

PRIVATE PLACEMENT MEMORANDUM DATED OCTOBER 19, 2010

NEW ISSUE BOOK-ENTRY-ONLY

On the date of initial delivery of the Bonds (defined below), Bond Counsel (defined on page 2) will render its opinion substantially in the form attached in APPENDIX C - FORM OF OPINION OF BOND COUNSEL.

**\$13,885,000**

**CITY OF ARLINGTON, TEXAS  
WATER AND WASTEWATER REVENUE BONDS  
SERIES 2010 (the "Bonds")**

**Dated:** November 1, 2010

**Due:** June 1, 2011

**Interest Date:** Interest on the Bonds will be payable on June 1 and December 1 each year, commencing June 1, 2011 (each an "Interest Payment Date"). The Bonds will bear interest at the rates per annum set forth in "APPENDIX A - MATURITY SCHEDULE."

**Record Date:** The close of business on the last business day of the calendar month immediately preceding the applicable Interest Payment Date.

**Date Interest Accrues:** Each Bond shall bear interest from the date of delivery thereof (the "Delivery Date") thereof or the most recent Interest Payment Date to which interest has been paid or provided for at the rate set forth, such interest payable on an Interest Payment Date until the earlier of maturity or prior redemption.

**Redemption:** The Bonds are subject to redemption prior to maturity as provided herein. See "THE BONDS - Redemption Provisions" herein.

**Authorized Denominations:** The Bonds are being issued as fully registered bonds in denominations of \$5,000, or any integral multiple thereof within a maturity.

**Paying Agent/Registrar/Registrar:** The paying agent ("Paying Agent/Registrar/Registrar") for the Bonds is Wells Fargo Bank N.A., Austin, Texas.

**Book-Entry-Only System** Upon initial issuance, the ownership of the Bonds will be registered in the registration books of the City kept by the Paying Agent/Registrar, in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") to which principal, redemption premium, if any, and interest payments on the Bonds will be made. The purchasers of the Bonds will not receive physical delivery of bond certificates. Principal of, interest, and premium if any, on the Bonds will be payable at the designated office of the Paying Agent/Registrar in Austin, Texas as the same become due and payable.

**Issuer:** City of Arlington, Texas (the "City")

**Ordinance:** Ordinance authorizing the issuance of the Water and Wastewater System Revenue Bonds, Series 2010 adopted by the City Council on October 19, 2010 (the "Ordinance").

**Purpose:** See "APPENDIX B – ORDINANCE."

**Security for the Bonds:** See APPENDIX B - ORDINANCE."

**Ratings:** See "OTHER INFORMATION - Ratings"

**Delivery Date:** November 19, 2010.

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**See "APPENDIX A - MATURITY SCHEDULE" for Principal Amounts, Maturities, Interest Rates,  
Prices or Yields, and Initial CUSIP Numbers**

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**CITY OF ARLINGTON, TEXAS**

**Elected Officials**

<b>City Council</b>	<b>Length of Service</b>	<b>Term Expires</b>	<b>Occupation</b>
Robert Cluck, M.D. Mayor	10 years <sup>(1)</sup>	May, 2011	Doctor
Mel LeBlanc Council Member	3 years	May, 2012	Account Manager
Sheri Capehart Council Member	8 years <sup>(2)</sup>	May, 2012	Computer Security Analyst, Retired
Robert Rivera Council Member	4 years	May, 2011	Real Estate Developer
Kathryn Wilemon Council Member	6 years	May, 2011	Community Volunteer
Lana Wolff Mayor Pro Tem	6 years	May, 2011	Community Volunteer
Gene Patrick Council Member	6 years	May, 2011	Small Business Owner
Robert Shepard Council Member	2 years	May, 2012	Attorney
Jimmy Bennett Council Member	2 years	May, 2012	Certified Public Accountant

<sup>(1)</sup> Served as Council member from May 2000 to May 2003 and elected Mayor in May 2004.

<sup>(2)</sup> Previously served as Council member from May 1999 to May 2003.

**Selected Administrative Staff**

<b>Name</b>	<b>Position</b>	<b>Years of Employment with City</b>
Jim Holgersson	City Manager	5
Fiona Allen	Deputy City Manager – Economic Development & Capital Investment	19
Gilbert Perales	Deputy City Manager – Strategic Support	4
Trey Yelverton	Deputy City Manager – Neighborhood Services	17
April Nixon	Director of Financial and Management Resources	19
Jay Doegey	City Attorney	24
Mary Supino <sup>(1)</sup>	City Secretary	1 <sup>(1)</sup> _

<sup>(1)</sup> Joined the City as of October 4, 2010.

**Advisors and Independent Auditors**

Independent Auditors .....	Deloitte & Touche LLP Dallas, Texas
Bond Counsel.....	Vinson & Elkins LLP Dallas, Texas
Financial Advisor.....	Estrada Hinojosa & Company, Inc. Dallas, Texas
Paying Agent.....	Wells Fargo Bank N.A. Austin, Texas

For additional information regarding the City, please contact:

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(817) 459-6100

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Ms. Nicole Roberts  
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Dallas, Texas  
214-658-1670

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**Private Placement Memorandum  
relating to**

**\$13,885,000**

**CITY OF ARLINGTON, TEXAS  
WATER AND WASTEWATER REVENUE BONDS  
SERIES 2010 (the "Bonds")**

**INTRODUCTION**

This Private Placement Memorandum, including the cover page and appendices, contains brief descriptions of the City, provides certain information with respect to the issuance by the City, and summaries of certain provisions of the "Bonds" pursuant to the Ordinance. Except as otherwise set forth herein, capitalized terms used but not defined in this Private Placement Memorandum have the meanings assigned to them in the Ordinance. See "APPENDIX B – "ORDINANCE" attached hereto.

APPENDIX A contains the maturity schedule for the Bonds. APPENDIX B contains the Ordinance and a description of the purpose for the proceeds of the Bonds. APPENDIX C contains a copy of the proposed opinion of Bond Counsel with respect to the Bonds. The summaries of the documents contained in the forepart of this Private Placement Memorandum are not complete or definitive, and every statement made in this Private Placement Memorandum concerning any provision of any document is qualified by reference to such document in its entirety.

**THE BONDS**

**General Description**

The Bonds are being issued in the aggregate principal amount set forth in APPENDIX A of this Private Placement Memorandum and will mature and be subject to redemption prior to maturity as described therein. The Bonds are being issued as fully registered bonds in denominations of \$5,000, or any integral multiple thereof within a maturity. The Bonds will be dated as of the stated date of issue and will mature on the dates referenced thereon, and will bear interest at the rates per annum set forth in "APPENDIX A - MATURITY SCHEDULE."

Interest on the Bonds is payable semiannually on each Interest Payment Date, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Principal of and the redemption price with respect to the Bonds will be payable to the Owners upon presentation and surrender at the principal office of the Paying Agent/Registrar.

**Purpose**

The Bonds are being issued to finance improvements and extensions to the City's water and wastewater system and to pay the costs of issuing the Bonds.

**Authority for Issuance**

The Bonds are issued as special obligations of the City of Arlington, Texas (the "City"), issued on parity with the currently Outstanding Bonds (as hereinafter defined). The Bonds are being issued pursuant to the general laws of the State of Texas, particularly Chapter 1502, Texas Government Code, as amended, Article XIII, Section 1 of the City's Home Rule Charter and the Ordinance passed by the City Council. The Bonds are special obligations of the City, and together with the Outstanding Bonds and any Additional Bonds, are payable, both as to principal and interest, solely from and secured by a first lien on and pledge of the Net Revenues (as defined in the Ordinance) of the Water and Wastewater System (the "System"). The Bonds shall not be a charge upon any other income or revenues of the City and shall never constitute an indebtedness or pledge of the general credit or taxing powers of the City. The Ordinance does not create any lien or mortgage on the System and any judgment against the City may not be enforced by the levy and execution against the property owned by the City. See "APPENDIX B - ORDINANCE."

**Redemption Provisions**

On December 1, 2020, or on any date thereafter, the Bonds maturing on and after June 1, 2021 may be redeemed prior to their scheduled maturities, in inverse order of maturity, upon the written direction of the City, with funds provided by the City, at par plus accrued interest to the date fixed for redemption as a whole, or in part, and if less than all of a maturity is to be redeemed the Paying Agent/Registrar will determine by lot the Bonds, or portions thereof within such maturity to be redeemed (provided that a portion of a Bond may be redeemed only in Authorized Denominations).

## **Notice of Redemption; Selection of Bonds to Be Redeemed**

Not less than 30 days prior to any redemption date, the Paying Agent/Registrar shall cause a notice of redemption to be sent by United States mail, first class postage prepaid, to each Owner of a Bond to be redeemed in whole or in part at the address of the Owner as shown on the records of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. The City reserves the right, in the case of an optional redemption, to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the City retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the City delivers a certificate of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption if such redemption has been rescinded shall remain Outstanding, and the rescission of such redemption shall not constitute an Event of Default. Further, in the case of a conditional redemption, the failure of the City to make moneys and/or authorized securities available in part or in whole on or before the redemption date shall not constitute an Event of Default.

ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

The Paying Agent/Registrar, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption of the Bonds, notice of proposed amendment to the Order or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the City will reduce the outstanding principal amount of such Bonds held by DTC. See "Book-Entry-Only System."

## **Book-Entry-Only System**

*The information in this caption concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book entry system has been obtained from DTC and the City makes no representation or warranty nor takes any responsibility for the accuracy or completeness of such information.*

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds and deposited with DTC. See APPENDIX B - "ORDINANCE."

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument (from over 100 countries) that DTC's participants (the "Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions, in deposited securities, through electronic computerized book entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearance Corporation, and Fixed Income Clearance Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: "AAA." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

## **TAX MATTERS**

### **Tax Exemption**

In the opinion of Vinson & Elkins LLP, Bond Counsel, (i) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law and (ii) the bonds are not “private activity bonds” under the Internal Revenue Code of 1986 as amended (the “Code”) and, as such, interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except as described below in the discussion regarding the adjusted current earnings adjustment for corporations.

The Code, imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of Bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the “Service”). The City has covenanted in the Ordinance that it will comply with these requirements.

Bond Counsel’s opinion will assume continuing compliance with the covenants of the Ordinance pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the City with respect to matters solely within the knowledge of the City, which Bond Counsel has not independently verified. If the City should fail to comply with the covenants in the Ordinance or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

The Code also imposes a 20% alternative minimum tax on the “alternative minimum taxable income” of a corporation if the amount of such alternative minimum tax is greater than the amount of the corporation’s regular income tax. Generally, the alternative minimum taxable income of a corporation (other than any S corporation, regulated investment company, REIT or REMIC, includes 75% of the amount by which its “adjusted current earnings” exceeds its other “alternative minimum taxable income.” Because interest on tax exempt obligations, such as the Bonds, is included in a corporation’s “adjusted current earnings,” ownership of the Bonds could subject a corporation to alternative minimum tax consequences.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds.

Bond Counsel’s opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel’s knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel’s attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel’s opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel’s legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems 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 as to 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 and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds regardless of the ultimate outcome of the audit.

### **Additional Federal Income Tax Considerations**

#### **Collateral Tax Consequences**

Prospective purchasers of the Bonds should be aware that the ownership of tax exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax exempt obligations and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the “branch profits tax” on their effectively connected earnings and profits, including tax exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

### **Tax Accounting Treatment of Original Issue Premium Bonds**

The issue price of all or a portion of the Bonds may exceed the stated redemption price payable at maturity of such Bonds. Such Bonds (the "Premium Bonds ") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Bonds.

### **Tax Accounting Treatment of Original Issue Discount Bonds**

The issue price of all or a portion of the Bonds may be less than the stated redemption price payable at maturity of such Bonds (the "Original Issue Discount Bonds "). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "Collateral Tax Consequences" generally applies, and should be considered in connection with the discussion in this portion of the Official Statement.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

The foregoing discussion assumes that (i) the Purchaser has purchased the Bonds for contemporaneous sale to the public and (ii) all of the Original Issue Discount Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the cover page of this Official Statement. Neither the City nor Bond Counsel has made any investigation or offers any comfort that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (i) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (ii) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Original Issue Discount Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.



## OTHER INFORMATION

### Forward Looking Statements

The statements contained in this Private Placement Memorandum, including the cover page, appendices, and any other information or documents provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Holders and beneficial owners of the Bonds have placed reliance on forward-looking statements. All forward looking statements included in this Private Placement Memorandum are based on information available to the City on the date hereof. It is important to note that the City's actual results could differ materially from those in such forward-looking statements.

