sewer rates (i.e., the City's Combined Utility System) by limiting rate increases to the combined increases in the rates of inflation and population growth, excluding rate increases required by certain bond covenants and rates established by contract, unless approved by the voters.

***Proposition 2 (2004).*** Proposition 2 (2004) would limit increases in the City's "combined revenues," which would include revenues of the general fund, special revenue funds and enterprise funds, excluding only grant monies and revenues from other governmental entities. Proposition 2 (2004) would require 60% voter approval at a regular election to increase combined revenues over the combined revenues for the immediately preceding Fiscal Year, adjusted for the rates of change in the Consumer Price Index ("CPI") for the Houston area and the City's population. If the actual increase in the amounts of combined revenues for any given Fiscal Year is less than the allowable increase, then such reduced amount of combined revenues received by the City would be the baseline for the next Fiscal Year. If in any year the City's "combined revenues" exceed the amount allowed by Proposition 2 (2004), then the City would be required to deposit such excess in a taxpayer relief fund. If the balance in the taxpayer relief fund reaches \$10 million, such amount would be required to be refunded to taxpayers. Proposition 2 (2004) includes a provision that states that the City shall honor its covenants with bondholders such that shortfalls in debt coverage, among other covenants, shall be made up from reductions in other expenditures.

In response to these tax and revenue limitations, the City held an election on November 7, 2006 at which the voters approved Proposition G and Proposition H, which are currently effective. The City has incorporated Propositions G and H into its financial policies, and it anticipates collecting revenues and making expenditures for public safety purposes in compliance with Proposition H. The City Controller has verified that the current Fiscal Year 2012 Budget complies with Proposition 1 (2004). Based on the current status of the litigation described below, the City has determined that there is no legal requirement that it determine compliance with Proposition 2 (2004).

***Proposition G (2006).*** Proposition G amended the City Charter to exclude revenues of the City's enterprise systems (i.e., Combined Utility System, Houston Airport System and the Convention and Entertainment Facilities Department) from the types of revenues limited under the City Charter. Voter approval of Proposition G removed the enterprise systems from the revenue limitations of Proposition 2 (2004), although the limitation on water and sewer rate increases included in Proposition 1 remains in effect.

***Status of Litigation.*** After the Fourteenth Court of Appeals ruled in favor of the City in a lawsuit brought by Proposition 2 (2004) supporters, an appeal to the Texas Supreme Court was made and oral arguments were heard on November 18, 2009. On August 26, 2011, the Texas Supreme Court ruled that the plaintiffs' claims were not ripe for adjudication, vacated the judgments of the Court of Appeals and trial court and dismissed the case for lack of jurisdiction. In a separate lawsuit, a voter sought to invalidate Propositions G and H. That action was dismissed by a state district court; however, the plaintiff appealed the ruling to the First Court of Appeals, which on April 15, 2010 overturned the district court's dismissal of the case and gave the plaintiff an opportunity to amend his pleading to prove standing for the suit. The City appealed such ruling to the Texas Supreme Court, but was denied review on December 16, 2011. The City will continue to aggressively defend such suit.

### ***City Investment Policy***

The City maintains an investment strategy that emphasizes, in order of priority, safety, liquidity and return on investment, as embodied in its investment policy (the "Policy"). The City does not invest in inverse floaters, or interest-only or principal-only mortgage-backed securities. The Policy provides, among other things, that (1) the

Investment Manager (as defined in the Policy) shall submit quarterly investment reports to City Council and (2) the Policy shall be reviewed annually by City Council. For a further discussion of the City's investments as of June 30, 2011, see Note 1.E.1 and Note 3.B of the Notes to the Financial Statements for Fiscal Year 2011 as set forth in APPENDIX A. On December 14, 2011, the City Council amended the Policy to incorporate amendments to the Public Funds Investment Act (PFIA).

Fitch Ratings has assigned a "AAA" credit quality rating to the City's General Investment Portfolio. The ratings reflect the view of Fitch Ratings, from whom an explanation of the significance of such ratings may be obtained.

### ***Interest Rate Swap Policy***

On November 25, 2003, the City adopted a master swap policy (the "Swap Policy") to provide guidance for the City in its use of swaps, caps, floors, collars, options and other derivative financial products (collectively, "Swaps") in conjunction with the City's management of its assets and liabilities. The Swap Policy describes the circumstances and methods by which Swaps will be used, the guidelines to be employed when Swaps are used, and who is responsible for carrying out these policies. The City may enter into Swaps as authorized by the City Council and approved by the Attorney General of the State of Texas in connection with the issuance or payment of certain debt obligations, before, concurrently with, or after the actual issuance of the debt.

There are currently no Swaps secured by the Pledged Revenues.

As a general rule, the City will enter into transactions only with counterparties whose obligations are rated in the double-A category or better from at least one nationally recognized Rating Agency. In addition, if a counterparty's credit rating is downgraded below the double-A rating category, the City may require that its exposure to the counterparty be collateralized or may exercise its right to terminate the transaction prior to its scheduled termination date. In order to limit the City's counterparty risk, the City will seek to avoid excessive concentration of exposure to a single counterparty or guarantor.

The Swap Policy provides that the City may choose counterparties for entering into Swap contracts on either a negotiated or competitive basis. To provide safeguards on negotiated transactions, the Swap Policy provides that the City may secure outside professional advice to assist in the process of structuring, documenting and pricing the transaction, and to verify that a fair price was obtained. In any negotiated transactions, the counterparty will be required to disclose all payments to third parties (including lobbyists, consultants and attorneys) who had any involvement in assisting the counterparty in doing business with the City.

The City will track and regularly report on the financial implications of its Swaps. A quarterly report will be prepared for the City Council including: (i) a summary of key terms of the agreements, including notional amounts, interest rates, maturity and method of procurement, including any changes to Swap agreements since the last reporting period; (ii) the mark-to-market value (termination value) of its Swaps, as measured by the economic cost or benefit of terminating outstanding contracts at specified intervals; (iii) the amount of exposure that the City has to each specific counterparty, as measured by aggregate mark-to-market value, netted for offsetting transactions; (iv) the credit ratings of each counterparty (or guarantor, if applicable) and any changes in the credit rating since the last reporting period; and (v) any collateral posting as a result of Swap agreement requirements. In addition, the City will perform such monitoring and reporting as is required by the rating agencies or for compliance with GASB requirements.

### ***Employee Pension Funds***

Prior to the Consolidation, all employees of the Department were employees of the City and participants in the Houston Municipal Employee Pension System (HMEPS). For Fiscal Year 2011, the Department budgeted and paid \$1.063 million (1.2%) of the total City pension contribution to HMEPS (a payment proportionate to the Department's percentage of the City's total civilian workforce payroll).

Upon the Consolidation, a substantial number of Department employees became employees of a non-profit organization that has a contract to provide employees to Houston First Corporation. These employees were provided a retirement [payment] [benefit] by HMEPS and then were no longer eligible to participate in HMEPS. However, some Department employees who will become eligible for retirement under HMEPS on or before July 1, 2018 have chosen to remain Department employees until they reach retirement eligibility (the "Bridge Employees"). Bridge Employees continue to be employed by the Department and participate in HMEPS, but Houston First Corporation reimburses the City for the related HMEPS contributions. [These reimbursement payments are a budgeted operating expense of Houston First Corporation].

In addition, Houston First Corporation has assumed the Department's obligation to pay its pro rata share of debt service for outstanding City pension bonds issued to meet the City's obligations under a HMEPS meet and confer agreement. In Fiscal Year 2011, the Department's pro rata share of debt service was \$242,447 and Houston First Corporation [expects to make] [has budgeted] a payment to HMEPS of approximately the same amount in Fiscal Year 2012.

At the last actuarial valuation, dated July 1, 2010, the unfunded accrued actuarial liability of HMEPS for all participating employees (including employees of the Department) was \$1.359 billion with a funded ratio (ratio of assets to accrued liability) of 62.6%. Houston First Corporation will pay amounts for any unfunded pension obligations [of former Department employees] at the direction of [the City] on the same basis as such amounts are budgeted to be paid for City employees and will make no payments for unfunded obligations with respect to Houston First Corporation employees who were [not] formerly Department employees.

