

City-1

\$4,365,000
CITY OF KENNEDALE, TEXAS
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2007

Bonds Delivered: February 15, 2007

Transcript of Proceedings

LAW OFFICES
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\$4,365,000
CITY OF KENNEDALE, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2007

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CERTIFICATE FOR ORDINANCE

**THE STATE OF TEXAS §
COUNTY OF TARRANT §
CITY OF KENNEDALE §**

I, the undersigned City Secretary of the City of Kennedale, Texas (the "City"), hereby certify as follows:

1. The City Council of the City convened in REGULAR MEETING ON THE 11th DAY OF JANUARY, 2007 at the City Hall, and the roll was called of the duly constituted officers and members of said City Council, to wit:

Bryan Lankhorst, Mayor	Brian Johnson, Councilmember, Place 3
John Clark, Councilmember, Place 1	Ronnie Nowell, Councilmember, Place 4
David Green, Councilmember, Place 2	George Barrett, Councilmember, Place 5

and all of said officers and members of said City Council were present, except the following absentees: None . Whereupon, among other business, the following was transacted at said Meeting: a written

ORDINANCE AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF "CITY OF KENNEDALE, TEXAS GENERAL OBLIGATION REFUNDING BONDS, SERIES 2007"; SECURING THE PAYMENT THEREOF BY AUTHORIZING THE LEVY OF AN ANNUAL AD VALOREM TAX; APPROVING AND AUTHORIZING THE EXECUTION OF ALL INSTRUMENTS AND PROCEDURES RELATED THERETO INCLUDING AN INVESTMENT LETTER AND A PAYING AGENT/REGISTRAR AGREEMENT; AND PROVIDING FOR AN IMMEDIATE EFFECTIVE DATE

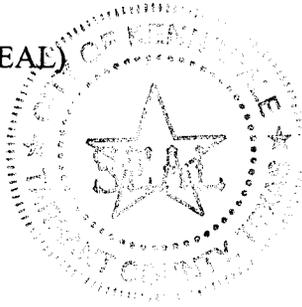
was duly introduced for the consideration of said City Council. It was then duly moved and seconded that said Ordinance be passed and, after due discussion, said motion carrying with it the adoption of said Ordinance, prevailed and carried by the following vote:

AYES: 5 NOES: 0 ABSTENTIONS: 0

2. A true, full and correct copy of the aforesaid Ordinance adopted at the Meeting described in the above and foregoing paragraph is attached to and follows this Certificate; the Ordinance has been duly recorded in said City Council's minutes of said Meeting; the above and foregoing paragraph is a true, full and correct excerpt from said City Council's minutes of said Meeting pertaining to the passage of said Ordinance; the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of said City Council as indicated therein; each of the officers and members of said City Council was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the aforesaid Meeting, and that said Ordinance would be introduced and considered for passage at said Meeting, and each of said officers and members consented, in advance, to the holding of said Meeting for such purpose, and that said Meeting was open to the public and public notice of the time, place and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code.

SIGNED AND SEALED THE 11th DAY OF JANUARY, 2007.

(SEAL)



Katya Turner
City Secretary

ORDINANCE NO.

**ORDINANCE AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF
"CITY OF KENNEDALE, TEXAS GENERAL OBLIGATION REFUNDING
BONDS, SERIES 2007"; SECURING THE PAYMENT THEREOF BY
AUTHORIZING THE LEVY OF AN ANNUAL AD VALOREM TAX;
APPROVING AND AUTHORIZING THE EXECUTION OF ALL
INSTRUMENTS AND PROCEDURES RELATED THERETO INCLUDING
AN INVESTMENT LETTER AND A PAYING AGENT/REGISTRAR
AGREEMENT; AND PROVIDING FOR AN IMMEDIATE EFFECTIVE
DATE**

SALE DATE: JANUARY 11, 2007

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ORDINANCE NO. 355

ORDINANCE AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF "CITY OF KENNEDALE, TEXAS GENERAL OBLIGATION REFUNDING BONDS, SERIES 2007"; SECURING THE PAYMENT THEREOF BY AUTHORIZING THE LEVY OF AN ANNUAL AD VALOREM TAX; APPROVING AND AUTHORIZING THE EXECUTION OF ALL INSTRUMENTS AND PROCEDURES RELATED THERETO INCLUDING AN INVESTMENT LETTER AND A PAYING AGENT/REGISTRAR AGREEMENT; AND PROVIDING FOR AN IMMEDIATE EFFECTIVE DATE

THE STATE OF TEXAS
COUNTY OF TARRANT
CITY OF KENNEDALE

§
§
§

WHEREAS, the CITY OF KENNEDALE, TEXAS (the "City") in Tarrant County, Texas, is a political subdivision of the State of Texas operating as a home-rule municipality pursuant to the Texas Local Government Code and its City Charter; and

WHEREAS, among other obligations of the City which are secured by the full faith and credit of the City and a pledge by the City to levy ad valorem taxes sufficient to pay principal of and interest on such obligations as they become due, there are specifically outstanding the following series of obligations:

City of Kennedale, Texas Combination Tax and Revenue Certificates of Obligation, Series 1998, dated November 1, 1998, maturing on February 15 in the years 2007 through 2024, currently outstanding in the aggregate principal amount of \$4,510,000 (the "Series 1998 Certificates of Obligation"); and

WHEREAS, the City now desires to refund all of the outstanding Series 1998 Certificates of Obligation maturing in the years 2008 through 2024, which obligations are referred to collectively herein as the "*Refunded Obligations*" and are more specifically described as maturing in the years and in the respective principal amounts (aggregating \$4,325,000 in principal amount) and bearing interest as shown in the following table:

[The remainder of this page intentionally left blank]

CITY OF KENNEDALE, TEXAS				
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 1998				
MATURITY (FEBRUARY 15)	PRINCIPAL AMOUNT MATURING IN YEAR	PRINCIPAL AMOUNT BEING REFUNDED	STATED INTEREST RATE (%)	CUSIP No. (489332)
2008	\$190,000	\$190,000	4.375	DV5
2009	200,000	200,000	4.375	DW3
2010	210,000	210,000	4.375	DX1
2011	225,000	225,000	4.375	DY9
2012	230,000	230,000	4.375	DZ6
2013	240,000	240,000	4.400	EA0
2014	250,000	250,000	4.450	EB8
2015	260,000	260,000	4.500	EC6
2016	275,000	275,000	4.550	ED4
2017	290,000	290,000	4.550	EE2
2018	305,000	305,000	4.600	EF9
2019	320,000	320,000	4.700	EG7
****	****	****	****	****
2021	685,000	685,000	4.750	EJ1
****	****	****	****	****
2024	645,000	645,000	4.800	EM4
Totals	\$4,325,000	\$4,325,000	***	***

WHEREAS, all of the Refunded Obligations mature or are subject to redemption prior to maturity within 20 years of the date of the bonds hereinafter authorized; and

WHEREAS, Chapter 1207, Texas Government Code, as amended ("**Chapter 1207**"), authorizes the City to issue refunding bonds and to deposit the proceeds from the sale thereof, and any other available funds or resources, directly with a place of payment (paying agent) for the Refunded Obligations, or with another trust company or commercial bank that does not act as a depository for the City, in an amount sufficient to provide for the payment and/or redemption of the Refunded Obligations, and such deposit, if made before such payment dates, shall constitute the making of firm banking and financial arrangements for the discharge and final payment or redemption of the Refunded Obligations; and

WHEREAS, the Refunded Obligations are scheduled to be redeemed on a date earlier than the next scheduled interest payment date on the Refunded Obligations, and thus, pursuant to Section 1207.062 of Chapter 1207, the City is not required to enter into an escrow agreement relating to the redemption of the Refunded Obligations; however, shall instead deposit the proceeds from the bonds authorized herein (defined in Section 2 hereof as the "**Bonds**"), and any other available funds or resources, directly with *The Bank of New York Trust Company, National Association, Dallas, Texas* (as successor to U.S. Trust Company of Texas, Dallas, Texas), the paying agent/registrar for the Refunded Obligations, in an amount sufficient to provide for the redemption of the Refunded Obligations; and

WHEREAS, the City Council of the City hereby finds and declares a public purpose and deems it advisable and in the best interests of the City to issue the Bonds to pay costs of issuance and refund the Refunded Obligations in order to achieve a gross debt service savings of \$236,266.54 and a present value debt service savings of \$165,349.74 for the benefit of the taxpayers of the City; and

WHEREAS, the Bonds hereinafter authorized and designated are to be issued and delivered pursuant to Chapter 1207, Texas Government Code; and

WHEREAS, it is hereby officially found and determined that the meeting at which this Ordinance was passed was open to the public, and public notice of the time, place, and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code.

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

SECTION 1. AMOUNT AND PURPOSE OF THE BONDS. The bond or bonds of the City further described in Section 2(a) of this Ordinance and referred to herein as the "**Bonds**" are hereby authorized to be issued and delivered in the aggregate principal amount of **\$4,365,000 FOR THE PURPOSE OF REFUNDING THE CITY'S OUTSTANDING COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 1998 AND TO PAY COSTS OF ISSUANCE.**

SECTION 2. DESIGNATION, DATE, DENOMINATIONS, NUMBERS AND MATURITIES OF THE BONDS. Each certificate of obligation issued pursuant to and for the purpose described in Section 1(a) of this Ordinance shall be designated: **CITY OF KENNEDALE, TEXAS GENERAL OBLIGATION REFUNDING BONDS, SERIES 2007**, and initially there shall be issued, sold and delivered hereunder one fully registered certificate of obligation, without interest coupons, dated February 1, 2007, in the aggregate principal amount of **\$4,365,000**, numbered T-1 (the "**Initial Bond**"), with certificates of obligation issued in replacement thereof being in the denomination of \$5,000 or any integral multiple thereof and numbered consecutively from R-1 upward, all payable to the initial registered owner thereof (with the Initial Bond being payable to the initial purchaser designated in Section 14 hereof), or to the registered assignee or assignees of said certificates of obligation or any portion or portions thereof (in each case, the "**Registered Owner**"), and the certificates of obligation shall mature and be payable serially on **February 15** in each of the years and in the principal amounts, respectively, as set forth in the following schedule:

YEAR OF MATURITY	PRINCIPAL AMOUNT	YEAR OF MATURITY	PRINCIPAL AMOUNT	YEAR OF MATURITY	PRINCIPAL AMOUNT
2008	200,000	2014	260,000	2020	330,000
2009	210,000	2015	265,000	2021	345,000
2010	220,000	2016	280,000	2022	195,000
2011	235,000	2017	295,000	2023	205,000
2012	240,000	2018	305,000	2024	210,000
2013	250,000	2019	320,000	****	

The term "**Bonds**" as used in this Ordinance shall mean and include the Bonds initially issued and delivered pursuant to this Ordinance and all substitute certificates of obligation exchanged therefor, as well as all other substitute certificates of obligation and replacement certificates of obligation issued pursuant hereto, and the term "**Bond**" shall mean any of the Bonds.

SECTION 3. INTEREST. The Bonds shall bear interest calculated on the basis of a 360-day year composed of twelve 30-day months from the dates specified in the FORM OF BOND set forth in this Ordinance to their respective dates of maturity or prior redemption at a per annum rate of **3.970%**. Said interest shall be payable in the manner provided and on the dates stated in the FORM OF BOND set forth in this Ordinance.

SECTION 4. CHARACTERISTICS OF THE BONDS; APPROVAL OF PAYING AGENT/REGISTRAR AGREEMENT. *(a) Registration, Transfer, and Exchange; Authentication.* The City shall keep or cause to be kept at the designated corporate trust office of **Bank of America, N.A.** (currently located in Fort Worth, Texas) (the "**Paying Agent/Registrar**") books or records for the registration of the transfer and exchange of the Bonds (the "Registration Books"), and the City hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such registrations of transfers and exchanges under such reasonable regulations as the City and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such registrations, transfers and exchanges as herein provided. Attached hereto as Exhibit A is a copy of the Paying Agent/Registrar Agreement between the City and the Paying Agent/Registrar which is hereby approved in substantially final form, and the Mayor and City Secretary of the City are hereby authorized to execute the Paying Agent/Registrar Agreement and approve any changes in the final form thereof.

The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the registered owner of each Bond to which payments with respect to the Bonds shall be mailed, as herein provided; but it shall be the duty of each registered owner to notify the Paying Agent/Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. To the extent possible and under reasonable circumstances, all transfers of Bonds shall be made within three business days after request and presentation thereof. The City shall have the right to inspect the Registration Books during regular

business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity. The Paying Agent/Registrar's standard or customary fees and charges for making such registration, transfer, exchange and delivery of a substitute Bond or Bonds shall be paid as provided in the FORM BOND set forth in this Ordinance. Registration of assignments, transfers and exchanges of Bonds shall be made in the manner provided and with the effect stated in the FORM OF BOND set forth in this Ordinance. Each substitute Bond shall bear a letter and/or number to distinguish it from each other Bond.

Except as provided in (c) below, an authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Bond, date and manually sign the Paying Agent/Registrar's Authentication Certificate, and no such Bond shall be deemed to be issued or outstanding unless such Certificate is so executed. The Paying Agent/Registrar promptly shall cancel all paid Bonds and Bonds surrendered for transfer and exchange. No additional ordinances, orders, or resolutions need be passed or adopted by the governing body of the City or any other body or person so as to accomplish the foregoing transfer and exchange of any Bond or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Bonds in the manner prescribed herein, and said Bonds shall be of type composition printed on paper with lithographed or steel engraved borders of customary weight and strength. Pursuant to Chapter 1201, Texas Government Code, and particularly Subchapter D and Section 1201.067 thereof, the duty of transfer and exchange of Bonds as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of said Certificate, the transferred and exchanged Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Bonds which initially were issued and delivered pursuant to this Ordinance, approved by the Attorney General, and registered by the Comptroller of Public Accounts.

(b) Payment of Bonds and Interest. The City hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Bonds, all as provided in this Ordinance. The Paying Agent/ Registrar shall keep proper records of all payments made by the City and the Paying Agent/Registrar with respect to the Bonds.

(c) In General. The Bonds (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Bonds to be payable only to the registered owners thereof, (ii) may be redeemed prior to their scheduled maturities (notice of which shall be given to the Paying Agent/Registrar by the City at least 50 days prior to any such redemption date), (iii) may be transferred and assigned, (iv) may be exchanged for other Bonds, (v) shall have the characteristics, (vi) shall be signed, sealed, executed and authenticated, (vii) shall be payable as to principal and interest, and (viii) shall be administered and the Paying Agent/Registrar and the City shall have certain duties and responsibilities with respect to the Bonds, all as provided, and in the manner and to the effect as required or indicated, in the FORM OF BOND set forth in this Ordinance. The Initial Bond is not required to be, and shall not be, authenticated by the Paying Agent/Registrar, but on each substitute Bond issued in exchange for the Initial Bond issued under this Ordinance the Paying Agent/Registrar shall execute the PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE, in the form set forth in the FORM OF BOND. In lieu of the executed Paying Agent/Registrar's Authentication Certificate described above, the Initial Bond delivered on the

closing date (as further described in subparagraph (i) below) shall have attached thereto the Comptroller's Registration Certificate substantially in the form set forth in the FORM OF BOND below, manually executed by the Comptroller of Public Accounts of the State of Texas or by her duly authorized agent, which certificate shall be evidence that the 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.

(d) Substitute Paying Agent/Registrar. The City covenants with the registered owners of the Bonds that at all times while the Bonds are outstanding the City will provide a competent and legally qualified bank, trust company, financial institution, or other entity to act as and perform the services of Paying Agent/Registrar for the Bonds under this Ordinance, and that the Paying Agent/Registrar will be one entity and shall be an entity registered with the Securities and Exchange Commission. The City reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 120 days written notice to the Paying Agent/Registrar, to be effective not later than 60 days prior to the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the City covenants that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under this Ordinance. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Bonds, to the new Paying Agent/Registrar designated and appointed by the City. Upon any change in the Paying Agent/Registrar, the City promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each registered owner of the Bonds, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Ordinance, and a certified copy of this Ordinance shall be delivered to each Paying Agent/Registrar.

(e) Delivery of Initial Bond. On the closing date, one Initial Bond representing the entire principal amount of the respective series of Bonds, payable in stated installments to the initial registered owner named in Section 14 of this Ordinance or its designee, executed by manual or facsimile signature of the Mayor and City Secretary of the City, approved by the Attorney General of Texas, and registered and manually signed by the Comptroller of Public Accounts of the State of Texas, will be delivered to the initial purchaser or its designee. Upon payment for the Initial Bond, the Paying Agent/Registrar shall cancel the Initial Bond and deliver to the initial registered owner or its designee one registered definitive Bond for each year of maturity of the Bonds, in the aggregate principal amount of all of the Bonds for such maturity.

SECTION 5. FORM OF BOND. The form of the Bonds, including the form of Paying Agent/Registrar's Authentication Certificate, the form of Assignment, and the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas (to be attached only to the Bonds initially issued and delivered pursuant to this Ordinance), shall be, respectively, substantially as follows, with such appropriate variations, omissions, or insertions as are permitted or required by this Ordinance.

FORM OF BOND

R- UNITED STATES OF AMERICA PRINCIPAL
STATE OF TEXAS AMOUNT
COUNTY OF TARRANT \$ _____
CITY OF KENNEDALE, TEXAS
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2007

INTEREST RATE 3.970% DATE OF DELIVERY February 15, 2007 MATURITY DATE

REGISTERED OWNER:

PRINCIPAL AMOUNT: DOLLARS

ON THE MATURITY DATE specified above, the *CITY OF KENNEDALE, TEXAS* (the "City"), in Tarrant County, Texas, being a political subdivision and home-rule municipality of the State of Texas, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "*Registered Owner*"), the Principal Amount specified above, and to pay interest thereon (calculated on the basis of a 360-day year of twelve 30-day months) from the Date of Delivery, as set forth above, at the Interest Rate per annum specified above, payable on August 15, 2007, and semiannually on each February 15 and August 15 thereafter to the Maturity Date specified above, or the date of redemption prior to maturity; except that if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such Principal Amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the Registered Owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for redemption prior to maturity, at the designated trust office of *Bank of America, N.A.* (currently located in Fort Worth, Texas), which is the "*Paying Agent/Registrar*" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each interest payment date by check, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the City required by the Ordinance authorizing the issuance of this Bond (the "*Ordinance*") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the

Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the Registered Owner hereof, at its address as it appeared on the last business day of the month next preceding each such date (the "**Record Date**") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "**Special Record Date**") will be established by the Paying Agent/Registrar if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "**Special Payment Date**" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each Registered Owner appearing on the Registration Books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice. Any accrued interest due upon the redemption of this Bond prior to maturity as provided herein shall be paid to the Registered Owner upon presentation and surrender of this Bond for redemption and payment at the designated corporate trust office of the Paying Agent/Registrar (unless the redemption date is a regularly scheduled interest payment date, in which case accrued interest on such redeemed Bonds shall be payable in the regular manner described above). The City covenants with the Registered Owner of this Bond that on or before each principal payment date, interest payment date and accrued interest payment date for this Bond it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" created by the Ordinance, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Bonds, when due.

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

THIS BOND is one of a series of Bonds dated as of February 1, 2007, authorized in accordance with the Constitution and laws of the State of Texas in the aggregate principal amount of **\$4,365,000 FOR THE PURPOSE OF REFUNDING A PORTION OF THE CITY'S OUTSTANDING COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 1998 AND TO PAY COSTS OF ISSUANCE.**

ON ANY DATE, the Bonds of this series may be redeemed prior to their scheduled maturities, at the option of the City, with funds derived from any available and lawful source, as a whole, or in part, and, if in part, the particular principal installments or portions thereof, to be redeemed shall be selected and designated by the City, at a redemption price equal to the principal amount to be redeemed, plus the "Prepayment Fee", computed pursuant to Section 15 of the Ordinance, if any, plus accrued interest to the date fixed for redemption.

AT LEAST 10 days prior to the date fixed for any optional redemption of the Bond or portions thereof prior to maturity a written notice of such redemption shall be sent by the City by United States mail, first-class postage prepaid, to the registered owner at its address as it appeared

on the Registration Books on the day such notice of redemption is mailed; provided, however, that the failure of the registered owner to receive such notice, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of this Bond. By the date fixed for any such redemption, due provision shall be made for the payment of the required redemption price for the Bond or portions thereof which are to be so redeemed. If such written notice of redemption is sent and if due provision for such payment is made, all as provided above, the Bond or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to its scheduled maturity, and shall not bear interest after the date fixed for redemption, and shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the City out of the funds provided for such payment.

ALL BONDS OF THIS SERIES are issuable solely as fully registered Bonds, without interest coupons, in the denomination of any integral multiple of \$5,000. As provided in the Ordinance, this Bond, may, at the request of the Registered Owner or the assignee or assignees hereof, be assigned, transferred and exchanged for a like aggregate principal amount of fully registered Bonds, without interest coupons, payable to the appropriate Registered Owner, assignee or assignees, as the case may be, having the same denomination or denominations in any integral multiple of \$5,000 as requested in writing by the appropriate Registered Owner, assignee or assignees, as the case may be, upon surrender of this Bond to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Ordinance. Among other requirements for such assignment and transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Bond or any portion or portions hereof in any integral multiple of \$5,000 to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are to be registered. The form of Assignment printed or endorsed on this Bond may be executed by the Registered Owner to evidence the assignment hereof, but such method is not exclusive, and other instruments of assignment satisfactory to the Paying Agent/Registrar may be used to evidence the assignment of this Bond or any portion or portions hereof from time to time by the Registered Owner. The Paying Agent/Registrar's reasonable standard or customary fees and charges for transferring and exchanging any Bond or portion thereof shall be paid by the City, but any taxes or governmental charges required to be paid with respect thereto shall be paid by the one requesting such assignment, transfer or exchange as a condition precedent to the exercise of such privilege. The Paying Agent/Registrar shall not be required to make any such transfer or exchange during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date.

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

IT IS HEREBY certified, recited, and covenanted that this Bond has been duly and validly authorized, issued, and delivered; that all acts, conditions, and things required or proper to be

performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Bond have been performed, existed, and been done in accordance with law; that this Bond is a general obligation of the City, issued on the full faith and credit thereof; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of this Bond, as such interest comes due, and as such principal matures, have been levied and ordered to be levied against all taxable property in the City, and have been pledged for such payment, within the limits prescribed by law, all as provided in the Ordinance authorizing the Bonds.

THE CITY also has reserved the right to amend the Ordinance as provided therein, and under some (but not all) circumstances amendments thereto must be approved by the registered owners of a majority in aggregate principal amount of the outstanding Bonds.

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

IN WITNESS WHEREOF, the City has caused this Bond to be signed with the manual or facsimile signature of the Mayor of the City, and countersigned with the manual or facsimile signature of the City Secretary of the City, and the official seal of the City has been duly impressed, or placed in facsimile, on this Bond.

Countersigned:

(facsimile signature)
City Secretary, City of Kennedale, Texas

(facsimile signature)
Mayor, City of Kennedale, Texas

(CITY SEAL)

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**FORM OF REGISTRATION CERTIFICATE
OF THE COMPTROLLER OF PUBLIC ACCOUNTS:**

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO. _____

I hereby certify that this Bond has been examined, certified as to validity, and approved by the Attorney General of the State of Texas, and that this Bond has been registered by the Comptroller of Public Accounts of the State of Texas.