### Ratings

The City's presently outstanding System revenue supported debt has an underlying rating of "Aa2" by Moody's Investors Service, Inc. ("Moody's"), "AA+" by Standard and Poor's Rating Services, a Standard and Poor's Financial Services LLC business ("S&P") and "AAA" by Fitch.

An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating companies, if in the judgment of any or all companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds.

Moody's and Fitch have recently recalibrated their long-term municipal ratings to their global rating scales.

Information regarding Moody's recalibration may be found on Moody's website at [http://v3.moodys.com/researchdocumentcontentpage.aspx?docid=PBM\\_PBM123300](http://v3.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_PBM123300).

Information regarding Fitch's recalibration may be found on Fitch's website at [http://www.fitchratings.com/creditedesk/reports/report\\_frame.cfm?rpt\\_id=506212](http://www.fitchratings.com/creditedesk/reports/report_frame.cfm?rpt_id=506212).

## LITIGATION

### General

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City Attorney that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

### The City

There is no litigation, proceeding, inquiry, or investigation pending by or before any court or other governmental authority or entity (or, to the best knowledge of the City, threatened) that adversely affects the power, authority or obligation of the City to deliver the Bonds, the security for, or the validity of, the Bonds or the financial condition of the City.

## CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB"). The City will provide the updated information to the MSRB through its Electronic Municipal Markets Access ("EMMA") information system. SEE APPENDIX B - "ORDINANCE."

### Compliance with Prior Undertakings

During the last five years the City has complied in all material respects with its prior undertakings.

### **MISCELLANEOUS**

Any statements made in this Private Placement Memorandum involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Private Placement Memorandum nor any statement that may have been made verbally or in writing is to be construed as a contract with the owners of the Bonds.

The information contained above is neither guaranteed as to accuracy or completeness nor to be construed as a representation by the City. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Private Placement Memorandum nor any sale made hereunder is to create, under any circumstances, any implication that there has been no change in the affairs of the City or the City from the date hereof.

The Private Placement Memorandum is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, as a whole or in part, for any other purpose.

### **ADDITIONAL INFORMATION**

The Private Placement Memorandum speaks only as of its date and the information contained herein is subject to change. Descriptions of the Bonds and the Ordinance and any other agreements and documents contained herein constitute summaries of certain provisions thereof and do not purport to be complete. This Private Placement Memorandum was approved by the City.

**APPENDIX A  
MATURITY SCHEDULE**

<b>(June 1) Maturity</b>	<b>Principal Amount</b>	<b>Interest Rate <sup>(1)</sup></b>	<b>Initial Yield <sup>(1)</sup></b>	<b>CUSIP <sup>(2)</sup></b>	<b>(June 1) Maturity</b>	<b>Principal Amount</b>	<b>Interest Rate <sup>(1)</sup></b>	<b>Initial Yield <sup>(1)</sup></b>	<b>CUSIP <sup>(2)</sup></b>
2011	\$ 690,000	0.00%	0.00%	04184KHM0	2021	\$ 695,000	0.80%	0.80%	04184KHX6
2012	695,000	0.00%	0.00%	04184KHN8	2022	695,000	0.95%	0.95%	04184KHY4
2013	695,000	0.00%	0.00%	04184KHP3	2023	695,000	1.05%	1.05%	04184KHZ1
2014	695,000	0.00%	0.00%	04184KHQ1	2024	695,000	1.20%	1.20%	04184KJA4
2015	695,000	0.00%	0.00%	04184KHR9	2025	695,000	1.30%	1.30%	04184KJB2
2016	695,000	0.00%	0.00%	04184KHS7	2026	695,000	1.40%	1.40%	04184KJC0
2017	695,000	0.00%	0.00%	04184KHT5	2027	695,000	1.50%	1.50%	04184KJD8
2018	695,000	0.20%	0.20%	04184KHU2	2028	695,000	1.60%	1.60%	04184KJE6
2019	695,000	0.40%	0.40%	04184KHV0	2029	690,000	1.65%	1.65%	04184KJF3
2020	695,000	0.65%	0.65%	04184KHW8	2030	690,000	1.70%	1.70%	04184KJG1

<sup>(1)</sup> Texas Water Development Board rates as of 10/18/2010. Average life of the issue is 10.030 years. True interest cost of the Certificates is 1.0676%

<sup>(2)</sup> CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the City nor the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.

**APPENDIX B  
ORDINANCE**

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BOND ORDINANCE

\$13,885,000

CITY OF ARLINGTON, TEXAS  
WATER AND WASTEWATER SYSTEM REVENUE BONDS  
SERIES 2010

Dated: November 19, 2010

Adopted: October 19, 2010

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AN ORDINANCE AWARDING THE SALE AND PROVIDING FOR THE ISSUANCE OF CITY OF ARLINGTON, TEXAS, WATER AND WASTEWATER SYSTEM REVENUE BONDS, SERIES 2010 IN THE AGGREGATE PRINCIPAL AMOUNT OF \$13,885,000; APPROVING AN ESCROW AGREEMENT AND A PAYING AGENT/REGISTRAR AGREEMENT; APPROVING THE FORM OF SAID BONDS; AND ENACTING OTHER PROVISIONS RELATING THERETO

WHEREAS, in accordance with the Constitution and laws of the State of Texas, specifically Chapter 1502, Texas Government Code, as amended, the City of Arlington, Texas (the "City"), has previously issued its waterworks and sewer system revenue bonds (the "Outstanding Bonds") payable from a lien on and pledge of the net revenues of the City's combined water and wastewater system (the "System"), formerly known as the waterworks and sewer system; and

WHEREAS, the City also has Subordinate Lien Obligations (as defined herein), payable from a lien on and pledge of the Net Revenues of the System, subordinate to the superior lien on and pledge of the Net Revenues established for the Outstanding Bonds; and

WHEREAS, the City Council has found and determined and does hereby find and determine that additional improvements and extensions to the City's System should be made; and

WHEREAS, in the ordinances authorizing the issuance of the Outstanding Bonds the City has reserved the right to issue, under certain conditions, additional bonds on a parity as to lien and right with the Outstanding Bonds; and

WHEREAS, the conditions precedent to the issuance of additional bonds under the ordinances authorizing the issuance of the Outstanding Bonds have occurred and are existing, and the City intends to issue pursuant to this Ordinance its revenue bonds as additional bonds on a parity with the Outstanding Bonds; and

WHEREAS, the City has requested financial assistance from the Texas Water Development Board ("TWDB") through TWDB's Clean Water State Revolving Fund to assist in the improvement and extension of the system (as defined herein).

WHEREAS, the Texas Water Development Board has committed to purchase the bonds hereinafter authorized pursuant to Subchapter J of Chapter 15, Texas Water Code, as amended; and

WHEREAS, the revenue bonds hereinafter authorized are to be issued and delivered pursuant to Chapter 1502, Texas Government Code, as amended, and in accordance with the general laws of the State of Texas; and

WHEREAS, the meeting at which this Ordinance is considered is open to the public as required by law, and the public notice of the time, place and purpose of said meeting was given as required by Chapter 551, Texas Government Code, as amended;

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

## ARTICLE I

### DEFINITIONS, FINDINGS AND INTERPRETATION

#### Section 1.1. Definitions.

Unless otherwise expressly provided or unless the context clearly requires otherwise, in this Ordinance, the following terms shall have the meanings specified below:

“Additional Bonds” means the additional parity bonds which the City reserves the right to issue in accordance with Section 9.1 of this Ordinance.

“Application” means the Application filed by the City with the Texas Water Development Board requesting financial assistance for improvement and extension of the system, as more fully described in such Application.

“Bond” means any of the Bonds.

“Bond Date” means the date designated as the initial date of the Bonds by Section 3.2(a) of this Ordinance.

“Bonds” means the City’s bonds authorized to be issued by Section 3.1 of this Ordinance entitled “City of Arlington, Texas, Water and Wastewater System Revenue Bonds, Series 2010.”

“Closing Date” means the date of the initial delivery of and payment for the first installment of the Bonds pursuant to Section 3.4 and the Escrow Agreement.

“Code” means the Internal Revenue Code of 1986, as amended, including applicable regulations, published rulings and court decisions.

“Commercial Paper Notes” means the City’s Water and Wastewater System Revenue Commercial Paper Notes, Series A.

“Commercial Paper Notes Ordinance” means the Ordinance of the City, dated October 23, 2007, authorizing the issuance of the Commercial Paper Notes.

“Credit Facility” means (i) a policy of insurance or a surety bond, issued by an issuer of policies of insurance insuring the timely payment of debt service on governmental obligations, provided that a Rating Agency having an outstanding rating on such obligations would rate such obligations which are fully insured by a standard policy issued by the issuer in its two highest generic rating categories for such obligations; and (ii) a letter or line of credit issued by any financial institution, provided that a Rating Agency having an outstanding rating on the Bonds would rate the Bonds in its two highest generic rating categories for such obligations if the letter or line of credit proposed to be issued by such financial institution secured the timely payment of the entire principal amount of the Bonds and the interest thereon.

“Designated Payment/Transfer Office” means (i) with respect to the initial Paying Agent/Registrar named in this Ordinance, the transfer/payment office located in Austin, Texas, or such other location designated by the Paying Agent/Registrar and (ii) with respect to any successor Paying Agent/Registrar, the office of such successor designated and located as may be agreed upon by the City and such successor.

“DTC” shall mean The Depository Trust Company of New York, New York, or any successor securities depository.

“DTC Participant” shall mean brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

“EMMA” means the Electronic Municipal Market Access System.

“Escrow Agent” means Wells Fargo Bank, N.A., its successors and assigns.

“Escrow Agreement” means that certain Escrow Agreement, between the City and the Escrow Agent, dated as of October 19, 2010, pertaining to the deposit of the proceeds of the Bonds.

“Funds” means any of the funds and accounts established or confirmed in this Ordinance of the ordinances authorizing the issuance of the Outstanding Bonds.

“Initial Bond” means the Initial Bond as authorized by Section 3.4(d) of this Ordinance.

“Interest and Sinking Fund” means the City of Arlington, Texas, Water and Wastewater System Revenue Bonds Interest and Sinking Fund.

“Interest Payment Date” means the date or dates upon which interest on the Bonds is scheduled to be paid until their respective dates of maturity or prior redemption, such dates being on June 1 and December 1 of each year, commencing June 1, 2011.

“MSRB” means the Municipal Securities Rulemaking Board.

“Net Revenues” means all income, revenues, and receipts of every nature derived from and received by virtue of the operation of the System (including interest income and earnings received from the investment of moneys in the Funds) after deducting and paying, and making provision for the payment of, current expenses of maintenance and operation thereof, including all salaries, labor, materials, repairs and extensions necessary to render efficient service; provided, however, that only such expenses for repairs and extensions as in the judgment of the City Council, reasonably and fairly exercised, are necessary to keep the System in operation and to render adequate service to the City and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition which would otherwise impair any obligations payable from the Net Revenues of the System, shall be deducted in determining “Net Revenues.” Contractual payments for the purchase of water or the treatment of sewage shall be a maintenance and operating expense of the System to the extent provided in the contract incurred

therefor and as may be authorized by law. Depreciation shall never be considered as an expense of operation and maintenance.

“Ordinance” means this ordinance pursuant to which the Bonds are authorized.

“Outstanding Bonds” means the outstanding bonds of the following issues of the City:

(1) Waterworks and Sewer System Revenue Bonds, Series 1996, authorized by ordinance duly adopted on June 18, 1996;

(2) Waterworks and Sewer System Refunding and Improvement Revenue Bonds, Series 1997, authorized by ordinance duly adopted on June 17, 1997;

(3) Water and Wastewater System Revenue Bonds, Series 1999, authorized by ordinance duly adopted on February 9, 1999;

(4) Water and Wastewater System Revenue Bonds, Series 2001, authorized by ordinance duly adopted on March 13, 2001;

(5) Water and Wastewater System Revenue Bonds, Series 2002, authorized by ordinance duly adopted on March 12, 2002;

(6) Water and Wastewater System Revenue Refunding Bonds, Series 2003, authorized by ordinance duly adopted on February 25, 2003;

(7) Water and Wastewater System Revenue Bonds, Series 2004, authorized by ordinance duly adopted on February 24, 2004;

(8) Water and Wastewater System Revenue Bonds, Series 2005, authorized by ordinance duly adopted on March 8, 2005;

(9) Water and Wastewater System Revenue Bonds, Series 2007, authorized by ordinance duly adopted on July 24, 2007;

(10) Water and Wastewater System Revenue Bonds, Series 2008, authorized by ordinance adopted June 17, 2008;

(11) Water and Wastewater System Revenue Refunding Bonds, Series 2009, authorized by ordinance adopted April 7, 2009; and

(12) Water and Wastewater System Revenue and Refunding Bonds, Series 2010, authorized by ordinance adopted June 22, 2010.