### **The Convention and Entertainment Facilities Department**

Effective July 1, 2011, the Department was consolidated into the Hotel Corporation and the Hotel Corporation was reconstituted as and renamed "Houston First Corporation." Houston First Corporation has assumed all of the principal roles and responsibilities of the Department, including the responsibility to manage the Department's facilities and Department-managed facilities. Houston First Corporation also acts as the City's agent for the collection of the City HOT portion of Pledged Revenues. Houston First Corporation is governed by the Hotel Corporation's board of directors as it existed at the time of the Consolidation. Houston First Corporation's budget related to activities originally performed by the Department must be submitted to the Mayor for City Council approval not later than November 1 of each year. The City has committed to strive to approve the budget no later than December 1 of each year. Houston First Corporation's budget for the 2012 calendar year was adopted and approved by City Council on January 18, 2012. For a discussion of the Consolidation, its effect on the Bonds, and the agreements related thereto, see "CONSOLIDATION OF THE DEPARTMENT AND HOUSTON FIRST CORPORATION" herein.

#### ***Convention and Hotel Facilities***

With more than 1.8 million square feet, Houston ranks second in the United States in terms of available convention function space. It is estimated that during Fiscal Year 2011 City facilities hosted approximately 300 events resulting in a local economic impact of approximately \$250 million. Listed below are the major event venues in the Houston/Harris County area.

*George R. Brown Convention Center.* The George R. Brown Convention Center (the "Convention Center"), completed in 1987 and expanded in 2003, is a modern, multi-level 1.8 million square foot facility acclaimed as one of the best convention facilities in the world. It contains 853,000 square feet of exhibition space in seven halls, the George Bush Grand Ballroom, a 3,600-seat theater, a telescopic seating system for 6,000, 100 versatile meeting rooms and first-class catering facilities. The \$165 million expansion of the Convention Center in 2003 allows Houston to compete for the largest and most lucrative conventions and placed it among the 10 largest meeting places in North America. The Convention Center has hosted numerous top trade shows and conventions such as the Helicopter Association International, American Wind Energy Association, Wal-Mart Stores, Texas Democratic Party, the Republican Party of Texas, Texas Restaurant Association, Texas Nursery and Landscaping Association, the International Quilt Market and Festival and the Microsoft Dynamics Convergence.

*Reliant Park Complex.* The Reliant Park Complex consists of four facilities: Reliant Stadium, Reliant Astrodome, Reliant Center and the Reliant Astroarena Exposition Center. The Reliant Park Complex is the site of the Houston Texans' home football games and the annual Houston Livestock Show & Rodeo. Reliant Stadium is a \$367 million state-of-the-art stadium located adjacent to Reliant Astrodome and features a retractable roof, 69,500 seats and 165 private suites. Reliant Stadium was opened by the Houston Texans with a preseason game in August 2002 and was the site of Super Bowl XXXVIII in January 2004. The other major occupant of Reliant Stadium is the Houston Livestock Show and Rodeo, the largest show of its kind in the world. More than 2 million people enjoy the cowboys and musical entertainers for three weeks every February. The adjoining Reliant Center is a \$152 million facility with 550,000-square-feet of exhibition space on one level. The Reliant Astroarena Exposition Center has 350,000 square feet of exhibition space and seats 8,000.

*Bayou Place.* Bayou Place is a \$22 million redevelopment project managed by The Cordish Company at the former Albert Thomas Convention Center, which opened on December 31, 1997. Approximately 500,000 people visit the 130,000 square foot facility every year. Presently, the tenants at Bayou Place include Mingalone Italian Bar and Grill, Verizon Wireless Theater, Mosaic, Rocbar, Samba Grill, Bonsai, Sushi and Hard Rock Café. Robert Redford's Sundance Cinema opened at Bayou Place in November 2011. In 2006, an additional \$20 million redevelopment project transformed the 115,000 square foot west hall of the former Albert Thomas Convention Center into unique Class A office space and a 90-space parking garage.

*Minute Maid Park.* The \$250 million home of the Houston Astros opened on March 30, 2000. The downtown ballpark includes 42,200 seats, 63 suites and a retractable roof. In addition to a full slate of Astros games, it also hosts college baseball tournaments. In July 2004, Minute Maid Park hosted the Major League Baseball All-Star Game. Minute Maid Park is also the site of numerous other social events, many of which are held in the adjoining Union Station. Union Station features a conference center and 16 meeting rooms open for events 365 days a year.

*Toyota Center.* Toyota Center is a \$175 million facility completed in 2003. It is located adjacent to the Hilton Americas-Houston, the largest hotel in Houston, and only two blocks from the Convention Center. Toyota Center is home to the Houston Rockets and the Houston Aeros and also is used for concerts and other large gatherings. The arena is configured to seat approximately 18,500 for basketball games, 17,800 for hockey games and 20,000 for concerts. The City is entitled to a limited number of dates at the arena to host events of its choosing. It is expected that the Toyota Center will be able to attract major sporting and concert events to Houston for many years to come. The arena includes 92 luxury suites and is attached to a 2,500-car garage.

*BBVA Compass Stadium.* BBVA Compass Stadium is an \$85 million, 340,000 square foot, state-of-the-art facility with 22,000 seats and 33 suites. It will be the home to the Houston Dynamo upon its scheduled opening in May 2012. BBVA Compass Stadium will be the first soccer-specific stadium in major league soccer located in a city's downtown district. In addition to major league and international soccer matches, BBVA Compass Stadium will also host Texas Southern University's football games and numerous other sporting events (including rugby, high school football games and boxing) and concerts.

*Hilton Americas-Houston Hotel.* The City created a local government corporation, the Houston Convention Center Hotel Corporation, to build and finance the \$285 million Hilton Americas-Houston Hotel. Upon opening in December 2003, the Hilton Americas-Houston became the largest hotel in the City. The publicly-owned facility features 1,134 guest rooms and 66 suites. It also features two ballrooms, the larger of which is the largest ballroom in the state, and 28 meeting rooms. It is attached to a 1,600-car garage and the Convention Center. Hilton Americas-Houston was the host hotel for the National Football League administration when Houston hosted the 2004 Super Bowl and also served as the base of operations for the 2004 Major League Baseball All-Star Game. Hilton Hotels has operated the facility since its opening.

*Hobby Center for the Performing Arts.* The \$92 million Hobby Center opened on May 10, 2002 with the opening of the 2,650-seat Sarofim Hall. The 500-seat Zilkha Hall opened five months later. It also features a restaurant, a lounge and offices. Hobby Center was built on the site of the former Music Hall and Sam Houston Coliseum. Theater Under The Stars is the principal resident of the building. The Broadway in Houston series also performs on the large stage at Hobby Center.

*Discovery Green and Convention District Parking Garage.* Discovery Green is a 12-acre park across the street from the Convention Center and the Hilton Americas-Houston Hotel. This urban park was financed through a public-private partnership between the City and the non-profit Discovery Green Conservancy. Since opening in April 2008, the park has welcomed more than 1.5 million visitors. The park has two restaurants, water features (including a small lake which becomes an ice skating rink in the winter), children's play areas and event space. Built beneath Discovery Green, the Convention District Parking Garage has approximately 625 spaces that serve park and Convention Center patrons.

*Theater District Garages.* The Department owns and operates several major downtown parking garages and surface lots with over 6,400 parking spaces, including the Convention District Parking Garage. Republic Parking manages the garages pursuant to a contract with the City. In Fiscal Year 2011, the gross revenue from the source contract was approximately \$9.7 million.

*Hotels and Motels.* The City has over 500 hotels, motels and other vendors of sleeping accommodations, with approximately 51,100 rooms, as of December 2011. Many of the major hotels and motels are located near the City's convention facilities. See "SCHEDULE 2—Occupancy Rates and City HOT Revenues" for the annual occupancy rates and gross City HOT revenues for Fiscal Years 2001-2011.

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## HOUSTON FIRST CORPORATION

### General

The Houston Convention Center Hotel Corporation (the "Hotel Corporation"), the predecessor to Houston First Corporation, was formed on behalf of the City in February 2000 pursuant to Chapter 431, Subchapter D, of the Texas Transportation Code, and Chapter 394 of the Texas Local Government Code. It was organized for the specific purpose of constructing, improving, enlarging, equipping, repairing, operating and maintaining the Convention Center Hotel project and, therefore, was responsible for overseeing the construction and development of the Convention Center Hotel, the Hotel Garage and the connecting skywalks. Effective July 1, 2011, the Department was consolidated into the Hotel Corporation and the Hotel Corporation was reconstituted as and renamed "Houston First Corporation." Houston First Corporation assumed all of the principal roles and responsibilities of the Department. For a discussion of the Consolidation, its effect on the Bonds and the agreements related thereto, see "CONSOLIDATION OF THE DEPARTMENT AND HOUSTON FIRST CORPORATION" herein.

