CITY OF RICHARDSON TEXAS

$81,445,000

GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS,
SERIES 2010

$6,105,000

GENERAL OBLIGATION REFUNDING BONDS,
TAXABLE SERIES 2010A

$18,305,000

COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION,
SERIES 2010

JUNE 28, 2010

THE FOLLOWING RATINGS HAVE BEEN ASSIGNED:

STANDARD AND POOR'S	MOODY'S
"AAA"	**"Aaa"**

FirstSouthwest
A PlainsCapital Company

FirstSouthwest
A PlainsCapital Company

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June 28, 2010

Honorable Mayor and Councilmembers
City of Richardson
411 West Arapaho Road
Richardson, Texas 75080

Re: $81,445,000 General Obligation Refunding and Improvement Bonds, Series 2010
$18,305,000 Combination Tax & Revenue Certificates of Obligation, Series 2010
$6,105,000 General Obligation Refunding Bonds, Taxable Series 2010A

Honorable Mayor and Councilmembers:

The above issues were priced and marketed through negotiated sale by an underwriting group led by Stifel Nicolaus & Co. on Thursday, June 24. The issues achieved very favorable interest rates; and this was attributable to market conditions, and to the credit quality of the City of Richardson, as evidenced by the City's debt ratings. In fact, favorable movement in the interest rate market late in the day preceding the pricing date resulted in actual rates 5 to 6 basis points (.05% to .06%) lower than rates projected on the day prior to pricing.

The $81.445 million G.O. Refunding and Improvement Bonds, which included funding of the newly authorized $66 million and refunding of $22.31 million of outstanding bonds had an overall True Interest Cost ("TIC") rate of 3.798%. The new money portion to fund the new authorization had a TIC of 3.99%. The refunding produced total debt service savings through 2021 of $2.65 million; and present value savings equaled 10.07% of the refunded amount.

The certificates of obligation issue had a TIC of 3.288%. The G.O. bonds and certificates of obligation are the same credit: differences in the effective rates or TIC's of the issues are attributable to differences in the repayment term or average lives of the issues. The G.O. bonds have an overall average life of 11.6 years, whereas the certificates of obligation have an average life of 7.6 years.

The taxable refunding of $6.005 million Series 2000B produced total savings through 2020 of $1.35 million. Present value savings are 20.373% of the refunded amount.

As previously indicated, the City's debt issues benefit from bond ratings at the highest possible rating level by both Moody's and Standard & Poor's ("S&P"). S&P assigned "AAA" rating to the City in 2008. In late April, Moody's assigned the City a rating of "Aaa", as part of Moody's overall ratings

recalibration effort. Both ratings were affirmed by the rating agencies with respect to the sale of the bond and certificate of obligation issues. The "AAA" and "Aaa" ratings provide investors with debt issues at the highest rating levels, and in the environment of investors prioritizing quality and security of fixed-income investments, this results in a high level of demand for the City's issues.

In addition to documenting economic development activity and efforts in the City, both rating agencies continue to emphasize the leadership and financial management of the City. Statements by the rating agencies include:

- Strong, tenured, and responsive management
- Historically very strong financial performance, that is partly due to its strong financial policies and practices
- Moderate overall debt levels
- …financial performance and reserve position remain very strong due to management's pro-active approach…
- Strong financial management with a demonstrated commitment to maintain financial flexibility

As indicated by the "Bond Buyer Index" ("BBI"), municipal interest rates remain at historically favorable levels. The most recent BBI weekly level was only 46 basis points (.46%) above the recent historical low weekly index level. While we cannot predict the future of interest rate levels, we can state that this is a favorable time to sell debt and take advantage of attractive interest rates. This is specifically exemplified by the effective interest rates achieved on the three issues.

FirstSouthwest was very pleased with the sale process, and with the efforts of Stifel Nicolaus & Co. and the co-managing underwriters on the issues in the current market. We recommend Council approval of the three issues, and we congratulate the City Council and Staff on the excellent results in sale of the three issues.