“Owner” means the person who is the registered owner of a Bond or Bonds, as shown in the Register, which shall be Cede & Co., as nominee for DTC, so long as the Bonds are in book-entry only form and held by DTC as securities depository in accordance with Section 3.10 hereof.

“Paying Agent/Registrar” means initially Wells Fargo Bank, N.A., or any successor thereto as provided in this Ordinance.

“Project” means the construction of improvements and extensions to the System as more fully described in the Application.

“Purchaser” means the Texas Water Development Board.

“Rating Agency” means any nationally recognized securities rating agency which has assigned a rating to the Bonds.

“Record Date” means the fifteenth calendar day of the month next preceding an Interest Payment Date.

“Register” means the Register specified in Section 3.6(a) of this Ordinance.

“Reserve Fund” means the City of Arlington, Texas, Water and Wastewater System Revenue Bonds Reserve Fund.

“Reserve Fund Obligations” means cash or investment securities of any of the type or types permitted under Section 7.5 of this Ordinance.

“Revenue Fund” means the City of Arlington, Texas, Water and Wastewater System Revenue Fund.

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

“SEC” means the United States Securities and Exchange Commission.

“Subordinate Lien Obligations” means Subordinate Lien Obligations as defined in the Commercial Paper Notes Ordinance.

“System” means the City’s existing combined water and wastewater system, formerly known as the City’s combined waterworks system and sewer system, including all properties (real, personal or mixed and tangible or intangible) owned, operated, maintained, and vested in, the City for the supply, treatment and distribution of treated water for domestic, commercial, industrial and other uses and the collection and treatment of watercarried wastes, together with all future additions, extensions, replacements and improvements thereto.

“TWDB” means the Texas Water Development Board, a state agency, or its successors and assigns.

#### Section 1.2. Findings.

The declarations, determinations and findings declared, made and found in the preamble to this Ordinance are hereby adopted, restated and made a part of the operative provisions hereof.

Section 1.3. Table of Contents, Titles and Headings.

The table of contents, titles and headings of the Articles and Sections of this Ordinance have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof and shall never be considered or given any effect in construing this Ordinance or any provision hereof or in ascertaining intent, if any question of intent should arise.

Section 1.4. Interpretation.

(a) Unless the context requires otherwise, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to include correlative words of the plural number and vice versa.

(b) This Ordinance and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein to sustain the validity of this Ordinance.

ARTICLE II

SECURITY FOR THE BONDS

Section 2.1. Security for the Bonds.

The Bonds, the Outstanding Bonds and any Additional Bonds, as to both principal and interest, are and shall be equally and ratably secured by and payable from a first lien on and pledge of the Net Revenues of the System; such lien on and pledge being superior to the lien on and pledge of the Net Revenues made for the security and payment of the Subordinate Lien Obligations.

Section 2.2. Limited Obligations.

The Bonds, the Outstanding Bonds and any Additional Bonds, are special obligations of the City, payable solely from the Net Revenues, and do not constitute a prohibited indebtedness of the City; neither the Bonds, the Outstanding Bonds nor any Additional Bonds shall ever be payable out of funds raised or to be raised by taxation.

Section 2.3. Security Interest.

The City represents that, under Chapter 1208.002, Texas Government Code, a security interest in property, other than real property, that is created by the City is valid and effective according to the terms of the security agreement and is perfected from the time the security agreement is entered into or adopted continuously through the termination of the security interest, without physical delivery or transfer of control of the property, filing of a document, or another act. The City covenants that, if Chapter 1208.002 is amended at any time while the Bonds are outstanding and unpaid, the City shall take all actions required in order to preserve for the Owners of the Bonds a perfected security interest in the property in which such security interest is granted pursuant to Section 2.1 hereof.

ARTICLE III

AUTHORIZATION; GENERAL TERMS AND PROVISIONS REGARDING THE BONDS

Section 3.1. Authorization.

The City’s revenue bonds to be designated the “City of Arlington, Texas, Water and Wastewater System Revenue Bonds, Series 2010,” are hereby authorized to be issued and delivered in accordance with the Constitution and laws of the State of Texas, including particularly Chapter 1502, Texas Government Code, as amended, and Article XIII, Section 1 of the Charter of the City. The Bonds shall be issued in the aggregate principal amount of \$13,885,000 for the purpose of improving and extending the System and paying the costs of issuing the Bonds.

Section 3.2. Date, Denomination, Maturities, Numbers and Interest.

(a) The Bonds shall be dated November 19, 2010. The Bonds shall be in fully registered form, without coupons, in the denomination of \$5,000 or any integral multiple thereof, and shall be numbered separately from one upward, except the Initial Bond, which shall be numbered T-1.

(b) The Bonds shall mature on June 1 in the years and in the principal amounts set forth in the following schedule:

<u>Stated Maturity (6/01)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Stated Maturity (6/01)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2011	\$690,000	0.000%	2021	\$695,000	0.800%
2012	695,000	0.000	2022	695,000	0.950
2013	695,000	0.000	2023	695,000	1.050
2014	695,000	0.000	2024	695,000	1.200
2015	695,000	0.000	2025	695,000	1.300
2016	695,000	0.000	2026	695,000	1.400
2017	695,000	0.000	2027	695,000	1.500
2018	695,000	0.200	2028	695,000	1.600
2019	695,000	0.400	2029	690,000	1.650
2020	695,000	0.650	2030	690,000	1.700

(c) The bonds shall bear interest at the rates per annum for each respective maturity specified in subsection (b) above. Interest shall accrue and be paid on each Bond respectively in the manner provided and on the dates stated in the Form of Bond. Interest shall be payable on each Interest Payment Date and shall be computed on the basis of a 360-day year of twelve 30-day months.



Section 3.3. Medium, Method and Place of Payment.

(a) The principal of and interest on the Bonds shall be paid in lawful money of the United States of America, as provided in this Section.

(b) Interest on the Bonds shall be payable to the Owners thereof as shown in the Register at the close of business on the Record Date. However, in the event that interest on the Bonds is not paid on a scheduled Interest Payment Date and remains unpaid for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") shall be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date," which shall be at least 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 Owner of a Bond appearing on the Register at the close of business on the last business day next preceding the date of mailing of such notice.

(c) Interest shall be paid by check, dated as of the Interest Payment Date, and sent, first class United States mail, postage prepaid, by the Paying Agent/Registrar to each Owner at the address of each as such appears in the Register or by such other customary banking arrangement acceptable to the Paying Agent/Registrar and the Owner; provided, however, the Owner shall bear all risk and expense of such other banking arrangement.

(d) The principal of each Bond shall be paid to the Owner of such Bond on the due date thereof, whether at the maturity date or the date of prior redemption thereof, upon presentation and surrender of such Bond at the Designated Payment/Transfer Office of the Paying Agent/Registrar.

(e) So long as TWDB is the Owner of the Bonds, payments of interest and principal shall be made in wire transfer form at no cost to TWDB.

(f) If the date for the payment of the principal of or interest on the bonds shall be a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are required or authorized by law or executive order to close, the date for such payment shall be the next succeeding day that is not a Saturday, Sunday, legal holiday, or day on which banking institutions are required or authorized to close, and payment on such date shall for all purposes be deemed to have been made on the due date thereof as specified in Section 3.2 of this Ordinance.

(g) Unclaimed payments of amounts due hereunder shall be segregated in a special account and held in trust, uninvested by the Paying Agent/Registrar, for the account of the Owner of the Bonds to which such unclaimed payments pertain. Subject to any escheat, abandoned property or similar law of the State of Texas, any such payments remaining unclaimed by the Owners entitled thereto for three (3) years after the applicable payment or redemption date shall be applied to the next payment or payments on the Bonds thereafter coming due and, to the extent any such money remains after the retirement of all outstanding

Bonds, shall be paid to the City to be used for any lawful purpose. Thereafter, none of the City, the Paying Agent/Registrar or any other person shall be liable or responsible to any holders of such Bonds for any further payment of such unclaimed moneys or on account of any such Bonds, subject to any applicable escheat law or similar law of the State of Texas.

Section 3.4. Execution and Registration of Bonds.

(a) The Bonds shall be executed on behalf of the City by the Mayor and City Secretary, by their manual or facsimile signatures, and the official seal of the City shall be impressed or placed in facsimile thereon. Such facsimile signatures on the Bonds shall have the same effect as if each of the Bonds had been signed manually and in person by each of said officers, and such facsimile seal on the Bonds shall have the same effect as if the official seal of the City had been manually impressed upon each of the Bonds.

(b) In the event that any officer of the City whose manual or facsimile signature appears on the Bonds ceases to be such officer before the authentication of such Bonds or before the delivery thereof, such manual or facsimile signature nevertheless shall be valid and sufficient for all purposes as if such officer had remained in such office.

(c) Except as provided below, no Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit of this Ordinance unless and until there appears thereon the Certificate of Paying Agent/Registrar substantially in the form provided herein, duly authenticated by manual execution by an officer or duly authorized signatory of the Paying Agent/Registrar. It shall not be required that the same officer or authorized signatory of the Paying Agent/Registrar sign the Certificate of Paying Agent/Registrar on all of the Bonds. In lieu of the executed Certificate of Paying Agent/Registrar described above, the Initial Bond delivered at the Closing Date shall have attached thereto the Comptroller's Registration Certificate substantially in the form provided herein, manually executed by the Comptroller of Public Accounts of the State of Texas, or by his 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, is a valid and binding obligation of the City, and has been registered by the Comptroller of Public Accounts of the State of Texas.

(d) On the Closing Date, one Initial Bond representing the entire principal amount of all Bonds, payable in stated installments to the Purchaser, or its designee, executed with the manual or facsimile signatures of the Mayor and the City Secretary, approved by the Attorney General, and registered and manually signed by the Comptroller of Public Accounts, will be delivered to the Purchaser or its designee. Upon payment for the Initial Bond, the Paying Agent/Registrar shall cancel the Initial Bond and deliver to DTC on behalf of the Purchaser definitive Bonds for each maturity, in the aggregate principal amount thereof, registered in the name of Cede & Co., as nominee of DTC, to DTC, on behalf of the Purchaser.

Section 3.5. Ownership.

(a) The City, the Paying Agent/Registrar and any other person may treat the person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of making and receiving payment as provided herein (except interest shall be paid to the person in

whose name such Bond is registered on the Record Date) and for all other purposes, whether or not such Bond is overdue, and neither the City nor the Paying Agent/Registrar shall be bound by any notice or knowledge to the contrary.

(b) All payments made to the Owner of any Bond shall be valid and effectual and shall discharge the liability of the City and the Paying Agent/Registrar upon such Bond to the extent of the sums paid.

### Section 3.6. Registration, Transfer and Exchange.

(a) So long as any Bond remains outstanding, the City shall cause the Paying Agent/Registrar to keep at the Designated Payment/Transfer Office a register in which, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with this Ordinance.

(b) A Bond shall be transferable only upon the presentation and surrender thereof at the Designated Payment/Transfer Office of the Paying Agent/Registrar with such endorsement or other evidence of transfer as is acceptable to the Paying Agent/Registrar. No transfer of any Bond shall be effective until entered in the Register.

(c) The Bonds shall be exchangeable upon the presentation and surrender thereof at the Designated Payment/Transfer Office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination and in an aggregate principal amount equal to the unpaid principal amount of the Bond presented for exchange. The Paying Agent/Registrar is hereby authorized to authenticate and deliver Bonds exchanged for other Bonds in accordance with this Section.

(d) Each exchange Bond delivered in accordance with this Section shall constitute an original contractual obligation of the City and shall be entitled to the benefits and security of this Ordinance to the same extent as the Bond or Bonds in lieu of which such exchange Bond is delivered.

(e) No service charge shall be made to the Owner for the initial registration, subsequent transfer, or exchange for a different denomination of any of the Bonds. The Paying Agent/Registrar, however, may require the Owner to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection with the registration, transfer or exchange of a Bond.

(f) Neither the City nor the Paying Agent/Registrar shall be required to issue, transfer, or exchange any Bond or portion thereof called for redemption prior to maturity within forty-five (45) days prior to the date fixed for redemption; provided, however, such limitation shall not be applicable to an exchange by the Owner of the uncalled principal balance of a Bond.

