

Del City Economic Development Authority

\$5,385,000

**Sales Tax Revenue Note, Series 2008
(Project Financing)**

Background

The Del City Economic Development Authority (the "Authority"), City of Del City, Oklahoma, has determined to issue certain obligations for the purpose of funding (i) acquisition and renovation of a facility to be converted to City Hall, (ii) design and construction of a new police station on existing City property and (iii) paying costs of issuance. Consequently, the Authority intends to issue its Sales Tax Revenue Note, Series 2008 (the "2008 Note") in the principal amount of \$5,385,000 to conduct the funding of the aforesaid projects as described herein.

Del City Economic Development Authority

The Del City Economic Development Authority was established as a public trust under Title 60, Section 176 et seq., as amended and supplemented, of the Oklahoma Statutes pursuant to a Trust Indenture dated July 15, 1985. The primary purpose of the Authority is to promote, finance and develop all public works projects or facilities of any type or description within the City of Del City, Oklahoma, and providing a financing vehicle for other lawful purposes. The Trustees of the Authority are the Mayor and City Council of the City of Del City, Oklahoma. Current members of the Authority are shown below:

Mr. Ken Bartlett – Chairman and Trustee
Mr. Brian Linley – Vice Chairman and Trustee
Mr. Mike Grimmett – Secretary and Trustee
Mr. Dick Carter – Trustee
Mr. Larry O'Connell – Trustee

Mr. Linley serves as Mayor of the City. Mark Edwards serves as City and Authority Manager. Ms. Carol Noble serves as City Clerk. The FEI Number for the Authority is 73-6060625.

Financial Performance

Audited Financial Statements for the City and its component units for Fiscal Years Ended June 30, 2004, 2005 and 2006 are enclosed herein.

The Sales Tax Revenue Note, Series 2008

The Del City Economic Development Authority will issue its Sales Tax Revenue Note, Series 2008 (the "2008 Note") in the principal amount of \$5,385,000 to finance the various capital projects mentioned including costs of issuance associated with the Note. The Note will be dated the date of delivery and mature in monthly installments commencing August 1, 2008 with a final maturity of March 1, 2013. Interest on the Note will also be paid monthly commencing August 1, 2008. The Note will be issued at one rate for all maturities. See provided principal amortization schedule. **The Note will be issued as a non-rated obligation.**

The Note will not be subject to redemption prior to maturity.

Pledge of the Trust Estate

The 2008 Note will constitute limited and special obligations of the Authority payable by the Authority from and secured by a pledge of revenues generated from a combined 1% Sales Tax.

Sales Tax Revenue

Pursuant to Ordinance No. 310 (the "One Percent Ordinance"), the City of Del City levies a permanent sales tax of one percent (1%). The purpose of the One Percent Ordinance is to provide revenues to be used for the support of the functions of the municipal government of the City. Pursuant to Ordinance No. 1312 (the "One and One-Half Percent Ordinance"), the City of Del City levies a sales tax of one and one-half percent (1 1/2%). The purpose of the One and One-Half Percent Ordinance is as follows; 1/3 of 1 1/2% (or 1/2%) to provide revenues to pay principal and interest on debt of the City, the Del City Municipal Services Authority ("DCMSA") and the Del City Economic Development Authority ("DCEDA"); 1/3 of 1 1/2% (or 1/2%) to provide revenues for capital improvements and capital outlay of the City, DCMSA and DCEDA; and 1/3 of 1 1/2% (or 1/2%) to provide revenues for street maintenance, Community Center remodel, public safety and street staffing stabilization and juvenile justice projects and programs. The One and One-Half Cent Ordinance expires January 1, 2013 (last distribution from Oklahoma Tax Commission in February 2013). The sales tax generated from 1/2 of the One Percent Ordinance and 1/3 of the One and One-Half Percent Ordinance shall be pledged to the 2008 Note and is referred to as "Sales Tax Revenue". **In fiscal year 2007/08, the Sales Tax Revenue generated \$2,215,751.** Historical Sales Tax collections for the City are included herein.

Sales Tax Security Agreement

The 2008 Note will be secured and payable from the Sales Tax Revenue pursuant to a Sales Tax Agreement between the City of Del City and the Authority in which the City agrees on a year-to-year basis to appropriate the Sales Tax Revenue to the Authority, provided the City cannot obligate itself beyond its fiscal year. The 2008 Note does not represent an obligation of the City and is payable solely from the Sales Tax Revenue. The Authority will be required to make monthly deposits to the Trustee Bank from the Sales Tax Revenue as it is received in sufficient amounts to pay interest on and principal of the 2008 Note.

Debt Coverage

As stated above, in Fiscal Year 2007/08 the Sales Tax Revenue generated approximately \$2,215,751. The estimated average annual principal and interest requirements on the 2008 Note (assuming a 3.70% interest rate) are approximately \$1.1 million. Consequently, debt coverage for 2008 Note debt would be approximately 2.0 times annual payments. (Debt Service Coverage Schedule is attached).