Witness my signature and seal this

(COMPTROLLER'S SEAL)

Comptroller of Public Accounts
of the State of Texas

FORM OF PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE
(To be executed if this Bond is not accompanied by an executed Registration Certificate of the Comptroller of Public Accounts of the State of Texas)

It is hereby certified that this Bond has been issued under the provisions of the Ordinance described in the text of this Bond; and that this Bond has been issued in exchange for a certificate of obligation or certificates of obligation, or a portion of a certificate of obligation or certificates of obligation of a series which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

Dated

BANK OF AMERICA, N.A.
FORT WORTH, TEXAS
Paying Agent/Registrar

By _____
Authorized Representative

[The remainder of this page intentionally left blank]

FORM OF ASSIGNMENT:

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned Registered Owner of this Bond, or duly authorized representative or attorney thereof, hereby sells, assigns and transfers this Bond and all rights hereunder unto _____

_____/

(Assignee's Social Security or
Taxpayer Identification Number)

(Please print or typewrite Assignee's name and address,
including zip code)

and hereby irrevocably constitutes and appoints _____
attorney to transfer the registration of this Bond on the Paying Agent/Registrar's Registration Books
with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

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

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

INITIAL BOND INSERTIONS

The Initial Bond shall be in the form set forth above except that:

- (A) Immediately under the name of the Bond, the headings "INTEREST RATE" and "MATURITY DATE" shall be completed with the words "As shown below".
- (B) The first paragraph shall be deleted and the following shall be inserted:

"ON THE RESPECTIVE MATURITY DATES specified below, the **CITY OF KENNEDALE, TEXAS** (the "**City**"), in Tarrant County, Texas, being a political subdivision and municipal corporation of the State of Texas, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "**Registered Owner**"), the respective Principal Installments specified below, and to pay interest thereon (calculated on the basis of a 360-day year composed of twelve 30-day months) from the Date of Delivery, as set forth above, at the respective Interest Rates per annum specified below, payable on August 15, 2007, and semiannually on each February 15 and August 15 thereafter to the respective Maturity Dates specified below, or

the date of redemption prior to maturity. The respective Maturity Dates, Principal Installments and Interest Rates for this Bond are set forth in the following schedule:

[Redacted Table Header]					

[Insert principal and interest information from Sections 2 and 3 above]"

(C) The Initial Bond shall be numbered "T-1."

SECTION 6. INTEREST AND SINKING FUND; TAX LEVY. A special Interest and Sinking Fund for the Bonds (the "*Interest and Sinking Fund*") is hereby created solely for the benefit of the Bonds, and the Interest and Sinking Fund shall be established and maintained by the City at an official depository bank of the City. The Interest and Sinking Fund shall be kept separate and apart from all other funds and accounts of the City, and shall be used only for paying the interest on and principal of the Bonds. All ad valorem taxes levied and collected for and on account of the Bonds shall be deposited, as collected, to the credit of the Interest and Sinking Fund. During each year while any of the Bonds or interest thereon are outstanding and unpaid, the City shall compute and ascertain a rate and amount of ad valorem tax which will be sufficient to raise and produce the money required to pay the interest on the Bonds as such interest comes due, and to provide and maintain a sinking fund adequate to pay the principal of its Bonds as such principal matures (but never less than 2% of the original principal amount of the Bonds as a sinking fund each year); and said tax shall be based on the latest approved tax rolls of the City, with full allowance being made for tax delinquencies and the cost of tax collection. Said rate and amount of ad valorem tax is hereby levied, and is hereby ordered to be levied, against all taxable property in the City for each year while any of the Bonds or interest thereon are outstanding and unpaid; and said tax shall be assessed and collected each such year and deposited to the credit of the respective Interest and Sinking Fund. Said ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Bonds, as such interest comes due and such principal matures, are hereby pledged for such payment, within the limit prescribed by law.

SECTION 7. INVESTMENTS. Funds on deposit in the Interest and Sinking Fund shall be secured by the depository bank of the City in the manner and to the extent required by law to secure other public funds of the City and may be invested from time to time in any investment authorized by applicable law, including but not limited to the Public Funds Investment Act (Chapter 2256, Texas Government Code), and the City's investment policy adopted in accordance with the provisions of the Public Funds Investment Act; provided, however, that investments purchased for and held in the Interest and Sinking Fund shall have a final maturity no later than the next principal

or interest payment date for which such funds are required. Income and profits from such investments shall be deposited in the Interest and Sinking Fund. It is further provided, however, that any interest earnings on Bond proceeds which are required to be rebated to the United States of America pursuant to Section 12 hereof in order to prevent the Bonds from being arbitrage bonds shall be so rebated and not considered as interest earnings for the purposes of this Section.

SECTION 8. EMPOWERED. The City Manager and the Finance Director are hereby ordered to do any and all things necessary to accomplish the transfer of monies to the Interest and Sinking Fund of this issue in ample time to pay such items of principal and interest.

SECTION 9. DEFEASANCE OF THE BONDS. (a) Any Bond and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "*Defeased Bond*") within the meaning of this Ordinance, except to the extent provided in subsection (d) of this Section, when payment of the principal of such Bond, plus interest thereon to the due date (whether such due date be by reason of maturity or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar in accordance with an escrow agreement or other instrument (the "*Future Escrow Agreement*") for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the City with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes herein levied and pledged as provided in this Ordinance, and such principal and interest shall be payable solely from such money or Defeasance Securities. Notwithstanding any other provision of this Ordinance to the contrary, it is hereby provided that any determination not to redeem Defeased Bonds that is made in conjunction with the payment arrangements specified in subsection (a)(i) or (ii) of this Section shall not be irrevocable, provided that: (1) in the proceedings providing for such payment arrangements, the City expressly reserves the right to call the Defeased Bonds for redemption; (2) gives notice of the reservation of that right to the owners of the Defeased Bonds immediately following the making of the payment arrangements; and (3) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

Paying Agent/Registrar which is not required for the payment of the Defeased Bonds, with respect to which such money has been so deposited, shall be remitted to the City or deposited as directed in writing by the City.

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

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

(e) In the event that the City elects to defease less than all of the principal amount of Bonds of a maturity, the Paying Agent/Registrar shall select, or cause to be selected, such amount of Bonds by such random method as it deems fair and appropriate.

SECTION 10. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED BONDS. (a) *Replacement Bonds.* In the event any outstanding Bond is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new certificate of obligation of the same principal amount, maturity, and interest rate, as the damaged, mutilated, lost, stolen, or destroyed Bond, in replacement for such Bond in the manner hereinafter provided.

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

(c) *No Default Occurred.* Notwithstanding the foregoing provisions of this Section, in the event any such Bond shall have matured, and no default has occurred which is then continuing in the

payment of the principal of, redemption premium, if any, or interest on the Bond, the City may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Bond) instead of issuing a replacement Bond, provided security or indemnity is furnished as above provided in this Section.

(d) Charge for Issuing Replacement Bonds. Prior to the issuance of any replacement certificate of obligation, the Paying Agent/Registrar shall charge the registered owner of such Bond with all legal, printing, and other expenses in connection therewith. Every replacement certificate of obligation issued pursuant to the provisions of this Section by virtue of the fact that any Bond is lost, stolen, or destroyed shall constitute a contractual obligation of the City whether or not the lost, stolen, or destroyed Bond shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of this Ordinance equally and proportionately with any and all other Bonds duly issued under this Ordinance.

(e) Authority for Issuing Replacement Bonds. In accordance with Chapter 1201, Texas Government Code, as amended, this Section of this Ordinance shall constitute authority for the issuance of any such replacement certificate of obligation without necessity of further action by the governing body of the City or any other body or person, and the duty of the replacement of such certificates of obligations is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Bonds in the form and manner and with the effect, as provided in Section 4(a) of this Ordinance for Bonds issued in exchange for other Bonds.

SECTION 11. CUSTODY, APPROVAL, AND REGISTRATION OF THE BONDS; BOND COUNSEL'S OPINION, BOND INSURANCE, AND CUSIP NUMBERS. The Mayor of the City is hereby authorized to have control of the Bonds initially issued and delivered hereunder and all necessary records and proceedings pertaining to the Bonds pending their delivery and their investigation, examination, and approval by the Attorney General of the State of Texas, and their registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Bonds said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate attached to such Bonds, and the seal of said Comptroller shall be impressed, or placed in facsimile, on such Certificate. The approving legal opinion of the City's Bond Counsel (with an appropriate certificate pertaining thereto executed by facsimile signature of the City Secretary of the City) and the assigned CUSIP numbers (if obtained) may, at the option of the City, be printed on the Bonds issued and delivered under this Ordinance, but neither shall have any legal effect, and shall be solely for the convenience and information of the registered owners of the Bonds.

SECTION 12. COVENANTS REGARDING TAX-EXEMPTION OF INTEREST ON THE BONDS. (a) Covenants. The City covenants to take any action necessary to assure, or refrain from any action which would adversely affect, the treatment of the Bonds as obligations described in section 103 of the Internal Revenue Code of 1986, as amended (the "*Code*"), the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the City covenants as follows:

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

(2) to take any action to assure that in the event that the "private business use" described in subsection (1) hereof exceeds 5 percent of the proceeds of the Bonds or the projects financed therewith (less amounts deposited into a reserve fund, if any) then the amount in excess of 5 percent is used for a "private business use" which is "related" and not "disproportionate," within the meaning of section 141(b)(3) of the Code, to the governmental use;

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

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

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

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

(A) proceeds of the Bonds invested for a reasonable temporary period of 90 days,

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

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

(7) to otherwise restrict the use of the proceeds of the Bonds or amounts treated as proceeds of the Bonds, as may be necessary, so that the Bonds do not otherwise contravene

the requirements of section 148 of the Code (relating to arbitrage) and, to the extent applicable, section 149(d) of the Code (relating to advance refundings); and

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

(b) Rebate Fund. In order to facilitate compliance with the above covenant (8), a "Rebate Fund" is hereby established by the City for the sole benefit of the United States of America, and such fund shall not be subject to the claim of any other person, including without limitation the bondholders. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

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

(d) Disposition of Project. The City covenants that the property constituting the projects financed or refinanced with the proceeds of the Bonds will not be sold or otherwise disposed in a transaction resulting in the receipt by the City of cash or other compensation, unless the City obtains an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Bonds. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the City shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

(e) Qualified Tax-Exempt Obligations. The City hereby designates the Bonds as "qualified tax-exempt obligations" as defined in section 265(b)(3) of the Code. In furtherance of such designation, the City represents, covenants and warrants the following: (a) that during the calendar year in which the Bonds are issued, the City (including any subordinate entities) has not designated nor will designate bonds or other obligations, which when aggregated with the Bonds, will result in more than \$10,000,000 of "qualified tax-exempt obligations" being issued; (b) that the City reasonably anticipates that the amount of tax-exempt obligations issued during the calendar year in which the Bonds are issued by the City (or any subordinate entities) will not exceed \$10,000,000; and, (c) that the City will take such action or refrain from such action as necessary, and as more particularly set forth in this Section, in order that the Bonds will not be considered "private activity bonds" within the meaning of section 141 of the Code.

SECTION 13. NO RULE 15c2-12 UNDERTAKING. The City has not made an undertaking in accordance with Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"). The City is not, therefore, obligated pursuant to the Rule to provide any on-going disclosure relating to the City or the Bonds.

SECTION 14. SALE AND DELIVERY OF BONDS. The Bonds are hereby initially sold and shall be delivered to *Bank of America, N.A.* (the "Purchaser") for cash for the par value thereof. The Bonds shall initially be registered in the name of the Purchaser. It is hereby officially found, determined, and declared that the terms of this sale are the most advantageous reasonably obtainable.

SECTION 15. PREPAYMENT FEE. Upon prepayment of all or part of the principal amount of the Bonds before the final maturity, the City will pay the Purchaser an additional fee, the "Prepayment Fee." The Prepayment Fee shall be equal to the greater of (i) zero, or (ii) the Mark-to-Market adjustment.

For the purposes of this Section 15, the following definitions shall apply:

(a) **Mark-to-Market Adjustment:** The amount, calculated on any prepayment date, which is derived by subtracting: (i) the principal amount of the Bonds to be prepaid as of such prepayment date, from (ii) the Mark-to-Market Value of the Bonds to be prepaid on such prepayment date.

(b) **Mark-to-Market Value:** The amount, calculated on any prepayment date, which is derived by summing the present values of each prospective payment of principal and interest which without such full or partial prepayment, could otherwise have been received by the Purchaser over the remaining contractual life of the Bonds if the Purchaser had instead invested the proceeds of the Bonds on the issuance date at the Initial Blended Money Market Funds Rate. The individual discount rate used to evaluate each prospective payment of interest and/or principal shall be the Current Blended Money Market Funds Rate for the maturity matching that of each specific payment of principal and/or interest.

(c) **Initial Blended Money Market Funds Rate:** That borrowing rate, calculated on the issuance date and including costs incurred by the Purchaser or FDIC insurance, reserve requirements, and other such explicit or implicit cost levied upon the Purchaser by any regulatory agency, which

would be attainable by the Purchaser if it borrowed funds with an interest payment frequency and principal repayment schedule matching that of the Bonds. Such funds would be borrowed in one or more wholesale funding markets available to the Purchaser, including negotiable certificates of deposits, federal funds and others. The City acknowledges that the Purchaser may not actually purchase the Bonds with any such specific matched set or mix of instruments, and that the Initial Blended Money Market Funds Rate is the Purchaser's reasonable estimate only.

(d) **Current Blended Money Market Funds Rate:** That rate, calculated on the prepayment date and including cost incurred by the Purchaser for FDIC insurance, reserve requirements, and other such explicit or implicit cost levied upon the Purchaser by any regulatory agency, which would be attainable by the Purchaser if it borrowed funds in a maturity matching a specific prospective Bond payment date. Such funds would be borrowed in one or more wholesale funding markets available to the Purchaser, including negotiable certificates of deposit, federal funds, or others. A separate Current Blended Money Market Funds Rate will be calculated for each prospective interest and/or principal payment date. City acknowledges that the Current Blended Money Market Funds Rate is the Purchaser's reasonable estimate only, and that the Purchaser is under no obligation actually to purchase or match funds for any transaction.

SECTION 16. APPROVAL OF REFUNDING OF REFUNDED OBLIGATIONS. Concurrently with the initial delivery of the Bonds, the City shall deposit an amount from the proceeds from the sale of the Bonds and other available funds of the City, if required, with *The Bank of New York Trust Company, National Association, Dallas, Texas* (as successor to U.S. Trust Company of Texas, Dallas, Texas), the Paying Agent/Registrar for the Refunded Obligations, sufficient to provide for the refunding of the Refunded Obligations, all in accordance with Chapter 1207.

SECTION 17. NOTICE OF REDEMPTION OF REFUNDED OBLIGATIONS. There is attached to this Ordinance as *Exhibit B* and made a part hereof for all purposes a *NOTICE OF REDEMPTION* for the Refunded Obligations. As soon as practicable after the adoption of this Ordinance, a copy of the *NOTICE OF REDEMPTION* shall be sent to all registered owners of the Refunded Obligations by first class mail postage prepaid, addressed to such registered owners at their respective addresses shown on the registration books of the paying agent/registrar for the Refunded Obligations.

SECTION 18. AUTHORITY FOR OFFICERS TO EXECUTE DOCUMENTS AND APPROVE CHANGES. The Mayor, City Manager, and City Secretary of the City, and all other officers, employees, and agents of the City, and each of them, shall be and they are hereby expressly authorized, empowered, and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge, and deliver in the name and under the corporate seal and on behalf of the City all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Ordinance, the Bonds, the sale of the Bonds, the Official Statement, and the Paying Agent/Registrar Agreement. In addition, prior to the initial delivery of the Bonds, the Mayor, City Secretary, City Manager, City Attorney and Bond Counsel are hereby authorized and directed to approve any technical changes or correction to this Ordinance or to any of the instruments authorized and approved by this Ordinance necessary in order

to (i) correct any ambiguity or mistake or properly or more completely document the transactions contemplated and approved by this Ordinance and as described in the Official Statement, (ii) obtain a rating from any of the national bond rating agencies or satisfy any requirements of the provider of a municipal bond insurance policy, if any, or (iii) obtain the approval of the Bonds by the Attorney General's office. In case any officer whose signature shall appear on any Bond shall cease to be such officer before the delivery of such Bond, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

SECTION 19. ORDINANCE A CONTRACT; AMENDMENTS. This Ordinance shall constitute a contract with the Registered Owners of the Bonds, binding on the City and its successors and assigns, and shall not be amended or repealed by the City as long as any Bond remains outstanding except as permitted in this Section. The City may, without the consent of or notice to any Registered Owners, amend, change, or modify this Ordinance as may be required (i) by the provisions hereof, (ii) for the purpose of curing any ambiguity, inconsistency, or formal defect or omission herein, or (iii) in connection with any other change which is not to the prejudice of the Registered Owners. The City may, with the written consent of the Registered Owners of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, change, modify, or rescind any provisions of this Ordinance; provided that without the consent of all of the Registered Owners affected, no such amendment, change, modification, or rescission shall (i) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof or the rate of interest thereon, (ii) give any preference to any Bond over any other Bond, (iii) extend any waiver of default to subsequent defaults, or (iv) reduce the aggregate principal amount of Bonds required for consent to any such amendment, change, modification, or rescission. Whenever the City shall desire to make any amendment or addition to or rescission of this Ordinance requiring consent of the Registered Owners, the City shall cause notice of the amendment, addition, or rescission to be sent by first class mail, postage prepaid, to the Registered Owners at the respective addresses shown on the Registration Books. Whenever at any time within one year after the date of the giving of such notice, the City shall receive an instrument or instruments in writing executed by the Registered Owners of a majority in aggregate principal amount of the Bonds then outstanding affected by any such amendment, addition, or rescission requiring the consent of the Registered Owners, which instrument or instruments shall refer to the proposed amendment, addition, or rescission described in such notice and shall specifically consent to and approve the adoption thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the City may adopt such amendment, addition, or rescission in substantially such form, except as herein provided. No Registered Owner may thereafter object to the adoption of such amendment, addition, or rescission, or to any of the provisions thereof, and such amendment, addition, or rescission shall be fully effective for all purposes.

SECTION 20. SECURITY INTEREST. Chapter 1208, Texas Government Code, applies to the issuance of the Bonds and the pledge of the ad valorem taxes granted by the City under Section 6 of this Ordinance, and is therefore valid, effective, and perfected. If Texas law is amended at any time while the Bonds are outstanding and unpaid such that the pledge of the ad valorem taxes granted by the City under Section 6 of this Ordinance is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the City agrees to take such measures

as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code, and enable a filing to perfect the security interest in said pledge to occur.

SECTION 21. REMEDIES IN EVENT OF DEFAULT. In addition to all the rights and remedies provided by the laws of the State of Texas, it is specifically covenanted and agreed particularly that in the event the City (i) defaults in the payment of the principal, premium, if any, or interest on the Bonds, (ii) defaults in the deposits and credits required to be made to the Interest and Sinking Fund, or (iii) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in this Ordinance, the Holders of any of the Bonds shall be entitled to seek a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the City and other officers of the City to observe and perform any covenant, condition or obligation prescribed in this Ordinance.

No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient. The specific remedy herein provided shall be cumulative of all other existing remedies, and the specification of such remedy shall not be deemed to be exclusive.

SECTION 22. INTERESTED PARTIES. Nothing in this Ordinance expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the City, the Underwriters and the registered owners of the Bonds, any right, remedy or claim under or by reason of this Ordinance or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Ordinance contained by and on behalf of the City shall be for the sole and exclusive benefit of the City, the Underwriters and the registered owners of the Bonds.

SECTION 23. INCORPORATION OF RECITALS. The City hereby finds that the statements set forth in the recitals of this Ordinance are true and correct, and the City hereby incorporates such recitals as a part of this Ordinance.

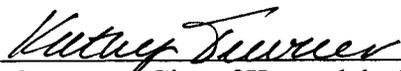
SECTION 24. SEVERABILITY. If any provision of this Ordinance or the application thereof to any circumstance shall be held to be invalid, the remainder of this Ordinance and the application thereof to other circumstances shall nevertheless be valid, and this governing body hereby declares that this Ordinance would have been enacted without such invalid provision.

SECTION 25. EFFECTIVE DATE. Pursuant to the provisions of Section 1201.028, Texas Government Code, this Ordinance shall become effective immediately after its is approved by the City Council.

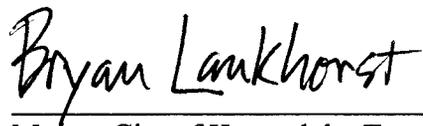
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PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF KENNEDALE, TEXAS AT A REGULAR MEETING ON THE 11TH DAY OF JANUARY, 2007, AT WHICH MEETING A QUORUM WAS PRESENT.

ATTEST:



City Secretary, City of Kennedale, Texas



Mayor, City of Kennedale, Texas



** ** * * *

EXHIBIT A

FORM OF PAYING AGENT/REGISTRAR AGREEMENT

THE PAYING AGENT/REGISTRAR AGREEMENT IS OMITTED AT THIS POINT
AS IT APPEARS IN EXECUTED FORM ELSEWHERE IN THIS TRANSCRIPT.

EXHIBIT B

NOTICE OF REDEMPTION
of
CITY OF KENNEDALE, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 1998
(Maturing on February 15 in the years 2008-2019, 2021 and 2024)

NOTICE IS HEREBY GIVEN that the *City of Kennedale, Texas* (the "City"), in Tarrant County, Texas, has called for redemption at the redemption price equal to par, plus accrued interest, on **February 15, 2007** (the "Redemption Date"), all of the City's outstanding *Combination Tax and Revenue Certificates of Obligation, Series 1998*, dated November 1, 1998, maturing on February 15 in the years 2008 through 2019, inclusive, 2021 and 2024 which are further described as follows (the "Certificates"):

CITY OF KENNEDALE, TEXAS COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 1998				
MATURITY (FEBRUARY 15)	PRINCIPAL AMOUNT MATURING IN YEAR	PRINCIPAL AMOUNT BEING REFUNDED	STATED INTEREST RATE (%)	CUSIP No. (489332)
2008	\$190,000	\$190,000	4.375	DV5
2009	200,000	200,000	4.375	DW3
2010	210,000	210,000	4.375	DX1
2011	225,000	225,000	4.375	DY9
2012	230,000	230,000	4.375	DZ6
2013	240,000	240,000	4.400	EA0
2014	250,000	250,000	4.450	EB8
2015	260,000	260,000	4.500	EC6
2016	275,000	275,000	4.550	ED4
2017	290,000	290,000	4.550	EE2
2018	305,000	305,000	4.600	EF9
2019	320,000	320,000	4.700	EG7
****	****	****	****	****
2021	685,000	685,000	4.750	EJ1
****	****	****	****	****
2024	645,000	645,000	4.800	EM4

On February 15, 2007, interest on the Certificates shall cease to accrue and be payable.

THE CERTIFICATES shall be redeemed at The Bank of New York Trust Company, National Association, successor to U.S. Trust Company of Texas, as the Paying Agent/Registrar for said Certificates. Upon presentation of the Certificates at the Paying Agent/Registrar on the aforementioned redemption date, the holder thereof shall be entitled to receive the redemption price equal to par and accrued interest to the redemption date.