### Section 3.7. Cancellation.

All Bonds paid or redeemed before scheduled maturity in accordance with this Ordinance, and all Bonds in lieu of which exchange Bonds or replacement Bonds are authenticated and delivered in accordance with this Ordinance, shall be cancelled, and proper

records shall be made regarding such payment, redemption, exchange, or replacement. The Paying Agent/Registrar shall dispose of cancelled Bonds in accordance with requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations published thereunder.

Section 3.8. Temporary Bonds.

(a) Following the delivery and registration of the Initial Bond and pending the preparation of definitive Bonds, the proper officers of the City may execute and, upon the City's request, the Paying Agent/Registrar shall authenticate and deliver, one or more temporary Bonds that are printed, lithographed, typewritten, mimeographed or otherwise produced, in any denomination, substantially of the tenor of the definitive Bonds in lieu of which they are delivered, without coupons, and with such appropriate insertions, omissions, substitutions and other variations as the officers of the City executing such temporary Bonds may determine, as evidenced by their signing of such temporary Bonds.

(b) Until exchanged for Bonds in definitive form, such Bonds in temporary form shall be entitled to the benefit and security of this Ordinance.

(c) The City, without unreasonable delay, shall prepare, execute and deliver to the Paying Agent/Registrar the Bonds in definitive form; thereupon, upon the presentation and surrender of the Bond or Bonds in temporary form to the Paying Agent/Registrar, the Paying Agent/Registrar shall cancel the Bonds in temporary form and authenticate and deliver in exchange therefor a Bond or Bonds of the same maturity and series, in definitive form, in the authorized denomination, and in the same aggregate principal amount, as the Bond or Bonds in temporary form surrendered. Such exchange shall be made without the making of any charge therefor to any Owner.

Section 3.9. Replacement Bonds.

(a) Upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding. The City or the Paying Agent/Registrar may require the Owner of such Bond to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection therewith and any other expenses connected therewith.

(b) In the event that any Bond is lost, apparently destroyed or wrongfully taken, the Paying Agent/Registrar, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall authenticate and deliver a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding, provided that the Owner first complies with the following requirements:

(i) furnishes to the Paying Agent/Registrar satisfactory evidence of his or her ownership of and the circumstances of the loss, destruction or theft of such Bond;

(ii) furnishes such security or indemnity as may be required by the Paying Agent/Registrar to save it and the City harmless;

(iii) pays all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees of the Paying Agent/Registrar and any tax or other governmental charge that is authorized to be imposed; and

(iv) satisfies any other reasonable requirements imposed by the City and the Paying Agent/Registrar.

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

(d) In the event that any such mutilated, lost, apparently destroyed or wrongfully taken Bond has become or is about to become due and payable, the Paying Agent/Registrar, in its discretion, instead of issuing a replacement Bond, may pay such Bond if it has become due and payable or may pay such Bond when it becomes due and payable.

(e) Each replacement Bond delivered in accordance with this Section shall constitute an original additional contractual obligation of the City and shall be entitled to the benefits and security of this Ordinance to the same extent as the Bond or Bonds in lieu of which such replacement Bond is delivered.

### Section 3.10. Book-Entry Only System.

The Bonds shall initially be issued in book-entry-only form and shall be deposited with DTC, which is hereby appointed to act as the securities depository therefor, in accordance with the letter of representations from the City to DTC. On the Closing Date the definitive Bonds shall be issued in the form of a single typewritten certificate for each maturity thereof registered in the name of Cede & Co., as nominee for DTC.

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

name each Bond is registered in the Register as the absolute owner of such Bond for the purpose of payment of principal of, premium, if any, and interest on Bonds, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfer with respect to such Bond, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective Owners as shown in the Register, as provided in this Ordinance, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to payment of principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Register, shall receive a Bond certificate evidencing the obligation of the City to make payments of amounts due pursuant to this Ordinance. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Ordinance with respect to interest checks or drafts being mailed to the registered owner at the close of business on the Record Date, the word "Cede & Co." in this Ordinance shall refer to such new nominee of DTC.

Section 3.11. Successor Securities Depository; Transfer Outside Book-Entry-Only System.

In the event that the City determines that DTC is incapable of discharging its responsibilities described herein and in the letter of representations from the City to DTC, the City shall (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Bonds to such successor securities depository; or (ii) notify DTC and DTC Participants of the availability through DTC of certificated Bonds and cause the Paying Agent/Registrar to transfer one or more separate registered Bonds to DTC Participants having Bonds credited to their DTC accounts. In such event, the Bonds shall no longer be restricted to being registered in the Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Ordinance.

Section 3.12. Payments to Cede & Co.

Notwithstanding any other provision of this Ordinance to the contrary, so long as any Bonds are registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Bonds, and all notices with respect to such Bonds shall be made and given, respectively, in the manner provided in the blanket letter of representations from the City to DTC.

## ARTICLE IV

### REDEMPTION OF BONDS BEFORE MATURITY

#### Section 4.1. Limitation on Redemption.

The Bonds shall be subject to redemption before their scheduled maturity only as provided in this Article IV.

#### Section 4.2. Optional Redemption.

(a) The City reserves the right and option to redeem Bonds maturing on and after June 1, 2021, in whole or in part in inverse order of maturity, before their respective scheduled maturity dates, on December 1, 2020, or on any date thereafter, such redemption date or dates to be fixed by the City, at a price equal to the principal amount of the Bonds so called for redemption plus accrued interest to the date fixed for redemption.

(b) If less than all the Bonds are to be redeemed pursuant to an optional redemption, the Bonds shall be redeemed in inverse order of maturity. If less than all of the bonds within a maturity are to be redeemed, Bonds within such maturity shall be called by lot or other customary method that results in a random selection of the Certificates.

(c) The City, at least 45 days before the redemption date, unless a shorter period shall be satisfactory to the Paying Agent/Registrar, shall notify the Paying Agent/Registrar of such redemption date and of the principal amount of Bonds to be redeemed.

#### Section 4.3. Reserved.

#### Section 4.4. Partial Redemption.

(a) A portion of a single Bond of a denomination greater than \$5,000 may be redeemed, but only in a principal amount equal to \$5,000 or any integral multiple thereof. The Paying Agent/Registrar shall treat each \$5,000 portion of such Bond as though it were a single bond for purposes of selection for redemption.

(b) Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar, in accordance with Section 3.6 of this Ordinance, shall authenticate and deliver an exchange Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered, such exchange being without charge.

(c) The Paying Agent/Registrar shall promptly notify the City in writing of the principal amount to be redeemed of any Bond as to which only a portion thereof is to be redeemed.

#### Section 4.5. Notice of Redemption to Owners.

(a) The Paying Agent/Registrar shall give notice of any redemption of Bonds by sending notice by first class United States mail, postage prepaid, not less than 30 days before the

date fixed for redemption, to the Owner of each Bond or portion thereof to be redeemed, at the address shown in the Register.

(b) The notice shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment, and, if less than all the Bonds outstanding are to be redeemed, subject to Section 3.10 hereof, an identification of the Bonds or portions thereof to be redeemed.

(c) Any notice given as provided in this Section shall be conclusively presumed to have been duly given, whether or not the Owner receives such notice.

#### Section 4.6. Payment Upon Redemption.

(a) Before or on each redemption date, the City shall deposit with the Paying Agent/Registrar money sufficient to pay all amounts due on the redemption date and the Paying Agent/Registrar shall make provision for the payment of the Bonds to be redeemed on such date by setting aside and holding in trust an amount from the Interest and Sinking Fund or otherwise received by the Paying Agent/Registrar from the City and shall use such funds solely for the purpose of paying the principal of, redemption premium, if any, and accrued interest on the Bonds being redeemed.

(b) Upon presentation and surrender of any Bond called for redemption at the principal corporate trust office of the Paying Agent/Registrar on or after the date fixed for redemption, the Paying Agent/Registrar shall pay the principal of, redemption premium, if any, and accrued interest on such Bond to the date of redemption from the moneys set aside for such purpose.

#### Section 4.7. Effect of Redemption.

(a) Notice of redemption having been given as provided in Section 4.5 of this Ordinance, the Bonds or portions thereof called for redemption shall become due and payable on the date fixed for redemption; thereafter, unless the City defaults in the payment of the principal thereof, redemption premium, if any, or accrued interest thereon, such Bonds or portions thereof shall cease to bear interest from and after the date fixed for redemption, whether or not such Bonds are presented and surrendered for payment on such date.

(b) If the City shall fail to make provision for payment of all sums due on a redemption date, then any Bond or portion thereof shall continue to bear interest at the rate stated on the Bond until due provision is made for the payment of same.

#### Section 4.8. Conditional Notice of Redemption.

The City reserves the right, in the case of an optional redemption pursuant to Section 4.2 herein, to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the City retains the right to



rescind such notice at any time on or prior to the scheduled redemption date if the City delivers a certificate of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption and such redemption has been rescinded shall remain Outstanding and the rescission of such redemption shall not constitute an Event of Default. Further, in the case of a conditional redemption, the failure of the City to make moneys and or authorized securities available in part or in whole on or before the redemption date shall not constitute an Event of Default.

## ARTICLE V

### PAYING AGENT/REGISTRAR

#### Section 5.1. Appointment of Initial Paying Agent/Registrar.

Wells Fargo Bank, N.A. is hereby appointed as the initial Paying Agent/Registrar for the Bonds.

#### Section 5.2. Qualifications.

Each Paying Agent/Registrar shall be a commercial bank, a trust company organized under the laws of the State of Texas, or other entity duly qualified and legally authorized to serve as and perform the duties and services of paying agent and registrar for the Bonds.

#### Section 5.3. Maintaining Paying Agent/Registrar.

(a) At all times while any Bonds are outstanding, the City will maintain a Paying Agent/Registrar that is qualified under Section 5.2 of this Ordinance. The Mayor of the City is hereby authorized and directed to execute an agreement with the Paying Agent/Registrar specifying the duties and responsibilities of the City and the Paying Agent/Registrar in the substantially final form presented at this meeting, the terms and provisions of which are hereby approved. The signature of the Mayor shall be attested by the City Secretary of the City.

(b) If the Paying Agent/Registrar resigns or otherwise ceases to serve as such, the City will promptly appoint a replacement.

#### Section 5.4. Termination.

The City, upon not less than 60 days notice, reserves the right to terminate the appointment of any Paying Agent/Registrar by delivering to the entity whose appointment is to be terminated written notice of such termination.

#### Section 5.5. Notice of Change to Owners.

Promptly upon each change in the entity serving as Paying Agent/Registrar, the City will cause notice of the change to be sent to each Owner by first class United States mail, postage

prepaid, at the address in the Register, stating the effective date of the change and the name and mailing address of the replacement Paying Agent/Registrar.

Section 5.6. Agreement to Perform Duties and Functions.

By accepting the appointment as Paying Agent/Registrar, and executing the Paying Agent/Registrar Agreement, the Paying Agent/Registrar is deemed to have agreed to the provisions of this Ordinance and that it will perform the duties and functions of Paying Agent/Registrar prescribed thereby.

Section 5.7. Delivery of Records to Successor.

If a Paying Agent/Registrar is replaced, such Paying Agent, promptly upon the appointment of the successor, will deliver the Register (or a copy thereof) and all other pertinent books and records relating to the Bonds to the successor Paying Agent/Registrar.

## ARTICLE VI

### FORM OF THE BONDS

Section 6.1. Form Generally.

(a) The Bonds, including the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the Certificate of the Paying Agent/Registrar, and the Assignment to appear on each of the Bonds, (i) shall be substantially in the form set forth in this Article with such appropriate insertions, omissions, substitutions, and other variations as are permitted or required by this Ordinance, and (ii) may have such letters, numbers, or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and such legends and endorsements (including any reproduction of an opinion of counsel) thereon as, consistently herewith, may be determined by the City or by the officers executing such Bonds, as evidenced by their execution thereof.

(b) Any portion of the text of any Bonds may be set forth on the reverse side thereof, with an appropriate reference thereto on the face of the Bonds.

(c) The definitive Bonds shall be typewritten, printed, lithographed, or engraved, and may be produced by any combination of these methods or produced in any other similar manner, all as determined by the officers executing such Bonds, as evidenced by their execution thereof.

(d) The Initial Bond submitted to the Attorney General of the State of Texas may be typewritten and photocopied or otherwise reproduced.

Section 6.2. Form of the Bonds.

The form of the Bond, including the form of the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the form of Certificate of the Paying

Agent/Registrar and the form of Assignment appearing on the Bonds shall be substantially as follows:

(a) Form of Bond.