Effective upon the Consolidation, the board of directors of the Hotel Corporation became the board of directors of Houston First Corporation and the Hotel Corporation's articles of incorporation and bylaws were expanded to reflect Houston First Corporation's broader purposes. The Mayor continues to appoint, and City Council continues to confirm, all board members, including the chair.

The members of the board of directors and the officers of Houston First Corporation are comprised of the following members serving for the terms set out below. Each member of the board of directors continues to serve following the expiration of his or her respective term until a successor is appointed.

### BOARD OF DIRECTORS

Board Position	Name	Occupation	Term Expires December 31
Chair	Richard J. Campo	Real Estate Executive	2011
Director	David W. Arpin	Management Consultant	2011
Director	Katy Caldwell	Non-Profit Executive	2011
Director	Desrye M. Morgan	Investment Banker	2011
Director	Hasmukh D. Patel	Hotel Developer and Operator	2011
Director	Richard A. Rabinow	Consultant	2011
Director	David L. Solomon	Executive, Wealth Management	2011
Director	Joe Ting	Executive, Real Estate Management and Development	2011
Director	Thomas Deon Warner	Attorney	2011

OFFICERS

Name	Office
Dawn Ullrich	President and CEO
Brenda Bazan	Chief Financial Officer
Peter McStravick	Chief Operating Officer – Hotel
Mario Ariza	Chief Operating Officer – Theaters
Luther Villagomez	Chief Operating Officer – Convention Center
Dolores Kerr	Secretary

**2001 Interlocal Agreement**

**Background.** On March 21, 2001, the City approved an interlocal agreement (the “2001 Interlocal Agreement”), under which the City agreed to provide funding to the Hotel Corporation for the Convention Center Hotel and Hotel Garage. In return, the Hotel Corporation pledged and assigned to the City revenues derived from the Pledged Tax Rebates as security for the payment of the Allocated Hotel Bonds. The Hotel Corporation also agreed to use revenues from the operation of the Convention Center Hotel to make periodic reimbursement payments to the Department. Such payments in the aggregate will be equal to not less than the amount of debt service on the Allocated Hotel Bonds (as defined in APPENDIX B), less a credit equal to the amount of Pledged Tax Rebates actually paid to the City. Prior to the Consolidation, the Department used such reimbursement payments to partially fund its operations, including the City’s annual contract with GHCVB. Since the Consolidation, Houston First Corporation has continued to use such reimbursement payments in the same manner.

After the effective date of the Consolidation, Houston First Corporation assumed the Hotel Corporation’s obligations and duties under the 2001 Interlocal Agreement. Hereinafter, the “Hotel Corporation” shall be referred to as “Houston First Corporation” when describing rights and responsibilities under the 2001 Interlocal Agreement.

**Loan Amount.** Pursuant to the 2001 Interlocal Agreement, the City agreed to provide funding to Houston First Corporation from proceeds of the Series 2001 Bonds (the “Loan”). Houston First Corporation agreed to reimburse the City, with interest, from Cash Flow from Operations of the Convention Center Hotel in an amount equal to debt service on the Allocated Hotel Bonds (as defined in APPENDIX B), less certain credits provided to the Hotel Corporation attributable to the actual amount of Pledged Tax Rebates, as more particularly described in the 2001 Interlocal Agreement (the “Loan Amount”). The 2001 Interlocal Agreement provides that such reimbursement payments shall be made each year in accordance with an amortization schedule that corresponds with the amortization schedule of the Series 2001 Bonds (the “Amortization Schedule”). By refunding a portion of the Series 2001 Bonds that are Allocated Hotel Bonds, upon their issuance, the Bonds will be Allocated Hotel Bonds. The Amortization Schedule will be updated to reflect the issuance of the Bonds, the refunding of the Refunded Bonds and the Outstanding Allocated Hotel Bonds. Subsequent reimbursement payments will equal the amount reflected in the updated Amortization Schedule.

**Restriction on Prepayment.** The 2001 Interlocal Agreement provides that Houston First Corporation shall not have the right to prepay any portion of the Loan Amount if the amount of such prepayment would cause the unpaid principal balance of the Loan Amount to be less than the unpaid principal balance of the Allocated Hotel Bonds.

**Certain Covenants.** As long as the 2001 Interlocal Agreement shall remain in effect, Houston First Corporation has agreed to:

- (i) maintain and preserve its existence as a nonprofit local government corporation duly incorporated and in good standing pursuant to all applicable laws of the State of Texas;

- (ii) expend the proceeds of the Loan solely for the purposes permitted by the 2001 Interlocal Agreement;
- (iii) perform all of its obligations under the 2001 Interlocal Agreement and any related documents;
- (iv) permit representatives of the City, from time to time as often as may be reasonably requested, to (A) inspect and copy its books and records that relate to its performance under the 2001 Interlocal Agreement, (B) discuss with its officers and accountants its business, financial condition and results of operations and (C) inspect all reports provided to Houston First Corporation by the Hotel Operator under the Hotel Management Agreement;
- (v) furnish or cause to be furnished to the City (A) a copy of its budget for each fiscal year, (B) a copy of its annual audited financial statements for each fiscal year, (C) such other information respecting the conditions or operations of Houston First Corporation, (D) an internal financial and operations report of Houston First Corporation reflecting all receipts and disbursements by Houston First Corporation during each month in such quarter and (E) copies of all reports provided to Houston First Corporation under the Hotel Management Agreement;
- (vi) not enter into any agreement that would be breached by the performance of its obligations under the 2001 Interlocal Agreement or under any related documents;
- (vii) not amend or modify any provision of, or give any consent or grant any waiver under, any related document without first obtaining the City's written consent;
- (viii) execute and deliver to the City all such documents as may be necessary to enable the City to enforce its rights under the 2001 Interlocal Agreement;
- (ix) not, without the consent of the Director of the Department, modify or amend the Hotel Management Agreement or change the name of the Convention Center Hotel; and
- (x) provide on a timely basis to the City its audited financial statements and all operating data relating to Houston First Corporation required to comply with the continuing disclosure requirements of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule").

***Tax Covenants.*** Houston First Corporation has further agreed not to take any action, or knowingly omit to take any action, within its power which, if taken or omitted, would cause interest on any of the Series 2001 Bonds to be included in the gross income of the owners thereof for federal income tax purposes. In the ordinance authorizing the Series 2001 Bonds, the City has similarly covenanted and agreed not to take any action, or knowingly omit to take any action within its control, that, if taken or omitted, would cause the interest on the Series 2001 Bonds to be includable in the gross income of the owners thereof for federal income tax purposes.

***Application of Convention Center Hotel Operating Revenues.*** Houston First Corporation agreed in the 2001 Interlocal Agreement that not less often than monthly, beginning with the first month following the month in which the Convention Center Hotel opened for business to the public, to calculate and apply to Cash Flow from Operations of the Convention Center Hotel (to the extent the same is greater than zero) in the following order of priority:

- (i) First, to the payment of the installment due for such month pursuant to the Amortization Schedule (or, to the extent applicable, to any past due installments) after taking into account all credits for Pledged Tax Rebates (if the Cash Flow from Operations is insufficient to discharge this obligation in any month the amount of such deficiency shall accrue and be payable the following month);

(ii) Second, an amount equal to the excess of \$25 million (the "Preferred Return," as defined more particularly in the Hotel Management Agreement) over the aggregate installments due and payable under the Amortization Schedule shall be applied first to operations and maintenance expenses of the Department and non-recurring expenditures of the Department determined by the Director in his or her sole discretion from time to time, then to the Corporate Reserve Fund until the aggregate balance therein equals the Corporate Reserve Fund Maximum Amount;

(iii) Third, after disposition of the Preferred Return, to the extent not fully funded, to the Primary Capital Replacement Reserve;

(iv) Fourth, to the payment of any accrued, unpaid but due and owing Subordinated Management Fee;

(v) Fifth, to the extent not fully funded, to the Secondary Capital Replacement Reserve; and

(vi) Sixth, unless otherwise directed by the President of Houston First Corporation, the balance (together with certain other sums, the "Excess Cash") shall be transferred to the City in accordance with the articles of incorporation of Houston First Corporation for deposit into the Convention and Entertainment Development Fund and shall be expended in accordance with the Ordinance. None of the payments of the Excess Cash made to the City pursuant to the 2001 Interlocal Agreement shall be deemed payments or prepayments to be applied against the Loan Amount unless specifically designated as such and accepted by the Director of the Department as such.