NOTICE IS GIVEN that due and proper arrangements have been made for providing the place of payment of said Certificates called for redemption with funds sufficient to pay the principal amount of said Certificates and the interest thereon to the redemption date. In the event said Certificates, or any of them are not presented for redemption by the date fixed for their redemption, they shall not thereafter bear interest.

UNDER THE PROVISIONS of Section 3406 of the Internal Revenue Code of 1986, as amended, paying agents making payments of interest and principal on municipal securities may be obligated to withhold a tax from remittance to individuals who have failed to furnish the paying agent with a valid taxpayer identification number. Registered holders who wish to avoid the imposition of the tax should submit certified taxpayer identification numbers (via form W-9) when presenting the Certificates for payment.

THIS NOTICE is issued and given pursuant to the redemption provisions in the proceedings authorizing the issuance of the aforementioned Certificates and in accordance with the recitals and provisions of said Certificates.

NOTICE IS FURTHER GIVEN that the Certificates should be submitted to either of the following addresses:

Express Delivery

The Bank of New York, N.A.
Institutional Trust Services
2001 Bryan Street, 9th Floor
Dallas, Texas 75201

First Class/Registered/Certified Mail

The Bank of New York, N.A.
Institutional Trust Services
P.O. Box 2320
Dallas, Texas 75221-2320

Hand Delivery

The Bank of New York, N.A.
GIS Unit Trust Window
New York Plaza, 1st Floor
New York, New York 10004



COMMERCIAL BANKING

Bank of America, N.A.
901 Main Street, 67th floor
Dallas, Texas 75202-3714

INVESTOR ACKNOWLEDGMENT LETTER

January 11, 2007

The Honorable Mayor and
City Council of City of Kennedale, Texas
City of Kennedale
405 Municipal Drive
Kennedale, Texas 76060

McCall, Parkhurst & Horton L.L.P.
700 N. St. Mary's St., Suite 1525
San Antonio, Texas 78205

Southwest Securities, Inc.
4040 Broadway, Suite 220
San Antonio, Texas 78209

**RE: \$4,365,000 CITY OF KENNEDALE, TEXAS GENERAL OBLIGATION
REFUNDING BONDS, SERIES 2007**

Ladies and Gentlemen:

The undersigned (the "Purchaser"), as purchaser of **\$4,365,000** in principal amount of the captioned obligations (the "Bonds"), hereby acknowledges and confirms that it has been furnished such financial, statistical and other information with respect to the **CITY OF KENNEDALE, TEXAS** (the "Issuer") and the Bonds, including a certified copy of the Ordinance of the City Council of the Issuer which authorized the issuance of the Bonds (the "Ordinance"), as the Purchaser deems necessary to enable it to make an informed investment decision with respect to the purchase of the Bonds. The Purchaser further acknowledges that:

1. The Bonds are general obligations of the Issuer, issued on the full faith and credit thereof; and ad valorem taxes sufficient to provide for the payment of interest on and principal of the Bonds, as such interest comes due, and such principal matures, have been levied and ordered to be levied against all taxable property in the Issuer, and have been pledged for such payment, all as provided in the Ordinance.

Fax: 817.390.6452

Bank of America, TX1-497-02-04
500 W. 7th Street, Fort Worth, TX 76102-4700

Recycled Paper

2. The Purchaser, as a financial institution, has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations of a nature similar to the Bonds to be able to evaluate the risks and merits of the investment represented by the purchase of the Bonds.

3. The Purchaser is acquiring the Bonds for its own account as evidence of a loan or for the account of institutions which meet the representations set forth herein, and not with a view to, or for sale in connection with, any distribution of the Bonds or any part thereof. The Purchaser has not offered to sell, solicited offers to buy, or agreed to sell the Bonds or any part thereof, and the Purchaser has no present intention of reselling or otherwise disposing of the Bonds.

4. As a sophisticated investor, the Purchaser has made its own credit inquiry and analysis with respect to the Issuer and the Bonds, and has made an independent credit decision based upon such inquiry and analysis. The Issuer has furnished to the Purchaser all the information which the Purchaser as a reasonable investor has requested of the Issuer, and the Purchaser has had the opportunity to ask questions of and receive answers from knowledgeable individuals concerning the Issuer and the Bonds. The Purchaser is able and willing to bear the economic risk of the purchase and ownership of the Bonds.

5. *Southwest Securities, Inc.* (the Issuer's financial advisor) and *McCall, Parkhurst & Horton L.L.P.* (the Issuer's bond counsel) have not undertaken steps to ascertain the accuracy or completeness of information furnished to the Purchaser with respect to the Issuer, and the Purchaser has not looked to either of those firms or entities for, nor have either of them made, any representations to the Purchaser with respect to that information.

6. The Purchaser understands that the Bonds have not been rated by any rating agency or registered with any federal or state securities agency or commission.

7. It is understood and agreed that the Purchaser is buying the Bonds in a private placement by the Issuer to the Purchaser. The Bonds are exempt from any federal securities registration requirements by virtue of Section 3(a)(2) of the Securities Act of 1933. The private placement of the Bonds is exempt from the provisions of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"); consequently the Issuer has not undertaken to make any on-going disclosures for the benefit of the registered owner of the Bonds in accordance with the Rule.

8. The Issuer will provide the Purchaser with its audited annual financial statements within 270 days after each fiscal year end and any other financial information regarding the Issuer that the Purchaser may reasonably request from time to time.

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Very truly yours,

THE PURCHASER:
Bank of America, N.A.
901 Main Street, 67th floor
Dallas, Texas 75202-3714

By: 
Title: SR VICE PRESIDENT

PAYING AGENT/REGISTRAR AGREEMENT

THIS AGREEMENT entered into as of February 1, 2007 (this "Agreement"), by and between the **CITY OF KENNEDALE, TEXAS** (the "Issuer"), and **BANK OF AMERICA, N.A.** (the "Bank"), a national banking association duly organized and operating under the laws of the United States of America.

WHEREAS, the Issuer has duly authorized and provided for the issuance of its "*City of Kennedale, Texas General Obligation Refunding Bonds, Series 2007*" (the "Securities"), such Securities to be issued in fully registered form only as to the payment of principal and interest thereon; and

WHEREAS, the Securities are scheduled to be delivered to the initial purchasers thereof on or about February 15, 2007; and

WHEREAS, the Issuer has selected the Bank to serve as Paying Agent/Registrar in connection with the payment of the principal of, premium, if any, and interest on the Securities and with respect to the registration, transfer, and exchange thereof by the registered owners thereof; and

WHEREAS, the Bank has agreed to serve in such capacities for and on behalf of the Issuer and has full power and authority to perform and serve as Paying Agent/Registrar for the Securities;

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 serve as Paying Agent with respect to the Securities. As Paying Agent for the Securities, the Bank shall be responsible for paying on behalf of the Issuer the principal, premium (if any), and interest on the Securities as the same become due and payable to the registered owners thereof, all in accordance with this Agreement and the "Ordinance" (hereinafter defined).

The Issuer hereby appoints the Bank as Registrar with respect to the Securities. As Registrar for the Securities, the Bank shall keep and maintain for and on behalf of the Issuer books and records as to the ownership of said Securities and with respect to the transfer and exchange thereof as provided herein and in the Ordinance, a copy of which books and records shall be maintained at the office of the Bank located in the State of Texas or shall be available to be accessed from such office located in the State of Texas.

The Bank hereby accepts its appointment, and agrees to serve as the Paying Agent and Registrar for the Securities.

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, which shall 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:

“Acceleration Date” on any Security means, if applicable, the date on and after which the principal or any or all installments of interest, or both, are due and payable on any Security which has become accelerated pursuant to the terms of the Security.

“Bank Office” means the corporate trust office of the Bank as indicated on the signature page hereof. The Bank will notify the Issuer in writing of any change in location of the Bank Office.

“Fiscal Year” means the fiscal year of the Issuer, ending September 30.

“Holder” and “Security Holder” each means the Person in whose name a Security is registered in the Security Register.

“Issuer Request” and “Issuer Order” means a written request or order signed in the name of the Issuer by the Mayor or City Secretary of the Issuer or the City Manager or chief financial officer of the Issuer, any one or more of said officials, delivered to the Bank.

“Legal Holiday” means a day on which the Bank is required or authorized to be closed.

“Ordinance” means the ordinance, order or resolution of the governing body of the Issuer pursuant to which the Securities are issued, certified by the Secretary or any other officer of the Issuer and delivered to the Bank.

“Person” means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision of a government.

“Predecessor Securities” of any particular Security means every previous Security evidencing all or a portion of the same obligation as that evidenced by such particular Security (and, for the purposes of this definition, any mutilated, lost, destroyed, or stolen Security for which a replacement Security has been registered and delivered in lieu thereof pursuant to Section 4.06 hereof and the Ordinance).

“Redemption Date” when used with respect to any Security to be redeemed means the date fixed for such redemption pursuant to the terms of the Ordinance.

“Responsible Officer” when used with respect to the Bank means the Chairman or Vice-Chairman of the Board of Directors, the Chairman or Vice-chairman of the Executive Committee of the Board of Directors, the President, any Vice President, the Secretary, any Assistant Secretary, the Treasurer, any Assistant Treasurer, the Cashier, any Assistant Cashier, any Trust Officer or Assistant Trust Officer, or any other officer of the Bank customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

“Security Register” means a register maintained by the Bank on behalf of the Issuer providing for the registration and transfer of the Securities.

“Stated Maturity” means the date specified in the Ordinance the principal of a Security is scheduled to be due and payable.

SECTION 2.02. OTHER DEFINITIONS. The terms “Bank,” “Issuer,” and “Securities (Security)” have the meanings assigned to them in the recital paragraphs of this Agreement.

The term “Paying Agent/Registrar” refers to the Bank in the performance of the duties and functions of this Agreement.

**ARTICLE THREE
PAYING AGENT**

SECTION 3.01. DUTIES OF PAYING AGENT. (a) As Paying Agent, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the Issuer, pay on behalf of the Issuer the principal of each Security at its Stated Maturity, Redemption Date, or Acceleration Date, to the Holder upon surrender of the Security to the Bank at the Bank Office.

(b) As Paying Agent, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the Issuer, pay on behalf of the Issuer the interest on each Security when due, by computing the amount of interest to be paid each Holder and preparing and sending checks by United States mail, first class postage prepaid, on each payment date, to the Holders of the Securities (or their Predecessor Securities) on the respective Record Date, to the address appearing on the Security Register or by such other method, acceptable to the Bank, requested in writing by the Holder at the Holder's risk and expense.

(c) To the extent required by the Internal Revenue Code of 1986 and the regulations promulgated thereunder, the Bank shall report to the Holders and the Internal Revenue Service (i) the amount of “reportable payments”, if any, subject to backup withholding during each year and the amount of tax withheld, if any, with respect to payments of the Securities and (ii) the amount of interest or amount treated as interest on the Securities and required to be included in gross income of the Holder thereof.

SECTION 3.02. PAYMENT DATES. The Issuer hereby instructs the Bank to pay the principal of and interest on the Securities on the dates specified in the Ordinance.

**ARTICLE FOUR
REGISTRAR**

SECTION 4.01. SECURITY REGISTER - TRANSFERS AND EXCHANGES. The Bank agrees to keep and maintain for and on behalf of the Issuer at the Bank Office books and records (herein sometimes referred to as the "Security Register") for recording the names and addresses of the Holders of the Securities, the transfer, exchange, and replacement of the Securities, and the payment of the principal of and interest on the Securities to the Holders and containing such other information as may be reasonably required by the Issuer and subject to such reasonable regulations as the Issuer and the Bank may prescribe. All transfers, exchanges, and replacement of Securities shall be noted in the Security Register. The Bank represents and warrants that its office in Austin and/or Houston, Texas will at all times have immediate access to the Security Register by electronic or other means and will be capable of producing a hard copy at its Austin and/or Houston, Texas office for use by the Issuer.

Every Security surrendered for transfer or exchange shall be duly endorsed or be accompanied by a written instrument of transfer, the signature on which has been guaranteed by an officer of a federal or state bank or a member of the National Association of Securities Dealers, in form satisfactory to the Bank, duly executed by the Holder thereof or his agent duly authorized in writing.

The Bank may request any supporting documentation it feels necessary to effect a re-registration, transfer, or exchange of the Securities.

To the extent possible and under reasonable circumstances, the Bank agrees that, in relation to an exchange or transfer of Securities, the exchange or transfer by the Holders thereof will be completed and new Securities delivered to the Holder or the assignee of the Holder in not more than three business days after the receipt of the Securities to be cancelled in an exchange or transfer and the written instrument of transfer or request for exchange duly executed by the Holder, or his duly authorized agent, in form and manner satisfactory to the Paying Agent/Registrar.

SECTION 4.02. SECURITIES. The Issuer shall provide an adequate inventory of printed Securities to facilitate transfers or exchanges thereof. The Bank covenants that the inventory of printed Securities will be kept in safekeeping pending their use, and reasonable care will be exercised by the Bank in maintaining such Securities in safekeeping, which shall be not less than the care maintained by the Bank for debt securities of other political subdivisions or corporations for which it serves as registrar, or that is maintained for its own securities.

SECTION 4.03. FORM OF SECURITY REGISTER. The Bank, as Registrar, will maintain the Security Register relating to the registration, payment, transfer, and exchange of the Securities in accordance with the Bank's general practices and procedures in effect from time to time. The Bank shall not be obligated to maintain such Security Register in any form other than those which the Bank has currently available and currently utilizes at the time.

The Security Register may be maintained in written form or in any other form capable of being converted into written form within a reasonable time.

SECTION 4.04. LIST OF SECURITY HOLDERS. The Bank will provide the Issuer at any time requested by the Issuer, upon payment of the required fee, a copy of the information contained in the Security Register. The Issuer may also inspect the information contained in the Security Register 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.

Unless required by law, the Bank will not release or disclose the contents of the Security Register 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 court order or as otherwise required by law. Upon receipt of a court order and prior to the release or disclosure of the contents of the Security Register, the Bank will notify the Issuer so that the Issuer may contest the court order or such release or disclosure of the contents of the Security Register.

SECTION 4.05. RETURN OF CANCELLED SECURITIES. The Bank will, at such reasonable intervals as it determines, surrender to the Issuer, Securities in lieu of which or in exchange for which other Securities have been issued, or which have been paid.

SECTION 4.06. MUTILATED, DESTROYED, LOST, OR STOLEN SECURITIES. The Issuer hereby instructs the Bank, subject to the applicable provisions of the Ordinance, to deliver and issue Securities in exchange for or in lieu of mutilated, destroyed, lost, or stolen Securities as long as the same does not result in an over issuance.

In case any Security shall be mutilated, or destroyed, lost, or stolen, the Bank, in its discretion, may execute and deliver a replacement Security of like form and tenor, and in the same denomination and bearing a number not contemporaneously outstanding, in exchange and substitution for such mutilated Security, or in lieu of and in substitution for such destroyed, lost, or stolen Security, only after (i) the filing by the Holder thereof with the Bank of evidence satisfactory to the Bank of the destruction, loss, or theft of such Security, and of the authenticity of the ownership thereof and (ii) the furnishing to the Bank of indemnification in an amount satisfactory to hold the Issuer and the Bank harmless. All expenses and charges associated with such indemnity and with the preparation, execution, and delivery of a replacement Security shall be borne by the Holder of the Security mutilated, or destroyed, lost, or stolen.

SECTION 4.07. TRANSACTION INFORMATION TO ISSUER. The Bank will, within a reasonable time after receipt of written request from the Issuer, furnish the Issuer information as to the Securities it has paid pursuant to Section 3.01, Securities it has delivered upon the transfer or exchange of any Securities pursuant to Section 4.01, and Securities it has delivered in exchange for or in lieu of mutilated, destroyed, lost, or stolen Securities pursuant to Section 4.06.

ARTICLE FIVE THE BANK

SECTION 5.01. DUTIES OF BANK. The Bank undertakes to perform the duties set forth herein and in the Ordinance and agrees to use reasonable care in the performance thereof.

SECTION 5.02. 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.

(b) The Bank shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Bank was negligent in ascertaining the pertinent facts.

(c) No provisions of this Agreement shall require the Bank to expend or risk its own funds or otherwise incur any financial liability for performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity satisfactory to it against such risks or liability is not assured to it.

(d) The Bank may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. Without limiting the generality of the foregoing statement, the Bank need not examine the ownership of any Securities, but is protected in acting upon receipt of Securities containing an endorsement or instruction of transfer or power of transfer which appears on its face to be signed by the Holder or an agent of the Holder. The Bank shall not be bound to make any investigation into the facts or matters stated in a resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security, or other paper or document supplied by Issuer.

(e) The Bank may consult with counsel, and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection with respect to any action taken, suffered, or omitted by it hereunder in good faith and in reliance thereon.

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

SECTION 5.03. RECITALS OF ISSUER. The recitals contained herein with respect to the Issuer and in the Securities shall be taken as the statements of the Issuer, and the Bank assumes no responsibility for their correctness.

The Bank shall in no event be liable to the Issuer, any Holder or Holders of any Security, or any other Person for any amount due on any Security from its own funds.

SECTION 5.04. MAY HOLD SECURITIES. The Bank, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with the Issuer with the same rights it would have if it were not the Paying Agent/Registrar, or any other agent.

SECTION 5.05. MONEY HELD BY BANK. The Bank shall deposit any moneys received from the Issuer into an account to be held in a fiduciary capacity for the payment of the Securities, with such moneys in the account that exceed the deposit insurance, available to the Issuer, provided

by the Federal Deposit Insurance Corporation to be fully collateralized with securities or obligations that are eligible under the laws of the State of Texas and to the extent practicable under the laws of the United States of America to secure and be pledged as collateral for trust accounts until the principal and interest on such securities have been presented for payment and paid to the owner thereof. Payments made from such trust account shall be made by check drawn on such trust account unless the owner of such Securities shall, at its own expense and risk, request such other medium of payment.

Funds held by the Bank hereunder need not be segregated from any other funds provided appropriate accounts are maintained in the name and for the benefit of the Issuer.

The Bank shall be under no liability for interest on any money received by it hereunder.

Subject to the provisions of Title 6 of the Texas Property Code, any money deposited with the Bank for the payment of the principal, premium, if any, or interest on any Security and remaining unclaimed for three (3) years following the stated maturity, the Bank shall, except as otherwise directed by the Issuer, upon Issuer order, return to the Issuer. The Holder of such Security shall thereafter look only to the Issuer for payment thereof, and all liability of the Bank with respect to such money shall thereupon cease.

SECTION 5.06. INDEMNIFICATION. To the extent permitted by law, the Issuer agrees to indemnify the Bank for, and hold it harmless against, any loss, liability, or expense incurred without negligence or bad faith on its part, arising out of or in connection with its acceptance or administration of its duties hereunder, including the cost and expense against any claim or liability in connection with the exercise or performance of any of its powers or duties under this Agreement.

SECTION 5.07. INTERPLEADER. The Issuer and the Bank agree that the Bank may seek adjudication of any adverse claim, demand, or controversy over its person as well as funds on deposit, in either a Federal or State District Court located in the County in the State of Texas where either the Bank maintains an office or the administrative offices of the Issuer is located, and agree that service of process by certified or registered mail, return receipt requested, to the address referred to in Section 6.03 of this Agreement shall constitute adequate service. The Issuer and the Bank further agree that the Bank has the right to file a Bill of Interpleader in any court of competent jurisdiction located in the State of Texas to determine the rights of any Person claiming any interest herein.

SECTION 5.08. DEPOSITORY TRUST COMPANY SERVICES. It is hereby represented and warranted that, in the event the Securities are otherwise qualified and accepted for "Depository Trust Company" services or equivalent depository trust services by other organizations, the Bank has the capability and, to the extent within its control, will comply with the "Operational Arrangements," effective from time to time, which establishes requirements for securities to be eligible for such type depository trust services, including, but not limited to, requirements for the timeliness of payments and funds availability, transfer turnaround time, and notification of redemptions and calls.

**ARTICLE SIX
MISCELLANEOUS PROVISIONS**

SECTION 6.01. AMENDMENT. This Agreement may be amended only by an agreement in writing signed by both of the parties hereto.

SECTION 6.02. ASSIGNMENT. This Agreement may not be assigned by either party without the prior written consent of the other.

SECTION 6.03. 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 on the signature page of this Agreement.

SECTION 6.04. EFFECT OF HEADINGS. The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

SECTION 6.05. SUCCESSORS AND ASSIGNS. All covenants and agreements herein by the Issuer shall bind its successors and assigns, whether so expressed or not.

SECTION 6.06. SEVERABILITY. In case any provision herein shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 6.07. 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 6.08. ENTIRE AGREEMENT. This Agreement and the Ordinance constitute the entire agreement between the parties hereto relative to the Bank acting as Paying Agent/Registrar and if any conflict exists between his Agreement and the Ordinance, the Ordinance shall govern.

SECTION 6.09. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute one and the same Agreement.

SECTION 6.10. TERMINATION. This Agreement will terminate on the date of final payment of the principal of and interest on the Securities to the Holders thereof or may be earlier terminated by either party upon 60 days written notice; provided, however, an early termination of this Agreement by either party shall not be effective until (a) a successor Paying Agent/Registrar has been appointed by the Issuer and such appointment accepted and (b) notice has been given to the Holders of the Securities of the appointment of a successor Paying Agent/Registrar. Furthermore, the Bank and Issuer mutually agree that the effective date of an early termination of this Agreement shall not occur at any time which would disrupt, delay, or otherwise adversely affect the payment of the Securities.

Upon an early termination of this Agreement, the Bank agrees to promptly transfer and deliver the Security Register (or a copy thereof), together with other pertinent books and records relating to the Securities, to the successor Paying Agent/Registrar designated and appointed by the Issuer.

The provisions of Section 1.02 and of Article Five shall survive and remain in full force and effect following the termination of this Agreement.

SECTION 6.11. GOVERNING LAW. This Agreement shall be construed in accordance with and governed by the laws of the State of Texas.

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

BANK OF AMERICA, N.A.

By 
Title SR VICE PRESIDENT

Address: 500 West 7th St. Unit 36
Fort Worth, TX 76102

CITY OF KENNEDALE, TEXAS

By 
Mayor

Address: 405 Municipal Drive
Kennedale, Texas 76060

SCHEDULE A

Paying Agent/Registrar Fee Schedule

\$-0- ANNUAL ADMINISTRATION FEE

R-1

UNITED STATES OF AMERICA
STATE OF TEXAS
COUNTY OF TARRANT
CITY OF KENNEDALE, TEXAS
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2007

PRINCIPAL
AMOUNT
\$200,000

INTEREST RATE

3.970%

DATE OF DELIVERY

February 15, 2007

MATURITY DATE

February 15, 2008

REGISTERED OWNER:

SPECIMEN
Bank of America, N.A.