Parity Debt Limitation

The Note Indenture governing the issue will provide that additional obligations may be issued on a parity or equal basis with the 2008 Note as long as the Net Revenues Available for Debt Service are at least 125% of the maximum annual amount required for debt service on all obligations on a parity with the 2008 Note. The Authority may at any time and from time to time, without limitation as to amount, issue evidences of indebtedness secured on a subordinate or junior lien basis with the 2008 Note.

Private Placement

The 2008 Note is to be issued as a Private Placement obligation to be purchased by a financial institution. As the subject of a Private Placement, the purchaser of the 2008 Note will be required to execute an Investment Letter, representing itself as an "accredited investor" pursuant to Rule 501 of Regulation D promulgated by the Securities and Exchange Commission. As such, the 2008 Note will have limited assignability or transferability other than to another accredited investor. In essence, the purchaser is purchasing the 2008 Note for his own account with the intent to hold the 2008 Note to final maturity, but may offer participation in the 2008 Note with other financial institutions. The 2008 Note will be issued in the form of one note and will not be assigned a CUSIP Number.

Tax-Exemption

The Public Finance Law Group PLLC, Oklahoma City, Oklahoma, ("PFLG") is acting as Bond Counsel on the transaction. PFLG will issue an opinion to the purchaser that under current tax laws, interest on the 2008 Note will be exempt from federal and State of Oklahoma income taxation. **In addition, the City will designate the 2008 Note as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue**

Code of 1986, as amended. In addition certain legal matters pertaining to the City and Authority will be passed upon by Jack Fried, Esq., as City and Authority Counsel.

Trustee Bank

Trustee Bank for the 2008 Note will be BancFirst, Oklahoma City, Oklahoma.

Purchaser Bids

The Authority will accept bids from potential purchasers of the Note on the Bid Form enclosed herein. **The Note is to be sold at par (100%) of the principal amount of the Note.** Bids must be hand delivered or faxed to the Del City Economic Development Authority to the attention of Ms. Carol Noble, City Clerk, 4517 SE 29th Street, Del City, Oklahoma, 73155 (Fax No.: 405/671-2807) no later than **11:00 a.m. Thursday, July 10, 2008.** The Authority will then consider the bids later that same day at a meeting at 5:00 p.m. at City Hall and award the Note to the bidder offering the lowest interest rate. **The Authority reserves the right to reject all bids.**

Please note that the Authority will provide the amount of \$2,500 from Note proceeds for the Bank's Counsel to review the financing documents and cover other costs of the Purchaser. Any cost above this amount shall be paid by the successful purchaser. The purpose of this provision is to advise potential bidders that the Note will be awarded solely on the interest rate bid and the resulting interest cost to the Authority.

Payment for the Note

It is anticipated that the Note will be delivered to and paid for in full by the purchaser on or about July 22, 2008 (the "Closing Date"). On the Closing Date, the purchaser will wire the funds to the Trustee Bank and receive delivery of the Note for safekeeping.

Authority Contacts

Questions regarding the Note should be addressed to Mr. Mark Edwards, City Manager, at 405/677-5741 or Jon Wolff, Municipal Finance Services, Inc. (405/340-1727), the Financial Advisor to the Authority.

BIDDERS QUOTE SHEET

Bids Due: 11:00 a.m., Thursday, July 10, 2008
Submitted To: Del City Economic Development Authority
Attention: Ms. Carol Noble, City Clerk
Fax No.: 405/671-2807

Sales Tax Revenue Note, Series 2008

Amount of Financing: \$5,385,000

Maturity Date: March 1, 2013

Bid Holding Period: 30 days from above date

Interest Rate Bid: _____%

Firm Submitting Bid

Date

AFFADAVIT: I, the undersigned, of lawful age, being first duly shown on oath, say that he/she is the agent authorized by the bidder to submit the above bid. Affiant further states that the bidder has not been a party to any collusion among the bidders in restraint of freedom of competition by agreement to bid a fixed price or to refrain from bidding; or with any City official or employee as to quantity; quality or price in the prospective contract or any other terms of said prospective contract; or in any discussion between bidders or any City official concerning exchange of money or any other thing of value for special consideration in the letting of a contract; that the bidder/contractor has not paid, given or donated or agreed to pay, give or donate to any officer or employee of the Del City Economic Development Authority or the City of Del City any money or other thing of value, either directly or indirectly in the procuring of the award of a contract pursuant to this bid.

Subscribed and sworn before me this ____ day
of _____, 2008.

Firm: _____

Signed By: _____

(SEAL)

Title: _____

My commission expires _____

Address: _____

Notary Public

Telephone: _____

Fax: _____