***Director's Rights to Withdraw from Corporate Reserve Fund.*** The 2001 Interlocal Agreement provides that the primary purpose of the Corporate Reserve Fund is to provide a reserve of funds to Houston First Corporation to enable it to pay unanticipated costs of owning and operating the Convention Center Hotel and Hotel Garage and generally conducting its business. The 2001 Interlocal Agreement provides that notwithstanding such primary purpose, upon the request of the Director of the Department made, in the Director's sole discretion, the President of Houston First Corporation shall withdraw funds from the Corporate Reserve Fund and deliver the same to the City through the Department, so as to enable the Director (i) to prevent a default in the payment of the debt service on any Parity Bonds and (ii) to pay costs and expenses (including non-recurring expenses) relating to the operation of the Department and maintaining the Department's facilities.

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## CONSOLIDATION OF THE DEPARTMENT AND HOUSTON FIRST CORPORATION

### General

On June 1, 2011, City Council approved the Consolidation of the Department into the Hotel Corporation, effective July 1, 2011, in order to improve the coordination of the City's convention and entertainment services by bringing various entities responsible for generating and spending City HOT revenues under one governing body. Although the Consolidation merged the activities of the Department into the Hotel Corporation, the Department continues in existence because, in accordance with the ordinances authorizing the Parity Bonds, the special funds and accounts established by such ordinances for the Pledged Revenues must remain with the City.

In connection with the Consolidation, the Hotel Corporation reconstituted and renamed itself as "Houston First Corporation" and Houston First Corporation assumed the primary roles and responsibilities of the Department. To accomplish this, the Hotel Corporation amended its bylaws and articles of incorporation to broaden its authority to accomplish its expanded duties and responsibilities. Houston First Corporation has the authority to exercise all rights and privileges of a Texas non-profit corporation and, as a governmental unit within the meaning of Chapter 101 of the Texas Civil Practice Remedies Code, its operations are governmental and not proprietary functions. Houston First Corporation is governed by the Hotel Corporation's board of directors as it existed at the time of the Consolidation. See "HOUSTON FIRST CORPORATION—General" for members of the board of directors, their occupations, and terms of office. Houston First Corporation (a) leases all previously existing Department facilities and Department-managed facilities, (b) operates, manages, maintains, develops and redevelops those existing facilities, (c) has been assigned and now administers all of the Department's obligations and responsibilities as well as its revenue budgeted as part of the Department's budget including, but not limited to, municipal HOT receipts, license fees, concession revenues and (d) as the City's agent, collects, administers and audits HOT funds (including Pledged HOT revenues) in accordance with terms of the ordinances authorizing the Bonds and the Parity Bonds. The City has entered into an interlocal agreement with Houston First Corporation (the "Consolidation Interlocal Agreement") whereby Houston First Corporation will pay \$1,380,000 per year to lease all existing Department facilities and Department-managed facilities. Houston First Corporation has also agreed to pay the City a fee of \$8,620,000 during Fiscal Year 2012, in quarterly installments, from operating revenues of the Convention Center Hotel and not from Pledged Revenues. The Consolidation Interlocal Agreement's initial term expires on December 31, 2026, but will be extended automatically to June 30, 2041 unless cancelled by either party on or before June 30, 2026.

The following sections describe the effect of the Consolidation on the Bonds and Parity Bonds, and provide a summary of the terms of the agreements authorizing the Consolidation, particularly the provisions that relate to the Bonds, the Pledged Revenues and Parity Bonds.

### Effect of the Consolidation on the Bonds and Parity Bonds

Neither the Consolidation nor the terms of the ordinances and agreements authorizing the Consolidation modify the pledge of, or the revenues that constitute, the Pledged Revenues under the ordinances authorizing the Bonds and the Parity Bonds. With respect to the Pledged Revenues, the Consolidation assigns the responsibility for collection of the City HOT portion of the Pledged Revenues to Houston First Corporation as an agent of the City. Pursuant to the Consolidation Interlocal Agreement, on the effective date of the Consolidation, Houston First Corporation assumed the responsibility for the administration, collection, accounting and auditing related to the City's HOT receipts. Once collected by Houston First Corporation, however, the Consolidation Interlocal Agreement requires that Houston First Corporation apply any Pledged Revenues it receives in accordance with the ordinances authorizing the Bonds and the Parity Bonds. As required by the authorizing ordinances, as long as any Parity Bonds remain Outstanding, the special funds established for Pledged Revenues must continue to be held by the City, though administration of such funds will be performed by Houston First Corporation's employees. Houston First Corporation must also provide the City's Finance Department with a monthly cash reconciliation regarding City HOT collections.

## Agreements Relating To The Consolidation

On June 1, 2011, the City approved an ordinance enacting the Consolidation that (a) amended the Hotel Corporation's articles of incorporation to change the name of the Hotel Corporation to Houston First Corporation and to reflect Houston First Corporation's broader role and purpose, (b) approved the Consolidation Interlocal Agreement detailing the financial, personnel and reporting requirements for the City and Houston First Corporation after the Consolidation, (3) approved a lease agreement between the City and Houston First Corporation and (d) amended the chapter of the City's code of ordinances that governs the Department to reflect Houston First Corporation's new obligations and responsibilities. A summary of the amended Articles of Incorporation, the Consolidation Interlocal Agreement and the Lease Agreement is provided below. The summaries below are qualified in their entirety by reference to each respective agreement. Copies of the agreements may be obtained from the City's Financial Advisor, First Southwest Company, 700 Milam, Suite 500, Houston, Texas 77002.

**Articles of Incorporation.** The Hotel Corporation's Articles of Incorporation were amended to permit Houston First Corporation to act on behalf of the City in (a) establishing, constructing, improving, enlarging, equipping, repairing, operating or maintaining any or all of one or more hotels in downtown Houston; (b) operating, managing, owning, developing, repairing, maintaining, financing, constructing, equipping, improving, enlarging and leasing (or in each case, contracting with others to do so) facilities for the promotion and display of events, meetings, trade shows, entertainment, arts, exhibits, expositions to foster or promote tourism, the arts or entertainment generally and to generally promote the City and surrounding areas including, without limitation, the Leased Premises (as defined in the Lease Agreement); (c) executing and entering into contracts with others (including, without limitation, the City) for the provision of management, leasing, development and operations services on such parties' behalf; (d) conducting any and all other lawful business which is reasonably related to the promotion of tourism, group meetings, hotel occupancy and arts or entertainment generally; and (e) performing any other function or operation reasonably related to any of the foregoing.

**Consolidation Interlocal Agreement.** For a discussion of the Consolidation Interlocal Agreement and its effect on the Bonds and Parity Bonds, see "—Effect of the Consolidation on the Bonds and Parity Bonds" above.

**General Assignment.** Pursuant to the Consolidation Interlocal Agreement, Houston First Corporation agreed to (a) leases all existing Department facilities and Department-managed facilities, (b) operate, manage, maintain, develop and redevelop those existing assets, (c) was assigned and now administers all of the Department's obligations and responsibilities as well as its revenue (excluding Pledged Revenues which remain in the funds established by the City pursuant to the ordinances authorizing the Parity Bonds) presently budgeted as part of the budget for the Department including, but not limited to, City HOT receipts, license fees, concession revenues, and (d), as the City's agent, collect, administer and audit the HOT funds (which include Pledged Revenues) in accordance with terms of the ordinances authorizing the Bonds and the Parity Bonds.

**Term.** The term of the Consolidation Interlocal Agreement commenced on July 1, 2011 and ends at midnight on the first to occur of (a) December 31, 2026, (b) termination of the Consolidation Interlocal Agreement by either party, (c) termination by mutual agreement of the City and Houston First Corporation or (d) the termination of the Lease Agreement (the "Term"). The Term will automatically extend from January 1, 2027 to June 30, 2041, unless either party provides written notice to the other party on or before June 30, 2026 of its election to terminate as of December 31, 2026. Notwithstanding the above, Houston First Corporation has the right to terminate the agreement at any time during the first year of the Term by providing the City 90 days' prior written notice.

**Effect of Termination.** Upon expiration or termination, (1) Houston First Corporation will surrender possession of the Leased Premises in accordance with the Lease Agreement (discussed below), (2) the City will immediately take over the Leased Premises and Houston First Corporation's liability shall cease for any costs of expenses incurred after the date of expiration or termination and (3) the City will assume and become liable for all indebtedness evidenced by any bonds issued by Houston First Corporation; provided, however, that Houston First Corporation (i) must transfer to the City any donations or pledges of contributions held by it to the extent that the proceeds thereof are pledged or the terms of the donation permit a transfer and (ii) will remain in existence to administer and apply the debt service of such bonds.