PRINCIPAL AMOUNT:

Two Hundred Thousand Dollars

ON THE MATURITY DATE specified above, the **CITY OF KENNEDALE, TEXAS** (the "**City**"), in Tarrant County, Texas, being a political subdivision and home-rule municipality of the State of Texas, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "**Registered Owner**"), the Principal Amount specified above, and to pay interest thereon (calculated on the basis of a 360-day year of twelve 30-day months) from the Date of Delivery, as set forth above, at the Interest Rate per annum specified above, payable on August 15, 2007, and semiannually on each February 15 and August 15 thereafter to the Maturity Date specified above, or the date of redemption prior to maturity; except that if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such Principal Amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the Registered Owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for redemption prior to maturity, at the designated trust office of **Bank of America, N.A.** (currently located in Fort Worth, Texas), which is the "**Paying Agent/Registrar**" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each interest payment date by check, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the City required by the Ordinance authorizing the issuance of this Bond (the "**Ordinance**") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the Registered Owner hereof, at its address as it appeared on the last business day

R-2

UNITED STATES OF AMERICA
STATE OF TEXAS
COUNTY OF TARRANT
CITY OF KENNEDALE, TEXAS
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2007

PRINCIPAL
AMOUNT
\$210,000

INTEREST RATE

3.970%

DATE OF DELIVERY

February 15, 2007

MATURITY DATE

February 15, 2009

REGISTERED OWNER:

Bank of America, N.A.

PRINCIPAL AMOUNT:

Two Hundred Ten Thousand Dollars

ON THE MATURITY DATE specified above, the **CITY OF KENNEDALE, TEXAS** (the "**City**"), in Tarrant County, Texas, being a political subdivision and home-rule municipality of the State of Texas, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "**Registered Owner**"), the Principal Amount specified above, and to pay interest thereon (calculated on the basis of a 360-day year of twelve 30-day months) from the Date of Delivery, as set forth above, at the Interest Rate per annum specified above, payable on August 15, 2007, and semiannually on each February 15 and August 15 thereafter to the Maturity Date specified above, or the date of redemption prior to maturity; except that if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such Principal Amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the Registered Owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for redemption prior to maturity, at the designated trust office of **Bank of America, N.A.** (currently located in Fort Worth, Texas), which is the "**Paying Agent/Registrar**" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each interest payment date by check, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the City required by the Ordinance authorizing the issuance of this Bond (the "**Ordinance**") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the Registered Owner hereof, at its address as it appeared on the last business day

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UNITED STATES OF AMERICA
STATE OF TEXAS
COUNTY OF TARRANT
CITY OF KENNEDALE, TEXAS
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2007

PRINCIPAL
AMOUNT
\$220,000

INTEREST RATE

3.970%

DATE OF DELIVERY

February 15, 2007

MATURITY DATE

February 15, 2010

REGISTERED OWNER:

Bank of America, N.A.

PRINCIPAL AMOUNT:

Two Hundred Twenty Thousand Dollars

ON THE MATURITY DATE specified above, the **CITY OF KENNEDALE, TEXAS** (the "City"), in Tarrant County, Texas, being a political subdivision and home-rule municipality of the State of Texas, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "**Registered Owner**"), the Principal Amount specified above, and to pay interest thereon (calculated on the basis of a 360-day year of twelve 30-day months) from the Date of Delivery, as set forth above, at the Interest Rate per annum specified above, payable on August 15, 2007, and semiannually on each February 15 and August 15 thereafter to the Maturity Date specified above, or the date of redemption prior to maturity; except that if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such Principal Amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the Registered Owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for redemption prior to maturity, at the designated trust office of **Bank of America, N.A.** (currently located in Fort Worth, Texas), which is the "**Paying Agent/Registrar**" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each interest payment date by check, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the City required by the Ordinance authorizing the issuance of this Bond (the "**Ordinance**") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the Registered Owner hereof, at its address as it appeared on the last business day

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UNITED STATES OF AMERICA
STATE OF TEXAS
COUNTY OF TARRANT
CITY OF KENNEDALE, TEXAS
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2007

PRINCIPAL
AMOUNT
\$235,000

INTEREST RATE

3.970%

DATE OF DELIVERY

February 15, 2007

MATURITY DATE

February 15, 2011

REGISTERED OWNER:

Bank of America, N.A.

PRINCIPAL AMOUNT:

Two Hundred Thirty Five Thousand Dollars

ON THE MATURITY DATE specified above, the **CITY OF KENNEDALE, TEXAS** (the "**City**"), in Tarrant County, Texas, being a political subdivision and home-rule municipality of the State of Texas, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "**Registered Owner**"), the Principal Amount specified above, and to pay interest thereon (calculated on the basis of a 360-day year of twelve 30-day months) from the Date of Delivery, as set forth above, at the Interest Rate per annum specified above, payable on August 15, 2007, and semiannually on each February 15 and August 15 thereafter to the Maturity Date specified above, or the date of redemption prior to maturity; except that if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such Principal Amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the Registered Owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for redemption prior to maturity, at the designated trust office of **Bank of America, N.A.** (currently located in Fort Worth, Texas), which is the "**Paying Agent/Registrar**" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each interest payment date by check, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the City required by the Ordinance authorizing the issuance of this Bond (the "**Ordinance**") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the Registered Owner hereof, at its address as it appeared on the last business day

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UNITED STATES OF AMERICA
STATE OF TEXAS
COUNTY OF TARRANT
CITY OF KENNEDALE, TEXAS
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2007

PRINCIPAL
AMOUNT
\$240,000

INTEREST RATE

3.970%

DATE OF DELIVERY

February 15, 2007

MATURITY DATE

February 15, 2012

REGISTERED OWNER:

Bank of America, N.A.

PRINCIPAL AMOUNT:

Two Hundred Forty Thousand Dollars

ON THE MATURITY DATE specified above, the **CITY OF KENNEDALE, TEXAS** (the "**City**"), in Tarrant County, Texas, being a political subdivision and home-rule municipality of the State of Texas, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "**Registered Owner**"), the Principal Amount specified above, and to pay interest thereon (calculated on the basis of a 360-day year of twelve 30-day months) from the Date of Delivery, as set forth above, at the Interest Rate per annum specified above, payable on August 15, 2007, and semiannually on each February 15 and August 15 thereafter to the Maturity Date specified above, or the date of redemption prior to maturity; except that if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such Principal Amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the Registered Owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for redemption prior to maturity, at the designated trust office of **Bank of America, N.A.** (currently located in Fort Worth, Texas), which is the "**Paying Agent/Registrar**" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each interest payment date by check, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the City required by the Ordinance authorizing the issuance of this Bond (the "**Ordinance**") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the Registered Owner hereof, at its address as it appeared on the last business day

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UNITED STATES OF AMERICA
STATE OF TEXAS
COUNTY OF TARRANT
CITY OF KENNEDALE, TEXAS
GENERAL OBLIGATION REFUNDING BONDS
SERIES-2007

PRINCIPAL
AMOUNT
\$250,000

INTEREST RATE

3.970%

DATE OF DELIVERY

February 15, 2007

MATURITY DATE

February 15, 2013

REGISTERED OWNER:

Bank of America, N.A.

PRINCIPAL AMOUNT:

Two Hundred Fifty Thousand Dollars

ON THE MATURITY DATE specified above, the **CITY OF KENNEDALE, TEXAS** (the "City"), in Tarrant County, Texas, being a political subdivision and home-rule municipality of the State of Texas, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "**Registered Owner**"), the Principal Amount specified above, and to pay interest thereon (calculated on the basis of a 360-day year of twelve 30-day months) from the Date of Delivery, as set forth above, at the Interest Rate per annum specified above, payable on August 15, 2007, and semiannually on each February 15 and August 15 thereafter to the Maturity Date specified above, or the date of redemption prior to maturity; except that if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such Principal Amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the Registered Owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for redemption prior to maturity, at the designated trust office of **Bank of America, N.A.** (currently located in Fort Worth, Texas), which is the "**Paying Agent/Registrar**" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each interest payment date by check, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the City required by the Ordinance authorizing the issuance of this Bond (the "**Ordinance**") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the Registered Owner hereof, at its address as it appeared on the last business day

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UNITED STATES OF AMERICA
STATE OF TEXAS
COUNTY OF TARRANT
CITY OF KENNEDALE, TEXAS
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2007

PRINCIPAL
AMOUNT
\$260,000

INTEREST RATE

3.970%

DATE OF DELIVERY

February 15, 2007

MATURITY DATE

February 15, 2014

REGISTERED OWNER:

Bank of America, N.A.

PRINCIPAL AMOUNT:

Two Hundred Sixty Thousand Dollars

ON THE MATURITY DATE specified above, the **CITY OF KENNEDALE, TEXAS** (the "City"), in Tarrant County, Texas, being a political subdivision and home-rule municipality of the State of Texas, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "**Registered Owner**"), the Principal Amount specified above, and to pay interest thereon (calculated on the basis of a 360-day year of twelve 30-day months) from the Date of Delivery, as set forth above, at the Interest Rate per annum specified above, payable on August 15, 2007, and semiannually on each February 15 and August 15 thereafter to the Maturity Date specified above, or the date of redemption prior to maturity; except that if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such Principal Amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the Registered Owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for redemption prior to maturity, at the designated trust office of **Bank of America, N.A.** (currently located in Fort Worth, Texas), which is the "**Paying Agent/Registrar**" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each interest payment date by check, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the City required by the Ordinance authorizing the issuance of this Bond (the "**Ordinance**") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the Registered Owner hereof, at its address as it appeared on the last business day

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UNITED STATES OF AMERICA
STATE OF TEXAS
COUNTY OF TARRANT
CITY OF KENNEDALE, TEXAS
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2007

PRINCIPAL
AMOUNT
\$265,000

INTEREST RATE

3.970%

DATE OF DELIVERY

February 15, 2007

MATURITY DATE

February 15, 2015

REGISTERED OWNER:

Bank of America, N.A.

PRINCIPAL AMOUNT:

Two Hundred Sixty Five Thousand Dollars

ON THE MATURITY DATE specified above, the **CITY OF KENNEDALE, TEXAS** (the "**City**"), in Tarrant County, Texas, being a political subdivision and home-rule municipality of the State of Texas, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "**Registered Owner**"), the Principal Amount specified above, and to pay interest thereon (calculated on the basis of a 360-day year of twelve 30-day months) from the Date of Delivery, as set forth above, at the Interest Rate per annum specified above, payable on August 15, 2007, and semiannually on each February 15 and August 15 thereafter to the Maturity Date specified above, or the date of redemption prior to maturity; except that if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such Principal Amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the Registered Owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for redemption prior to maturity, at the designated trust office of **Bank of America, N.A.** (currently located in Fort Worth, Texas), which is the "**Paying Agent/Registrar**" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each interest payment date by check, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the City required by the Ordinance authorizing the issuance of this Bond (the "**Ordinance**") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the Registered Owner hereof, at its address as it appeared on the last business day

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UNITED STATES OF AMERICA
STATE OF TEXAS
COUNTY OF TARRANT
CITY OF KENNEDALE, TEXAS
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2007

PRINCIPAL
AMOUNT
\$280,000

INTEREST RATE

3.970%

DATE OF DELIVERY

February 15, 2007

MATURITY DATE

February 15, 2016

REGISTERED OWNER:

Bank of America, N.A.

PRINCIPAL AMOUNT:

Two Hundred Eighty Thousand Dollars

ON THE MATURITY DATE specified above, the **CITY OF KENNEDALE, TEXAS** (the "**City**"), in Tarrant County, Texas, being a political subdivision and home-rule municipality of the State of Texas, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "**Registered Owner**"), the Principal Amount specified above, and to pay interest thereon (calculated on the basis of a 360-day year of twelve 30-day months) from the Date of Delivery, as set forth above, at the Interest Rate per annum specified above, payable on August 15, 2007, and semiannually on each February 15 and August 15 thereafter to the Maturity Date specified above, or the date of redemption prior to maturity; except that if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such Principal Amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the Registered Owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for redemption prior to maturity, at the designated trust office of **Bank of America, N.A.** (currently located in Fort Worth, Texas), which is the "**Paying Agent/Registrar**" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each interest payment date by check, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the City required by the Ordinance authorizing the issuance of this Bond (the "**Ordinance**") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the Registered Owner hereof, at its address as it appeared on the last business day

R-10

UNITED STATES OF AMERICA
STATE OF TEXAS
COUNTY OF TARRANT
CITY OF KENNEDALE, TEXAS
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2007

PRINCIPAL
AMOUNT
\$295,000

INTEREST RATE

3.970%

DATE OF DELIVERY

February 15, 2007

MATURITY DATE

February 15, 2017

REGISTERED OWNER:

Bank of America, N.A.

PRINCIPAL AMOUNT:

Two Hundred Ninety Five Thousand Dollars

ON THE MATURITY DATE specified above, the **CITY OF KENNEDALE, TEXAS** (the "**City**"), in Tarrant County, Texas, being a political subdivision and home-rule municipality of the State of Texas, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "**Registered Owner**"), the Principal Amount specified above, and to pay interest thereon (calculated on the basis of a 360-day year of twelve 30-day months) from the Date of Delivery, as set forth above, at the Interest Rate per annum specified above, payable on August 15, 2007, and semiannually on each February 15 and August 15 thereafter to the Maturity Date specified above, or the date of redemption prior to maturity; except that if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such Principal Amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the Registered Owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for redemption prior to maturity, at the designated trust office of **Bank of America, N.A.** (currently located in Fort Worth, Texas), which is the "**Paying Agent/Registrar**" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each interest payment date by check, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the City required by the Ordinance authorizing the issuance of this Bond (the "**Ordinance**") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the Registered Owner hereof, at its address as it appeared on the last business day

R-11

UNITED STATES OF AMERICA
STATE OF TEXAS
COUNTY OF TARRANT
CITY OF KENNEDALE, TEXAS
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2007

PRINCIPAL
AMOUNT
\$305,000

INTEREST RATE

3.970%

DATE OF DELIVERY

February 15, 2007

MATURITY DATE

February 15, 2018

REGISTERED OWNER:

Bank of America, N.A.

PRINCIPAL AMOUNT:

Three Hundred Five Thousand Dollars

ON THE MATURITY DATE specified above, the **CITY OF KENNEDALE, TEXAS** (the "City"), in Tarrant County, Texas, being a political subdivision and home-rule municipality of the State of Texas, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "**Registered Owner**"), the Principal Amount specified above, and to pay interest thereon (calculated on the basis of a 360-day year of twelve 30-day months) from the Date of Delivery, as set forth above, at the Interest Rate per annum specified above, payable on August 15, 2007, and semiannually on each February 15 and August 15 thereafter to the Maturity Date specified above, or the date of redemption prior to maturity; except that if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such Principal Amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the Registered Owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for redemption prior to maturity, at the designated trust office of *Bank of America, N.A.* (currently located in Fort Worth, Texas), which is the "**Paying Agent/Registrar**" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each interest payment date by check, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the City required by the Ordinance authorizing the issuance of this Bond (the "**Ordinance**") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the Registered Owner hereof, at its address as it appeared on the last business day

R-12

UNITED STATES OF AMERICA
STATE OF TEXAS
COUNTY OF TARRANT
CITY OF KENNEDALE, TEXAS
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2007

PRINCIPAL
AMOUNT
\$320,000

INTEREST RATE

3.970%

DATE OF DELIVERY

February 15, 2007

MATURITY DATE

February 15, 2019

REGISTERED OWNER:

SPECTRA Bank of America, N.A.

PRINCIPAL AMOUNT:

Three Hundred Twenty Thousand Dollars

ON THE MATURITY DATE specified above, the **CITY OF KENNEDALE, TEXAS** (the "City"), in Tarrant County, Texas, being a political subdivision and home-rule municipality of the State of Texas, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "**Registered Owner**"), the Principal Amount specified above, and to pay interest thereon (calculated on the basis of a 360-day year of twelve 30-day months) from the Date of Delivery, as set forth above, at the Interest Rate per annum specified above, payable on August 15, 2007, and semiannually on each February 15 and August 15 thereafter to the Maturity Date specified above, or the date of redemption prior to maturity; except that if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such Principal Amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the Registered Owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for redemption prior to maturity, at the designated trust office of **Bank of America, N.A.** (currently located in Fort Worth, Texas), which is the "**Paying Agent/Registrar**" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each interest payment date by check, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the City required by the Ordinance authorizing the issuance of this Bond (the "**Ordinance**") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the Registered Owner hereof, at its address as it appeared on the last business day

R-13

UNITED STATES OF AMERICA
STATE OF TEXAS
COUNTY OF TARRANT
CITY OF KENNEDALE, TEXAS
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2007

PRINCIPAL
AMOUNT
\$330,000

INTEREST RATE

3.970%

DATE OF DELIVERY

February 15, 2007

MATURITY DATE

February 15, 2020

REGISTERED OWNER:

 **Bank of America, N.A.**

PRINCIPAL AMOUNT:

Three Hundred Thirty Thousand Dollars

ON THE MATURITY DATE specified above, the **CITY OF KENNEDALE, TEXAS** (the "**City**"), in Tarrant County, Texas, being a political subdivision and home-rule municipality of the State of Texas, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "**Registered Owner**"), the Principal Amount specified above, and to pay interest thereon (calculated on the basis of a 360-day year of twelve 30-day months) from the Date of Delivery, as set forth above, at the Interest Rate per annum specified above, payable on August 15, 2007, and semiannually on each February 15 and August 15 thereafter to the Maturity Date specified above, or the date of redemption prior to maturity; except that if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such Principal Amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the Registered Owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for redemption prior to maturity, at the designated trust office of **Bank of America, N.A.** (currently located in Fort Worth, Texas), which is the "**Paying Agent/Registrar**" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each interest payment date by check, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the City required by the Ordinance authorizing the issuance of this Bond (the "**Ordinance**") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the Registered Owner hereof, at its address as it appeared on the last business day

R-14

UNITED STATES OF AMERICA
STATE OF TEXAS
COUNTY OF TARRANT
CITY OF KENNEDALE, TEXAS
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2007

PRINCIPAL
AMOUNT
\$345,000

INTEREST RATE

3.970%

DATE OF DELIVERY

February 15, 2007

MATURITY DATE

February 15, 2021

REGISTERED OWNER:



PRINCIPAL AMOUNT:

Three Hundred Forty Five Thousand Dollars

ON THE MATURITY DATE specified above, the **CITY OF KENNEDALE, TEXAS** (the "**City**"), in Tarrant County, Texas, being a political subdivision and home-rule municipality of the State of Texas, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "**Registered Owner**"), the Principal Amount specified above, and to pay interest thereon (calculated on the basis of a 360-day year of twelve 30-day months) from the Date of Delivery, as set forth above, at the Interest Rate per annum specified above, payable on August 15, 2007, and semiannually on each February 15 and August 15 thereafter to the Maturity Date specified above, or the date of redemption prior to maturity; except that if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such Principal Amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the Registered Owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for redemption prior to maturity, at the designated trust office of **Bank of America, N.A.** (currently located in Fort Worth, Texas), which is the "**Paying Agent/Registrar**" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each interest payment date by check, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the City required by the Ordinance authorizing the issuance of this Bond (the "**Ordinance**") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the Registered Owner hereof, at its address as it appeared on the last business day

R-15

UNITED STATES OF AMERICA
STATE OF TEXAS
COUNTY OF TARRANT
CITY OF KENNEDALE, TEXAS
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2007

PRINCIPAL
AMOUNT
\$195,000

INTEREST RATE

3.970%

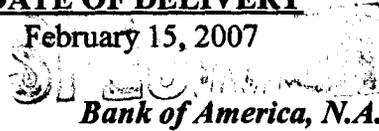
DATE OF DELIVERY

February 15, 2007

MATURITY DATE

February 15, 2022

REGISTERED OWNER:



PRINCIPAL AMOUNT:

One Hundred Ninety Five Thousand Dollars

ON THE MATURITY DATE specified above, the **CITY OF KENNEDALE, TEXAS** (the "**City**"), in Tarrant County, Texas, being a political subdivision and home-rule municipality of the State of Texas, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "**Registered Owner**"), the Principal Amount specified above, and to pay interest thereon (calculated on the basis of a 360-day year of twelve 30-day months) from the Date of Delivery, as set forth above, at the Interest Rate per annum specified above, payable on August 15, 2007, and semiannually on each February 15 and August 15 thereafter to the Maturity Date specified above, or the date of redemption prior to maturity; except that if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such Principal Amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the Registered Owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for redemption prior to maturity, at the designated trust office of **Bank of America, N.A.** (currently located in Fort Worth, Texas), which is the "**Paying Agent/Registrar**" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each interest payment date by check, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the City required by the Ordinance authorizing the issuance of this Bond (the "**Ordinance**") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the Registered Owner hereof, at its address as it appeared on the last business day

R-16

UNITED STATES OF AMERICA
STATE OF TEXAS
COUNTY OF TARRANT
CITY OF KENNEDALE, TEXAS
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2007

PRINCIPAL
AMOUNT
\$205,000

INTEREST RATE

3.970%

DATE OF DELIVERY

February 15, 2007

MATURITY DATE

February 15, 2023

REGISTERED OWNER:

Bank of America, N.A.

PRINCIPAL AMOUNT:

Two Hundred Five Thousand Dollars

ON THE MATURITY DATE specified above, the **CITY OF KENNEDALE, TEXAS** (the "City"), in Tarrant County, Texas, being a political subdivision and home-rule municipality of the State of Texas, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "**Registered Owner**"), the Principal Amount specified above, and to pay interest thereon (calculated on the basis of a 360-day year of twelve 30-day months) from the Date of Delivery, as set forth above, at the Interest Rate per annum specified above, payable on August 15, 2007, and semiannually on each February 15 and August 15 thereafter to the Maturity Date specified above, or the date of redemption prior to maturity; except that if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such Principal Amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the Registered Owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for redemption prior to maturity, at the designated trust office of **Bank of America, N.A.** (currently located in Fort Worth, Texas), which is the "**Paying Agent/Registrar**" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each interest payment date by check, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the City required by the Ordinance authorizing the issuance of this Bond (the "**Ordinance**") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the Registered Owner hereof, at its address as it appeared on the last business day

R-17

UNITED STATES OF AMERICA
STATE OF TEXAS
COUNTY OF TARRANT
CITY OF KENNEDALE, TEXAS
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2007

PRINCIPAL
AMOUNT
\$210,000

INTEREST RATE

3.970%

DATE OF DELIVERY

February 15, 2007

MATURITY DATE

February 15, 2024

REGISTERED OWNER:

Bank of America, N.A.

PRINCIPAL AMOUNT:

Two Hundred Ten Thousand Dollars

ON THE MATURITY DATE specified above, the **CITY OF KENNEDALE, TEXAS** (the "**City**"), in Tarrant County, Texas, being a political subdivision and home-rule municipality of the State of Texas, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "**Registered Owner**"), the Principal Amount specified above, and to pay interest thereon (calculated on the basis of a 360-day year of twelve 30-day months) from the Date of Delivery, as set forth above, at the Interest Rate per annum specified above, payable on August 15, 2007, and semiannually on each February 15 and August 15 thereafter to the Maturity Date specified above, or the date of redemption prior to maturity; except that if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such Principal Amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the Registered Owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for redemption prior to maturity, at the designated trust office of **Bank of America, N.A.** (currently located in Fort Worth, Texas), which is the "**Paying Agent/Registrar**" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each interest payment date by check, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the City required by the Ordinance authorizing the issuance of this Bond (the "**Ordinance**") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the Registered Owner hereof, at its address as it appeared on the last business day

of the month next preceding each such date (the "**Record Date**") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "**Special Record Date**") will be established by the Paying Agent/Registrar if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "**Special Payment Date**" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each Registered Owner appearing on the Registration Books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice. Any accrued interest due upon the redemption of this Bond prior to maturity as provided herein shall be paid to the Registered Owner upon presentation and surrender of this Bond for redemption and payment at the designated corporate trust office of the Paying Agent/Registrar (unless the redemption date is a regularly scheduled interest payment date, in which case accrued interest on such redeemed Bonds shall be payable in the regular manner described above). The City covenants with the Registered Owner of this Bond that on or before each principal payment date, interest payment date and accrued interest payment date for this Bond it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" created by the Ordinance, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Bonds, when due.