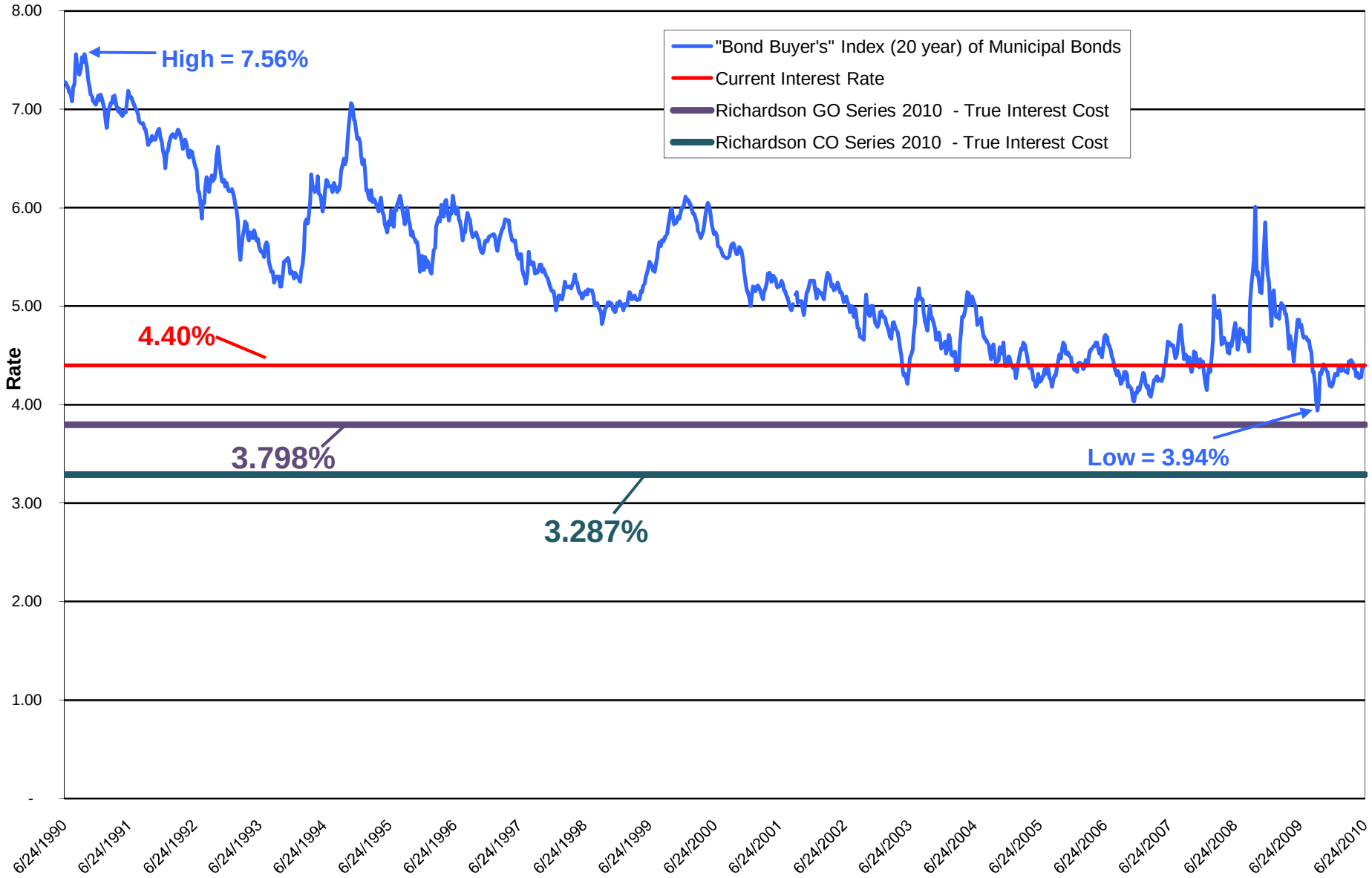
Sincerely,

George H. Williford
Managing Director

Nick Bulaich
Vice President

City of Richardson, Texas

General Obligation Refunding and Improvement Bonds, Series 2010
Combination Tax and Revenue Certificates of Obligation, Series 2010