*Annual Budget.* The City Council must approve Houston First Corporation's budget for the Leased Premises annually. Houston First Corporation must submit the budget with regard to its activities to the Mayor no later than November 1 of each year. The City has committed to use its best efforts to approve the budget not later than December 1 of each year.

*Annual Audit.* The Mayor and any other City official have the right, at the City's expense, to audit the books and records of Houston First Corporation, but not more frequently than once during any 12-month period.

*HOT Collections.* See "—Effect of the Consolidation on the Bonds and Parity Bonds" for a discussion of Houston First Corporation's responsibilities as the City's collection agent for City HOT receipts.

*Rates, Fees and other Charges.* Houston First Corporation has the exclusive authority to establish and negotiate rates, fees, deposits, charges and surcharges for use of any of the Leased Premises and to budget and expend such revenues in furtherance of its purposes.

*Employees.* A substantial number of the Department's employees have become employees of a non-profit organization that has a contract to provide employees to Houston First Corporation. The remainder continue to be employed by the City for certain periods of time. Bridge Employees may remain City employees with all benefits and rights thereof until they reach retirement eligibility. See "THE CITY AND THE DEPARTMENT – Employee Pension Funds." After they meet retirement eligibility, Bridge Employees, if offered a position, may become employees of Houston First Corporation. If the Consolidation Interlocal Agreement is terminated, employees of Houston First Corporation who were originally Department employees will resume City employment and shall be eligible for all the related benefits except a City pension.

*Contracts.* Houston First Corporation has the exclusive right during the Term of the Consolidation Interlocal Agreement to enter into any contracts on any of the Leased Premises, or any part thereof, including, without limitation, subleases, licenses, contracts, concessions and other activities for the purpose of providing goods and services including, but not limited to, food and beverage concessions, gift shops and ticket vending services.

*Future Bond Issues.* Subject to the approval of the City, Houston First Corporation has the right to issue bonds from time to time to finance construction of new facilities or for the renovation or reconstruction of any of the Leased Premises during the Term of the Consolidation Interlocal Agreement. Houston First Corporation must coordinate donations and other contributions and the pledge of Houston First Corporation revenues for additional security for the benefit of the holders of any such bonds.

*Defaults by Houston First Corporation.* The following constitute events of default by Houston First Corporation under the Consolidation Interlocal Agreement: (a) failure to perform or comply with any covenant that is not cured within 60 days; provided, however, that if such default cannot be cured within 60 days, Houston First Corporation will have a reasonable period (not to exceed an additional 120 days) to complete such cure if Houston First Corporation promptly takes action to cure such default within the 60-day period; (b) liens are filed against the Leased Premises or Houston First Corporation's interest therein that remains unreleased for a period of 60 days from the date of the filing unless contested by Houston First Corporation in good faith; (c) dissolution or liquidation of Houston First Corporation or a voluntary petition in bankruptcy, failure to promptly remove any execution or garnishment that impacts ongoing operations, appointment of a receiver, liquidator or other similar official, or assignment by Houston First Corporation for the benefit of its creditors, approval by a court for reorganization under Chapter 11 of the U.S. Bankruptcy Code; or (d) an event of default by Houston First Corporation under the Lease Agreement.

*City Remedies.* Upon the existence of an event of default by Houston First Corporation, the City may (a) upon notice to Houston First Corporation, terminate not less than 90 days nor more than 180 days after the date of notice, (b) bring suit for injunctive relief to enforce performance and observance of any material obligation, agreement or covenant of Houston First Corporation. Additionally, if the Mayor reasonably determines Houston First Corporation's default creates a situation or condition the Mayor reasonably determines is a serious threat to the health and safety of the patrons and visitors of the Leased Premises, the City may enter and cure such default

(without such entering constituting a termination or default). Houston First Corporation must then pay the City on demand the City's costs.

*Defaults by the City.* The following constitute events of default under the Consolidation Interlocal Agreement by the City: (a) failure of the City to fully and timely pay any monetary obligation, which is not cured within 30 days from the date the payment is due or (b) failure of the City to perform or comply with any material non-monetary covenant that is not cured within 60 days; provided, however, that if such default cannot be cured within 60 days, Houston First Corporation will have a reasonable period (not to exceed an additional 120 days) to complete such cure if Houston First Corporation promptly takes action to cure such default within the 60-day period.

*Houston First Corporation's Remedies.* Upon the existence of a default by the City, Houston First Corporation may (a) upon notice, terminate not less than 90 nor more than 180 days after the date of such notice or (b) cure the default and pay all sums or do all reasonably necessary work and incur reasonable costs on behalf of the City. The City must then pay Houston First Corporation on demand Houston First Corporation's costs.

*Lease Agreement.* In connection with the Consolidation, the City entered into a lease agreement with Houston First Corporation in accordance with certain terms provided below (the "Lease Agreement"). The Lease Agreement delegates to Houston First Corporation the full power and authority to manage, operate, maintain, license, sublease, modify, redevelop and improve the Leased Premises (as defined below). The City, however, retains title and ownership to the Leased Premises and any debt, to the extent previously incurred in connection with the Leased Premises, remains an obligation of the City.

*Leased Premises.* As of the beginning of the Term, the City leases, as-is, to Houston First Corporation (i) various parks and facilities operated by the Department, (ii) properties subject to certain leases by the City, as landlord, and as to which the Department, prior to July 1, 2011, had been designated as the City's representative in such leases, (iii) any new or additional properties owned by the City and hereafter designated by City Council and accepted by Houston First Corporation. Such facilities include, but may not be limited to, the George R. Brown Convention Center, Wortham Theater Center, including Ray C. Fish Plaza, Sesquicentennial Park I and II, certain statues and its surface parking lots, the Convention Center parking garage, Historic House (Foley and Cohen), the Houston Center for the Arts and its surface parking lot, The Houston Center for the Arts Warehouse, Jesse H. Jones Hall, Jones Plaza, Miller Outdoor Theatre, Root Square Memorial Park, Talento Bilingue de Houston, the Civic Center/Tranquility Garage, the Houston Police Department Parking Lot, and certain tunnels, the Sabine Promenade, Sweeney Clock Triangle, certain fountains and rights-of-way, and certain development and/or ground leases with the Sports Authority, the Houston Aquarium, the Houston Music Hall Foundation, and the Cordish Company (the "Leased Premises").

*Effect of Termination.* Upon the expiration or termination of the Lease Agreement, Houston First Corporation will (a) surrender possession of the Leased Premises and the City will immediately take over operation of the Leased Premises, (b) immediately assume and become liable for all indebtedness evidenced by bonds issued by Houston First Corporation with the City's approval; provided, however, that Houston First Corporation will transfer to the City any pledges, contributions, or private donations held by Houston First Corporation and (c) remain in existence after the termination or expiration of the Lease Agreement and administer and apply debt service on such bonds.

*Covenants of Houston First Corporation.* Houston First Corporation has committed to (a) pay rent in the amount of \$1,380,000 per year for the Leased Premises, subject to annual adjustments, (b) use the Leased Premises solely for the purposes in which they were designed, (c) not abandon the Leased Premises, (d) operate the Leased Premises in conformance with all obligations of the City, including covenants of any applicable City bond documents, (d) pay all sales taxes, licenses, permits, and fees and (e) not assign the Lease Agreement in whole or in part without obtaining the prior written consent of the City.

*Covenants of the City.* The City has committed to (a) at Houston First Corporation's request, at all times keep the Leased Premises insured under its property damage insurance policy, (b) not authorize, permit, or enter into any concessions or other agreements to give rights to any concessionaire of the City to offer or sell tickets for events or admissions on the Leased Premises, or give exclusive or any other rights to any concessionaire that would operate or restrain or prohibit Houston First Corporation from entering into a concession or other agreement

with regard to use, or exclusive right to conduct business, or give rights to any person to operate within or have the right to use, the Leased Premises and (c) not violate any agreements entered into by Houston First Corporation with respect to any of the Leased Premises.