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

THIS BOND is one of a series of Bonds dated as of February 1, 2007, authorized in accordance with the Constitution and laws of the State of Texas in the aggregate principal amount of **\$4,365,000 FOR THE PURPOSE OF REFUNDING A PORTION OF THE CITY'S OUTSTANDING COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 1998 AND TO PAY COSTS OF ISSUANCE.**

ON ANY DATE, the Bonds of this series may be redeemed prior to their scheduled maturities, at the option of the City, with funds derived from any available and lawful source, as a whole, or in part, and, if in part, the particular principal installments or portions thereof, to be redeemed shall be selected and designated by the City, at a redemption price equal to the principal amount to be redeemed, plus the "Prepayment Fee", computed pursuant to Section 15 of the Ordinance, if any, plus accrued interest to the date fixed for redemption.

AT LEAST 10 days prior to the date fixed for any optional redemption of the Bond or portions thereof prior to maturity a written notice of such redemption shall be sent by the City by United States mail, first-class postage prepaid, to the registered owner at its address as it appeared

on the Registration Books on the day such notice of redemption is mailed; provided, however, that the failure of the registered owner to receive such notice, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of this Bond. By the date fixed for any such redemption, due provision shall be made for the payment of the required redemption price for the Bond or portions thereof which are to be so redeemed. If such written notice of redemption is sent and if due provision for such payment is made, all as provided above, the Bond or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to its scheduled maturity, and shall not bear interest after the date fixed for redemption, and shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the City out of the funds provided for such payment.

ALL BONDS OF THIS SERIES are issuable solely as fully registered Bonds, without interest coupons, in the denomination of any integral multiple of \$5,000. As provided in the Ordinance, this Bond, may, at the request of the Registered Owner or the assignee or assignees hereof, be assigned, transferred and exchanged for a like aggregate principal amount of fully registered Bonds, without interest coupons, payable to the appropriate Registered Owner, assignee or assignees, as the case may be, having the same denomination or denominations in any integral multiple of \$5,000 as requested in writing by the appropriate Registered Owner, assignee or assignees, as the case may be, upon surrender of this Bond to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Ordinance. Among other requirements for such assignment and transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Bond or any portion or portions hereof in any integral multiple of \$5,000 to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are to be registered. The form of Assignment printed or endorsed on this Bond may be executed by the Registered Owner to evidence the assignment hereof, but such method is not exclusive, and other instruments of assignment satisfactory to the Paying Agent/Registrar may be used to evidence the assignment of this Bond or any portion or portions hereof from time to time by the Registered Owner. The Paying Agent/Registrar's reasonable standard or customary fees and charges for transferring and exchanging any Bond or portion thereof shall be paid by the City, but any taxes or governmental charges required to be paid with respect thereto shall be paid by the one requesting such assignment, transfer or exchange as a condition precedent to the exercise of such privilege. The Paying Agent/Registrar shall not be required to make any such transfer or exchange during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date.

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

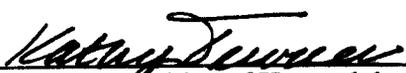
IT IS HEREBY certified, recited, and covenanted that this Bond has been duly and validly authorized, issued, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Bond have been performed, existed, and been done in accordance with law; that this Bond is a general obligation of the City, issued on the full faith and credit thereof; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of this Bond, as such interest comes due, and as such principal matures, have been levied and ordered to be levied against all taxable property in the City, and have been pledged for such payment, within the limits prescribed by law, all as provided in the Ordinance authorizing the Bonds.

THE CITY also has reserved the right to amend the Ordinance as provided therein, and under some (but not all) circumstances amendments thereto must be approved by the registered owners of a majority in aggregate principal amount of the outstanding Bonds.

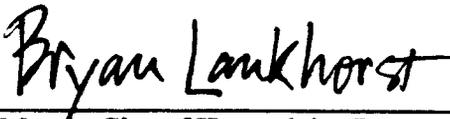
BY BECOMING the Registered Owner of this Bond, the Registered Owner thereby acknowledges all of the terms and provisions of the Ordinance, agrees to be bound by such terms and provisions, acknowledges that the Ordinance is duly recorded and available for inspection in the official minutes and records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

IN WITNESS WHEREOF, the City has caused this Bond to be signed with the manual or facsimile signature of the Mayor of the City, and countersigned with the manual or facsimile signature of the City Secretary of the City, and the official seal of the City has been duly impressed, or placed in facsimile, on this Bond.

Countersigned:



City Secretary, City of Kennedale, Texas



Mayor, City of Kennedale, Texas



COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO. _____

I hereby certify that this Bond has been examined, certified as to validity, and approved by the Attorney General of the State of Texas, and that this Bond has been registered by the Comptroller of Public Accounts of the State of Texas.

Witness my signature and seal this

(COMPTROLLER'S SEAL)

Comptroller of Public Accounts
of the State of Texas

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE
(To be executed if this Bond is not accompanied by an executed Registration Certificate of the Comptroller of Public Accounts of the State of Texas)

It is hereby certified that this Bond has been issued under the provisions of the Ordinance described in the text of this Bond; and that this Bond has been issued in exchange for a certificate of obligation or certificates of obligation, or a portion of a certificate of obligation or certificates of obligation of a series which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

Dated

BANK OF AMERICA, N.A.
FORT WORTH, TEXAS
Paying Agent/Registrar

By _____
Authorized Representative

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned Registered Owner of this Bond, or duly authorized representative or attorney thereof, hereby sells, assigns and transfers this Bond and all rights hereunder unto _____

_____/

(Assignee's Social Security or
Taxpayer Identification Number)

(Please print or typewrite Assignee's name and address,
including zip code)

and hereby irrevocably constitutes and appoints _____
attorney to transfer the registration of this Bond on the Paying Agent/Registrar's Registration Books
with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

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

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

FEDERAL TAX CERTIFICATE

1. In General.

1.1. The undersigned is the Mayor of the City of Kennedale, Texas (the "Issuer").

1.2. This Certificate is executed for the purpose of establishing the reasonable expectations of the Issuer as to future events regarding the Issuer's General Obligation Refunding Bonds, Series 2007 (the "Bonds"). The Bonds are being issued pursuant to an ordinance of the Issuer (the "Ordinance") adopted on the date of sale of the Bonds. The Ordinance is incorporated herein by reference.

1.3. To the best of the undersigned's knowledge, information and belief, the expectations contained in this Certificate are reasonable.

1.4. The undersigned is an officer of the Issuer delegated with the responsibility, among others, of issuing and delivering the Bonds.

1.5. The undersigned is not aware of any facts or circumstances that would cause him to question the accuracy of the representations made by Bank of America, N.A. (the "Purchaser") in Section 3 of this Certificate.

2. The Purpose of the Bonds and Useful Lives of Projects.

2.1. The purpose for the issuance of the Bonds, as more fully described in the Ordinance, is to currently refund the Issuer's Combination Tax and Revenue Certificates of Obligation, Series 1998 (the "Outstanding Bonds") and to pay the related expenses of issuing the Bonds. The proceeds of the Bonds will be used to redeem the Outstanding Bonds within 90 days of the date hereof.

2.2. The proceeds of the Outstanding Bonds were used for the construction a new municipal complex and the acquisition of land therefor; the improvement of streets in the Issuer; and the improvement of the Issuer's water system, including a new water well, new ground and elevated water storage facilities and water lines (the "Outstanding Projects"). The Outstanding Projects remain in service and have not been sold or otherwise disposed of by the Issuer.

2.3. The Issuer expects that 120 percent of the aggregate useful lives of the Outstanding Projects, on the later of the date that such Outstanding Projects were placed in service or the date of issuance of the Outstanding Bonds, will exceed 30 years.

2.4. Other than members of the general public, the Issuer expects that throughout the lesser of the term of the Bonds, or the useful lives of the Outstanding Projects, the only user of the Outstanding Projects will be the Issuer or the Issuer's employees and agents (other than a manager or lessee). The Issuer will be the manager of the Outstanding Projects. The Issuer does not expect to enter into long-term sales of output from the Outstanding Projects, except on the basis of generally-applicable and uniformly applied rates. The Issuer may apply different rates for different classes of customers, including volume purchasers, which are reasonable and customary.

2.5. Except as stated below, the Issuer expects not to sell or otherwise dispose of property constituting the Outstanding Projects prior to the earlier of the end of such property's useful

life or the final maturity of the Bonds. The Ordinance provides that the Issuer will not sell or otherwise dispose of the Outstanding Projects unless the Issuer receives an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Bonds.

2.6. For purposes of Section 2.5 hereof, the Issuer has not included the portion of the Outstanding Projects comprised of personal property that is disposed in the ordinary course at a price that is expected to be less than 25 percent of the original purchase price. The Issuer, upon any disposition of such property, will transfer the receipts from the disposition of such property to the general operating fund and expend such receipts within six months for other governmental programs.

3. Yield.

All of the Bonds have been the subject of a bona fide initial offering to the Purchaser who is acquiring as a member of the public and not for the present purposes of resale at a purchase price of 100 percent of the stated principal amount thereof.

4. Transferred Proceeds and Disposition Proceeds.

As of the date of this Certificate, all of the amounts received from the sale of the Outstanding Bonds and the investment earnings thereon have been expended.

5. Interest and Sinking Fund.

5.1. A separate and special Interest and Sinking Fund has been created and established solely to pay the principal of and interest on the Bonds, with a portion of the Interest and Sinking Fund constituting a bona fide debt service fund for the Bonds, and money deposited into the Interest and Sinking Fund for the Bonds will not be invested at a yield higher than the yield on the Bonds, except during the thirteen month period beginning on the date of each such deposit of money, and the amounts received from the investment of money in the Interest and Sinking Fund will not be invested at a yield higher than the yield on the Bonds, except during the one year period beginning on the date of receipt of such amounts; provided, however, and except that, if any money so deposited, and any amounts received from the investment thereof, are accumulated in the Interest and Sinking Fund and remain on hand in the Interest and Sinking Fund after thirteen months from the date of deposit of any such money or one year after the receipt of any such amounts from the investment thereof, such money and amounts, to the extent of an aggregate not exceeding the lesser of five percent of the proceeds of the Bonds or \$100,000 will not be subject to investment yield restrictions, and shall constitute a separate portion of the Interest and Sinking Fund.

5.2. It is expected that a portion of the Interest and Sinking Fund will be used primarily to achieve a proper matching of revenues collected for the Bonds and debt service on the Bonds within each bond year, and it is expected that such portion of the Interest and Sinking Fund will be depleted once a year on a first-in - first-out basis, except for a possible carryover amount which will not exceed the greater of one year's earnings on such fund or 1/12 of annual debt service payable from such fund, but any money and amounts which may be accumulated in the Interest and Sinking Fund, to constitute a debt service reserve fund for the Bonds as described in Section 5.1, above, shall constitute a separate portion of the Interest and Sinking Fund, and will not be depleted annually, and will not be subject to yield restrictions; provided that in no event will such debt service reserve fund portion of the Interest and Sinking Fund ever exceed the lesser of five percent of the proceeds of the Bonds or \$100,000.

6. Invested Sinking Fund Proceeds, Replacement Proceeds.

6.1. The Issuer has, in addition to the moneys received from the sale of the Bonds, certain other moneys that are invested in various funds which are pledged for various purposes. These other funds are not available to accomplish the purposes described in Section 2 of this Certificate.

6.2. Other than the Interest and Sinking Fund, there are, and will be, no other funds or accounts established, or to be established, by or on behalf of the Issuer (a) which are reasonably expected to be used, or to generate earnings to be used, to pay debt service on the Bonds, or (b) which are reserved or pledged as collateral for payment of debt service on the Bonds and for which there is reasonable assurance that amounts therein will be available to pay such debt service if the Issuer encounters financial difficulties. Accordingly, there are no other amounts constituting "gross proceeds" of the Bonds, within the meaning of section 148 of the Internal Revenue Code of 1986 (the "Code").

7. Other Obligations.

There are no other obligations of the Issuer, other than the Issuer's Combination Tax and Revenue Certificates of Obligation, Series 2007, that (a) are sold at substantially the same time as the Bonds, i.e., within 15 days of the date of sale of the Bonds, (b) are sold pursuant to a common plan of financing with the Bonds, and (c) will be payable from the same source of funds as the Bonds.

8. Federal Tax Audit Responsibilities.

The Issuer acknowledges that in the event of an examination by the Internal Revenue Service (the "Service") to determine compliance of the Bonds with the provisions of the Code as they relate to tax-exempt obligations, the Issuer will respond, and will direct its agents and assigns to respond, in a commercially reasonable manner to any inquiries from the Service in connection with such an examination. The Issuer understands and agrees that the examination may be subject to public disclosure under applicable Texas law.

9. Record Retention.

The Issuer has covenanted in the Ordinance that it will comply with the requirements of the Code relating to the exclusion of the interest on the Bonds under section 103 of the Code. The Service has determined that certain materials, records and information should be retained by the issuers of tax-exempt obligations for the purpose of enabling the Service to confirm the exclusion of the interest on such obligations under section 103 of the Code. **ACCORDINGLY, THE ISSUER SHALL TAKE STEPS TO ENSURE THAT ALL MATERIALS, RECORDS AND INFORMATION NECESSARY TO CONFIRM THE EXCLUSION OF THE INTEREST ON THE BONDS UNDER SECTION 103 OF THE CODE ARE RETAINED FOR THE PERIOD BEGINNING ON THE ISSUE DATE OF THE OUTSTANDING BONDS AND ENDING THREE YEARS AFTER THE DATE THE BONDS ARE RETIRED.** The Issuer acknowledges receipt of the letter attached hereto as Exhibit "B" which, in part, discusses specific guidance by the Service with respect to the retention of records relating to tax-exempt bond transactions. The Issuer also acknowledges that letter does not constitute an opinion of Bond Counsel as to the proper record retention policy applicable to any specific transaction.

10. Rebate to United States.

The Issuer has covenanted in the Ordinance that it will comply with the requirements of the Code, including section 148(f) of the Code, relating to the required rebate to the United States. Specifically, the Issuer will take steps to ensure that all earnings on gross proceeds of the Bonds in excess of the yield on the Bonds required to be rebated to the United States will be timely paid to the United States. The Issuer acknowledges receipt of the memorandum attached hereto as Exhibit "A" which discusses regulations promulgated pursuant to section 148(f) of the Code. This memorandum does not constitute an opinion of Bond Counsel as to the proper federal tax or accounting treatment of any specific transaction.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK.]

DATED:

FEB 15 2007

CITY OF KENNEDALE, TEXAS

By: Bryan Lankhorst
Mayor

The undersigned represents that, to the best of the undersigned's knowledge, information and belief, the representations contained in Section 3 of this Federal Tax Certificate are accurate.

BANK OF AMERICA, N.A.

By: Dejell
SR VICE PRESIDENT

Exhibit "A"

LAW OFFICES

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January 1, 2006

ARBITRAGE REBATE REGULATIONS[©]

The arbitrage rebate requirements set forth in section 148(f) of the Internal Revenue Code of 1986 (the "Code") generally provide that in order for interest on any issue of bonds¹ to be excluded from gross income (i.e., tax-exempt) the issuer must rebate to the United States the sum of, (1) the excess of the amount earned on all "nonpurpose investments" acquired with "gross proceeds" of the issue over the amount which would have been earned if such investments had been invested at a yield equal to the yield on the issue, and (2) the earnings on such excess earnings.

On June 18, 1993, the U.S. Treasury Department promulgated regulations relating to the computation of arbitrage rebate and the rebate exceptions. These regulations, which replace the previously-published regulations promulgated on May 15, 1989, and on May 18, 1992, are effective for bonds issued after June 30, 1993. This memorandum was prepared by McCall, Parkhurst & Horton L.L.P. and provides a general discussion of these arbitrage rebate regulations. This memorandum does not otherwise discuss the general arbitrage regulations, other than as they may incidentally relate to rebate. This memorandum also does not attempt to provide an exhaustive discussion of the arbitrage rebate regulations and should not be considered advice with respect to the arbitrage rebate requirements as applied to any individual or governmental unit or any specific transaction. Any tax advice contained in this memorandum is of a general nature and is not intended to be used, and should not be used, by any person to avoid penalties under the Code.

McCall, Parkhurst & Horton L.L.P. remains available to provide legal advice to issuers with respect to the provisions of these tax regulations but recommends that issuers seek competent financial and accounting assistance in calculating the amount of such issuer's rebate liability under section 148(f) of the Code and in making elections to apply the rebate exceptions.

¹ In this memorandum the word "bond" is defined to include any bond, note, certificate, financing lease or other obligation of an issuer.

Effective Dates

The regulations promulgated on June 18, 1993, generally apply to bonds delivered after June 30, 1993, although they do permit an issuer to elect to apply the rules to bonds issued prior to that date. The temporary regulations adopted by the U.S. Treasury Department in 1989 and 1992 incorporated the same effective dates which generally apply for purposes of section 148(f) of the Code. As such, the previous versions of the rebate regulations generally applied to bonds issued between August 1986 and June 30, 1993 (or, with an election, to bonds issued prior to August 15, 1993). The statutory provisions of section 148(f) of the Code, other than the exception for construction issues, apply to all bonds issued after August 15, 1986, (for private activity bonds) and August 31, 1986, (for governmental public purpose bonds). The statutory exception to rebate applicable for construction issues generally applies if such issue is delivered after December 19, 1989.

The regulations provide numerous transitional rules for bonds sold prior to July 1, 1993. Moreover, since, under prior law, rules were previously published with respect to industrial development bonds and mortgage revenue bonds, the transitional rules contained in these regulations permit an issuer to elect to apply certain of these rules for computing rebate on pre-1986 bonds. The regulations provide for numerous elections which would permit an issuer to apply the rules (other than 18-month spending exception) to bonds which were issued prior to July 1, 1993 and remain outstanding on June 30, 1993. Due to the complexity of the regulations, it is impossible to discuss in this memorandum all circumstances for which specific elections are provided. If an issuer prefers to use these final version of rebate regulations in lieu of the computational method stated under prior law (e.g., due to prior redemption) or the regulations, please contact McCall, Parkhurst & Horton L.L.P. for advice as to the availability of such options.

Future Value Computation Method

The regulations employ an actuarial method for computing the rebate amount based on the future value of the investment receipts (i.e., earnings) and payments. The rebate method employs a two-step computation to determine the amount of the rebate payment. First, the issuer determines the bond yield. Second, the issuer determines the arbitrage rebate amount. The regulations require that the computations be made at the end of each five-year period and upon final maturity of the issue (the "computation dates"). **THE FINAL MATURITY DATE WILL ACCELERATE IN CIRCUMSTANCES IN WHICH THE BONDS ARE OPTIONALLY REDEEMED PRIOR TO MATURITY. AS SUCH, IF BONDS ARE REFUNDED OR OTHERWISE REDEEMED, THE REBATE MAY BE DUE EARLIER THAN INITIALLY PROJECTED.** In order to accommodate accurate record-keeping and to assure that sufficient amounts will be available for the payment of arbitrage rebate liability, however, we recommend that the computations be performed at least annually. Please refer to other materials provided by McCall, Parkhurst & Horton L.L.P. relating to federal tax rules regarding record retention.

Under the future value method, the amount of rebate is determined by compounding the aggregate earnings on all the investments from the date of receipt by the issuer to the computation date. Similarly, a payment for an investment is future valued from the date that the payment is made to the computation date. The receipts and payments are future valued at a discount rate equal to the yield on the bonds. The rebatable arbitrage, as of any

computation date, is equal to the excess of the (1) future value of all receipts from investments (i.e., earnings), over (2) the future value of all payments.

The following example is provided in the regulations to illustrate how arbitrage rebate is computed under the future value method for a fixed-yield bond:

"On January 1, 1994, City A issues a fixed yield issue and invests all the sale proceeds of the issue (\$49 million). There are no other gross proceeds. The issue has a yield of 7.0000 percent per year compounded semiannually (computed on a 30 day month/360 day year basis). City A receives amounts from the investment and immediately expends them for the governmental purpose of the issue as follows:

<u>Date</u>	<u>Amount</u>
2/1/1994	\$ 3,000,000
4/1/1994	5,000,000
6/1/1994	14,000,000
9/1/1994	20,000,000
7/1/1995	10,000,000

City A selects a bond year ending on January 1, and thus the first required computation date is January 1, 1999. The rebate amount as of this date is computed by determining the future value of the receipts and the payments for the investment. The compounding interval is each 6-month (or shorter) period and the 30 day month/360 day year basis is used because these conventions were used to compute yield on the issue. The future value of these amounts, plus the computation credit, as of January 1, 1999, is:

<u>Date</u>	<u>Receipts (Payments)</u>	<u>FY (7.0000 percent)</u>
01/1/1994	(\$49,000,000)	(\$69,119,339)
02/1/1994	3,000,000	4,207,602
04/1/1994	5,000,000	6,932,715
06/1/1994	14,000,000	19,190,277
09/1/1994	20,000,000	26,947,162
01/1/1995	(1,000)	(1,317)
07/1/1995	10,000,000	12,722,793
01/1/1996	(1,000)	<u>(1,229)</u>
Rebate amount (01/01/1999)		<u>\$878,664"</u>

General Method for Computing Yield on Bonds

In general, the term "yield," with respect to a bond, means the discount rate that when used in computing the present value of all unconditionally due payments of principal and interest and all of the payments for a qualified guarantee produces an amount equal to the issue price of the bond. The term "issue price" has the same meaning as provided in sections

1273 and 1274 of the Code. That is, if bonds are publicly offered (i.e., sold by the issuer to a bond house, broker or similar person acting in the capacity of underwriter or wholesaler), the issue price of each bond is determined on the basis of the initial offering price to the public (not to the aforementioned intermediaries) at which price a substantial amount of such bond was sold to the public (not to the aforementioned intermediaries). The "issue price" is separately determined for each bond (i.e., maturity) comprising an issue.

The regulations also provide varying periods for computing yield on the bonds depending on the method by which the interest payment is determined. Thus, for example, yield on an issue of bonds sold with variable interest rates (i.e., interest rates which are reset periodically based on changes in market) is computed separately for each annual period ending on the first anniversary of the delivery date that the issue is outstanding. In effect, yield on a variable yield issue is determined on each computation date by "looking back" at the interest payments for such period. The regulations, however, permit an issuer of a variable-yield issue to elect to compute the yield for annual periods ending on any date in order to permit a matching of such yield to the expenditure of the proceeds. Any such election must be made in writing, is irrevocable, and must be made no later than the earlier of (1) the fifth anniversary date, or (2) the final maturity date.