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City of Richardson, Texas

General Obligation Refunding & Improvement Bonds, Series 2010

Pricing Comparison

	City of Richardson (Aaa/AAA) 6/24/2010 $81,445,000 - GO	Bexar County (Aaa/AA+/AAA) 6/18/2010 $36,915,000 - GO		Williamson County (AAA/AAA) 6/21/2010 $33,995,000 - GO		City of Arlington (Aa1/AA+/AA+) 6/21/2010 $34,480,000 - GO		State of Texas (TPFA) (Aaa/AAA/AAA) 6/22/2010 $333,540,000 - GO	
Maturity	**Reoffering Yield**	**Reoffering Yield**	**Difference**	**Reoffering Yield**	**Difference**	**Reoffering Yield**	**Difference**	**Reoffering Yield**	**Difference**
2011	0.500%	0.400%	0.100%			0.500%	0.000%		
2012	0.700%	0.750%	-0.050%			0.770%	-0.070%		
2013	1.040%	1.130%	-0.090%			1.180%	-0.140%	1.160%	-0.120%
2014	1.390%	1.520%	-0.130%	1.450%	-0.060%	1.540%	-0.150%	1.530%	-0.140%
2015	1.780%	1.890%	-0.110%	1.840%	-0.060%	1.900%	-0.120%	1.890%	-0.110%
2016	2.170%	2.320%	-0.150%	2.240%	-0.070%	2.330%	-0.160%	2.310%	-0.140%
2017	2.500%	2.640%	-0.140%	2.590%	-0.090%	2.650%	-0.150%	2.650%	-0.150%
2018	2.740%	2.890%	-0.150%	2.840%	-0.100%	2.910%	-0.170%	2.890%	-0.150%
2019	2.970%	3.120%	-0.150%	3.070%	-0.100%	3.140%	-0.170%	3.130%	-0.160%
2020	3.150%	3.270%	-0.120%	3.220%	-0.070%	3.300%	-0.150%	3.270%	-0.120%
2021	3.330%	3.400%	-0.070%	3.410%	-0.080%	3.500%	-0.170%	3.390%	-0.060%
2022	3.470%	3.530%	-0.060%	3.540%	-0.070%	3.640%	-0.170%	3.540%	-0.070%
2023	3.580%	3.610%	-0.030%	3.650%	-0.070%	3.730%	-0.150%	3.630%	-0.050%
2024	3.670%	3.690%	-0.020%	3.730%	-0.060%	3.810%	-0.140%	3.710%	-0.040%
2025	3.750%	3.750%	0.000%			3.880%	-0.130%	3.760%	-0.010%
2026	3.820%					3.950%	-0.130%	3.840%	-0.020%
2027	3.890%					4.020%	-0.130%	3.910%	-0.020%
2028	3.960%			4.010%	-0.050%			3.980%	-0.020%
2029	4.020%			4.080%	-0.060%			4.050%	-0.030%
2030	4.090%			4.150%	-0.060%			4.120%	-0.030%

STANDARD &POOR'S

PUBLIC FINANCE

City of Richardson, Texas

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Credit Profile		
US$85.955 mil General Obligation Refunding and Improvement Bonds, Series 2010, dated 6/15/2010 due 2/15/2030		
Long Term Rating	AAA / Stable	New
US$18.5 mil Combination Tax and Revenue Certificates of Obligation, Series 2010, dated 6/15/2010 due 2/15/2030		
Long Term Rating	AAA / Stable	New
US$6.11 mil General Obligation Refunding Bonds, Taxable, Series 2010A, dated 6/15/2010 due 2/15/2020		
Long Term Rating	AAA / Stable	New
Outstanding General Obligation Bonds, Various Series		
Long Term Rating	AAA / Stable	Affirmed

RatingsDirect Publication Date
June 14, 2010

Rationale

Standard & Poor's Ratings Services assigned its 'AAA' rating to Richardson, Texas' series 2010 general obligation (GO) refunding and improvement bonds, series 2010A taxable GO refunding bonds, and series 2010 combination tax and revenue certificates of obligation. At the same time, Standard & Poor's affirmed its 'AAA' long-term and underlying rating (SPUR) as well as its 'AAA/A-1' rating on the city's existing GO debt. The outlook is stable.