*Defaults by Houston First Corporation.* The following constitute events of default under the Lease Agreement by Houston First Corporation: (a) failure to perform or comply with any covenant which is not cured within 60 days; provided, however, that if such default cannot be cured within 60 days, Houston First Corporation will have a reasonable period (not to exceed an additional 120 days) to complete such cure if Houston First Corporation promptly takes action to cure such default within the 60-day period, (b) the Leased Premises are abandoned by Houston First Corporation, (c) an Event of Default by Houston First Corporation under the Consolidation Interlocal Agreement, (d) liens are filed against the Leased Premises or Houston First Corporation's interest therein that remains unreleased for a period of 60 days from the date of the filing unless contested by Houston First Corporation in good faith, (e) dissolution or liquidation of Houston First Corporation or a voluntary petition in bankruptcy, failure to promptly remove any execution or garnishment that impacts ongoing operations, appointment of a receiver, liquidator or other similar official or (d) an event of default by Houston First Corporation under the Lease Agreement.

*City Remedies.* Upon the existence of an Event of Default by Houston First Corporation, the City may, upon notice to Houston First Corporation, terminate not less than 90 days nor more than 180 days after the date of notice, and exclude Houston First Corporation from possession of the Leased Premises. Additionally, if the Mayor reasonably determines Houston First Corporation default creates a situation or condition the Mayor reasonably determines is a serious threat to the health and safety of the patrons and visitors of the Leased Premises, the City may enter and cure such default (without such entering constituting a termination or default).

*Defaults by the City.* The following constitute Events of Default under the Lease Agreement by the City: (a) failure of the City to fully and timely pay any monetary obligation that is not cured within 30 days from the date the payment is due, (b) failure of the City to perform or comply with any material non-monetary covenant that is not cured within 60 days; provided, however, that if such default cannot be cured within 60 days, the City will have a reasonable period (not to exceed an additional 120 days) to complete such cure if the City promptly takes action to cure such default within the 60-day period or (c) an event of default by the City under, and as defined in, the Consolidation Interlocal Agreement.

*Houston First Corporation's Remedies.* Upon the existence of an Event of Default by the City, Houston First Corporation may (a) upon notice, terminate not less than 90 nor more than 180 days after the date of such notice or (b) cure the Default and pay all sums or do all reasonably necessary work and incur reasonable costs on behalf of the City. The City must then pay Houston First Corporation on demand the costs incurred.

## **RATINGS**

Moody's and S&P have assigned ratings of “\_\_” and “\_\_,” respectively, to the Bonds. The ratings reflect only the views of the rating agencies, from whom an explanation of the significance of such ratings may be obtained. The City is not obligated to maintain the current ratings on the Bonds or other outstanding Parity Bonds, and there is no assurance that ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal could have an adverse effect on the market price of the Bonds or other outstanding Parity Bonds. The City and the Financial Advisor will undertake no responsibility to oppose any revision or withdrawal of such ratings.

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

Under Texas law, the Bonds are legal and authorized investments for insurance companies, fiduciaries or trustees, and for the sinking fund of cities, towns, villages, school districts and other political subdivisions or public agencies of the State. The Bonds are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas that have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Bonds may have to be assigned a rating of “A” or its

equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. The City has not reviewed the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

The City has made no investigation of any other laws, rules, regulations or investment criteria that might affect the suitability of the Bonds for any of the above purposes or limit the authority of any of the above persons or entities to purchase or invest in the Bonds.

## **LEGAL MATTERS**

### **No Litigation Certificate**

On the date of delivery of the Bonds, the City will certify that, except as disclosed herein, there is no litigation or other proceeding pending or, to the knowledge of the City, threatened in any court, agency or other administrative body (either state or federal) (i) restraining or enjoining the issuance, sale or delivery of the Bonds or (ii) in any way questioning or affecting (a) the proceedings under which the Bonds were issued, (b) the validity of any provision of the Bonds or the Ordinance or (c) the legal existence of the City and the titles and offices of the present officials of the City.

### **Legal Opinions**

The delivery of the Bonds is subject to receipt of the approving opinions of the Attorney General of the State of Texas and of Andrews Kurth LLP and Escamilla Poneck & Cruz, LLP, each of Houston, Texas, Co-Bond Counsel, as to the validity of the issuance of the Bonds under the Constitution and laws of the State of Texas. The opinion of Co-Bond Counsel will be based upon an examination of a transcript of certain proceedings taken by the City incident to the issuance and authorization of the Bonds. See APPENDIX E for the proposed form of Co-Bond Counsel opinion. The fees of Co-Bond Counsel for their services with respect to the Bonds are, in part, contingent upon the sale and delivery of the Bonds.

Certain legal matters will be passed upon for the City by its Special Disclosure Co-Counsel, Haynes and Boone, LLP and Chevalier Helms, PLLC, each of Houston, Texas. Certain legal matters will be passed upon for the Underwriters by their counsel, West & Associates, L.L.P., Houston, Texas.

## **LITIGATION AND REGULATION**

### **General Litigation and Claims**

The City is a defendant in various lawsuits and is aware of pending claims arising in the ordinary course of its municipal and enterprise activities, certain of which seek substantial damages. That litigation includes lawsuits claiming damages that allege that the City caused personal injuries and wrongful deaths; class actions and other lawsuits and claims alleging discriminatory hiring and promotion practices and certain civil rights violations arising under the Federal Voting Rights Act; various claims from contractors for additional amounts under construction contracts; and claims involving ad valorem tax assessments and various other liability claims. The status of such litigation ranges from an early discovery stage to various levels of appeal of judgments both for and against the City. The amount of damages is limited in certain cases under the Texas Tort Claims Act and is subject to appeal. The City intends to defend itself vigorously against the suits; however, no prediction can be made, as of the date hereof, with respect to the liability of the City for such claims or the final outcome of such suits. The City typically utilizes its General Fund to liquidate claims and judgments; however, the City may, at its option, issue tax bonds to pay any final, unappealable judgments and settlements resulting from lawsuits against the City. See Note 13 to the Financial Statements for Fiscal Year 2011 in APPENDIX A. See also the section captioned “– City Charter Tax and Revenue Limitations.”

The City is also aware that various claims for inverse condemnation may be asserted against the City in connection with operations of the City’s Combined Utility System, the aggregate amounts of which are unknown. In one such case, a Texas Court of Appeals awarded a group of plaintiffs an amount, which, with interest, exceeded

\$26 million, for the alleged inverse condemnation of their mineral rights under and in the vicinity of Lake Houston. However, the Texas Supreme Court reversed and remanded the case to the trial court resulting in a judgment for the plaintiffs for the original amount. The City is appealing such decision. The City intends to defend itself vigorously against such litigation and all other inverse condemnation claims; however the City's liability with respect to these claims cannot be predicted.

### **Environmental Regulation**

The City is subject to the environmental regulations of the State and the United States. These laws and regulations are subject to change, and the City may be required to expend substantial funds to meet the requirements of such regulatory authorities, such as requirements relating to quality of the City's water supply or wastewater discharges or to the handling and disposal of wastes. Failure to comply with these laws and regulations may result in the imposition of administrative, civil and criminal penalties, or the imposition of an injunction requiring the City to take or refrain from taking certain actions. In addition, the City may be required to remediate contamination on properties owned or operated by the City.

### **Other Environmental Measures**

Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the Texas Commission on Environmental Quality ("TCEQ") may curtail new industrial, commercial and residential development in Houston and adjacent areas. Under the Clean Air Act Amendments of 1990, the eight county Houston-Galveston Area ("HGB Area") has been designated by the EPA as a non-attainment area under the EPA's ozone standards. Such areas are required to demonstrate progress in reducing ozone concentrations each year until compliance with EPA's standards are achieved. To provide for annual reductions in ozone concentrations, the EPA and the TCEQ have imposed increasingly stringent limitations on emissions of volatile organic compounds and nitrogen oxides ("NOx") from existing stationary sources of air emissions. In addition, any new source of significant air emissions, such as a new industrial plant, must provide for a net reduction of air emissions by arranging for other industries to reduce their emissions by 1.3 times the amount of pollutants proposed to be emitted by the new source. Even though existing air emissions controls are quite stringent, studies have indicated that even more stringent air emissions controls will be necessary in order for the HGB Area to achieve compliance with ozone standards. In 2010, EPA proposed to lower its existing ozone standard from 0.075 parts per million (ppm) to 0.060-0.070 ppm. If EPA lowers its ozone standard to 0.060-0.070 ppm, which could occur in 2011, it will be very difficult for the HGB Area to achieve compliance with the new lower standard. Due to the magnitude of air emissions reductions required as well as shortage of economically reasonable control options, the development of a successful air quality compliance plan has been and continues to be extremely challenging and will inevitably impact a wide cross-section of the business and residential community. Extremely stringent controls on sources of air emissions in the HGB Area, could make the Houston area a less attractive location to businesses in comparison to other areas of the country that do not impose similarly stringent air emissions controls. If the HGB Area fails to demonstrate progress in reducing ozone concentrations or fails to meet the EPA's standards, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects, as well as severe emissions offset requirements on new major sources of hydrocarbon emissions for which construction has not already commenced.

