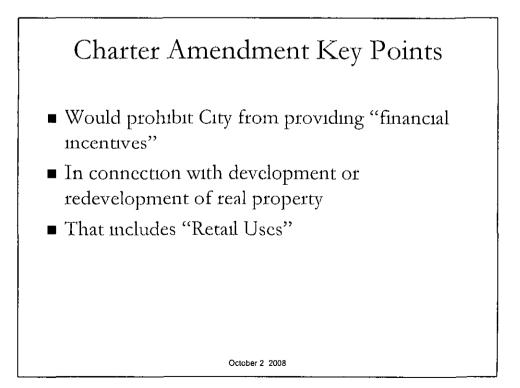
Late Backup

Potential Impact of "Stop Domain Subsidies" Charter Amendment on City's Existing Contract Obligations

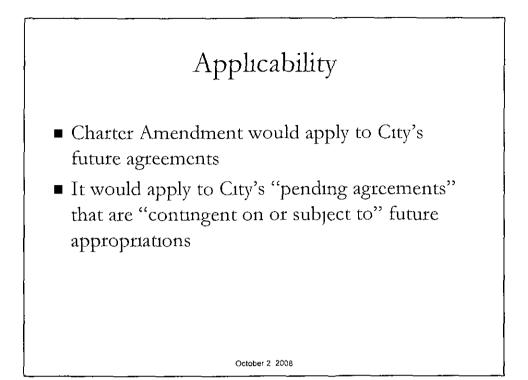
7

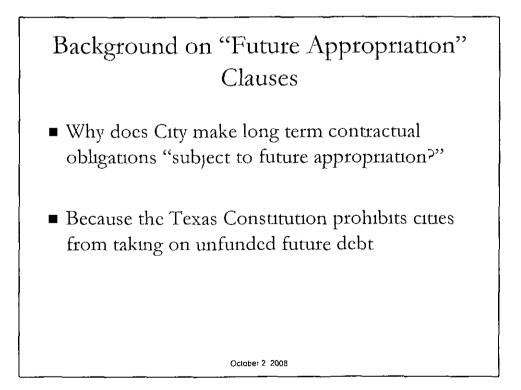
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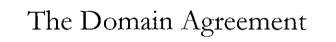




Addressing the "Debt Prohibition"

- Texas Courts have ruled that cities may take on debt that is subject to "future appropriations" provisos
- Since 2005, a new constitutional exception states that unfunded debt in "Chapter 380 agreements" does not violate the prohibition

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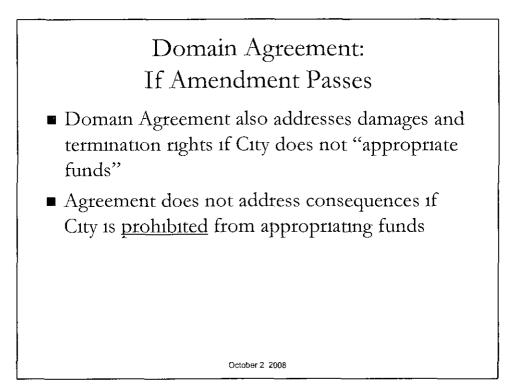
- Chapter 380 Economic Development Agreement signed in June 2003, Amended in 2004
- City's funding obligations in Domain Agreement would trigger Charter Amendment's prohibition on financial incentives

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Domain Agreement: If Amendment Passes

- Charter would prohibit City from providing
 "financial incentives" under this agreement, but
- Contract obligates City to "pay . grants" on an annual basis, subject to future appropriations, if Owner meets certain obligations
- Result is potential conflict between City Charter prohibition and existing contract obligation

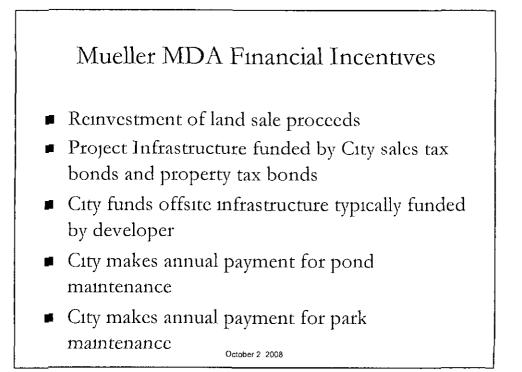
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Mueller (RMMA) MDA

- Master Development Agreement with Catellus from 2004
- Agreement ongoing (probably 10-15 years more)
- The MDA requires City to fund project costs that meet definition of "financial incentives"
- The Mueller project involves extensive retail uses

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Mueller MDA

- Most financial incentives are "subject to annual appropriations by the City" (See MDA, Sections 5 2(a)(1) and (11), 5.4, 8 2(c), (h) and (1)
- Other "financial incentives" are not specifically made subject to annual appropriations

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Conclusions as to Mueller
Charter Amendment could prohibit future City funding required by MDA
Failure to provide funding could lead to legal claims (termination, specific performance or actual damages)
Problem for City would be complying with conflicting Charter prohibition and contract obligations