The ratings reflect our opinion of the city's:

- Location and participation in the Dallas-Fort Worth Metroplex economy, coupled with a sizable economic base of its own, which serves as a primary employment center with the significant presence of technology-based companies;
- Very strong income and wealth levels;
- Strong, tenured, and responsive management;

- Historically very strong financial performance, that is partly due to its strong financial policies and practices; and
- Moderate overall debt levels as a percentage of market value.

The obligations constitute direct obligations of the city, payable from a direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the city. In addition, the certificates are payable from a limited pledge (not to exceed $1,000) of the net revenues of the city's waterworks and sewer system. Officials will use bond proceeds to refund a portion of the city's outstanding debt, and to finance various permanent public improvements. Certificate proceeds will be used to finance municipal improvements and renovations, to finance the purchase of equipment and vehicles, and to improve and extend the city's water and sewer system.

Located about 15 miles north of downtown Dallas, Texas, with a population of about 101,200, Richardson is the metropolitan statistical area's second-largest employment center, with a daytime population that increases to more than 140,000. The economy remains rooted in the telecommunications industry; its property tax base, however, is deep and extends beyond its telecom corridor, with other sectors including healthcare, technology and finance. The tax base is very diverse, in our opinion, with the 10 leading taxpayers accounting for 11.8% of total assessed value (AV). Nortel and AT&T still remain as two of the city's leading taxpayers and AT&T is among its leading employers. Total AV grew by 20.0% from fiscals 2000-2003, before decreasing by 4.0% in fiscal 2004 and 1.4% in fiscal 2005 due primarily to decreases in commercial property. Richardson's AV rebounded, increasing by 4.5% to $8.7 billion in fiscal 2006, with values almost recovering from the previous years' contractions. Management expects long-term property value expansion to continue as residential property is reappraised and new and smaller companies begin to expand. AV increased by 4% for fiscal 2009 and again slightly by less than 1% in fiscal 2010 to over $9.8 billion.

Wealth and income levels, as reflected in median household effective buying income, remain very strong in our opinion at about 134% of national levels, but have declined from 182% in 1998. Market value, another indication of overall wealth, is also what we consider very strong at roughly $97,212 per capita.

We believe that the city's financial performance and reserve position remain very strong due to management's pro-active approach to budget adjustments related to the revenue fluctuations as a result of economic conditions. The city has benefited from a diverse revenue stream and the stability of its property tax revenues, which account for nearly 40% of its general revenues, with sales taxes providing about 25% of revenues. The city's unreserved general fund balances for fiscal year-ends 2001 through 2008 were in line with management's policy of maintaining 60 days' operating expenditures. In addition, the fiscal 2009 unreserved general fund balance was $15.2 million, or what we consider a very strong 17% of expenditures. Management budgeted a 2% sales tax revenue collection decrease for fiscal 2010; however, year-to-date, sales tax revenues are above budgeted estimates by about 10.3%. In addition, property tax collections remain steady. Management expects to continue to meet its internal policy targets despite slowing economic conditions, with a number of local economic development projects underway, which should continue to diversify and boost the city's revenue stream. Officials are projecting to end fiscal 2010 with break-even operations. Management plans to adopt a balanced budget for fiscal 2011.

Standard & Poor's deems Richardson's management practices 'strong' under its Financial Management Assessment (FMA) methodology, indicating practices are strong, well embedded, and likely sustainable.

Overall net debt, including debt issued by an overlapping school district and Dallas County, remains moderate in our opinion at roughly 5.7% of market value, and high at $5,526 per capita. Debt service amortization is above average with 58% of principal due to be repaid in 10 years. Net debt service carrying charges are elevated, partly due to above-average amortization at about 14.6% of fiscal 2009 expenditures. In an election held in May 2010, voters approved a $66 million bond program; the city is issuing the full amount of the authorization. Officials will continue to issue certificates of obligation annually to address equipment and enterprise system needs.

Outlook

The stable outlook reflects the expectation that management will continue to successfully make the necessary adjustments to maintain year-end reserves at, or above, its reserve policies. Further economic expansion due to proactive economic incentives will continue to diversify the local economy.