REGISTERED  
No. \_\_\_\_\_

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

United States of America  
State of Texas

COUNTY OF TARRANT  
CITY OF ARLINGTON, TEXAS  
WATER AND WASTEWATER SYSTEM REVENUE BOND  
SERIES 2010

INTEREST RATE:      MATURITY DATE:      BOND DATE:      CUSIP NUMBER:  
\_\_\_\_\_ %                  June 1, \_\_\_\_\_                  November 19, 2010                  \_\_\_\_\_

The City of Arlington (the "City"), in the County of Tarrant, State of Texas, for value received, hereby promises to pay to

\_\_\_\_\_

or registered assigns, but solely from the sources and in the manner hereinafter provided, on the Maturity Date specified above, the sum of

\_\_\_\_\_ DOLLARS

unless this Bond shall have been sooner called for redemption and the payment of the principal hereof shall have been paid or provided for, and to pay interest thereon, from the Date of Delivery as set forth above, to the date of its scheduled maturity or the date of its redemption prior to scheduled maturity, at the rate of interest per annum specified above, with said interest being payable on June 1, 2011, and semiannually on each June 1 and December 1 thereafter.

The principal of this Bond shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Bond at the corporate office in Austin, Texas (the "Designated Payment/Transfer Office), of Wells Fargo Bank, N.A., the initial Paying Agent/Registrar, or, with respect to a successor Paying Agent/Registrar, at the Designated Payment/Transfer Office of such successor. Interest on this Bond is payable by check dated as of the interest payment date, and mailed by the Paying Agent/Registrar to the registered owner at the address shown on the registration books kept by the Paying Agent/Registrar, or by such other customary banking arrangements acceptable to the Paying Agent/Registrar and the person to whom interest is to be paid; provided, however, such person shall bear all risk and expense of such other banking arrangement. For the purpose of the payment of interest on this Bond, the registered owner shall be the person in whose name this Bond is registered at the close of business on the "Record Date," which shall be the fifteenth

calendar day of the month next preceding such interest payment date. The foregoing notwithstanding, so long as the Texas Water Development Board is the registered owner of 100% in aggregate principal amount of the Bonds then outstanding, payment of principal and interest on the Bonds shall be made thereto by wire transfer, at no expense to the Texas Water Development Board.

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 required or authorized by law or executive order to close, the date for such payment shall be the next succeeding day that is not a Saturday, Sunday, legal holiday or day on which banking institutions are required or authorized to close and payment on such date shall for all purposes be deemed to have been made on the original date payment was due.

This Bond is one of a series of fully registered bonds specified in the title hereof issued in the aggregate principal amount of \$13,885,000 (herein referred to as the "Bonds"), issued pursuant to the authority provided by Chapter 1502, Texas Government Code, as amended, and a certain ordinance of the City (the "Ordinance"), for the purpose of improving and extending the City's water and wastewater system (formerly known as the waterworks and sewer system) (the "System"), and paying the costs of issuing the Bonds.

The Bonds, together with certain outstanding parity lien revenue bonds of the City, are secured by and payable solely from a first lien on and pledge of the net revenues of the System, as provided or incorporated by reference in the Ordinance. The Bonds constitute special obligations of the City payable solely from the sources and in the manner set forth herein and in the Ordinance and not from any other revenues, funds or assets of the City.

The City has reserved the right, subject to the restrictions stated or incorporated by reference in the Ordinance, to issue additional parity revenue bonds that may be secured in the same manner and on a parity with the Bonds and the previously issued parity revenue bonds.

The City has reserved the option to redeem the Bonds maturing on or after June 1, 2021, in whole or in part in inverse order of maturity, before their respective scheduled maturities on December 1, 2020, or on any date thereafter, at a price equal to the principal amount of the Bonds so called for redemption plus accrued interest to the date fixed for redemption. If less than all of the Bonds are to be redeemed, the Bonds shall be redeemed in inverse order of maturity. If less than all of the Bonds within a maturity are to be redeemed, Bonds within such maturity shall be called by lot or other customary method that results in a random selection of the Bonds.

Notice of such redemption or redemptions shall be given by first class mail, postage prepaid, not less than 30 days before the date fixed for redemption, to the registered owner of each of the Bonds to be redeemed in whole or in part. Notice having been so given, the Bonds or portions thereof designated for redemption shall become due and payable on the redemption date specified in such notice; from and after such date, notwithstanding that any of the Bonds or portions thereof so called for redemption shall not have been surrendered for payment, interest on such Bonds or portions thereof shall cease to accrue.

The City reserves the right, in the case of an optional redemption pursuant to Section 4.2 herein, to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the City retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the City delivers a certificate of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption and such redemption has been rescinded shall remain Outstanding and the rescission of such redemption shall not constitute an Event of Default. Further, in the case of a conditional redemption, the failure of the City to make moneys and or authorized securities available in part or in whole on or before the redemption date shall not constitute an Event of Default.

As provided in the Ordinance and subject to certain limitations therein set forth, this Bond is transferable upon surrender of this Bond for transfer at the Designated Payment/Transfer Office of the Paying Agent/Registrar with such endorsement or other evidence of transfer as is acceptable to the Paying Agent/Registrar; thereupon, one or more new fully registered Bonds of the same stated maturity, of authorized denominations, bearing the same rate of interest, and for the same aggregate principal amount will be issued to the designated transferee or transferees.

Neither the City nor the Paying Agent/Registrar shall be required to issue, transfer or exchange any Bond called for redemption where such redemption is scheduled to occur within 45 calendar days of the transfer or exchange date; provided, however, such limitation shall not be applicable to an exchange by the registered owner of the uncalled principal balance of a Bond.

The City, the Paying Agent/Registrar, and any other person may treat the person in whose name this Bond is registered as the owner hereof for the purpose of receiving payment as herein provided (except interest shall be paid to the person in whose name this Bond is registered on the Record Date) and for all other purposes, whether or not this Bond be overdue, and neither the City nor the Paying Agent/Registrar, nor any such agent shall be affected by notice to the contrary.

The registered owners hereof shall never have the right to demand payment of this Bond out of any funds raised or to be raised by taxation.

IT IS HEREBY CERTIFIED AND RECITED that this Bond has been duly and validly issued and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the issuance and delivery of this Bond have been performed, existed, and been done in accordance with law.

IN WITNESS WHEREOF, the City has caused this Bond to be executed in its name by the manual or facsimile signature of the Mayor of the City and countersigned by the manual or

facsimile signature of the City Secretary, and the official seal of the City has been duly impressed or placed in facsimile on this Bond.

\_\_\_\_\_  
City Secretary  
City of Arlington, Texas

\_\_\_\_\_  
Mayor, City of Arlington, Texas

[SEAL]

(b) Form of Comptroller's Registration Certificate.

The following Comptroller's Registration Certificate may be deleted from the definitive Bonds if such certificate on the Initial Bond is fully executed.

OFFICE OF THE COMPTROLLER           §  
OF PUBLIC ACCOUNTS                   §     REGISTER NO. \_\_\_\_\_  
OF THE STATE OF TEXAS               §

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

Witness my hand and seal of office at Austin, Texas, \_\_\_\_\_.

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

[SEAL]

(c) Form of Certificate of Paying Agent/Registrar.

The following Certificate of Paying Agent/Registrar may be deleted from the Initial Bond if the Comptroller's Registration Certificate appears thereon.

CERTIFICATE OF PAYING AGENT/REGISTRAR

The records of the Paying Agent/Registrar show that the Initial Bond of this series of bonds was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas, and that this is one of the Bonds referred to in the within mentioned Ordinance.

\_\_\_\_\_,  
as Paying Agent/Registrar

Dated: \_\_\_\_\_

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

(d) Form of Assignment.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto

\_\_\_\_\_  
(print or typewrite name, address and Zip Code of transferee)  
(Social Security or other identifying number: \_\_\_\_\_) the within Bond and all rights hereunder and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the within Bond on the books kept for registration hereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed By:

\_\_\_\_\_  
Authorized Signatory

NOTICE: The signature on this Assignment must correspond with the name of the registered owner as it appears on the face of the within Bond in every particular and must be guaranteed in a manner acceptable to the Paying Agent/Registrar.

(e) Initial Bond Insertions.

The Initial Bond shall be in the form set forth in paragraphs (a) through (d) of this Section, except for the following alterations:

(i) immediately under the name of the Bond, the headings “Interest Rate” and “Maturity Date” shall both be completed with the words “As shown below;”

(ii) in the first paragraph of the Bond, the words “on the Maturity Date specified above” shall be deleted and the following will be inserted: “on June 1 in each of the years, in the principal installments, and bearing interest at the per annum rates set forth in the following schedule:

<u>Year</u>	<u>Principal Installments</u>	<u>Interest Rates</u>
-------------	-------------------------------	-----------------------

(Information to be inserted from Section 3.2 hereof).

Section 6.3. CUSIP Registration.

The City may secure identification numbers through the CUSIP Service Bureau Division of Standard & Poor’s Corporation, New York, New York, and may authorize the printing of such numbers on the face of the Bonds. It is expressly provided, however, that the presence or absence of CUSIP numbers on the Bonds shall be of no significance or effect as regards the legality thereof and neither the City nor the attorneys approving said Bonds as to legality are to be held responsible for CUSIP numbers incorrectly printed on the Bonds.

Section 6.4. Legal Opinion.

The approving legal opinion of Vinson & Elkins L.L.P., Bond Counsel, may be printed on the back of or attached to each Bond over the certification of the City Secretary of the City, which may be executed in facsimile.

Section 6.5. Statement of Insurance.

A statement relating to a municipal bond insurance policy to be issued for the Bonds, if any, may be printed on or attached to each Bond in the event that such a policy insuring payment of the Bonds is purchased.

## ARTICLE VII

### FUNDS AND ACCOUNTS

Section 7.1. Funds.

The City covenants and agrees that all revenues derived from the operation of the System shall be kept separate from other funds of the City. To that end, the following special Funds heretofore established are hereby reaffirmed and shall be maintained in an official depository



bank of the City so long as any of the Bonds, the Outstanding Bonds and any Additional Bonds are outstanding and unpaid, to wit:

(a) “City of Arlington, Texas, Water and Wastewater System Revenue Fund” (herein called the “Revenue Fund”), formerly known as the Waterworks and Sewer System Revenue Fund;

(b) “City of Arlington, Texas, Water and Wastewater System Revenue Bonds Interest and Sinking Fund” (herein called the “Interest and Sinking Fund”), formerly known as the Waterworks and Sewer Revenue Bonds Interest and Sinking Fund; and

(c) “City of Arlington, Texas, Water and Wastewater System Revenue Bonds Reserve Fund” (herein called the “Reserve Fund”), formerly known as the Waterworks and Sewer System Revenue Bonds Reserve Fund.

Section 7.2. Revenue Fund.

The City shall deposit, from day to day as collected, all revenues of every nature derived from the operation of the System into the Revenue Fund and the money from time to time on deposit therein shall be appropriated to the following uses in the following order of priority, to wit:

(a) to the payment of all necessary and reasonable expenses of operation and maintenance of the System as said expenses are defined by law;

(b) to the Interest and Sinking Fund and the Reserve Fund when and in the amounts required by this Ordinance and the ordinances authorizing the Outstanding Bonds and any Additional Bonds and for the payment of the principal and interest on the Bonds, the Outstanding Bonds and any Additional Bonds when and as due and payable and for the creation of a reserve therefor;

(c) to the Note Payment Fund in accordance with the terms and conditions of the Commercial Paper Notes Resolution and any fund established by a resolution authorizing the issuance of additional Subordinate Lien Obligations; and

(d) to any other purpose of the City now or hereafter permitted by law.

Section 7.3. Interest and Sinking Fund.

In addition to all other amounts required by the ordinances authorizing the Outstanding Bonds, there shall be deposited into the Interest and Sinking Fund created for the benefit of the Outstanding Bonds, the Bonds, and all Additional Bonds, the following sums:

(a) such amounts, in equal monthly installments, commencing on the 25th day of the month immediately succeeding the month in which the Bonds are delivered, and on the 25th day of each month thereafter, as will be sufficient to pay the interest scheduled to come due on the Bonds on the next Interest Payment Date, less any amounts already on deposit therein for such purpose derived from the proceeds of the Bonds or from any other lawfully available source; and

(b) such amounts, in equal monthly installments, commencing on the 25th day of the month immediately succeeding the month in which the Bonds are delivered, and on the 25th day of each month thereafter, as will be sufficient to pay the next maturing principal of the Bonds.

(c) In addition to the foregoing requirements, the City shall make additional deposits into the Interest and Sinking Fund at the times and in the amounts specified in any ordinance authorizing the issuance of any Additional Bonds.