Yield on a fixed interest rate issue (i.e., an issue of bonds the interest rate on which is determined as of the date of the issue) is computed over the entire term of the issue. Issuers of fixed-yield issues generally use the yield computed as of the date of issue for all rebate computations. Such yield on fixed-yield issues generally is recomputed only if (1) the issue is sold at a substantial premium, may be retired within five years of the date of delivery, and such date is earlier than its scheduled maturity date, or (2) the issue is a stepped-coupon bond. In such cases, the regulations require the issuer to recompute the yield on such issues by taking into account the early retirement value of the bonds. Similarly, recomputation may occur in circumstances in which the issuer or bondholder modify or waive certain terms of, or rights with respect to, the issue or in sophisticated hedging transactions. **IN SUCH CIRCUMSTANCES, ISSUERS ARE ADVISED TO CONSULT McCALL, PARKHURST & HORTON L.L.P. TO ADDRESS THE FEDERAL INCOME TAX CONSEQUENCES OF THESE TRANSACTIONS.**

For purposes of determining the principal or redemption payments on a bond, different rules are used for fixed-rate and variable-rate bonds. The payment is computed separately on each maturity of bonds rather than on the issue as a whole. In certain circumstances, the yield on the bond is determined by assuming that principal on the bond is paid as scheduled and that the bond is retired on the final maturity date for the stated retirement price. For bonds subject to early redemption or stepped-coupon bonds, described above, or for bonds subject to mandatory early redemption, the yield is computed assuming the bonds are paid on the early redemption date for an amount equal to their value.

Premiums paid to guarantee the payment of debt service on bonds are taken into account in computing the yield on the bond. Payments for guarantees are taken into account by treating such premiums as the payment of interest on the bonds. This treatment, in effect, raises the yield on the bond, thereby permitting the issuer to recover such fee with excess earnings.

The guarantee must be an unconditional obligation of the guarantor enforceable by the bondholder for the payment of principal or interest on the bond or the tender price of a tender bond. The guarantee may be in the form of an insurance policy, surety bond, irrevocable letter or line of credit, or standby purchase agreement. Importantly, the guarantor must be legally entitled to full reimbursement for any payment made on the guarantee either immediately or upon commercially reasonable repayment terms. The guarantor may not be a co-obligor of the bonds or a user of more than 10 percent of the proceeds of the bonds.

Payments for the guarantee may not exceed a reasonable charge for the transfer of credit risk. This reasonable charge requirement is not satisfied unless it is reasonably expected that the guarantee will result in a net present value savings on the bond (i.e., the premium does not exceed the present value of the interest savings resulting by virtue of the guarantee). If the guarantee is entered into after June 14, 1989, then any fees charged for the nonguarantee services must be separately stated or the guarantee fee is not recoverable.

The regulations also treat certain "hedging" transactions in a manner similar to qualified guarantees. "Hedges" are contracts, e.g., interest rate swaps, futures contracts or options, which are intended to reduce the risk of interest rate fluctuations. Hedges and other financial derivatives are sophisticated and ever-evolving financial products with which a memorandum, such as this, can not readily deal. **IN SUCH CIRCUMSTANCES, ISSUERS ARE ADVISED TO CONSULT McCALL, PARKHURST & HORTON L.L.P. TO ADDRESS THE FEDERAL INCOME TAX CONSEQUENCES OF THESE TRANSACTIONS.**

Earnings on Nonpurpose Investments

The arbitrage rebate provisions apply only to the receipts from the investment of "gross proceeds" in "nonpurpose investments." For this purpose, nonpurpose investments are stock, bonds or other obligations acquired with the gross proceeds of the bonds for the period prior to the expenditure of the gross proceeds for the ultimate purpose. For example, investments deposited to construction funds, reserve funds (including surplus taxes or revenues deposited to sinking funds) or other similar funds are nonpurpose investments. Such investments include only those which are acquired with "gross proceeds." For this purpose, the term "gross proceeds" includes original proceeds received from the sale of the bonds, investment earnings from the investment of such original proceeds, amounts pledged to the payment of debt service on the bonds or amounts actually used to pay debt service on the bonds. The regulations do not provide a sufficient amount of guidance to include an exhaustive list of "gross proceeds" for this purpose; however, it can be assumed that "gross proceeds" represent all amounts received from the sale of bonds, amounts earned as a result of such sale or amounts (including taxes and revenues) which are used to pay, or secure the payment of, debt service for the bonds. The total amount of "gross proceeds" allocated to a bond generally can not exceed the outstanding principal amount of the bonds.

The regulations provide that an investment is allocated to an issue for the period (1) that begins on the date gross proceeds are used to acquire the investment, and (2) that ends on the date such investment ceases to be allocated to the issue. In general, proceeds are allocated to a bond issue until expended for the ultimate purpose for which the bond was issued or for which such proceeds are received (e.g., construction of a bond-financed facility or payment of debt service on the bonds). Deposit of gross proceeds to the general fund of the

issuer (or other fund in which they are commingled with revenues or taxes) does not eliminate or ameliorate the Issuer's obligation to compute rebate in most cases. As such, proceeds commingled with the general revenues of the issuer are not "freed-up" from the rebate obligation. An exception to this commingling limitation for bonds, other than private activity bonds, permits "investment earnings" (but not sale proceeds or other types of gross proceeds) to be considered spent when deposited to a commingled fund if those amounts are reasonably expected to be spent within six months. Other than for these amounts, issuers may consider segregating investments in order to more easily compute the amount of such arbitrage earnings by not having to allocate investments.

Special rules are provided for purposes of advance refundings. These rules are too complex to discuss in this memorandum. Essentially, the rules relating to refundings, however, do not require that amounts deposited to the escrow fund to defease the prior obligations of the issuer be subject to arbitrage rebate to the extent that the investments deposited to the escrow fund do not have a yield in excess of the yield on the bonds. Any loss resulting from the investment of proceeds in an escrow fund below the yield on the bonds, however, may be recovered by combining those investments with investments deposited to other funds, e.g., reserve or construction funds.

The arbitrage regulations also provide an exception to the arbitrage limitations for the investment of bond proceeds in tax-exempt obligations. As such, investment of proceeds in tax exempt bonds eliminates the Issuer's rebate obligation. A caveat; this exception does not apply to gross proceeds derived allocable to a bond, which is not subject to the alternative minimum tax under section 57(a)(5) of the Code, if invested in tax-exempt bonds subject to the alternative minimum tax, i.e., "private activity bonds." Such "AMT-subject" investment is treated as a taxable investment and must comply with the arbitrage rules, including rebate. Earnings from these tax-exempt investments are subject to arbitrage restrictions, including rebate.

Similarly, the investment of gross proceeds in certain tax-exempt mutual funds are treated as a direct investment in the tax-exempt obligations deposited in such fund. While issuers may invest in such funds for purposes of avoiding arbitrage rebate, they should be aware that if "private activity bonds" are included in the fund then a portion of the earnings will be subject to arbitrage rebate. Issuers should be prudent in assuring that the funds do not contain private activity bonds.

The arbitrage regulations provide a number of instances in which earnings will be imputed to nonpurpose investments. Receipts generally will be imputed to investments that do not bear interest at an arm's-length (i.e., market) interest rate. As such, the regulations adopt a "market price" rule. In effect, this rule prohibits an issuer from investing bond proceeds in investments at a price which is higher than the market price of comparable obligations, in order to reduce the yield. Special rules are included for determining the market price for investment contracts, certificates of deposit and certain U.S. Treasury obligations. For example, to establish the fair market value of investment contracts a bidding process between three qualified bidders must be used. The fair market value of certificates of deposit which bear a fixed interest rate and are subject to an early withdrawal penalty is its purchase price if that price is not less than the yield on comparable U.S. Treasury obligations and is the highest yield available from the institution. In any event, a basic "common sense" rule-of-thumb that can be used to determine whether a fair market value has been paid is to ask whether the general

funds of the issuer would be invested at the same yield or at a higher yield. An exception to this market price rule is available for United States Treasury Obligations - State or Local Government Series in which case the purchase price is always the market price.

Reimbursement and Working Capital

The regulations provide rules for purposes of determining whether gross proceeds are used for working capital and, if so, at what times those proceeds are considered spent. In general, working capital financings are subject to many of the same rules that have existed since the mid-1970s. For example, the regulations generally continue the 13-month temporary period. By adopting a "proceeds-spent-last" rule, the regulations also generally require that an issuer actually incur a deficit (i.e., expenditures must exceed receipts) for the computation period (which generally corresponds to the issuer's fiscal year). Also, the regulations continue to permit an operating reserve, but unlike prior regulations the amount of such reserve may not exceed five percent of the issuer's actual working capital expenditures for the prior fiscal year. Another change made by the regulations is that the issuer may not finance the operating reserve with proceeds of a tax-exempt obligation.

Importantly, the regulations contain rules for determining whether proceeds used to reimburse an issuer for costs paid prior to the date of issue of the obligation, in fact, are considered spent at the time of reimbursement. These rules apply to an issuer who uses general revenues for the payment of all or a portion of the costs of a project then uses the proceeds of the bonds to reimburse those general revenues. Failure to comply with these rules would result in the proceeds continuing to be subject to federal income tax restrictions, including rebate.

To qualify for reimbursement, a cost must be described in an expression (e.g., resolution, legislative authorization) evidencing the issuer's intent to reimburse which is made no later than 60 days after the payment of the cost. Reimbursement must occur no later than 18 months after the later of (1) the date the cost is paid or (2) the date the project is placed in service. Except for projects requiring an extended construction period or small issuers, in no event can a cost be reimbursed more than three years after the cost is paid.

Reimbursement generally is not permitted for working capital; only capital costs, grants and loans may be reimbursed. Moreover, certain anti-abuse rules apply to prevent issuers from avoiding the limitations on refundings. IN CASES INVOLVING WORKING CAPITAL OR REIMBURSEMENT, ISSUERS ARE ADVISED TO CONTACT McCALL, PARKHURST & HORTON L.L.P. TO ADDRESS THE FEDERAL INCOME TAX CONSEQUENCES OF THE TRANSACTION.

Rebate Payments

Rebate payments generally are due 60 days after each installment computation date. The interim computation dates occur each fifth anniversary of the issue date. The final computation date is on the latest of (1) the date 60 days after the date the issue of bonds is no longer outstanding, (2) the date eight months after the date of issue for certain short-term obligations (i.e., obligations retired within three years), or (3) the date the issuer no longer reasonably expects any spending exception, discussed below, to apply to the issue. On such

payment dates, other than the final payment date, an issuer is required to pay 90 percent of the rebatable arbitrage to the United States. On the final payment date, an issuer is required to pay 100 percent of the remaining rebate liability.

Failure to timely pay rebate does not necessarily result in the loss of tax-exemption. Late payments, however, are subject to the payment of interest, and unless waived, a penalty of 50 percent (or, in the case of private activity bonds, other than qualified 501(c)(3) bonds, 100 percent) of the rebate amount which is due. IN SUCH CIRCUMSTANCES, ISSUERS ARE ADVISED TO CONSULT McCALL, PARKHURST & HORTON L.L.P. TO ADDRESS THE FEDERAL INCOME TAX CONSEQUENCES OF THESE TRANSACTIONS.

Rebate payments are refundable. The issuer, however, must establish to the satisfaction of the Commissioner of the Internal Revenue Service that the issuer paid an amount in excess of the rebate and that the recovery of the overpayment on that date would not result in additional rebatable arbitrage. An overpayment of less than \$5,000 may not be recovered before the final computation date.

Alternative Penalty Amount

In certain cases, an issuer of a bond the proceeds of which are to be used for construction may elect to pay a penalty, in lieu of rebate. The penalty may be elected in circumstances in which the issuer expects to satisfy the two-year spending exception which is more fully described under the heading "Exceptions to Rebate." The penalty is payable, if at all, within 60 days after the end of each six-month period. This is more often than rebate. The election of the alternative penalty amount would subject an issuer, which fails the two-year spend-out requirements, to the payment of a penalty equal to one and one-half of the excess of the amount of proceeds which was required to be spent during that period over the amount which was actually spent during the period.

The penalty has characteristics which distinguish it from arbitrage rebate. First, the penalty would be payable without regard to whether any arbitrage profit is actually earned. Second, the penalty continues to accrue until either (1) the appropriate amount is expended or (2) the issuer elects to terminate the penalty. To be able to terminate the penalty, the issuer must meet specific requirements and, in some instances, must pay an additional penalty equal to three percent of the unexpended proceeds.

Exceptions to Rebate

The Code and regulations provide certain exceptions to the requirement that the excess investment earnings be rebated to the United States.

a. Small Issuers. The first exception provides that if an issuer (together with all subordinate issuers) during a calendar year does not issue tax-exempt bonds² in an aggregate

² For this purpose, "private activity bonds" neither are afforded the benefit of this exception nor are taken into account for purposes of determining the amount of bonds issued.

face amount exceeding \$5 million, then the obligations are not subject to rebate. *Only issuers with general taxing powers may take advantage of this exception.* Subordinate issuers are those issuers which derive their authority to issue bonds from the same issuer, e.g., a city and a health facilities development corporation, or which are controlled by the same issuer, e.g., a state and the board of a public university. In the case of bonds issued for public school capital expenditures, the \$5 million cap may be increased to as much as \$15 million. For purposes of measuring whether bonds in the calendar year exceed these dollar limits, current refunding bonds can be disregarded if they meet certain structural requirements. Please contact McCall, Parkhurst & Horton L.L.P. for further information.

b. Spending Exceptions.

Six-Month Exception. The second exception to the rebate requirement is available to all tax-exempt bonds, all of the gross proceeds of which are expended during six months. The six month rule is available to bonds issued after the effective date of the Tax Reform Act of 1986. See the discussion of effective dates on page two. For this purpose, proceeds used for the redemption of bonds (other than proceeds of a refunding bond deposited to an escrow fund to discharge refunded bonds) can not be taken into account as expended. As such, bonds with excess gross proceeds generally can not satisfy the second exception unless the amount does not exceed the lesser of five percent or \$100,000 and such de minimis amount must be expended within one year.

Certain gross proceeds are not subject to the spend-out requirement, including amounts deposited to a bona fide debt service fund, to a reserve fund and amounts which become gross proceeds received from purpose investments. These amounts themselves, however, may be subject to rebate even though the originally expended proceeds were not. The Code provides a special rule for tax and revenue anticipation notes (i.e., obligations issued to pay operating expenses in anticipation of the receipt of taxes and other revenues). Such notes are referred to as TRANs. To determine the timely expenditure of the proceeds of a TRAN, the computation of the "cumulative cash flow deficit" is important. If the "cumulative cash flow deficit" (i.e., the point at which the operating expenditures of the issuer on a cumulative basis exceed the revenues of the issuer during the fiscal year) occurs within the first six months of the date of issue and must be equal to at least 90 percent of the proceeds of the TRAN, then the notes are deemed to satisfy the exception. This special rule requires, however, that the deficit actually occur, not that the issuer merely have an expectation that the deficit will occur. In lieu of the statutory exception for TRANs, the regulations also provide a second exception. Under this exception, 100 percent of the proceeds must be spent within six months, but before note proceeds can be considered spent, all other available amounts of the issuer must be spent first ("proceeds-spent-last" rule). In determining whether all available amounts are spent, a reasonable working capital reserve equal to five percent of the prior year's expenditures may be set aside and treated as unavailable.

18-Month Exception. The regulations also establish a non-statutory exception to arbitrage rebate if all of the gross proceeds (including investment earnings) are expended within 18 months after the date of issue. Under this exception, 15 percent of the gross proceeds must be expended within a six-month spending period, 60 percent within a 12-month spending period and 100 percent within an 18-month spending period. The rule permits an issuer to rely on its reasonable expectations for computing investment earnings which are included as gross

proceeds during the first and second spending period. A reasonable retainage not to exceed five percent of the sale proceeds of the issue is not required to be spent within the 18-month period but must be expended within 30 months. Rules similar to the six-month exception relate to the definition of gross proceeds.

Two Year Exception. Bonds issued after December 19, 1989 (i.e., the effective date of the Omnibus Reconciliation Act of 1989), at least 75 percent of the net proceeds of which are to be used for construction, may be exempted from rebate if the gross proceeds are spent within two years. Bonds more than 25 percent of the proceeds of which are used for acquisition or working capital may not take advantage of this exception. The exception applies only to governmental bonds, qualified 501(c)(3) bonds and private activity bonds for governmentally-owned airports and docks and wharves. The two-year exception requires that at least 10 percent of the available construction proceeds must be expended within six months after the date of issue, 45 percent within 12 months, 75 percent within 18 months and 100 percent within 24 months. The term "available construction proceeds" generally means sale proceeds of the bonds together with investment earnings less amounts deposited to a qualified reserve fund or used to pay costs of issuance. Under this rule, a reasonable retainage not to exceed five percent need not be spent within 24 months but must be spent within 36 months.

The two-year rule also provides for numerous elections which must be made not later than the date of issuance of the bonds. Once made, the elections are irrevocable. Certain elections permit an issuer to bifurcate bond issues, thereby treating only a portion of the issue as a qualified construction bond; and, permit an issuer to disregard earnings from reserve funds for purposes of determining "available construction proceeds." Another election permits an issuer to pay the alternative penalty amount discussed above in lieu of rebate if the issuer ultimately fails to satisfy the two-year rule. Issuers should discuss these elections with their financial advisors prior to issuance of the bonds. Of course, McCall, Parkhurst & Horton L.L.P. remains available to assist you by providing legal interpretations thereof.

Debt Service Funds. Additionally, an exception to the rebate requirement, whether or not any of the previously discussed exceptions are available, applies for earnings on "bona fide debt service funds." A "bona fide debt service fund" is one in which the amounts are expended within 13 months of the accumulation of such amounts by the issuer. In general, most interest and sinking funds (other than any excess taxes or revenues accumulated therein) satisfy these requirements. For private activity bonds, short term bonds (i.e., have a term of less than five years) or variable rate bonds, the exclusion is available only if the gross earnings in such fund does not exceed \$100,000, for the bond year. For other bonds issued after November 11, 1988, no limitation is applied to the gross earnings on such funds for purposes of this exception. Therefore, subject to the foregoing discussion, the issuer is not required to take such amounts into account for purposes of the computation.

FOR BONDS ISSUED AFTER THE EFFECTIVE DATE OF THE TAX REFORM ACT OF 1986 WHICH WERE OUTSTANDING AS OF NOVEMBER 11, 1988, OTHER THAN PRIVATE ACTIVITY BONDS, SHORT TERM BONDS OR VARIABLE RATE BONDS, A ONE-TIME ELECTION MAY BE MADE TO EXCLUDE EARNINGS ON "BONA FIDE DEBT SERVICE FUNDS" WITHOUT REGARD TO THE \$100,000, LIMITATION. THE ELECTION MUST BE MADE IN WRITING (AND MAINTAINED AS PART OF THE ISSUER'S BOOKS AND

RECORDS) NO LATER THAN THE LATER OF MARCH 21, 1990, OR THE FIRST DATE A REBATE PAYMENT IS REQUIRED.

Conclusion

McCall, Parkhurst & Horton L.L.P. hopes that this memorandum will prove to be useful as a general guide to the arbitrage rebate requirements.

Again, this memorandum is not intended as an exhaustive discussion nor as specific advice with respect to any specific transaction. We advise our clients to seek competent financial and accounting assistance. Of course, we remain available to provide legal advice regarding all federal income tax matters, including arbitrage rebate. If you have any questions, please feel free to contact either Harold T. Flanagan or Faust N. Bowerman at (214) 754-9200.

Exhibit "B"

LAW OFFICES

McCALL, PARKHURST & HORTON L.L.P.

600 CONGRESS AVENUE
1250 ONE AMERICAN CENTER
AUSTIN, TEXAS 78701-3248
TELEPHONE: (512) 478-3805
FACSIMILE: (512) 472-0871

717 NORTH HARWOOD
NINTH FLOOR
DALLAS, TEXAS 75201-6587
TELEPHONE: (214) 754-9200
FACSIMILE: (214) 754-9250

700 N. ST. MARY'S STREET
1525 ONE RIVERWALK PLACE
SAN ANTONIO, TEXAS 78205-3503
TELEPHONE: (210) 225-2800
FACSIMILE: (210) 225-2984

February 8, 2007

Mr. Mark White
Interim City Manager
City of Kennedale
405 Municipal Drive
Kennedale, Texas 76060

Re: City of Kennedale, Texas
General Obligation Refunding Bonds, Series 2007

Dear Mr. White:

As you know, the City of Kennedale, Texas (the "Issuer") will issue the captioned bonds in order to provide for the refunding of portions of bonds previously issued by the Issuer. As a result of that issuance, the federal income tax laws impose certain restrictions on the investment and expenditure of amounts to be used for the project or to be deposited to the interest and sinking fund for the captioned bonds. The purpose of this letter is to set forth, in somewhat less technical language, those provisions of the tax law which require the timely use of bond proceeds and that investment of these amounts be at a yield which is not higher than the yield on the captioned bonds. For this purpose, please refer to line 20(f) of the Form 8038-G included in the transcript of proceedings for the yield on the captioned bonds.

Generally, the federal tax laws provide that, unless excepted, amounts to be deposited to the interest and sinking fund must be invested in obligations the combined yield on which does not exceed the yield on the bonds. Importantly, for purposes of administrative convenience, the bonds, however, have been structured in such a way as to avoid, for the most part, this restriction on investment yield. They also contain certain covenants relating to expenditures of proceeds designed to alert you to unintentional failures to comply with the laws affecting expenditures of proceeds and dispositions of property.

First, the interest and sinking fund is made up of amounts which are received annually for the payment of current debt service on all the Issuer's outstanding bonds. Any taxes or revenues deposited to the interest and sinking fund which are to be used for the payment of current debt service on the captioned bonds, or any other outstanding bonds, are not subject to yield restriction. By definition, current debt service refers only to debt service to be paid within one year of the date of receipt of these amounts. For the most part, this would be debt service in the current fiscal year. These amounts deposited to the account for current debt service may be invested without regard to any constraint imposed by the federal income tax laws.

Second, a portion of the interest and sinking fund is permitted to be invested without regard to yield restriction as a "minor portion." The "minor portion" exception is available for de minimis amounts of taxes or revenues deposited to the interest and sinking fund. The maximum amount that may be invested as part of this account may not exceed the lesser of five percent of the principal amount of the bonds or \$100,000.

Accordingly, you should review the current balance in the interest and sinking fund in order to determine if such balance exceeds the aggregate amounts discussed above. Additionally, in the future it is important that you be aware of these restrictions as additional amounts are deposited to the fund. The amounts in the fund which are subject to yield restriction would only be the amounts which are in excess of, in the case of the interest and sinking fund, the sum of (1) the current debt service account and (2) the "minor portion" account. Moreover, to the extent that additional bonds are issued by the Issuer, whether for new money projects or for refunding, these amounts will change in their proportion.

The Ordinance contains covenants that require the Issuer to comply with the requirements of the federal tax laws relating to the tax-exempt obligations. The Internal Revenue Service (the "Service") has determined that certain materials, records and information should be retained by the issuers of tax-exempt obligations for the purpose of enabling the Service to confirm the exclusion of the interest on such obligations under the Internal Revenue Code. **Accordingly, the Issuer should retain such materials, records and information for the period beginning on the issue date of the outstanding bonds and ending three years after the date the captioned bonds are retired. Please note this federal tax law standard may vary from state law standards.** The material, records and information required to be retained will generally be contained in the transcript of proceedings for the captioned bonds, however, the Issuer should collect and retain additional materials, records and information to ensure the continued compliance with federal tax law requirements. For example, beyond the transcript of proceedings for the bonds, the Issuer should keep schedules evidencing the expenditure of bond proceeds, documents relating to the use of bond-financed property by governmental and any private parties (e.g., leases and management contracts, if any) and schedules pertaining to the investment of bond proceeds. In the event that you have questions relating to record retention, please contact us.