Technology Sector Drives The Economy

Richardson's strong and tenured management, along with a local economic development partnership and economic incentives, continues to work to attract new telecommunications business from other parts of the nation; management is also working on growing other areas outside the telecommunications industry. Current growth areas include Texas Instruments Inc.'s $3 billion investment for a new one million square-foot wafer manufacturing facility, which is projected to add more than 1,000 employees. The company anticipates the first commercial production from the new facility to begin in fall 2010. Aggressive economic incentives due primarily to a coordinated tax abatement program helped attract Texas Instrument's investment. Despite the abatement, city officials estimate they will capture nearly $120 million of unabated taxes from the facility in the next 20 years. They also predict the new facility will stimulate additional investment from suppliers and other related entities. Also, an $85 million new engineering facility has been completed at University of Texas at Dallas, and a $29.2 million new residence and learning hall was completed on the campus in August 2009. Furthermore, Methodist Richardson Medical Center, which now has a second site in the city, recently completed a $23 million, 50,000 square-foot cancer center and an $18 million, 47,000-square-foot outpatient hospital.

In addition to jobs in the telecom sector, the city has added several thousands of jobs in other areas due to the relocation and expansion of numerous companies within its borders. Blue Cross Blue Shield relocated nearly 3,000 of its local employees to a 1 million-square-foot facility in January 2010. The location allows for additional expansion of approximately one million square feet of office space and an additional 1,100 employees for a campus total of 5,000 employees. With the successful opening of the Charles W. Eisemann Center for Performing Arts in 2002, the city completed the first phase of development on Galatyn Park, an urban center that includes a hotel and conference center, auditorium, transit plaza, and office development. Redevelopment initiatives are underway with the formation of an 896-acre tax-increment finance (TIF) district primarily along the U.S. Highway 75 corridor that will allow the city to attract new retailers and other commercial activity. One project eligible to receive TIF incentives is a new Datacenter Park; Digital Realty Trust has purchased a 110-acre site, and will invest

$250 million in capital modifications to the 800,000 square-foot campus to modify the building to become a data center campus.

Finance: Performance Is Strong

Richardson's revenue stream is diverse with property taxes, its leading revenue source, at nearly 40% of total revenues and sale taxes at about 25%. In fiscal 1998, the city council effectively revised its policy to maintain a general fund balance at 60 days' operating expenditures, rather than the former 30 days', to allow for possible sales tax revenue fluctuations. The city's tax rate for fiscal 2010 stands at 57.5 cents per $100 of AV, including 36.3 cents per $100 of AV for operations, and 21.2 cents per $100 of AV for debt service. With the issuance of the series 2010 bonds and certificates, the expected tax rate impact for debt service is 6 cents per $100 of AV. The tax rate remains competitive for the region.

Financial Management Assessment: 'Strong'

Standard & Poor's deems Richardson's management practices 'strong' under its Financial Management Assessment (FMA) methodology, indicating practices are strong, well embedded, and likely sustainable. Highlights include the city's:

- Use of extensive planning and analysis to devise revenue and expenditure assumptions based on historical trend analysis;
- Proven willingness to make intra-year corrections to improve structural budget gaps due to a formalized budget contingency plan with monthly reporting to the governing body;
- Financial planning, which includes five-year revenue modeling, that identifies expenditure pressures that could occur;
- Five-year, annually updated capital improvement program that addresses project needs and resources;
- Debt management policy that governs debt issuance and includes tying the bonds' terms to the asset's useful life, coupled with carrying charge limitations;
- Formal investment management policy that parallels state regulations and calls for quarterly reporting to elected officials; and
- Formal reserve policies that identify specific budgetary reserves in the amount of 60 days' annual budgeted general fund expenditures.

Related Criteria And Research

USPF Criteria: GO Debt, Oct. 12, 2006

Ratings Detail (As Of 14-Jun-2010)		
Outstanding Adjustable Rate General Obligation Refunding and Improvement Bonds, Series 2003		
Long Term Rating	AAA / A-1 / Stable	Affirmed
Outstanding General Obligation Bonds, Various Series		
Unenhanced Rating	AAA (SPUR) / Stable	Affirmed

Many issues are enhanced by bond insurance.