(d) The Interest and Sinking Fund shall be used solely for the purpose of paying the principal and interest on the Bonds, the Outstanding Bonds and any Additional Bonds as such principal matures and such interest becomes due and payable.

Section 7.4. Reserve Fund.

(a) The City covenants and agrees that it will continuously maintain in the Reserve Fund an amount of Reserve Fund Obligations equal to not less than the average annual principal and interest requirements on the Bonds, the Outstanding Bonds, and any Additional Bonds from time to time outstanding (the "Reserve Fund Requirement"), and that upon issuance of Additional Bonds, it will increase, if necessary and accumulate the amount to be deposited in the Reserve Fund in accordance with the requirements set forth in Section 9.1 hereof. For so long as the funds on deposit in the Reserve Fund are equal to the Reserve Fund Requirement, no additional deposit need be made therein, but should the Reserve Fund at any time contain less than the Reserve Fund Requirement, then, subject and subordinate to making the required deposits to the credit of the Interest and Sinking Fund, the City shall restore such deficiency by depositing additional Reserve Fund Obligations into the Reserve Fund in monthly installments of not less than 1/24th of the Reserve Fund Requirement on or before the 10th day of each month following such deficiency, termination, or expiration. The money on deposit in the Reserve Fund shall be used solely for the purpose of paying the principal of and interest on the Bonds, the Outstanding Bonds and any Additional Bonds at any time there are not sufficient moneys on deposit in the Interest and Sinking Fund.

(b) The City may, at its option, withdraw all surplus in the Reserve Fund over the Reserve Fund Requirement and deposit the same in the Revenue Fund; provided, however, that to the extent such surplus monies constitute bond proceeds, including interest and income derived therefrom, such amounts shall not be deposited to the Revenue Fund and shall only be used for the purposes for which bond proceeds may be used.

(c) For the purpose of determining compliance with the requirements of subsection (a) of this Section, Reserve Fund Obligations shall be valued each year as of the last day of the City's fiscal year at their cost or market value, whichever is lower, except that any direct obligations of the United States (State and Local Government Series) held for the benefit of the Reserve Fund in book-entry form shall be continuously valued at their par value or face principal amount.

(d) To the extent permitted by, and in accordance with applicable law and upon approval of the Attorney General of the State of Texas, the City may replace or substitute a Credit Facility for cash or investment securities, of any of the type or types permitted by

Section 7.5 hereof, on deposit in the Reserve Fund or in substitution or replacement of any existing Credit Facility. Upon such replacement or substitution, cash or investment securities of any of the types permitted by Section 7.5 hereof, on deposit in the Reserve Fund which, taken together with the face amount of any existing Credit Facilities, are in excess of the Reserve Fund Requirement may be withdrawn by the City, at its option, and transferred to the Revenue Fund; provided that the face amount of any Credit Facility may be reduced at the option of the City in lieu of such transfer. However, to the extent such surplus monies constitute bond proceeds, including interest and income derived therefrom, such amounts shall not be deposited to the Revenue Fund and shall only be used for the purposes for which bond proceeds may be used. Any interest due on any reimbursement obligation under the Credit Facility shall not exceed the highest lawful rate of interest which may be paid by the City.

(e) If the City is required to make a withdrawal from the Reserve Fund for any of the purposes described in this Section, the City shall promptly notify the issuer of such Credit Facility of the necessity for a withdrawal from the Reserve Fund for any such purposes, and shall make such withdrawal first from available moneys or investment securities then on deposit in the Reserve Fund, and next from a drawing under any Credit Facility to the extent of such deficiency.

(f) In the event of a deficiency in the Reserve Fund, or in the event that on the date of termination or expiration of any Credit Facility there is not on deposit in the Reserve Fund sufficient Reserve Fund Obligations, all in an aggregate amount at least equal to the Reserve Fund Requirement, then the City shall, after making required deposits to the Interest and Sinking Fund in accordance with the terms of this Ordinance, satisfy the Reserve Fund Requirement by depositing additional Reserve Fund Obligations into the Reserve Fund in monthly installments of not less than 1/24th of the Reserve Fund Requirement on or before the 10th day of each month following such deficiency, termination or expiration.

(g) In the event of the redemption or defeasance of any of the Outstanding Bonds, any Reserve Fund Obligations on deposit in the Reserve Fund in excess of the Reserve Fund Requirement may be withdrawn and transferred, at the option of the City, to the Revenue Fund, as a result of (i) the redemption of the Outstanding Bonds, or (ii) funds for the payment of the Outstanding Bonds having been deposited irrevocably with the paying agent or place of payment therefor in the manner described in this Ordinance, the result of such deposit being that such Outstanding Bonds no longer are deemed to be Outstanding under the terms of this Ordinance. However, to the extent such surplus monies constitute bond proceeds, including interest and income derived therefrom, such amounts shall not be deposited to the Revenue Fund and shall only be used for the purposes for which bond proceeds may be used.

(h) In the event there is a draw upon the Credit Facility, the City shall reimburse the issuer of such Credit Facility for such draw in accordance with the terms of any agreement pursuant to which the Credit Facility is issued from Net Revenues; however, such reimbursement from Net Revenues shall be subject to the provisions of subparagraph (f) hereof, and shall be subordinate and junior in right of payment to the payment of principal of and premium, if any, and interest on the Bonds.

Section 7.5. Construction Fund. There is hereby established a separate construction fund entitled “City of Arlington Series 2010 Construction Fund” (the “Construction Fund”). Amounts on deposit in the Construction Fund shall be applied by the City to pay the costs of the Project

Section 7.6. Investment of Funds.

Money in any Fund established pursuant to this Ordinance or any ordinance authorizing the issuance of Outstanding Bonds, and any Additional Bonds, may, at the option of the City, be invested in time deposits or certificates of deposit secured in the manner required by law for public funds, or be invested in direct obligations of, including obligations the principal and interest on which are unconditionally guaranteed by, the United States of America, in obligations of any agencies or instrumentalities thereof, or in such other investments as are permitted under the Public Funds Investment Act of 1987, Chapter 2256 Texas Government Code, as amended, or any successor law, as in effect from time to time; provided that all such deposits and investments shall be made in such manner (which may include repurchase agreements for such investment with any primary dealer of such agreements) that the money required to be expended from any Fund will be available at the proper time or times. Such investments shall be valued each year in terms of current market value as of the last day of the City’s fiscal year. For purposes of maximizing investment returns, to the extent permitted by law, money in such Funds may be invested in common investments of the kind described above, or in a common pool of such investment which shall be kept and held at an official depository bank, which shall not be deemed to be or constitute a commingling of such money or funds provided that safekeeping receipts or certificates of participation clearly evidencing the investment or investment pool in which such money is invested and the share thereof purchased with such money or owned by such fund are held by or on behalf of each such Fund. If necessary, such investments shall be promptly sold to prevent any default.

Section 7.7. Deficiencies in Funds.

If at any time the City shall fail to deposit into any Fund hereinabove created or reaffirmed the full amounts required to be deposited therein, the amounts equivalent to such deficiencies shall be set apart and paid into said Fund from the first available and unallocated Net Revenues of the System, and such payments shall be in addition to the amounts otherwise required hereby to be paid into said Funds. To the extent necessary, the City shall increase the rates and charges for services of the System to make up for any such deficiencies.

Section 7.8. Security of Funds.

All Funds heretofore created or reaffirmed, to the extent not invested as herein permitted, shall be secured in the manner and to the fullest extent required by law for the security of public funds, and such Funds shall be used only for the purposes and in the manner permitted or required by this Ordinance and the ordinances authorizing the issuance of the Outstanding Bonds and any Additional Bonds.

## ARTICLE VIII

### SALE AND DELIVERY OF BONDS; DEPOSIT OF PROCEEDS

#### Section 8.1. Sale of Bonds; Official Statement.

(a) The Bonds are hereby sold to TWDB (also referred to herein as “Purchaser”) for the price of par, less an origination fee payable to TWDB of \$247,030.00. The Bonds have been purchased by the TWDB pursuant to its Resolution No. 09-02 adopted on January 15, 2009, which provides that the Bonds are being purchased pursuant to Texas Water code, Section 15.607 from the Clean Water State Revolving Fund and that in accordance thereto the Executive Administrator of the Board will direct the purchase of the Bonds with the proceeds of the Bonds to be deposited to an escrow fund, held separate and apart from other monies of the City, and applied to the payment of costs of the projects for which the Bonds are authorized pursuant to Section 3.1. The sale of the Bonds is specifically contingent upon the adoption by the TWDB of an amendment to its Resolution No. 09-02, which conforms such Resolution to the additional bonds test set forth in Section 9.1 of this Ordinance

(b) The City hereby authorizes the City Manager to approve and execute such documents necessary to effect the delivery of the Bonds. Specifically, but not by way of limitation, the City Manager is hereby authorized and directed to execute and deliver and the City Secretary is hereby authorized and directed to attest the Escrow Agreement with such changes as approved by the City Manager, such approval being evidenced by the execution and delivery thereof.

(c) It is the intent of the parties to the sale of the Bonds that if TWDB ever determines to sell all or a part of the Bonds, it shall notify the City at least 60 days prior to the sale of the Bonds of the decision to so sell the Bonds.

(d) All officers of the City are authorized to execute such documents, certificates and receipts, and to make such elections with respect to the tax exempt status of Bonds, as they may deem appropriate in order to consummate the delivery of the Bonds in accordance with the provisions and terms of this Ordinance. Further, in connection with the submission of the record of proceedings for the Bonds to the Attorney General of the State of Texas for examination and approval of such Bonds, the appropriate officer of the City is hereby authorized and directed to issue a check of the City payable to the Attorney General of the State of Texas as a nonrefundable examination fee in the amount required by Chapter 1202, Texas Government Code (such amount not to exceed \$9,500).

(e) All officers of the City are authorized to execute such documents, certificates and receipts as they may deem appropriate in order to consummate the delivery of the Bonds in accordance with the terms and purposes of this Ordinance.

(f) The obligation of the Purchaser to accept delivery of the Bonds is subject to the Purchaser being furnished with the final, approving opinion of Vinson & Elkins L.L.P., Bond Counsel for the City, which opinion shall be dated and delivered on the Closing Date.

#### Section 8.2. Control and Delivery of Bonds.

(a) The Director of Finance of the City is hereby authorized to have control of the Initial Bond and all necessary records and proceedings pertaining thereto pending investigation, examination and approval of the Attorney General of the State of Texas, registration by the Comptroller of Public Accounts of the State of Texas, and registration with, and initial exchange or transfer by, the Paying Agent/Registrar.

(b) After registration by the Comptroller of Public Accounts, delivery of the Bonds shall be made to the initial Purchaser thereof under and subject to the general supervision and direction of the Director of Finance of the City, against receipt by the City of all amounts due to the City under the terms of sale.

#### Section 8.3. Deposit of Proceeds.

(a) Pursuant to written instructions from First Southwest Company, the City's Financial Advisor, on the Closing Date the Paying Agent/Registrar shall pay, from the proceeds of the Bonds received on the Closing Date, amounts sufficient to pay the costs and expenses pertaining to the issuance of the Bonds. Such amounts shall be paid directly to all parties to whom fees are owed with respect to the issuance of the Bonds. To the extent such amount is not required or used for such purpose, such excess shall be deposited to the Interest and Sinking Fund.

(b) After giving effect to the payment required in Section 8.01(a), the remaining proceeds of the Bonds shall be deposited to the "Escrow Fund" (as defined in the Escrow Agreement), and, to the extent directed in writing by TWDB, to the Construction Fund. Moneys deposited to the Escrow Fund shall be applied as provided in the Escrow Agreement.

#### Section 8.4. Approval of Escrow Agreement.

The Escrow Agreement, in substantially the form presented at this meeting, and the terms and provisions thereof, are hereby approved, and its execution and delivery by the Mayor, are hereby authorized and approved.