Finally, you should notice that the Ordinance contains a covenant that limits the ability of the Issuer to sell or otherwise dispose of bond-financed property for compensation. Beginning for obligations issued after May 15, 1997 (including certain refunding bonds), or in cases in which an issuer elects to apply new private activity bond regulations, such sale or disposition causes the creation of a class of proceeds referred to as "disposition proceeds." Disposition proceeds, like sale proceeds and investment earnings, are tax-restricted funds. Failure to appropriately account, invest or expend such disposition proceeds would adversely affect the tax-exempt status of the bonds. In the event that you anticipate selling property, even in the ordinary course, please contact us.

Obviously, this letter only presents a fundamental discussion of the yield restriction rules as applied to amounts deposited to the fund. Moreover, this letter does not address the rebate consequences with respect to the interest and sinking fund. You should review the memorandum attached to the Federal Tax Certificate as Exhibit "A" for this purpose. If you have certain concerns with respect to the matters discussed in this letter or wish to ask additional questions with regards to certain limitations imposed, please feel free to contact our firm. Thank you for your consideration and we look forward to our continued relationship.

Very truly yours,

McCALL, PARKHURST & HORTON L.L.P

cc: Mr. Noel Valdez

LAW OFFICES

McCALL, PARKHURST & HORTON L.L.P.

600 CONGRESS AVENUE
SUITE 1800

AUSTIN, TEXAS 78701-3248

TELEPHONE: 512 478-3805

FACSIMILE: 512 472-0871

717 NORTH HARWOOD

SUITE 900

DALLAS, TEXAS 75201-6587

TELEPHONE: 214 754-9200

FACSIMILE: 214 754-9250

700 N. ST. MARY'S STREET

SUITE 1525

SAN ANTONIO, TEXAS 78205-3503

TELEPHONE: 210 225-2800

FACSIMILE: 210 225-2984

May 14, 2007

CERTIFIED MAIL RRR: 7004 2510 0007 2429 4489

Internal Revenue Service Center
Ogden, Utah 84201

Re: Information Reporting - Tax-Exempt Bonds
City of Kennedale, Texas
General Obligation Refunding Bonds, Series 2007

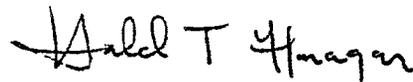
Ladies and Gentlemen:

Pursuant to the requirements of Section 149(e) of the Internal Revenue Code of 1986, enclosed please find an original and a photocopy of Form 8038-G which is hereby submitted to you for the above-captioned bonds issued February 15, 2007.

Please file the original and return the receipted copy of Form 8038-G to the undersigned in the enclosed self-addressed, postage paid envelope.

Sincerely,

McCALL, PARKHURST & HORTON L.L.P.



Harold T. Flanagan

HTF: ved
Enclosures
cc: Mr. Noel Valdez

Information Return for Tax-Exempt Governmental Obligations

► Under Internal Revenue Code section 149(e)
► See separate instructions.

OMB No. 1545-0720

Caution: If the issue price is under \$100,000, use Form 8038-GC.

Part I Reporting Authority			If Amended Return, check here <input type="checkbox"/>	
1 Issuer's name KENNEDALE, TEXAS (CITY OF)	2 Issuer's employer identification number 75 6003070			
3 Number and street (or P.O. box if mail is not delivered to street address) 405 MUNICIPAL DRIVE	Room/suite	4 Report number 3 01		
5 City, town, or post office, state, and ZIP code KENNEDALE, TEXAS 76060	6 Date of issue 02-15-07			
7 Name of issue GENERAL OBLIGATION REFUNDING BONDS, SERIES 2007	8 CUSIP number NONE			
9 Name and title of officer or legal representative whom the IRS may call for more information MARK WHITE, INTERIM CITY MANAGER	10 Telephone number of officer or legal representative (817) 478-5418			

Part II Type of Issue (check applicable box(es) and enter the issue price) See instructions and attach schedule	
11 <input type="checkbox"/> Education	11
12 <input type="checkbox"/> Health and hospital	12
13 <input type="checkbox"/> Transportation	13
14 <input type="checkbox"/> Public safety	14
15 <input type="checkbox"/> Environment (including sewage bonds)	15
16 <input type="checkbox"/> Housing	16
17 <input type="checkbox"/> Utilities	17
18 <input checked="" type="checkbox"/> Other. Describe ► REFUNDING	18 4,365,000
19 If obligations are TANs or RANs, check box <input type="checkbox"/> If obligations are BANs, check box <input type="checkbox"/>	
20 If obligations are in the form of a lease or installment sale, check box <input type="checkbox"/>	

Part III Description of Obligations. Complete for the entire issue for which this form is being filed.					
	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	* (e) Yield
21	02-15-2024	\$ 4,365,000	\$ 4,365,000	9.260 years	4.0280 %

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)				
22	Proceeds used for accrued interest		22	-0-
23	Issue price of entire issue (enter amount from line 21, column (b))		23	4,365,000
24	Proceeds used for bond issuance costs (including underwriters' discount)	24 52,262		
25	Proceeds used for credit enhancement	25 -0-		
26	Proceeds allocated to reasonably required reserve or replacement fund	26 -0-		
27	Proceeds used to currently refund prior issues	27 4,312,738		
28	Proceeds used to advance refund prior issues	28 -0-		
29	Total (add lines 24 through 28)		29	4,365,000
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)		30	-0-

Part V Description of Refunded Bonds (Complete this part only for refunding bonds.)		
31	Enter the remaining weighted average maturity of the bonds to be currently refunded	9.411 years
32	Enter the remaining weighted average maturity of the bonds to be advance refunded	N/A years
33	Enter the last date on which the refunded bonds will be called	02-15-07
34	Enter the date(s) the refunded bonds were issued	12-09-98

Part VI Miscellaneous		
35	Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	35 -0-
36a	Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (see instructions)	36a -0-
b	Enter the final maturity date of the guaranteed investment contract	-0-
37	Pooled financings: a Proceeds of this issue that are to be used to make loans to other governmental units	37a -0-
b	If this issue is a loan made from the proceeds of another tax-exempt issue, check box <input type="checkbox"/> and enter the name of the issuer and the date of the issue	N/A
38	If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box	<input checked="" type="checkbox"/>
39	If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box	<input type="checkbox"/>
40	If the issuer has identified a hedge, check box	<input type="checkbox"/>

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

Sign Here
 Signature of issuer's authorized representative: Clifford Blackwell Date: 02-15-07
 Type or print name and title: Clifford Blackwell, Director of Finance



GENERAL CERTIFICATE

**THE STATE OF TEXAS
COUNTY OF TARRANT
CITY OF KENNEDALE**

§
§
§

We, the undersigned, hereby officially certify that we are the Mayor and City Secretary, respectively, of the **CITY OF KENNEDALE, TEXAS** (the "**City**"), and we further certify as follows:

1. This certificate is given for the benefit of the Attorney General of the State of Texas and all parties interested in the **CITY OF KENNEDALE, TEXAS GENERAL OBLIGATION REFUNDING BONDS, SERIES 2007** (the "**Bonds**"), dated as of February 1, 2007, and authorized by an ordinance passed by the City Council of the City on January 11, 2007.

2. The City is a duly incorporated Home Rule City, having more than 5,000 inhabitants, operating and existing under the Constitution and laws of the State of Texas, and a duly adopted Home Rule Charter of the City, which Charter has not been changed or amended since the passage of the ordinance authorizing the issuance of the most recently dated, issued and outstanding obligations of the City.

2. No litigation of any nature has ever been filed pertaining to, affecting or contesting: (a) the issuance, delivery, payment, security or validity of the proposed Bonds; (b) the authority of the officers of the City to issue, execute and deliver the Bonds; or (c) the validity of the corporate existence, the current Tax Rolls, or the Charter of the City; and no litigation is pending pertaining to, affecting or contesting the boundaries of the City.

3. The currently effective ad valorem tax appraisal roll of the City (the "**Tax Roll**") is the Tax Roll prepared and approved during the calendar year 2006, being the most recently approved Tax Roll of the City; that the taxable property in the City has been appraised, assessed, and valued as required and provided by the Texas Constitution and Property Tax Code (collectively, "Texas law"); that the Tax Roll for said year has been submitted to the City Council of the City as required by Texas law, and has been approved and recorded by the City Council; and according to the Tax Roll for said year the net aggregate taxable value of taxable property in the City (after deducting the amount of all applicable exemptions required or authorized under Texas law), upon which the annual ad valorem tax of the City has been or will be imposed and levied, is \$365,947,888.

4. Attached hereto as Exhibit A is a true, full and correct schedule and statement of the aforesaid proposed Bonds, and all presently outstanding tax bond indebtedness of the City, and attached hereto as Exhibit B is a combined debt service schedule for all outstanding tax bond indebtedness of the City (including the aforesaid proposed Bonds).

5. The following persons are the duly elected members of the City Council of the City as of the date hereof:

Bryan Lankhorst, Mayor	Brian Johnson, Councilmember, Place 3
John Clark, Councilmember, Place 1	Ronnie Nowell, Councilmember, Place 4
David Green, Councilmember, Place 2	George Barrett, Councilmember, Place 5

6. The following persons are the duly appointed Interim City Manager, City Secretary and Finance Director of the City as of the date hereof:

Interim City Manager	Mark White
City Secretary	Kathy Turner
Finance Director	Clifford Blackwell

7. The City is not in default as to any covenant, condition, or obligation in connection with any of the outstanding obligations (as described in Exhibit A) of the City or the ordinances authorizing same.

[The remainder of this page intentionally left blank]

SIGNED AND SEALED this 11th day of January, 2007.

Bryan Lankhorst

Mayor
City of Kennedale Texas

Kathy Turner
City Secretary
City of Kennedale Texas



[SIGNATURE PAGE TO GENERAL CERTIFICATE]

EXHIBIT A

**SCHEDULE OF ALL OUTSTANDING GENERAL OBLIGATION INDEBTEDNESS
OF THE CITY OF KENNEDALE, TEXAS**

THE PROPOSED GENERAL OBLIGATION REFUNDING BONDS AND CERTIFICATES:

General Obligation Refunding Bonds, Series 2007, dated February 1, 2007, to be outstanding in the aggregate principal amount of \$4,365,000, bearing interest and maturing as set forth in the Ordinance authorizing such Bonds.

Combination Tax and Revenue Certificates of Obligation, Series 2007, dated February 1, 2007, to be outstanding in the aggregate principal amount of \$2,900,000, bearing interest and maturing as set forth in the Ordinance authorizing such Certificates of Obligation.

**ALL PRESENTLY OUTSTANDING TAX INDEBTEDNESS (AFTER GIVING EFFECT TO
REFUNDING BEING ACCOMPLISHED BY THE GENERAL OBLIGATION REFUNDING
BONDS):**

Combination Tax and Revenue Certificates of Obligation, Series 1998, dated November 1, 1998, presently outstanding in the principal amount of \$185,000.

Combination Tax and Revenue Certificates of Obligation, Series 2005, dated February 1, 2005, presently outstanding in the principal amount of \$790,000.

Tax Notes, Series 2006, dated September 15, 2006, presently outstanding in the principal amount of \$300,000.

EXHIBIT B

COMBINED GENERAL OBLIGATION DEBT SERVICE SCHEDULE

City of Kennedale, Texas
Total Debt Service
February 15, 2007

Fiscal Year Ending 9/30	Existing Debt Service	Less: Refunded Bonds	Plus Refunding Bonds	Plus: CO's	New Total Debt Service
2007	\$465,782	\$98,908	\$86,645	\$59,450	\$512,969
2008	\$496,543	\$383,660	\$369,321	\$211,953	\$694,156
2009	\$494,996	\$385,129	\$371,182	\$212,955	\$694,005
2010	\$497,904	\$386,160	\$372,647	\$213,753	\$698,143
2011	\$500,156	\$391,644	\$378,615	\$214,345	\$701,471
2012	\$496,864	\$386,691	\$374,186	\$214,733	\$699,091
2013	\$497,999	\$386,380	\$374,460	\$210,018	\$696,096
2014	\$444,581	\$385,538	\$374,336	\$210,200	\$643,580
2015	\$446,695	\$384,125	\$368,915	\$210,178	\$641,662
2016	\$448,129	\$387,019	\$373,097	\$209,950	\$644,157
2017	\$448,765	\$389,165	\$376,683	\$214,415	\$650,698
2018	\$448,593	\$390,553	\$374,773	\$213,573	\$646,385
2019	\$452,355	\$391,018	\$377,367	\$212,525	\$651,229
2020	\$450,034	\$390,541	\$374,464	\$211,273	\$645,229
2021	\$446,920	\$389,273	\$376,065	\$214,713	\$648,425
2022	\$291,690	\$231,040	\$215,346	\$212,845	\$488,841
2023	\$289,460	\$230,960	\$217,406	\$210,773	\$486,679
2024	\$291,643	\$230,400	\$214,169	\$213,393	\$488,804
2025	\$58,850			\$210,705	\$269,555
2026	\$61,320			\$212,710	\$274,030
2027				\$214,305	\$214,305
Totals	\$8,029,276	\$6,218,203	\$5,969,674	\$4,308,760	\$12,089,508

SIGNATURE IDENTIFICATION AND NO-LITIGATION CERTIFICATE

We, the undersigned Mayor and City Secretary, respectively, of the **CITY OF KENNEDALE, TEXAS** (the "*City*"), hereby certify as follows:

(a) This certificate is executed and delivered with reference to the "**CITY OF KENNEDALE, TEXAS GENERAL OBLIGATION REFUNDING BONDS, SERIES 2007**," dated February 1, 2007, authorized by an ordinance passed by the City Council of the City on January 11, 2007 (the "*Bonds*").

(b) Each of us signed the Bonds by manually executing or causing facsimiles of our manual signatures to be printed or lithographed on each of the Bonds, and we hereby adopt said facsimile signatures as our own, respectively, and declare that said facsimile signatures constitute our signatures the same as if we had manually signed each of the Bonds.

(c) The Bonds are substantially in the form, and each of them has been duly executed and signed in the manner, prescribed in the ordinance authorizing the issuance thereof.

(d) At the time we so executed and signed the Bonds we were, and at the time of executing this certificate we are, the duly chosen, qualified, and acting officers indicated therein, and authorized to execute and sign the same.

(e) No litigation of any nature has been filed or is now pending or, to our knowledge, threatened, to restrain or enjoin the issuance or delivery of any of the Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the proceedings or authority concerning the issuance of the Bonds, and that so far as we know and believe no such litigation is threatened.

(f) Neither the corporate existence nor boundaries of the City is being contested; no litigation has been filed or is now pending or, to our knowledge, threatened, which would affect the authority of the officers of the City to issue, execute, sign, and deliver any of the Bonds; and no authority or proceedings for the issuance of any of the Bonds have been repealed, revoked, or rescinded.

(g) We have caused the official seal of the City to be impressed, or printed, or lithographed on each of the Bonds; and said seal on each of the Bonds has been duly adopted as, and is hereby declared to be, the official seal of the City.

EXECUTED and delivered this FEB 15 2007.

MANUAL SIGNATURES

OFFICIAL TITLES

Bryan Lankhorst

Bryan Lankhorst, Mayor

Kathy Turner

Kathy Turner, City Secretary

Before me, on this day personally appeared the foregoing individuals, known to me to be the officers whose true and genuine signatures were subscribed to the foregoing instrument in my presence.

Given under my hand and seal of office this 1-16-2007.

Bobbie Spence
Notary Public

Typed Name Bobbie Spence

(My Commission Expires 4-3-2008)

(Notary Seal)



**CERTIFICATE OF
THE BANK OF NEW YORK TRUST COMPANY, NATIONAL ASSOCIATION
RE: NOTICE OF REDEMPTION**

I, the undersigned officer of *THE BANK OF NEW YORK TRUST COMPANY, NATIONAL ASSOCIATION* (the "**Bank**"), in connection with the issuance of the **CITY OF KENNEDALE, TEXAS GENERAL OBLIGATION REFUNDING BONDS, SERIES 2007**, dated February 1, 2007 (the "**Bonds**"), and the redemption prior to maturity, as described in the attached Notice of Redemption, of all of the **CITY OF KENNEDALE, TEXAS COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 1998**, dated November 1, 1998, maturing in the years 2008 through 2019, 2021 and 2024 (collectively, the "**Refunded Obligations**"), hereby certify as follows:

- (A) the Bank is the Paying Agent/Registrar for the Refunded Obligations;
- (B) the Bank has received a copy of the Notice of Redemption with respect to the Refunded Obligations (a copy of which is attached hereto); and
- (C) the Bank will send a copy of such Notice (or a notice prepared by the Bank containing the information required by the ordinance which authorized the issuance of the Refunded Obligations) by United States mail, first-class postage prepaid, at least 30 days prior to the date fixed for redemption of the Refunded Obligations, to the registered owner of each Refunded Obligation in accordance with the applicable provisions of the ordinance which authorized the issuance of the Refunded Obligations.

EXECUTED THIS

January 12, 2007.

**THE BANK OF NEW YORK TRUST COMPANY,
NATIONAL ASSOCIATION**

By

Pat Blue

Title: ASSISTANT TREASURER

NOTICE OF REDEMPTION
of
CITY OF KENNEDALE, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 1998
(Maturing on February 15 in the years 2008-2019, 2021 and 2024)

NOTICE IS HEREBY GIVEN that the *City of Kennedale, Texas* (the "City"), in Tarrant County, Texas, has called for redemption at the redemption price equal to par, plus accrued interest, on **February 15, 2007** (the "Redemption Date"), all of the City's outstanding *Combination Tax and Revenue Certificates of Obligation, Series 1998*, dated November 1, 1998, maturing on February 15 in the years 2008 through 2019, inclusive, 2021 and 2024 which are further described as follows (the "Certificates"):

CITY OF KENNEDALE, TEXAS COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 1998				
MATURITY (FEBRUARY 15)	PRINCIPAL AMOUNT MATURING IN YEAR	PRINCIPAL AMOUNT BEING REFUNDED	STATED INTEREST RATE (%)	CUSIP No. (489332)
2008	\$190,000	\$190,000	4.375	DV5
2009	200,000	200,000	4.375	DW3
2010	210,000	210,000	4.375	DX1
2011	225,000	225,000	4.375	DY9
2012	230,000	230,000	4.375	DZ6
2013	240,000	240,000	4.400	EA0
2014	250,000	250,000	4.450	EB8
2015	260,000	260,000	4.500	EC6
2016	275,000	275,000	4.550	ED4
2017	290,000	290,000	4.550	EE2
2018	305,000	305,000	4.600	EF9
2019	320,000	320,000	4.700	EG7
****	****	****	****	****
2021	685,000	685,000	4.750	EJ1
****	****	****	****	****
2024	645,000	645,000	4.800	EM4

On February 15, 2007, interest on the Certificates shall cease to accrue and be payable.

THE CERTIFICATES shall be redeemed at The Bank of New York Trust Company, National Association, successor to U.S. Trust Company of Texas, as the Paying Agent/Registrar for said Certificates. Upon presentation of the Certificates at the Paying Agent/Registrar on the aforementioned redemption date, the holder thereof shall be entitled to receive the redemption price equal to par and accrued interest to the redemption date.

NOTICE IS GIVEN that due and proper arrangements have been made for providing the place of payment of said Certificates called for redemption with funds sufficient to pay the principal amount of said Certificates and the interest thereon to the redemption date. In the event said Certificates, or any of them are not presented for redemption by the date fixed for their redemption, they shall not thereafter bear interest.

UNDER THE PROVISIONS of Section 3406 of the Internal Revenue Code of 1986, as amended, paying agents making payments of interest and principal on municipal securities may be obligated to withhold a tax from remittance to individuals who have failed to furnish the paying agent with a valid taxpayer identification number. Registered holders who wish to avoid the imposition of the tax should submit certified taxpayer identification numbers (via form W-9) when presenting the Certificates for payment.

THIS NOTICE is issued and given pursuant to the redemption provisions in the proceedings authorizing the issuance of the aforementioned Certificates and in accordance with the recitals and provisions of said Certificates.

NOTICE IS FURTHER GIVEN that the Certificates should be submitted to either of the following addresses:

Express Delivery

The Bank of New York, N.A.
Institutional Trust Services
2001 Bryan Street, 9th Floor
Dallas, Texas 75201

First Class/Registered/Certified Mail

The Bank of New York, N.A.
Institutional Trust Services
P.O. Box 2320
Dallas, Texas 75221-2320

Hand Delivery

The Bank of New York, N.A.
GIS Unit Trust Window
New York Plaza, 1st Floor
New York, New York 10004

CERTIFICATE OF SUFFICIENCY

I, the undersigned officer of **THE BANK OF NEW YORK TRUST COMPANY, NATIONAL ASSOCIATION** (the "Bank"), hereby certify as follows:

1. This Certificate is given at the request of the **CITY OF KENNEDALE, TEXAS** (the "Issuer") in connection with the issuance by the Issuer of its "**General Obligation Refunding Bonds, Series 2007**" (the "Series 2007 Bonds"), and the redemption, at the option of the Issuer, on **February 15, 2007** (the "Redemption Date") of all of the Issuer's outstanding *Combination Tax and Revenue Certificates of Obligation, Series 1998*, dated November 1, 1998, maturing on February 15 in the years 2008 through 2019, inclusive, 2021 and 2024 (the "Refunded Obligations").

2. The Bank serves as the Paying Agent/Registrar in connection with the Refunded Obligations in accordance with the provisions of the Paying Agent/Registrar Agreement, dated as of November 1, 1998 (the "Agreement"), between the Issuer and the Bank (as successor in interest to the original Paying Agent/Registrar named therein). Representations made in this Certificate are made in our capacity as the Paying Agent/Registrar for the Refunded Obligations.

3. The Bank hereby acknowledges that it has received instructions from an authorized representative of the Issuer directing the Bank to cause the outstanding Refunded Obligations to be redeemed on the Redemption Date in accordance with the provisions of the ordinance which authorized the issuance of the Refunded Obligations (the "1998 Bond Ordinance").

4. The Bank hereby certifies that, as of the date of this Certificate (i) the Refunded Obligations are outstanding in the aggregate principal amount of **\$4,325,000**, and (ii) all interest which has accrued on the Refunded Obligations to the last interest payment date thereof (i.e. February 15, 2007) will be paid separately as part of the Issuer's regularly scheduled principal and interest payment on February 15, 2007 (the "February 15, 2007 Principal and Interest Payment"); therefore, no further interest on the Refunded Obligations will be due on the Refunded Obligations on the Redemption Date.

5. The Bank hereby further certifies that the total amount of principal, redemption premium, and accrued interest which will be due and payable on the Refunded Obligations on the Redemption Date is **\$4,325,000**, which amount is calculated as follows:

Principal amount of Refunded Obligations	\$4,325,000
Redemption Premium	\$0
Accrued Interest	\$0
 Total redemption price due on Redemption Date	 \$4,325,000

6. The Bank has been advised by representatives of the Issuer that the Bank will receive on February 15, 2007 - the date of delivery of the Series 2007 Bonds - from **BANK OF AMERICA, N.A.**, as Paying Agent/Registrar for the Series 2007 Bonds, the amount of **\$4,325,300**.