Other constraints on economic growth and development include lawsuits filed under the Clean Air Act by plaintiffs seeking to require emission reduction measures that are even more stringent than those adopted by TCEQ and approved by EPA. From time to time, various plaintiff environmental organizations have filed lawsuits against TCEQ and EPA seeking to compel the early adoption of additional emission reduction measures, many of which could make it more difficult for businesses to construct or expand industrial facilities or which could result in travel restrictions or other limitations on the actions of businesses, governmental entities and private citizens. Any successful court challenge to the currently effective air emissions control plan could result in the imposition of even more stringent air emission controls that could threaten continued growth and development in the HGB Area.

### **Periodic Flooding**

Owing in part to its relatively flat topography and moist coastal climate, certain areas in the City are subject to periodic flooding and associated severe property damage as a result of storm events and hurricanes. The City and

Harris County each participate in the National Flood Insurance Program, which is administered by FEMA. Communities participating in the National Flood Insurance Program are required by FEMA to adopt restrictions on development in designated flood prone areas. In exchange, the National Flood Insurance Program makes federally subsidized flood insurance available to homeowners, renters and business owners located in the participating communities.

In connection with its administration of the National Flood Insurance Program, FEMA will from time to time revise its Flood Insurance Rate Maps, which serve to classify the relative flooding potential of geographic areas. FEMA recently revised its Flood Insurance Rate Maps for the Greater Houston area as well as unincorporated Harris County. The new Flood Insurance Rate Maps have been developed with an advanced laser mapping technology, called LiDAR, that is expected to provide a more precise understanding of flood risks on the ground. One consequence of the new digital Flood Insurance Rate Maps that FEMA approved in late 2006 is that some homes and businesses within the City and the surrounding area that were outside of the 100-year flood plain (those areas that are determined to have a greater than 1% chance of flooding in any given year) under the previous Flood Insurance Rate Maps are now included in the 100-year flood plain. Residential, commercial, and industrial properties in the City that recently have been reclassified as being within the 100-year flood plain could experience a diminution in value, the extent of which has not yet been determined.

#### **TAX EXEMPTION**

The delivery of the Bonds is subject to opinions of Andrews Kurth LLP, Houston, Texas, and Escamilla, Poneck & Cruz, LLP, Houston, Texas, Co-Bond Counsel to the City ("Co-Bond Counsel"), to the effect that interest on the Bonds (1) is excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended and in effect on the date of such opinion (the "Code"), of the owners thereof for federal income tax purposes pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as hereinafter described, corporations. The statutes, regulations, rulings and court decisions on which such opinions are based are subject to change.

Interest on the Bonds owned by a corporation will be included in such corporation's adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporation, other than an S corporation, a qualified mutual fund, a real estate investment trust, a real estate mortgage investment conduit or a financial asset securitization investment trust ("FASIT"). A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by Section 55 of the Code will be computed.

In rendering the foregoing opinions, Co-Bond Counsel have relied upon representations and certifications of the City made in a certificate of even date herewith pertaining to the use, expenditure and investment of the proceeds of the Bonds and have assumed continuing compliance by the City with the provisions of the Ordinance subsequent to the issuance of the Bonds. The Ordinance contains covenants by the City with respect to, among other matters, the use of proceeds of the Bonds and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of the proceeds and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants would cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Co-Bond Counsel's opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent Co-Bond Counsel's legal judgment based upon their review of existing law to the extent deemed relevant to render such opinions and the representations and covenants referenced above. The Service has an ongoing audit program to determine whether interest on selected state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to the likelihood that the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service is likely to treat the City as the "taxpayer," and the owners would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the City may have different or conflicting interests from the owners. Public awareness of any future audit of the Bonds

could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Co-Bond Counsel express no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

### **Impact of President's 2013 Budget Proposal**

On February 13, 2012, President Obama released the language of his proposed budget for fiscal year 2013 (the "Budget"). One provision of the Budget would have the effect of imposing an additional amount of tax on certain "high income" taxpayers based on, among other things, the amount of interest on tax-exempt obligations, such as the Bonds, received by such taxpayers. As originally proposed, this provision will be effective for taxable years beginning on or after January 1, 2013, and will apply to interest on the Bonds and other tax-exempt obligations received by such taxpayers on or after that date. The introduction or enactment of this provision or any similar legislative proposal may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds are advised to consult their tax advisors with respect to the impact of the Budget or other legislative proposals, as to which Co-Bond Counsel express no opinion.

### **TAX ACCOUNTING TREATMENT OF DISCOUNT AND PREMIUM ON THE BONDS**

The initial public offering price on certain of the Bonds may be less than the amount payable at maturity on such Bonds. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount, allocable to the holding period of such Discount Bond by the initial purchaser, will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from the gross income of the owners thereof, rather than as taxable gain, for federal income tax purposes on the same terms and conditions as those for other interest on the Bonds described above under "TAX EXEMPTION." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during his taxable year.

However, such interest may be required to be taken into account in determining the alternative minimum taxable income of a corporation, for purposes of calculating a corporation's alternative minimum tax imposed by Section 55 of the Code, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

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

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Bonds and with respect to the state and local tax consequences of owning Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain of the Bonds may be greater than the amount payable at maturity on such Bonds. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bond. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable premium, even though no corresponding deduction is allowable. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable premium with respect to the Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning Premium Bonds.

#### **BONDHOLDERS' REMEDIES**

The Ordinance makes no provision for the appointment of a trustee to protect the rights of registered owners of the Bonds, nor does it provide for acceleration of maturity of the Bonds by a trustee or agent for registered owners of the Bonds. In the event of default the registered owners of the Bonds have no right or claim under Texas law against the City or any property of the City other than their right to payment from Pledged Revenues. Accordingly, the only practical remedy in the event of default may be a mandamus or mandatory injunction proceeding to compel the City to perform its other obligations under the Ordinance. Such remedy may need to be enforced on a periodic basis because maturity of the Bonds is not subject to acceleration.

#### **VERIFICATION OF MATHEMATICAL COMPUTATIONS**

The accuracy of the mathematical computations of the adequacy of the funds held in the Refunded Bonds Escrow Fund to provide for the payment of the Refunded Bonds will be verified by Grant Thornton LLP, a firm of independent certified public accountants.

These computations will be based upon information and assumptions supplied by the Underwriters on behalf of the City. Grant Thornton LLP has restricted its procedures to recalculating the computations provided by the Underwriters and has not evaluated or examined the assumptions or information used in the computations.

#### **UNDERWRITING**

Hutchinson, Shockey, Erley & Co., as representative and on behalf of the Underwriters set forth on the cover page hereof (the "Representative"), has agreed to purchase the Bonds, subject to certain conditions, and has agreed to pay therefor a price of [\$ \_\_\_\_\_] (reflecting the par amount of the Bonds, plus/less a net original issue premium/discount of [\$ \_\_\_\_\_] and less the Underwriters' discount of [\$ \_\_\_\_\_]). The Representative will be obligated to purchase all of the Bonds, if any of the Bonds are purchased.

## **FINANCIAL ADVISOR**

First Southwest Company (the "Financial Advisor") is retained by the City in connection with the issuance of the Bonds and, in such capacity, has assisted the City in the preparation of documents. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is not contingent upon the issuance and delivery of the Bonds.

Although the Financial Advisor has read and participated in the preparation of this Official Statement, it has not independently verified any of the information set forth herein. The information contained in this Official Statement has been obtained primarily from the City's records and from other sources that are believed to be reliable, including financial records of the City and other entities that may be subject to interpretation. No guarantee is made as to the accuracy or completeness of any such information. No person, therefore, is entitled to rely upon the participation of the Financial Advisor as an implicit or explicit expression of opinion as to the completeness and accuracy of the information contained in this Official Statement.

## **REGISTRATION, SALE AND DISTRIBUTION**

The Bonds have not been registered under the Federal Securities Act of 1933, as amended (in reliance upon an exemption therefrom), or the blue sky laws of any jurisdiction. The Ordinance has not been qualified under the Trust Indenture Act of 1939, as amended (in reliance upon an exemption therefrom).