### ARTICLE IX

### COVENANTS

#### Section 9.1. Additional Bonds.

(a) In addition to the right to issue bonds of inferior lien as authorized by law, the City reserves the right to issue Additional Bonds, under and in accordance with this Section 9.1, for the purpose of improving, extending, equipping and repairing the System and for the purpose of refunding, in any lawful manner, any part or all of the Bonds or the Outstanding Bonds. The Additional Bonds shall be secured by and payable from a first and superior lien on and pledge of the Net Revenues in the same manner and to the same extent as the Bonds and the Outstanding Bonds; and the Bonds, any Outstanding Bonds, and the Additional Bonds then proposed to be issued shall in all respects be on a parity and of equal dignity as to lien and right. Additional Bonds may be issued under this Section in one or more installments; provided, however, that

none of the Additional Bonds shall be issued unless and until the following conditions have been met, to-wit:

(i) The City is not then in default as to any covenant, condition or obligation prescribed by any ordinance authorizing the issuance of the Outstanding Bonds;

(ii) Each of the special Funds created for the payment and security of the Bonds and the Outstanding Bonds contain the amount of money then required to be on deposit therein;

(iii) The City has secured from a Certified Public Accountant a certificate showing that the Net Earnings of the System for either the completed fiscal year next preceding the date of the Additional Bonds or a consecutive twelve-month period out of the last fifteen months next preceding the date of the Additional Bonds is equal to at least 1.25 times the average annual principal and interest requirements (calculated on a fiscal year basis) of all bonds which will be outstanding after the issuance of the proposed Additional Bonds. However, (A) should the certificate of the accountant certify that the Net Earnings of the System for the period covered thereby were less than required above, and (B) a change in the rates and charges for water and sewer services afforded by the System became effective at least 60 days prior to the last day of the period covered by the accountant's certificate, and (C) an independent engineer or engineering firm having a favorable reputation with respect to such matters will certify that, had such change in rates and charges been effective for the entire period covered by the accountant's certificate, the Net Earnings of the System covered by the accountant's certificate would have been, in his or their opinion, equal to at least 1.25 times the average annual principal and interest requirements (calculated on a fiscal year basis) of the Outstanding Bonds after giving effect to the issuance of the Additional Bonds, then, in such event, the coverage specified in the first sentence of this paragraph (iii) shall not be required for the period specified, and such accountant's certificate will be sufficient if accompanied by an engineer's certificate to the above effect;

(iv) The ordinance authorizing the Additional Bonds (A) requires that deposits shall be made into the Interest and Sinking Fund in amounts adequate to pay the principal and interest requirements of the Additional Bonds as the same become due; and (B) provides that the aggregate amount to be accumulated and maintained in the Reserve Fund shall be increased to an amount equal to the Reserve Fund Requirement for all Bonds to be outstanding after the issuance of said Additional Bonds. Such additional amount shall be so accumulated in not more than sixty months from the date of the Additional Bonds, in equal monthly installments, commencing on the 25<sup>th</sup> day of the month immediately succeeding the Closing Date, and on the 25<sup>th</sup> day of each month thereafter until an amount equal to the Reserve Fund Requirement is on deposit; and

(v) The Additional Bonds are scheduled to mature only on June 1, and the interest thereon is scheduled to be paid on June 1 and December 1.

(b) The term "Net Earnings," as used in this Section 9.1, shall mean all income, receipts and revenues derived from the operation of the System, including interest earned on

invested moneys in the special Funds created herein for the payment and security of obligations payable from the Net Revenues, after deduction of maintenance and operating expenses but not deducting depreciation, debt service payments on Bonds and other expenditures which, under standard accounting practice, should be classified as capital expenditures. Revenues and receipts resulting solely from the ownership of the System (grants, meter deposits and gifts) and interest earned on construction funds created from Bond proceeds shall not be treated or included as income, revenues or receipts from the operation of the System for purposes of determining "Net Earnings."

(c) Wherever, in this Section 9.1, the City reserves the right to issue Additional Bonds, such term shall also include, mean and refer to any other forms or types of obligations which may be made lawfully payable from and secured by the same source of revenues of the City.

(d) The City covenants that, for so long as any principal or interest pertaining to any Bonds or Outstanding Bonds remain outstanding and unpaid, it will not authorize or issue any further bonds of the City secured by a lien on and pledge of the revenues of the System superior or senior to the pledge and lien created herein for the Bonds and the Outstanding Bonds, or secured by a lien on and pledge of the revenues of the System on a parity with the Bonds and the Outstanding Bonds except in conformity with the provisions of this Section 9.1.

#### Section 9.2. Rates and Charges.

The City hereby covenants that, for the benefit of the original purchasers and any and all subsequent holders of the Bonds, the Outstanding Bonds and any Additional Bonds, or any part thereof, and in addition to all other provisions and covenants contained in this Ordinance, it is expressly agreed that the City shall, at all times while any of the Bonds, the Outstanding Bonds or any Additional Bonds are outstanding and unpaid, fix and maintain rates and collect charges for the facilities and services afforded by the System, which will provide revenues annually at least equal to the amount required to:

(a) pay for all operation, maintenance, depreciation, replacement and betterment charges of the System;

(b) establish and maintain the Interest and Sinking Fund and Reserve Fund requirements contained in this Ordinance and in the ordinances authorizing the Outstanding Bonds and any Additional Bonds; and

(c) produce Net Revenues each year in an amount not less than 1.25 times the average annual principal and interest requirements of the Bonds, the Outstanding Bonds and any Additional Bonds from time to time outstanding.

#### Section 9.3. Maintenance and Operation; Insurance.

(a) The City hereby covenants and agrees that the System shall be operated on a fiscal year basis and shall be maintained in good condition and operated in an efficient manner and at reasonable cost. So long as any of the Bonds or the Outstanding Bonds are outstanding, the City agrees to maintain insurance on the System of a kind and in an amount customarily



carried by municipal corporations in the State of Texas engaged in a similar type of business and in an amount sufficient to protect the TWDB's interest in the Project. Nothing in this Ordinance shall be construed as requiring the City to expend any funds which are derived from sources other than the operation of the System but nothing herein shall be construed as preventing the City from doing so.

(b) The City further covenants and agrees with the holder or holders of the Bonds from time to time, that it will maintain and operate the System with all possible efficiency while any of the Bonds remain outstanding and unpaid, and that it will faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the State of Texas, including the making and collecting of reasonable and sufficient rates for water and wastewater services supplied by the System, and segregation and application of the revenues of the System as required by the provisions of this Ordinance.

#### Section 9.4. Records, Accounts, Accounting Reports.

That the City hereby covenants and agrees that so long as any of the Bonds or Outstanding Bonds or any interest thereon remain outstanding and unpaid, it will keep and maintain a proper and complete system of records and accounts pertaining to the operation of the System and its component parts separate and apart from all other records and accounts of the City in accordance with accepted accounting practices prescribed for municipal corporations, and complete and correct entries shall be made of all transactions relating to the System, as provided by Chapter 1502, Texas Government Code, as amended. The holder or holders of any Bonds or any duly authorized agent or agents of such holders, shall have the right at all reasonable times to inspect all such records, accounts and data relating thereto and to inspect the System and all properties comprising same. The City further agrees that as soon as possible following the close of each fiscal year, it will cause an audit of such books and accounts to be made by an independent firm of Certified Public Accountants. Each such audit, in addition to whatever other matters may be thought proper by the Accountant, shall particularly include the following:

(a) A detailed statement of the income and expenditures of the components of the System for such fiscal year;

(b) A balance sheet as of the end of such fiscal year;

(c) A detailed statement of the source and disposition of all funds of the System during such fiscal year;

(d) The Accountant's comments regarding the manner in which the City has complied with the covenants and requirements of this Ordinance and his recommendations for any changes or improvements in the operation, records and accounts of the System;

(e) A list of the securities which have been on deposit as security for the money in the Interest and Sinking Fund and Reserve Fund throughout the fiscal year, a list of the investments, if any, credited to the Reserve Fund for the payment and security of the Bonds, and a statement of the manner in which money in the Revenue Fund has been secured in such fiscal year; and

(f) The number of customers served by the components of the System.

Expenses incurred in making the audits above referred to are to be treated as maintenance and operating expenses of the System and paid as such. Copies of the aforesaid annual audit shall be immediately furnished, upon written request, to the original purchasers and any subsequent holder of the Bonds.

Section 9.5. Further Covenants.

The City hereby further covenants and agrees as follows, to-wit:

(a) That it has the lawful power to pledge the Net Revenues to the payment of the Bonds and has lawfully exercised said power under the Constitution and laws of the State of Texas; that the Outstanding Bonds, the Bonds and the Additional Bonds, when issued, shall be ratably secured under said pledge in such manner that one bond shall have no preference over any other bond of said issues as hereinbefore provided.

(b) That, other than for the payment of the Outstanding Bonds and the Bonds, the Net Revenues of the System are not in any manner now pledged to the payment of any debt or obligation of the City or of the System.

(c) That, for so long as any of the Outstanding Bonds or the Bonds or any interest thereof remain outstanding, the City will not sell or encumber the physical properties of the System or any substantial part thereof; provided, however, this covenant shall not be construed to prohibit the sale of such machinery or other properties or equipment which has become obsolete or otherwise unsuited to the efficient operation of the System.

(d) That no free service of the System shall be allowed, and should the City or any of its agents or instrumentalities make use of the services and facilities of the System, payment of the reasonable value thereof shall be made by the City out of funds from sources other than the revenues and income of the System.

(e) That it will comply with all of the terms and conditions of any and all franchises, permits and authorizations applicable to or necessary with respect to the System, and which have been obtained from any governmental agency; and the City has or will obtain and keep in full force and effect all franchises, permits, authorizations and other requirements applicable to or necessary with respect to the acquisition, construction, equipment, operation and maintenance of the System.

(f) That it will not grant any franchise or permit the acquisition, construction or operation of any competing facilities which might be used as a substitute for the System's facilities, and, to the extent that it legally may, the City will prohibit any such competing facilities.

Section 9.6. Federal Income Tax Exclusion.

The City intends that the interest on the Bonds shall be excludable from gross income for purposes of federal income taxation pursuant to sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended (the "Code"), and the applicable Treasury regulations promulgated thereunder (the "Regulations"). The City covenants and agrees not to take any

action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause the interest on the Bonds to be includable in the gross income, as defined in section 61 of the Code, of the holders thereof for purposes of federal income taxation. In particular, the City covenants and agrees to comply with each requirement of Sections 9.6(a) through 9.13 of this Article IX; provided, however, that the City shall not be required to comply with any particular requirement of Sections 9.6 through 9.13 of this Article IX if the City has received an opinion of nationally recognized bond counsel (“Counsel’s Opinion”) that such noncompliance will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or if the City has received a Counsel’s Opinion to the effect that compliance with some other requirement set forth in Sections 9.6 through 9.13 of this Article IX will satisfy the applicable requirements of the Code, in which case compliance with such other requirement specified in such Counsel’s Opinion shall constitute compliance with the corresponding requirement specified in Sections 9.6 through 9.13 of this Article IX.

Section 9.7. No Private Use or Payment and No Private Loan Financing.

The City covenants and agrees that it will make such use of the proceeds of the Bonds, including interest or other investment income derived from Bond proceeds, regulate the use of property financed, directly or indirectly, with such proceeds, and take such other and further action as may be required so that the bonds will not be “private activity bonds” within the meaning of section 141 of the Code and the Regulations. Moreover, the City shall certify, through an authorized officer, employee or agent, that, based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be “private activity bonds” within the meaning of section 141 of the Code and the Regulations. .

Section 9.8. No Federal Guaranty.

The City covenants and agrees not to take any action, or knowingly omit to take any action within its control, that, if taken or omitted, respectively, would cause the Bonds to be “federally guaranteed” within the meaning of section 149(b) of the Code and the Regulations thereunder, except as permitted by section 149(b)(3) of the Code and the applicable Regulations thereunder.

Section 9.9. Bonds are not Hedge Bonds.

The City covenants and agrees not to take any action, or knowingly omit to take any action, and has not knowingly omitted and will not knowingly omit to take any action, within its control, that, if taken or omitted, respectively, would cause the Bonds to be “hedge bonds” within the meaning of section 149(g) of the Code and the Regulations.

Section 9.10. No-Arbitrage Covenant.

The City shall certify, through an authorized officer, employee or agent, that, based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, the City will reasonably expect that the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be “arbitrage bonds” within the meaning of section 148(a) of the Code and the Regulations. Moreover, the City covenants and agrees that it will make such

use of the proceeds of the Bonds including interest or other investment income derived from Bond proceeds, regulate investments of proceeds of the Bonds, and take such other and further action as may be required so that the Bonds will not be “arbitrage bonds” within the meaning of section 148(a) of the Code and the Regulations.

Section 9.11. Arbitrage Rebate.