MOODY'S
INVESTORS SERVICE

New Issue: MOODY'S ASSIGNS Aaa RATING TO CITY OF RICHARDSON'S (TX) UPCOMING GENERAL OBLIGATION AND CERTIFICATES OF OBLIGATION ISSUANCE

Global Credit Research - 16 Jun 2010

RATING AFFIRMATION AFFECTS $328.8 MILLION IN OUTSTANDING PARITY DEBT

Municipality
TX

Moody's Rating

ISSUE		RATING
General Obligaiton Refunding and Improvement Bonds, Series 2010		Aaa
Sale Amount	$85,955,000	
Expected Sale Date	06/24/10	
Rating Description	General Obligaiton Limited Tax	
General Obligation Refunding Bonds, Taxable Series 2010A		Aaa
Sale Amount	$61,110,000	
Expected Sale Date	06/24/10	
Rating Description	General Obligation Limited Tax	
Combination Tax and Revenue Certificates of Obligation, Series 2010		Aaa
Sale Amount	$18,500,000	
Expected Sale Date	06/24/10	
Rating Description	General Obligation Limited Tax	

Opinion

NEW YORK, Jun 16, 2010 -- Moody's Investors Service has assigned a Aaa rating to the City of Richardson's (TX) upcoming sale of the following issuances: $85.9 million General Obligation Refunding and Improvement Bonds, Series 2010; $6.1 million General Obligation Refunding Bonds, Taxable Series 2010A; $18.5 million Combination Tax and Revenue Certificates of Obligation, Series 2010. In conjunction with these assignments, Moody's has affirmed the Aaa rating on outstanding general obligation debt, affecting $328.8 million including the current sales. The certificates and the bonds are secured by a direct and continuing ad valorem tax, levied within the limits of the law, on all taxable property located within the city. Additionally, the certificates include a minimal pledge (not to exceed $1,000) from the water/sewer utility. The Aaa rating is reflective of a relatively sizable, affluent tax base that derives its value in almost equal proportions between residential and commercial/industrial properties; strong financial management with a demonstrated commitment to maintain financial flexibility; and a manageable debt position.

ON-GOING DIVERSIFICATION OF TAX BASE AND EMPLOYMENT CENTERS

The City of Richardson is a first tier suburb, located along I-75 approximately 15 miles from downtown Dallas (general obligation rating Aa1/stable). The five year average annual tax base growth of 3.4% resulted in a fiscal 2010 assessed value of $9.8 billion. After experiencing tax base declines totaling 5.5% in fiscals 2004 and 2005, values have increased in each of the subsequent years. Previous tax base softening was attributed to the global telecom market downturn experienced in the early to mid part of the decade. During that time, the city's commercial tax base was heavily dependent on the telecom industry. Although the telecom presence is still strong, the city's tax base has diversified and out of the top ten taxpayers, only three are telecom related. The top ten represent a mix of telecom industries, financial services and electronics and technology industries. The city's single-family residential base comprises approximately 44% of the tax base. The real estate market has not been overly exposed to sub-prime activity or speculative investment. As a result, foreclosure rates within the city have not been significant. Additionally, the city serves as a large employment base (second to the Dallas Central Business District) with an estimated employment population of 120,456. Top employers include the telecom industry which employs approximately 36% of the city's employment base with the remaining employed by a variety of industries including government and financial services, a health insurance provider, electronics and defense system enterprises and the University of Texas at Dallas. Office vacancy rates have seen a decline from a high of 26.4% in 2003 to a 2009 vacancy rate of 14.8%. Unemployment within the city has historically been below both the state and nation. This trend has continued through the recent economic downturn. As of March 2010, unemployment is reported as 7.4% compared to 8.2% statewide and 10.2% nationally. Although property rolls for fiscal 2011 have not been finalized, officials expect a slight decline of 3% in taxable values due to lower commercial appraisals. This stress is not expected to be ongoing and does not significantly compromise the overall health of the economy.