The Bank will retain \$300 as its bond call fee (the "Bond Call Fee"). The Bank hereby agrees to use the remaining funds (\$4,325,000) to immediately pay the redemption price of the Refunded Obligations in the amount set forth in Paragraph 5 above.

7. The Bank hereby further acknowledges and agrees that, except for the aforementioned Bond Call Fee, no additional funds will be required to pay any fees or expenses of the Bank as Paying Agent/Registrar for the Refunded Obligations in connection with the redemption of the Refunded Obligations.

8. Based on the certifications set forth in Paragraphs 4, 5, 6 and 7 above, and assuming that the Bank actually receives the funds described in Paragraph 6 above and receives the February 15, 2007 Principal and Interest Payment, the amount of money available in the trust account described in Paragraph 6 above on the Redemption Date will be sufficient to pay all principal and interest coming due on the Refunded Obligations on such date.

[The remainder of this page intentionally left blank.]

EXECUTED THIS FEB - 5 2007.

THE BANK OF NEW YORK TRUST COMPANY,
NATIONAL ASSOCIATION

By Pat Blue
Title: ASSISTANT TREASURER

January 11, 2007

The Attorney General of Texas
Public Finance Division
300 W. 15 Street, 9th Floor
Austin, Texas 78701

**RE: CITY OF KENNEDALE, TEXAS GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2007**

Ladies and Gentlemen:

It is requested that you examine the above issues of obligations and the proceedings authorizing their issuance.

We enclose herewith one signed but undated copy of the Signature Identification and No-Litigation Certificate. Upon approval of the obligations, you are authorized to insert the date of approval in said Signature Certificate. If any litigation should develop before you have approved the obligations, we will notify you at once both by telephone and telecopy. With this assurance you can rely upon the absence of any such litigation at the time you approve the obligations unless we advise you otherwise.

After you have examined the obligations, kindly deliver them to the Office of the Comptroller of Public Accounts of the State of Texas. The Comptroller has received instructions as to disposition of such obligations following their registration.

Sincerely yours,

CITY OF KENNEDALE, TEXAS



Mayor

cc: Comptroller of Public Accounts

January 11, 2007

Texas State Comptroller of Public Accounts
Cash and Securities Management Division
Thomas Jefferson Rusk Building
208 East 10th Street, 4th Floor, Room 448
Austin, Texas 78701-2407
Attn: Melissa Mora

**RE: CITY OF KENNEDALE, TEXAS GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2007**

Ladies and Gentlemen:

The Attorney General will deliver to you the above-described issues of obligations. At such time as you have registered such obligations, this will be your authority to deliver them to an authorized representative of McCall, Parkhurst & Horton L.L.P. who will deliver said obligations to the Paying Agent/Registrar named in the obligations for delivery to the purchasers thereof.

At the time you have registered the obligations, please deliver three copies of the Attorney General's opinion and the Comptroller's Signature Certificate covering said issue of obligations to a representative of McCall, Parkhurst & Horton L.L.P., or send such documents by overnight courier to Noel Valdez, McCall, Parkhurst & Horton L.L.P., 700 N. St. Mary's, Suite 1525, San Antonio, Texas 78205.

Sincerely yours,

CITY OF KENNEDALE, TEXAS

Bryan Laukhorst

Mayor

cc: Attorney General of Texas



CLOSING MEMORANDUM

**\$4,365,000
CITY OF KENNEDALE, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2007
(THE "BONDS")**

Date: February 8, 2007
To: Attached Distribution List
From: Mark M. McLiney
Southwest Securities
(210) 226-8677

1. The above-referenced Bonds are scheduled to close on Thursday, February 15, 2007 at 10:00 A.M., Central Time. A debt service schedule is attached as Exhibit "A".
 - A. **Bank of America, N.A.** (the "**Purchaser**") will purchase the Bonds for \$4,365,000.00. There will be no accrued interest.
 - B. The City of Kennedale, Texas (the "**City**") shall wire \$12,262.00, as the City's contribution to Bank of America, Texas (serving as "**Paying Agent**") ABA# 026009593, Account #0180019828, Reference: City of Kennedale, Texas General Obligation Refunding Bonds, Series 2007, Attention: Ms. Glenda Beasley, (817) 390-6414.
2. Disbursement by **Bank of America, N.A.** (serving as **Paying Agent**):
 - A. The **Paying Agent** shall wire \$4,325,300.00 for full redemption on February 15, 2007, of the City's Combination Tax and Revenue Certificates of Obligation, Series 1998 (the "**Series 1998 Certificates**") and the Bond Call Fee associated with the redemption of the **Series 1998 Certificates** to **Bank of New York Trust Company, N.A.**, (the "**Paying Agent for the Refunded Bonds**"), ABA#021000018, GLA#111565, TAS#184153, Reference: City of Kennedale Texas, General Obligation Refunding Bonds, Series 2007 Attention: Pat Blue, (214) 880-8221. The amount is calculated as follows:

Par Amount of Call (Maturities 2008-2019, 2021 and 2024)	\$4,325,000.00
Bond Call Fee	<u>\$300.00</u>
Total Wire	<u>\$4,325,300.00</u>

City of Kennedale, Texas
Closing Memorandum
February 8, 2007
Page 2

B. The **Paying Agent** shall wire \$51,962.00 to Southwest Securities for the fees and expenses associated with the Legal Authorization and Issuance of the Bonds to JPMorgan Chase Bank, Houston, Texas, ABA #021000021, for credit to Southwest Securities, Account #08805076955, for final credit to City of Kennedale, Texas General Obligation Refunding Bonds, Series 2007, (94-9030-119147), Attention: Angela Irvine, (214) 859-6353.

3. The Reconciliation of Receipts and Disbursements by the Paying Agent/Registrar is as follows:

Receipts:

Purchase Price of the Bonds	\$4,365,000.00
Transfer from the City	<u>\$12,262.00</u>
TOTAL RECEIPTS	<u>\$4,377,262.00</u>

Disbursements:

Redemption of Series 1998 Certificates of Obligation	\$4,325,000.00
Bond Call Fee	\$300.00
Costs of Issuance	<u>\$51,962.00</u>
TOTAL DISBURSEMENTS	<u>\$4,377,262.00</u>

If there are any questions, please feel free to call me at (210) 226-8677.

\$4,365,000
CITY OF KENNEDALE, TEXAS
GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2007

DISTRIBUTION LIST

Issuer

Mr. Clifford Blackwell
Director of Finance
City of Kennedale
405 Municipal Drive
Kennedale, Texas 76060

Phone: (817) 478-5418, x109
Facsimile: (817) 561-7308
cblackwell@cityofkennedale.com

Financial Advisor

Mr. Mark M. McLiney
Southwest Securities
4040 Broadway, Suite 220
San Antonio, Texas 78209

Phone: (210) 226-8677
Facsimile: (210) 226-8299
mmcliney@swst.com

Purchaser/Paying Agent

Mr. Karl Kuykendall
Bank of America, N.A.
514 Austin Avenue
Waco, Texas 76701

Telephone: (254) 750-6126
Facsimile: (254) 750-6143
Karl.kuykendall@bankofamerica.com

Mr. Ryan B. Cunningham
Southwest Securities
4040 Broadway, Suite 220
San Antonio, Texas 78209

Phone: (210) 226-8677
Facsimile: (210) 226-8299
rcunningham@swst.com

Ms. Glenda Beasley, AVP
Bank of America, N.A.
Commercial Bank-Central Region
500 West 7th Street, Unit 36
Fort Worth, Texas 76102

Telephone: (817) 390-6414
Facsimile: (866) 493-8130

Glenda.beasley@bankofamerica.com

Bond Counsel

Mr. Noel Valdez
McCall, Parkhurst & Horton L.L.P.
1525 One Riverwalk Place
San Antonio, Texas 78206

Phone: (210) 225-2800
Facsimile: (210) 225-2984
nvaldez@mphlegal.com

Paying Agent-Refunded Bonds

Mr. Pat Blue, Assistant Treasurer
Bank of New York Trust Company, N.A.
600 North Pearl Street
South Tower, Suite 420
Dallas, Texas 75201

Telephone: (214) 880-8221
Facsimile: (214) 880-8241

pblue@bankofny.com



February 8, 2007

Mr. Clifford Blackwell
Director of Finance
City of Kennedale
405 Municipal Drive
Kennedale, Texas 76060

STATEMENT

For services rendered in connection with the legal authorization and issuance
of **\$4,365,000 City of Kennedale, Texas General Obligation Refunding
Bonds, Series 2007**

\$51,962.00

MMMc/rbc

BOND DEBT SERVICE

City of Kennedale, Texas
 Refunding Bonds, Series 2007
 Exhibit 'A'

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
02/15/2007					
08/15/2007			86,645.25	86,645.25	
09/30/2007					86,645.25
02/15/2008	200,000	3.970%	86,645.25	286,645.25	
08/15/2008			82,675.25	82,675.25	
09/30/2008					369,320.50
02/15/2009	210,000	3.970%	82,675.25	292,675.25	
08/15/2009			78,506.75	78,506.75	
09/30/2009					371,182.00
02/15/2010	220,000	3.970%	78,506.75	298,506.75	
08/15/2010			74,139.75	74,139.75	
09/30/2010					372,646.50
02/15/2011	235,000	3.970%	74,139.75	309,139.75	
08/15/2011			69,475.00	69,475.00	
09/30/2011					378,614.75
02/15/2012	240,000	3.970%	69,475.00	309,475.00	
08/15/2012			64,711.00	64,711.00	
09/30/2012					374,186.00
02/15/2013	250,000	3.970%	64,711.00	314,711.00	
08/15/2013			59,748.50	59,748.50	
09/30/2013					374,459.50
02/15/2014	260,000	3.970%	59,748.50	319,748.50	
08/15/2014			54,587.50	54,587.50	
09/30/2014					374,336.00
02/15/2015	265,000	3.970%	54,587.50	319,587.50	
08/15/2015			49,327.25	49,327.25	
09/30/2015					368,914.75
02/15/2016	280,000	3.970%	49,327.25	329,327.25	
08/15/2016			43,769.25	43,769.25	
09/30/2016					373,096.50
02/15/2017	295,000	3.970%	43,769.25	338,769.25	
08/15/2017			37,913.50	37,913.50	
09/30/2017					376,682.75
02/15/2018	305,000	3.970%	37,913.50	342,913.50	
08/15/2018			31,859.25	31,859.25	
09/30/2018					374,772.75
02/15/2019	320,000	3.970%	31,859.25	351,859.25	
08/15/2019			25,507.25	25,507.25	
09/30/2019					377,366.50
02/15/2020	330,000	3.970%	25,507.25	355,507.25	
08/15/2020			18,956.75	18,956.75	
09/30/2020					374,464.00
02/15/2021	345,000	3.970%	18,956.75	363,956.75	
08/15/2021			12,108.50	12,108.50	
09/30/2021					376,065.25
02/15/2022	195,000	3.970%	12,108.50	207,108.50	
08/15/2022			8,237.75	8,237.75	
09/30/2022					215,346.25
02/15/2023	205,000	3.970%	8,237.75	213,237.75	
08/15/2023			4,168.50	4,168.50	
09/30/2023					217,406.25
02/15/2024	210,000	3.970%	4,168.50	214,168.50	
09/30/2024					214,168.50
	4,365,000		1,604,674.00	5,969,674.00	5,969,674.00

RECEIPT FOR PROCEEDS

The undersigned hereby certifies as follows:

(a) This certificate is executed and delivered with reference to the **CITY OF KENNEDALE, TEXAS GENERAL OBLIGATION REFUNDING BONDS, SERIES 2007** (the "**Bonds**"), dated February 1, 2007, in the aggregate principal amount of **\$4,365,000**, authorized by an ordinance passed by the City Council of the **CITY OF KENNEDALE, TEXAS** (the "**City**") on January 11, 2007.

(b) The undersigned is the duly chosen and qualified Director of Finance.

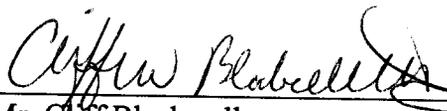
(c) The Bonds have been duly delivered to the initial purchaser thereof, namely

BANK OF AMERICA, N.A.

(d) The Bonds have been paid for in full by said purchasers concurrently with the delivery of this Receipt, and the City has received, and hereby acknowledges receipt of, the agreed purchase price for the Bonds, being **\$4,365,000**.

EXECUTED and delivered this FEB 15 2007.

CITY OF KENNEDALE, TEXAS


Mr. Cliff Blackwell
Director of Finance

Hide CUSIPs

**Municipal Secondary Market Disclosure
Cover Sheet - DisclosureUSA.org**

Filing #: 20070410625068

Filing Date: 5/15/2007 4:10:23 PM

KENNEDALE TEX

Issue Date
1998-11-01

Bond Title
CTFS OBLIG

CUSIPs

489332DV5	489332DW3	489332DX1	489332DY9	489332DZ6	489332EA0
489332EB8	489332EC6	489332ED4	489332EE2	489332EF9	489332EG7
489332EJ1	489332EM4				

Doc Type	Doc Date	File Name	File Size	Doc Title
8. Bond Calls	2/15/2007	Notice of Redemption3.pdf	14807	Notice of Redemption
9. Defeasances				

Contact Information

Name: Kathy Cooper
Employer: McCall, Parkhurst & Horton
Address1: 700 North St. Mary's St., Suite 1525
Address2:
City, State, Zip: San Antonio, TX 78205
Phone: 210-225-2800
Email: kcooper@mphlegal.com
Filer type: Dissemination Agent

NOTICE OF REDEMPTION
of
CITY OF KENNEDALE, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 1998
(Maturing on February 15 in the years 2008-2019, 2021 and 2024)

NOTICE IS HEREBY GIVEN that the *City of Kennedale, Texas* (the "City"), in Tarrant County, Texas, has called for redemption at the redemption price equal to par, plus accrued interest, on **February 15, 2007** (the "Redemption Date"), all of the City's outstanding *Combination Tax and Revenue Certificates of Obligation, Series 1998*, dated November 1, 1998, maturing on February 15 in the years 2008 through 2019, inclusive, 2021 and 2024 which are further described as follows (the "Certificates"):

CITY OF KENNEDALE, TEXAS				
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 1998				
MATURITY (FEBRUARY 15)	PRINCIPAL AMOUNT MATURING IN YEAR	PRINCIPAL AMOUNT BEING REFUNDED	STATED INTEREST RATE (%)	CUSIP NO. (489332)
2008	\$190,000	\$190,000	4.375	DV5
2009	200,000	200,000	4.375	DW3
2010	210,000	210,000	4.375	DX1
2011	225,000	225,000	4.375	DY9
2012	230,000	230,000	4.375	DZ6
2013	240,000	240,000	4.400	EA0
2014	250,000	250,000	4.450	EB8
2015	260,000	260,000	4.500	EC6
2016	275,000	275,000	4.550	ED4
2017	290,000	290,000	4.550	EE2
2018	305,000	305,000	4.600	EF9
2019	320,000	320,000	4.700	EG7
****	****	****	****	****
2021	685,000	685,000	4.750	EJ1
****	****	****	****	****
2024	645,000	645,000	4.800	EM4

On February 15, 2007, interest on the Certificates shall cease to accrue and be payable.

THE CERTIFICATES shall be redeemed at The Bank of New York Trust Company, National Association, successor to U.S. Trust Company of Texas, as the Paying Agent/Registrar for said Certificates. Upon presentation of the Certificates at the Paying Agent/Registrar on the aforementioned redemption date, the holder thereof shall be entitled to receive the redemption price equal to par and accrued interest to the redemption date.

NOTICE IS GIVEN that due and proper arrangements have been made for providing the place of payment of said Certificates called for redemption with funds sufficient to pay the principal amount of said Certificates and the interest thereon to the redemption date. In the event said Certificates, or any of them are not presented for redemption by the date fixed for their redemption, they shall not thereafter bear interest.

UNDER THE PROVISIONS of Section 3406 of the Internal Revenue Code of 1986, as amended, paying agents making payments of interest and principal on municipal securities may be obligated to withhold a tax from remittance to individuals who have failed to furnish the paying agent with a valid taxpayer identification number. Registered holders who wish to avoid the imposition of the tax should submit certified taxpayer identification numbers (via form W-9) when presenting the Certificates for payment.

THIS NOTICE is issued and given pursuant to the redemption provisions in the proceedings authorizing the issuance of the aforementioned Certificates and in accordance with the recitals and provisions of said Certificates.

NOTICE IS FURTHER GIVEN that the Certificates should be submitted to either of the following addresses:

Express Delivery

The Bank of New York, N.A.
Institutional Trust Services
2001 Bryan Street, 9th Floor
Dallas, Texas 75201

First Class/Registered/Certified Mail

The Bank of New York, N.A.
Institutional Trust Services
P.O. Box 2320
Dallas, Texas 75221-2320

Hand Delivery

The Bank of New York, N.A.
GIS Unit Trust Window
New York Plaza, 1st Floor
New York, New York 10004

Dated: February 15, 2007



ATTORNEY GENERAL OF TEXAS
GREG ABBOTT

February 15, 2007

THIS IS TO CERTIFY that the City of Kennedale, Texas (the "Issuer"), has submitted to me City of Kennedale, Texas General Obligation Refunding Bond, Series 2007 (the "Bond"), in the principal amount of \$4,365,000, for approval. The Bond is dated February 1, 2007, numbered T-1, and was authorized by Ordinance No. 355 of the Issuer passed on January 11, 2007.

I have examined the law and such certified proceedings and other papers as I deem necessary to render this opinion.

As to questions of fact material to my opinion, I have relied upon representations of the Issuer contained in the certified proceedings and other certifications of public officials furnished to me without undertaking to verify the same by independent investigation.

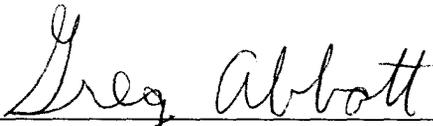
I express no opinion relating to any official statement or any other offering material relating to the Bond.

Based on my examination, I am of the opinion, as of the date hereof and under existing law, as follows:

- (1) The Bond has been issued in accordance with law and is a valid and binding obligation of the Issuer.
- (2) In accordance with the provisions of the law, firm banking arrangements have been made for the discharge and final payment or redemption of the obligations being refunded upon deposit of an amount sufficient to pay said obligations when due.
- (3) The Bond is payable from the proceeds of an ad valorem tax levied, against all taxable property within the Issuer, within the limits prescribed by law.

Therefore, the Bond is approved.

The Comptroller is instructed that she may register the Bond without the cancellation of the underlying securities being refunded thereby.



Attorney General of the State of Texas

No.45953
Book No.2007-A
JCH

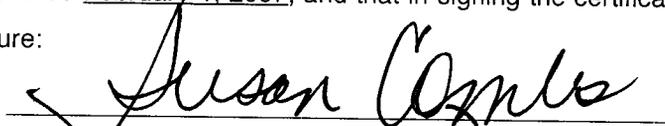
OFFICE OF COMPTROLLER

OF THE STATE OF TEXAS

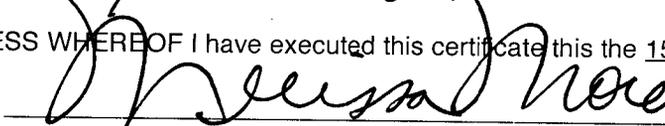
I, Melissa Mora, Bond Clerk Assistant Bond Clerk in the office of the Comptroller of the State of Texas, do hereby certify that, acting under the direction and authority of the Comptroller on the 15th day of February, 2007, I signed the name of the Comptroller to the certificate of registration endorsed upon the:

City of Kennedale, Texas General Obligation Refunding Bond, Series 2007,

numbered T-1, dated February 1, 2007, and that in signing the certificate of registration I used the following signature:



IN WITNESS WHEREOF I have executed this certificate this the 15th day of February, 2007.



I, Susan Combs, Comptroller of Public Accounts of the State of Texas, certify that the person who has signed the above certificate was duly designated and appointed by me under authority vested in me by Chapter 403, Subchapter H, Government Code, with authority to sign my name to all certificates of registration, and/or cancellation of bonds required by law to be registered and/or cancelled by me, and was acting as such on the date first mentioned in this certificate, and that the bonds/certificates described in this certificate have been duly registered in the office of the Comptroller, under Registration Number 72463.

GIVEN under my hand and seal of office at Austin, Texas, this the 15th day of February, 2007.



SUSAN COMBS
Comptroller of Public Accounts
of the State of Texas

OFFICE OF COMPTROLLER

OF THE STATE OF TEXAS

I, SUSAN COMBS, Comptroller of Public Accounts of the State of Texas, do hereby certify that the attachment is a true and correct copy of the opinion of the Attorney General approving the:

City of Kennedale, Texas General Obligation Refunding Bond, Series 2007

numbered T-1, of the denomination of \$ 4,365,000, dated February 1, 2007, as authorized by issuer, interest 3.97 percent, under and by authority of which said bonds/certificates were registered electronically in the office of the Comptroller, on the 15th day of February, 2007, under Registration Number 72463.

Given under my hand and seal of office, at Austin, Texas, the 15th day of February, 2007.



SUSAN COMBS
Comptroller of Public Accounts
of the State of Texas

LAW OFFICES

McCALL, PARKHURST & HORTON L.L.P.

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AUSTIN, TEXAS 78701-3248

TELEPHONE: 512 478-3805

FACSIMILE: 512 472-0871

February 15, 2007

**CITY OF KENNEDALE, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2007
DATED AS OF FEBRUARY 1, 2007
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$4,365,000**

AS BOND COUNSEL FOR THE CITY OF KENNEDALE, TEXAS (the "*City*") in connection with the issuance of the bonds described above (the "*Bonds*"), we have examined into the legality and validity of the Bonds, which bear interest from the date of initial delivery of the Bonds until maturity, at the rate and payable on the dates as stated in the text of the Bonds, and which mature and are subject to optional redemption, all in accordance with the terms and conditions stated in the text of the Bonds.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas and a transcript of certified proceedings of the City, and other pertinent instruments authorizing and relating to the issuance of the Bonds including (i) the ordinance authorizing the issuance of the Bonds (the "*Ordinance*"), (ii) one of the executed Bonds (Bond No. T-1), and (v) the City's Federal Tax Certificate of even date herewith.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been authorized, issued and delivered in accordance with law; that the Bonds constitute valid and legally binding general obligations of the City in accordance with their terms except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion; that the City has the legal authority to issue the Bonds and to repay the Bonds; that ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Bonds, as such interest comes due, and as such principal matures, have been levied and ordered to be levied against all taxable property in the City, and have been pledged for such payment, within the limits prescribed by law.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "*Code*"). In expressing the aforementioned opinions, we have relied on and assumed compliance by the City with, certain representations and covenants regarding the use and investment of the proceeds of the Bonds. We call your attention to the fact that failure by the City to comply with such representations and covenants may cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, is included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the City, and, in that capacity, we have been engaged by the City for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the City, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and we have relied solely on certificates executed by officials of the City as to the current outstanding indebtedness of, and assessed valuation of taxable property within, the City.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of a result and are not binding on the Internal Revenue Service (the "**Service**"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer. We observe that the City has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

Respectfully,

McCall, Ruckelshaus & Anton LLP