If the City does not qualify for an exception to the requirements of Section 148(f) of the Code, the City will take all necessary steps to comply with the requirement that certain amounts earned by the City on the investment of the “gross proceeds” of the Bonds (within the meaning of section 148(f)(6)(B) of the Code), be rebated to the federal government. Specifically, the City will (i) maintain records regarding the investment of the gross proceeds of the Bonds as may be required to calculate the amount earned on the investment of the gross proceeds of the Bonds separately from records of amounts on deposit in the funds and accounts of the City allocable to other bond issue of the City or moneys which do not represent gross proceeds of any bonds of the City, (ii) calculate at such times as are required by the Regulations, the amount earned from the investment of the gross proceeds of the Bonds which is required to be rebated to the federal government, and (iii) pay, not less often than every fifth anniversary date of the delivery of the Bonds or on such other dates as may be permitted under the Regulations, all amounts required to be rebated to the federal government. Further, the City will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Bonds that might result in a reduction in the amount required to be paid to the federal government because such arrangement results in a smaller profit or a larger loss than would have resulted if the arrangement had been at arm’s length and had the yield on the issue not been relevant to either party.

Section 9.12. Information Reporting.

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

Section 9.13. Continuing Obligation.

(a) The City will retain all pertinent and material records relating to the use and expenditure of the proceeds of the Bonds until six years after the last Bond is redeemed, or such shorter period as authorized by subsequent guidance issued by the Department of Treasury, if applicable. All records will be kept in a manner that ensures their complete access throughout the retention period. For this purpose, it is acceptable that such records are kept either as hardcopy books and records or in an electronic storage and retrieval system, provided that such electronic system includes reasonable controls and quality assurance programs that assure the ability of the City to retrieve and reproduce such books and records in the event of an examination of the Bonds by the Internal Revenue Service.

(b) Notwithstanding any other provision of this Ordinance, the City's obligations under the covenants and provisions of Sections 9.6 through 9.13 of this Article IX shall survive the defeasance and discharge of the Bonds.

## ARTICLE X

### CONTINUING DISCLOSURE UNDERTAKING

#### Section 10.1. Annual Reports.

(a) The City shall provide annually to the MSRB, within six (6) months after the end of each fiscal year ending in or after 2010, financial information and operating data with respect to the City of the general type included in the final Application submitted to TWDB, being the information described in Exhibit A hereto. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles described in Exhibit A hereto, (ii) audited, if the City commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the City shall provide notice that audited financial statements are not available and shall provide unaudited financial statements for the applicable fiscal year to the MSRB. The City shall provide audited financial statements for the applicable fiscal year to the MSRB, when and if audited financial statements become available.

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

(c) The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific referenced to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to the MSRB or filed with the SEC.

#### Section 10.2. Material Event Notices.

(a) The City shall notify the MSRB, in a timely manner, of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws:

- (i) principal and interest payment delinquencies;
- (ii) nonpayment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;

- (v) substitution of credit or liquidity providers, or their failure to perform;
  - (vi) adverse tax opinions or events affecting the tax exempt status of the Bonds;
  - (vii) modifications to rights of Owners;
  - (viii) bond calls;
  - (ix) defeasances;
  - (x) release, substitution, or sale of property securing repayment of the Bonds;
- and
- (xi) rating changes.

(b) The City shall notify the MSRB, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with Section 10.1 of this Ordinance by the time required by such Section.

Section 10.3. Limitations, Disclaimers and Amendments.

(a) The City shall be obligated to observe and perform the covenants specified in this Article for so long as, but only for so long as, the City remains an “obligated person” with respect to the Bonds within the meaning of the Rule, except that the City in any event will give notice of any Bond calls and any defeasances that cause the City to be no longer an “obligated person.”

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

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

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

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

(e) The provisions of this Article may be amended by the City from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (i) the provisions of this Article, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (A) the Owners of a majority in aggregate principal amount (or any greater amount required by any other provisions of this Ordinance that authorizes such an amendment) of the Outstanding Bonds consent to such amendment or (B) an entity or individual person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Owners and beneficial owners of the Bonds. If the City so amends the provisions of this Article, it shall include with any amended financial information or operating data next provided in accordance with Section 10.1 an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in type of financial information or operating data so provided.

## ARTICLE XI

### REMEDIES

#### Section 11.1. Remedies in Event of Default.

In addition to all the rights and remedies provided by the laws of the State of Texas, the City covenants and agrees particularly that in the event the City (a) defaults in payments to be made to the Interest and Sinking Fund or the Reserve Fund as required by this Ordinance, or (b) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in this Ordinance, the holder or holders of any of the Bonds shall be entitled to a writ of mandamus issued by a court of proper jurisdiction, compelling and requiring the City and its officers to observe and perform any covenant, condition or obligation prescribed by 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.

## ARTICLE XII

### DISCHARGE OF BONDS

#### Section 12.1. Discharge of Bonds.

The Bonds may be discharged, defeased or refunded in any manner permitted by then applicable law.

## ARTICLE XIII

### SPECIAL PROVISIONS RELATING TO THE TEXAS WATER DEVELOPMENT BOARD

#### Section 13.1. Application of Article XIII.

The provisions of this Article shall apply so long as the Bonds, or any of them, are owned by the TWDB.

#### Section 13.2. Covenant to Abide with Rules.

The City will abide with all applicable laws of the State of Texas and Rules of the TWDB relating to the loan of funds evidenced by the Bonds and the Project.

#### Section 13.3. Tax Covenant.

The City will not take, or omit to take, any action which action or omission would adversely affect the excludability for federal income tax purposes of interest payable on the Bonds or on any series of bonds issued by the TWDB or the Texas Water Resources Finance Authority.

#### Section 13.4. Final Accounting.

(a) Subject to subparagraph (b) of this Section 13.4, upon completion of the Project, the City shall render a final accounting of the cost of the Project and shall deliver “as-built” plans of the Project to the TWDB; and, if the total cost of the Project, as finally completed, is less than originally estimated, so that the proper share of the participation of the TWDB in the Project is reduced, the City shall return to the TWDB the amount of such excess to the nearest multiple of the denomination of the Bonds, whereupon the TWDB shall cancel and return to the City a like amount of said Bonds held by the TWDB. The Bonds to be canceled and returned shall be chosen in inverse order of maturity. The remainder of such excess (an amount less than \$5,000) shall be deposited into the Interest and Sinking Fund.

(b) Notwithstanding the provisions of Section 13.4, in accordance with the rules and regulations of the TWDB, any surplus moneys remaining after completion of the Project may be used for improvements and extensions to the System which could otherwise be financed with the proceeds of bonds in any manner approved in writing by the executive administrator of the TWDB.



Section 13.5. Annual Audit Reports.

The City shall provide to the Executive Administrator of the TWDB, without necessity of a written request therefor, a copy of the City's annual audit report within 120 days after the end of the City's fiscal year.

Section 13.6. Environmental Indemnification.

To the extent permitted by law, the City agrees to indemnify, hold harmless, and protect the TWDB from any and all claims, causes of action, or damages to the person or property of third parties arising from the sampling, analysis, transport, storage, treatment, and disposition of any contaminated sewage sludge, contaminated sediments, and/or contaminated media that may be generated by the City, its contractors, consultants, agents, officials, and employees as a result of activities relating to the project.

Section 13.7. Approved Water Conservation Program

The City agrees to implement a water conservation program approved by the TWDB until all financial obligations to the State of Texas have been discharged

Section 13.8. Compliance with Davis-Bacon Act

The City agrees to comply with the Federal Davis-Bacon Wage Act, as amended, with respect to the expenditure of the proceeds of the Bonds.

Section 13.9. Compliance with Environmental Determination.

The City agrees to comply with the environmental determination of the Executive Administrator of the TWDB.

ARTICLE XIV

AMENDMENTS; ATTORNEY GENERAL MODIFICATION

Section 14.1. Amendments.

This Ordinance shall constitute a contract with the Owners, be binding on the City, and shall not be amended or repealed by the City so long as any Bond remains outstanding except as permitted in this Section. The City may, without consent of or notice to any Owners, from time to time and at any time, amend this Ordinance in any manner not detrimental to the interests of the Owners, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the City may, with the written consent of the Owners of the Bonds holding a majority in aggregate principal amount of the Bonds then outstanding, amend, add to, or rescind any of the provisions of this Ordinance; provided that, without the consent of all Owners of outstanding Bonds, no such amendment, addition, 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, the redemption price, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (ii) give any preference to any Bond over

any other Bond, or (iii) reduce the aggregate principal amount of Bonds required to be held by Owners for consent to any such amendment, addition, or rescission.

Section 14.2. Attorney General Modifications.

In order to obtain the approval of the Bonds by the Attorney General of the State of Texas, any provision of this Ordinance may be modified, altered or amended after the date of its adoption if required by the Attorney General in connection with the Attorney General's examination as to the legality of the Bonds and approval thereof in accordance with the applicable law. Such changes, if any, shall be provided to the City Secretary and the City Secretary shall insert such changes into this Ordinance as if approved on the date hereof.

PRESENTED, FINALLY PASSED AND APPROVED, AND EFFECTIVE on the 19th day of October, 2010, by a vote of \_\_\_\_\_ ayes and \_\_\_\_\_ nays at a regular meeting of the City Council of the City of Arlington, Texas.

\_\_\_\_\_  
ROBERT N. CLUCK, Mayor

ATTEST:

\_\_\_\_\_  
MARY SUPINO City Secretary

APPROVED AS TO FORM:  
JAY DOEGEY, City Attorney

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

*Signature Page for Ordinance*

## EXHIBIT A

### DESCRIPTION OF ANNUAL DISCLOSURE OF FINANCIAL INFORMATION

The following information is referred to in Article X of this Ordinance.

#### **Annual Financial Statements and Operating Data**

The financial information and operating data with respect to the City to be provided annually in accordance with such Section are as specified (and included in the Appendix or other headings of the Application referred to) below:

1. The portions of the financial statements of the City appended to the Private Placement Memorandum as Appendix B, but for the most recently concluded fiscal year.
2. Statistical and financial data set forth in Tables numbered 1 through 12, inclusive.

#### **Accounting Principles**

The accounting principles referred to in such Section are the accounting principles described in the notes to the financial statements referred to in Paragraph 1 above.

**APPENDIX C**  
**FORM OF OPINION OF BOND COUNSEL**

[Closing Date]

\$13,885,000

CITY OF ARLINGTON, TEXAS  
WATER AND WASTEWATER SYSTEM REVENUE BONDS  
SERIES 2010

WE HAVE represented the City of Arlington, Texas (the “Issuer”) as its bond counsel in connection with an issue of bonds (the “Bonds”) described as follows:

CITY OF ARLINGTON, TEXAS, WATER AND WASTEWATER SYSTEM REVENUE BONDS, SERIES 2010, dated [date of delivery], in the principal amount of \$13,885,000.

The Bonds mature, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Bonds and in the ordinance adopted by the City Council of the Issuer authorizing their issuance (the “Ordinance”).

WE HAVE represented the Issuer as its bond counsel for the 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 of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the Issuer’s Private Placement Memorandum prepared for use in connection with the sale of the Bonds has been limited as described therein.

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Issuer and customary certificates of officers, agents and representatives of the Issuer, and other public officials; and other certified showings relating to the authorization and issuance of the Bonds. We have also examined such applicable provisions

of the Internal Revenue Code of 1986, as amended (the “Code”), court decisions, United States Department of the Treasury regulations, and rulings of the Internal Revenue Service (the “Service”) as we have deemed relevant. We have also examined executed Bond No. 1 of this issue.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

- (A) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective and, therefore, the Bonds constitute valid and legally binding obligations of the Issuer;
- (B) The Bonds are payable from and secured by a lien on and pledge of the Net Revenues of the Issuer’s water and wastewater system, as defined and described in the Ordinance; and

THE RIGHTS OF THE OWNERS of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

IT IS OUR FURTHER OPINION THAT:

- (1) Interest on the Bonds is excludable from gross income for federal income tax purposes under existing law; and
- (2) The Bonds are not “private activity bonds” within the meaning of the Code and, interest on the Bonds is not (A) a specific preference item subject to the alternative minimum tax on individuals and corporations or (B) included in a corporation’s adjusted current earnings for purposes of the alternative minimum tax.

In providing such opinions, we have relied on representations of the Issuer, the Issuer’s Financial Advisor and the Purchaser with respect to matters solely within the knowledge of the Issuer, the Issuer’s Financial Advisor and the Purchaser, respectively, which we have not independently verified, and have assumed continuing compliance with the covenants in the Ordinance pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. If such representations are determined to be inaccurate or incomplete or the Issuer fails to comply with the foregoing provisions of the Ordinance, interest on the Bonds could become includable in gross income from the date of original delivery, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of the Bonds.

Owners of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the “branch profits tax” on their effectively-connected earnings and profits (including tax-exempt interest such as interest on the Bonds).

The opinions set forth above 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 these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, Bond Counsel’s opinions are not a guarantee of result and are not binding on 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 and local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to 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 Issuer as the taxpayer. We observe that the Issuer has covenanted in the Ordinance 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.