The city is well positioned along I-75 with a light-rail transit line adjacent to the interstate that provides easy access to downtown Dallas as well as to other suburbs located further north of Richardson. Currently, there are four rail stations in the city. A mixed use development project surrounding one station has recently been completed and contains the city's performing arts center, a hotel, a mixed-use development and the newly constructed headquarters of a health care corporation. Another mixed use development adjacent to a light-rail station is under construction with completion scheduled in the near-term. Longer-term development could occur along the city's northern most station as large parcels of undeveloped land remain in the area. In 2006 the city approved the first Tax Increment Finance (TIF) District to facilitate the transit-oriented development projects. In addition to the development projects, the city has utilized other incentives to revitalize strip centers located in various areas within the city. Another significant economic driver is the presence of the University of Texas at Dallas (actually located in Richardson) which continues to provide a large employment base and is expanding. We expect that although values are projected to decline by a relatively

small amount in fiscal 2011, the city is well positioned for growth and development as the national economy begins to recover.

FINANCIAL MANAGEMENT REMAINS SOLID AND PROVIDES FOR FLEXIBILITY IN WEAK ECONOMY

With the exception of a small deficit ($47,000) in fiscal 2002, the city has ended each fiscal year in an operationally balanced position. Due to the telecom slump and general economic weakening, city revenues in fiscal 2002 declined by approximately $1.3 million from the prior year. In response to the dramatic decline in revenues, city officials took measures to control expenses, in part by reducing staff by 10%. Although city revenues have recovered, the eliminated positions have not been reinstated and the size of the city's workforce has remained flat, contributing to the city's six consecutive years of surpluses. In fiscal 2009 the city posted an operational surplus of $1.2 million but transferred $2.2 million to the capital improvement fund. Other below-the-line transfers into the general fund offset the large capital improvement transfer and resulted in an ending deficit of $401,320. The fiscal 2009 ending fund balance of $15.8 million is 17.3% of general fund revenues and is consistent with the city's policy of maintaining 60 days of operating expenditures in fund balance. Operating revenues are mainly derived from property taxes (45%) and sales taxes (18.1%). Sales tax revenues have increased at a five year average annual rate of 2.7% with receipts softening slightly in both fiscal 2008 and 2009 by 1.5% and 0.9%, respectively. The city budgeted for a 4% decline in sales tax collections for fiscal 2010, but actual receipts have been up by approximately 10% in year-over-year comparisons. The increase in sales tax revenues are off-setting other slumping revenue streams and officials expect to end the year with the policy-driven 60 day reserve in fund balance. Expenses have been controlled with a hiring freeze and other measures. Officials are preparing the fiscal 2011 budget and will continue to monitor revenue streams and taxable values to ensure a conservative budget is adopted and current reserve levels are maintained. Moody's believes the city's financial operations will remain satisfactory as management has historically demonstrated the ability to implement expenditure controls and budget conservatively.

DEBT BURDEN EXPECTED TO REMAIN MANAGEABLE

The city's direct and overall debt burdens are 2.9% and 5.5% respectively, expressed as a percentage of fiscal 2010 taxable value and inclusive of these transactions. In May of 2010, city voters approved a $66 million general obligation bond package. The current sale represents the full authorization granted to the city. The current interest and sinking fund (I&S) tax rate of $2.12/$1,000 ad valorem value will be increased by $.60 to $2.72/$1,000. The total allowable tax rate is $25.00/$1,000, well above the city's current total of $5.75/$1,000. Officials do not expect to return to voters for additional authorization for at least another five years. The current certificate of obligation debt issuance plans include annual issuance of approximately $5 million for routine water and sewer system improvements. It is intended for this debt to be serviced with water and sewer revenues. The city's debt profile is manageable, and principal repayment is steady, with 62.1% retired in ten years. Moody's believes the city's debt burdens will remain moderate as prudent debt management practices continue.

KEY STATISTICS

2009 population estimate: 101,589

FY 2010 full value: $9.8 billion

Full value per capita: $96,840

FY 2009 Total General Fund Balance: $15.8 million (17.3% of General Fund revenues)

Direct debt burden: 2.9%

Overall debt burden: 5.5%

Ten year principal payout: 62.1%

RATING METHODOLOGY USED AND LAST RATING ACTION

The principal methodology used in assigning the rating to the City of Richardson's transactions was "General Obligation Bonds Issued by U.S. Local Governments," published in October 2009, and available on www.moodys.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website.

The last rating action with respect to the City of Richardson was on April 22, 2009, when the Aa1 rating was affirmed. The rating was subsequently recalibrated to Aaa on April 23, 2010.

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