## **CONTINUING DISCLOSURE**

In the Ordinance, the City has made certain agreements on behalf of itself and any "obligated persons," as such term is defined in the Rule, regarding the continuing disclosure of information for the benefit of the holders and beneficial owners of the Bonds. The City is required to observe such agreements for so long as it remains obligated to advance funds to pay the Bonds. Under the agreements, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain vendors. This information will be available to securities brokers and others who subscribe to receive the information from the vendors. Houston First Corporation has contracted with the City in the 2001 Interlocal Agreement to provide to the City on a timely basis its audited financial statements and all operating data relating to Houston First Corporation required to comply with the continuing disclosure requirements of the Rule.

### **Annual Reports**

Commencing on July 1, 2009, the Municipal Securities Rulemaking Board (the "MSRB") became the sole information repository and all continuing disclosure documents are required to be provided to MSRB alone. Access to such information will be made available to the public without charge by the MSRB on its Electronic Municipal Market Access ("EMMA") website.

The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City's Convention and Entertainment Facilities Revenue Fund of the general type included in this Official Statement and under the schedules in APPENDIX F. The City will update and provide this information within six months after the end of each fiscal year. The City will provide the updated information to the MSRB.

The City may provide updated information in full text or in such other form consistent with the agreement, or may incorporate by reference certain other publicly available documents, as permitted by the Rule. The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not provided by that time, the City will provide audited financial statements when and if they become available, but if such audited financial statements are unavailable, the City will provide such financial statements on an unaudited basis within the required time. Any such financial statements will be prepared in accordance with the accounting principles currently in effect as described in APPENDIX A or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation.

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

### **Certain Event Notices**

The City also will provide, to the MSRB, timely notice, not in excess of ten business days after the occurrence of the event, of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes, (12) bankruptcy, insolvency, receivership, or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) the appointment of a successor or additional trustee or the change in the name of the trustee, if material.

For these purposes, any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

### **Limitations and Amendments**

The City has agreed to update information and to provide notices of material events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement 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 the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The City may also amend or repeal the agreement if the Securities and Exchange Commission amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid, and the City may amend the agreement in its discretion in any other circumstance or manner, but in either case only to the extent that its right to do so would not prevent the Underwriters from purchasing the Bonds in the offering described herein in compliance with the Rule. If the City amends its agreement, it must 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 information and data provided.

### **Compliance with Prior Undertakings**

The City has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

### **FINANCIAL STATEMENTS**

The City Controller's Comprehensive Annual Financial Report of the City of Houston, Texas, containing the City's Basic Financial Statements for the Fiscal Year ended June 30, 2011 and the Convention and Entertainment Facilities Financial Statements for the Fiscal Year ended June 30, 2011, each as audited by independent certified public accountants (the "Financial Statements") are available upon request as provided below.

As used herein and therein, the term "Fiscal Year," unless otherwise indicated, means the City's fiscal year which currently is the twelve-month period beginning on July 1 of a calendar year and ending on June 30 of the next succeeding calendar year, and each such period may be designated with the number of the calendar year in which such period ends. THE AVAILABILITY OF THE CITY'S AUDITED BASIC FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION IS NOT INTENDED TO IMPLY THAT OTHER TAX RECEIPTS OR ANY REVENUES OR MONEYS OF THE CITY, OTHER THAN THE PLEDGED REVENUES, ARE PLEDGED TO PAY THE PRINCIPAL OF OR INTEREST ON THE BONDS.

For additional information with respect to the financial condition of the City, a copy of the June 30, 2011 City Controller's Comprehensive Annual Financial Report of the City of Houston, Texas is available upon written request addressed to the City Controller, P.O. Box 1562, Houston, Texas 77251-1562. A copy of the most recent Quarterly Investment Report of the City is also available upon request from the City Controller. Copies of the Ordinance may be obtained from Anna Russell, City Secretary, City Hall Annex, 900 Bagby, Level-P, Room P-101, Houston, Texas, or by mail, at P.O. Box 1562, Houston, Texas 77251-1562.

### **FORWARD-LOOKING STATEMENTS**

All statements other than statements of historical facts included in this Official Statement regarding the City's financial position, business strategy and capital resources are forward-looking statements. Although the City believes that the expectations reflected in such forward-looking statements are reasonable, there is no assurance that those expectations will be achieved. Such forward-looking statements reflect the City's current views with respect to future events and financial performance, and are subject to the effect of economic conditions and demand and certain risks, uncertainties and other important factors that are discussed in this Official Statement and the Appendices hereto, including under the caption "INVESTMENT CONSIDERATIONS," which could cause actual results to differ materially from historical results or those currently anticipated (collectively, the "Cautionary Statements"). All subsequent written and oral forward-looking statements that are attributable to the City or persons acting on the City's behalf are expressly qualified by the Cautionary Statements.

### **MISCELLANEOUS**

All of the summaries of the statutes, ordinances and other related reports set forth herein are made subject to all of the provisions of such documents. The descriptions of the Bonds and the Ordinance herein do not purport to be complete and all such descriptions or references thereto contained in this Official Statement are qualified in their entirety by reference to the complete forms of the Bonds and of the Ordinance. Statements made herein involving estimates or projections, whether or not expressly identified as such, should not be construed to be statements of fact or as representations that such estimates or projections will ever be attained or will even approximate actual results.

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This Official Statement has been duly approved by the City.

**SCHEDULE I**  
**REFUNDED BONDS**

Hotel Occupancy Tax and Special Revenue Bonds, Series 2001B

\$41,245,000 – 5.25% Term Bonds due September 1, 2033  
CUSIP: 44237NCZ3

**APPENDIX A**

**CITY OF HOUSTON GENERAL PURPOSE FINANCIAL STATEMENTS  
AND INDIVIDUAL STATEMENTS FOR THE CONVENTION &  
ENTERTAINMENT FACILITIES FUND**

**APPENDIX B**  
**GLOSSARY OF TERMS**

*The following are terms defined in the Ordinance and/or the Interlocal Agreement, as applicable, and certain of such terms are used in this Official Statement. Any reference to Articles and Sections listed below are to the Ordinance and/or the Interlocal Agreement, as applicable, unless otherwise noted.*

**[TO COME]**

**APPENDIX C**

**EXCERPTS OF CERTAIN PROVISIONS OF THE ORDINANCE**

## EXCERPTS OF CERTAIN PROVISIONS OF THE ORDINANCE

*The following are summaries and excerpts of selected provisions of the Ordinance with respect to the Bonds authorized pursuant to the Officers' Pricing Certificate. Such summaries and excerpts should be qualified by reference to other portions of the Ordinance referred to elsewhere in this Official Statement, and all references and summaries pertaining to the Ordinance in this Official Statement are, separately and in whole, qualified by reference to the exact terms of the Ordinance, a copy of which may be obtained from the City. Section and Article references contained in the following summaries and excerpts are to Sections and Articles contained in the Ordinance.*

Ordinance No. 2012-\_\_\_\_

\* \* \* \* \*

[TO COME]

**APPENDIX D**  
**DEPOSITORY TRUST COMPANY**

## APPENDIX D

### DEPOSITORY TRUST COMPANY

*The information in this APPENDIX E describes the securities clearance procedures of The Depository Trust Company ("DTC") in the United States. The information in this APPENDIX concerning DTC has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy of such information.*

#### **The Depository Trust Company**

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

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

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

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

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

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

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

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from Issuer or Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

**APPENDIX E**

**FORM OF CO-BOND COUNSEL'S OPINION**

**APPENDIX F**

**SUMMARY OF SCHEDULES RELATED TO  
CONTINUING DISCLOSURE OF INFORMATION**

Schedule 1 – Historical Pledged Revenues

Schedule 2 – Occupancy Rates and City HOT Revenues

Schedule 3 – Top Twelve City HOT Taxpayers

Schedule 4 – Parking Facilities Rates

Schedule 5 – Debt Service Schedule

Schedule 6 – Historical Tax Rebates

## Exhibit H

### Description of Annual Financial Information

The following information is referred to in Section 12.01 of this Ordinance.

#### **Annual Financial Statements and Operating Data**

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

1. The portions of the financial statements of the City appended to the Official Statement as Appendix A, but for the most recently concluded fiscal year.
2. The information presented in the Schedules in the Official Statement listed in Appendix F to the Official Statement.

#### **Accounting Principles**

The accounting principles referred to in such Section are generally accepted accounting principles currently in effect for governmental units as prescribed by the Government Accounting Standards Board, which principles are subject to change from time to time to comply with state law or regulation.